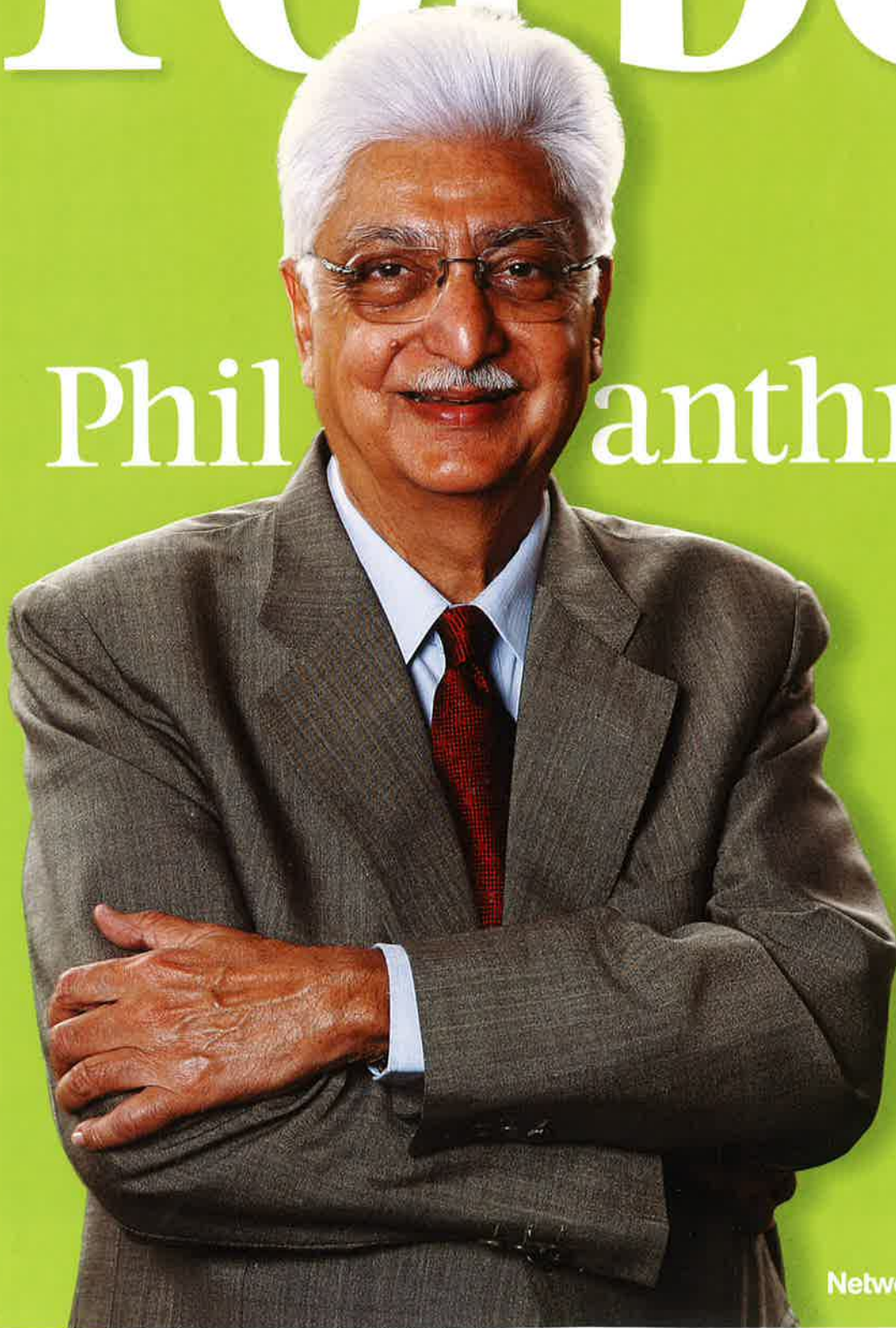


PHILANTHROPY Awards SPECIAL

# INDIA Forbes

PRICE RS. 100. DECEMBER 7, 2012

Philanthropy...



AZIM PREMJI  
Chairman, Wipro

Network **18** [www.forbesindia.com](http://www.forbesindia.com)



# Playing for the long term

By CUCKOO PAUL

Jain Irrigation changed the lives of millions of farmers with its modern drip irrigation systems, till government finances threatened to scupper its model. Now, founder Bhavarlal Jain is fighting back with a new plan

It's one of a kind. A train hitched to 50 or sometimes 70 specially designed container wagons that carries only bananas. Packed to the hilt once every week, it chugs along from Bhusawal in Maharashtra's Jalgaon district to the markets at Azadpur Mandi in Delhi. Since it started regular services in September, the 'Banana Express' is fast becoming a symbol of the increasing agricultural abundance in the area. The region has been producing fruit for over a century, but harvests have rarely been as consistent or remunerative as in the last few years. Raver taluka in Jalgaon is recognised by the state government for generating agricultural income of over Rs 5,000 crore every year.

But it was not always like this. Much of the profusion can be attributed to changed agricultural practices in the last 10 years. Using tissue-cultured saplings to produce better quality fruit has enriched the 150 sq km area that produces a fourth of India's bananas. Nearly all of the acreage is now irrigated by micro (or drip) irrigation systems. A lot of the change is driven by one man's persistence and vision of creating shared value for his customers. For close to three

decades, Bhavarlal Jain, founder and chairman of Jain Irrigation, has led the charge to convince farmers to change their ways to make them more sustainable and profitable.

He has also built a business that is unprecedented in terms of impact on the lives of millions of farmers around India. By now, power cuts and declining water tables all over the country have made the benefits of micro-irrigation apparent in various soil conditions. What was earlier limited to orchards has found acceptance in other crops. Bhau (as Jain is addressed by all and sundry), no longer has to preach to the converted. He works through a network of associates, who take dozens of other innovations in the entire food production chain to the farmer.

The systems that Jain pioneered are now being used in many other water-stressed states and have won global acclaim and innumerable awards. His farmers have been to Harvard Business School to present their story. His four sons—Ashok, Anil, Ajit and Atul—who look after operations have taken the company global. Some of the growth has been through acquisitions. Anil, managing director of Jain Irrigation, represented the company

at the G8 summit on food security earlier this year—US President Barack Obama and the secretary of state were among the key speakers at the event.

Paradoxically, despite rapid growth in sales, keeping the business profitable has become tougher. The systems Jain Irrigation sells cost roughly \$1,000 a hectare to install. Most small and medium farmers depend on liberal state subsidies, often to the extent of 50 percent to 70 percent of the cost, to fund the purchase. Recovering this from cash-strapped states is proving to be harder every year. Populism has seen some states promise 80 percent to 90 percent subsidy. But dues are not cleared for months, creating liquidity problems for the Jains who have already supplied the equipment. In the first quarter of this financial year (April to June 2012), Jain Irrigation posted a loss of Rs 16 crore. They came back into the black in the second quarter with a small net profit of Rs 36 crore, it is clear that the situation has reached a tipping point.

## TOUGH LOVE AND NEW BEGINNINGS

Fixing the model, without damaging the farmer's interest, is a tough





A RICH HARVEST Bhavarlal Jain's concern for the farmer dictates his business

problem that Jain and his team have been grappling with for the past two years. The farmer is the pivot of Jain Irrigation's business philosophy. Former Sebi chairman DR Mehta, who is on the board, says Jain's concern for the farmer dictates his business. He recounts one board meeting last year, when profitability was under pressure. Jain surprised everyone by leading a discussion on whether the company should cut its margins, so that the farmer could benefit more. Mehta, who has spent a lifetime in philanthropic activities, says he had never heard of anything like this before. The sentiment is echoed down the line. Anil Jain says, "With uncertainties like weather or crop diseases, risks that farmers take are often much

higher than any entrepreneur."

But the problem for the Jains is that their customers have become used to buying the equipment by paying only 10 to 15 percent of the cost. The rest is usually a combination of credit from suppliers and state subsidy that they don't have to bother about. With dues mounting to Rs 1,750 crore this year, Jain says there was no option but to change the business model. In June, he took the first step and stopped selling on credit.

The impact on product sales was immediate. Sales went down by almost 35 percent as farmers balked at the idea of paying the entire amount upfront. For many of them, loans were difficult to get or too expensive. On Dussehra day, Jain Irrigation launched its next move. A new Non

Banking Finance Company (NBFC) called SAFL (Sustainable Agro-Commercial Finance Limited) began disbursing loans to their customers. The farmer receives subsidies directly from the government and can repay the amount. "The loan is like a bridge-finance till the farmer is able to pay," explains Arvind Sonmale, a career banker, who heads the venture. SAFL will charge 2 percent more interest than commercial banks and the farmer has to bear the interest cost till the loans are repaid.

Washington-based development institution IFC has 10 percent equity in SAFL, with Jain Irrigation taking up 49 percent. Banks and financial institutions will make up the rest. "Getting farmers to change the way they buy the equipment will need



a mindset change,” says Sonmale. He hopes to disburse Rs 200 crore by the end of this fiscal. DR Mehta says despite the initial hiccups, the new system is more sustainable. Jain Irrigation’s receivables from states will go down and so will the interest cost. The balance sheet will be cleaned up since the loans will be on the NBFC’s books, he says. The loss in sales will be made up by the lower interest burden on the company.

From his headquarters in Jalgaon, Jain could well play the masterstroke that could be the key to making the NBFC a success. As SAFL rolls out, he has begun rallying his network of 3,000-odd equipment dealers for support. Most of them have sold Jain products for decades. This week, he invited 700 of them to his office for a presentation. He began with a slideshow with photographs from his own life and theirs—showing how prosperity had changed lifestyles over the years. “All this is threatened if they continued with the old ways,” he said.

With outlets in the villages, dealers are closest to the farmers and can convince them to opt for the loans, he says. They know the customer and can help with the formalities as well as assist with the recovery. “It’s a Herculean task, but it’s the only chance we have,” he says.

### **ETHICAL ENTREPRENEURSHIP**

Creating a shared value framework has never been easy for Bhavarlal Jain, whose ancestors were farmers who migrated from Rajasthan to Maharashtra in search of water. He says his entrepreneurial journey has been full of ups and downs. “I’ve been written off at least four times in the last 30 years,” he says. “These were times when people,

## { THE GOOD COMPANY AWARD }

### **BHAVARLAL JAIN**

Age: 74

**Why He Won:** For impacting the lives of over three million farmers by helping them shift to more scientific and sustainable agriculture.

**His Trigger:** Inspired by the credo ‘Agriculture—a profession with a Future’, he gave up a career in law and moved towards trading and manufacturing agri products.

**His Mission:** To give back to society. Based on Gandhi’s notion of trusteeship, where wealth belongs not to an individual but should be used for the benefit of the community.

**His Action Plan:** Developing businesses and products that help farmers produce more with less.

**His Next Move:** More products and appliances for agriculture based on solar energy. Increasing contract farming, food processing and spice production. Building large irrigation projects for state governments.

including close friends and family, have said that I will not recover.”

He recalls the story of a PSU bank chief who had initiated bankruptcy proceedings against Jain Irrigation for dues of Rs 5 crore. When Jain invited him to visit the plant, he said, “I don’t care if you’ve built a Taj Mahal there. You are defaulting on my funds.” Jain took the insult in his stride and was able to finally pay back the money. He had the last laugh a few years later when the same bank chief wanted to be part of a consortium set up to lend Rs 250 crore to the company.

The last time he was written off, rather publicly, was during the late ’90s, when Jain Irrigation borrowed money to diversify into a dozen

unrelated businesses—like computer hardware, granite processing and financial services. Retribution was quick, both from the markets and lenders. Stock price fell to Rs 2 and lenders sued for bankruptcy. In 1997, he surprised everyone with a public apology to his customers and investors, and got printed on the front page of *The Economic Times*.

“Early success had blinded us and we thought we could do no wrong,” says Anil, who was at the helm right through the troubled period, as he is now. “Each of the businesses seemed like good entrepreneurial calls to take at the time. We thought we could add value and earn margins in granite processing, for instance,” he says. But demand from overseas for the finished product vanished almost overnight.

Realisation dawned when the mothership began sinking. It took about five years to get rid of the unrelated activities, to find an investor to recapitalise the company and to subsequently pay them off and reclaim control over the company. Jain Irrigation returned to even keel in 2005. It has since been much more focussed. The four businesses it picked were agricultural inputs, food processing, plastic products and renewables. “The logic for being there is clear. All these are core to the farmer and each one helps in reviving rural India,” says Anil.

This improved focus was reflected in Jain Irrigation results for the next five years starting 2005. Revenues grew by 46 percent on average and earnings zoomed 70 percent. The group has been able to achieve scale on a variety of products. It is now the largest maker of plastic pipes in India and the second largest producer of drip irrigation equipment



in the world. Of course, the run came to a grinding halt as cash-strapped state governments started delaying payments from 2011.

## GROWING ROOTS AMONG FARMERS

Bhavarlal Jain says companies are driven to take on acts of corporate social responsibility, led by rising expectations of the world around them. But it can only be superficial unless it comes from within. "Many companies outsource this work to an NGO. What matters [is]: Are you moved by what you do?" he asks.

Some entrepreneurs have mission statements which focus on maximising shareholder value, says Jain. They are probably thinking of themselves, since they are often the largest shareholders, he quips! The capitalist model of doing business often tends to ignore society, says Jain.

Miles away from his office, Harish Patil is a small farmer who grows watermelon and cotton in a rocky field. He uses drip irrigation systems made by the Jains. But as much as the systems, he is also in touch with the company's 'associates' and employees, who visit at least once or twice a fortnight. They offer advice on seeds, saplings, crop spacing, pesticide, irrigation and even buyback deals for the fruit. Patil's early lesson (on water conservation) from them was, "Don't irrigate the soil, irrigate the plant." He now manages a good crop with just three hours of water supply a day.

Over the years, Bhavarlal Jain has built a team of agronomists, who train the associates—hired from the region to keep in touch with the farmers. VB Patil, manager, agronomy and training, is one of them. He takes pride in the fact that he has worked for the state

government, for an MNC chemical company, for a seed company before moving to Jain Irrigation.

He heads the team of 100 associates working in Maharashtra. Similar teams exist in other states. They specialise in individual crops, and are able to hand-hold the farmer right through, Patil says. He is in touch with pretty much all the important agricultural as well as social events in the farmer's life. Very few companies have this kind of network. "We are around for weddings as well as funerals in the family," he says summing it up.

## 'Aparigraha', the concept of non-possessiveness inspires much of Jain's business and life... 85 percent of his wealth would go to a trust that works for social good

### THE JAIN WAY

'Aparigraha', the concept of non-possessiveness, inspires much of Jain's business and life. He has decided that 85 percent of his wealth would go to a trust that works for social good. He admires the work that the Tata Trusts are doing and is studying their model to see what could work best for the Jains.

On a practical level, this principle is applied in the company almost daily. Jain Irrigation has labs for R&D in seeds and tissue culture, and work on various innovations. Yet, the company will not file for any patents.

"The idea is for people to use the innovation and maybe even make it cheaper or more effective," says Sunil Deshpande, senior VP, food

processing. The most recent example of this is an onion-seed planting machine, developed by the company. A conventional agri-planter, costing about Rs 50,000, was of little use in small farms, apart from being expensive. This machine costs Rs 15,000 and the company has sold it to people who want to reverse-engineer it to make it cheaper, he says.

Jain Irrigation's mission is to 'leave the world better than you found it'. Jain's decisions as a businessman are often based on this. "I have a negative list of businesses," he says. "I will, for instance, never enter

mining, or any business that makes money from human weaknesses."

Sticking to this philosophy often affects the bottom line. Coca-Cola is a big customer for mango pulp, used in its fruit drink Maaza. It has suggested that the Jains extend their preferred supplier status to start providing sugar needed for its beverage business. But Jain has not allowed this so far. Reason? Growing a water-guzzling crop like sugarcane in Maharashtra, where the water table is so low, is criminal, he says.

"We are here not just for this quarter or this year," says Jain, taking a dig at market analysts. "Our customer is the primary producer. We will both be here for the next hundred years, or five hundred," he says. ■



# FROM DETAILS TO DESIRES:

Companies aren't short on data. In fact, with the average large business storing more than 200 terabytes, companies have more than enough data to tell them who is buying their product, as well as how, when and where the buying happens.

**DATA'S NEW VOICE.**

Today, however, customers expect a company to know why they're buying. Or why they aren't. Because when a company knows what motivates customers, it can serve them better.

The good news is such data exists, just not in the columns, rows, reports and purchase histories we're used to. It's called big data, and it comes from tweets, videos, clickstreams and other unstructured sources. It's the data of desire. And today, we have the technology and tools to make sense of it.

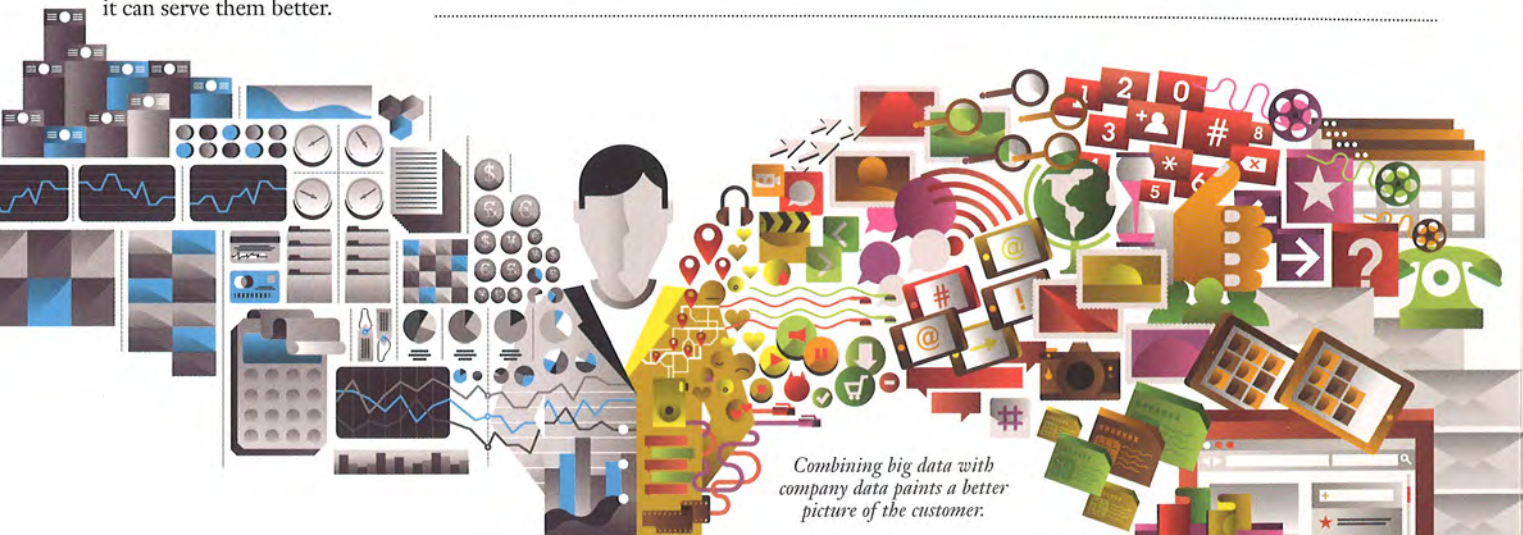
So now, instead of learning which customers it has lost, a company can learn which customers it might lose and present timely offers or products motivating those customers to stay. Using IBM Smarter Analytics to identify which customers were most likely to switch to another

*"For the first time, we can decide which promotions to run based on facts rather than gut feel."*

Patrick Neeley  
Chief Business Officer, Chickasaw Nation Division of Commerce



## THE POWER OF BIG DATA.



*Combining big data with company data paints a better picture of the customer.*

**80%** of the data currently produced is unstructured—coming from sources like images, videos, tweets, posts and e-mails.



**MINING MOTIVATION.** Enter Smarter Analytics from IBM—software, systems and strategies that help companies combine their own enterprise data with their consumers' unstructured data to see a fuller picture. A big data platform, paired with predictive and sentiment analytics, allows organisations to correlate, for example, sales records with social media mentions for more relevant insights.

communications carrier, XO Communications was able to predict likely customer defections within 90 days, reducing churn by 35 percent the first year.

With IBM Smarter Analytics, companies are gathering big data and using it to ask—and answer—smarter questions about what their customers really want.



LET'S BUILD A SMARTER PLANET.



Find out more at [ibm.com/smarterplanet/in/analytics](http://ibm.com/smarterplanet/in/analytics)

---

*Join us for a special evening as we honor & celebrate  
the role models of philanthropy.*

---

21<sup>st</sup> Nov. • 7 pm • The Grand Ballroom, Leela Palace, Bangalore  
RSVP – [forbesindiarsvp@network18online.com](mailto:forbesindiarsvp@network18online.com)

**Forbes**<sup>INDIA</sup>  
PHILANTHROPY  
AWARDS 2012



**Forbes**<sup>INDIA</sup>  
PHILANTHROPY  
AWARDS 2012  
