

Jain Irrigation Systems Limited

Overview of Business

Jain Irrigation Systems Ltd. (JISL), a leading agribusiness company, operates in diverse but integrated segments. It is the second-largest micro irrigation company globally and the largest manufacturer of irrigation systems in India. Globally, the company is one of the largest manufacturers of Mango pulp, puree and concentrate, and the third-largest manufacturer of dehydrated onions. JISL is also one of India's largest manufacturers of polyethylene pipes and Tissue Culture Banana Plants, and is among the top three PVC pipe manufacturers. Moreover, the company is involved in hybrid and grafted plants, greenhouses, poly and shade houses, bio-fertilizers, solar water heating systems and bio-energy sources.

Main product segments

1) High-Tech Agri Input Products

The segment comprises of Micro Irrigation System (MIS) and Sprinkler Irrigation System (SIS), PVC Pipes, biotech tissue culture and other agri inputs. The segment has grown at almost 52% over the previous year at Rs. 13,249 million. The main growth engine was the MIS/ SIS business at a robust 54% growth. PVC pipes also grew at significantly high growth rate of 43 %. The segment profit has grown by 47% over the earlier year's level, while the capital employed grew at a little over 20% reflecting the creation of additional capacities during the year.

a) Micro and sprinkler irrigation

The industry is broadly divided into the organized and unorganized segments in the country. The company is the largest player in the organized sector. While the company controls 55% of the Micro Irrigation business in the country, it has a market share of 35% in the Sprinkler irrigation business in the country. The current estimate of industry size is Rs. 17 bn. and it is growing rapidly.

The business contributes a little over 43% of the Company's turnover. The division has been growing at a CAGR of 60%.

Almost 50% of the arable land in the country is still rain fed. The Government (Central and State) provide 50% capital subsidy for promoting the use of Micro Irrigation by farmers. While targeting an agriculture growth of 4% per annum the government had also placed higher targets for farm credit and agriculture investments at 2% plus of the GDP for the XI plan period.

The growth in markets is dependent on Government policies and release of capital subsidy etc in the short term.

b) PVC Piping

During the year 2007-08 the Indian industry used 1373 KT of PVC Resin, achieving a growth of 13% over previous year. For the year 2008-09 Indian PVC industry in general looks forward to consume 11% more and looks forward to a CAGR of 10% up to the year 2012-13. During FY 2009, this business contributed 18% revenue for the Company. The business has grown at a steady 43% in revenues.

Delays in government decision/spending and limited availability of PVC resin in India are, the potential threats to the otherwise rosy picture for the future of the industry.

c) Biotech Tissue Culture

The industry is broadly divided into two segments- (1) Fruits and vegetables and (2) Leafy Plants and flowering Ornamental Plants. The industry is not organized. Most of the players are engaged in tissue culture for cut flower exports, where the model of business is quite different.

The sales in business crossed Rs. 148 million during the year, reflecting a 26% growth over the previous year.

Many State Governments are evincing keen interest in promoting tissue culture. The Company has opportunity to diversify the business & produce fruit & ornamental plants & other fruit plants.

Lack of skilled work force and the risk of legal problems in case of non-performance of the planting material in the farmer's field are the major challenges facing the business.

2) Industrial Products

The segment business includes the varied business lines like PVC Sheets, Polycarbonate Sheets, PE pipes for industrial applications, Fruit processing, and onion and vegetable dehydration. Business in this segment has grown at 7% over the earlier year's level at Rs. 8,541 million. The major growth came from the Onion Dehydration business at a 48%. The segment profit has grown by 42% over the earlier year's level, while the capital employed grew at a little over 43% reflecting the creation of additional capacities during the year.

a) PVC & PC Sheets

The market is divided into two segments: Graphics Market (GM) and Building Materials Market (BMI). Adverse effect of continued slowdown of American Housing Industry has led to decline in PVC Sheet business revenue by about 12% over the previous year, however it is a decline 20% in terms of volume. This business accounts for ~ 8% of the total revenue.

b) PE Piping

This business has witnessed de-growth in FY 2009. Revenue was down by 11% and volumes were down by 16%.

The unstable raw material prices and business cycles of the end users and delay in implementation of projects remain the major risks faced by the business segment.

c) Onion and vegetable dehydration

Dehydrated Onion industry is lead by USA who accounts for around 65% of world's total production. The Company is a large player and accounts for ~50% of share in export of dehydrated vegetables from India.

During the year under review, Company's sale grew by approximately 48% in terms of value and approximately 31% in terms of volume. The realization increased by 13%.

Outlook for vegetable dehydration industry in general and dehydrated onion industry in particular looks very good. Large multinational companies with very popular household brands are looking towards consolidating the number of suppliers.

d) Fruit processing

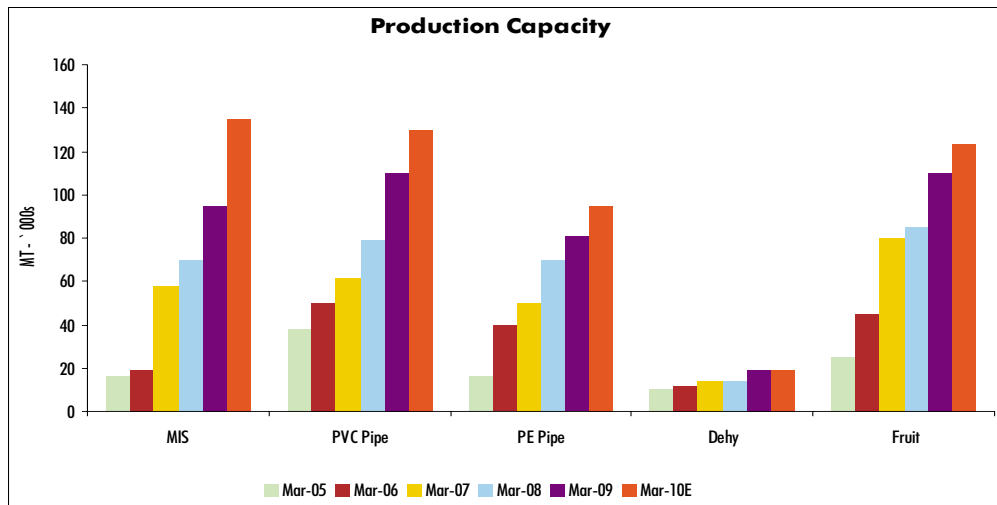
India is the world's second largest producer of fruits next only to China. This sector has been accorded a high priority by the Government of India and fruit & vegetable-processing industry has been encouraged. The company's business grew at 26% in value terms. The division processed 82,107 MT of fruits during the year.

The main risk that the Company perceives in this business is that of securing raw material and to mitigate this risk the Company is pro-actively working to expand its sourcing base and is promoting the concept of integrated development of agriculture and establishing backward linkages.

Business Profile – Segment-wise

Particulars	Micro Irrigation		Piping Products		Agro Processing	
Market Share	India	55%	PVC Pipe	15%	Dehy-Globally	20%
	Global	~15%	PE Pipe	25%	Mango-Locally	40%
Leadership	India	No.1	India	No.1	Dehy-Globally	No. 3
	Global	No.2			Mango-Locally	No. 1
Revenue (FY09)	India	Rs. 9.5 bn	India	Rs. 7.5 bn	India	Rs. 3.2 bn
	Consolidated	~Rs. 15bn			Consolidated	Rs. 3.07 bn
Revenue CAGR (Last 5 Yr)	India	60%	India	38%	India	35%
	Consolidated	72%	Consolidated		Consolidated	40%
Revenue Mix	India	43%	India	34%	India	14%
	Consolidated	54%	Consolidated	25%	Consolidated	13%
EBIDTA Margins	India	25-30%	India	10%	India	18%
	Overseas	8-10%			Overseas	18%
Growth Est. (1-3 YR)	India	30%	India	20%	India	20%
	Overseas	15%			Overseas	20%
Acquisitions	Aquarius, USA				Cascade, USA	
	Chapin, USA					
	NaanDan, Israel					
Major Competition	Netafim, Israel	Finolex, India		Con-agra, USA		
	JohnDeere, USA	Supreme, India		4-5 Indian co.		
Source: Company						

Production Capacity Details - Indian operations



Source: Company

Profit & Loss Account			INR Mn
Particulars	FY07	FY08	FY09
Net Sales	13,921.7	22,158.7	28,583.8
Total Expenditure	12,047.5	18,686.0	24,165.5
Operating Profit	1,874.1	3,472.7	4,418.3
Other Income	333.2	370.5	123.2
EBIDTA	2,207.3	3,843.2	4,541.6
Depreciation	433.3	574.9	737.5
EBIT	1,774.1	3,268.3	3,804.1
Interest	769.3	1,326.9	1,809.4
PBT	1,004.8	1,907.3	1,994.7
Taxes	201.5	540.7	659.9
PAT	832.2	1,323.4	1,294.0
Growth in sales (%)		59.2	29.0
Growth in OPM (%)		85.3	27.2
PAT Growth (%)		59.0	-2.2
OPM (%)	13.5	15.7	15.5
Net Profit Margin	6.0	6.0	4.5
Source: Company			

Balance Sheet			INR Mn
Particulars	FY07	FY08	FY09
Sources of Funds			
Share Capital	1502.1	1605.9	1172.3
Reserves and Surplus	2639.8	7126.1	7798.4
Total Shareholders Funds	4142	8732	8970.7
Total Loan Funds	8589.8	12756.2	18169.6
Net Deferred Tax Liability	0	109.6	707.3
Minority interest	104.2	649.1	704.8
Total Capital Employed	12836	22246.8	28552.4
Application of Funds			
Gross Block	8624.8	12616.5	17500.8
Less: Accumulated Depreciation	2822.8	4856.2	5805.6
Net Block	6465.8	8961.5	13364.7
Capital Work in Progress	791.6	1202.3	1208
Investments	200.1	603	200.8
Net Current Assets	4842.7	11317.4	13483.2
Total Assets	12836	22246.8	28552.4
Source: Company			

Cashflow Statement			INR Mn
Particulars	FY07	FY08	FY09
Pre tax profit	1,042.0	1,941.3	1,994.7
Add			
Depreciation	409.2	574.9	737.5
Interest Exp	712.5	1,326.9	1,809.4
Profit before working capital changes	1,998.8	3,735.0	4,538.1
Working capital changes	-1,745.7	-6,072.2	-2,042.9
Less Taxes	-89.1	-233.4	-224.7
Net Cash flow from operating activities	164.0	-2,609.8	2,270.5
Net Cash flow in investment activities	-3,200.0	-3,427.4	-4,698.1
Net Cash flow from financing activities	1,092.8	6,219.4	2,849.4
Net increase /(decrease) in cash	-1,943.3	111.2	383.9
Op. balance of cash and cash equivalents	2,389.9	446.6	672.3
Cl. balance of cash and cash equivalents	446.6	111.3	1,056.2
Source: Company			

Ratios			
Particulars	FY07	FY08	FY09
Profitability Ratios			
OPM (%)	13.5	15.7	15.5
PAT Margin (%)	6.0	6.0	4.5
RONW (%)	20.1	15.2	14.4
ROCE (%)	13.8	14.7	13.3
Per Share Ratios			
EPS (Rs.)	13.5	18.4	17.9
CEPS (Rs.)	20.1	26.9	28.6
BV Per Share (Rs.)	67.4	121.2	123.9
Capital Structure Ratios			
Debt/Equity	2.1	1.5	2.0
Current Ratio	1.9	2.5	2.4
Turnover Ratios			
Debtors turnover ratio	3.9	3.4	3.3
Inventory turnover ratio	3.0	2.7	2.9
Fixed Asset Turnover	2.2	2.5	2.1
Source: ACMIIL Research			

Notes:

Institutional Sales:

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