

Dalal Street Journal

DATE - FEB. 7 - 20

PAGE - 2



COVER STORY

10

HOTSHOT ENTREPRENEURS

They possess an unequalled tenacity in seeing a project through, be it a winning or losing proposition. And rarely does their instinct fail them. Meet the ones who made it happen – ATV Projects' Mahesh and Suresh Chaturvedi, Western Paques' Nandan Gadgil and Jain Irrigation's Bhavarlal Jain.

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PAGE - 10

HOTSHOT ENTREPRENEURS

They gun for the unattainable and go for it in full steam. Steadfast, far-sighted and hard-working, these entrepreneurs have left a trail of revolutionary and remunerative ventures

Calling any successful businessman an entrepreneur would be easy. There are many rags-to-riches stories making the rounds. Of men who struggled and went on to become millionaires; of oft-lauded heroes to look up to for inspiration. But of men with furrowed brows, obstinately sticking to their guns – in times when making a quick buck matters – and making it big in a subtle fashion, tales are few.

The conservative Bhavarlal Jain may sound like a wise old owl spewing age-old philosophies. No doubt his no-coffee-or-tea-at-work dictum may border on the eccentric but then the golden rule has worked. Nobody's complaining – not if the sales keep peaking steadily. In true old-fashioned entrepreneurial spirit, Jain believes in a certain value system and sticks by it. He is far-sighted in his mission but never compromises on his style of living. Jain never attended a management school but he knows the game – and plays it by his rules.

And Jain is not alone in his lessons-never-learnt-nor-sorely-missed experience. Take the world greats like William Hesketh Lever. His aggressive, hound-like business strategy was honed by instinct; his concern for employees was down-to-earth. The founder of the world's largest consumer goods company, this legend ushered in the concept of company-sponsored living. Levers believed that his company had an obligation to do more than just pay salaries; it should also be in the business of raising the total quality of life of its workers and



their families – a time-tested tradition that has withstood management rules and is unfailingly followed to this day.

A more recent exemplary is Walt Elias Disney. Publicly known as the best film animator that ever was in the world of showbiz, a few got close enough to know this genius of marketing. The great master of cartoons knew how to promote business. A creator and promoter at the same time, he blended these two qualities with finesse to become a perfect entrepreneur. Far removed from the confines of a management rule book, Disney's gut feeling told him that every employee

played a service role, and to consistently deliver quality service, an organisation had to develop both a service and product strategy. And thus was moulded a successful saga of Walt Disney Productions.

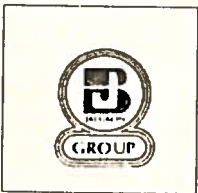
These men set out to do things they believed in and, in the process, created history. A few are still working at achieving their dreams. They may be tomorrow's heroes. Though a great divide in age separates them, they are bound by like-minded beliefs.

COVER STORY



Pioneering Efforts

By virtue of doing simple things perfectly, Bhavarlal Jain has taken his group to new heights. His new project - solar energy water heating systems - is backed by his conviction as well as his thorough research on the subject



Stacy Standley III, managing director (India) of Inner-Asia Consulting Group, a San Francisco-based company, was experimenting with pure vegetarian Rajasthani food made in desi ghee on a Sunday evening in January 1994. He happened to be one of the regular-dozen-a-week visitors from USA, Europe and Israel to Jalgaon, who put up at the Jain Hills farmhouse. Stacy would rather be happy signing trade tie-ups or collaborations over a Scotch at

Bombay's Belvedere Club. But Bhavarlal Jain, the Jain group chairman, has his own way with people, problems and prosperity. And hardly anyone seem to dislike it.

His employees and others close to him, fondly call him Bhau (brother in Marathi). Bhavarlal Jain (57), is the patriarch of the town's largest industrial group. A teetotaler, he walks 6 kilometres every morning around his magnificent farmhouse with his wife, friends and his toddler grandson, and practises yoga. His professed ambition is "I want to leave behind me a world better than the one I inherited". He is

JAIN IRRIGATION

First generation entrepreneur:
Bhavarlal Jain, Jain Group
Flagship: Jain Irrigation Systems
Important companies
in the group: Jain Plastics &
Chemicals (closely-held)

largely known as the pioneer of drip irrigation in India. However, he corrects the belief. "I have only pioneered the success in drip irrigation, while the business was being tried out for at least 15 years before I started."

Having been a farmer by profession and also a trader of diesel, kerosene, tractors and fertilisers and other things utilised by farmers, Jain had a deep insight into the lifestyle and economics of the farming community in Maharashtra. His general knowledge of Maharashtra's water deficiency (not more than 22 per cent of its land can be cultivated with its underground water resources) came to his help when he at-

Dalal Street Journal

DATE - FEB. 7 - 20

PAGE - 20

COVER STORY

tended a conference on non-conventional irrigation at California, way back in 1985. Within a couple of years, thereafter, his micro irrigation venture was on its way.

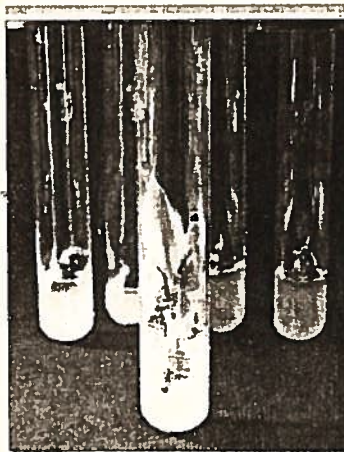
What made Jain a success in a field where other companies like Jyoti, Premier and Voltas could not attain much? "People make the mistake of treating irrigation systems as products. We integrate the hardware (components, tubings, filters and creepers) and the software (analysis of the soil, the crop and the climate). The result is a custom-made scientific system for every farmer, who enjoys a lifetime of after sales support." It is actually amazing to note that today, the drip, micro and sprinkler irrigation systems are not meant only to conserve water or to put them to use in areas of water scarcity.

The real selling point is that they are automated to provide water as well as liquid fertilisers to the plants in the required quantity and quality at the required intervals. This more than doubles the yield and enhances quality and size of the crop. There is minimum manual handling. Saving of water is inherent or only a secondary advantage. Outside Maharashtra their systems are sold in 14 states all of which are not necessarily water scarce. The truth is that rains do not affect Jain's sales which have been doubling every year despite five successive good monsoons.

So what really does affect its sales? When a farmer buys the irrigation system, he pays only 50 per cent of the price, and the rest is paid by the state government. Is this huge subsidy the real reason for its success? "Though it was my effort that convinced the government to introduce subsidy on these products, the whole thing is mis-managed. I would only be too happy to see the subsidy abolished. That may even increase my sales," smiles Bhavarlal Jain. While this may not sound entirely true, it's a fact that for 1993-94, the government's notification for the release of the subsidy was issued by the Jan. '94 - end, a mere two months short of the year-end. The states are so slow in releasing the dues that the March-end balancesheet shows huge debtors, amounting to more than 6 months' sales.

If subsidy abolition is not the prob-

lem for Jain, there must be some real big problems he has faced or he might be anticipating. How this first generation entrepreneur tackles them could be the clue to this group's future growth, "When I face a setback, I simply double up my effort," says Bhavarlal Jain. He has in the past taken over a sick papain (an enzyme made from papaya)-making plant and put so much money in R & D, that ultimately, when it came to selling the finished goods, he was broke. From this experience, he learnt the lesson of owning at least one high volume cash generating business to fund the developmental payout. His closely-held company Jain Plastics, one of the largest PVC pipe makers, does this job for him. Today, Jain is world's second largest papain maker. And even after the entry of bigwigs, Jain is India's second largest PVC pipe maker. In the pipes business where margins are falling and volumes are rising, he has maintained his edge by exporting and diversifying into more value-added products like screen pipes and casing pipes.



How this first generation entrepreneur tackles big problems could be the clue to this group's future growth

However, as far as the future is concerned, we foresee two major problems for the group. **One of increased competition and the other of managing the growth.** Jain Irrigation Systems has already attracted good competition. Not far away in Nashik, EPC Irrigation is fast on the move. Larger companies like Voltas are already in the fray. Though JISL's turnover has been doubling every year since inception (Rs 65 crore in 1992-93), the profit margins have been receding. The net profit (excluding non-operating income) was 18.88 per cent of sales in 1990-91, 15.89 per cent in 1991-92 and 10.72 per cent in 1992-93. The current year figures are not going to show a trend reversal either. Managing director Anil Jain projects the 1993-94 sales at Rs 90 crore and net profit at Rs 12.50 crore. This means the sales are no more doubling. However, this is not seen as a problem at Jains. Bhavarlal Jain says that setting turnover targets has never been his fancy. "It is so simple to take over running companies, or set up cement or sponge iron plants and take the turnover beyond a thousand crore in a few years. But, we are not in that game," he claims. The problem of competition for him, therefore, is mainly the problem of competing with people who want to make a fast buck. This also means positioning his products differently in the market as the best combination of superior technology and personalised monitoring. And all this requires putting to the optimum use his farming instincts outside Maharashtra too.

What he needs to do now is to get equally close to the farmers in other states, so that they understand that they are not buying hi-tech plastic gadgets, but irrigation systems that could probably double their crop and improve their family economics. This requires not only a nationwide intense marketing effort but also a futuristic R & D effort. Towards this end, the company is putting up an ultramodern research facility at a rough cost of Rs 5 crore. Agriculture scientists have already been appointed to man this venture. Genetic engineering experiments are envisaged. A number of tissue culture plant species are being developed in laboratories and green houses, and a sizable success is achieved in the crop

COVER STORY

I start things on intuitions and hunches and an enthusiasm that is uncommon among others. This could be one of my weaknesses

— Chairman Bhavarlal Jain



of banana. (Selection of banana, again shows the hands-on approach of the Jains. Jalgaon and the nearby areas have a big cultivation of banana.) Further experiments are planned on a host of flowers and fruits. Cash plantations like bamboo and teak are also being successfully experimented upon since 1988. Jain Irrigation Systems of the nineties will be a wholly different company from what it is today. It will be a complete agriculture technology management company, of which irrigation systems will only be a part. JISL already possesses technologically important tie-ups with foreign collaborators. TUV of Germany has recommended ISO 9001 for their papain unit and ISO 9000 is in process for their irrigation system and polymar products.

The Jains are certainly not going to compete with others on the turnover plank. They are prepared to beat the competition in terms of concepts, quality and the direction of growth. Because, they have an edge over others not in terms of capital (it's a small Rs 170-crore turnover group) but in terms of a strong belief that agriculture will be tomorrow's biggest industry. And they already possess a huge lead over any other company in this field.

The second problem, that of managing the growth, generates from the fact that every inch of the factory and the office premises and the plantations and the farmhouse bears the mark of Bhavarlal Jain's sense of cleanliness, methodicity and aesthetics. This typicality also has its flip side. Though an informal 19-member executive board has been formed to contribute to strategic decision-making, the possibility of his four sons and other relatives dominating the show can not be

ruled out. More than that, it also creates a culture which is too difficult to change when the group really takes off in terms of number of activities and volumes. For example, no tea or coffee is served inside the factory and office premises. Does this mean the company will not hire a top class professional who takes tea and smokes? The company has an office in New Jersey. How would they manage to have the same ways of living and working there?

"I often tend to philosophise propositions and get on with concept selling without proper research to back the feasibility of the project. I start things on intuitions and hunches and an enthusiasm that is uncommon among others. This could be one of my weaknesses," discloses Bhavarlal Jain. "However, now this weakness has lost relevance as funding of any new project will require detailed research on viability to satisfy the institutional lenders or prospective equity investors," he is quick to clarify. For ex-

ample, his new project – solar energy water heating systems – is backed by his conviction as well as a thorough research on the subject. More than 50 players in this field have been trying out these systems over the last 10 years without any considerable success. In this way this project is similar to irrigation systems where a lot of people toyed with the idea years before him. Jains' will be the first organised effort costing abouts of Rs 10 crore aimed at solar energy into homes, hotels and hospitals on a mass scale.

Jain Irrigation Systems has decided to make a GDR issue of \$30 million to fuel its major projects in horticulture, plantations and solar energy systems. It will once again make history by pricing the issue at a 10 per cent premium to the ruling market price, currently Rs 330 (January, 28). Being quoted at a P/E ratio of over 30 and then pricing its GDR issue at a premium will certainly benefit its shareholders more than a bonus issue would, believes Anil Jain. Jain Plastics is also proposing to go public with an equity issue to fund its Rs 70 crore project in mid-1994.

Assuming that he succeeds in all his projects, what would he like his group to be? "I believe that quality is a journey and not a destination in itself, we have to continuously strive for that. I want my enterprise to make the land greener, the houses more beautiful and the small farmers more prosperous. Above all I want the next generation to own better ideas than I do," avers the senior Jain. The sun never sets on the Jain Hills – is the final dream.

Chetan Shah **DSJ**

| Investor Snapshot | | |
|---|---------|--------------------|
| Current Activities | | |
| • Micro irrigation Systems (including drip and sprinkler systems) | | |
| • Plastic and PVC sheets | | |
| New Project | | |
| • Tissue Culture | | |
| • Green Houses | | |
| • Water Soluble Fertilisers | | |
| • Tim bron (woodlike polymer product) | | |
| Dividend: | 1992-93 | 24% |
| Actuals and Projections: | 1992-93 | (Rs/crore) 1993-94 |
| Income | 64.95 | 90.00 |
| Net Profit | 8.75 | 12.50 |
| Equity | 10.26 | 10.26 |
| EPS | 8.53 | 12.18 |
| Recommendation: | HOLD | |