

GROWTH PROSPECTS

The profits were dripping in at a slow and steady pace for the Jalgaon-based Jain Irrigation Systems Ltd (JISL). The same was the case with the share. That was until JISL's 1990-91 results were announced; they revealed a swimmingly good bottom-line. Stockwatchers, their hearts beating faster, immediately reached for their pocketbooks and plunked down cool cash for the scrip. The result: what was a steady-moving share has been transformed into one of the more exciting stocks traded on Dalal Street in recent months.

Judge for yourselves: at the time of its latest results, JISL was priced at around Rs 85. Within a month, the stock jumped over the moon as it doubled to around Rs 170. Not that the marketmen piled into the scrip as part of a speculative mad rush. The fact was that JISL's results were solid. The net bottomline for 1990-91 was a pleasing Rs 3.08 crore as compared with the previous year's Rs 1.10 crore. On an equity capital of Rs 3.02 crore, the company registered an EPS at par with its face value, yielding a moderately-priced P/E. What actually drove smart Dalal Streeters to chase the scrip in droves was the accompanying note issued by the company. It stated that JISL hoped to register an increase in sales from Rs 16 crore in 1990-91 to around Rs 35 crore for 1991-92.

Optimistic management. Technically, one would presume that with JISL rocketing almost overnight, the story was over and done with. But wait; mathematically, there could be a lot more left in the JISL counter. The company expects to raise exports from 6% of turnover to 30% in the current year. Not just that, the cash flow (depreciation plus net profit) is expected to be between Rs 8.5 crore and Rs 10 crore, as per the optimism of the management.

The best part is that JISL managing director R.B Jain believes that this is only the beginning. Says he: "In our country there is great demand not just for water economy but also increased yields. Drip irrigation is just the answer. Our kind of irrigation has tapped less than 1% of its ultimate potential in the country."

But what on earth is so great about drip irrigation? Says Jain: "The concept of a farm in India is a rural patch of land, half-submerged in water. The belief is that the more water you channel into the farm, the healthier the crop. Our company disagrees with this theory. We feel the root needs more water than the other parts of the plant. Drip irrigation is a system that supplies water in the right quantity to the root."

And this is where JISL comes in.

JISL: GREAT SHOW		
	(Rs crore)	
	1990-91	1991-92
Sales	9.50	16.08
Operating profit	2.70	4.99
Interest	0.96	1.56
Gross profit	1.74	3.43
Depreciation	0.54	0.34
Tax	0.10	—
Net profit	1.10	3.08
Equity	3.02	3.02
Gross margin (%)	11.58	21.33
EPS (Rs)	3.64	10.20

water required for the plant's healthy growth. This is why if you ever visit any of the farms where drip irrigation is in use, you will be surprised to see no surface water at all."

Manifold advantages. The advantages of drip irrigation are manifold. JISL

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financial controller Suresh Udani explains: "First, it reduces water consumption to the required minimum, which is particularly useful in areas where there is a shortage of water or when the monsoon has not been up to expectations. And it's not just that. Studies at our 75 acre R&D farm have shown that crops grow faster under drip irrigation, the quality of crop is superior and the yield per hectare is

higher. This results in a direct benefit to the farmer; his crop is ready even before that of the others, as a result of which he can avail of better prices before the supply comes in."

Given the country's agricultural base as a potential market, JISL has only to worry about the production side of the business. Demand for the company's products has also begun increasing worldwide, with exports likely to exceed Rs 10 crore in 1991-92. "We have commissioned a 100% export unit within JISL which has been financed fully through internal accruals and institutional loans," explains Udani.

A recent shot in the arm for the company has been Tata Tea's order to prepare a drip irrigation network over a plantation area of 500 acres. "We were surprised with their order," confesses Udani, "because we had not mailed any literature to them. Later they told us that they stumbled across some technical information regarding drip irrigation in some industry journal and got interested."

It is lucky breaks like these, taking drip irrigation from the realm of farms to plantations and even exports, that strongly recommends for JISL the label of a growth company for the future.

□ Mudar Patherya