

TJL 3Q FY 2014/15 results - Chairman's Review

Textured Jersey Lanka PLC (TJL) reported net profit of Rs. 376mn for the quarter ended 31st December 2014 (3Q FY2014/15), a significant increase of 25% compared to the corresponding period last year. A combination of increased margins and strong revenue growth enabled TJL to post this impressive result this quarter.

With demand from its main customers back on track TJL was able to record a strong revenue growth of 12% year on year for 3Q FY2014/15, and report an impressive Rs. 3.8bn in sales. The better demand conditions also enabled TJL to improve its product mix and achieve higher levels of production efficiencies through optimal capacity utilisation and planning. This in turn allowed the company to expand its gross profit margins to 12.8% from 10.6% last year, causing gross profit to rise 34% to Rs. 481mn for 3Q FY2014/15.

The strong performance at gross profit level also enabled TJL to post an operating profit of approximately Rs.354mn and record 34% year over year growth at the operating profit level as well. This was achieved despite a 25% year on year increase in administrative and distribution expenses largely due to increases in provisions and some increases in training and development expenses.

TJL continued to maintain its near debt-free balance sheet as at 31st December 2014, with a net cash position of Rs.1.65bn. TJL's strong cash generation ability has enabled it to increase its net cash position by 33% compared to Rs.1.24bn recorded as at 30th September 2014. However, due to increased levels of investment and working capital the net cash balance was 29% less compared with the same period previous year.

Lower interest rates, combined with a lower cash position vs. a year before contributed to net finance income coming in at Rs.9mn for 3Q FY2014/15, compared to Rs. 22mn in the corresponding quarter last year. The quarter closed at a net profit of Rs. 376mn, a significant increase of 25% from last year, pushing up the net profit for 9 months ended 31st December 2014 to Rs.822mn, putting it back on track to achieve a strong annual performance despite the setbacks during the early part of the year.

The operational ramp up of the multi fuel boiler is progressing well though slightly behind schedule. This is due to fine tuning work being undertaken to achieve the envisaged level of efficiencies during the testing phase. The plant is expected to commence full scale operations in the coming quarter.

With TJL's additional capacity of 10-12% coupled with the continuous focus on improving its capabilities and demand from its main markets back on track, management is confident that the company will continue its growth and create shareholder value for the foreseeable future.