

Bhavarlal Jain trained to become a bureaucrat in the sprawling Indian government. His mother thought he could do more.

Mother knew best

By Michael Schuman

AMID THE DUSTY, barren hills outside Jalgaon, a small city 250 miles northeast of Bombay, lies an oasis of neatly cultivated green fields of banana trees, grapevines and papaya plants. This is where Bhavarlal Hiralal Jain watches over his \$34 million (revenues) Jain Irrigation Systems Ltd., one of India's most successful and forward looking agricultural companies.

The arid soil blooms because of Jain Irrigation's drip irrigation systems, which provide a specified amount of water directly to the base of each plant. This technology increases average yields by 45% and takes only 30% of the water used by traditional canal irrigation systems—a critical factor in water-scarce areas like Jain's home state of Maharashtra in western India.

As a boy Jain helped farm his family's land in the village of Vakod (pop. 2,000), near Jalgaon. But after earning a law degree from Bombay University in 1962, Jain, now 56, pre-

pared to settle into a comfortable civil service post. Fortunately, his mother had other ideas. "My mother convinced me to take more risks and start a business on my own," Jain recalls.

In 1962 a major petroleum company was looking for a distributor in rural Maharashtra. Jain convinced his family to contribute their total savings of 7,000 Indian rupees—about \$1,500 back then—to become the distributor. He bought secondhand containers and took kerosene from village to village by pushcart. As the business grew, he brought in uncles, brothers and cousins to help out.

Over the next 20 years the Jains expanded from petroleum distribution into trading tires, tractors, motorcycles, fertilizers, seeds and electric motors. They also manufactured plastic pipes and papain, an enzyme derived from papayas that is used in brewing beer. Sales hit \$13 million (at current exchange rates) by 1985.

"But I am a farmer at heart," Jain says. His heart leaped in 1985 when he visited an agricultural products trade show in Fresno, Calif. and saw a drip irrigation system. Turning the trading businesses over to family members, Jain set out to license the irrigation technology and start a business to manufacture it. The Italian owners were willing, but not so the Indian bureaucracy. "The bureaucrats didn't understand why we needed a technology to distribute water," says Jain. "They didn't understand how crucial it was for the farmers."

After 18 months of haranguing government bureaucrats in Delhi, Jain was finally given a license to start his irrigation company in 1987. At

first the farmers were almost as tough to convince as the bureaucrats. "We had to educate them about how it could help," says Jain. As a kind of showroom, Jain created the oasis in Jalgaon, as well as other demonstration farms around the country, and invited farmers to visit so they could witness firsthand the miracles his systems could perform.

Still, few farmers could afford the \$500-and-up cost of Jain's drip system, and Jain was unable to reduce prices because of low volumes and high tariffs on imported raw materials for the system's plastic parts. So he went into a higher-margin business to support his irrigation project: plastic sheets, used as signs and windows. Today plastic sheets account for 40% of Jain Irrigation's revenues.

Ironically, Jain got his biggest break from the same bureaucracy that had at first stifled him: In 1990 the Indian government created a subsidy program for small irrigation systems, paying up to 50% of their total cost. The following year Jain Irrigation's sales nearly doubled, to \$5.5 million; this year irrigation sales are expected to hit \$27 million.

"As farmers become more aware of the benefits, word of mouth, instead of the subsidy, is driving sales," explains Tapisije Mishra, an analyst who follows the company for SSKI-Smith New Court, a Bombay-based securities firm. Noting that only one-half of 1% of the agricultural land in India suitable for drip irrigation uses drip systems, Mishra expects the market to grow at 30% for at least the next four years.

Thanks to Prime Minister Narasimha Rao's liberalization program (FORBES, May 23), businessmen no longer need government approval for every investment. Jain is using his newfound freedom to diversify. He has begun to manufacture greenhouses, liquid fertilizers and solar water heaters.

To fund these projects, Jain Irrigation raised \$30 million in equity capital on the Luxembourg Stock Exchange early this year. Jain and his family own 31% of the company, a stake worth \$36 million.

"This wouldn't have been possible before the [Rao] liberalization," says Jain. "Now I can really grow." ■



Jain Irrigation's Bhavarlal Jain
"Now I can really grow."

JAIN GROUP



Jain, with a reminder of his heritage: success built on an understanding of rural India

From the grassroots

A boy from the village, he made a multicrore success from scratch. Now, he is on the verge of building an intricate network of businesses around hi-tech agriculture, plastics and exports. A first-time indepth report by Udayan Ray.

Here is a modern fairytale about a winning investment. A young Marwari belonging to a trader-farmer family gave up a cushy job he had secured as a gazetted officer. Instead, he invested Rs 7,000 and a

lifetime in business. Today, 32 years later, it is easy to agree that 25-year-old Bhavarlal Hiralal Jain had made the right - if evidently risky - decision. Jain is today chairman of the Rs 210-crore Jain Group of Industries headquartered in Jalgaon, Maharashtra.

The performance indicators of the group's flagship company, Jain Irrigation Systems Ltd (JISL), give a pretty good idea of just how rapidly this low-key businessman from this little-known town, 250 km northeast of Bombay is getting ahead. Turnover leapfrogged

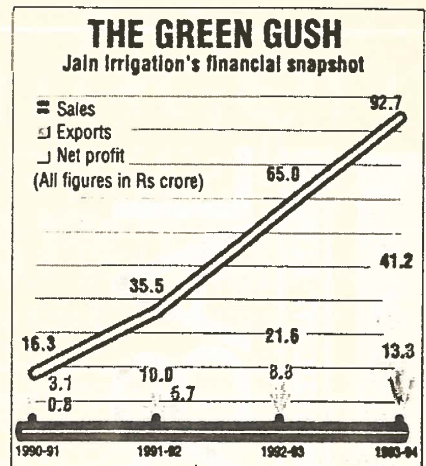
from Rs 35.5 crore in 1991-92 to Rs 65.0 crore in 1992-93 to Rs 92.7 crore last year. This year, it should be up to about Rs 150 crore.

Much of that impressive picture has been painted by exports. They have doubled consistently each year since 1991-92: from Rs 10.0 crore to Rs 21.6 crore to Rs 41.2 crore last year. In 1993-94, besides being the top Indian exporter of PVC (polyvinyl chloride) sheets, JISL was also the country's second largest exporter of PVC pipes. That trend of doubling exports will more or less hold in 1994-95 if the target of Rs 75 crore is met. In other words, half of JISL's turnover this year will come from exports.

What makes Jain's story special are reasons beyond just raw growth. He is currently one of the best examples of Indian entrepreneurship. Like other entrepreneurs, he has faced innumerable hurdles: a paltry seed capital, a rural background, virtually no ex-

posure to business matters, location of industry in a backward region. But through sheer determination and ingenuity, he has surmounted all obstacles. There is more. Most entrepreneurs seem to have only one big idea within them and, they are rarely able to build on their initial success. Not so Jain. Constantly hunting less explored areas that are synergistic with agriculture, plastics and exports, he is currently in the process of weaving an intricate structure of businesses.

It wasn't always so good. Born in a lower-middle class family in Wakod, a village 40 km from the district headquarters of Jalgaon, Jain had to struggle to complete his education. It was his uncle's meagre savings that allowed him to graduate in commerce and subsequently law in Bombay. The turning point was Jain's decision not to join the provincial services after being selected. Instead, in 1962, he chose to take up the local dealership for the



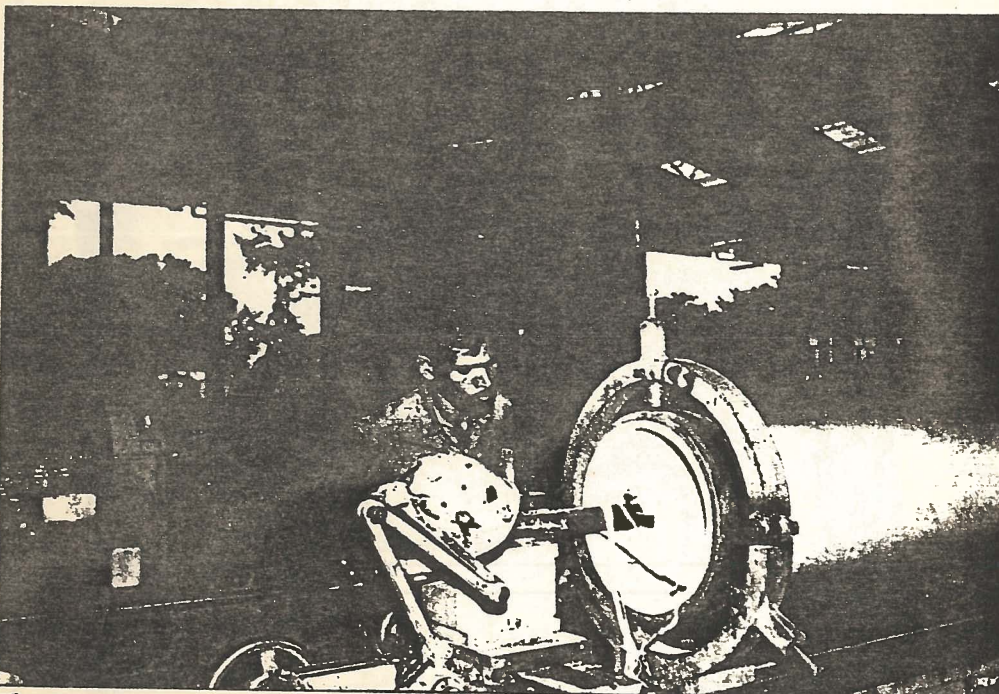
Exports have helped Jain Irrigation grow by 161% in just two years.

petroleum company, Esso.

Jain's business instinct was soon evident. Instead of selling kerosene and diesel in the heart of Jalgaon, as was the practice, he adopted a door-to-door approach. It worked. Later, he was joined by family members including his brothers, cousins and father (who had retired by then).

Says Jain, "They submerged their identities so that I could fulfil my ambition to set up businesses." Being the first graduate in the clan, Jain was the natural leader. Recalling the early excitement, he says: "All of us were charged with the feeling that we were destined to do something special."

Between 1962 and 1978, Jain took up dealerships for a variety of products including fertilisers, farm machinery and tractors, seeds, pesticides and PVC pipes. Among the 59 principals he represented were the likes of Ciba-Giegy, Escorts and Ashok Leyland and National Seeds Corporation. He was glad for this association for more than just immediate profit. He learnt his basic lessons in modern business during his interaction with executives of these companies, especially Esso. As he admits, "They taught me



The PVC pipe unit: a happy accident



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UNKNOWN to most, the low-key Jain Group of Jalgaon is building strength to put together a hi-tech agri-empire, driven by exports. A first-time, on the spot report on the Rs 210-crore group.

TARGET: A new section, the only one of its kind. It focuses on India's trade with - and business opportunities in - specific countries. Hard data, analysis plus tips. This month: doing business with France.

CWC: Dependent on storing imported goods and a cosy monopoly at home, the Central Warehousing Corporation wants to break its shackles and provide support to exporters overseas.

INTERVIEW: "Few Indian business groups have a coherent sense of why they are in a particular business beyond the accident of history," argues Harvard professor Pankaj Ghemawat.

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