

**Jain Irrigation Systems**

# Sowing new seeds to move onto greener pastures

*In an age where there is nothing like perennial excellence, continuous upgradations for the future is imperative. No longer can a company restrict itself to one activity. As the whole corporate scene races head along for a competitive niche, companies have realised that diversification holds the key to the ultimate road map for attaining one's goals. And for this, what is important is the corporate planning required. Jain Irrigation Systems Limited is one company that has been doing profoundly well, both on the corporate scene and the bourses. Their pioneering spirit is what has brought them to where they stand today. And surging ahead with more plans for the future, the company is equipping itself with the best of technology, exposing itself to the widest marketing network possible, and what's more, there are greener pastures lying ahead for the company, especially in view of the changing economic scenario.*

**T**his Jalgaon based company, Jain Irrigation, has come a long way, having pioneered the concept of micro irrigation or commonly known as drip irrigation in the country. Today the company rules the roost with a 65 per cent share of the Rs. 100 crore domestic market.

However, keen to reduce its dependence on a market that is growing at an annual rate of 46 per cent, this Rs.36-crore company has diversified into the manufacture and export of plastic sheets and moulded components.

### Backdrop

Jain Irrigation was set up in 1986 in collaboration with James Hardi of Italy, who as a matter of fact, is the undisputed world leader in drip irrigation. In the years following, the company has developed a vast range of point source irrigation systems consisting of emitters in micro sprinklers and pop-ups. The latter are ideally suited for lawn and turf applications, whilst the former can cover areas upto three meter radius.

### The Italian connection

As the above mentioned systems cannot be applied to closely spaced row crops like sugarcane, vegetables and cotton, etc. the need was there to introduce a new variety of irrigation systems. It is in this regard that the Italian collaboration has been a boost for the company, as it has been able to expand its product range. Today the company is also the first to introduce into the country the multi-chambered line source tubing, the most efficient form of micro-irrigation for row crops, ideal for raw crops. For this, Jain Irrigation had to obtain a license from Chapin Watermatic Inc. of USA, who are the patent holders for the multi-chambered drip irrigation hose branded as Turbulent Twinwall. Jain proposes to manufacture the same by using the Chapin technology and their brand name.

An added plus point about

this new introduction is the fact that since these tubes are being manufactured for the first time in the country, they are free from onerous import duties and fat margins of the original producers. Further, the indigenous manufacture of the tubing and its low pricing is expected to offer great marketing advantage to the company.

### Financials

It has been a watershed year for the company, which has posted excellent results for 1993-94, with sales at Rs.92.25 crores as against Rs.62.66 crores of the previous year. Export sales constituted almost 45 per cent of the net sales, indicating the company's thrust on exports. Jain's gross profit stood at Rs. 16.84 crores as against Rs. 10.72 crores posted during the previous year. The net profit had also increased substantially by 51 per cent to Rs.13.26 crores as against Rs. 8.75 crores last year. The company's weighted EPS on an equity of Rs. 12.95 crores stood at Rs. 12.70.

The book value works out to an overwhelming Rs. 114. Normally the ratio of book value and price is 1:3. Which means that at its current book value the price has the scope to appreciate to atleast Rs. 342. At its current price of Rs. 272, isn't this a bargain buy?

### EDR

And what's more exciting about this rural company, is



*Bhavarlal Jain, Chairman*

the fact that Jain Irrigation is first company from rural India to seek listing on the

Luxembourg Stock Exchange by floating a US\$30 million European Depository Receipt Issue. Of course the company could have easily gone for Global Depository Receipts, but according to the Chairman, Bhavarlal Jain, "we wanted to be better known and make our presence felt".

The issue was well received by the international investing public. This was one of the smallest Euro Equity issues to have been approved by the Ministry of Finance. With this, the company has become the first agricultural company to be listed on the Luxembourg Stock Exchange. The issue proceeds are proposed to be used for a range of new projects such as liquid fertilizers, plant tissue culture and greenhouses.

### Moving into greener pastures

Why is the company interested in diversifying when its drip irrigation systems contribute more than 90 per cent to the turnover? Company sources say that subsidies that a common farmer has been enjoying so far may soon start disappearing. And so will Jain Irrigation's assured market. Since the farmer is accustomed to rely on government largesse for buying these systems which in most cases works out to 50-75 per cent of the total cost, companies involved exclusively in drip irrigation are likely to be affected in the long run.

Currently drip irrigation systems which contribute more than 90 per cent to the turnover is likely to be reduced to 30 per cent over the next two-three years, if company sources are to be believed.

As such, it is not surprising to witness the company's thrust on a host of export oriented projects. The diversification programme was flagged off when the company tied up with Kemira Agro of Finland for the manufacture of water soluble fertilizers. A new company by the name Jain Rahan has been promoted for tissue culture project, the aim being to bring home the bacon from overseas

markets.

With alternate energy sources gaining importance, the company is keen on making a foray into this area by entering into solar water heating systems. As it is, the company has floated joint ventures with Amcor of Israel for transfer of technology for solar water heating. This project will be launched in the Indian market some time in the last quarter of this financial year. Initially, the company will cover hospitals, hotels and industries like textiles, dairies, etc., where large quantity of hot water is required. At a later stage, the company proposes to tap the domestic market for individual home model heaters. After all, the escalating cost of electric power has made the use of solar water heating system feasible even amongst domestic consumers.

Even drip irrigation systems will also form a part of the export thrust, as the company proposes to concentrate largely on developing countries. The company recently bagged a \$ 300,000 order from Egypt.

### One step forward

In what could be construed as an attempt at forward integration, Jain Irrigation plans to set up greenhouses. The focus will be on horticulture products which could be grown independent of external climatic influences, ensuring a steady export market. Value addition is another popular buzzword in the Jain's dictionary. In the works, is a project to make banana pulp which in turn will be used to prepare banana power and later exported. The project is ideally suited to Jalgaon, since the town produces 1.6 million tonnes of bananas yearly. The Jains are also contemplating branding their products, having realised the power of brand loyalty.

### Sheets of profits

The company's existing export oriented unit for rigid/foam sheets

is functioning profitably, accounting for almost 10 per cent of the company's total turnover and the capacity is being raised to 4,200 tonnes from 1,800 tonnes annually. GE Plastics BV of Holland, a

GE subsidiary, recently entered into an agreement with Jain Irrigation to market the latter's polycarbonate sheets in the whole of Europe barring UK. Plastic sheets account for almost 10 per cent of Jain's turnover and is one of its most profitable businesses. The company has thus made a



mark where other plastic processors in India have failed.

The company also manufactures custom made moulded components for the US market. The capacity for injection moulded product is to be double to 300 tonnes yearly.

### Riding the wave

Like other large conglomerates, Jain Irrigation has also entered the rapidly growing financial services arena, with the formal launch of Jain Securities International. This brainchild of B. Jain, is uniquely and innovatively structured as a joint venture between "entrepreneur" and "intrapreneur" in order to ensure continuity, commitment, professional management and a proprietorial thrust for the long term growth of the company. Jain Securities plans to be active in the capital markets, money/debt markets, forex advisory, portfolio management, hire purchase and leasing as well as a host of other emerging financial services areas. Aiming high, the company plans to emerge as a dominant player in this sector in the next few years. Is this being highly optimistic? Only the future can tell.

### background of the Balsara group?

Some time in 1925, my father, Rustomjee Balsara began trading and dealing in sanitary fittings. In fact, he was the first one who pioneered the activity in India. However, when imports came to a standstill some time in the 1950s, trading operations had to close down. Realising the necessity of then venturing into the manufacturing line, my father decided to go in for a natural evolution into manufacturing toilet cleaners and the like. Since then, we have slowly included new products to our range and today we are proud of the host of products manufactured by us and marketed both under our labels as well as under private labels. Aside from toothpaste and other oral care products, our product line includes household products like insect repellent, air freshners, toilet cleaners, detergents and scouring cleaners. Expansion and diversification into various products is on-going process.