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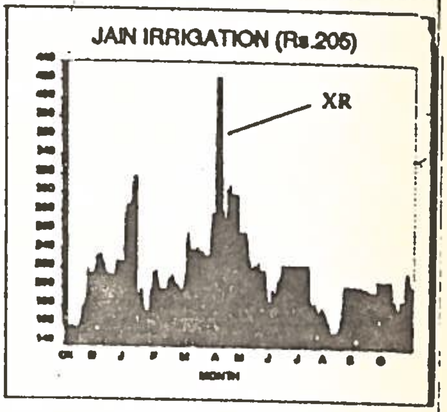
Jain Irrigation Systems

100% growth every year



Portfolio Plus

- 100% overall growth every year since 1987-88. The growth is expected to be more than maintained in future.
- The main product — micro irrigation systems holds great potential.
- Both central and state governments are eager to promote the use of mirco irrigation systems on a large scale.
- Its 100% EOU is doing exceedingly well. Exports during the current year to rise by 200% and cross Rs.30 cr. Total turnover to grow by 100% to Rs.72 cr.
- Expansion-cum-diversification project will be fully operational by Jun.'93, nine months ahead of schedule. At full capacity utilisation, it can generate an annual turnover of around Rs.300 cr with 50% coming from exports.
- Ambitious future plans to become a full-fledged agriculture company and go global.

SALES and profits have come in floods during the past few years for Jain Irrigation Systems, a supplier of drip/micro irrigation systems. Sales have increased from Rs.2.07 cr in 1987-88 to Rs.35.19 cr in 1991-92. Net profit has increased from a measly Rs.6 lac to Rs.5.66 cr over this period. This trend of 100% overall growth every year is expected to be more than maintained in future.

The company's micro irrigation systems are finding wide acceptance among the farmers owing to its various advantages. The central government's decision to give subsidy on liberal terns to the state governments for encouraging even poor farmers to opt for drip irrigation has only further increasd the demand for its products. Besides, its 100% export-oriented unit manufacturing irrigation components, custom moulded plastics components and PVC foam sheets is also doing exceedingly well. Last year, exports jumped to Rs.10.04 cr from a mere Rs.1 lac. In the current year, it is expected to rise by about 200% to cross Rs.30 cr.

The company is currently implementing an expansion-cum- diversification project which will result in substantial addition to the production capacity as well as add new product lines for export market. The project is expected to be completed ahead of schedule and will be fully operational by Jun.'93 as against the scheduled completion in Mar.'94. This project at full capacity utilisation can generate an annual turnover of around Rs.300 cr, of which exports constitute 50%.

For the half year ended Sep.'92, the company increased its sales by 85% to Rs.151 cr and net profit by 70% to Rs.2.31 cr. In view of the seasonality of the business, around 75% of yearly sales take place in the second-half. The projected turnover for the full year ending Mar.'93 is Rs.72 cr. In Feb.'92, the company issued Rs.54.33 cr worth of partly convertible debentures to finance the expansion-cum-diversification project. On conversion of these debentures in Dec.'92, equity will jump from Rs.3.02 cr to Rs.10.26 cr. Even on this enhanced equity, the company is expected to report an EPS of atleast Rs.9 in the current year. And with substantially higher sales and profits in the coming years, EPS would seek greater heights.

The future plans of the company include changing its complexion from an irrigation company to a modern agriculture company encompassing tissue culture, green houses and fully water soluble liquid and solid fertilisers, besides irrigation. Plans are also afoot to 'Go Global', not only by exporting its products to various advanced countries but also by investing in related overseas operations.

The shares of Jain Irrigation are currently traded at Rs.205. Considering the past performance of the company, the potential of its products in domestic and exports markets, the government's policy regarding drip irrigation systems and ambitions future plans, Jain Irrigation presents an attractive investment opportunity. ○