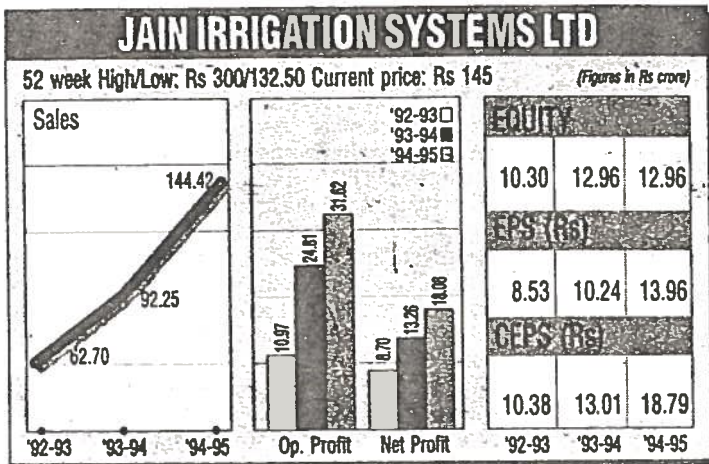


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MEDIUM PRICED

A profitable furrow



In the past few weeks several high and medium capitalised stocks have recorded handsome gains due to announcements of improved workings for 1994-95. One such scrip is Jain Irrigation Systems (JISL) which moved up from Rs 132.50 to touch Rs 165 early this month.

Its 1994-95 results showed a 57 per cent increase in gross turnover to Rs 144.2 crore. Net profits shot up by 36 per cent over the previous year to Rs 18.08 crore. The growth in exports has been rapid at 92.30 per cent from Rs 41.23 to Rs 79.29 crore. Exports now account for 55 per cent of total sales, thereby reversing the earlier contribution pattern.

The stock price has since dropped to Rs 145 in tandem with the overall sentiment, thus discounting 1994-95 earnings 10.38 times. It still looks attractive as the current year's anticipated earnings are discounted only 8 times, against a projected compounded growth rate of 25 per cent in turnover and 40 per cent in profitability for the next two years.

The continuing bear phase, and an expected slowdown in economic growth has led analysts to suggest a market strategy aimed at buying stocks which are less vulnerable to economic downturns, swings in global commodity prices and falling tariffs — to buy stocks that are defensive.

JISL's main strength is that it is in the micro irrigation systems business — an industry largely insulated against econo-

mic swings. For the company, 45 per cent of its turnover comes from the drip irrigation business and about 50 per cent comes from exports of plastic processed items. The plastic processing business is susceptible to swings in input price but the combination of businesses makes JISL safer than pure commodity stocks.

In 1994-95, drip irrigation made up 90 per cent of the domestic turnover of Rs 65.15 crore. The drip irrigation business benefits from the fact that the government subsidises up to 50 per cent (subject to a ceiling of Rs 50,000) of the cost of introducing drip irrigation on a farm. The beneficiaries are the small and marginal farmers operating on farms not larger than 1.6 acres. However, says Anil Jain, managing director, JISL, "We are more comfortable with corporate clients where the area to be irrigated is vast. With a relaxation in land laws, corporate interest in agriculture will rise and so will the drip irrigation business." He is unfazed by the growing competition from new entrants: "The new entrants are fighting among themselves, and we have maintained our market share. No one has the ability like us to undertake drip irrigation projects on a large scale", he adds.

JISL commands over 60 per cent of the Indian market for micro irrigation systems. Its recent ventures into green houses, tissue culture, liquid fertilisers