

Jain Irrigation

Living up to expectations

By MUDAR PATHERYA

ONE of the few companies to have lived up to the sales projections made for 1991-92 has been Jain Irrigation Systems Ltd. This Jalgaon-based manufacturer of irrigation components and PVC foam sheets had targeted Rs 35 crore of net sales for 1991-92. The company finished with Rs 35.18 crore, posting a cash flow of Rs 6.66 crore and a net profit of Rs 5.66 crore. Equity capital as on March 31, stood at Rs 3.02 crore (this will increase to about Rs 10.80 crore as a result of the conversions effected on the debentures).

"This year is going to be even better," says the finance controller of the company. "Sales are likely to rise up to Rs 85 crores. Last year we did exports worth Rs 10 crore. This figure should rise to Rs 35 crore in the current financial year."

The big news at Jain Irrigation is that in addition to its irrigation

systems sold all over the country, it is fast emerging as the largest plastics export house in the country. Earlier the European manufacturers had monopolised the Middle East market. However, over the last few years, we have been making significant inroads there. Our biggest advantage is the salary/wage structure which is much lower than that of our international competitors. Besides the 95 per cent automation of our plant ensures a high degree of quality. This has helped us in expanding our markets.

In addition to selling irrigation components abroad, Jain Irrigation embarked on a diversification — PVC foam sheets. This went into operation from April 1991. There are about 8-10 manufacturers in the world for this product. "This is a technically complex material to manufacture and maintain quality" says the finance controller.

PVC foam sheets has taken Jain Irrigation into yet another diversification — polycarbonate,

polystyrene and acrylic sheets. When Jain Irrigation started selling PVC foam sheets in Europe they realised that their competitors wielded an added advantage. They sold acrylic, polycarbonate and polystyrene sheets simultaneously, thereby operating as a supermarket for plastics. This gave them a better marketing thrust.

"We intend manufacturing polycarbonate", says the finance controller. "This is a substitute for toughened glass and is generally to be found in hotels with atriums.

Financial highlights

(Rs crores)

	1991-92	1990-91
Net Sales	36.19	16.08
Operating profit	8.99	5.01
Interest	2.34	1.56
Gross profit	6.66	3.45
Depreciation	0.96	0.34
Tax	—	—
Net profit	5.66	3.08
Equity	3.02	3.02
OPM	25.54	31.16

We are planning for an installed capacity of 6000 tonnes per annum and should be on stream in March 1993."

Most farmers continue to use drip irrigation. The advantages to farmers to cultivate using the drip process are manifold. One, the crop quality improves as just the right amount of water is administered. Secondly, the quality of production improves by 50-100 per cent. Thirdly, the 'fruiting' time is shorter, giving farmers an opportunity to put their product in the market before competition and realise better prices. Four, there is a 20-60 per cent saving in the amount of water used. Five, there is a cut on labour costs because it does away with the need for watering all over the field. Six, weeds are eradicated because no water is administered to them.

"We have achieved only two per cent of the total potential for drip irrigation till now as farmers are not fully aware of the benefits of this system", says the finance

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controller. "By 1995-96, we should be a company with sales of Rs 400 crores, half that amount coming from drip irrigation control system."

Jain Irrigation posted sales of Rs 8.17 crore in the first half of the last financial year. Sales rose to Rs 27.02 crore in the second half. However, pre-interest margins came tumbling from 33.90 per cent to 22.91 per cent. The finance controller explains: "We invested in our research and development because of the expansion plans. We didn't capitalise on these expenses because the profits would have increased and tax would have accounted for a larger outgo. We preferred to keep the tax burden nil by using 80 per cent of our internal ac-

counts for the expansion in addition to the funds raised from the public."

The one point that sharp observers of the company's 1991-92 results could raise is that of unutilised capacity. Jain irrigation sold irrigation systems to cover 27,565 acres in 1991-92, against its pre-expansion installed capacity to service 45-50,000 acres. Mr Udani says, we want to expand in order to cater to peak-time requirements. He says that "our corporate philosophy lies in expanding the market at any cost, even if it means making a temporary loss. This is perhaps one reason why we have been able to capture 65 per cent of the drip irrigation market in a short span of four years."

Jain Irrigation has good potential for the future.