

Rich harvest for Jain Irrigation

Ashok Jainani/R Radhakrishnan

Economic Times Research Bureau

JAIN Irrigation Systems, pioneer and leader in the micro irrigation systems which has a 65 per cent market share in the industry, has posted impressive results, despite strained margins, for 1994-95. Its gross turnover has increased by 57 per cent at Rs 144 crore over the previous year.

Commensurate with the increase in turnover, the net profits too have shot up by 36 per cent over the previous year level to touch Rs 18 crore. The most interesting development is that exports, at 55 per cent of the total, have overtaken domestic sales. In fact, it is a reversal of the contribution pattern in the year before, 1993-94. The export surge is thanks largely to GE Plastics, the polycarbonate giant which started sourcing its entire European requirement from Jain Irrigation.

Rich Harvest		
	1994-95	1993-94
Domestic Sales	65.15	51.02
Export Sales	79.29	41.23
Net sales	144.42	92.25
Gross Profit	24.36	16.85
Net Profit	18.08	13.26
Equity Capital	12.96	12.96
EPS (Rs)	13.96	10.24
Book Value (Rs)	126.00	115.00

(Rs Crore)

The average realisation on exports is about 20 per cent higher than on domestic sales.

Owing to increases in the prices of PVC (the raw material for irrigation systems) in both the domestic and international markets, the gross margin came under pressure as it dipped from 18 per cent in

1993-94 to 16 per cent in 1994-95. Similarly, the net margins too were strained on account of higher depreciation, up by Rs 2.7 crore. This is mainly due to investments in an ongoing expansion and modernisation programme.

The company was able to bring down the interest burden by nearly

BOTTOM LINE

10 per cent to Rs 7.20 crore on a substantially higher turnover, by retiring debt with the proceeds of its Euro issue. This has been achieved in spite of the company's high working capital requirements which had to be maintained owing to its nature of business of dealing with small and medium farmers, an operation that demands liberal credit facilities. The lower interest incidence could have also been on account of capitalisation of interest on borrowings till the commerciali-

sation of the ongoing projects.

Jain Irrigation was the first Indian company in the agro-based industry to be listed on the Luxembourg stock exchange; it was also the smallest European Depository Receipts (EDR) issue of \$30 million. The EDR, equivalent to one underlying equity share placed at Rs 349 in February 1994 is currently quoted at a discount of 59 per cent to the issue price. The EDR issue was meant to part finance company's projects for green houses, solar water heating systems, polycarbonate corrugated sheets, liquid fertilisers, and biotechnology, among other projects. In this regard, the company has tied up with eight Israeli firms for undertaking the projects mentioned above.

After completion of expansion by 1996, Jain Irrigation is likely to emerge as the largest processor of plastics in India.

The high growth rate of 40 per cent in the industry has lured new players like Finolex Pipes and Pasumai Irrigations into the drip irrigation fold. They have tied up with Plastro Gvat and Netafim of Israel, respectively.

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

The current quoted market price of Rs 130 is close to the intrinsic value of Rs 126 per share. On an equity base of Rs 13 crore, the company has free reserves of Rs 150 crore which make the scrip a potential bonus candidate.