

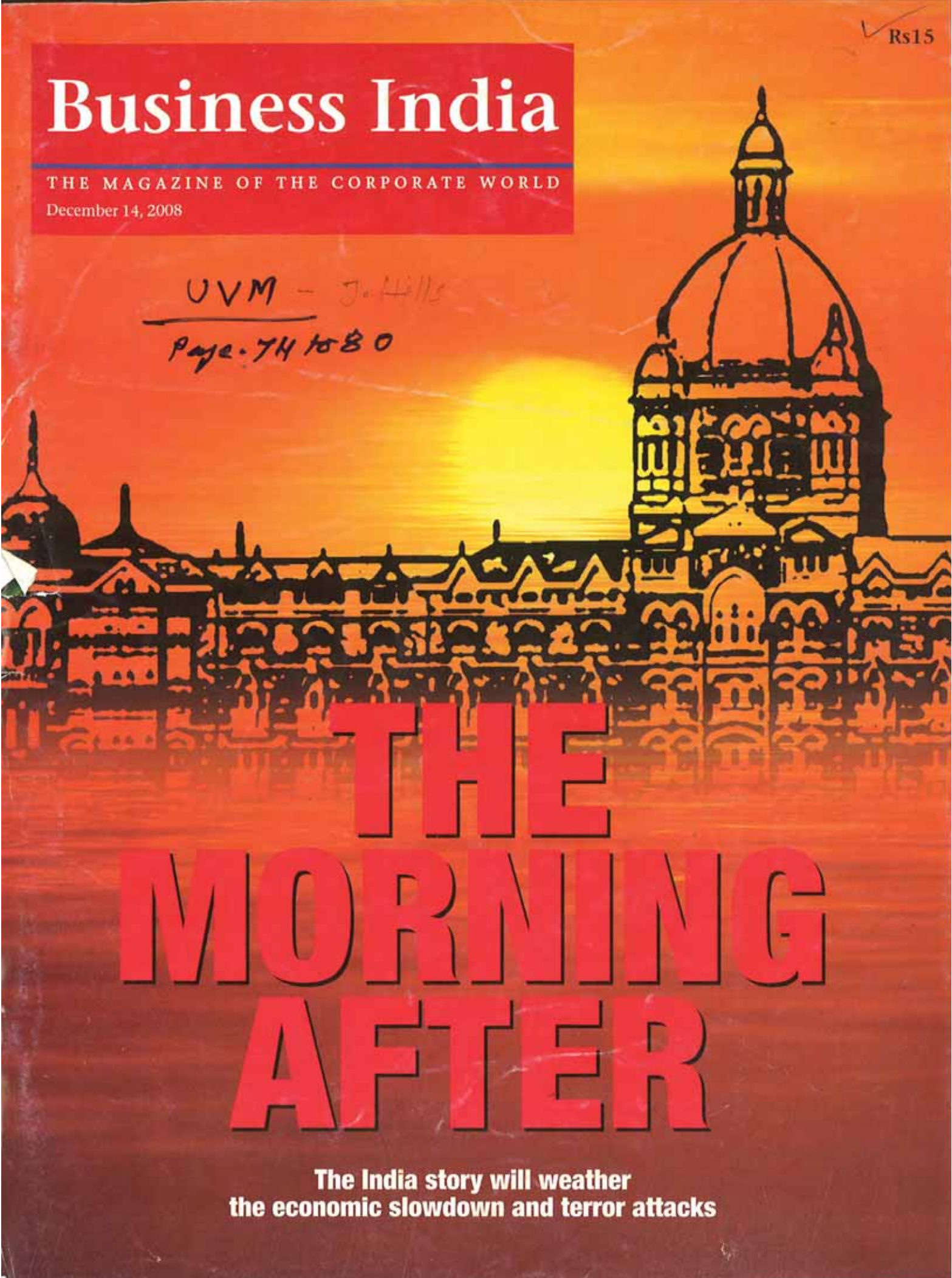
# Business India

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UVM - Jadhav

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# THE MORNING AFTER

**The India story will weather  
the economic slowdown and terror attacks**



*Bhavarlal Jain is watching the business flow with his sons*

## Irrigation plus

**Based in a town appropriately named Jalgaon, the leader in micro irrigation systems is going places, with an acquisition at Watertown in the US**

**B**eyond irrigation, beyond India, goes the tagline in the annual report of Jain Irrigation Systems Ltd (JISL). After establishing itself as the *numero uno* in drip and micro irrigation systems in India, the Jalgaon, Maharashtra-based company has of late diversified into sprinkler systems and plastic piping, as well as landscape and turf irrigation – related areas, sort of – in addition to food processing, laminated sheets and plastic building products. It has also spread its tentacles far beyond its home town, to Hyderabad and Chittoor in Andhra Pradesh, Vadodara in Gujarat, Udumalpet in Tamil Nadu and, abroad, to the US and Israel.

"I've handed over the running of the companies to my sons so that I can concentrate on charitable works," says group founder and chairman Bhavarlal H. Jain, a septuagenarian

with five heart attacks, two bypass operations and an angioplasty behind him, and a pacemaker-cum-defibrillator fitted to keep him going. The going is hectic: though the day-to-day operations of the Rs1,667-crore group are handled by his 'A' team of four sons, Bhau himself – as he is called by everyone – not only looks after the charities (see box: *Begins at home*) that he describes as "part of our corporate culture", but also oversees the businesses and overall policy decisions.

One of the big ventures the group has taken on is onion dehydration (ODH), for which it has 40-plus customers the world over. "These include large distributors who buy our 14 kg or 16 kg bags and sell to the end-users in smaller packs for use in various food preparations including cereals, soups and pizza toppings," explains Ashok Jain, Bhau's eldest son and vice-chair-

man, JISL. The onions, procured from farmers in the area, are dehydrated, sliced into rings or diced – and even, as a further value addition, fried or toasted for some buyers. The food processing division has plants in Jalgaon, Vadodara, Chittoor and Udumalpet – the last being a complex that also houses a facility for drip and sprinkler systems and plastic piping.

The plant also produces dehydrated fruits like mangoes, pomegranates, apples and *amla*. "The great advantage of this plant is that it is versatile – we can change over from one product to another in just three hours," says Charitra Jain, senior vice-president. "We have developed a protocol for vegetables, too. These include cabbage, cauliflower, okra, beet, green and red bell peppers and tomato."

Ashok Jain, who also looks after human relations, explains how family bonding and the human touch are the main function of HR. Thanks to this open culture, he says, the associates did not leave or agitate even during the bad days from 1996 to 2002, when they didn't get paid regularly. "Any of our associates can meet the chairman directly, without going through 'proper channels' of authority," he

points out. "There is no trade union in any of our factories except at the Chittoor plant – where also there are only 52 members. We treat them also the same way: I had dinner with their families at the plant on my first visit – they are all good people!"

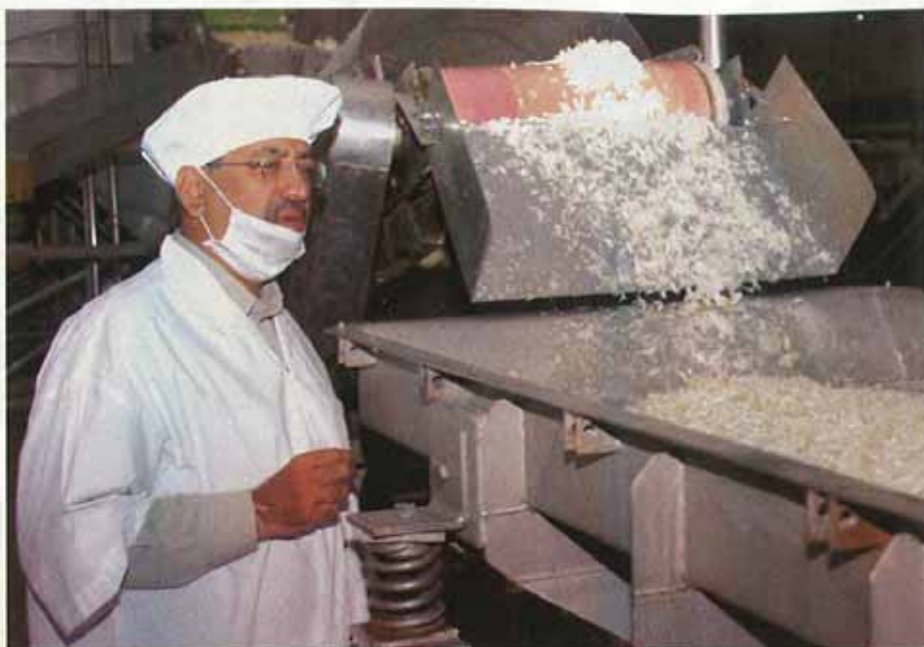
The second son, Anil Jain, who is managing director of JISL, is proud of his laminated board plant, which he says is South-east Asia's largest export facility making 100-per-cent PVC (polyvinyl carbonate) and PC (polycarbonate). "We produce sheets of thickness ranging from one millimetre to 32 mm, besides corrugated boards, in 13 colours," he says. Anil, who is in charge of corporate strategy, finance, international relations and acquisitions, says export growth is outstripping that in the domestic market. "We have acquired foreign companies in irrigation, ODH and plastic sheets," he points out.

#### In the pipe line

Even in pipes, Anil says JISL is bigger than industry biggie Finolex in PVC and PE (polyethylene) pipes combined. "They are bigger in PVC pipes alone," he says. At the Pune-based Finolex, group chairman Pralhad P. Chhabria – who has just been given an 'award of honour' by Israeli Prime Minister Ehud Olmut – says this is in recognition of the fact that his company was the one that developed drip irrigation technology in India.

At group company Plastro Plasson Industries (a joint venture with Israel's pioneering Plasson), director Satish S. Ghatpande says adherence to high quality standards caused the drip irrigation equipment manufacturer to lose market share. "With the existing system of subsidies for farmers, the government pays practically the same price to all manufacturers," he explains. "Extending credit, especially to the unorganised sector, is also a problem." But Ghatpande is confident that the business will eventually shift to a non-subsidy mode. "Then we can easily make the necessary investment to double our production and meet the demand," he adds.

The group's main advantage in the international market is that "we were willing to learn," Anil says: "We



Eldest son Ashok believes in treating his employees like family



Jain: farmers are not only customers but also suppliers

provide a service level as if we are a local company, with people who speak the local language and all operations available at the customer's doorstep even though production is in India." JISL boasts a global customer base that contains big names like Alcatel, Amari Plastics, Cargill, Coca-Cola, GE and Nestle, while its Indian customers include the Aditya Birla group, Bharti, Hindustan Unilever, L&T, Reliance and Tata.

"Our entire philosophy is based on

working with and for the farmer," Anil says. "We touch nearly two million of the 100 million farmers in India – there is no limit to how much more we can do!" This is why the group got into food processing, he explains: "We look at the farmer not only as a customer, but also as a supplier – the more we buy from them, the more we can sell to them." So, why the sheets? Obviously, because the group is already into PVC for its pipes and the raw material sources are all lined up.

## Begins at home

It all began with Bhavarlal Jain's mother giving buttermilk and grain to the poor women of their village. "She used to do it on the sly, when her father-in-law was not at home!" he says. "So, doing charity is in my genes. It's been an individual obsession, right from the day I set up my first business, a kerosene agency, in 1963. I borrowed Rs10,000 at the high interest rate of 18 per cent to give a boy so that he could get admission to a medical college. This doctor later invited me to inaugurate his son's medical dispensary!"

This work was institutionalised in 1982, under the Jain Foundation – a trust that continues to concentrate on offering educational opportunities to the needy. "Education is what has brought me to where I am," says Jain, who himself became the first graduate in his family when he passed his B.Com examination, then went on to earn a law degree and become a Class I gazetted officer in the Maharashtra Civil Services before getting into business. "So, I decided that I must do something to build an educational



Jain wants to make quality education available in his region

institution if I can."

Jain Irrigation went through a bad phase between 1996 and 2002, but its founder continued to encourage good causes. "I never refused, even if I could give only a reduced amount," he says. "This was despite having had to pledge my wife's and daughter-in-law's ornaments to fulfil our salary obligations."

Once the troubles were over, Jain

brought his dream off the back burner. "I was in a dilemma, whether to go in for medical or general education, for mass or class. I decided on the latter, because excellence has always been an obsession with me," he says. And thus was born *Anubhuti*, an English-medium 'experiential' residential school on the traditional Indian *gurukul* pattern. Having begun construction on a 40-hectare campus in 2006, he made sure it was ready in nine months, at a cost of Rs20-plus crore. "It has five-star facilities and a global outlook but is deeply rooted in Indian culture," he says. "I learnt a lot from ISKCON (the International Society for Krishna Consciousness). I even hired two of their people."

The foundation also organises cultural events in the town, where it brings stars from the firmaments of poetry, drama and discourse. "People are prepared to pay, the functions are over-booked for all three days even at Rs500 a ticket," Jain says. "We planted a small seed, from which culture has grown. The whole standard of Jalgaon will rise, it will find its rightful place on the national scene."

The third member of the 'A' team, joint managing director Ajit Jain, is the only qualified engineer among them – the other three are commerce graduates, with Anil having gone on to do his LL.B like his father. Explaining the group's ties with Israeli companies – especially the latest set-up, NaanDanJain, he says these are aimed at complementing the JISL range of products. "NaanDanJain is a pioneer and market leader in a variety of products suitable for open-field sprinkler irrigation as well as for irrigation in controlled atmosphere cultivation like greenhouses," he says. "With their product range, we can offer a variety of solutions to crops so far not economically suitable for drip irrigation systems – like cereals, pulses, oilseeds and a variety of vegetables. Also, our worldwide market reach has grown exponentially through their sales network in more than 70 countries."

In the food business, Anil says, the company wants to "build its business

by completing the value chain". Beginning with providing better seed stock and planting material to farmers through research at various levels to adapt them to local agro-climatic conditions and introducing disease-resistant and high-yielding varieties, JISL will help the farmer achieve the best productivity – then buy the entire produce for processing.

### Knowing their onions

The onions are not making the farmers cry. "I introduced drip irrigation on my 40-plus hectares in 1994," says Anand Oswal, who uses 45-day-old onion and banana plants from JISL's tissue culture laboratories – which, he points out, saves a month and a half of work in producing the seedling. It also saves nine months till the final fruit is cut over the traditional method, while productivity increases tremendously because the plants are all uniform. "I get three crops in 30 months against one in 18 months, with an average yield of 25 kg per

banana plant against the earlier 16 kg," he says. "Some are even getting 30 kg to 35 kg, depending on soil and weather conditions."

While Oswal is a big agriculturist, small farmers too sing the Jains' praises. "I have expanded my crop range from traditional ones like urad, jowar, wheat and soya to white onions from seeds the company sells us," says Sudhir Kashinath Patil, who owns less than a hectare at Nashirabad near Jalgaon. "They buy back the onions."

Patil and his neighbouring small-holders grow bananas and other fruits too. "We have introduced bananas in places where they didn't grow," says JISL agronomist Mohan Chaudhari proudly. "We've gone to Manipur, Nagaland and Punjab, where we got climatic data and analysed it to determine the optimum time for planting – and it's succeeded!"

Atul B. Jain, who is in charge of marketing, is the youngest of the directors; and it shows in his opin-



Ajit wants to build the business by completing the value chain



JISL's progress in PE piping over the past four years is mind-boggling, says Atul

ions: "You have to be a little mad to get into agriculture!" he asserts. While the group is expanding its distribution channels aggressively by building a dealer network of more than 3,000 over the next five years against the current 1,500-plus, Atul is implementing an enterprise-wide resource planning system. He is also spearheading the PE initiative. "Our progress in PE piping over the past four years is mind-boggling," he says. "It has almost caught up with PVC, which took us many years to get to this position."

JISL is today the only company in India with the capability to manufacture pipes of up to 1,600 mm in diameter – that's a huge 1.6 metres! "PE is also more economical for diameters of more than 600 mm," says technical director R. Swaminathan, a 33-year veteran in the company. "After 1.6 metres, which will be used for water and sewage, we are looking at increasing our capability to go to three metres – light-weight pipes for culverts and such applications." Also, as he explains, there is opposition to PVC from environment-activism

organisations like Greenpeace because of some additives in the manufacturing process; and some countries, like Sweden, have already banned it.

### Water projects

Ajit Jain, however, does not see PE replacing PVC totally. "We are pursuing various probable users to go for PE pipes in place of the conventional piping materials," he says. "PE would go longer than PVC in the race of time. But we are growing capacities for both materials for different applications."

Besides its own Israeli operation NaanDanJain, JISL has tied up with Mekorot, the national cater company of Israel, to work on Indian water infrastructure projects. The two companies will jointly explore potential projects in the fields of desalination plants, water resource management, water supply systems, municipal water management and waste water treatment and reclamation. "We believe this is the most important step we are taking to further deepen our commitment to the provision of clean and healthy water for households, adequate and timely supply of water to agriculture and industry," says Anil Jain. "As of today, the waste water recycling is totally unexplored in India."

JISL, currently quoted at around Rs300 on the National Stock Exchange (against a 52-week high of Rs770) and a price-earning ratio of 16, has the enviable record of having chalked up a 40-per-cent CAGR over the past five years. "Going forward, we are looking at doing better than 40 per cent," says Anil Jain. "This is without taking future acquisitions into account – these would take the CAGR to over 50 per cent over the next three years or so." With the growing importance being given to agriculture and irrigation – the Union government has approved a Rs43,700-crore outlay for 11th-Plan national projects under the Accelerated Irrigation Benefits Programmes till 2012 – that doesn't sound too ambitious. As the company and its founder say, water is life and it's definitely making life better for the Jains.

• SEKHAR SESHAN