

CHOICE EDIT

JAIN IRRIGATION SYSTEMS SOLID FOUNDATIONS

JAIN Irrigation Systems Ltd (JISL) was promoted by Mr B. H. Jain in 1986 in technical collaboration with James Hardie Irrigation of Italy for the manufacture of drip-irrigation systems. Headquartered at Jalgaon (Maharashtra), the company is the only one to take up drip irrigation under dryland farming in a scientific manner. Aided by its foreign collaborators, in-house R&D, and field investigation, the company designs and implements complete irrigation systems to suit individual requirements.

All this has helped the company to grab two-thirds of the Maharashtra market and over half of the national market. And now JISL is eyeing the international markets also. It has already set up a Rs 9.5-crore 100-percent EOU to tap the developed markets of Italy, Spain, W. Asia and America. It is exporting PVC foam sheets, injection moulded components and drip-irrigation components. Sales from exports stood at Rs 3.45 crores during 1990-91 and the management is confident of raising it to Rs 10 crores during 1991-92.

JISL's fortunes are very closely linked to the subsidy policy of the Central government and some state governments like that of Maharashtra, Gujarat and Rajasthan, which are currently quite favourable for the company. The Central government agriculture committee had recom-

mended that 5 lakh hectares should be brought under drip-irrigation systems from the current level of 21,000 hectares. It has also recommended 50 percent subsidy to the farmers implementing the system. The Maharashtra government has already provided this 50-percent subsidy, persuading many farmers to opt for this system, which has made productivity jump by appreciable levels for different crops, especially fruits and vegetables. However, the company is not dangerously dependent on the government's policy as almost 74 percent of total sales are to non-subsidised farmers.

For the last three years, the company has been achieving outstanding growth. During 1990-91, the turnover touched a high of Rs 16.1 crores, up by 69.1 percent from Rs 9.5 crores during 1989-90. But gross profits doubled to Rs 3.45 crores giving a CEPS of Rs 11.4. Net profits skyrocketed by one and a half times to Rs 3.1 crores (Rs 1.2 crores), giving an EPS of Rs 10.3. This was despite a 50 percent increase in interest burden.

The company attained an excellent reserves position with book value standing at Rs 24. Gross assets have again jumped by 100 percent.

The six-monthly results for the period ending September 1991 provide an indicator of the company's healthy position during 1991-92. Sales have already touched Rs 8.16

crores (Rs 4.16 crores) with net profits of Rs 1.36 crores. Export sales have touched Rs 3.45 crores.

The company is also successfully striving to tackle its major area of concern - import of components. During 1990-91, almost 26 percent of its raw material was imported. But the company has sourced these components from domestic

Here's why...

- It is the only company to take up drip irrigation in a scientific manner.
- Two-thirds of Maharashtra and half of the national market is in its pocket. At present, it is eyeing the international market.
- Highly favourable government policy has provided an impetus to growth.
- Net profits rose from Rs 1.2 crores in 1989-90 to Rs 3.1 crores in 1990-91.

vendors and quality has been found to be quite satisfactory. So the import content has been brought down appreciably during 1991-92.

Keeping in view the scorching growth in the area of drip irrigation, aided by highly favourable government policy, the company has plans of expansion to maintain its leadership position in the industry. The company has undertaken major expansion programmes both for domestic operations as well as in the export-oriented unit. The micro-irrigation system capacity is proposed to be enhanced to 66,000 acres by 1995-96 from the present 25,000 acres. The capacities of the EOU are proposed to be enhanced to 4,500 MT from the current 1,950 MT. To part-finance the project, the company has come out with a Rs 45-crore rights issue comprising PCDs in the ratio of one PCD for each share held. The project is expected to be completed by March 1993. Turnover for 1995-96 is projected at Rs 200 crores with Rs 85 crores coming from exports.

As regards 1991-92, the company is expected to close the year at about Rs 35 crores with Rs 10 crores coming from exports. This is based on the characteristic of 75 percent sales materialising in the second half. So the EPS for the year will easily touch Rs 20. But the proposed rights issue will increase the equity three-fold from Rs 3.02 crores to Rs 9 crores in six months. But the company's growth prospects for the next three years will ensure the current high levels of profitability. Hence, the scrip is an excellent investment pick at its ex-rights price of Rs 230.

- Sandeep Sethi

FINANCIAL HIGHLIGHTS

	(Rs in crores)	
Year ended	30.9.91	31.3.91
No. of months	(6)	(12)
Sales	8.36	16.31
Gross profit	1.76	3.45
Net profit	1.36	3.11
Equity	3.02	3.02
EPS (Rs)	18.10**	10.30
Book value (Rs)	-	24.00
Gross profit margin (%)	21.10	21.00

** Annualised