JAIN IRRIGATION SYSTEMS : *For a supplier of drip-irrigation systems, sales and profits have come in floods for Jain Irrigation Systems during the past few years. Now it is busy replanting the treasure to maintain growth of*

100% EVERY YEAR

When Chimanbhai Patel, Chief Minister of Gujarat, flew in from Surat to Jalgaon in a state helicopter in December last year, he had a mission : to study, visit and see for himself the farms, where drip-irrigation is in operation. His intention was to return home and adopt drip-irrigation in the dry regions of his state, which reel under the vagaries of the monsoon every year. After visiting farms around Jalgaon, Sangli and Nasik, the Chief Minister was hardly disappointed. So enamoured was he, that he invited Bhavarlal Jain, Chairman and Founder of the Jain Group, to participate in the development of agriculture in Gujarat in a big way. This is just one of many examples of the kind of success Jain Irrigation Systems Ltd. (JISL) has achieved in a short span of about five years.

Today, Jain Irrigation has become synonymous with drip-irrigation systems in India. It is the largest manufacturer with an all India market share of around 60%. The rest is shared by some 70-odd companies which includes big names like Voltas and Premier Irrigation. For a late entrant, this performance is, by any standards, exemplary. Voltas, which has been a pioneer in the field of drip-irrigation in India hopes to sell just Rs.4 crores worth of equipment. Company sources reason that Voltas has not grown as rapidly in this field as the Jains because it is a multi-product conglomerate and drip-irrigation has somehow not received a substantial thrust.

The concept of drip-irrigation or micro-irrigation, was developed in the early '60s in the U.S., Germany and Israel around the same time. It emerged on the Indian scene in the early '70s. Yet for nearly two decades, till Jain Irrigation closed its first full year of production, it remained obscure, away from any kind of urban publicity. What made the Jains attain this unprecedented feat? "I inherited farming from my father. I have tilled the land myself. Our rural roots have helped us a great deal," asserts B.H. Jain. Though an industrial venture by itself, it was closely linked with agriculture. S.M. Udani, Group Financial Advisor elaborates, "each system that we sell is customised to suit the buying farmer's requirement. Without knowing farming, it is very difficult to satisfy a customer fully."

Furthermore, what helped the company was its approach. "To enable the farmer to achieve maximum productivity, we have to take care of say, fifty aspects. Some of which involve tedious spade-work. Most of the earlier entrants made a half-hearted attempt. They took care of forty and left the rest to destiny. Perhaps, that made all the difference," explains Udani. There is an actual example of this percept. The company started with Low Density Polyethylene as the main raw material for manufacturing plastic tubes. Experience suggested that these tubes were breaking under the heat of sun. So it switched over to Linear Low Density Polyethylene (LLDPE). Reportedly, it is the only company using LLDPE as raw material.

Despite such deep rural roots, the Jains found irrigating a bit tough in the beginning, because the concept was virtually unexplored. As it meant an additional investment for the farmer, convincing him that he would reap twice the amount he sows took some real doing. "In the first year, for some of the systems we sold, we had agreed for one-year credit," recalls Udani. With such tight conditions for resources, how did the company make profit from the word go? "Group support," says B.H. Jain, "In the initial stages, Jain Pipes, a closely-held group company supplied raw material to Jain Irrigation at concessional prices."

With the farmers getting convinced, the demand increased and the credit period decreased. Now the average credit period is around two months. Even this, to a student of Indian economy or agriculture who knows the repaying ability of the farmer, seems questionable. What is the level of defaults in payments? Zero. "We supply only after a letter of guarantee from a bank, the question of defaults does not arise," explains Jain. In sum, drip-irrigation has remained within the reach of resourceful farmers only.

Not any longer. To encourage the use of drip systems, several state governments have announced subsidy schemes to the farmers consequent to the Union Government providing a sum of Rs.150 crores for the purpose. So now even the middle income groups are likely to opt for drip-irrigation. In an economic scenario, where subsidy has become a dirty word, it is indeed praiseworthy of the government to put the taxpayers' money to good use. Does it

JAIN IRRIGATION SYSTEMS LIMITED

HIGHLIGHTS

- Leading Manufacturer of Micro Irrigation Systems.
- Micro Irrigation Systems sold under the brand name "Jain Drip Systems"
- Managed by Managing Director Rajnikant Jain and Chairman Bhavarlal Jain - Both First generation entrepreneurs having rich experience in Agriculture and allied areas.
- 65% national market share.
- Capacity expansion of MIS from 50,000 acres to 1,32,000 acres.
- Expansion of existing MIS division and Diversification into a 100% export oriented unit for manufacturing PVC Foam Sheets like Polycarbonate, Acrylic and Polypropylene Sheets is expected to steer JISL into a large size domestic cum export player of the future.

Yr. End March	P.B.T. (Rs in Crs)	EPS Rs.	CPS Rs.	P/C (Times)	P/E (Times)
1991	2.10	10.26	11.42	11.38	12.67
1992	5.70	18.87	22.05	5.90	6.88
1993	9.15	9.13	10.97	11.85	14.23
1994	11.75	11.72	14.47	8.98	11.09
1995	16.50	16.46	20.95	6.20	7.89

BUSINESS OVERVIEW

Jain Irrigation Systems Limited is the Flagship company of the Bhavarlal Jain Group of Maharashtra having been incorporated in early 1987. The Jain Group's, other business interests cover a diverse range of areas like Enzymes and Chemicals, Extruded and Moulded Plastics, and Electrical Transformers.

Other Group companies belonging to the Jain Group fold include Jain Plastics & Chemicals-Limited and Emco Transformers Limited which is into Electrical Grade Transformers, the former which is a closely held company manufacturing processed PVC products.

The Jain Group who pioneered the concept of Micro Irrigation System in India is today also the largest processor of PVC within the country and the second largest producer of Refined Papain in the world since 1978. Starting with a tiny base in the early sixties, the Jain group has grown manifold with current Group Asset base and Turnover estimated between Rs 75 crores and Rs 140 crores respectively.

The manufacturing base of the Jain Group is centered around Maharashtra with three of its manufacturing plants namely its MIS, PVC Pipe and Transformer unit located within the state while another PVC pipe extrusion unit is based in Madras.

Jain Irrigation Systems Limited (JISL) was promoted by Shri Bhavarlal Jain in 1987 with technical collaboration from James Hardie Irrigation Of Italy to manufacture MIS (Micro Irrigation Systems) encompassing a wide range of water discharge products like Strip Tubing, Emitters, Jets and Mini Sprinklers. The company started with a installed capacity base capable enough to cater to about 50,000 acres per annum on full capacity utilisation. The company could complete its project within the scheduled time-span without incurring any cost overrun, with seed marketing of the MIS (Micro Irrigation Systems) concept having been taken up by the company from as early as February 1988 onwards.

The company's project cost of Rs 7.80 crores was funded by Equity Capital of Rs 2.91 crores, State Subsidy of Rs 15 lacs and Term Loans of Rs 4.74 crores.

JISL's dynamic management team is led by Shri Bhavarlal Jain a first generation entrepreneur who started his business career in the early sixties trading in agricultural inputs and petroleum products. From the early seventies the Jain Group made a foray into manufacturing areas like chemicals and PVC processing by taking over sick units and setting up SSI establishments primarily to enjoy backward area benefits.

At present the Jain Group holds 40% equity stake in JISL, 10% is held by Directors and business associates while the rest 50% is held by about 13,000 local resident Indian shareholders.

JISL also provides complete technical support service including system planning, design, installation and after sales and agronomical services to the endusers finally resulting in the most efficient and cost effective MIS.

JISL markets its products under the brand-name "Jain Drip System" which is the most popular brand with market share of 65% on a national level and a 70% share in Maharashtra and also enjoying a equally strong presence in Gujarat and Tamilnadu. This is inspite of tough competition from several unorganised SSI units and select few organised sector players like EPC Irrigation, PIL, Premier Irrigation, Jyoti Ltd. and Voltas.

Nevertheless JISL has been following a sound business policy of catering to a select clientle only where it can effectively extend its after sales service network. This has helped the company immensely till now in effectively countering emerging market competition as after sales service forms a critical part of MIS business since constant interaction and feedback from the farmers is a critical evalutory tool in judging the quality and productivity of the MIS.

JISL has a nationwide network of about 300 exclusive dealers, and about 90 maintenance agencies. JISL has also set up in all 18 marketing offices all over India and has also set up four overseas marketing outlets in New Jersey, Hong Kong, Dubai and Muscat and also appointed agents in select overseas markets like USA, Europe, Saudi Arabia, Oman, Quatar, Thailand Singapore and Sri Lanka to tap these markets with the help of its technical collaborators James Hardie of Italy. After establishing a base for its product in Western India, the company thought about expansion and diversification, for tapping the overseas markets with the help of its technical collaborator, namely James Hardie of Italy.

For this purpose the company set up a 100% export oriented division which would be exporting a wide range of products like MIS, PVC pressure pipes and fittings as well as other selected plastic moulded components. Nevertheless the thrust of the export division continues to be on PVC Foam Sheet manufacture and on Custom Made Moulding activity.

The PVC Foam Sheet and Custom Made Moulding divisions were established as 100% export oriented projects meant to cater mainly to overseas markets. Started in April 1991, the PVC Foam Sheet division, had a initial installed capacity base of 1800 tons per annum. This was later on expanded to 4,200 tons per annum in February 1992. Also additionally the company set up another new 100% EOU facility to manufacture 3,200 tons per annum of Poly Carbonate PVC Foam sheets. The total capital outlay on both these projects is estimated to have cost the company Rs 37.28 crores with commercial operations in the existing EOU having started from November 1992 onwards while the new EOU Division is expected to be flagged off by September 1993.

PVC Sheets abroad are fast replacing Wood, Aluminium and Glass uses due to their intrinsic positive qualities like being light weight, higher strength capability and their ability to get adapted to any shape or form and being available in a wide range of colours suit overall aesthetics also.

The company intends to soon take up the manufacture of a much wider range PVC Foam Sheets like Poly Carbonate Sheets, Polypropylene Sheets, ABS Sheets and Acrylic Sheets. In fact for this very purpose the company has signed a memorandum of understanding with GE Plastics India Limited which is a joint venture promoted by IPCL and General Electric Plastics B.V. (GEP) which will facilitate supply of polycarbonate resin and technical assistance for manufacture of such sheets to JISL.

The company's other active business area, that is of Custom Made Moulding activity was initially set up in December 1991. Today this division has a installed capacity base of about 600 tons per annum and is a established hi-tech mould design centre which has executed jobs for several prestious overseas contracts. This division has adopted the latest CAD/CAM Mould design concept and uses state of the art Custom Moulded facility and has a overall capacity of building about 200 moulds annually.

The company went in for a expansion drive in February 1992, enabling it to raise its installed capacity by over 100% from 50,000 acres to 1,32,000 acres which involved a capital outlay of Rs 19.22 crores and has since then been commissioned since December 1992.

For funding the existing expansion of its domestic and export divisions and for promoting a new 100% EOU, the company in all incurred a capital outlay of Rs 56.50 crores which was funded by a rights PCD issue of Rs 150 each made to existing shareholders in the ratio of 1:1 aggregating Rs 45.27 crores. The terms of conversion being that part A of every PCD of Rs 80 each will stand converted into 2 equity shares of Rs 10 each at a premium of Rs 30 per share after six months from date of allotment. The balance Rs 70 will be the Non Convertible Khokha element. The balance was made available through term loans of Rs 10 crores and internal accruals of Rs 1.23 crores.

After the entire expanded capacity and the new EOU goes astream, on full capacity the company expects a quantum jump in its turnover to around Rs 300 crores by early 1995, with exports accounting for Rs 150 crores. The current years targeted turnover is estimated at Rs 65 crores - showing a growth of 85% over last year.

Exports are also expected to grow substantially in current year and should touch Rs 25 crores from Rs 10 crores last year - accounting for roughly 38% of overall sales revenues. JISL also intends to achieve a "Total Quality Management" concept and has already started setting standards for achieving the prestigious "ISO 9000", which will enable it to get a opening in Eastern European Markets also.

For the future, the company has set its goal of emerging as a totally integrated modern Agriculture company and diversify into new areas like Tissue Culture, Fully Water Soluble Liquid and Solid Fertilisers, Fruit Powders, Solar Water Heating Systems and Green Houses. By venturing into such allied agricultural areas, JISL is confident that very soon in the near future, the present day farm would soon be converted into a modern factory concept making farmers more self reliant and prosperous.

RESEARCH & DEVELOPMENT

Jain Irrigation Systems enjoys technical expertise from M/s James Hardie Irrigation of Italy now renamed as RIS Irrigation Limited which is one of the few large size manufacturers and Distributors of MIS. and considered to be a leader in Agro-Drip technology.

The company's technical agreement ensured a complete packaged deal under which the company acquired the critical moulding equipment and moulds as well as in-depth training was provided to local operators from abroad.

Apart from this the company currently has a well established R & D laboratory and owns about 145 acres of land established at three different places as R & D development farms. This research laboratory has been recognised by the Department of Science & Technology of the Government Of India as a approved research centre for Micro Irrigation research.
It also conducts extensive efforts to popularise MIS involving students for conducting research on different aspects of Micro Irrigation. As of now the company's R & D Laboratory has successfully experimented MIS (Micro Irrigation System) on thirty five different crops and in-house research efforts on several other new crops are undergoing trials.

A recent introduction has been the "Pop Up Sprinklers" which are completely hidden in the ground and come up on the ground when a water valve is opened, thereby ensuring that water distribution is uniform and consequently not resulting in slushy patches or un-uniform greening of lawn grounds for market segments like Golf Courses, Cricket Stadiums etc.

As a part of its overall corporate strategy and for ushering a new socio economic revolution, JISL has chalked out a unique proposal of greening surplus and unproductive forest land which has been kept before the government for discussion and evaluation. This proposal in itself shows the management quality and vision in understanding the country's agro economic problem in totality, while at the same time emphasising that, MIS (Micro Irrigation System) is primarily a socially related product meant to upgrade conservation and productivity.

FINANCIAL PERFORMANCE

Working Results for the Year Ended March 1992

Company could report yet another superlative performance in the financial year ended March 1992. This was well reflected from the fact that Gross Sales jumped by over 119% to over Rs 35 crores with Gross Profits and Post Tax profits spurting by over by 93% and 84% respectively over last year.

On a resultantly higher post tax profit of Rs 5.70 crores, as compared to Rs 3.10 crore last year, on a similar equity base of Rs 3.02 crores, the EPS stood placed higher at Rs 18.87 against Rs 10.26 recorded last year. Enthused by its encouraging performance, the Directors stepped up the dividend to 20% from 18% last year resulting in a payout of 11% with ploughback placed at a attractive level of 89% Company's Operating and Gross Profit Margins however came under pressure following a more than commensurate spurt of about 133% in raw material overheads at Rs 17.48 crores (PY - Rs 7.51 crores) coupled with a 50% increase in interest burden of Rs 2.33 crores (PY - Rs 1.56 crores).

Nevertheless the loss suffered on profit margins was to a certain extent neutralised by higher volume acreage recorded in current year which exceeded a growth of over 38% from the previous accounting period. The company was able to sell its MIS (Micro Irrigation Systems) to cover 22,000 acres.as compared to 16,000 acres covered last year resulting in a higher average acre realisation of Rs 11,430 as compared to Rs 9543 earned in last year - showing a 20% increase in value terms.

Exports amounted to Rs 10.04 crores in value terms as compared to just Rs 81 lacs last year - showing a rise of over 12 times over last year and accounting for 28% of overall gross revenues.

The company was able to reduce its average inventory stock requirement to 143 days as compared to about 158 days in last year. However the average collection period was maintained at 158 days as compared to 157 days in last year.

Gross Block during the above period increased sharply by 77% in value terms to Rs 28.08 crores from Rs 15.86 crores in last year with actual additions to Plant & Machinery amounting to Rs 11.08 crores.

Following the conversion of Part A of the partly convertible debenture issue, the resultant post rights equity base effectively for FY 1992-93 will be placed at Rs 10.02 crores, while free reserves would get boosted by Rs 9.50 crores.

MODERNISATION & EXPANSION PROGRAMME

a) Company has recently decided to enlarge its installed capacity for domestic MIS (Micro Irrigation Systems) from 50,000 acres to 1,32,000 acres. The company will be incurring a capital outlay of Rs 19.22 crores on this expansion which was expected to be completed by December 1992 and has since then started commercial runs.

b) Apart from the domestic expansion, the company has decided to expand its 100% EOU involved with the manufacture of PVC Foam Sheets raising its installed capacity from 1800 tons per annum presently to 4200 tonnes annually at a estimated cost of Rs 15.68 crore. JISL also proposes to set up a new 100% EOU exclusively to manufacture new range of PVC Polycarbonate Sheets, Polypropylene Sheets, ABS Sheets and Acrylic Sheets. This project will entail a investment of Rs 21.60 crores and is expected to be commissioned by September 1993 onwards.

c) Diversification into new areas where company intends to make a entry include Solar Water Heating Systems, Liquid and Solid Fertilisers, Tissue Culture and Fruit Powders.

Rs. in Crores

YE (MMYY)	0389	0390	0391	0392	CARG%	Annual Growth %
Gross Sales	3.59	9.50	16.08	35.18	113.99	118.78
Energy/Power	0.01	0.11	0.39	0.89	346.47	128.21
Raw Materials	1.72	4.27	7.51	17.48	116.61	132.76
Manpower Exp.	0.23	0.48	0.60	1.42	83.45	136.76
Optg. Profit	0.51	2.61	4.78	8.33	153.72	74.27
Interest	0.20	0.96	1.56	2.33	126.70	49.36
Other Income	0.08	0.10	0.22	0.66	102.06	200.00
Gross Profit	0.39	1.76	3.45	6.66	157.52	93.04
Depreciation	0.07	0.54	0.35	0.96	139.36	174.29
PBT	0.32	1.22	3.10	5.70	161.16	83.87
Tax	0.05	0.10	0.00	0.00		
PAT	0.27	1.12	3.10	5.70	176.38	83.87

COMMENTS ON THE OPERATIONAL PERFORMANCE DURING THE LAST 4 YEARS : (APRIL 1989 TO MARCH 1992)

a) Attractive Profit Margins

The company has continued to enjoy fairly attractive levels of profit margins both at the Operating and Gross Profit levels. In fact right from the first full year of operations ending March 1989, after its initial public issue, the company's OPM & GPM went on steadily increasing from 14% & 10% to 29% and 21% in FY 1991 but came under pressure in FY 1992 when both OPM and GPM took a beating to settle down at 23% and 18% following higher material cost overheads. Nevertheless despite these fall in margins in current year, the compounded growth in operating profits was placed at a respectable level of 74% during the above period, resulting in operating profits moving up in absolute terms from Rs 0.51 crores in FY 1989 to Rs 8.33 crores (Without considering Other Income) in FY 1992. Interest overheads were to a certain extent also maintained quite well which is reflected from the fact that average cost of borrowings was progressively reduced from 39% to 28% indicating higher contribution from internal accruals from existing operations.

Rs in Crores

Year	Operating Profit	Interest	Int/Op. Profit (%)
1989	0.51	0.20	39.21
1990	2.61	0.96	36.78
1991	4.78	1.56	32.63
1992	8.33	2.33	27.97

As compared to a compounded growth rate of 126% in absolute interest overheads, JISL was able to record a faster growth of 157% in cash profits during the above period on a compounded basis.

b) Competitive Advantage Arising From Low Wage Overheads

The low wages overheads give JISL a competitive edge.

Rs In Crores

Year	Employee Costs	Sales	Employee Cost/Sales (%)	Sales Per Employee
1992	1.42	35.18	4.03	0.07
1991	0.60	16.08	3.73	0.03
1990	0.48	9.50	5.05	0.02
1989	0.23	3.59	6.40	0.01

Although, the company could record a compounded growth of 83% in absolute employee overheads, there composition as a % of overall gross revenues were strictly maintained at between 4 to 5% while at the same time, sales have virtually multiplied ten times in this period. This is a clear indicator that value addition per employee has steadily increased progessively in the above period.

c) Rising Sales Realisation Per Acre

JISL's rising profit margins were aided by higher sales acreages in actual volumes covered and steady increase in unit realisations.

Year	Sales in Acres	Value (Rs) Amount	Per Acre Realisation (Rs)
1989	2,700	3.59	13,296
1990	10,000	8.54	8544
1991	16,000	15.26	9543
1992	22,000	25.14	11430

During 1992-93, JISL has targeted to cover about 40,000 acres under MIS (Micro Irrigation Systems). In the last three years, (Between FY 1990 to FY 1992) the company's compounded growth in acreage covered has been truly commendable by industry's standards at 48%, while average growth in sales realisation per acre (Between FY 1989 to FY 1992) was placed at 11%

d) Strong Cash Flows

Higher acreages covered, coupled with a steady increase in unit realisation per acre and a strict cost control on material overheads, could enable the company to record healthy cash flows in the last 4 years (FY 1989 to FY 1992) which have risen from Rs 0.34 crores in FY 1989 to Rs 6.66 crores in FY 1992 - recording a 170% compounded growth in this period which is a strong indicator of company's profit generating capacity. This is depicted from the following table below :

Rs in Crores

Year	PAT	Dep	Cash Flow	Cash Flow Per Share	Net-Worth
1992	5.70	0.96	6.66	22.00	12.31
1991	3.10	0.35	3.45	11.42	7.29
1990	1.12	0.54	1.66	5.50	3.81
1989	0.27	0.07	0.34	1.14	3.13

Along with such strong cash flows, the company's return on networth has been equally impressive ranging between 29% to 46% in the above period (Between FY 1989 to FY 1992) . Networth improved to

Rs 12.31 crores as on FY 1992 from Rs 3.13 crores in FY 1989 - showing a average annual growth of 73% during the above period which is undoubtedly a healthy sign of financial stability.

e) Strict Cost Control On Raw Material Overheads: (Directly related to Production)

Although compounded annual growth rate in absolute raw material consumption was placed at 117%, the company has strictly maintained their composition as a % of overall sales revenues between 47% to 49% in the above period (Between FY 1989 to FY 1992) The level of absolute consumption in material overheads has grown sharply and commensurately with the increase in company's operations, but what needs to be mentioned is that the Jain Group being the largest processor of PVC and other related polymer products could ensure good inventory planning and adequate availability of critical raw material for JISL. Power and Fuel costs on the other hand increased by 346% on a compounded basis, while manpower expenses showed a 84% compounded growth in the above period (Between FY 1989 to FY 1992) which along with material overheads collectively accounted for 55% of overall sales revenues.

f) Strong Creation of Asset Base

During the last four years, JISL has recorded a compounded growth of 168% in Gross Block rising from Rs 1.45 crores in FY 1989 to Rs 28.08 crores in FY 1992. At the same time turnover growth albeit being less aggressive, was also placed at a respectable level of 114% in the same period indicating good operational usage of assets employed in business. After the implementation of the new 100% EOU projects and domestic expansion, the rate of growth in gross block is expected to gain more momentum.

g) Turnover Growth

Turnover Growth in the last 4 years (Between FY 1989 to FY 1992) has witnessed a respectable pace at 114% compounded annually, indicating higher and larger preference for company's products and efficient usage of capital employed in business.

h) Rising Working Capital Sensitivity

The company's working capital exposure as a % of Overall Gross Revenues in the last 4 years, (Between FY 1989 to FY 1992) has been quite volatile ranging from 25% to 99% .

Rs in Crores

Year	Working Cap	Sales	WC/Sales (%)
1989	3.38	3.59	94.15
1990	5.54	9.50	58.32
1991	4.10	16.08	25.50
1992	34.98	35.18	99.43

For 1991-92, the company borrowed about Rs 32.71 crores as bridge loans due to which the working capital component shot up abnormally. A considerable part of these short term loans seem to have diverted to meet working capital requirements and balance Rs 7 crores deployed as inter corporate deposits in FY 1992. This could be attributed to the fact that company's present import exposure is 32% as on FY 1992, which makes it necessary to stock adequate inventories to meet its peak months requirements. Also since a major portion of sales take place between January to March, company has to extend higher credit period to its customers. Almost 65% of the working capital requirements were accounted for by debtors and inventories signifying high short term finance requirements of JISL.

i) Debt To Equity Ratio

JISL has progressively reduced its leverage from a high of 2.19:1 in FY 1990 to 1.68:1 in FY 1991 and further to 1.43:1 in FY 1992. The improvement in bringing down the leverage was on account of higher contribution of profits.

In fact the leverage is further expected to go down further, after the PCD conversion issued last year which will raise the equity capital to Rs 10.02 crores from the existing level of Rs 3.02 crores effective March 1993 with networth expected to be boosted by Rs 9.50 crores, contributed by way of share premium.

j) Import Sensitivity

Company continues to be import-dependent to the extent of 32% of its raw material requirements as on FY 1992. Imported raw materials include polymers like LLDPE & HDPE which are also sourced from domestic producing units.

Although Rupee has been made fully convertible, in the Union Budget for 1993-94 the effect of such a move has not totally made import costs prohibitive. This is because, even internationally the prices of polymers have started declining, which has resulted in a competitive situation for the user end segment. Domestically also, the availability of polymers is expected to be stable from existing producers like Reliance Petrochemicals and IPCL.

k) Export Presence

The company's export performance prior to FY 1992 was not anything significant, but commencing from FY 1992 onwards, when the exports totalled Rs 10.04 crores signifying company aggressive export thrust in markets like United Kingdom, Belgium, France and Middle East which were firmly established after a lot of market penentration effort was carried out by the company. Current year's target is expected to be in the region of Rs 25 crores - a major portion which are to be routed to hard currency areas.

l) Good Tax Planning

Company has managed its tax planning quite well, by having no tax provision made in the last two years and having paid a moderate tax burden of 8 to 10% in earlier two financial periods. (For FY 1989 & FY 1990).

PROSPECTS

In The Medium To Long Term Perspective : Bright

JISL pioneered the concept of Micro Irrigation within the country. With several kinds of drippers and spinklers manufactured by the company, it is today the largest integrated MIS (Micro Irrigation Systems) unit in India, having its own well trained engineering manpowerbase to design and custom make a MIS system for each user and crop specifications.

Today JISL is particularly more dominant in states like Maharashtra, Gujarat and Tamilnadu, and moderately in areas of Madhya Pradesh, Assam, and Uttar Pradesh with its major competitors being Premier Irrigation (Madras), PIL, Jyoti and Voltas. Nevertheless such players are quite insignificant considering the fact that, JISL on its own has covered about 90,000 acres in the last four years under MIS as compared about 4000 acres covered by all SSI and other small organised sector units. This in it itself explains the aggressive thrust and the success rate of company's, product as compared to others.

Company has also made it a business strategy not to sell irrigation components or drippers/spares as off the shelf items. The business policy of the company was to offer a totally integrated packaged system to farmers with after sales being a crucial add on.

Presently about 20 to 25% of company's sales in value terms are accounted through subsidy farmers while the balance comes from the affluent forward looking farmers.

Presently domestically there are about 12 to 15 units operating within the MIS business segment, collectively having a estimated installed capacity base of about 1,97,000 acres, although in physical terms there is no constraint on each units productive capacity. The only factor which is noteworthy in this business, is that marketing and after sales play a crucial role in helping a unit expand it area of operations.

Exports are also expected to steer JISL into a bigsize global player in the near future, with the company likely to emerge as a major plastic processing export house from India. Exports which are expected to touch Rs 25 crores in FY 1992-93 is going to be the mainstay in years to come.

New areas where company will soon be transforming its ideas into action include Green Houses, Tissue Culture and Liquid Fertilisers where the Jain Group inherently has a strong agro base to effectively sell these concepts to farmers. Hence over a period of time, all these new areas are expected to be profit centres in their own way.

In fact according to company sources, the company's expansion cum diversification programme is expected to be commissioned much ahead of schedule by June 1993 as compared to September 1993 earlier envisaged.

Looking at the company's excellent track record of aggressive rise in turnover and profits and the unlimited potential offered for Micro Irrigation in India, viewed as a basic infrastructural necessity for agricultural productivity, the future outlook for JISL is promising.

INTERIM PERFORMANCE FOR THE FIRST SIX MONTHS ENDED SEPTEMBER 1992.

Rs in Crores

Particulars	0992	0991	Var (%)
Net Sales	15.10	8.16	85
Op Profit	4.68	2.78	68
Interest	1.51	1.01	50
Gr Profit	3.17	1.77	79
Depreciation	0.86	0.40	115
P.B.T.	2.31	1.37	69
Tax	—	—	—
P.A.T.	2.31	1.37	69
CPS (Rs)	3.10	5.86	
EPS (Rs)	2.26	4.53	
Equity Capital*	10.02	3.02	

* *Equity Base will rise to Rs 10.02 crores in FY March1993.*

JISL has been traditionally earning about 75% of its turnover during the period between October to March, which is normally a peak period for the company as most farmers essentially start buying after the Kharif crop and also due to fact that a major portion of subsidy disbursements are released in the quarter between January to March.

Projections for next three years are as follows

Rs in Crores

Year Ended	0393	0394	0395
Sales (Incl. of Exports)	65.00	85.00	125.00
Exports	25.00	30.00	45.00
Gross Profit	11.00	14.50	21.00
Depreciation	1.85	2.75	4.50
Profit before Tax	9.15	11.75	16.50
Tax	—	—	—
Profit after Tax	9.15	11.75	16.50
Equity Capital	10.02	10.02	10.02
Projected Acreage	35,000	45,000	60,000
Sales Realisation per Acre (Rs)	11,428	12,000	13,333
EPS (Rs)	9.13	11.72	16.46
CPS (Rs)	10.97	14.47	20.95
GPM (%)	16.92	17.06	16.80
PAT (%)	14.08	13.82	13.20

Above projections take into account contribution from the existing domestic division after expansion also, but without considering the new 100% EOUs contribution and overheads respectively.

SWOT Profile of Jain Irrigation Systems Limited

Following are the Major Strengths, Weaknesses, Opportunities And Threats of Jain Irrigation Systems Limited.

Strengths

1) One of JISL's major competitive edge is its plant location which has given it access to a large domestic market particularly considering the fact that Maharashtra accounts for almost 50% of the overall MIS market segment. The high success rate of MIS in Maharashtra could also help JISL in popularising this concept in other states like TamilNadu and Gujarat essentially strengthening the company's overall market position.

2) Being the pioneer in MIS, JISL had to do concept selling in the initial periods. This has created a strong brand image for "Jain Drip System".

3) Another major factor which contributed to the success of JISL's success is the established track record and high management quality of the Bhavarlal Jain Group. This is reflective of the fact that the company was able to record as much as 90,000 acres under MIS in a span of four years, as compared to 10 other organised sector units who collectively recorded only about 4000 acres in the same period.

4) Company also enjoys a well connected marketing network all over India and abroad.

Weaknesses

1) Company has incurred a heavy expenditure to the tune of Rs 35 crores, for both its 100% EOUs which accounted for about 65% of the overall capital outlay spent by the company in FY 1992. As both PVC Foam Sheets and Custom Made Moulded products are exclusively for export markets, any major adverse development abroad in these markets could result in any temporary setback for the company on the export front.

Opportunities & Threats

1) So far as opportunities are concerned, the Jain Group has decided to emerge as a fully integrated Agriculture oriented company with wide exposure in allied areas like Green Houses, Tissue Culture, Liquid Fertilisers, and Fruit powders. Hence JISL is making full efforts to exploit new opportunities to exploit them commercially.

2) There is no immediate threat for the company so far as utilisation of the existing demand potential for MIS is concerned. Also there has been no significant technological change in this field which also rules out the obsolence factor.

Management Philosophy & Share Price

Initially after its first public issue offering, the JISL scrip was hardly fancied by the market. This was because, the full potential of the company's product and its impact on the company's bottom line was not visualised in depth by the market.

Nevertheless, after the first full year of operations, when the company announced a maiden dividend, the market operators started evincing interest in this scrip which over a period gained speculative fervour in the boom of April 1992 when, the JISL touched a high of Rs 600 cum rights.

Recently after the post equity issue conversion, the share which was traded in the range of Rs 175 to Rs 180 started attracted selling pressure from original allotees resulting in the share price dropping to a low of Rs 110 to Rs 115. The sluggish trend in the secondary market also contributed to the fall in the share value. Thereafter however, the scrip has turned upwards & stabilised between Rs 135 to Rs 140 whereby its discounts FY 1992 earnings by about 25 times but on projected earnings of Rs 8 for FY 1993 the discount works out to 17 times.

The Jain Group has displayed in the last four years a very high calibre of management quality, through consistently improved performances year after year but more in particular from its pioneering effort in popularising the MIS concept which was earlier not thought viable by many.

The ideal investment strategy would be to buy at declines up to Rs 150 for a medium to long term investment.