

K J Somaiya Institute of Management Studies
&
Research, Mumbai



PRESENTS

MELANGE 2012 – Where Ideas Converge!



Round One Case

When a veteran economist had told a young scientist and prospective son-in-law at Harvard cocktails and dinner 30 years ago, “There is a great future in plastic, kid! Never forget it!” The young boy always remembered the words of the gentlemen and started working on, how the future need of the plastic be converted into a big money making business.

Today plastic and its mind-boggling applications completely dominate our lifestyle, almost elbowing aside iron and steel. It has transformed our expectations with the whole new way we define our preference and appraise consumer durables before we accept them into the daily lives.

Continuous research and discoveries in processing hydrocarbons and inventing new compounds, colors, catalysts and master batches have opened up unlimited possibilities, accelerating the pace of industrial production in the world of polymer compound and plastics.

Blazing a new trail in modern is a name to reckon with-“**Pure Thread Plastics**”.

The company manufacture polymeric compounds such as wire & cable compounds, engineering compounds, glass reinforced PP compounds, glass reinforced & fire retardant PBT compounds made to international standards. A common vision to satisfy the needs of customers worldwide motivates the skilled professionals at the company to make new ideas work and to deliver and market innovative products.

The customers get complete back-up support and the confidence of companies Quality assurance. The company realizes the importance of binding itself through a well-defined set of principles applicable across all levels of the company.

Company is engaged in the manufacturing of

- Polyethylene silane cross-linkable compounds for Low Voltage and Medium Voltage insulation & jacketing and Thermoplastic Semi-conducting Compounds for Power Cables
- Cable Insulation and sheathing Compounds for Telecom Cables.
- Engineering Plastic Compounds
 - a) Polypropylene Compounds filled with Minerals and Glass for Garden Furniture

and other applications

- b) Polypropylene modified with EPDM
- c) PBT filled with Glass, Mineral and Fire Retardant Additives
- d) Nylon filled with Glass, Mineral
- e) Fire-retardant, thermoplastic, polyolefin-based compounds
- f) Additive Master Batches

In addition to the products listed above, the company provides a wide range of other products.

R&D and Exports:

The success of the company all these years has been marked by constant Research and Development and adherence to the stringent quality requirements of the Indian Standards. Focus of the company on quality and research and development is so high that the promoters, personally visits various countries & customers regularly to assess the effectiveness of the Research and Development and Quality. Consistent Research and Development has lead to the creation of new products and have also ensured improvements in the existing products. As a result of the untiring effort on the quality frontage, company have gained recognition and are exporting its products to ASIA , AFRICA , EUROPE , RUSSIA etc. Presently the global market situation is being assessed and the policy is reorganized to suite the demands of the global requirements.

Mr. Jack Patel is the head of Pure Thread Polymers. He played a very important role in developing and manufacturing compounds that have great demand in domestic and international markets. The company's manufacturing and R&D centre is located in Pune, Maharashtra. The plants and corporate offices are well connected by land, sea and air to the world.

The company made good money with the strong research team and market penetration. However, recently the competition in the sector has increased. The opening up of the market for the international players the condition has turned from bad to worse. The company though firmly established in the market, was unable to sustain its profitability. Couple of times in the recent years the company has registered losses. With such a market situation, it has become difficult for the company to survive in the market.

The daily operations of the company are affected by the following:

- The raw material prices depends on the petroleum products and frequent fluctuations affect profitability
- Government policies of import and export have affected the procurement and the prices of the product.
- Dumping of the products by international players severely affects company's business.
- The company has faced stiff competition on XLPE compound during the year, since new manufacturing facility has been installed.

Figure out the most effective corporate restructuring strategy for the above case.

RULES FOR ROUND 1

Synopsis of the restructuring proposal in not more than 2 pages (excluding the cover page), the proposal need to be submitted in the following format

Font: Times New Roman

Font Size: 12

Line Spacing: 1.15

Synopsis should comprise of the following measures (indicative but not exhaustive)

- (i) **Cost Cutting**
- (ii) **Debt Restructuring**
- (iii) **Changes in the Management**
- (iv) **Downsizing of assets**
- (v) **Expected time of turnaround**
- (vi) **Financial Extracts for 3-5 years**

Balance Sheet

All figures are in Rs mn	Mar '11	Mar '10	Mar '09
Sources Of Funds			
Total Share Capital	15.564	15.564	15.564
Equity Share Capital	15.564	15.564	15.564
Share Application Money	0.000	0.000	0.000
Preference Share Capital	0.000	0.000	0.000
Reserves	-17.280	-11.971	-12.052
Revaluation Reserves	0.000	0.000	0.000
Networth	-1.716	3.592	3.512
Secured Loans	18.022	18.293	21.243
Unsecured Loans	4.335	7.486	5.459
Total Debt	22.357	25.779	26.702
Total Liabilities	20.641	29.371	30.214
Application Of Funds			
Gross Block	32.874	32.512	32.261
Less: Accum. Depreciation	19.146	17.209	15.403
Net Block	13.727	15.303	16.858
Capital Work in Progress	0.000	0.000	0.000
Investments	0.000	0.000	0.000
Inventories	2.559	5.951	4.827
Sundry Debtors	6.081	9.934	10.436
Cash and Bank Balance	0.341	0.381	0.050
Total Current Assets	8.981	16.266	15.313
Loans and Advances	1.575	1.676	1.355
Fixed Deposits	0.000	0.000	0.321
Total CA, Loans & Advances	10.556	17.942	16.989
Deffered Credit	0.000	0.000	0.000
Current Liabilities	3.512	3.673	3.321
Provisions	0.140	0.211	0.311
Total CL & Provisions	3.653	3.883	3.633
Net Current Assets	6.904	14.059	13.356
Miscellaneous Expenses	0.000	0.000	0.000
Total Assets	20.631	29.361	30.214
Contingent Liabilities	0.200	0.120	0.130

Income statement

All figures are in Rs mn	Mar '11	Mar '10	Mar '09
Income			
Sales Turnover	56.886	70.724	61.663
Excise Duty	5.228	8.309	7.536
Net Sales	51.658	62.416	54.127
Other Income	-0.020	0.652	-0.010
Stock Adjustments	-1.264	-0.211	0.682
Total Income	50.374	62.857	54.799
Expenditure			
Raw Materials	43.069	52.391	45.096
Power & Fuel Cost	1.505	1.736	1.636
Employee Cost	1.405	1.666	1.525
Other Manufacturing Expenses	0.331	0.401	0.221
Selling and Admin Expenses	-0.883	0.050	1.405
Miscellaneous Expenses	3.201	3.472	1.856
Preoperative Exp Capitalised	0.000	0.000	0.000
Total Expenses	48.628	59.716	51.739
PBDIT	1.746	3.141	3.061
Interest	2.780	1.174	2.308
PBDT	-1.034	1.967	0.753
Depreciation	1.816	1.846	1.816
Other Written Off	0.000	0.000	0.000
Profit Before Tax	-2.850	0.120	-1.064
Extra-ordinary items	-1.545	-0.040	-0.010
PBT (Post Extra-ord Items)	-4.395	0.080	-1.074
Tax	0.020	0.030	0.020
Reported Net Profit	-5.308	0.080	-1.094
Total Value Addition	5.559	7.325	6.633
Preference Dividend	0.000	0.000	0.000
Equity Dividend	0.000	0.000	0.000
Corporate Dividend Tax	0.000	0.000	0.000
Per share data (annualised)	0.000	0.000	0.000
Shares in issue (lakhs)	155.648	155.648	155.648
Earning Per Share (Rs)	-3.422	0.050	-0.702
Equity Dividend (%)	0.000	0.000	0.000
Book Value (Rs)	-1.104	2.318	2.268

Note 1: Real world facts and figures should be used to describe the external environment. However, use of facts from the real world should not contradict the facts of the case.

Note 2: You may also use all publicly available information about the industry and the market along with the peer group companies.

All entries must be mailed to finstreet.simsr@gmail.com on or before 5th February at 23:59 hours

For Any Queries, please contact:

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