JAIN IRRIGATION’S PATRIARCH FOLLOWS HIS MANTRA WHILE HIS SONS LOOK TO A BIGGER HARVEST

DRIP THERAPY FOR INDIAN FARMERS
Drop By Drop

Dreaming of a better future for India’s downtrodden farmers, Bhavarlal Jain created the world’s second-largest micro-irrigation company.

By Naazneen Karmali

Photographs by Rajat Gosh for Forbes

of which less than half is irrigated at all.

The much heralded Green Revolution of the 1960s, with its miracle seeds, made India self-sufficient in staple foods, but in the last decade agricultural growth rate has notably stagnated. Today, Indian farms, highly fragmented and with relatively little in the way of state water projects to channel the seasonal monsoons, produce some of the lowest yields in the world. For example, rice yields per acre on average is 1.3 tons versus 2.5 tons per acre in China. Poor productivity keeps Indian farmers trapped in a cycle of poverty, despite all the subsidies the government doles out. This year’s budget provided for a massive $14 billion loan to states to irrigate farmland.

Stepping up public investment in the sector, notably in irrigation, has become a priority for the government. That no political leader—45% to 70% of all Indian farmers depend upon agriculture for their livelihood—cannot have been lost on anyone. In 2004 an official study group said efficient water management through micro-irrigation could help save 90% of water, as well as the precious liquid itself.

All good news for Jain Irrigation, whose revenues last year rose 58% to $445 million with net profits increasing by 99% to $31 million. (The company has broadened into contract farming and agricultural issues and culture, and is the country’s largest processor of fruits and vegetables and the biggest producer of dry/cracked onion.) Since 2005 the company’s share price has tripled. Despite a recent fall in the Bombay market, Bhavarlal’s 53% stake, which he holds with his family, is worth $300 million today.

What works in India applies abroad. So Jain has acquired six companies overseas since 2006, including irrigation firms in the US, Israel and Switzerland. According to analysts at 138 Securities India, those acquisitions give him a fuller product range, enabling it to extend its reach into mature markets in the US and Europe.

Bhavarlal, 71, views this momentum as incidental to the higher purpose embodied in Jain Irrigation’s mission statement: Finding its own level: Jain’s tubes cover half the area irrigated in India that is now being micro-irrigated.
“Leave this world better than you found it.”

“Money has never motivated me. It’s always been the cause,” he declares from his sparsely furnished office at Jain Hills, the headquarters. On his office walls are pictures of people he admires most: Mahatma Gandhi; India’s first prime minister, Jawaharlal Nehru; and John F. Kennedy. “They were all dreamers, and so am I,” he says.

His friends and colleagues describe him as an agricultural guru. “B.H. is a son of the soil entrepreneur who truly knows the pulse of rural India. I’ve learned a lot from him,” says Kiran Mazumdar-Shaw, chairman and managing director of leading biotech company Biocon, who got to know Bhavarlal in 1979 when he was a supplier of papain, an enzyme extracted from papayas that her firm was using.

Success hasn’t motivated Bhavarlal to give up his strict Gandhian lifestyle. He is a vegetarian who eats only home-cooked food, avoiding processed items like biscuits and chocolates. His preferred attire is white cottons. “I like white because of its purity.” This color penchant extends to the surroundings—Jain’s offices and factories are mostly painted white. He makes a concession in the yellow, green, blue and brown of the company logo. These are the colors of nature, he elaborates, symbolizing the sun, trees, water and earth.

Having survived four heart attacks and two bypass surgeries, Bhavarlal has handed over operations to his four sons, all of whom work in the company. But he still wakes daily at dawn and treks to the highest point on Jain Hills, where he meditates and does yoga. Company executives take turns accompanying him on his early morning walk to update him on important issues. His grandchildren tag along, too.

From Bhavarlal’s meditation spot, the 1,000-acre complex of Jain Hills itself appears a shining advertisement for what micro-irrigation can achieve. Set in the midst of parched lands, it’s an oasis of mango and banana trees, home to deer, peacocks and several other species of birds. The complex includes a training center for farmers, a demonstration plot and research and tissue-culture labs. Tucked away in one corner is a house where three generations of Jains live.

Bhavarlal was born into a Marwari family in a village not far away. His father and uncles were farmers and petty traders. Having bolder ambitions, Bhavarlal moved to what was then Bombay to study commerce and law, after which he prepared to join the civil service. But his mother, who never went to school and had lost nine children before Bhavarlal was born, urged him to reconsider. “She inspired me by saying I must do something that would help the cattle and birds, and all those who are disadvantaged,” he recalls.

It took a while, but Bhavarlal found a route to the land. He began trading in agricultural products—tractors, fertilizers, seeds and pesticides. As the business grew, other family members got involved as well.

In 1978 they moved into manufacturing, starting with papain and then plastic pipes. Bhavarlal stumbled into his niche when he saw a drip irrigation system in 1985 at an agricultural trade show in Fresno, California. Handing over the trading business to his family (but retaining the plastics factory), he plowed ahead.

In his initial attempt to procure technology from Israel, where modern micro-irrigation had been invented, he found no willing partner. He persuaded James Hardie Irrigation of Australia to license its technology, but it took him more than a year to persuade India’s hidebound bureaucracy to let him acquire the know-how.

Harder still was selling to India’s marginal farmers who own less
Jain Irrigation

than 2 acres of land on average and could ill afford the $400-per-acre cost of the system. By then Bharat Ball's sons had joined the family trade and were involved with him in greenhouse marketing, making house-calls on farmers. Rather than talk about the technology, they emphasized the importance of conserving water, toasting the slogan “More crop per drop.” This underscored the higher yield farmers could get with less water.

“We've always been selling a concept, not just a product,” says Anil Jain, 43. Model farms were established to show farmers how their fields could flourish by using this sophisticated irrigation method. Even so, it was a slog. “In those days only 30 out of 1,000 farmers whom we approached got sold on the idea,” recalls brother Ajit, 42.

When the government introduced the micro-irrigation subsidy in 1990, it took off. With sales up, the company expanded into fertilizers, plastic sheets, food processing and solar water heaters. That was the end of it. In 1994 the Jains raised $40 million on the Luxembourg Stock Exchange using it for some new ventures, including merchant banking, granite quarrying, software and telecom.

Biuralsky says that despite his devotion to an agricultural mission, he became weary, as India first began to boom, that his company was too narrowly poised to prosper. So it rapidly diversified.

Disaster ensued. “We couldn't handle the diversity,” admits Bhavat Ball’s eldest son, Ashok, who now runs spice business. By 1999 losses had piled up to $10 million and the Jains had defaulted on their loans to banks. There was no money to pay for raw materials or even salaries to workers. Jain Irrigation’s stock plunged from a high of 150 rupees in 1994 to 9 rupees in 2006.

The nightmarish lasted until 2002, when The Times, a four-year period in Texas Pacific Group’s Agra Fund, which invests in water and renewable energy. Aqua took 49% in Jain Irrigation for $44 million, taking the company at less than $100 million. The Jains brought down their stake from 70% to 30%, conceding four board seats to Aqua’s representatives.

Amp Jacob, the former partner of Aqua who sat on the company’s board and oversaw its painful restructuring, recalls visiting 30 micro-irrigation companies before

By the Numbers

Farm Economics

The soil is still a bedrock of the Indian economy, but the nation is looking to boost output under tough conditions.

17.5% Agricultural contribution to India’s GDP, versus India’s overall 9% GDP growth rate.

4.5% Growth rate of Indian agriculture in 2007-08, versus India’s overall 9% GDP growth rate.

93 million tons India’s annual production of rice, its biggest crop.

$3 billion Estimated size of India’s drip irrigation market, 2008-12.

Sources: Economic Survey of India 2005-06; Ministry of Agriculture; World Bank

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