



MAY 2017

## Overview

Symbol: JAM
Estimated EPS for 1396: 1570 rials
Market cap.:9.086 Billion tomans
Industry P/E : 6.17
Capital: 960 Billion tomans
Share price: 9220 Rial
Average daily volume: 6030 million share
Suggestion: buy
Fiscal Year: 12/29
P/E: 6.03
Estimated return: 29%
Target Price: 11,883 rials

## The company activity history

Jam Petrochemical Company that is called JPC in short, has been established as One of the world's largest olefin production units, one of the development projects of the National Petrochemical Company of Iran at 1378 in Pars Petrochemical free zone in Assaluyeh, mainly in order to produce olefins and linear light and heavy polyethylene. Jam Petrochemical Company has various production units with special features including Olefin, high density polyethylene, linear polyethylene, butadiene, butene -1 units which while playing an outstanding role at Pars Special Economic Zone Mega-size projects chain, this company could obtain its share in regional and the world Markets and is considered by the main actors in the petrochemical industry. Main center of the company is in Tehran and the factory is in South Pars Special Economic Zone in Assaluyeh located in Bushehr province. South Pars gas field, one of National Iranian Oil Company Exploration, is one of the world's largest gas reserves which is located on Iran and Qatar common boundary line in Persian Gulf and within 105 kilometers southwest of Assaluyeh port. The extent of this gas field is 9700 sq. Km whose 3700 sq.Km is in Iran waters. The field's reserves are estimated to be nearly 14 trillion cubic meters that constitutes about 50 percent of the country's total gas reserves.

## Subsidiary companies

- Jam Sanat Karan

This company is under 100% ownership of Jam Petrochemical and active in the field of design and engineering, repair and maintenance of Industrial Machineries in the petrochemicals context

- Jam polypropylene

The Jam polypropylene company is the producer of Polypropylene granule and produces this product by using feed received from Jam Petrochemical. Now this company is active with nominal capacity of 300 thousand tons yearly. It is predicted that Jam polypropylene company realize 58,317 rials profit in 96 per share and divide 53,016 rials.

- **Gohar Ofogh**

Gohar Ofogh Industrial Park Development Company recently is incorporated in order to participate in feed lines and networks construction projects and projects utility and constructing 10 thousand tons tank of styrene monomer As feed for the project, constructing peroxide storage And utilities. The Jam Petrochemical share in this company is 25%

- Pad Energy Development Company
- This company is incorporated in Kish free zone and does not have any activity currently.

### **Company's Capital and shareholders:**

The company's capital is 960 billion tomans and the company's shareholders are as following table:

Holder/shareholder	share	percent
Country Pension fund Investment Company, part 1	1 B	14%
Tamin Petroleum and petrochemical Investment Company- Publicly traded	1 B	14%
Country Pension fund	900 M	9%
Country Pension fund, part 8	900 M	9%
Country Pension fund Investment Company- Joint Stock	890 M	9%
Iranian Investment Petrochemical group company- joint stock	460 M	5%
Country pension fund investment value management group company- Pvt	360 M	4%
Rural and tribes Social Insurance Fund Institute	309 M	3%
Tamin Petroleum and petrochemical Investment Company- part 1	225 M	2%
Province Investment Co Tehran.	146 M	2%

Iran Zamin Bank	124 M	1%
Investment Co Province Khorasan e Razavi	117 M	1%
.Eghtesad Investment Co Modabberan	111 M	1%
Province Investment Co Fars	99 M	1%

## Financial position

In following table, balance sheet of the company during last 7 years and some important ratios of company are expressed:

Balance sheet	1395/090/30	1394/12/29	1393/12/29	1392/12/29	1391/12/29	1390/12/29
Cash funds and inventories with banks	2,749,163	1,069,738	1,025,824	5,182,411	2,078,254	940,349
Finished goods inventory	3,313,753	704,141	1,546,602	1,122,604	2,089,004	1,362,175
Components and spare parts inventory		1,824,925	2,549,391	1,982,988	1,723,372	1,247,214
Materials and goods inventory	3,313,753	2,550,356	4,113,389	3,105,592	3,817,141	2,613,184
accounts and received Business documents	19,156,347	18,323,334	17,154,216	18,861,945	17,647,059	6,479,021
Total current assets	26,437,868	23,716,966	23,610,224	28,374,341	24,032,719	10,854,504
Net Fixed Assets	17,761,879	18,024,100	17,469,426	18,704,306	14,778,795	15,592,723
Total non-current assets	21,732,261	22,345,572	18,463,034	19,706,930	17,310,351	17,267,886
Total assets	48,170,129	46,062,538	42,073,258	48,081,271	41,343,070	28,122,390
Total current debts	24,984,955	19,320,063	14,268,761	25,082,922	23,909,862	16,938,911
Non-current debts	678,639	535,363	459,174	559,494	1,223,958	2,304,496
Total debts	25,663,594	19,855,426	14,727,935	25,642,416	25,133,820	19,243,407
Total equities in the end of fiscal year	22,506,535	26,207,112	27,345,323	22,438,855	16,209,250	8,878,983
Total Debts and equities	48,170,129	46,062,538	42,073,258	48,081,271	41,343,070	28,122,390

## Operating Company position

In following table, loss & profit position of the company is expressed since 1389 until now:

Loss and profit statement	1395/090/30	1394/12/29	1393/12/29	1392/12/29	1391/12/29	1390/12/29
capital	9,600,000	9,600,000	9,600,000	4,800,000	4,800,000	4,800,000
Total revenues	34,649,484	45,465,423	46,565,869	51,095,558	34,196,769	20,937,501
Cost of goods sold	21,397,890	27,962,347	29,297,647	32,873,461	20,811,770	14,370,961
Gross profit	13,251,594	17,503,076	17,268,222	18,222,097	13,384,999	6,566,540
Operating profit (loss)	9,647,647	13,226,766	14,758,833	14,109,632	10,926,161	4,373,204
Net profit (loss) before deducting tax	10,699,423	14,481,696	15,350,142	14,928,926	10,546,268	3,586,761
Net profit (loss) after deducting tax	10,699,423	14,481,696	15,350,142	14,928,926	10,546,268	3,586,761
Net profit margin	31%	32%	33%	29%	31%	17%
EPS Net	1,115	1,509	1,599	3,110	2,197	747

In following table, loss & profit position of the company is expressed since 1389 until now:

Financial ratios	1395/090/30	1394/12/29	1393/12/29	1392/12/29	1391/12/29	1390/12/29
Current ratio	1.13	1.41	1.32	1.07	0.85	0.64
Debt ratio	48%	39%	45%	57%	64%	68%
Net profit margin	31%	32%	33%	29%	31%	17%
ROE	44%	54%	62%	77%	84%	40%
Return on assets	23%	33%	34%	33%	30%	13%
Inventory turnover period	50	43	45	38	56	66
Collection period	197	142	141	130	129	113

## The company's capacity

Jam Petrochemical is one of the largest manufacturers of petrochemical industry in Iran in terms of capacity, olefin unit of Jam Petrochemical is one of the largest olefin units in the country and the world with a capacity of 1.32 million tons of ethylene and 306,000 tons of propylene per year.

Jam Petrochemical production units are defined in two phases which are as following tables:

Phase-1 units	Product type	1 thousand tons capacity
olefin	ethylene	1,320
	propylene	305
	Four-carbon compounds	245
	Pyrolysis gasoline	220
	Fuel oil	24
High Density Polyethylene	High Density Polyethylene	300
Linear low-density polyethylene	Linear low-density polyethylene	300
Jam Polypropylene	Polypropylene	300

Phase-2 units	Product type	1 thousand tons capacity
Butadiene	Butadiene, the main product and Raffinate, byproduct	115
Butene 1	Butene 1	100
Acrylonitrile	Types of ABS grades	200
Butadiene styrene (ABS)		
Rubber	Producing Butadiene styrene elastomers to supply ABS unit Feed and completing rubber downstream industries production chain	60



- Ethylene is the most produced product of the company that a part of it is consumed as feed for other units and the other part is sold.
- 56% of the company's sales are domestic and 44% is export. Domestic sales of the company is ethylene and much of the company's exports is poly ethylene.
- One of the unique characteristics of this Jam Petrochemical unit is possibility to use dual-use furnaces (liquid and gas feeds. Unit's feed includes gas feed (ethane) and a variety of liquid feeds such as LPG, light cut, raffinate, pentane cut and returned propane and C4 cut. The liquid feed is supplied by Nuri petrochemical and gas feed is supplied by South Pars (344 thousand tons per year) and Pars Petrochemical (234 thousand tons per year).
- Currently, Jam Petrochemical produces under its nominal capacity which prediction show that by complete opening of South Pars projects, the company's need to liquid feed will be reduced and use it instead of ethane which lead to rise the company's capacity to complete one.
- Ethane price is calculated according to the formula that was suggested in Mehr 95  
Ethane price =  $0.25 * (\text{naphtha price} + \text{poly ethylene price}) - 145$
- In this formula, prices are in ton metric. Persian Gulf Naphtha FOB price and polyethylene price are average price of Iran and the CFR India and China. Also, ethane price should be between \$ 220 to \$ 400 per ton. The formula will endure from Mehr 1395 to Mehr 1410.
- By the oil price growth, the company's products price in world markets is raised. On the one hand, raw materials price (mainly ethane and light cut) has a direct relationship with oil and exchange prices. The exchange price used for ethane gas is currency exchange price and exchange rate unification is one of the company's risks.

### Investment Income

Jam Petrochemical has predicted 193 billion tomans investment Income for 96 year whose main part is of Jam Petrochemical poly propylene which Jam Petrochemical is owner of its 49% and since 34% of Petroshimiran is owned by Jam Petrochemical and due to Petroshimiran ownership in Jam Poly propylene, Jam Petrochemical has more than 50% of ownership in this company.

## Predict the Earnings per share

To predict the earnings per share, following scenarios are considered:

- **Plausible scenario:** Ethan price, \$ 227 and the official exchange price, 33,000 rials, free exchange price, 37,500 rials, products prices are assumed with the latest update prices.
- **Optimistic scenario:** Ethan price, \$ 221 and the official exchange price, 33,000 rials, free exchange price, 37,500 rials, products prices are assumed according to exchange and oil prices growth.
- **Pessimistic scenario:** Ethan price, \$ 270 and the official exchange price, 38,000 rials, free exchange price is equivalent to State exchange, products prices are assumed according to exchange and oil prices growth.

Loss and profit statement prediction	96 Pessimistic expertise	96 optimistic expertise	96 plausible expertise	Budget 96	Budget 95
sales	48,277,846	54,702,039	52,438,637	52,675,374	48,149,101
Cost of sold goods	-32,704,893	-30,124,889	-31,333,131	-33,894,780	-29,259,123
Gross profit (loss)	15,572,953	24,577,150	21,105,506	18,780,594	18,889,978
Selling, general and administrative costs	-5,603,956	-5,603,956	-5,603,956	-5,298,156	-4,833,645
Investments revenue-	1,935,069	1,935,069	1,935,069	1,935,069	200,358
Operating profit (loss)	11,904,066	20,908,263	17,436,619	15,417,507	14,256,691
Financial costs	-587,785	-587,785	-587,785	-587,785	-242,042
Investments revenue- non-operating				0	1,907,494
other Net revenues and non-operating costs	246,736	246,736	246,736	246,736	216,193
Profit (loss) before taxation	11,563,017	20,567,214	17,095,570	15,076,458	16,138,336
income tax				0	0
Net Profit (loss)	11,563,017	20,567,214	17,095,570	15,076,458	16,138,336
Net Profit (loss) per share (rial)	1,204	2,142	1,781	1,570	1,681
Capital	9,600,000	9,600,000	9,600,000	9,600,000	9,600,000



## Valuation

According to raised scenarios and by assuming that the company has 90% profit division like previous years and by considering current Iran economic conditions, the share price per scenario is estimated according to following table and by considering the each scenario's weight, share price is estimated to be 1187 tomans finally.

hypotheses		96 Pessimistic expertise	96 optimistic expertise	96 plausible expertise
Earnings per share		1,204	2,142	1,781
Division profit 96	0.9	1,084	1,928	1,603
price		8,339	14,832	12,329
Weight per scenario		30%	30%	40%
value		11,883		

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