

# Dalal Street Journal

## JAIN IRRIGATION : FERTILE PLANS

—, Dalal Street, Dec 1989

*Bhavarlal Jain, who was a trader/agent of petroleum and other products from 1962 to 1978, floated his first public limited company, Jain Irrigation Systems Ltd, in 1988. By end 1989, his group of companies, including earlier private companies and firms making PVC Pipes, Papain etc accounted for fixed assets of Rs 6 crore, and turnover of Rs 83 crore, registering profit of Rs 83 lakh.*

*This phenomenal growth, particularly exports of refined Papain have earned for us more than 24 awards from the Central and the State Governments.*

Bhavarlal Jain began his career as a businessman in 1963 as an agent of Esso. The initial capital was just Rs 7,000 representing the savings of over three generations of the Jain family. Bhavarlal Jain however used the capital wisely and built it up and also his reputation over the years. As the Jain group of companies (Jalgaon) prepares to leap into diverse areas, it could, by any standard, turn into a major force in its area of operations.

When Jain Irrigation Systems Ltd, (JISL), till then unheard of by investors, went public in October

1988 with Rs 1.11 crore equity issue it was oversubscribed about thirteen times. And now, the Rs 10 paid up equity share of the company is being traded at around Rs 40. Though this does not adequately sum up the reason why the soft-spoken and mild-mannered Bhavarlal Jain and his group of companies are in the mega-reckoning, it certainly points towards where Jain could take his group.

Bhavarlal, the go-getter that he is, has come up the hard way with his unmistakable **survival instinct** and **dogged determination** in the face of odds as the only major inputs to count on through most part of his business career. Bhavarlal to-date has grown remarkably, to be able to boast



*Caption:*

Reward—>

about managing a diversified group of companies with a combined turnover of Rs 83 crore, fixed assets of over Rs 6 crore and profit (before tax and depreciation) of Rs 83 lakh.

integrated approach  
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It has at least taken longer than two decades for Bhavarlal to realise that a soothsayer's words uttered in 1962 were prophetic. "With the last ten rupees I had with me, I went to this astrologer. He predicted that I would soon be in business relating to oil, soil and iron. I thought then the guy is talking through his hat, as I had been just gazetted by Maharashtra Public Service Commission as an officer for Nagpur division," recalls Bhavarlal nostalgically. However, what prevailed on Bhavarlal and strengthened his resolve to be a businessman was his subsequent meeting with the father of Suresh Jain, the incumbent MLA from Jalgaon, who goaded him into business and even volunteered to help financially.

### **Humble Beginning**

It was then he decided against his first love of being a legal luminary and plunged into retailing kerosene oil, acting as a sub-dealer in Jalgaon. "My real learning of business methods and management was acquired when I was the sub-dealer of Esso, noted for their aggressive marketing", recounts Bhavarlal. Selling kerosene oil has had its impact on Bhavarlal. "Selling door to door at a price 40 per cent lower than the then prevailing market price has injected in me the spirit of competition and determination", adds Bhavarlal.

Soon recognition came Bhavarlal's way with Esso awarding him four dealership agencies, against their principle of 'one individual, one agency'. **Hard work and determination** apart, what differentiates Bhavarlal from other successful businessmen is his **integrated approach**. As Bhavarlal takes pain to explain, it is his approach to get into related fields and provide the consumer a whole complement of goods and services that has made him a different breed.

### **Integrated Approach**

"From oil, we gradually got into selling auto spares, lubricating oil and domestic gas. Soon we became known for genuine auto spares in Jalgaon. Later we began trading in cars and trucks as sub-agents for Standard Motor Company and Ashok Leyland. This sort of an integrated approach is being followed even today by the Jain group of Industries.

R&D →

When I think of irrigation, I consider fertilisers, high-yield seeds, agricultural implements and other inputs and even marketing the produce. This is exactly what our group does in the case of Papain," says Bhavarlal with **discernible conviction**.

integrated approach

It was in 1978 that the Jains purchased a sick unit originally commissioned as a banana powder factory. As the erstwhile owners failed to produce an acceptable quality of banana powder, the Jains adapted the equipment for processing papaya latex into refined Papain, an industrially critical export-oriented enzyme. The Jains today help farmers grow papaya, buy their produce, add value by manufacturing refined Papain and market it abroad.

By end 1978, Jains saw their first consignment of Papain reach American shores. Tempered with rigorous marketing drive and greater accent on research, Jains could export one crore rupees worth refined Papain to date. Incidentally, the Jains were the first to export refined Papain from India and they have been the recipients of at least a dozen awards from Central and State governments

JISL has installed drip irrigation systems on over 3,200 acres and on the current turnover which is placed at Rs 3.30 crore, it has earned a pre-tax profit of Rs 11.64 lakh. The company has projected a turnover of Rs 13 crore for the year 1989.

in recognition of their efforts. For providing supplementary income to farmers, the Jains have also put up a papaya processing unit and launched Jain Candy, which has an annual turnover of Rs 2 crore today. (*This is in confirmation of the prediction made in 1987.*)

Following up their 'integrated approach', Jains made an entry into PVC pipes and fittings, a product related to the farming community. Cashing in on the State Government's incentive schemes, in a brief span of two and half years Jains have set up six units in Maharashtra. "With two more pipe units having been commissioned recently in Sendhwa, an adivasi backward area of Madhya Pradesh, the current annual turnover of PVC pipes at Rs 75 crore might well touch Rs 100 crore soon," projects Bhavarlal.

It is no mean achievement that the Jains are the *numero uno* PVC pipe manufacturer in the country, producing 22 per cent of the nation's requirements, in terms of sheer tonnage with an annual production of about 28,000 tonnes.

"We are the second largest Papain producer in the world, next only to a manufacturer based in Zaire, where papaya grows wild. With more accent on our R&D facilities based in Jalgaon, which are recognized by CSTRl, we have been able to use the residue from Papain manufacturer in Jain Candy," explains Bhavarlal.

In an attempt to broadbase their operations, the Jains acquired in late 1986, Emco Transformers Ltd, reportedly one of the leading manufacturers of high voltage transformers. According to Bhavarlal, the company has ambitious plans to manufacture high voltage mainline regulators with GEC collaboration and thus would become the first to manufacture them in the country. The company with a turnover of about Rs 8 crore in the second year of operations has projected a turnover of Rs 20 crore in the next two years.

The Jains today are seriously considering South India as a profitable market for the pipes with the only two major manufacturers out of reckoning — Wavin having already folded up and Chemplast having turned sick. "Negotiations for the PVC plant to be based in South India, more likely to be in Tamil Nadu, are at an advanced stage," declares Bhavarlal.

Yet another manifestation of Jain's belief in self-sufficiency is the printing works based in Jalgaon.



What began as an attempt to cater to in-house requirements, the printing unit has a current revenue of about Rs 60 lakh. "Plans are afoot to introduce more sophisticated printing equipments. With an aggregate investment of Rs 75 lakh in EDP, telecommunications network, DTP systems and offset multi-colour machines, we will soon prove what an integrated approach is all about," says Bhavarlal with confidence.

### THE ITALIAN CONNECTION

Precisely in the same vein, the Jains went hammer at their drip (micro) irrigation project and succeeded in acquiring collaboration with the prestigious James Hardie Irrigation SRL (Italy), the world's largest manufacturer of irrigation equipments with a sales volume exceeding US\$ 250 million. "Jain drip irrigation systems have already become a household name with farmers in Maharashtra. They are destined to play a significant role in ushering the second green revolution in India," says a Jain spokesman who preferred to remain anonymous.

Under drip irrigation, the specific irrigation needs of different crops, soils and climatic conditions are taken into account. By directing a small, precisely controlled, uniform quantity of water, nutrients and other desired inputs directly to the root zones, the drip irrigation method offers great savings upto 80 per cent in water resources and upto 50 per cent in operating costs. Studies around the world have shown that the system can improve productivity as high as 230 per cent.

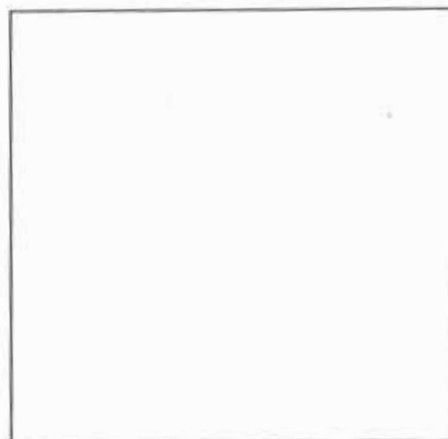
JISL has installed drip irrigation systems on over 3,200 acres and on the current turnover which is placed at Rs 3.30 crore, it has earned a pre-tax profit of Rs 11.64 lakh. The company has projected a turnover of Rs 13 crore for the year 1989. The implementation of the project on the company-owned 10 acre plot at Bambhori, Jalgaon district, is reportedly progressing and is expected to be completed by June 1989.

With a project outlay of Rs 7.8 crore, JISL is confident of installing drip systems on over 13,000 acres during 1989. "This would represent only 0.01 per cent of the total market potential. With the demand destined to rise in geometric progression with the central government contribution of 50 per cent to State government towards subsidy for drip systems, we should do better", says Rajesh Jain, one of the younger members of the Jain clan.

#### **SUPPORT FOR DRIP**

As we go to press, Haryana has declared a subsidy on drip irrigation of 25 per cent or Rs 5,000 per set whichever is lower, for farmers in the state. Reportedly, Gujarat State government is also considering the question of allowing subsidy ranging from 25 to 75 per cent. Considering that more than 6,000 acres of cultivated land have been brought under drip irrigation in Maharashtra during the last 18 months, the prospects of JISL appears brighter.

Moreover, on January 16, the state government of Maharashtra



announced a top priority scheme for drip irrigation and subsidises to the extent of 30 per cent to the cost of cultivation under the drip technique for all farmers, regardless of their size of holding. Under the above scheme, impounded water in two or three irrigation dams would be supplied to farmers through water-saving drip technology. Interestingly, the S.G. Barve Commission which investigated the water and land potential in the state had earlier observed that if all the water available were utilized, the state could double its cultivable area from 23.3 lakh hectares to a maximum of 52.6 lakh hectares. "Under drip irrigation, this could further be augmented to 70.6 hectares as of now", says Bhavarlal. Considering that the Maharashtra state government is already subsidising drip irrigation equipments in a phased manner vis-a-vis the size of holding, the top priority thus accorded to the drip irrigation technique could only unfold happier times ahead for JISL. "This is just the trickle. More states would soon follow", says the optimistic Jain.

Not to become complacent, the Jain group is exploring more opportunities in the agro-base industry, electronics and telecommunication, plastic raw materials and building materials. The group has set itself an ambitious sales target of Rs 90 crore for 1989 and Rs. 100 crore for 1990. Considering that the turnover in 1981, when the PVC pipe activity had just commenced, was merely Rs 2.80 crore and thereon the group has grown at an annual rate of 354.90 per cent to achieve a turnover of Rs 79.50 crore in 1988, the Jains have the potential to forge ahead and realise their targets.

Likewise, the net profit of the group after tax which stood at Rs 24 lakh in 1981 increased to Rs 85 lakh in 1988. Of the total profits earned by the group between 1981 and 1988, about Rs 5.40 crore have been retained as reserves. During this period, the assets have been revalued to the extent of Rs 6.23 crore. As a result, the networth of the group which stood at Rs 81 lakh in 1981 rose to Rs 13.75 crore, registering an annual growth rate of 212 per cent. Disregarding the revaluation profit, the networth indicates an annual growth of 116 per cent, from Rs 81 lakh to Rs 7.52 crore, during the eight years in question.

The plough-back exercise of the group has had its impact on the fixed assets block (net) which from Rs 1.04 crore in 1981 has risen to Rs 13.40 crore in 1988.

This net block when juxtaposed against the networth of Rs 13.75 crore, proves a sufficient indicator of the degree of internal generation of funds for expansion. "For working capital requirements, the group has been allowed by four commercial banks, fund-based and non-fund based limits totalling to Rs 35 crore.

The Jains' corporate philosophy is that creating is the most satisfying element in business, which should be built brick by brick. Investors can expect that in a few years the Jains would have added many more activities to their expanding industrial base.

*(Please add service table)*