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JAIN IRRIGATION SYSTEMS

Growing prosperity

“Our business model is unique and provides end-to-end solutions to small farmers for making agriculture remunerative by offering contract farming and buyback of farm produce.”

Jain Irrigation Systems (JSIL) has over the last four decades built itself into a highly diverse but integrated company in the agricultural sector. Starting with manufacturing drip irrigation systems, pipes and PVC sheets, it has made its way into dehydrated onions and vegetables, processed fruits, tissue culture, hybrid and grafted plants, greenhouses, poly and shade houses, bio-fertilisers, solar power and financial services. JSIL, an Indian multinational with present in 120 countries and 4 continents, is firmly set on a course to scale new heights on the back of the revised business model and fresh initiatives.

“Benign technological intervention in agriculture is absolutely essential to restore viability to farming operations, make Indian agriculture globally competitive and lift millions of small and marginal farmers out of debt and penury,” says Mr. Atul Jain, joint managing director of Jain Irrigation Systems, an Indian multinational which has done and continues to do highly innovative pioneering work in micro irrigations systems and agro food processing.

“We rejoice as land prices shoot up, but overlook the stark reality that agriculture is losing viability as a commercial enterprise. Few farmers want their children to join their calling. Input costs have been climbing up, but farm gate prices have not kept pace with that. Sixty per cent of our population depends on agriculture for livelihood, but our yields are among the lowest in the world. Sooner or later, we shall have to face competition from agricultural imports. What will our farmer do then?” Mr. Jain continues.

“Technology provides the answer by increasing yields, improving quality and by pushing back the limits imposed by climatic or soil conditions. The country cannot prosper if the farmer languishes in poverty,” he adds.

It is here that the Jain Irrigation Systems (JISL) has been playing a major role for decades of



Bhanwarlal Jain

creative thinking, innovation and hard work. While the JSIL management's concern for sustainable and inclusive growth reminds us of Gandhian ideals, the company is run on sound commercial lines and is all set to scale new heights on the back of a revised business model and fresh initiatives. With more than 9000 associates worldwide,

revenue exceeding Rs. 5000 crore and manufacturing plants at 28 locations across the globe, JSIL headquartered in Jalgaon, a small town separated by over 400 km from Mumbai, is an Indian multinational company present in 120 countries and 4 continents.

As is known, JSIL is the second largest irrigation player in the world and the largest manufacturer of irrigation systems in India, where it has been the industry for over 30 years offering the widest selection of micro-irrigation products such as emission devices, continuous flow path drip tape, discrete emitter drip tape, integral emitter line, fittings, filters, air vents, injectors, accessories and tubing. With its drip irrigation systems, which help save up to 50 per cent of water required for irrigation, Jain Irrigation has made agriculture profitable in what was once considered a wasteland.

JSIL produces materials used in making its drip and sprinkler irrigation systems and components. The company has a multi-product industrial profile and produces piping systems made of PVC, polyethylene (HDPE, MDPE) & polypropylene. It is the largest producer of thermoplastic piping systems in the world for all conceivable applications with pipes ranging from 3 mm to 1600 mm in diameter. Moreover, JSIL is the largest manufacturer of PVC & PC sheets in India and globally amongst top 5 companies. It is the only manufacturer producing widest range of plastic sheets (PC & PVC) under one roof.

But there is more to Jain Irrigation than irrigation. The company is engaged in fruit processing and in onion as well



as vegetable dehydration. In fact, it is the world's No. 1 in mango processing (mango pulp, puree and concentrate), the world's second largest manufacturer of dehydrated onion and third largest in onion and vegetable dehydration. JSIL is the largest supplier of mango pulp to Coca Cola's Indian subsidiary for its Indian brands Maaza and Minute Mango Maid.



Atul Jain

"We often bemoan that only a small proportion of the fruits and vegetables produced in the country is processed. One factor responsible for that is the lack of fruit varieties suitable for processing: ones which have high yield and uniformly good quality. What have are table varieties. A part of our research is directed towards developing new planting materials for pomegranate, banana and strawberry, as also sugarcane and potato," says Mr. Jain.

The search for right processing varieties led the company into tissue culture. Tissue-cultured saplings are grown in controlled conditions of a laboratory to a certain level, after which they are planted in fields. Farmers around Jalgaon say they have seen several companies try their hands

at tissue culture, but only Jain Irrigation has been able to provide them with high-yield, disease-resistant saplings that have actually made farming profitable for them.

"Our business model is unique and provides end-to-end solutions to small farmers for making agriculture remunerative by offering contract farming and buyback of farm produce. It adds value to primary commodities and provides sustainable and profitable solutions to farming by providing market access," says Mr. Jain.

As the business grew, so did the company's consumption of power. To reduce the gap and the cost of power, JSIL installed an 8.5 MW solar energy plant and an in-house technology-propelled 1.6 MW biogas plant. At present, the biogas plant meets 30 per cent of the power consumption in the company's onion dehydration plant. The bio-gas plant also takes care



of disposal of the increasing waste generated by the fruit and vegetable processing business.

The last bit of waste that is produced from its fruit and vegetable processing units is used as feed for the gas plant, which handles 120-150 metric tonnes of waste per day.

Meanwhile the company has changed its business model which stretched its working capital cycle, led to large borrowings and eroded profits by pushing up interest cost. The micro irrigation systems that make up 46 per cent of JISL annual revenues are subsidized by the government since they conserve water and make for higher crop yields. Earlier, JISL would install the system and claim the subsidy from the government afterwards. It would take a while for the cash to actually come through, but public sector banks could be counted upon to refinance the subsidy as a bridge loan.

But as sales grew, JISL's receivables from the government burgeoned to a high of Rs. 1700 crore and some cash-strapped state governments began to feel uncomfortable handing over large subsidies to a private company. Then came the Reserve Bank directive disallowing banks from providing loans against government receivables. So, JISL has stopped financing the installation of its irrigation systems.

Now it requires farmers to pay for the equipment up front and claim the subsidy from the government on their own. This affected the sales for a while,

but now the growth is picking up again. "Now our growth is sustainable. We are no longer so dependent on the government," says Mr. Jain.

Meanwhile, it has launched a non-banking financing company named SAFL, in partnership with International Finance Corporation of the World Bank group, which offers farmers loan at 10-12 interest for financing MIS, agri projects, contract farming, solar pumps and appliances, third party tie-ups etc. These changes have cleaned up JISL's balance sheet and brought down receiv-

ables.

So, what started as a company making equipment for drip irrigation has now made its way into dehydrated onions and vegetables; processed fruits; tissue culture, hybrid and grafted plants; greenhouses, poly and shade houses; bio-fertilisers and NBFC.

Financially, the company is getting stronger. IN the quarter ended June 2014, it reported a standalone net profit of Rs. 16.1 crore against a loss of Rs. 46.5 crore in the corresponding quarter last year, whereas the revenue edged up to Rs. 1053.7 crore from Rs. 1034.6 crore. On consolidated basis, the company made a net profit of Rs. 81.5 crore as

FINANCIAL PERFORMANCE					(RS. IN CRORE)
	FY2014	FY2013	FY2012	FY2011	FY2010
Income Statement					
Revenue	4,139.35	3,515.93	3,791.51	3,334.65	2,736.77
Other income	27.08	45.42	20.87	5.59	5.69
Total income	4,166.43	3,561.35	3,812.38	3,340.24	2,742.46
Expenditure	-3,664.42	-2,950.96	-3,015.58	-2,600.89	-2,091.61
Interest	-390.84	-442.19	-423.47	-228.41	-189.10
Depreciation	-141.26	-119.52	-100.73	-83.43	-68.59
Tax	33.99	-18.57	-4.23	-131.00	-121.91
Net profit	3.90	30.11	268.29	295.27	271.26
Equity	92.48	90.98	81.04	77.14	76.03
EPS	0.09	0.70	6.62	7.78	35.84
CEPS	3.14	3.29	9.11	9.82	44.70
OPM %	12.13	17.36	21.02	22.17	23.78
NPM %	0.09	0.86	7.08	8.85	9.91

against a loss of Rs. 12.9 crore, whereas the revenue increased to Rs. 1593.4 crore from Rs. 1455.1 crore. The net profit would have been higher by Rs. 10.3 crore, but for higher charge of depreciation as per Companies Act 2013.

Remarkably, the total receivables have come down from 154 days to 145 days. MIS receivables have declined further by 14 days in this quarter, resulting reduction of Rs. 40.4 crore during this quarter. Government subsidy receivables have come down by Rs. 56.1 crore in the June quarter. Debt has gone up by Rs.120 crore as compared to March 2014 due to fruit inventories build up. "Interest cost will continue to decline," says Mr. Atul Jain and adds that the total debt is expected to come down by Rs. 300-400 crore this year. Interestingly, JSIL's overseas business is now getting traction, contributing 34 per cent of the consolidated revenue.

Meanwhile, the company is firmly set on a path of sustainable growth as attested by some recent initiatives and developments.

JSIL has received a prestigious order worth Rs. 100 crore from Himachal Pradesh (HP) government for an integrated micro irrigation system in hilly terrain, improving water use efficiency in canal command areas through conduit distribution and on farm management through micro irrigation systems, using pressurized HDPE piping network to irrigate command area of 11,900 acres.

Earlier, it had bagged a similar but bigger project, worth Rs. 386 crore, in Karnataka involving 7000 farmers from a command area of 30,381 acres comprising 35 villages in Bagalkot district of Karnataka.

In traditional method of canal network and flow irrigation, about 60 per cent water is lost due to conveyance, evaporation, percolation & seepage. Integrated micro irrigation system comprises closed piping networks right from the source to the root zone of crops. This results in huge savings of water and substantial increase in crop yields.

JSIL is scaling up Project Unnati, its joint initiative with Hindustan Coca-Cola Beverages Pvt. Ltd. (HCCBPL) with investments amounting to Rs. 50 crore over a period of 10 years. The project in its second phase will identify nearly 25,000 farmers, holding an area of 50,000 acres and support them in adopting the Ultra High Density Plantation technology.

Ultra High Density Plantation (UHDP) technique enables plantation of nearly 600 trees in an acre, instead of the conventional method of planting 40 trees, thereby increasing yield and improving the livelihood of the farmers. In traditional mango cultivation, trees are allowed to grow as high as possible; they are pruned minimally or not at all. In UHDP, canopy is maintained in such a way as to attain maximum light interception and canopy volume per unit area in early years of plantation. This leads to the orchard attaining full potential in 3-4 years. The gestation period in UHDP is

less and the farmer starts earning money in the early years as UHDP orchards start commercial bearing from the 3rd year onwards against the 7 to 9 years required in traditional planting.

"Each of our products is an outcome of an effort to conserve nature's precious resources through substitution or value addition. This is the legacy of a deliberate and conscious endeavor that stems from a deep-rooted concern for nature. Jain Irrigation also gives knowledge inputs on a massive scale by providing training and demonstrations to farmers, and does complete hand-holding throughout the value chain. Sharing value in agribusiness can be a better



business model which is more sustainable," says Mr. Bhanwarlal Jain, the 77-year-old founder of company.

On the Jain Hill in Jalgaon which houses the company's headquarter, the senior Mr. Jain put up Gandhi Teerth, a Rs. 100 crore museum dedicated to the teachings of the Mahatma, which has become one of the city's tourist attractions. Now he is planning to build a full-fledged university in Jalgaon, a project that will take a big bite out of the trust that holds 80 per cent of the family's shares.

Mr. Jain thinks of these projects as a natural extension of his work. "The museum will remind future generations of the Gandhian ideals of sustainability and conservation, which are at the core of this company's values. The university will address a major problem we have always had — a shortage of talented people. I have to make this company sustainable for 100 years," he says. ■