

**Jai Corp Ltd.**

₹ 72

*Looking Out for Tomorrow!***Buy**

Feb 27, 2015

**Company Background**

Jai Corp Ltd. (Jai Corp) was incorporated in 1985. It has traditionally been into manufacturing businesses like steel, plastic processing and spinning yarn. The Company produces flexible intermediate bulk containers (FIBC Jumbo bag), woven sacks and fabrics, manmade fiber yarns, Masterbatch and steel coils and sheets. Jai Corp has always been trying to get a mix of the traditional businesses and newer opportunities and so is now focusing and investing in emerging opportunities like developing SEZs, infrastructure, venture capital and real estate. It is metamorphosing from being just a manufacturing enterprise to a corporate driven by new growth engine such as asset management and urban infrastructure development.

**Key Highlights**

- ➔ Jai Corp is focusing on developing one of the largest Special Economic Zones in India. Jai Corp has invested in 2 Strategic Multi product Special Economic Zones near Mumbai - Navi Mumbai SEZ (NMSEZ) and Mumbai SEZ (MSEZ). Both the SEZs are being conceived and developed as a futuristic business hub and gateway for trade, commerce, industry, service & tourism.
- ➔ Rewas Port is a green field port development near Mumbai. It is a deep drafted (14.5 mtrs.) multi purpose port as a joint development effort of Maharashtra Maritime Board, Amma Lines, Reliance Logistics and Jai Corp. Lease deed for 839 hectares inter tidal lane has been signed.
- ➔ Jai Corp is also a leading real estate organization with a significant funding and development portfolio. The investments in the real estate sector are long-term in nature & are expected to unlock their potential value in coming years.
- ➔ Talking about the steel divisions in the company the performance of the Steel division is directly related to the growth in infrastructure which appears to be the next booming sector on the governments anvil.
- ➔ The polybag segment in the country has been increasing @ 15% CAGR in the last decade. With more and more items like foodgrains, sugar cement, fertilizers, petrochemicals been manufactured indigenously, the demand for the same is also expected to rise.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	7,193.7	6,906.0	7,457.4
Rev. growth (%)	28.7	(4.0)	8.0
EBITDA (INR mn)	1,634.9	1,284.0	1,364.8
Net profit (INR mn)	989.3	749.1	781.8
Shares outstanding (mn)	178.5	178.5	178.5
EPS (INR)	5.5	4.2	4.4
EPS growth (%)	(30.7)	(24.3)	4.4
P/E (x)	15.7	12.0	15.9
RONW (%)	3.9	3.5	3.7
ROCE (%)	3.8	3.5	3.7

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**Info Codes**

Reuters	: JAIC.BO
Bloomberg	: JFI@IN
NSE	: JAICORPLTD
BSE	: 512237

**Market Data**

52 Wk Range (₹)	: 117 / 60
Shares in Issue (mn)	: 178.5
Mkt. Cap (₹ bn)	: 12.91
BSE 2 Wk Avg Vol	: 486000

**Share Holding Pattern (%)**

Promoters	: 73.01
FII's	: 6.92
DII's	: 1.94
Others	: 18.13

**Investment Theme**

Traditionally a manufacturing enterprise producing flexible intermediate bulk containers (FIBC Jumbo bag), woven sacks and fabrics, manmade fiber yarns, Masterbatch and steel coils and sheets. Jai Corp has already entered and diversified itself into more opportunistic sectors. It is diverting the cashflow of its steady businesslines into new ones like SEZ development, Venture Capital Investment, Infrastructure and Real Estate. We feel all of these new segments are a part of the growth story India is envisaging. Jai Corp is ready to frame its business plans, based on core competencies that will add more value to its products and services and herald a new growth era. Further looking at its current associations it appears that it is one of the main leverage receivers from the Reliance Group. The overall future looks bright for the company.

**Benefit from Growth in the Core !**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	6548.3	6775.7	3.47	7506.2	10.78
Other Income	1005.6	550.5	(45.26)	428.4	(22.18)
Change in Stocks	(23.4)	31.1	(232.91)	21.0	(32.48)
Raw Material Con.	4170.5	4444.5	6.57	4809.6	8.21
Employee Exp.	503.2	499.6	(0.72)	495.7	(0.78)
Indirect Taxes	365.8	431.7	18.02	483.1	11.91
Other Exp.	856.1	697.5	(18.53)	802.4	15.04
Operating Exp.	5919.0	6042.2	2.08	6569.8	8.73
Operating Profit	629.3	733.5	16.56	936.4	27.66
Total Interest	11.1	7.3	(34.23)	1.7	(76.71)
Gross Profit	1623.8	1276.7	(21.38)	1363.1	6.77
Net Dep.	227.6	189.0	(16.96)	196.1	3.76
Total Taxation	406.9	338.6	(16.79)	385.2	13.76
Net Profit/Loss	989.3	749.1	(24.28)	781.8	4.37

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 11	Mar 12	Mar 13	Mar 14
<b>SOURCES OF FUNDS</b>	<b>27,565.2</b>	<b>22,251.0</b>	<b>20,811.3</b>	<b>21,038.8</b>
Equity Share capital	178.4	178.4	178.4	178.4
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	15.0	10.0	8.4	8.0
Reserves & Surplus	27,144.9	21,912.3	20,515.8	20,761.9
Long Term Loans	214.4	145.1	90.4	89.1
Short Term Loans	12.5	5.2	18.3	1.4
<b>USES OF FUNDS</b>	<b>27,565.2</b>	<b>22,251.0</b>	<b>20,811.3</b>	<b>21,038.8</b>
Gross Block	3,978.7	4,080.4	4,212.0	4,334.1
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	1,838.0	1,967.6	2,087.8	2,239.9
Net Block	2,140.7	2,112.8	2,124.2	2,094.2
Capital Work in Progress	77.9	122.2	72.4	71.7
Investments	18,139.8	13,772.9	11,606.2	11,319.9
Current Assets	8,024.2	7,077.8	7,603.9	8,063.4
Less : Current Liabilities	817.4	834.7	595.4	510.4
Total Net Current Assets	7,206.8	6,243.1	7,008.5	7,553.0
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	11,145.9	7,601.2	5,393.0	5,390.6
Mkt Val. Quoted Investments	5,014.9	3,200.6	4,168.9	4,428.1
Contingent Liabilities	142.8	226.4	261.4	322.7
Dividend (%)	50	50	50	50

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Mar 14	Jun 14	Sep 14	Dec 14
Net Sales	2017.6	1684.5	1722.2	1682.8
Cost Of Sales	1803.6	1483.7	1518.8	1487.1
Operating Profit	214.0	200.8	203.4	195.7
Recurring Income	100.5	73.1	62.0	45.5
Adjusted PBDIT	314.5	273.9	265.4	241.2
Financial Expenses	0.3	0.5	0.2	0.4
Depreciation	45.3	71.2	54.0	52.6
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	268.9	202.2	211.2	188.2
Tax Charges	90.8	56.0	64.6	62.2
Adjusted PAT	178.1	146.2	146.6	126.0
Non Recurring Items	0.0	0.0	0.0	(30.5)
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	178.1	146.2	146.6	95.5

**52 Week Index Relative Percentage Appreciation**



**Jai Corp vs SENSEX**

**Risks Associated**

Jai Corp is exposed to the normal industry risk of factors of competition, economic cycle, raw material availability and uncertainties in the international and domestic markets and credit risk. Apart from the above the other sectors like Infrastructure & Real Estate in which it operates are related to Government Policies. Any unfavourable announcements in the said sectors may severely hamper the future prospects of the company. The SEZ Industry in India is facing grave challenges. Govt. of India (GoI) has withdrawn key tax benefits (earlier available) which have made SEZ business unviable. These and other policy changes have shaken the foundation of SEZ Industry and future looks uncertain. In addition to this, Maharashtra SEZ Act which provides State level fiscal benefits has been pending enactment since a long time. Further The new Land Acquisition Act which has been notified in January, 2014 makes it difficult to buy land for contiguity. The SEZ holding company is in discussion with GoM on way forward. The Realty Segment of Jai Corp also expects changes to occur on the backdrop of the budget and the government thrust of good infrastructure and the vision to provide Housing for all by 2030.



**In a Nutshell**

Established in 1985, under the leadership of the Company's Chairman Shri Anand Jain, Jai Corp is fast emerging as a leading urban integrated infrastructure company. Apart from its existing portfolio of products like flexible intermediate bulk containers (FIBC Jumbo bag), woven sacks and fabrics, manmade fiber yarns, Masterbatch and steel coils and sheets it has also entered opportunistic sectors like SEZ development, Infrastructure development and Venture Capital. Jai Corp is metamorphosing from a manufacturing enterprise to a corporate driven by new growth engines such as asset management and urban infrastructure development. It is also a leading real estate organization with a significant funding and development portfolio. We feel Jai Corp has a lot of role to play in the current scenario where the Government is putting in thrust on development of Infrastructure and Specialised Clusters like Smart Cities. The Company is already an advisor for various Government Projects and an associate of two large SEZ's having a strategic locational advantage of being very near and connected to Mumbai. The development of Revas Port is also being handled by the Company. We feel with the Indian Growth story being one of the current limelights around the world. Jai Corp should also demonstrate very well in the growth story of India.

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**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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