

Corporate

REPORTS



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Chairman Jain plans to reduce drip irrigation systems' contribution to turnover from more than 90% to 30% over the next two-three years

SOWING NEW SEEDS

In a bid to reduce its dependence on its mainstay product, Jain Irrigation is diversifying into other fields

I pioneered the concept of drip irrigation in the country and today rules the roost with a 65% share of the Rs 100 crore domestic market. Why then is the Rs 63 crore Jain Irrigation Systems so keen to diversify and reduce its dependence on a market that has been growing at an annual rate of 46% over the past six years? The reason: subsidies, which will soon start disappearing. And so will Jain Irrigation's assured market. Explains chairman B.H. Jain: "The traditional buyer of an irrigation system is the debt-ridden farmer." These farmers are accustomed to relying on government largesse for buying these systems which, in most cases, works out to 50-75% of the total cost. Concedes joint managing director Anil B. Jain: "Companies involved only in drip irrigation are likely to be affected in the long term."

Currently, drip irrigation systems contribute more than 90% to turnover; the gameplan is to reduce this to 30% over the next two-three years. On the cards are a host of projects, involving an investment of approximately Rs 107 crore (from a \$34.5 million global depository receipt), most of which will be export-oriented. "Over the next couple of years we want to ensure that export earnings constitute more than 50% of total turnover," points out chairman B.H. Jain.

Drip irrigation systems too will form a part of the export thrust, which will be concentrated largely on developing countries. Recently Jain Irrigation bagged a \$300,000 order in Egypt.

The diversification programme was flagged off when Jain Irrigation tied up with Kemira Agro of Finland for the manufacture of water soluble fertilisers. A new company Jain Rahan

has been promoted for tissue culture project, the aim being to bring home the bacon from overseas markets. And the Jains are also keen on solar water heating systems. "The importance of alternate energy sources will become more important now and so will the task of convincing people to go for them. The thrust will be on heating and not on power generation," explains the chairman. Adds managing director Anil Jain: "We believe the main focus in solar energy will be in heating."

In what could be construed as an attempt at forward integration, the Jains have plans to set up greenhouses. The focus will be on horticulture products which could be grown independent of external climactic influences, ensuring a steady export market.

Value-addition is another popular Jain buzzword. In the works is a project to make banana pulp — Jalgaon produces 1.6 million tonnes of bananas annually — which will be used to prepare banana powder, which will also be exported.

The Jains are also considering branding their products. Surveys have revealed that there is strong potential in branded commodities, provided the right brand pull is created. Although the final decision has yet to be taken, depending on the demand the products could either be in powder, concentrate or juice form.

Meanwhile, Jain Irrigation is eagerly looking forward to the fallouts of the easing of the Land Ceiling Act in Maharashtra. This will allow corporates to buy large tracts of uncultivable land for development, even up to 1,000 acres and more. The Jains are very optimistic on this score. For one, instead of selling irrigation systems for small tracts of land (ideally 2-2.5 acres) the company can now focus on the volumes game by selling large systems to big buyers. Jain Irrigation itself is looking for a joint venture with an overseas company to enable it to take up around 5,000 acres of land and develop it commercially. Says B.H. Jain: "With a venture like this, I can demonstrate how agriculture can be made into a professional business." Clearly, green thumbs and greenbacks have a lot in common.

□ Govindraj Ethiraj