

JAIN IRRIGATION SYSTEMS

In the top slot

Jain Irrigation Systems is likely to emerge as the largest processor of plastics in India after the completion of its expansion/diversification programme by 1996. In the coming years, exports will constitute major share of sales while the dominance of micro irrigation systems will be gradually reduced to about 50 per cent in line with the company's strategy to counter competition.

THE 'Jains of Jalgaon' seem to be unaffected by the steep fall in the stock price of their flagship company Jain Irrigation Systems (JISL) from Rs 349 in February 1994 to its current price of Rs 146. Rather, they are busy strengthening the company's fundamentals and devising strategies to remain the undisputed leader in the micro drip irrigation systems and plastic processing through strategic diversification.

Jain Irrigation Systems (JISL), a pioneer and the market leader in micro irrigation systems in the country with a 65 per cent market share in the

by 57 per cent to Rs 144.67 crore from Rs 105.32 crore in the previous year.

Significant tie-up

The most interesting development of last year was that Jain Irrigation's export sales surpassed the domestic sales. It was a reversal of the 1993-94 ratio. In 1994-95, the exports of the order of Rs 79.20 crore constituted 55 per cent of the total turnover of Rs 144 crore while the domestic sales were of the order of Rs 65.47 crore. A significant breakthrough for JISL was the tie-up with GE Plastics, the world polycarbonate giant which started sourcing its en-

Keeping pace with the increasing turnover, the net profit also shot up by 36 per cent to touch Rs 18.72 crore, against Rs 13.26 crore in the previous year. However, due to the price increase in polymer, the principal raw material for micro irrigation systems and polycarbonate sheets, both in the domestic and international markets, the gross margin in 1994-95 dipped to 16 per cent from 18 per cent in 1993-94.

Similarly, the net profit margin too squeezed to 13 per cent from 14 per cent in the earlier year, mainly on account of higher depreciation which was up by Rs 2.7 crore to Rs 6.04 crore.



industry, has put up an excellent performance for the year 1994-95. Though the margins have taken a slight beating, the gross turnover of JISL increased

tire European requirements from the company. The average realisation on exports was about 20 per cent higher than on domestic sales.

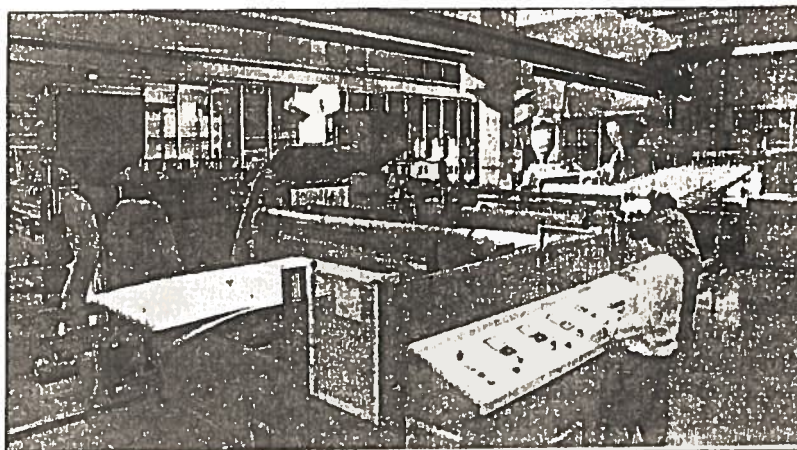
The higher depreciation was largely due to continuous investments in ongoing expansion and modernisation programme. As at March 1995, JISL had

massive gross block of Rs 167.91 crore, compared to Rs 116.85 crore in 1993-94.

Even on a substantially higher turnover, which grew by 57 per cent, JISL was able to bring down the interest burden by nearly 10 per cent to Rs 7.20 crore. This clearly reflects the prudent funds management. This is considered significant in view of the company's very nature of business which needs high working capital requirements. The company's main line of business of micro irrigation systems makes it imperative to deal with the small and medium farmers who need to be granted higher credit facilities.

The lower interest incidence in 1994-95 may also be a result of the liquidation of almost all the investments the company had made in the previous year. The investments of the order of Rs 39.30 crore in 1993-94 were brought down to only Rs 0.36 crore in 1994-95 partly to fund its ongoing expansion plans. The company's inventory management is commendable. JISL brought down the inventories by Rs 2.02 crore in 1994-95, compared to an increase in stocks by Rs 12.64 crore in 1993-94.

Jain Irrigation Systems has the distinction of being the first



agro-based Indian company to be listed on the Luxembourg stock exchange. The company

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has floated the smallest European depository receipts (EDR) issue so far, aggregating \$30 million. The EDR issue was meant to part finance the com-

pany's green houses, solar water heating systems, polycarbonate corrugated sheets, liquid fertilisers and biotech among other projects. In this regard, the company has tied up with eight Israeli firms for undertaking the projects mentioned above.

The company has entered into a technical collaboration with Amcor Internation of Israel to manufacture solar water heating systems. Initially, meant for use in agriculture, the company plans to manufacture these heating systems for industrial use later on. This project is being implemented at a total capital outlay of Rs 15.73 crore.

The company's project to manufacture greenhouses and plant propagation tunnels in collaboration with Azrom Metal In-

TABLE - 1

BALANCE SHEET				
(Rs in crore)				
Liabilities			Assets	
	Mar 95	Mar 94	Mar 95	Mar 94
Share capital	12.95	12.95	Gross fixed assets	167.91
Shareholders' reserves	150.40	135.66	Capital work-in-progress	19.84
Secured Loans			Depreciation	13.02
Term loans	55.32	49.35	Net block	154.89
Working capital loans	36.46	37.58	Investments	0.36
Unsecured loans	56.08	26.09	Inventories	68.39
Current liabilities	39.81	26.37	Sundry debtors	68.18
Provisions	3.88	2.81	Cash & bank balances	2.22
			Loans & advances	36.70
			Misc. expenses not written off	4.31
				2.10

dustries of Israel at a total capital cost of about Rs 5.15 crore started operations in the latter half of 1994.

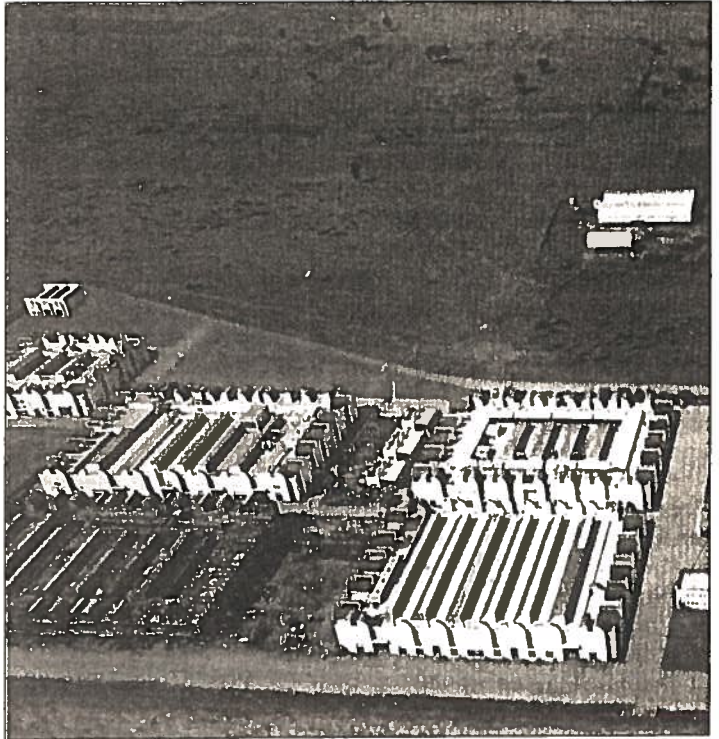
Diversified product range

JISL has diversified its existing range of plastic sheets by venturing into the manufacture of corrugated polycarbonate sheets. This unit with a capacity of 2,000 tpa, can produce twin wall polycarbonate sheets. Implemented at a cost of about Rs 20 crore, the unit has just started production which would be reflected in the 1995-96 performance.

The company has set up a joint venture with Kemira OY of Finland to manufacture water soluble solid and liquid fertilisers. To manufacture tissue culture, JISL has set up another joint venture in association with Rahan Meristem, Israel.

After the completion of the entire expansion programme by 1996, Jain Irrigation Systems is likely to emerge as the largest processor of plastics in India though it is just a drop in the ocean, about one per cent, when compared to the global market.

Considering the higher yields obtained and substantial saving in water resource, drip irrigation system has been receiving favourable response from the corporate agricultural sector. It is not feasible operationally for the small land holdings. As more and more land is brought under drip irrigation, increasing number of companies are vying for a share in the growing market.



The high growth rate of about 40 per cent in drip irrigation has lured new players like Finolex Industries and Pasumal Irrigations, into the drip irrigation fold. They have tied up with Plastrot Gvat and Netafim of Israel respectively. Voltas and EPC Irrigation also compete with JISL.

The Eighth Five Year Plan envisages an additional 23,000 hectares of land to be brought under micro irrigation in the next two years. That means more room for a couple of new players. Jain Irrigation Systems, which has a lion's share of 65 per cent, is unlikely to be threatened by the new entrants at least in the medium term as the market is growing at about 40 per cent.

Well planned future

JISL is also much ahead in planning to counter the competition. The company has diversified its product range to cover PVC sheets, moulded plastic items, irrigation components and polycarbonate sheets. In the coming years, JISL's turnover would depend only to the extent of about 50 per cent on micro irrigation systems while the other products will take care of the rest.

Currently, JISL scrip is quoted around Rs 146, which is close to its book value of Rs 126 per share. On an equity base of Rs 12.95 crore, the company has huge free reserves of Rs 150.40 crore, which makes the scrip a potential bonus candidate.

TABLE-2

INCOME STATEMENT		
	(Rs in crore)	
Particulars	March 1995	March 1994
Sales	144.37	92.25
Other income	2.32	0.43
Increase/(decrease) in stock	(2.02)	12.64
Gross turnover	144.67	105.32
Materials cost	81.76	61.13
Administrative expenses	7.26	5.85
Manufacturing expenses	7.38	5.90
Selling & distribution expenses	15.02	7.06
Interest	7.36	7.93
Depreciation	6.04	3.58
Tax	Nil	Nil
Profit after tax	18.72	13.26
EPS (Rs)	14.45	10.23
Book value (Rs)	126.13	114.75