

# THE WINNER THAT CAME IN FROM THE COLD

Jain Irrigation Systems is the second-largest drip irrigation company in the world and one of the largest suppliers of ducting to telcos globally. Now, it's eyeing revenues of \$1 billion. KRISHNA GOPALAN

**F**INANCE MINISTER P. Chidambaram's new-found love for the farm sector—he mentioned the words “farm”, “farmer” and “agriculture” dozens of times in his last two Budgets—has had an unintended beneficiary. The stock of Jain Irrigation Systems (JISL), the world's second-largest drip irrigation company, has risen from Rs 411.10 on February 28, 2007, when Chidambaram presented his first “pro-farmer” Budget, to Rs 612.8 on March 13, 2008, a fortnight after the second such Budget.

But, JISL is more than just a company focussed on the agri sector, and micro-irrigation, in particular. It is also a big player in

pipng systems and plastic sheets. These three businesses account for more than 80 per cent of the company's turnover. Says Bhavarlal H. Jain, Chairman, JISL: “We expect to end this year with a topline of Rs 2,000 crore and hope to double this to Rs 4,000 crore by 2012.”

### Aiming High

Almost all of JISL's businesses have achieved critical mass. In drip irrigation, it is now eyeing the *numero uno* spot globally (Netafim of Israel is the largest player with annual sales of \$450 million, or Rs 1,800 crore). This is JISL's main business segment, and it is obviously banking on the government's increased emphasis on irrigation to deliver the

numbers. “In five years, micro-irrigation will be the biggest business and will account for 35-40 per cent of our topline,” says JISL's Chairman. Analysts point out that areas like irrigation and fruit processing are priority areas for the government. “Land on a per capita basis has been reducing and to that extent, the existing land will receive priority,” says V.K. Sharma, Director and Head of Research, Anagram Stock Broking.

Its other divisions are also jogging along. “I expect each of our businesses to grow at least 25 per cent per annum over the next few years,” says Jain. JISL will invest Rs 200 crore across its businesses over the next 2-3 years to grow both

### Investors Are Happy

The stock has risen 11-fold over the last five years.

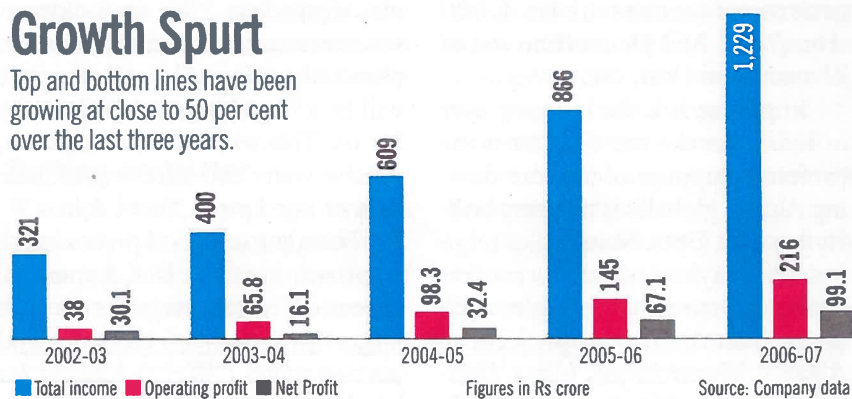
Figures in Rs are adjusted closing prices on BSE

Source: CMIE



### Growth Spurt

Top and bottom lines have been growing at close to 50 per cent over the last three years.







In driver's seat: JISL Chairman E. H. Jain

PHOTOGRAPHS BY NISHIKANT GAMRE

top- and bottom lines. While that may not seem large, it is important to note that the company operates on the philosophy that every rupee invested should generate revenues of Rs 5. "We expect our investment to generate revenues of Rs 1,000 crore," says Anil Jain, second son of Bhavarlal and MD, JISL.

In piping, it is the largest player in India, but the fact that JISL is the preferred supplier of telecom ducting Alcatel globally is not very widely known. Optic fibre cables require polyethylene ducts to protect them. "Alcatel has bought such pipes from us for its projects in Algeria, Mozambique, Libya, Botswana, Peru and Greece," says Ajit B.

Jain, Joint MD, JISL, and Anil's younger brother. In India, its customers include Bharti Airtel, Reliance Communications, Tata Teleservices, Vodafone-Essar and BSNL.

Another emerging line of business is piped gas. "We are looking at sewerage systems and desalination plants also. Overall, infrastructure will be a huge business opportunity for us. This will include irrigation, potable water and telecom. All these sectors need pipes," says Ajit.

Then, JISL sees food processing as a growth area. In fact, its annual report claims that it is the world's largest processor of mangoes and pomegranates. "We are looking for buyouts in North India to process

## THE JISL PORTFOLIO

### High-Tech Agri Products

■ Drip irrigation 29.70

■ Sprinkler irrigation

### Plastic Piping Products

■ PVC pipes & fittings 33.50

■ PE pipes & fittings

### Agri Processed Products

■ Dehydrated vegetables 13.80

■ Processed fruit purees, concentrates, frozen fruits

### Plastic Sheet Products

■ PVC sheets 20.70

■ PC sheets

### Other Products and Services

■ Tissue culture, hybrid and grafted plants

■ Solar water heaters, PV\* appliances

■ Education and training

■ Turnkey and consultancy services 2.40

Figures in per cent show contribution to top line  
\*Photovoltaic Source: Company data





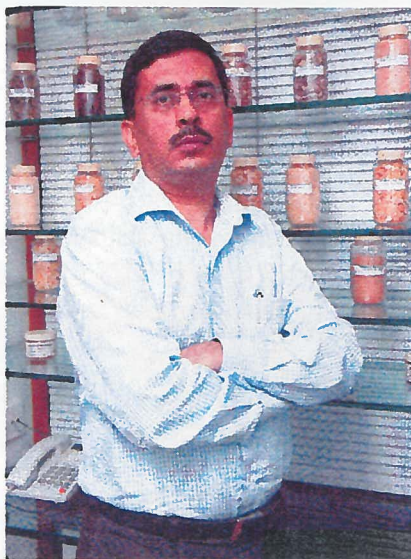
**Ajit Jain**  
Joint MD, JISL

"Alcatel has bought polyethylene pipes from us for its projects in Algeria, Libya and Greece"

fruits in that part of the country. Setting up a greenfield project will take time and an acquisition will be a faster way of going about it," says Rajnikant B. Jain, Director (Technical), JISL, adding that mango pulp of good quality is not available once the mango season ends. "If the pulp is made available at a reasonable price through the year, it will have a huge market," he says. He is examining options like mango or banana milk shake. His target customer segment: school-children; and the target MRP: Rs 5-7. "The eventual goal is to 'consumerise' these products. Maharashtra alone offers a Rs 2,000-crore market for such products," he adds. JISL is also trying to figure out the logistics of sourcing milk. "Quite a few dairies are available for sale and we are looking at them," says Rajnikant.

### Growing Inorganically

JISL has acquired 10 companies, albeit small ones, in India and abroad over the last three years. But in keeping with its investment philosophy, it extracts more bang for its buck than usual. The group prides itself on low-cost, high-value buy-outs that deliver results quickly. The buyout of Pricol Group's agriculture and dehydration facility near Coimbatore in April 2005 is a case in point. "We bought this unit,



**Anil Jain**  
Managing Director, JISL

"We expect our Rs 200-crore investment to generate revenues of Rs 1,000 crore"

which had 1,250 acres of irrigated land and Rs 100 crore in accumulated losses, for Rs 17 crore," says Ashok Jain, Vice Chairman, JISL. This deal saved the company over Rs 30 crore in taxes. "Today, the acquisition is worth over Rs 100 crore," he adds.

Likewise, the 2006 buyout of the US-based Cascade Specialities' vegetable dehydration facility in Oregon cost \$4.75 million (Rs 21.85 crore then). The unit, which had been losing money for five years prior to that, ended 2007 with a profit of \$8 million (Rs 32 crore). "We put in another production line and bought a second hard drier from a company that was closing down. Eventually, capacity was doubled," explains Ashok.

The acquisition strategy is simple. "We look at parameters like quality of management, the extent to which the product line is compatible with ours and finally, the technology that an acquisition will bring us," says Anil, who has overseen all the acquisitions.

### Betting on Water

Water is likely to emerge as JISL's biggest bet going forward. Chairman Jain is palpably excited at the sector's potential. "Countries are considered water-scarce if availability falls to 1,000 cubic metre per person per annum. In India,

## THE GROWTH IMPETUS

Several schemes announced in the Budget will help Jain Irrigation to grow.

**Budget announcement:** Accelerated Irrigation Benefit Programme (AIBP)

**SALIENT FEATURES:** 24 major and medium irrigation projects and 753 minor irrigation schemes to be completed in 2007-08. Outlay for 2008-09 increased to Rs 20,000 crore from Rs 11,000 crore in 2007-08

**IMPACT:** Should augur well for the company given that irrigation will continue to be a huge focus area for the government

**Budget announcement:** Irrigation and Water Resources Finance Corporation (IWRFC) to be set up

**SALIENT FEATURES:** IWRFC will be set up with an initial capital of Rs 100 crore

**IMPACT:** This will also include 14 irrigation projects. That's good news for Jain Irrigation

**Budget announcement:** Rajiv Gandhi Drinking Water Mission

**SALIENT FEATURES:** The allocation for this has been enhanced to Rs 7,300 crore in 2008-09 compared to Rs 6,500 crore in 2007-08

**IMPACT:** Water is likely to be a big story for the company. Could be beneficial in the long term

the figure is at 1,250 cubic metre per person per annum levels, down from 6,000 in 1947," he says. His youngest son, Atul, is overseeing the project which has four components—water conservation, water distribution, water treatment and water creation.

JISL has conducted a pilot study across five urban centres in Karnataka on water management—that includes delivering clean, drinking water to households (the company's role here is limited since



## BIG ON DEALS

Jain Irrigation has been very active on the M&A front over the last three years, but the ticket sizes have been small.

### DOMESTIC ACQUISITIONS/MERGERS

TARGET COMPANY	NATURE OF BUSINESS	NATURE OF DEAL	EFFECTIVE DATE OF DEAL	SIZE OF DEAL*
LMP Gujarat Agro Exports	Vegetable dehydration	Buyout	Jan. 16, '06	5
Parle Bisleri	Mango processing	Buyout	Feb. 8, '06	14.6
Asian Vegpro Industries	Vegetable dehydration	Buyout	Apr. 19, '06	1.6

### OVERSEAS ACQUISITIONS/MERGERS

TARGET COMPANY	NATURE OF BUSINESS	NATURE OF DEAL	EFFECTIVE DATE OF DEAL	SIZE OF DEAL*
Chapin Watermatics, US	Micro-irrigation	100% buyout	May 1, '06	6.25
Aquarius Brands, US	Micro-irrigation	100% buyout	Feb. 15, '07	21.5
Naandan Irrigation Systems C.S., Israel	Micro-irrigation	Acquired a 50 per cent stake	June 4, 2007	21.5
Thomas Machines S.A., Switzerland	Drip irrigation	Acquired a 69.75 per cent stake	March 3, 2008	N.A.

\*Figures in Rs crore

# Figures in \$ million

N.A.: Not available

Source: Company data

this is still largely a state government initiative). But the market is expected to open up now that tenders have been invited for supplying water in 12 cities, including Mysore, Chandigarh, Hyderabad, Bangalore, Pune and Nagpur. A clearer picture about the potential of this sector is expected to emerge over the coming months. "We will be present across the entire spectrum of the water vertical and position ourselves as an end-to-end solutions provider in this segment," says Atul Jain.

In fact, this links up very well and offers synergies with its bread and butter drip irrigation business. Chairman Jain points out that drip irrigation is prevalent across Israel; in India, it enjoys a penetration of just about 2 per cent. "I am convinced that our water business can grow to a size of about \$1 billion (Rs 4,000 crore at current exchange rates) in 4-5 years," he says categorically.

### Other Businesses

Alternative energy is yet another area that the company is betting on. According to Rajnikant, JISL will shortly take up a solar heating project. The company has also done some work in the areas of bio-ethanol and bio-gas. "Earlier, the economics was not in our favour. Now, with a barrel of oil ruling at \$105, many things are looking fea-

sible. Bio-gas, for instance, is a viable alternative," he says. The idea is to provide a viable form of renewable energy. With its experience in agriculture, JISL thinks it has acquired a lot of expertise in the areas of bio-ethanol and bio-gas. It is currently looking at options in this segment, but has not yet drawn up concrete plans for any projects in this sector.

### The Early Days

All the Jains are looking at the future with confidence, but the going wasn't always this smooth. JISL went through a really rough patch in the '90s. A number of expensive

diversification projects in IT, telecom, finance and granites failed to take off and the company ran into problems. Says Bhavarlal: "We used to take inter-corporate deposits at very competitive rates of about 12 per cent. As the risk perception (about JISL) increased, that figure shot up to 22 per cent."

Over the next five years, nothing seemed to go right for it. "We took on 12 projects at the same time. It was a mistake and the company suffered immeasurably," he admits candidly. Eventually, all these new businesses were either sold or shut down. This cost the company over Rs 200 crore. Worse followed. JISL, which had clocked sales of Rs 440 crore in 1996, saw that number drop by more than half to Rs 190 crore in 2000. The stock, too, was down sharply from Rs 460 to Rs 9 during the period.

But those dark days are now firmly behind it. As JISL looks at carving out a larger global presence, the Chairman is clear about how he sees the group. "We want to be a global company with an Indian touch," he says. Exports and foreign sales currently account for 30 per cent of its topline. "In five years, I see about 50 per cent of our revenues coming from abroad," he adds.

JISL's global journey ahead promises to be interesting. ■



**Atul Jain**  
Director (Marketing), JISL

"We will position ourselves as an end-to-end solutions provider in the water segment"