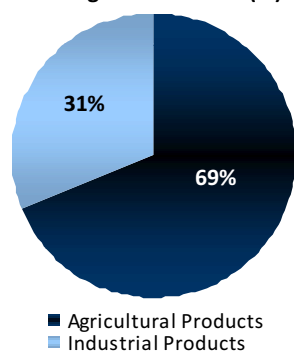




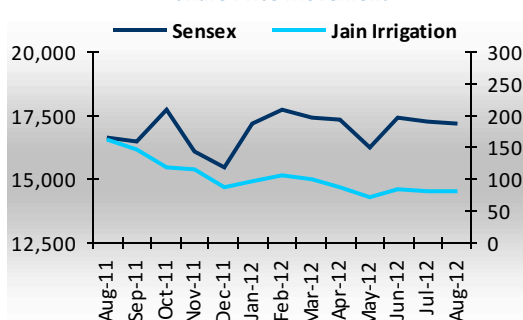
## Key Data Matrix as on 03.08.12 (BSE)

CMP	80.35
52 Week High/Low (Rs)	174.19/69.05
Market Cap (Rs Cr)	3,256
Share Issued (Cr)	38.59
Equity Cap (Rs Cr)	81.04
EPS TTM(Rs)	6.63
P/E x TTM	12.12
P/BVx	1.69
Face Value (Rs)	2
Book Value (Rs)	47.5
Dividend Yield (%)	1.24
BSE Code	500219
BETA-Sensex	1.19
Industry PE	12.07

## Segment Revenue (%)



## Share Price Movement



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**Jain Irrigation Systems Ltd (JISL)** is a leading agri-business Company, operating in diverse but integrated segments of the agribusiness value chain. It is the second largest micro irrigation Company globally and is largest manufacturer of irrigation systems in India. It is also the largest manufacturer of Mango pulp, puree and concentrate in the world and third largest manufacturer of dehydrated onions. JISL is also India's largest manufacturer of polyethylene pipes, leading PVC pipe manufacture and is furthermore the largest manufacturer of Tissue Culture Banana Plants in India. It manufactures wide range of products such as drip irrigation systems, sprinkler irrigation systems, valves, water filters, green houses, bio fertilizers, onion and vegetable dehydration, PVC pipes and fittings, PVC sheets, PC sheets, solar water heating systems, agricultural and engineering consultancy and many more. It also offers a wide range of products and services to various segments such as small farmer, urban household, mining industry, plant tissue culture, chemical industry, sugar factories, oil and gas exploration.

## INVESTMENT RATIONALE

The major part of population is engaged in agricultural production in India. Though, the contribution of agricultural production in GDP of India is only 15-16% but around 55% of the entire population which mainly belong to rural areas are mostly engaged in business of farming or agricultural production. At present, the Indian economy is growing at the slower rate and this time due to weaker monsoon the low growth phenomenon likely to continue with developed economies of Western world as they are grappling with problems like high borrowings and likely sovereign default in EU countries. Further, if the situation will continue, it would be disastrous as many international commercial banks have exposure to EU countries. Energy prices have remained high through the current year so far but progress in various parts of would moderate the demand expectations and hence prices may stabilize in near future. Hence, the lower commodity prices will help to cool down the inflation that will compel RBI to reduce the policy rates. However RBI has continued with it's hawkish stance because of high food inflation. In fact, food inflation issue is more supply side issue and partly can be addressed by improving agricultural productivity by using micro irrigation and other technologies being propagated by the companies like Jain Irrigation.

## Huge opportunity of Water Management Solution under MIS...

The Indian agricultural sector is highly dependent on the unpredictable seasonal monsoon rains. Indian farmers should adopt more efficient technologies like MIS to irrigate the agricultural land. MIS is the irrigation technology that facilitates increase in land productivity, improved soil conditions and savings on energy, fertilizers and water. Globally the total there are area of 276.2 Million Hectare (mh) available for irrigation and only 14% is used under MIS and India has total feasible Irrigated area of more than 65 Million mh out of which nearly 5 mh area is covered under MIS and sprinkler irrigation in the country. However, as per Government task force more than 17 mh of land can be easily brought under MIS coverage in the country over the next year, while by 2030 the extent of MIS coverage may reach 69.5 mh.

### Being a Market Leader focusing more on MIS to other food crops...

After Israel's Netafim JISL is world's second & India's single largest player in MIS, Drip and Sprinkler irrigation. With the presence in 120 countries and distribution network of 6,700 across the globe JISL is enjoying the market leadership of 55% in MSI segment and 35% in drip and sprinkler irrigation. India's monsoon is quite favorable for JISL as it promotes canal command area projects with end-to-end solutions for irrigating the fields with the help of state governments. Company's precision farming business with focus on value added crops and Food Processing business will be key growth drivers in upcoming periods. JISL is also looking to expand its MIS business on Pulses & Paddy also, eventually company will also start processing of new fruits like sweet lime and retail packaging of mango pulp.

### Foraying into NBFC business will help to enter in rural financing ...

JISL recently got the regulatory approval from the RBI to launch a non-banking finance company (NBFC). The newly formed subsidiary will commence operations as a non-deposit taking NBFC in the name of Sustainable Agro-commercial Finance Ltd. (SAFL) initially with Jain Irrigation, promoter entities and IFC, a member of the World Bank Group, as equity shareholders. SAFL has planned to have pan-India presence through a network of around 150 offices within over the next 3-4 years. JISL will get opportunity to enter agricultural financing that would enable it to focus and operate in rural and semi-urban areas, SAFL will finance the JISL's customers and help it to grow without adding its debt burden.

### Entering into Sub-urban African Regions will add to its Top Line Growth...

To mount the business opportunities in agricultural reliant countries JISL has recently agreed to partner with G8 and various nations to invest in Africa. JISL will invest around Rs 2,000 crore over the next few years to build sustainable agriculture and to improve income of small landholder farmers in Sub-Saharan Africa. In the coming years, JISL will collaborate and work together with the governments of various African nations and to spread the awareness in rural areas, JISL will launch an expansion programme to provide an integrated set of irrigation and infrastructure solutions for smallholder and commercial farmers.

### Valuations & Recommendations

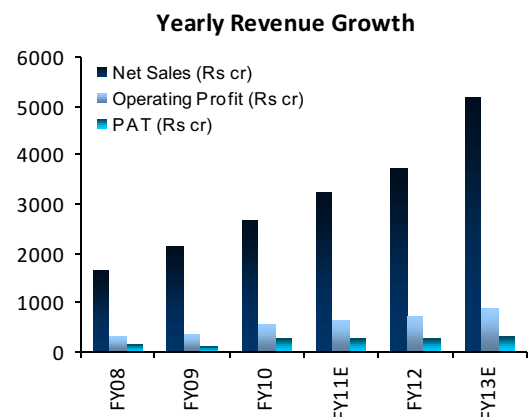
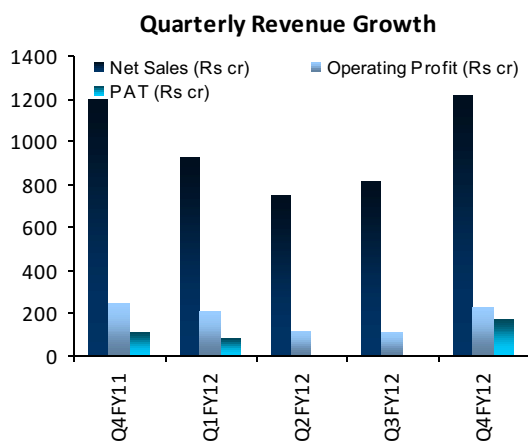
JISL is trading at PE of 9.35x of its FY13E EPS of Rs 8.59. We are expecting that being a market leader in MIS and Drip and Sprinkler irrigation and availability of untapped extensive agricultural land across the globe JISL has an electrifying opportunity to expand its business under this segment. Further, entering into rural financing through its NBFC subsidiary it will get help to bring down its debt burden in the long run. Apart from this, JISL will add its top line growth by entering into Sub-urban African Regions and it has also enough scope to expand its MIS business in various other food crops. Hence, from the medium to long-term investment point of view, we recommend to buy the stock for the target price of Rs 107.

### Financials - Standalone

The Top Line of JISL during FY07-FY12 grew exceptionally at CAGR of 25%, Operating Profit and PAT of the company, also grew at CAGR of 30% and 22% respectively during the same period. In FY12, the Net Sales of JISL grew by 14% to Rs 3709.86 crore over FY11, Owing to high operational cost & foreign exchange loss Operating Profit of the company grew 7% to Rs 714.20 crore. Owing to high interest cost, the PAT of the company has declined 9% to Rs 268.68 crore for the same period.

## Financials - Standalone

In Q4FY12, The Net Sales of the company slightly improved 1% to Rs 1211.62 crore from Rs 1200.16 crore in Q4FY11, Operating Profit turn down 6.5% to Rs 234.56 crore from 250.92 crore whereas PAT surged 53% to Rs 173.43 crore during the same period. Its OPM for that period stood at 19.36% (down 155bps yoy) while PAT stood at 14.31% (up 487bps yoy).



Quarterly Growth	Q4FY11	Q1FY12	Q2FY12	Q3FY12	Q4FY12	YoY Chg
<b>Net Sales</b>	<b>1200.16</b>	<b>931.58</b>	<b>750.31</b>	<b>816.35</b>	<b>1211.62</b>	<b>1.0%</b>
Other operating income	36.07	19.73	20.80	16.63	25.27	-29.9%
Total Operating Income	1236.23	951.31	771.11	832.98	1236.89	0.1%
Total Expenditure	985.31	736.56	650.93	717.75	1002.33	1.7%
<b>Operating Profit</b>	<b>250.92</b>	<b>214.75</b>	<b>120.18</b>	<b>115.23</b>	<b>234.56</b>	<b>-6.5%</b>
<b>OPM% (YoY chg in bps)</b>	<b>20.91</b>	<b>23.05</b>	<b>16.02</b>	<b>14.12</b>	<b>19.36</b>	<b>-155</b>
Other Income	9.59	0.80	0.25	2.07	32.12	234.9%
PBIDT	260.51	215.55	120.43	117.30	266.68	2.4%
Interest	69.83	77.57	81.44	91.63	96.46	38.1%
Exceptional Items	0.00	0.00	0.00	0.00	0.00	0.0%
PBDT	190.68	137.98	38.99	25.67	170.22	-10.7%
Depreciation	21.67	23.89	24.77	24.35	26.85	23.9%
PBT	169.01	114.09	14.22	1.32	143.37	-15.2%
Tax	55.69	31.66	2.65	0.08	-30.06	-154.0%
<b>Profit After Tax</b>	<b>113.32</b>	<b>82.43</b>	<b>11.57</b>	<b>1.24</b>	<b>173.43</b>	<b>53.0%</b>
<b>PATM% (YoY chg in bps)</b>	<b>9.44</b>	<b>8.85</b>	<b>1.54</b>	<b>0.15</b>	<b>14.31</b>	<b>487</b>
EPS (Rs)	2.80	2.04	0.29	0.03	4.28	52.9%
EPS Annualised (Rs)	11.19	8.14	1.14	0.12	17.12	53.0%

Annual Growth	FY08	FY09	FY10	FY11	FY12	FY13E
<b>Net Sales</b>	<b>1657.66</b>	<b>2150.94</b>	<b>2694.39</b>	<b>3250.68</b>	<b>3709.86</b>	<b>5190.85</b>
Other operating income	26.99	36.88	42.38	83.97	81.65	90.25
Total Operating Income	1684.65	2187.82	2736.77	3334.65	3791.51	5281.10
Total Expenditure	1341.58	1803.80	2162.72	2666.42	3077.31	4373.29
<b>Operating Profit</b>	<b>343.07</b>	<b>384.02</b>	<b>574.05</b>	<b>668.23</b>	<b>714.20</b>	<b>907.81</b>
<b>OPM%</b>	<b>20.70</b>	<b>17.85</b>	<b>21.31</b>	<b>20.56</b>	<b>19.25</b>	<b>17.49</b>
Other Income	15.71	3.29	76.80	71.12	5.80	8.35
PBIDT	358.78	387.31	650.85	739.35	720.00	916.16
Interest	113.41	156.26	189.10	228.41	347.11	340.25
Exceptional Items	-1.39	0.00	0.00	0.00	0.00	0.00
PBDT	243.98	231.05	461.75	510.94	372.89	575.91
Depreciation	39.83	47.28	68.59	83.43	99.88	102.10
PBT	204.15	183.77	393.16	427.51	273.01	473.81
Tax	58.61	63.58	121.91	132.24	4.33	142.14
Provisions & Contingencies	0	0.00	0.00	0.00	0.00	0.00
<b>Profit After Tax</b>	<b>145.54</b>	<b>120.19</b>	<b>271.25</b>	<b>295.27</b>	<b>268.68</b>	<b>331.67</b>
<b>PATM%</b>	<b>8.78</b>	<b>5.59</b>	<b>10.07</b>	<b>9.08</b>	<b>7.24</b>	<b>6.39</b>
EPS (Rs)	3.85	3.16	6.80	7.29	6.63	8.59

Source: ACE Equity

₹ Crore

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