

JAIN PLASTICS AND CHEMICALS

Moulding Profits With Diversified Business

Jain Plastics and Chemicals Ltd (JPCL) is a fusion of six companies belonging to the plastic group of industries. Among these, Aarbee Pipes and Profiles Pvt Ltd (APPL) was incorporated in February 1982 and the rest of the five companies were merged with APPL in March 1993. The merged entity's name was subsequently changed to JPCL.

The Jain group, headed by Bhavarlal Hiralal Jain, manufactures a wide range of products including enzymes, extruded and moulded plastics, drip and micro irrigation systems and high-tech agricultural inputs like tissue culture plants, water soluble fertilizers, green houses, etc.

Jain Irrigation Systems Ltd, a group company, is a renowned manufacturer of a number of agro-based industrial products and is a recognised export trading house.

JPCL manufactures papain (an agro-based industrially important enzyme), PVC pipes and fittings and PVC and other plastic material and products and is also a dealer in these products. Its manufacturing facilities are spread over 1.5 acres of land at Sendhwa in Madhya Pradesh.

For the 11 months ended July 31, 1994, the company recorded a turnover of Rs 74.72 crore against Rs 73.27 crore for the 17 months ended August 31, 1993. Profit after tax was Rs 5.49 crore and Rs 3.85 crore for the same periods respectively.

Thus, the increase in turnover on an annualised basis was 57.6 per cent while the increase in net

PROJECTIONS			
(In Rs Cr.)	Projection		
Year ended March	1995	1996	1997
Net Sales	116.50	145.77	158.48
PBDIT	12.04	21.59	25.99
OPM(%)	10.33	14.81	16.40
Net Profit	6.19	5.92	9.49
EPS (Rs.)	8.36	8.00	12.82
Book Value (Rs.)	65.00	71.00	84.00
RONW (%)	12.86	11.27	15.26

profits works out to an impressive 120 per cent

The company is now diversifying into the business of vegetable de-hydration, fruit processing and granite processing. In January 1995,

JPCL came out with a public issue of 21.2 lakh equity shares at a premium of Rs 85 each, aggregating Rs 20.14 crore, and 66,700 cumulative convertible preference (CCP) shares of Rs 100 each at par, aggregating Rs 66.7 lakh, to finance its diversification project.

Out of the total project outlay of Rs 48 crore, Rs 20 crore was for vegetable dehydration, Rs 16 crore for fruit processing and Rs

7.5 crore for granite processing projects.

The project was financed by public issue of Rs 20.81 crore, term loan from UBI (Rs 25 crore), contribution from Chiquita Brands Inc — a marketing tie-up partner in the US (Rs 0.51 crore) and internal accruals (Rs 1.68 crore). The promoters' stake is 71.35 per cent.

The company's EOUs does not have any firm buy-back arrangement for meeting export obligation. However, JPCL is the largest exporter of PVC casings screen pipes in Asia. Currently, sale of PVC pipes constitutes almost 73 per cent of the turnover of the company. Its vegetable dehydra-

tion unit located at Jalgaon, makes it very close to the vegetable growing areas of Nasik and Pune districts.

This would enable the unit to procure vegetables at a very reasonable price within the shortest possible time and with minimum wastage.

In respect of granite processing, the acquisition of Gowtham Granites will reduce the preliminary stages of project implementation. For March 31, 1995 (annualised), JPCL projected sales of Rs 116.5 crore, PBDIT of Rs 12 crore and PAT of Rs 6.2 crore. For March 31, 1996, the company projected a sales of Rs 145.7 crore, PBDIT of Rs 21.5 crore and PAT of Rs 5.9 crore.

The fall in projected PAT from Rs 6.2 crore to Rs 5.9 crore in 1995-96 is due to a substantial increase in depreciation from Rs 95 lakh in 1994-95 to Rs 6.37 crore in 1995-96.

The current market price of the scrip at Rs 82, is well below the issue price of Rs 95. Further return on investment can be realised by 1996-96 when full benefits of the projects will accrue after successful implementation of the projects.

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