

Jain

Rural & Marketing

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Integrating Urban With Rural Markets



EXCLUSIVE

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- Atul Jain
Joint MD



NAWAZUDDIN SIDDIQUI

The experimental actor Experiments on farms

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Atul Jain

Joint MD

A man who knows much about markets, relentlessly handles all marketing functions

Anil Jain

MD & CEO

A master strategist, playing a crucial role in company's domestic & global expansion

Ashok Jain

Chairman

A workaholic who does not compromise on company's mission & vision

Ajit Jain

Joint MD

A mechanical engineer, taking pipe division to new heights



JAIN BROTHERS

Fueling 'Small Ideas, Big Revolutions'

Jain Irrigation Systems Ltd (JISL), envious to its contemporaries, has touched new highs globally in micro irrigation, onion processing, agri research, renewable energy and many other segments with unique business models – ethos and dedications of four brothers to the basic philosophy on which the foundation of the empire was laid. **Ajay Adlakha** visits the establishments and centres of the company at Jalgaon, Maharashtra, to assess how do Jain Brothers, with separate responsibilities, scale up 'Same Ideas' to bring in 'Big Revolutions.'

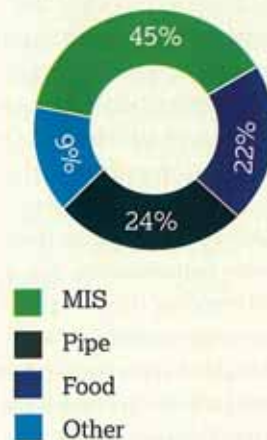
Jain Hills, spread across nearly 2,100 acres, gives an impression of positive energy all around and makes feel special as it not only houses world's one of the largest irrigation companies but also tells you an inspiring story of rise and rise of JISL. Panoramic views and greenery all around undermine the scorching heat of peak summer. As you move inside 'Parishram' you get a glimpse of the Jain's journey which began in 1960s. Research and Development Centre, field trials of new and advanced varieties of mango, banana, pomegranate and others reflect the strength of the company. The view of intensive mango farming, in a very small area, dense trees, is really very mesmerizing.

From R&D Centre to Biogas plant, one can easily decipher unique functioning of the Jain's Associates (no one is an employee here, everybody is an associate) - which reflects a sense of pride and dedication to their work. Certainly, these virtues are instrumental in

making the company a global giant. Onion and mango processing units at Jain Hills display how state-of-art machinery and local associate intermingle to produce and process the best quality of these food products in massive quantity. On the whole, one day is not enough to understand the functioning of all establishments of the company located at the Jain Hills and other locations in Jalgaon.

Solar energy is yet another forte of the company. The contribution of Solar energy to total business of the company is gradually increasing and has touched 4 percent. The company has received work order from HIMURJA, Shimla for supply, installation and commissioning of total 450 kWp solar off-grid power plants in two phases to be installed at various pump houses in Himachal Pradesh for their lift irrigation projects. This is the first such project in the country on solar powered lift irrigation for drinking water as well as irrigation purpose installed by JISL.

Consolidated revenue composition for FY16



Jain Brothers

Founder BhavarLal Hiralal Jain, who passed away early this year, is still a driving and guiding force. At Chairman's office 'Kanti,' nobody sits now. The eldest son Ashok Jain, who succeeded as chairman, still prefers a separate office in the same building and says 'Bhau' (as the founder popularly was known) is still guiding us. A commerce graduate, as head of the company, he looks after

The company started as a local pipe manufacturer in India and has since grown to be a leading manufacturer of irrigation equipment with 13 manufacturing plants in India and 17 overseas and a workforce of 11,500 people. Its annual turnover has grown to over a billion US Dollars.

all administrative and operational functions. Anil Jain (Managing Director & CEO) is a Commerce and Law graduate and he excels in finance, banking, strategic planning, merger & acquisitions and collaborations. He is instrumental in global expansion of the company and operates from the company's Mumbai office. Ajit and Atul Jain (Joint Managing Directors) have separate responsibilities. Ajit, a mechanical engineer, is looking after pipe division and marketing of all pipe products. The youngest son Atul, a commerce graduate, is responsible for overall marketing management.

The Board meeting on May 30 and the annual Banana Conference brought Jain brothers together at Corporate Headquarters at Jain Hills. With rapidly growing business, the gathering of four brothers at one place happens rarely now and these two events make them happy along with next younger generations also joining them at the Conference and the Board Meeting.

The Journey

"It's our mission to leave this world better than we found it," is the driving force.

The company started as a local pipe manufacturer in India and has since grown to be a leading manufacturer of irrigation equipment with 13 manufacturing plants in India and 17 overseas and a workforce of 11,500 people. Its annual turnover has grown to over a billion US Dollars.

When the company was established 30 years ago, its products covered 25,000 farmers in India. Now, Jain Irrigation caters to the demand of

5 million farmers in the country. Starting with a base of five countries, Jain Irrigation has expanded to cater to the needs of agriculture in 129 countries. With a mission to change the agriculture in developing countries such as India, its products offer improved productivity and cost savings to farmers with small landholdings.

Harking to the mission statement of the company, sustainability and inclusiveness are key to Jain Irrigation as a business. The company has even been recognized globally, including

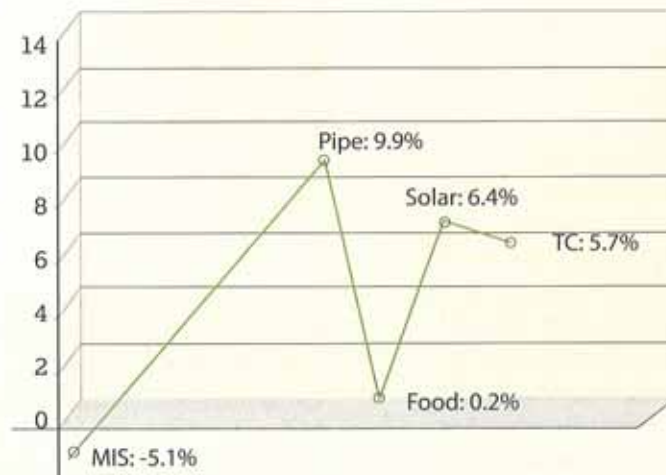


Late Bhavarlal Jain: The Founder with sons

in the US magazine Fortune, which placed Jain Irrigation in seventh place on a list of 51 companies around the world that are changing the universe for the better – the only company on the list from India. This sentiment of sustainability and making the world a better place is strongly linked to the company's roots as a family business. A case study is also taught at Harvard Business School on unique model of the company.

"Almost 50 percent of our business today is micro-irrigation or irrigation technology which saves water and

Growth of businesses in FY 2016 as against FY15 at standalone level



aids productivity for farmers," says Atul Jain, Joint MD.

About 20 percent of our business is piping which supplies to farmers and for infrastructure projects, including water, gas and cables. About 22 percent of our current business is what we call food processing – buying from farmers. We add value, process the food, and sell it to large global food companies like Coca-Cola, Nestle, Unilever, as fruit juice, concentrate and dried vegetables," he adds.

Furthermore, about 10 percent of the company's business is agro-appliance that includes biotechnology and it also does some renewable energy products like solar water pumps and solar streetlights. "We have even started a finance company 'SAFAL' to provide low cost, easily accessible loans to small farmers in India," says Atul.

Climate Resilient Agriculture

Jain brothers are not just passionate about supplying products to customers. However, they see that a major challenge for agriculture in the coming decades will be climate change, and they want Jain Irrigation to help farmers to contain the effects of climate change, and the adverse weather it could cause, on their businesses.

"We believe our products, technologies and solutions are going to be very helpful to contain the impact of climate change," says Atul. "Climate change is here for all of us to see and feel. And it's going to be disastrous, especially for the agriculture community. Essentially what's important is helping to improve productivity on small farms and save precious natural resources such as water and energy. It's also vital to ensure that soil is good. While we do this, we try and ensure that for farmers who use our agtech, their income will grow, their productivity will go up. This is important to us," he adds.

"Because my father came from a village, he had what you could say are small-village values: he valued water, he valued the animals," says big brother Ashok Jain, Chairman, JISL. His mother, when she gave him advice to join business, told him, "if you go and take a job, you can do well for yourself, but be an entrepreneur and do something which will not only do good for larger communities but also do good for the earth.' So those words came from his mother, my grandmother. Following her teachings and my father's actions, we have today, our company which has pioneered inclusive and sustainable business while 'creating shared value."

"We are starting on a cusp of revolution to improve food, water and energy security. Our motto of 'Small Ideas, Big Revolution' is the essence of future," Ashok emphasizes.

One-Stop Agri Shop: Completing the Agri Value Chain

In view of an intensely specialized and highly focussed world, JISL believes in propagating and practicing an

Revenue by Geography - FY 2016



Arun Chauhan
Farmer
Nandra-Budruk village

I have 3 acre land and banana plantation with drip irrigation has improved by annual earnings. We use banana tissue culture from Jain Irrigation and our annual income has crossed Rs 1.5 lakh and now I have taken more land on lease

Integrated System Approach for agriculture development which can make a world of difference. The company manufactures Piping Systems for closed water conveyance, most cost effective yet very efficient micro and sprinkler irrigation systems as well as Green and Shade Houses. "We supply Tissue Plants and Bio fertilizers fortified with microbial cultures and soil fertility enhancers," informs the JMD. In the alternative energy sector, the company produces electricity from farm and crop waste. A visit to solar sites and seeing the big revolving panels justify the claim that the JISL has become a major player in solar energy capture, both heat and photo voltaic.

JISL designs and executes turnkey projects, both for small and large farm holders offering land, soil and water survey and sampling, irrigation system planning, design and installation. "We provide high-tech agronomical and technical services. We also train farmers. Our extensive research and experience help us give down-to-earth solutions for complex agricultural challenges," says Ajit Jain, JMD, JISL.

Obviously, JISL's large demo-farms display agro-technology in operations. It is also engaged in 'Contract Farming.' "We buy back

farm produce at pre-determined prices (irrespective of market prices) from over 5,000 farmers and provide them with all the required inputs and comprehensive services through Jain Gram Sevaks (village extension workers). Bankers are brought in for timely and easy credit availability. Contract farming is a win-win proposition for bankers, farmers as well as ourselves," says Atul.

The select produce gets processed at the Jain Hill located modern Food processing units and the value added final products are sold in the domestic and export markets.

Thus, the integrated approach results in a value addition at every stage and completes the agricultural value chain.

Financial Performance

JISL has maintained its momentum by growing at a compound annual growth rate (CAGR) of nearly 15 percent in the last five years. Consolidated profit after tax for FY16, up by 59.4 percent, went to Rs 88.3 crore. Current order book stands at Rs 1,194 crore. Domestic retail micro irrigation systems (MIS) business grew by 5 percent during FY16 in spite of continuing challenging agro-climatic conditions.

Audited standalone and Consolidated Result for 4th Quarter and 12 months ended march, 31 2016

particulars	4QFY16 (Standalone)	4QFY15 (Standalone)	4QFY16 (Consolidated)	4QFY15 (Consolidated)
Revenue*	1,480.0	1,610.1	2,065.5	2,104.1
EBIDTA	262.0	262.8	319.1	313.8
Reported PAT	64.4	82.6	89.8	98.5

*Including other operating income and excise duty

particulars	FY16 (Standalone)	FY15 (Standalone)	FY16 (Consolidated)	FY15 (Consolidated)
Revenue*	4,406.5	4,398.4	6,455.9	6,314.6
EBIDTA	716.5	695.4	889.0	861.6
Reported PAT	71.3	49.4	88.27	55.4

*Including other operating income and excise duty



Dr RS Paroda

Prominent agri scientist

I visited R & D centres and trial fields of the company and am very impressed. Real 'Made in India' is happening here only and we are looking overseas for 'Make in India.' I feel to promote agriculture sector especially agricultural research, the government should urgently come out with a clear policy.

After the board meeting, announcing the financial performance Managing Director and CEO of the company, Anil Jain says, "Financial Year 2016 ended on neutral basis for us in terms of revenue. However, PAT on consolidated basis is up by almost 60 percent which is very heartening. Last year has been very challenging due to severe drought and general agrarian distress. Financial Year 2017 looks more optimistic with expected good monsoon."

"I believe our balance sheet has considerably strengthened with successful closure of Mandala and

promoter equity investment of approximately Rs 800 crore. We are also observing more conducive environment for growth in FY 17 due to confluence of various positive local and global factors. We look forward to stay on sustained growth path and significant improvement in our earnings," he adds.

Overall revenue improved marginally by 2.2 percent and EBITDA grew by 3.2 percent. MIS de-grew by 1.7 percent, however, food division and pipes business grew by 5.4 percent and 9.8 percent, respectively. Within the other businesses, sheets business

increased by 10.3 percent and solar business increased by 6.5 percent. The contribution of overseas market in consolidated revenue is at 46 percent whereas revenue from overseas markets increased by 3.7 percent.

JISL has changed socio-economic scenario of Maharashtra's Jalgaon and farmers vouch for its contributions. It is now impacting the rural economy of Maharashtra through its complete agri solutions. Providing respectable jobs to locals and hand-holding of farmers through its agri solutions, the company has transformed the rural economy. Manohar Arun Chauhan, a farmer of Nandra-Budruk village, nearly 17 km from Jalgaon, says, "I have 3 acre land and banana plantation with drip irrigation has improved by annual earnings. We use banana tissue culture from Jain Irrigation and our annual income has crossed Rs 1.5 lakh and now I have taken more land on lease."

Not only farmers, but agri scientists and senior government officials are equally impressed with innovations and solutions being offered by the company. Prominent agri scientist Dr RS Paroda and Union Agriculture Secretary Shobhna K Patanayak were among those dignitaries who attended the Banana conference and deliberated on various issues during the four day conference. "I visited R & D centres and trial fields of the company and am very impressed. Real 'Made in India' is happening here only and we are looking overseas for 'Make in India.' I feel to promote agriculture sector especially agricultural research, the government should urgently come out with a clear policy," says Dr Paroda. **R&M**

“We need complete
PARADIGM SHIFT
in
AGRICULTURE”

In a candid interview with **BK Jha**, Joint Managing Director of JISL, **Atul Jain** speaks about the challenges India is facing in the agriculture sector and probable solutions to make it remunerative, sustainable and inclusive. Excerpts



Let us start with your role in the world, globally you are the part of tripod/ triple axis in the business of micro irrigation systems (MIS), as Jain along with Toro and Rain Bird (USA) reign over 54 percent of MIS market. How do you view this situation and the challenge by other competitors at large?

Micro irrigation systems (MIS) market is bound to grow tremendously, so is Jain Irrigation. We are probably the best-placed company in the world to grow because we are the only group which today is in position to offer sustainable solutions from one acre of land to hundreds and thousands of acres. Because of our wide geographic spread, we have enhanced our knowledge and manufacturing base and it gives us that leverage. With cross transfer of the knowledge and new techniques, we are making our products and solutions more affordable and sustainable. That is why we are the leader and probably the largest and fastest growing micro irrigation company in the world and we will continue to do that.

What about competitors?

As you mentioned about Toro and Rain

Majority of irrigation projects across the nation are basically designed only for 30 years. Why do we not plan them for 100 years? Cost may appear huge but in long term it would certainly prove a viable option.

Bird, they are more confined to US markets now. There also we have taken a major share for last five-six years. We have lion's share in US market and it is growing with Jain Irrigation Inc. We are servicing 122 countries across the global. With the kind of integration we have and ability to provide solutions for small as well as large landholdings, we have an edge over our competitors. Further, Jain Irrigation is the only company which is actually producing all the required paraphernalia under one roof and that brings a lot of affordable solutions for farmers. I think, India would lead the micro irrigation growth in the world. Now Africa is coming up and Latin America is also growing. I think we are well connected to those markets to be part of that growth. We are also looking at newer things which would be allied to our product lines and that would further enhance our performance in solutions and product offerings.

What are the major challenges India is facing in terms agriculture growth?

We have multiple challenges. The population is growing and 65 percent

still dependent on agriculture. Landholding is shrinking. With the continuous growth in population our food requirements are going up and for food security we need to focus on grains like wheat and rice. In the current scenario, the inputs cost is continuously increasing and there is so much of pressure on the food security. At policy level also, cost of the food produce has to be going down rather than going up. But nobody is looking at the other side of the coin that the process will become burdensome for farmers. We have created a very unrealistic framework.

What are the solutions?

First and foremost challenge is - how do we make farming remunerative and how to really make farmers prosperous. Apart from pricing issue, we need to focus on other practical issues. So, I think only possible way out is to bring in technological interventions which would contribute to higher productivity. Technological advancements would come in irrigation like drip irrigation, seeds, plants and other segments. Once you fixed these pain points everything else will fall in line. Secondly, we also need to come out from 'Rice & Wheat' syndrome. We cannot continue to push farmers to only produce these grains for our food security policies. In all honesty, there is not a single attribute to be blamed. We need complete paradigm shift in the way we are looking at agriculture.

What is philosophy that drives JISL?

Our main strength is our people. We have two statements in this regard. Every associate is owner of his work and so act like one. With this philosophy, we have a dedicated team of 12,000 associates across the global. Our attrition rate is negligible. Their commitment, integrity and hard work have made us what we are today. Jain Irrigation's mantra since inception is - "Doing well by doing good." And main driving force is "Small Ideas, Big Revolutions."

What is the main point, JISL would like to convey to the government in the larger interest of the agriculture sector, particularly the irrigation sector?

We have majority of agricultural areas which are still rainfed. Here there is uncertainty about the produce and you tempt to raise to buffer stock of grains. The first and foremost thing that need to be done is how do we start looking at converting that into irrigated land. For this, you need proper irrigation policy in place.

This is going to obviously help farmers to produce more. While talking about converting rainfed areas into irrigated once, we need huge money. We should focus on lifecycle of the irrigation projects. Most of our irrigation failed because of we did not earmark operational cost.

How much money would you ask the government to invest in agriculture?

I am just starting with six percent of budgetary provision and may be we

can go to 10 percent. Imagine the way it can transform the agricultural scenario. While we talk about such investment it also puts a caution which has to be there that how do I make a judicious use of that. I don't want to put all that money into the soil. We need to embrace new technologies. We should start looking at the lifecycle cost of projects rather than just the input cost. Majority of policy decisions are based on input cost. Nobody is ready to look beyond the input cost and nobody wants to look at the lifecycle. For example, majority of irrigation projects across the nation are basically designed only for 30 years. Why do we not plan for 100 years? Cost may appear huge but in long term it would certainly prove a viable option. We need to keep a maintenance capital expenditure as well. This willingness is missing at all levels across agriculture board. I would say that the government should create infrastructure which is more sustainable. If we expect irrigation project operational cost to be borne by the farmers, it is asking for too much from them.

Do you think the government policies and schemes recently announced would yield positive results for agriculture sector in general and irrigation in particular?

I hope policy reforms and new schemes will be implemented effectively. Leave the plant and seed section, farmers understand that better than us. But they cannot afford to put in money for irrigation. That is why I am emphasizing the government should focus on



that. Maharashtra government has started focusing on this. The state government has now made it mandatory to have all irrigation facilities piped. The guidelines will push drip irrigation. Sugarcane and rice are coming under drip irrigation and it would transform agriculture. Here we have stepped in with our products and solutions. It would impact cost of water, quality of produce and consumption of electricity. Another advantage would be that rice growers, who remain in knee-dip water, will be saved from health hazards.

JISL's success lies in integrating its MIS business with contract farming. What is so unique about your model?

Contract farming in India and other parts of the globe is for centuries. We have not invented it. There are not so many successful examples of contract farming and Jain Irrigation probably stands out because it has been very successful with this. Our model is very inclusive. We are giving a basic minimum guaranteed price while we sign the agreement but at the time of harvesting if the price is less, than the minimum guarantee is given. If prices



are more than the current price with the certain difference in the market, they are paid accordingly and that's how it is been successful. We have more than 5,000 producers engaged with this model. We do contract farming for onions and now we have started working with mangoes. Pricing is important for success. We basically make sure that he's getting the market price to run our plant. Willingly we are going to give them a higher price because we know the process, we have given them seeds. So we have a complete traceability of what is being produced. We have monitoring system through which

we are able to do that. We may not benefit directly by way of the price part of it but benefiting the other way.

What are newer innovations or offerings from JISL?

We are bringing in a lot of integration to all our input offerings and providing that value for money to the investors - could be a farmer, a cooperative and governments. The idea is to make it integrated and so the whole value chain benefits. We try to make whole thing sustainable. One thing is clear that all our solutions would be inclusive in nature and always be sustainable.

As far as innovations are concern, Biotech is bound to grow. We are the largest producer of banana tissue culture plants material in the world. We have added pomegranate, strawberry and we are adding some new crops. Trials are on for Citrus development and by next year we will be able to make it. While we will look for newer areas, biotechnology, tissue culture, integration into irrigation solutions and controlled irrigation would continue to be our main focus areas.

What is the way forward?

You can not grow anything without water. The key to success for agriculture development is going to be efficient and judicious use of water and water management as a whole. Without this we can not go for sustainable agriculture. For example, Jain Irrigation is doing the same. We have made a difference for more than five million farmers

by providing end-to-end solutions including drip irrigation. This can be replicated at national level. For this the government's support is the main requisite as our farmers do not have surplus capital for investment. We are in Catch 22 situation and that's where we are saying the government still coming in the picture of creating that kind of sustainable infrastructure so that once the farmers are benefited with that then they can do it on their own as they are going to make more money and can take it forward. Just see how Madhya Pradesh transformed its agriculture economy by just bringing water where it needed. The state had no magic wand and it just went on expanding irrigation projects. So we need to focus on irrigation first.

Will you go for GM?

I do not think so. There is enough scope for scaling in areas what we are already in. For seed and planting segment, let us bring some certainty. From seed, we should certainly get the crop. Let the farmers decide whether he wants GM seed or other. They are intelligent enough to decide and if they find value they can easily spend Rs 15 instead of Rs 12. They know irrigation is must for good yield but they can not do it of own. So that is the challenge where the government should step in. The government should focus on irrigation. If there will be no water, no seed can give produce. **R&M**