

Jain Irrigation

Rs1,019

OUTPERFORMER

On a mission!

Mkt Cap: Rs73.8bn; US\$1.6bn

11 June 2010
BSE Sensex: 16922

Event:

The Cabinet Committee on Economic Affairs has approved the implementation of the existing Micro Irrigation Scheme (MIS) as the National Mission on Micro Irrigation (NMMI) during the Eleventh Plan period, with an outlay of Rs.80.33bn.

Impact and View:

- Under the implementation of the National Mission on Micro Irrigation (NMMI), of the total outlay of Rs80.33bn, Rs.34.1bn would form the subsidy element and will be contributed by the Department of Agriculture and Cooperation (DAC), as share of the Central government. This includes a 40% subsidy for general farmers and 50% subsidy for small and marginal farmers.
- Under this mission, the government expects to add 2.85m ha under MIS over the next two years.
- JISL is currently planning to add 0.5m ha annually, with the overall industry expected to add ~1m ha annually. However, this move by the government implies higher potential for growth for the industry and thereby JISL.
- We expect JISL's MIS business to grow at 27% CAGR over the next two years and garner revenues of Rs22bn in FY12. However, the impact of this development may lead to JISL's MIS business treading a stronger growth trajectory.
- Our interaction with the management suggests that while this development will provide momentum to the overall MIS landscape in India, on ground implementation and affordability of farmers will be the key to reap benefits of the mission.
- At 17x FY12E earnings (based on current estimates for the MIS business), we remain bullish on JISL.

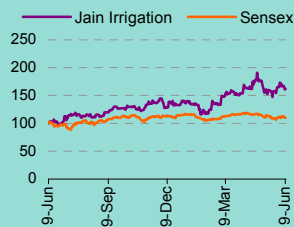
Key financials

As on 31 March	FY08	FY09	FY10	FY11E	FY12E
Net sales (Rs m)	23,185	29,362	35,041	42,771	51,108
Adj. net profit (Rs m)	1,191	2,005	2,099	3,329	4,372
Shares in issue (m)	72	72	72	72	72
Adj. EPS (Rs)	16.5	27.7	29.0	46.0	60.4
% change	17.1	67.4	4.7	58.6	31.3
PE (x)	61.6	36.8	35.1	22.2	16.9
Price/ Book (x)	8.5	7.4	6.1	4.9	3.9
EV/ EBITDA (x)	25.1	18.2	13.7	10.6	8.5
RoE (%)	18.9	21.5	18.9	24.4	25.6
RoCE (%)	16.8	16.6	18.3	21.9	24.1

Source: IDFC Securities Research

Agri-related

Price chart



Nikhil Vora
91-22-6622 2567
nikhil.vora@idfc.com

Bhushan Gajaria
91-22-6622 2562
bhushan.gajaria@idfc.com

Swati Nangalia
91-22-6622 2576
swati.nangalia@idfc.com

News snippet

Govt upgrades micro irrigation scheme

The government today upgraded its micro irrigation scheme to a national mission with an outlay of Rs 8,032.90 crore, to save scarce irrigation water.

The Cabinet Committee on Economic Affairs (CCEA) approved the implementation of the Micro Irrigation Scheme (MIS) as a National Mission on Micro Irrigation (NMMI) during the 11th Plan period (2007-12). Home Minister P Chidambaram told reporters after the CCEA meeting.

The mission will bring 2.85 million hectare of area under micro irrigation, ensuring saving of irrigation water, fertiliser and electricity, he said.

Out of the total outlay, Rs 3,409.26 crore will be contributed by the Department of Agriculture and Cooperation (DAC) as central share comprising 40 per cent subsidy for general farmers and 50 per cent subsidy for small and marginal farmers, he said.

It will help increase in crop productivity as the major government schemes get convergence to create water harvesting structures.

Apart from this, the irrigation mission would be useful for vegetables, spices, and oilseeds.

The MIS was under implementation since 2005-06.

This technology greatly enhances water use efficiency and can also be used for fertiliser application.

Since the inception of the scheme, an area of 17.92 lakh hectare has been brought under micro irrigation in 18 states by utilising Rs 2,013.39 crore as the central share.

Around 60 per cent of Indian agriculture is rainfed as the country has scarce irrigation infrastructure.

IDFC Securities

Analyst	Sector/Industry/Coverage	E-mail	Tel. +91-22-6622 2600
Pathik Gandotra	Head of Research; Financials, Strategy	pathik.gandotra@idfc.com	91-22-662 22525
Shirish Rane	Construction, Power, Cement	shirish.rane@idfc.com	91-22-662 22575
Nikhil Vora	FMCG, Media, Mid Caps, Education, Exchanges	nikhil.vora@idfc.com	91-22-662 22567
Ramnath S	Automobiles, Auto ancillaries, Real Estate, Oil & Gas	ramnath.s@idfc.com	91-22-662 22570
Nitin Agarwal	Pharmaceuticals	nitin.agarwal@idfc.com	91-22-662 22568
Chirag Shah	Metals & Mining, Telecom, Pipes, Textiles	chirag.shah@idfc.com	91-22-662 22564
Bhoomika Nair	Logistics, Engineering	bhoomika.nair@idfc.com	91-22-662 22561
Hitesh Shah, CFA	IT Services	hitesh.shah@idfc.com	91-22-662 22565
Bhushan Gajaria	Retailing, FMCG, Media, Mid Caps	bhushan.gajaria@idfc.com	91-22-662 22562
Salil Desai	Construction, Power, Cement	salil.desai@idfc.com	91-22-662 22573
Ashish Shah	Construction, Power, Cement	ashish.shah@idfc.com	91-22-662 22560
Probal Sen	Oil & Gas	probal.sen@idfc.com	91-22-662 22569
Chinmaya Garg	Financials	chinmaya.garg@idfc.com	91-22-662 22563
Aniket Mhatre	Automobiles, Auto ancillaries	aniket.mhatre@idfc.com	91-22-662 22559
Abhishek Gupta	Telecom	abhishek.gupta@idfc.com	91-22-662 22661
Ritesh Shah	Pharmaceuticals, IT Services	ritesh.shah@idfc.com	91-22-662 22571
Saumil Mehta	Metals, Pipes	saumil.mehta@idfc.com	91-22-662 22578
Vineet Chandak	Real Estate	vineet.chandak@idfc.com	91-22-662 22579
Kavita Kejriwal	Strategy, Financials	kavita.kejriwal@idfc.com	91-22-662 22558
Swati Nangalia	Mid Caps, Media, Exchanges	swati.nangalia@idfc.com	91-22-662 22576
Sameer Bhise	Strategy, Financials	sameer.bhise@idfc.com	91-22-662 22574
Nikhil Salvi	Construction, Power, Cement	nikhil.salvi@idfc.com	91-22-662 22566
Shweta Dewan	Mid Caps, Education, FMCG	shweta.dewan@idfc.com	91-22-662 22577
Dharmendra Sahu	Database Analyst	dharmendra.sahu@idfc.com	91-22-662 22580
Rupesh Sonawale	Database Analyst	rupesh.sonawale@idfc.com	91-22-662 22572
Dharmesh R Bhatt, CMT	Technical Analyst	dharmesh.bhatt@idfc.com	91-22-662 22534

Equity Sales/Dealing	Designation	E-mail	Tel. +91-22-6622 2500
Naishadh Paleja	MD, CEO	naishadh.paleja@idfc.com	91-22-6622 2522
Paresh Shah	MD, Dealing	paresh.shah@idfc.com	91-22-6622 2508
Vishal Purohit	MD, Sales	vishal.purohit@idfc.com	91-22-6622 2533
Nikhil Gholani	MD, Sales	nikhil.gholani@idfc.com	91-22-6622 2529
Sanjay Panicker	Director, Sales	sanjay.panicker@idfc.com	91-22-6622 2530
V Navin Roy	Director, Sales	navin.roy@idfc.com	91-22-6622 2528
Nirbhay Singh	SVP, Sales	nirbhay.singh@idfc.com	91-22-6622 2595
Suchit Sehgal	AVP, Sales	suchit.sehgal@idfc.com	91-22-6622 2532
Pawan Sharma	MD, Derivatives	pawan.sharma@idfc.com	91-22-6622 2539
Jignesh Shah	AVP, Derivatives	jignesh.shah@idfc.com	91-22-6622 2536
Sunil Pandit	Director, Sales trading	sunil.pandit@idfc.com	91-22-6622 2524
Mukesh Chaturvedi	SVP, Sales trading	mukesh.chaturvedi@idfc.com	91-22-6622 2512
Viren Sompura	VP, Sales trading	viren.sompura@idfc.com	91-22-6622 2527
Rajashekhar Hiremath	VP, Sales trading	rajashekhar.hiremath@idfc.com	91-22-6622 2516

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2. Neutral: Within 0-5% to Index
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