

### Company Snapshot:

Established in 1986 Jain Irrigation is a transnational organization headquartered at Jalgaon, Maharashtra. The company employs over 5000 associates and manufacture a number of products, including drip & sprinkler irrigation system, PVC & PE piping system, plastic sheets, green houses, bio fertilizers, solar products including water heating systems, photovoltaic appliances & solar pumps. The company also processes fruits & vegetables into aseptic concentrates, frozen fruits & dehydrated vegetables, respectively. The company is having 21 manufacturing plants spread over 5 continents & its products are supplied to 110 countries through 3000 dealers & distributors worldwide.

### Financial Snapshot:

- EBITDA grown by 1.7%. Consolidated overall revenue de-grow by 1.8%.
- MIS de-grew by 0.8%, Food Processing grew by 1.9%, Pipes business de-grew by 7.0%, other business remained subdued in the quarter.
- In consolidated revenue overseas market contributes around 43%. The growth is of 6.6%.
- Standalone revenue de-grew by 8.1% as compare to same period last year. Export revenue still negative de-grew by 10.7% & domestic business de-grew by 7.4%.
- Overall Micro Irrigation System (MIS) has a negative growth of 10% in this quarter on YoY basis, within which domestic business stood at negative 12.5% & exports increased by 19.3%.
- Within domestic business retail business is having a negative growth of 1.8% & project business de-grew by 27%. Low growth in retail is on account of lower demand due to drought in major markets.
- Negative growth in projects is on account of delayed takeoff of projects on hand while new projects are still under negotiation.

### MIS business growth & contribution by segment:

Segment	4QFY15	4QFY16	YoY	Segment	4QFY15	4QFY16	YoY
Retail	3,427	3,365	-2%	Retail	53%	58%	5%
Project	2529	1846	-27%	Project	39%	32%	-7%
Export	507	605	19%	Export	8%	10%	3%
<b>Total</b>	<b>6,463</b>	<b>5,816</b>	<b>-10%</b>	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>

07/06/2016

## SECTOR: OTHERS

### Particular

CMP (INR)	66.50
Target Price (INR)	88
Potential Upside	32.3%
O/S No. of Shares (cr.)	45.7
Market Cap. (cr.)	3083.05
Equity Cap. (cr.)	92.4
52 Week High	79
52 Week Low	47
Face Value	2
NSE Code	JISLJALEQS
BSE Code	500219

### Share Holding Pattern:

Particular	Mar-16
Promoters	30.90%
Public (FII+DII)	68.94%
Others	.16%
<b>TOTAL</b>	<b>100%</b>

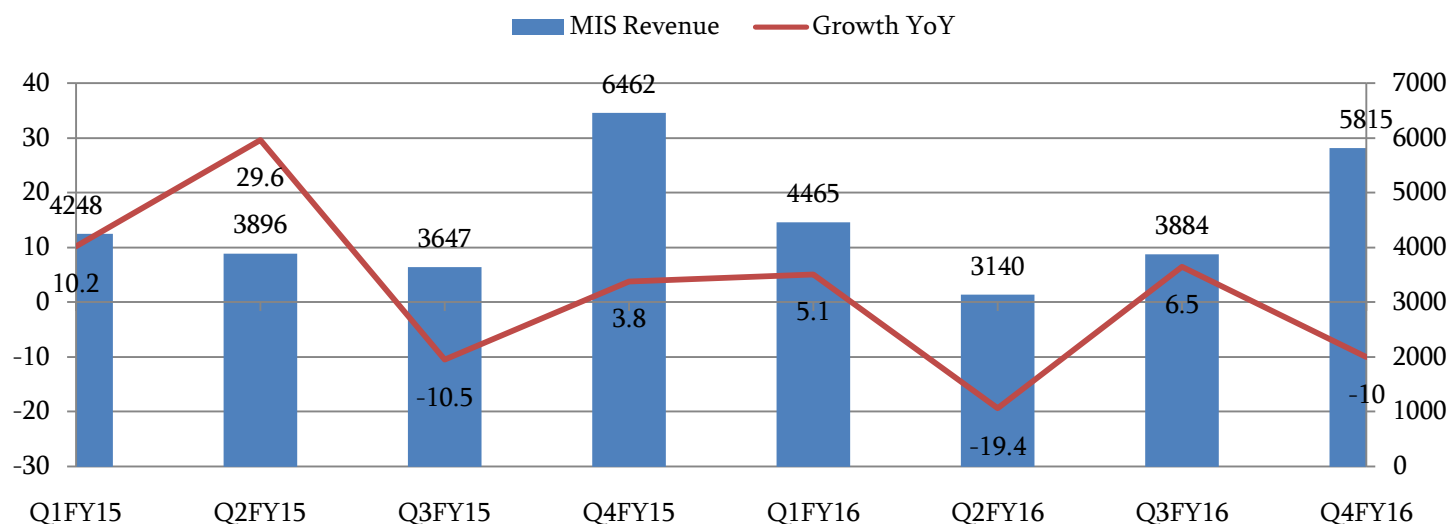
### Key Valuation Financials:

Particular	2016	2017E	2018E
Net Sales	62.9	71.6	81.8
EBITDA	8.2	9.8	11.5
PAT	1.0	2.5	3.8
EPS (INR)	2.2	5.4	7.6
Gr. (%)	17.7	145.9	40.9
BV/Sh (INR)	60.5	65.0	67.1
RoE (%)	4.0	8.5	11.8
RoCE (%)	8.2	9.1	10.7
P/E (x)	29.3	11.9	8.4
P/BV (x)	1.1	1.0	1.0

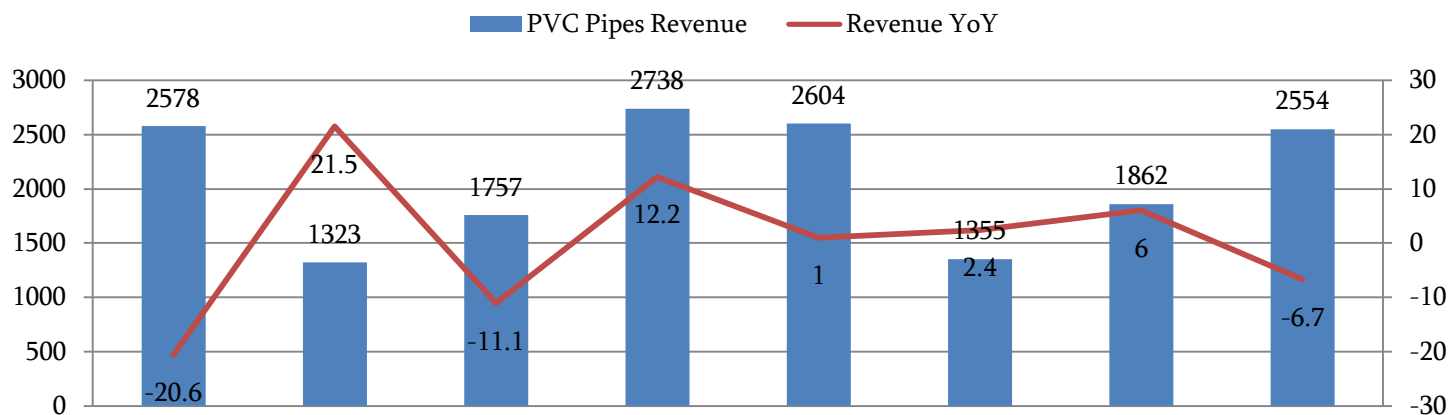
**Breakup of MIS Receivables:**

MIS Receivables	FY12	FY13	FY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16
Dealer and Institutional	2.5	1.7	2.2	2.1	1.7	1.5	1.6	2.6	2.4	2.3	3.5
Project	3.1	2.4	3.4	4.0	4.4	3.4	2.9	3.3	3.1	2.9	3.4
Govt. Subsidy	9.7	7.1	3.9	3.4	2.6	2.7	2.6	3.0	2.9	3.1	3.9
Export	0.6	0.4	1.0	0.8	0.6	0.7	0.8	0.5	0.6	0.9	0.9
<b>TOTAL</b>	<b>17.7</b>	<b>12.7</b>	<b>11.9</b>	<b>11.5</b>	<b>10.5</b>	<b>9.6</b>	<b>9.1</b>	<b>9.4</b>	<b>9</b>	<b>9.1</b>	<b>11.7</b>

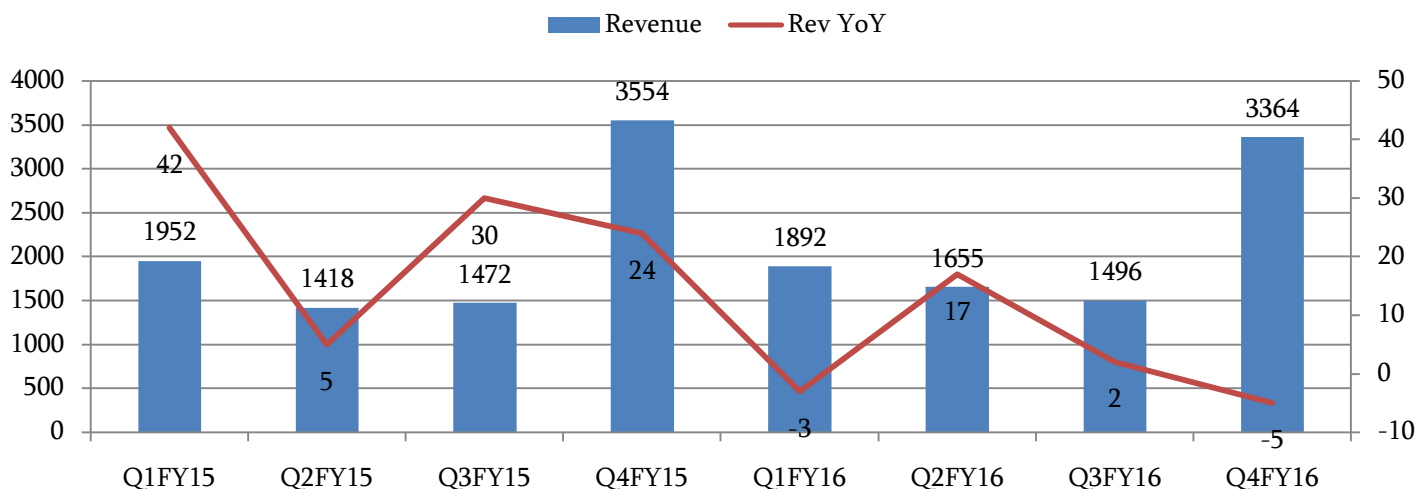
**MIS Revenue Trend:**



**PVC Piping Revenue Trend:**

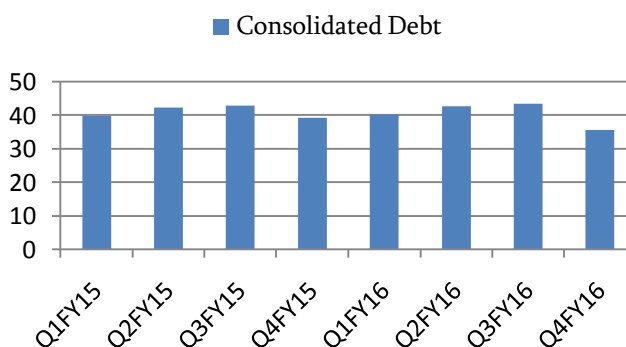
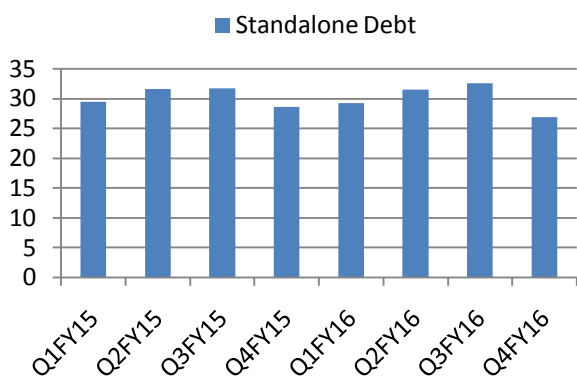


### Food Processing Revenue Trend:



### De-leveraging:

- Net debt of the company had declined from INR 43.6bn in Q3FY16 to INR 35.6bn in Q4FY16 on the back of fund raising of INR 8bn.
- Management Expect to reduce debt equity ratio of 1.2x to 1x in FY18 considering compulsory convertible debentures raised recently as equity.
- Doing this we are expecting the interest outgo to reduce, which in turn lead to expansion of PAT margins from 1.7% in FY16 to 4.7% in FY18.



### "Aamrus" First B2C Product:

- The company, to enter in B2C segment has launched its first retail product called AamRus under brand name of "Jain Farm Fresh". It is a sweetened frozen mango pulp with no added flavors, colours, or preservatives which make it a 100% natural product.
- This is a entry level product given by the company to its end consumer. The company in the near future going to have a bouquet of retail products in the processed foods, vegetable & spices categories.
- The current product AamRus is available in Hypercity & Sakhari Bhandaar stores in Mumbai & is expanding in general & modern trade segments rapidly.
- The company is planning to grow roots in Maharashtra, Gujarat, MP, & other states in Western & Northern India within six months.

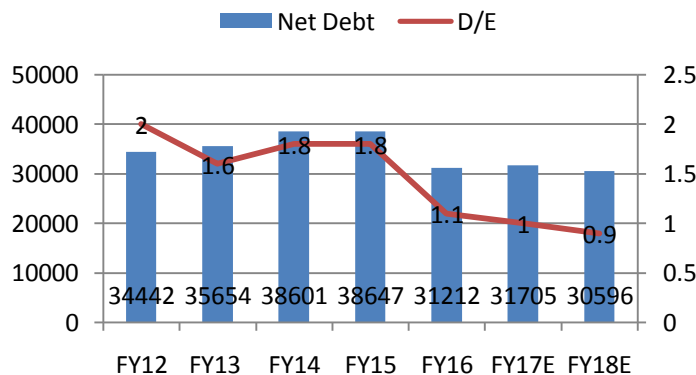
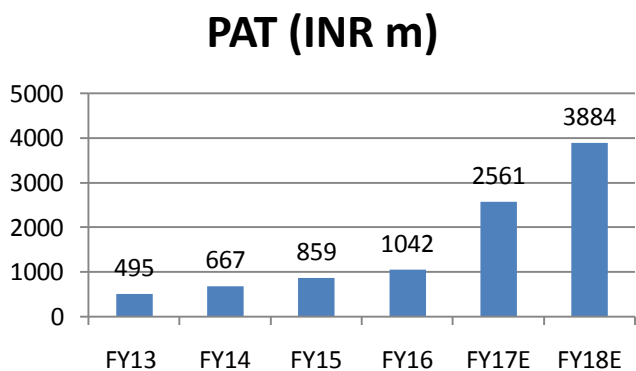
### Valuation & Outlook:

We value the company at 10x EPS for FY18E which will be justified considering:

- **Largest MIS player dominating the market:** Jain Irrigation India's largest MIS player is dominating the market with a 55% share, which is far ahead of the following player Netafim (20%). There is a immense potential for micro irrigation in India. India is having a total irrigation potential of around 140Mha & MIS potential of 69.5 Mha, only 5 i.e. Mha i.e. around 3.5% of total irrigation potential is current under MIS, which implies that there is huge potential over long term.
- **Food Processing Business; High Growth; Dominating Leadership:** Jain Irrigation being India's largest food processing sector player covers around 30% of domestic market share & is third largest in the world. Only 2% of India's total produce is processed as compared to 60-80% of developed countries LIKE US and Malaysia. India's share in the global food trade is as small as 1.5%. due to changing life styles, storage advantages, growing demand for processed food, the segment is expected to be a strong growth driver for the company.
- Therefore in expectations of better monsoon, & Maharashtra government's thrust on irrigation & also looking towards the factors described above, we expect a turnaround in MIS business. Overall, we estimate a revenue CAGR of 14% & EBITDA CAGR of 19% over FY16-18, translating into PAT CAGR of 93% to INR3.8 in FY18, mainly to factor in the lower interest outgo. We recommend **Buy** with a target price of INR88, which is based on 10x FY18E EPS.

#### PAT Growth at a CAGR of 93%

#### Debt to Equity Decline



**Valuation Keys:**

Particular	F13	FY14	FY15	FY16	FY17E	FY18E
Micro Irrigation Systems	14,040	17,087	18,158	17,232	18,955	20,851
% growth (YoY)	-26%	22%	6%	-5%	10%	10%
% of net sales	27%	29%	29%	27%	26%	25%
Plastic Piping Systems	11,157	13,929	13,015	14,301	16,321	18,792
% growth (YoY)	13%	25%	-7%	10%	14%	15%
% of net sales	22%	23%	21%	22%	22%	22%
Agro Processing	5,399	6,729	8,397	8,426	9,598	11,150
% growth (YoY)	4%	25%	25%	0%	14%	16%
% of net sales	11%	11%	13%	13%	13%	13%
Others	3,039	2,675	2,465	2,530	3,322	4,180
% growth (YoY)	35%	-12%	-8%	3%	31%	26%
% of net sales	6%	4%	4%	4%	5%	5%
Net Subsidiary Sales	16,156	17,277	19,562	20,736	23,846	27,423
% growth (YoY)	33%	7%	13%	6%	15%	15%
% of net sales	31%	29%	31%	32%	32%	33%
<b>Total Gross Sales</b>	<b>51,334</b>	<b>59,859</b>	<b>63,147</b>	<b>64,532</b>	<b>73,443</b>	<b>83,897</b>
Less: Excise Duty	1,117	1,578	1,566	1,600	1,821	2,081
<b>Net Sales</b>	<b>50,217</b>	<b>58,281</b>	<b>61,581</b>	<b>62,932</b>	<b>71,622</b>	<b>81,816</b>
% growth (YoY)	2%	16%	6%	2%	14%	14%

**Income Statement:**

Particular	2011	2012	2013	2014	2015	2016	2017E	2018E
Net Sales	41,528	49,206	50,217	58,281	61,527	62,917	71,622	81,816
Change (%)	21.4	18.5	2.1	16.1	5.6	2.3	13.8	14.2
EBITDA	7,480	8,155	7,253	7,700	7,797	8,165	9,845	11,492
EBITDA Margin (%)	18.0	16.6	14.4	13.2	12.7	13.0	13.7	14.0
Depreciation	1,222	1,441	1,696	2,045	2,441	2,636	2,811	2,944
EBIT	6,258	6,714	5,558	5,654	5,357	5,529	7,034	8,548
Interest	3,270	4,768	4,855	4,676	4,693	4,769	4,262	4,142
Other Income	1,106	345	668	463	410	413	430	450
Extraordinary items	0	0	-1,245	-2,300	-767	-206	0	0
PBT	4,094	2,290	125	-860	306	967	3,202	4,855
Tax	1,213	4	80	-462	-239	109	640	971
Tax Rate (%)	29.6	0.2	63.9	53.7	-78.0	11.2	20.0	20.0
Min. Int. & Assoc. Share	74	51	14	0	-8	24	29	35
Reported PAT	2,807	2,235	31	-398	554	834	2,532	3,849
Adjusted PAT	2,807	2,235	480	667	867	1,017	2,532	3,849
Change (%)	13.8	-20.4	-78.5	38.9	30.1	17.3	148.9	52.0

**Balance Sheet:**

Particular	2011	2012	2013	2014	2015	2016	2017E	2018E
Share Capital	772	810	910	925	925	953	953	1,025
Reserves	14,787	16,726	20,770	20,831	20,474	27,898	30,029	33,385
Net Worth	15,558	17,537	21,680	21,755	21,399	28,851	30,982	34,410
Debt	29,842	37,986	38,051	40,583	42,309	36,020	35,020	34,020
Deferred Tax	662	1,037	912	217	-157	-73	-73	-73
Total Cap. Employed	46,586	57,057	60,643	62,761	63,551	65,491	66,622	69,050
Gross Fixed Assets	28,467	33,528	37,726	41,514	43,664	47,315	49,615	51,915
Less: Acc Depreciation	8,050	9,793	11,640	13,742	16,057	18,693	21,504	24,448
Net Fixed Assets	20,417	23,735	26,086	27,771	27,607	28,623	28,112	27,467
Capital WIP	956	1,980	749	807	526	0	0	0
Investments	211	236	38	14	621	1,000	1,000	1,000
Current Assets	41,396	48,180	50,405	52,258	53,687	58,464	59,137	65,565
Inventory	14,864	14,614	17,231	18,364	18,566	19,199	21,326	24,527
Debtors	16,924	22,712	19,547	17,994	19,541	22,485	19,726	20,788
Cash & Bank	4,144	3,308	2,359	1,968	3,041	3,808	7,293	7,922
Loans & Adv, Others	5,463	7,546	11,269	13,932	12,539	12,972	10,792	12,328
Curr Liabs & Provns	16,394	17,073	16,636	18,089	18,890	22,597	21,627	24,982
Curr. Liabilities	15,674	16,365	16,095	17,473	18,274	21,915	20,824	24,005
Provisions	720	708	541	617	616	681	803	977
Net Current Assets	25,002	31,107	33,770	34,169	34,797	35,868	37,510	40,582
<b>Total Assets</b>	<b>46,586</b>	<b>57,057</b>	<b>60,643</b>	<b>62,761</b>	<b>63,551</b>	<b>65,491</b>	<b>66,622</b>	<b>69,050</b>

**Cashflow Statement:**

Particular	2011	2012	2013	2014	2015	2016	2017E	2018E
Adjusted EBITDA	7,480	8,155	7,253	7,700	7,797	8,165	9,845	11,492
Non cash opr. exp (inc)	695	-201	444	-377	-46	-206	0	0
(Inc)/Dec in Wkg. Cap.	-6,069	-6,166	-3,127	-1,551	-868	2,436	1,843	-2,444
Tax Paid	-1,047	-938	-295	-41	-271	-109	-640	-971
Other operating activities	0	0	0	0	0	0	0	0
CF from Op. Activity	1,059	850	4,275	5,731	6,613	10,286	11,048	8,077
(Inc)/Dec in FA & CWIP	-4,930	-5,270	-2,943	-2,615	-2,093	-3,125	-2,300	-2,300
Free cash flows	-3,871	-4,420	1,333	3,116	4,520	7,161	8,748	5,777
(Pur)/Sale of Invt	-140	-114	-104	-408	-385	379	0	0
Others	63	55	-336	139	189	33	430	450
CF from Inv. Activity	-5,007	-5,330	-3,383	-2,885	-2,288	-2,712	-1,870	-1,850
Inc/(Dec) in Net Worth	780	14	3,903	0	0	4,528	0	72
Inc / (Dec) in Debt	5,507	8,143	-586	1,216	1,656	-6,289	-1,000	-1,000
Interest Paid	-2,717	-4,051	-4,843	-4,638	-4,641	-4,769	-4,262	-4,142
Divd Paid (incl Tax) & Others	-418	-432	-307	220	-623	-277	-430	-528
CF from Fin. Activity	3,153	3,674	-1,832	-3,202	-3,608	-6,806	-5,693	-5,598
Inc/(Dec) in Cash	-796	-805	-939	-356	717	768	3,484	629
Add: Opening Balance	4,940	4,114	3,298	2,324	2,324	3,041	3,808	7,293
Closing Balance	4,144	3,308	2,359	1,968	3,041	3,808	7,293	7,922

**Ratio Analysis:**

Y/E Mar	2011	2012	2013	2014	2015	2016	2017E	2018E
EPS	7.5	5.6	1.1	1.4	1.9	2.2	5.4	7.6
Cash EPS	10.6	9.2	4.8	5.9	7.1	7.7	11.3	13.3
Book Value	40.3	43.3	47.7	47.0	46.3	60.5	65.0	67.1
DPS	1.0	1.0	0.6	0.6	0.6	0.5	0.8	1.0
Payout (incl. Div. Tax.)	15.6	20.6	588.3	-68.0	50.2	29.4	15.7	12.7
<b>Profitability Ratios (%)</b>								
RoE	20.2	13.5	2.4	3.1	4.0	4.0	8.5	11.8
RoCE	12.6	14.0	3.9	4.6	16.1	8.2	9.1	10.7
RoIC	12.0	14.2	3.6	4.4	15.5	8.0	9.2	11.2
<b>Turnover Ratios (%)</b>								
Asset Turnover (x)	0.9	0.9	0.8	0.9	0.9	0.9	1.0	1.2
Debtors (No. of Days)	149	168	142	113	116	130	101	93
Inventory (No. of Days)	131	108	125	115	110	111	109	109
Creditors (No. of Days)	112	102	97	84	80	78	91	92
<b>Leverage Ratios (%)</b>								
Net Debt/Equity (x)	1.6	2.0	1.6	1.8	1.8	1.1	0.9	0.7



## DISCLAIMER

Trifid Research respects and values the Right to Policy of each and every individual. We are esteemed by the relationship and by becoming our clients; you have a promise from our side that we shall remain loyal to all our clients and non-clients whose information resides with us. This Privacy Policy of Trifid Research applies to the current clients as well as former clients. Below are the word by word credentials of our Privacy Policy:

1. Your information, whether public or private, will not be sold, rented, exchanged, transferred or given to any company or individual for any reason without your consent.
2. The only use we will be bringing to your information will be for providing the services to you for which you have subscribed to us.
3. Your information given to us represents your identity with us. If any changes are brought in any of the fields of which you have provided us the information, you shall bring it to our notice by either calling us or dropping a mail to us.
4. In addition to the service provided to you, your information (mobile number, E-mail ID etc.) can be brought in use for sending you newsletters, surveys, contest information, or information about any new services of the company which will be for your benefit and while subscribing for our services, you agree that Trifid Research has the right to do so.
5. By subscribing to our services, you consent to our Privacy Policy and Terms of Use.
6. Trifid research does not guarantee or is responsible in any which way, for the trade execution of our recommendations, this is the sole responsibility of the client.
7. Due to the market's volatile nature, the trader may/ may not get appropriate opportunity to execute the trades at the mentioned prices and Trifid Research hold's no liability for any profit/ loss incurred whatsoever in this case.
8. It is the responsibility of the client to view the report timely from our Premium member section on our website: [www.trifidresearch.com](http://www.trifidresearch.com) and the same will also be mailed to this registered email id.
9. Trifid research does not hold any liability or responsibility of delay in mail delivery of reports, as this depends on our mail service provider's network infrastructure.
10. The clients can call us for any query related to buying/selling the securities, based on our recommendations.