

THE MAGAZINE FOR ENTREPRENEURS

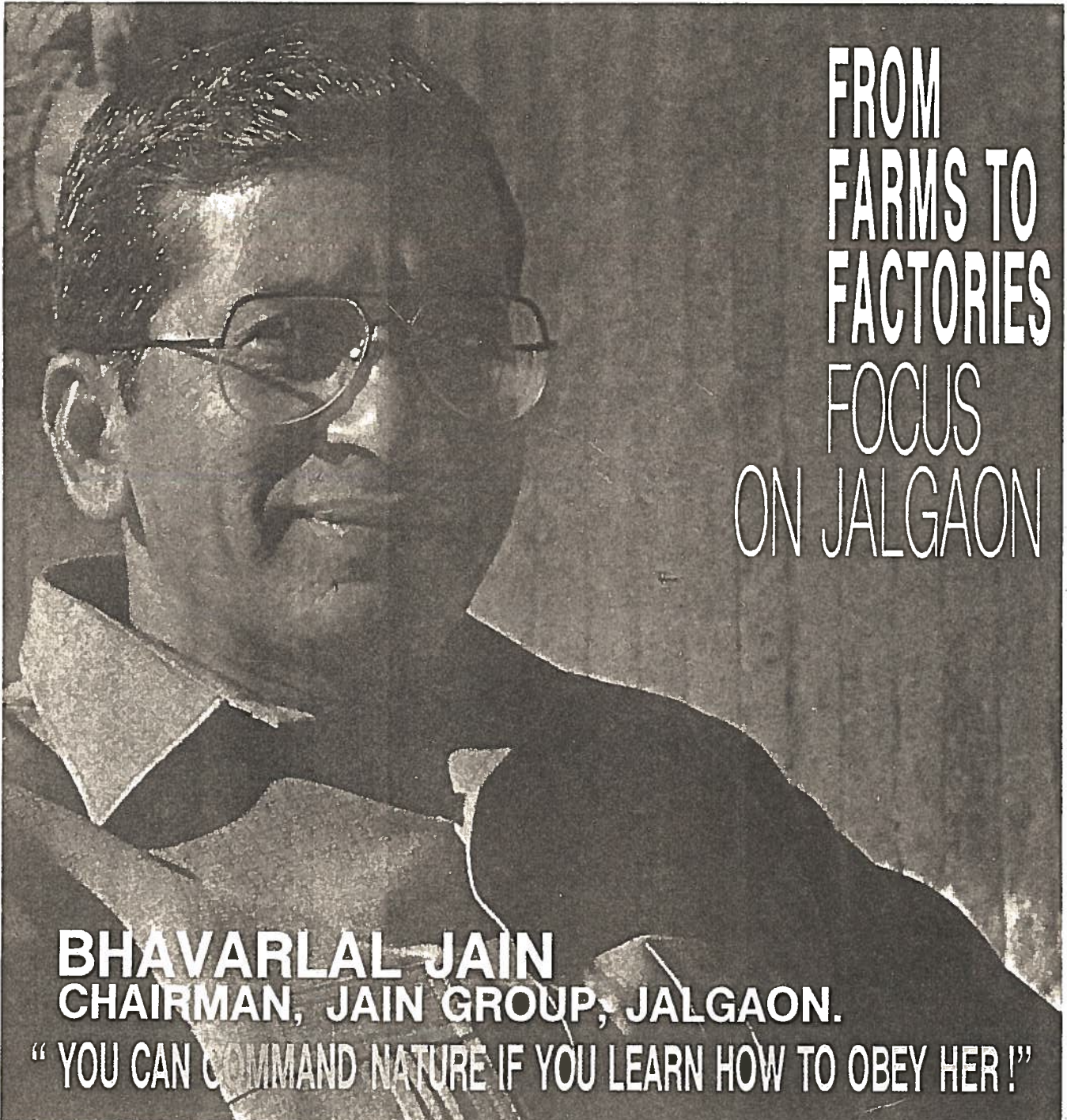
NEW VENTURES

DIGEST

THE LATEST PRODUCTS & PROJECTS FOR THE 1990s

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**FROM
FARMS TO
FACTORIES
FOCUS
ON JALGAON**

BHAVARLAL JAIN
CHAIRMAN, JAIN GROUP, JALGAON.

" YOU CAN COMMAND NATURE IF YOU LEARN HOW TO OBEY HER !"

COVER FEATURE



JAIN
GROUP

JALGAON

**EXPLOSIVE
GROWTH
AHEAD!**

In 1962, Mr. Bhavarlal Hiralal Jain was an impressive young man who had just acquired his Law degree from the Government Law College in Bombay. At one stage, at this time, with only ten rupees left in his pocket he visited an astrologer, who predicted that he would soon be in a business related to "iron, soil and oil". He had just been gazetted by the Maharashtra Public Service Commission as an Officer in the Nagpur Division and ignored the astrologer's prediction. A little later, he met the father of Sureshdada Jain, the

incumbent MLA from Jalgaon Municipal Council, who pushed him into business and even offered to help him financially. He took the plunge, abandoned his earlier desire of becoming a legal luminary, and with an initial capital of only Rs. 7000, borrowed from his family started retailing kerosene as a sub-dealer in Jalgaon of Esso, the famous American multinational. The marketing managers of this company were renowned for their aggressive marketing techniques even in rural areas. Jain acknowledges that he "learned the basics

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of competitive business methods, management and marketing techniques as a sub-dealer of Esso, selling kerosene oil door-to-door, at a price fifty-percent lower than the ruling market-price, within a 30 Km. radius of Jalgaon on foot or on a bicycle. This also injected in me a rock-hard sense of determination to succeed in life".

Bhavarlal Jain was born in Vakod village close to Jalgaon near the world-famous Ajanta caves into a respected family of agriculturists. They never imagined that Bhavarlal would one day be selling kerosene door-to-door in their own neighborhood, especially with a law-degree in his pocket. Esso was really pleased with his performance and soon awarded him four dealership agencies against their normal principle of "one individual-one agency". From kerosene he gradually diversified into retailing auto-spare, lubricating-oil, petrol, diesel and domestic gas. He became known as a reliable supplier of authentic auto-spare. This was followed by cars (Standard Motor) and trucks (Ashok Leyland). Right from the beginning he received unstinted support and active help on a day-to-day basis from his family members and friends.

Bhavarlal observed that Papaya milk was quite popular in his area. He also discovered that when treated with chemicals, turned into Papain and used as an agro-based Enzyme it could be used extensively as an essential industrial input in Breweries, Food Processing and Pharmaceutical industries, not only in India but throughout the world. He ventured into this line in a small way initially. The process begins with the extraction of Latex from semi-matured fruit. The latex is stabilised and processed, using Ultra and Microbial Filtration. The Ultrafiltered concentrate is thereafter spray-dried to a fine powder. The company has poured a lot of funds into in-house R & D and has now successfully developed de-odorised, ultrapurified Papain which is exported to all the five continents throughout the world. "Jain Papain" now meets as much as 20% of the global demand. The Jain Group is now the second largest producer of refined papain in the world next only to a manufacturer in Zaire where papayas grow wild. They have won several national and international awards for this performance. After extraction the papaya residue is turned into fruit-candy. The papain division will contribute over Rs. 2 crores to their turnover, by March 1992.

Says Bhavarlal Jain, "Agriculture is the very soul of India's economy. We were associated with the farming sector since generations and one of our ar-

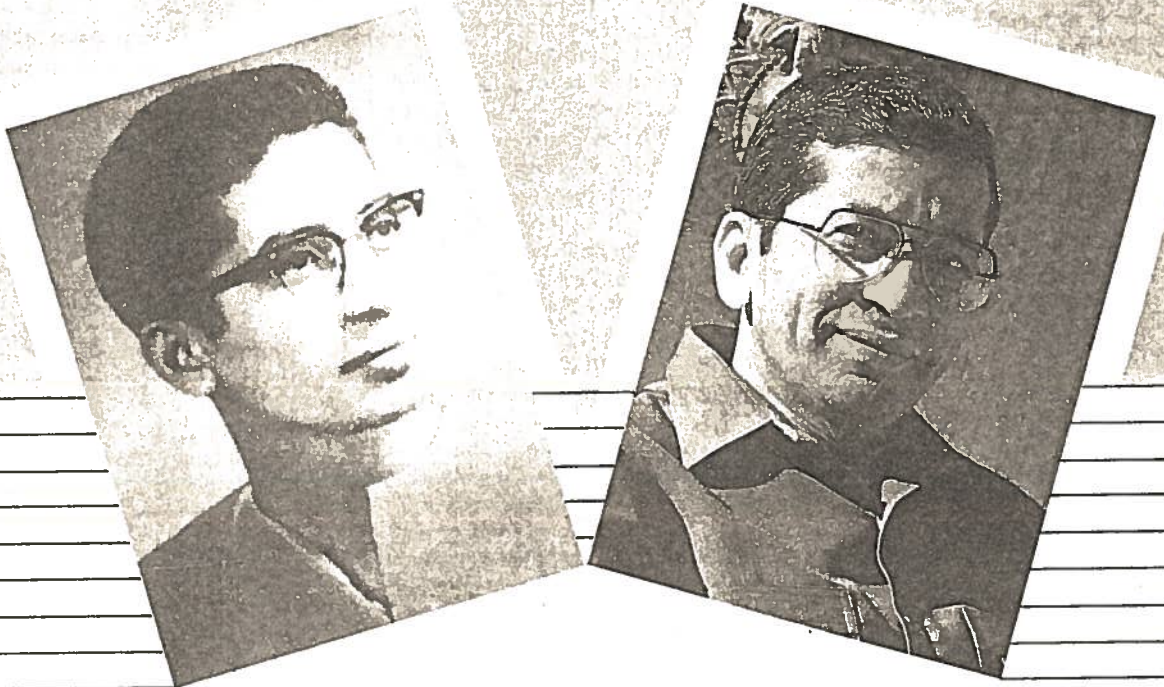
reas of diversification was the marketing of PVC irrigation pipes. At one stage in 1980, when our principals could not meet the demand for PVC pipes from our customers we started manufacturing them in a small way. From them a mere 20 Kg. per hour this group has now built up a capacity of 4600 Kg. per hr. with advanced high-capacity extrusion lines imported from Cincinnati Milacron of Austria. Even in this high-tech field they added their own revolutionary technical innovations to these already advanced machines (such as micro-processor controlled mixers, pre-heaters and triple-extrusion heads among others) which boosted the production capacity of these imported machines by as much as 60%! Cincinnati Milacron have acknowledged that by running each of their extruders for more than 8000 hours per calendar year the Jain Group has established a world record. Their dramatic technical improvements are now being incorporated in the latest machines produced in Austria - an unusual case of reverse technology flow. Today, the Jain Group is the single largest manufacturer of PVC pipes in India with a market-share exceeding 30%. With 8 units already functioning the turnover from PVC pipes alone will cross Rs. 70 crores, by March, 1992.

The next logical step was drip-irrigation systems built around PVC pipes. They acquired a collaboration from world-famous James Hardie Irrigation SRL (Italy), the world's largest manufacturer of irrigation systems and equipment. Under drip irrigation the specific micro-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, drip-irrigation offers great savings of as much as 80 percent in water resources and upto 50 percent in operating costs. Worldwide studies have shown that productivity can shoot up by as much as 230 percent. By March 1992 the sales of drip-irrigation systems manufactured at Jalgaon will cross Rs. 40 crores out of which a huge chunk of Rs. 10 crores will be from export orders. But this is only a drop (drip?) in the ocean. The total potential acreage to be covered in

India by drip-irrigation is a mind-boggling 13 crore acres. In the whole of Maharashtra, last year, the fresh areas brought under drip-irrigation did not exceed 10,000 acres. In January, 1989 the Maharashtra Government announced a top-priority scheme for drip-irrigation and subsidies to the extent of 30% to reduce the cost of cultivation to all farmers who adopt the drip-irrigation technique, regardless of the size of their holdings. The S.G. Barve Commis-



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YOU CAN COMMAND NATURE IF YOU LEARN HOW TO OBEY HER !

ssion appointed by the Maharashtra Government, investigated the water and land potential in the State and observed that if all the available water were to be utilised for irrigation without any wastage the cultivable area in Maharashtra alone could be doubled from approximately 23 lakh hectares to approximately 53 lakh hectares. Under drip-irrigation, this could be further increased to a total of almost 70 lakh hectares. Imagine this scenario being repeated in every state, which is sure to happen. The Jain Group's pioneering entry into drip irrigation could provide the means for expanding their turnover even more rapidly.

One of the other substantial areas of operation for the Jain Group is high-voltage transformers. In 1986, the Jains acquired Bombay-based Emco Transformers Ltd. This company has ambitious plans to manufacture high-voltage mainline regulators in collaboration with GEC for the first time in the country. By March 1992 the turnover of this company should cross Rs. 20 crores.

The Group has also set up Parees Offset Pvt. Ltd. at

Jalgaon, equipped with the latest single colour, two-colour and four-colour printing machines and the full range of pre-print and post-print equipment enabling this unit to be quite self-sufficient and capable of handling the toughest printing jobs from the design stage onwards. The annual turnover of this unit which handles many outside jobs, aside from catering to the entire in-house requirements of the Group has crossed Rs. 1 crore.

The Jain Group has also begun introducing new types of pipes such as double-walled corrugated pipes which are corrugated on the outside and smooth inside, thus using almost 20% less raw material while increasing the inherent strength of the pipe. They also plan to manufacture PVC window profiles, foam tiles, foam sheets and roof tiles.

A new area of diversification with enormous scope is the Jain Group's plan to set up a Rs. 100 crore project to manufacture 50,000 TPA of PVC resin. They already consume almost that much PVC resin every year and in fact the proposed plant-size may be increased.

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More opportunities are being explored in agro-based industries, electronics and telecommunications, plastic raw-materials and building materials. In 1981, when PVC pipe production had only just started the group turnover was less than Rs. 3 crores. Since then, the group has expanded at a phenomenal annual rate of almost 355% and will cross a turnover of Rs. 130 crores by March 1992. The group's net-worth has registered an annual average increase of 212% over the last decade. With the booming demand for drip irrigation systems and PVC pipes and the onset of one more normal monsoon this year it is possible that this unusually and consistently well-managed group's annual turnover may grow so rapidly that it could cross the Rs. 1000 crore mark before the year 2000. This would propel the Jains of Jalgaon into the elite company of the latest mega-industrialists.

Bhavarlal Jain will be able to handle the forthcoming mega-growth of his empire with ease. He is a master at financial leverage and finely-tuned overtrading. When he started his business life as a kerosene sub-dealer, the Rs. 7000 he borrowed from his family went towards the purchase of empty steel drums - not kerosene, which he got on credit and rolled over to the next larger instalment of supplies. Says he "I do not consider overtrading as something dangerous or wrong as long as the funds generated, say atleast 80 percent, are immediately reinvested in fresh stocks". He has built up an impeccable record of creditworthiness. Even reputed foreign suppliers of machinery and raw-materials offer him credit of as long as three years without LC's or bank guarantees. This sounds incredible but it's true. One reason for his legendary success in funds management is an excellent collection record. In spite of supplying over 50% of his production to Government agencies it is truly astonishing to discover that his average credit outstandings are just over 30 days and his inventories under 5%. He also controls wastage so tightly that the wastage at the primary production level is kept around 5% against an international norm of 6% even in developed countries. Even this 5% waste is not wasted. It is recycled so efficiently that in the end, 4.92% is recovered and the final loss is only approximately 0.08 percent against the international norm of 1.0 percent. Such meticulous attention to controlling production costs and cash flows permits him to meet his financial commitments comfortably at any level of turnover. This in turn allows him to grow at a blistering pace without the slightest hint of financial instability. Jain is now also busy in developing the second generation of his family into capable managers, supported by professional executives. The group's several companies have already been allocated to his sons, nephews and uncles. He is determined to ensure a smooth transition of power and responsibilities. He refuses to believe in luck - only in planning. His credo is - "You can command Nature if you learn to obey Her".

Mrs. Rabia Hira, Publisher, NEWVENTURES DIGEST visited his offices and plants several times in Jalgaon and tried to unearth the secrets of his success:

■ We have learnt how you acquired an Esso dealership for kerosene and heavy diesel oil in 1963, borrowed Rs. 7000 from your family to buy empty drums and then launched your star-spangled career. But what were your very first business experiences after you graduated from Law College?

After finishing my law studies from the Govt. Law College, Bombay University in 1962, I acquired an ESSO Dealership for Kerosene in 1963. I felt that the responsibilities of the Govt. officials even though in class 1 would confine me to a beaten path. I had an urge to give free vent to my inherent innovative and creative zeal. I also felt that I had a responsibility to bring up my family in terms of material standards & social standing, to improve their way of life after they had given me the opportunity to equip myself for a higher social position. All this I could do by setting up in business where I could combine my zeal and further my family's advancement.

■ We admire the way in which you started from almost nothing. Going back to childhood and your days as a young adult would you say that it was your family's unstinted support and encouragement which nurtured a deep-seated confidence in you and gave you the courage to take on big risks at such a young age?

There is no doubt that my family's unstinted support and encouragement was largely responsible for my higher education. In fact, because of that I feel I had an obligation towards them. I had ventured into business with a very limited stake and the risks I assumed for the growth in my business were proportionately large but still calculated to be within limits to enable me to meet my commitments in time. Hard work, planned effort, the support of my family members and friends were all combined together and I met my commitments repeatedly without fail. This gave me the assurance and confidence to continuously endeavour to grow, without fear of failure.

■ How did you initially acquire your basic business acumen?

With experience and constant exposure to the market I continued to learn and sharpen my basic business instincts.

■ Your flair for overtrading and using financial leverage to its utmost limits is legendary. This skill is exactly what enabled many legendary business tycoons in America, Europe and elsewhere and also, ofcourse, in India to build up

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gigantic, individual business empires of colossal size by international standards within their own lifetimes. Did you acquire this skill at financial leverage on your own or were you initially guided by someone else?

I would rather say that a businessman who does not use the resources he possesses to yield the utmost, has chosen to be satiated with the status-quo. Alternatively, those who use their resources to the utmost will always grow faster. This element together with my good fortune of having loyal family members as my partners and some sincere friends to consult or to advise me in my ventures ensured the success of my business ventures.

■ This mastery over the creation and optimal productive use of finance and your impeccable reputation can enable you to aim for and achieve a group turnover of Rs. 1000 crores by the year 2000. Why is it that you are planning in terms of reaching only a turnover of Rs. 150 crores by the year 2000?

In my efforts to generate growth for my group, I cannot lose sight of my basic commitments to a certain philosophy i.e. I wish to concentrate my investments in and around Jalgaon so that I can serve the community in the area of my birth, and as far as possible grow in the field of agricultural inputs augmented by manufacturing and technology inputs. Additionally I strongly feel that pursuit of money for the sake of money as a sole purpose of business is a deeply corrupting influence and thus self-defeating. In fact I have chosen to invest in businesses which also serve a social end like drip irrigation (water and soil management), manufacture of Foam sheets (substitute for wood) etc.

Similarly, we now have proposals in the pipeline for the manufacture of Solar Heaters, Foam-sheets, PVC Balloons, PVC Foot-valves etc. which will all conserve scarce natural resources or electricity. Many of these require concept-selling but I feel that I have to be true to my philosophy of business. The Jain Group must undertake such challenges. To my mind making money by serving a public end even though it is difficult, is far more rewarding than merely making money the easy way like in real estate or in trading. However, I must correct the impression that we will not reach a turnover of 1000 crores by the year 2000. We will and our existing turnover is already well above Rs. 100 crores.

■ No man can reach great financial heights alone. Whom do you give credit to for being by your side when you first started out and whom do you rely on most now?

As I have said earlier, I had my uncles and cousins who joined me as my business partners and with their support and hard work we have grown together.

■ To what extent is your groups management style truly professionalised, with genuine and complete delegation of authority?

We are still not a formal organisation and thus there is no well- demarcated organisational structure. We have a combination of specialists carrying out their responsibilities in their field and senior managers, including family members fulfilling their duties co-ordinated areas under their control. If by professionalism one means commitment to work and results, we are professionalised; but if it means a 9.00 AM to 5.00 PM work culture, we are far from that. Our style of functioning is "open-doors" and operational Directors and senior Managers are fully accessible. At each level, each individual knows the limits within which he can operate and if he needs assistance, how he can obtain it.

■ With a genuinely professionalised Management you can aim for a turnover of Rs. 5000 crores by the year 2010 and be ranked as a multinational. Are you thinking in these terms and if so what steps are you initiating to build up an army of capable professional executives to achieve this?

It is difficult for me to speculate what would be the shape of this organisation in the year 2000 and beyond. We are certainly endeavoring to emphasize export - oriented ventures for the group's growth. We have our hands full with various proposals which we are evaluating but all of them can be successfully launched with local investment. I wonder whether the foreign exchange policy, curbs on imports or regulation of exports will necessitate our looking for ventures outside India in future. My convictions do not permit me to invest in production units beyond our soil, though our realm of marketing may well encompass the whole world.

■ Global success and domination in any field or for any product is based on utmost competitiveness. We feel that you must be not only be deeply aware of this but you must also be one of the most enlightened Industrialists in India on this subject due to your success at achieving the No. 2 position worldwide in production of Papain. Do you not agree that in India, we can become world- leaders in many fields such as steel, textiles, castings and forgings, medium-technology engineering products, electrical equipment, agro based products, plastics based products, chemicals, software, leather products, diamonds and jewellery, tourism, civil engineering etc.? Are we not being held back only due to a lack of vision and no fanatical zeal to become internationally competitive in specific fields?

I fully agree that we Indians are second to none in calibre, intellect, business acumen and skills. However, we have been held back by restrictive public policy and

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crises of character which have made our business approach unethical. Freedom from the Permit Raj and more meaningful support to entrepreneurial efforts cannot fail to give Indian businessmen and industrialists a high standing in the international market.

■ **Indian labour with a few exceptions is one of the least productive in the world. Is this due to archaic and counter-productive labour laws? Or is there some other missing element which stops Indian workers from becoming the most productive in the world?**

Our Social Legislation is largely responsible for making labour in the organised sector, less productive. Qualitative changes are badly needed in our labour laws.

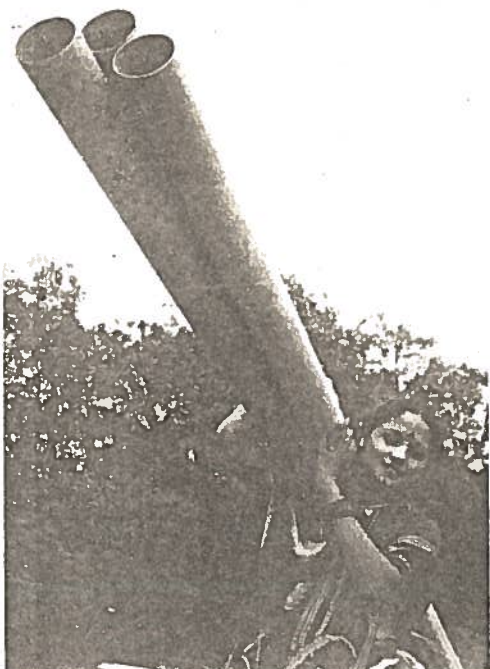
■ **What will be your young group's turnover by March 1992 and how will it be distributed among your various activities?**

Our Group's turnover will approximately Rs. 130 crore by March 1992. The break-up should be as follows :

Rs. 30 crores	Drip Irrigation-Domestic
Rs. 10 crores	Jain Irrigation (Export sales)
Rs. 8 crores	Domestic & Export sales of Rib-Loc PVC pipes
Rs. 60 crores	PVC Pipes & Fittings
Rs. 20 crores	Transformers
Rs. 2 crores	Papain (Export & Domestic)

Rs.130 crores

■ **Whether it is worldwide technical superiority in the production of papain or making available huge quantities of PVC pipes at the most competitive prices or becoming the market leader in drip-irrigation systems you are obviously able to fine-tune your product to the market in the most optimum manner. Nature responds best to precisely correct inputs. One can say : "You can command Nature if you learn how to obey her!"**



■ **Could this be the basic secret of your outstanding success as an agro-based industrial group?**

What you wish to quote is quite close to what I believe.

■ **What makes Jalgaon an attractive industrial growth centre compared to other cities in Maharashtra?**

This is the soil which gave birth to me and it is my home district. Jalgaon lacks nothing which other cities in Maharashtra have and thus is as attractive a center for industrial growth as any other.

■ **What should the Government do to attract more industries to Jalgaon?**

The Government should improve Power and Water availability.

■ **Do you have or plan to start a good MBA college in Jalgaon?**

Yes, I plan to have a management institute in Jalgaon which in addition to providing MBA courses would also provide courses for managing agro-based industries, co-operatives and so on. However, we would prefer to locate this new institute in a rural setting and run it as a residential institute with an emphasis on character-building and developing work oriented personalities.

■ **When do you expect Jalgaon to be included on the Indian Airlines flight network?**

I cannot say.

■ **In the meanwhile, do you propose to start a private airline now that the licenses are available?**

No.

■ **Are there any plans for improving other modes of transport, such as AC Ind Class Sleeper Coaches originating from Jalgaon or AC Luxury Buses?**

Whereas the rail facilities have improved, we hope they continue to improve. As the demand for Luxury AC Buses develops, I am certain someone in Jalgaon will meet that demand.