

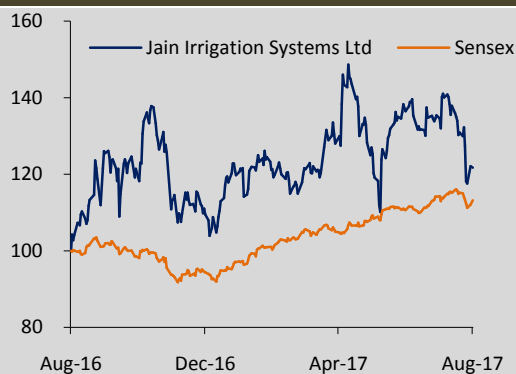
Sector	Agri Inputs
Recommendation	<b>BUY</b>
Upside	<b>32.9%</b>

Stock Data	
Sensex	31,795
52 Week h/l (Rs):	120/ 76
Market cap (Rs Cr) :	4,720
BSE code:	500219
NSE code:	JISLJALEQS
FV (Rs):	2
Div yield (%):	0.79

Shareholding Pattern			
	Dec-16	Mar-17	Jun-17
Promoters	30.7	30.7	30.7
DII+FII	48.1	48.0	48.8
Individuals	21.2	21.3	20.5

Source: www.bseindia.com

### Share Price Trend



Prices as on 17/08/2017

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### Micro Irrigation & Solar pump opportunity to drive revenue growth

The micro irrigation systems (MIS) demand in India is expected to be ~₹ 40,000 cr over the next 6-7 years, and Jain Irrigation Systems Ltd (JISL) stands to gain as it is the market leader in this space (~50% market share in MIS). The growth in MIS will be propelled by the thrust of central and state governments on micro irrigation projects; besides, crops like sugarcane, cotton, pulses and oil seeds are increasingly finding acceptance of micro irrigation. In addition, the recent Maharashtra government order to make drip irrigation mandatory for sugar cane cultivation strengthens prospects (₹ 200-300 cr incremental opportunity annually) for further order inflows. Further, in the irrigation project business it has already bagged 3-4 large project orders (>₹ 1,000 cr orders), giving it the revenue visibility for couple of years. Recently, it acquired 80% stake in merged entity (AVI & IDC) of two irrigation and distribution companies in the US. This acquisition is expected to add incremental revenue of ~₹ 700 cr annually. We expect the micro irrigation business to grow at ~20% CAGR over FY17-19E (v/s ~7% yoy growth in FY17) led by strong order book in irrigation project business, double-digit growth across the retail & exports businesses. Beside, the company's focus is also on solar water pumps business which is expected to grow ~40% p.a (over FY17-19E) led by strong potential (replacing diesel pumps) and order backlog.

### Piping & food processing business are on the strong footing

The piping business is expected to grow strongly driven by healthy orders in hand and government's focus on infrastructure. Management has guided for double-digit growth in the pipe business in FY18E. Its food business is expected to grow strongly over FY17-20E due to strong order backlog and its foray into Spices & Orange Juice businesses due to demand from existing customers. We forecast ~12% revenue CAGR each in piping & food processing business over FY17-19E to ₹ 2,273 cr & ₹ 2,012 cr respectively.

### De-leveraging the balance sheet to improve the cash flows

JISL is targeting to keep the debt to EBITDA ratio of ~3x over next couple of years from ~3.8x in FY17. We believe the improving operational matrix, control on working capital cycle and reduction in debt profile to strengthen its balance sheet & cash flows.

### Outlook & Valuation

Strong outlook for all its business divisions, steady growth in EBITDA along with falling interest expense, improvement in working capital cycle led by lowering receivables, could drive sharp growth in EPS over FY17-19E. With strong cash flow generation, D/E falling to 1.1x in FY19E from 1.5x in FY17 and EPS CAGR of ~48% over FY17-19E, we recommend BUY with TP of ₹ 130 (16x FY19E EPS) over next 12 months.

### Financial Summary

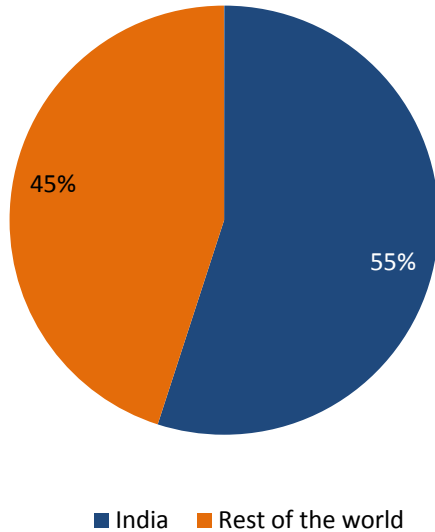
Consolidated ₹ Cr.	FY16	FY17	FY18E	FY19E
Revenue	6,486	6,939	8,124	8,945
YoY Growth %	5.4	7.0	17.1	10.1
EBITDA Margin %	12.6	13.5	14.0	14.2
PAT	49	176	304	417
YoY Growth %	-11.8	260.6	72.7	37.3
EPS (₹)	1.0	3.7	5.9	8.1
P/E (x)	95.6	26.5	16.5	12.0
ROE %	2.0	7.2	11.3	13.6

Source: Company, IIFL Research

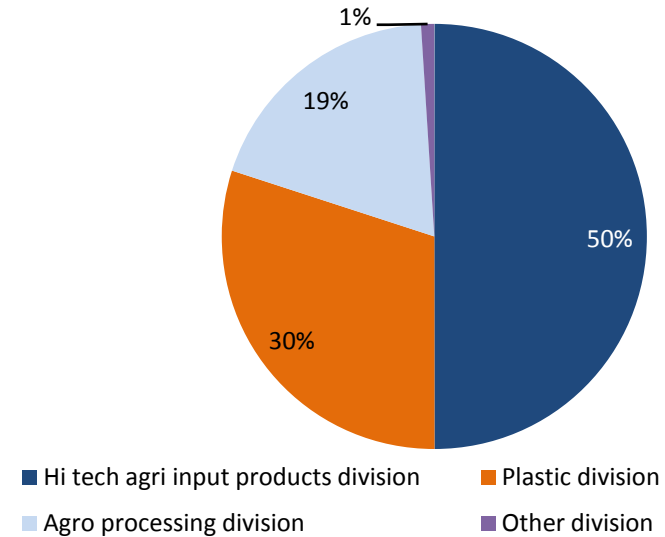
## Snapshot of the company

Jain Irrigation incorporated in 1986 is currently the world's 2nd largest and India's largest micro irrigation company. For the Company, three major revenue contributing divisions are Hi-tech agri input products (~50%), plastic (~30%), and agro processing (~19%). JISL has a global presence in more than 100 countries with a robust dealer and distribution network. India & Rest of the World accounts for ~55% & ~45% of its revenues respectively. The company has also expanded its overseas presence through acquisitions in the US and Israel. PVC resin, a key raw material for the company, is used in both the MIS and piping businesses.

Geography Mix %



Consolidated revenue contribution %



Source: Company, IIFL Research

## Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%

Accumulate – Absolute return between 0% to +10%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

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