MD	✓				BKC	✓
CS	✓				DPY	NA
RO	✓				DIV	NA
TRA	NA				AC	✓
AGM	✓	✓			SHI	✓
YE	✓	✓	✓			

Jain Irrigation Systems Ltd.

(1997-98)

Working for Agriculture (Since 1978)

JAIN IRRIGATION

11th Annual Report

1997-98

Index

Chairman's Speech	2
Corporate Directory	3
Directors' Report	4
Auditors' Report	12
Balance Sheet	14
Profit & Loss Account	15
Schedules 1 to 21	16
Notes forming part of the Account	33
Cash Flow Statement	45
Balance Sheet Abstract & Company's General Business Profile	48
Statement related to Subsidiary Companies	49
Subsidiary Companies	
Jain Processed Foods Ltd.	
Corporate Directory	50
Directors' Report	51
Auditors' Report	53
Balance Sheet	54
Schedules	55
Notes on Accounts	60
Statutory Information	61
Gowtham Granites Ltd.	
Corporate Directory	62
Directors' Report	63
Auditors' Report	66
Balance Sheet	68
Profit & Loss Account	69
Schedules	70
Notes on Accounts	75
Statutory Information	76
JISL Overseas Ltd.	
Corporate Directory	77
Directors' Report	78
Auditors' Report	79
Balance Sheet	80
Profit & Loss Account	81
Cash Flow	82
Notes on Accounts	83
Notice and Shareholder Information	
Notice	84
Explanatory Statement	87
Abstract u/s 302 of Companies Act, 1956	89
Proxy Form	90
Communication	92

Dear Fellow Share-owners,

You may probably recall the confessions I made in our 10th Annual Report. The past 18months proved to be tougher than what I had envisaged. But, I am now able to see the light, at the end of the tunnel.

The setbacks and frustrations, at times, did depress and disappoint us. However, we became reflective rather than bitter. The winning spirit brought *out the warrior in us. We turned positive and enroute, developed confidence* and adaptability, and above all, learnt prudence. We also gained a healthy perspective of our failure. Yet, we never ever questioned our worthiness, or our values, nor the worth of our business. We just doubled our efforts to overcome that failure.

We knew two things- one, that our failure was not terminal and, secondly, like everything in nature, life too has its seasons. In the long run, we will, like the proverbial phoenix, rise from the ashes. We will reap the bountiful harvest, from the seeds we have sown. Our book reserves may have been depleted; but the reserves of our positive energy, determination and high levels of hopefulness, have increased. We are confident, we shall emerge stronger, than what we were, before these challenges overwhelmed us.

We are now focussed, but it is not a tunnel vision. It is still a wide angled, big screen picture that we are looking at. We are concentrating on rebuilding of our businesses, credibility and image. We realise that a part of our reputation may have been lowered, but our character remains intact. We have not failed to service our customers, or ceased to create value for our businesses. We have, however, not focused enough, on only serving our own (Shareholders') interests. We are always looking for solutions, rather than being awed by the problems that are present, and no doubt persisting. It has done me good, to be alternately scorched by the heat and trenched by the rain of the failures, for, I believe, that it is rough treatment which gives souls, and stones, their lustre.

We created history in Agriculture. Ours is the story of success. I am confident that what we do today, and in the future, will once again go into the annals of Agricultural history in our country. We will use our setbacks, *losses and failures, all as catalysts, to come back with a resounding success.*

- B.H. Jain, Chairman

Corporate Directory

Board of Directors

B.H. Jain	-	**Chairman**
Ashok B. Jain	-	**Vice Chairman**
Anil B. Jain	-	**Managing Director**
Ajit B. Jain	-	**Joint Managing Director**
A.S. Ajgaonkar	-	**Director - Corporate Affairs**
J.J. Kulkarni	-	**Director - Technical Services**
R.B. Jain	-	**Director - Technical (Food & Agri Park)** (w.e.f. 01.02.99)
R. Swaminathan	-	**Director - Technical (Plastic Park)**

Non Executive Directors

C.P. Mehta	-	**Director**
Girish S. Mehta	-	**Director** (Nominee of ICICI w.e.f. 30.01.99)
P. Ramakrishnan	-	**Director**
P.R. Mahajan	-	**Director** (Nominee of ICICI Upto 30.01.99)
Dr. P.V. Sane	-	**Director**

Principal Bankers

American Express Bank, Mumbai
Bank of Baroda, Jalgaon.
Credit Agricole Indosuez, Mumbai
Centurian Bank, Mumbai
Deutsche Bank, Mumbai
ICICI Banking Corporation Ltd., Mumbai
Indusind Bank Ltd., Mumbai
Development Credit Bank Ltd., Mumbai
State Bank of India, Mumbai
State Bank of Indore, Mumbai, Sendhwa
The British Bank of Middle East, Mumbai
The Oman International Bank Ltd., Mumbai
The United Western Bank Ltd, Jalgaon
Union Bank of India, Mumbai

Company Secretary

A.V. Ghodgaonkar

Auditors

Dalal & Shah, Chartered Accountants, 49-55, Bombay Samachar Marg, Fort, Mumbai - 400 023.

Solicitors

Mulla & Mulla & Craigie & Blunt & Caroe, Mumbai

Global Alliances

Amcor Ltd., Israel - Solar Systems
Azrom Metal Industries, Israel - Green Houses
Chapin Watermatics Inc., USA - Sub-soil Tubing
Plexite Ltd. (Glynwed Group), UK - Wood-alike Plastics
Vanguard Plastics Inc., USA - Polybutylene Plumbing Systems

Directors' Report

The Directors present the 11th Annual Report of the Company and the Audited Accounts for the year ended 30th June 1998.

Financial Performance:

Figures in Rs. Lacs

Particulars	**1997-98**	**Annualised 1996-97**	**% Increase / (Decrease)**	**15 months 1996-97**
Domestic Sales	20,567.02	22,723.25	(9)	28,404.06
Export Sales	9,383.80	11,104.80	(16)	13,881.00
Total	29,950.82	33,828.05	(11)	42,285.06
Operating Profit	*2,821.12*	*3,629.54*	*(22)*	*4,536.92*
(Gross Profit before Depreciation, Interest, Tax & after Write-offs)				
Interest & Finance charges	6,812.98	5,886.10	16	7,357.63
Provision for Depreciation	1,938.76	*	N.A.	*
Provision forTax	-	-	N.A.	-
Loss for the year	8,071.24	2,271.98	(255)	2,839.98

* Not provided in earlier period (15 months of 96-97) ,this has been provided during the year.

It will be observed that the domestic sales have come down by 9% (Rs.2156 lacs) on annualised basis. In fact, Plastic Piping Division's turnover alone decreased by Rs.4125 lacs. This was partially offset by gain in turnover of other Business Divisions. The steep fall in Plastic Piping Division's turnover to the extent of 32% was mainly on account of (a) Drop in prices of principal raw material, PVC Resin, to the extent of 7%, (b) The PVC Pipe plants *were relocated, and, the process of dismantling and reinstallation took about 8 weeks, wherein there was hardly any production. This shortfall,* however, was marginally made good subsequently during the season. (c) Reduced capacity utilisation to the tune of 10%. The lower capacity utilisation was the direct result of insufficient supply of raw materials viz. PVC Resin and other additives.

The exports registered a fall of 16% on annualised basis.

PC Sheet exports increased by 32%. However, PVC Sheet exports dropped by 35%. The drop was partially on account of low international prices of PVC Resin as well as under-utilised capacity for want of adequate supply of PVC Resin. The exports of onion and vegetable dehydration showed an *impressive increase of 89%. The newly commissioned Fruit Processing Unit's exports during the last quarter of the year contributed* Rs.248 lacs to the overall export basket. Moreover, during the last year, the export activities included merchant exports. The merchant exports during the year have come down by 30% (Rs.955 lacs).

● The Divisionwise combined performance of Domestic and Export sales during the year under review is briefly summarised below

Figures in Rs. lacs

S.N.	**Division/Business Unit**	**1996-97 15 Months Sales**	**1996-97 Annualised Sales**	**1997-98 12 Months Sales**	**Gain/(Loss) Sales**	**%**
1	Hi-Tech Agri Irrigation Products	9989.78	7991.82	8500.51	508.69	6%
2	Plastic Piping Systems	16750.63	13400.50	9203.55	(4196.95)	(31%)
3	Plastic Sheet	9570.37	7656.30	7645.10	(11.20)	(0%)
4	Agro Processed Products	1124.59	899.67	1755.94	856.27	95%
5	Hi-Tech Farming & Agri Products	282.94	226.35	88.13	(138.22)	(61%)
6	Other Manufacturing Activities	4474.25	3805.75	2770.92	(1034.83)	(27%)
	Grand Total	**42192.56**	**33980.40**	**29876.02**	**(4104.38)**	**(11%)**

The steep fall in operating profits to the extent of 22% (Rs.808 lacs) was due to :

(a) Lower turnover -17%.

(b) Increase in manufacturing and administrative cost by about 4%.

(c) Write-offs of scrapped projects, doubtful recoveries and claims amounting to about 1%, i.e. Rs.228 lacs.

Notwithstanding the sharp fall in operating profit, the operating margins went down only by 1.3% (Rs.388 lacs). The insignificant losses in the operating margins were the direct result of lower raw material prices and more efficient utilisation of available resources.

The interest and finance charges have jumped during the year by 16% (Rs.926 lacs), reflecting the prevailing higher interest rates for both the bank and market borrowings.

The year closed with a cash loss of Rs.3992 lacs. The loss could not be funded by the Company from its own receipts. The situation ultimately culminated in forced advances from the Banks and the Institutions at substantially higher cost. The cash loss further accentuated the working capital squeeze, putting the Company into a vicious circle.

The Company has provided depreciation for the year at Rs.1939 lacs, as well as, depreciation for the earlier period at Rs.1920 lacs. Further, Rs.221 lacs pertain to prior year expenses accounted for during the current year.

The loss for the year is Rs.8071 lacs. The accumulated loss stands at Rs.10324 lacs.

Several factors have contributed for this situation, they are :

At the root cause of the precipitous fall in revenues, profits and capacity utilisation, is progressive diminution in availability of adequate working capital funds for past two years.

The working capital position as at 30th June 1998 was as under:

1. The Maximum Permissible Bank Finance (MPBF) was	Rs. 21,300 lacs
2. The disbursed funds were	Rs. 18,800 lacs
3. The funding gap was	Rs. 2,500 lacs
Whereas, as at 30.11.98	
4. The funds deployed by way of current assets remained at	Rs. 25,961 lacs
5. However, 'ineligible' current assets were	Rs.14,721 lacs*
6. The actual drawals from the Banks, however,aggregated to	Rs. 26,427 lacs
7. Therefore, the working capital funds not available for business amounted to	Rs. 11,240 lacs

* As per banking norms.

Out of the funds not available as working capital, Rs.6,813 lacs had been used towards funding of losses, and the balance Rs.5,614 lacs were used for creation of long term assets, and hence, Company could not provide the margins for working capital funds.

The demand for products of all the major Divisions including Micro Irrigation Systems, Plastic Piping Systems and Plastic Sheets, continued to be encouraging and good. One of the major reasons for high demand was depressed Polymer prices and increasing recognition by the customers of the intrinsic advantages of use of plastics in farming and irrigation. Contribution per unit of sale, was also found to be satisfactory. In case of Micro Irrigation Systems, it continued to be very high. In case of PVC Piping Systems, it was better than earlier years. The Sheet Division also maintained the margins at reasonable level. In case of other Divisions such as Farming & Agri Products, Solar Products, Green Houses etc., where insignificant investments are made, operating margins were on border. The Onion Dehydration Division's capacity remained grossly under-utilised because the raw material prices had been astronomically high. The operations at the prevailing prices of the Onions were uneconomical. The market - acceptance and demand for this Division's Dehydrated Onions under brand name 'FARMFRESH', continued to be buoyant.

The investment in associated Companies in field of Information Technology, Financial Services and, Natural Stone Processing was Rs. 1,428.18 lacs as of 30th June 1997 which marginally rose to Rs. 1,616.18 lacs on 30-6-1998. These investments are underperforming but no longer drag on Company resources. Divestment efforts are however, being persued vigourously. All these business, when they were setup or acquired, were considered exceptionally good investment even from long term point of view. However, what happened all around in the economy, also determined what happened to these business, execpt Information Technology (IT). As for IT we missed the opportunity because we could not provide leadership in the segment.

Current Year Outlook

The following table gives an estimate of the performance for each of the Division during the current year as compared to the year under review, and, the estimated target for the year respectively.

Figures in Rs.lacs

S.N.	Division/Business Unit	Actual 1997-98 12 Months Sales	Estimate 1998-99 12 Months	Actual 1998-99 7 Months
1	**Hi-Tech Agri Irrigation Products**			
	Micro Irrigation Systems	7885.00	9211.54	3967.94
	Sprinkler Irrigation Systems	615.51	719.06	204.82
	Sub Total	**8500.51**	**9930.60**	**4172.76**
2	**Plastic Piping Systems**			
	PVC Pipes	8845.17	9450.10	4969.55
	PE Pipes	347.83	1408.13	473.14
	Other Pipes	10.55	0.00	0.00
	Sub Total	**9203.55**	**10858.23**	**5442.69**
3	**Plastic Sheet**			
	PVC Sheet	2343.04	2375.94	1247.64
	PC Sheet	5302.06	6173.09	3770.37
	Sub Total	**7645.10**	**8549.03**	**5018.01**
4	**Agro Processed Products**			
	Onion & Vegetable Dehydration	1330.84	1427.60	346.95
	Fruit Processing	248.50	2059.79	298.22
	Papain Processing	176.60	180.00	80.84
	Sub Total	**1755.94**	**3487.39**	**726.01**
5	**Hi-Tech Farming & Agri Products**			
	Farm Cultivation & Agro Forestry	59.36	0.00	48.03
	Nursery Cultivation	0.00	0.00	3.90
	WSS & Liquid Fertilizers	28.77	0.00	7.40
	Bio-Pesticides	0.00	0.00	0.00
	Bio-Fertilizers	0.00	0.00	7.07
	Sub Total	**88.13**	**0.00**	**66.40**
6	**Other Manufacturing Activities**			
	Solar Products	155.01	200.00	88.90
	Green House Projects	210.17	170.00	28.73
	Others	2317.61	50.00	18.00
	Sub total	**2682.79**	**420.00**	**117.63**
	Grand total	**29876.02**	**33245.25**	**15561.50**

In case of Hi-Tech Agri Irrigation Products, the period March to June represents peak season both for domestic and export offtake. If Government subsidy procedures are simplified, it will be easy to reach the targets set for 1998-99.

As for Plastic Piping Division, the sales for past 7 months are about 50% of annual estimate. In view of facts that heavy investment has been planned in Irrigation Sector, as also the telecom business has been liberalised, the prospects for this Division have suddenly brightened. We are, therefore, confident to reach the expected volume.

As for Plastic Sheet Division, 2 PC Sheet lines have been sold to an MNC. As such, the export volume should have naturally decreased. However, your management has decided to pursue and concentrate with double the vigour its energies on domestic as well as export efforts. The PVC Sheet business which did not fare well in past 7 months but is now expected to do much better in view of the the depressed international prices of PVC Resin. Together, PVC & PC Plastic Sheet Division will meet its targeted turnover for the year. It is quite possible that it may even exceed the targeted volumes in view of concerted efforts. It is proposed that balance of 2 PC lines will also be sold before March 1999 to a Indian joint venture of MNC. However, the deal has been so structured that despite having received the full price for the equipment, your Company will not lose turnover.

As for the performance of Agro Processed Products Division, the processing season for the dehydration of onions and vegetables has begun in late December, and will continue till October. Normally, the availability of raw onions does not extend beyond June and processing has to be discontinued latest by July. Your Company has, however, created post harvest cold storage facilities to preserve onions which would be bought in June. This way we have extended the processing season by 3 months. It is, therefore, expected that this Division will meet the estimated sales for the year.

However, the banana processing has been currently discontinued because of high raw material prices in the domestic market, and depressed international prices for the finished product. The Mango processing, however, will begin in March and would last till May. It is expected that Banana prices would ease by then. Your Company has added Guava to its fruit processing range, and, the market realisation for Guava are expected to be even higher than Mango. Papain processing business is expected to be steady and reach the volumes for the current year. In totality, however, this Division might fall short of its target, marginally.

Hi-tech Farming and Agri Products Division is still in the formative stage. During past 3 years, the land preparation has been completed. Irrigation facilities have been provided, and, planting of various horticultural trees totaling to about 1,50,000 has been completed. In fact, about 60% of Totapuri variety of Mango has already flowered right in the third year. This has come as a bolt from blue. This Division is wearing a look of an organised, well planned R&D center, for all the agricultural products, including horticulture, agro-forestry and field crops. The Bio-Fertilizers and Pesticides are fast becoming popular for organic farming. This R&D center is attracting the corporate world who are anxious to get into agri business. This is also serving as a model for watershed management and planning. Your Company perceives a great future in this line of business, and is certain that it has created assets of enduring value in this Division.

Other Manufacturing Activities may also show a marginal fall in turnover though not in margins.

The estimates of performance for remaining 5 months of the current year are strictly based on assumption that adequate working capital funds will be available for the purpose of supply of raw materials. The processing facilities are all ready and geared up for higher volumes and tonages.

Re-structuring - Financial

During the course of discussions with major term lending Institutions and Bankers, it was felt that an independent view of a third party will facilitate efforts towards the restructuring the Company finances - both short term and long term. The Company appointed an internationally reputed consultant ,with a mandate to work out the short and long term viability of each Business Divisions of the Company. They have already submitted their report on this aspect. They were further asked to present 2 or 3 strategic options and plans for financial restructuring. They are expected to submit the final report in early March 1999. All possible methods and means are being studied for such an exercise, viz.

a) Reduction / Waiver of compound and penal interest, liquidated damages and other similar charges.
b) Conversion of short term debt into long term.
c) Enhancement and deferment of the loan and interest installments that have become overdue.
d) Equity and Quasi-Equity participation on deferred return / yield basis.
e) Additional funding to bridge the working capital gap, and possible balancing capital investments for enhancing the capacities of the core business lines.
f) Securing the major loans which stand unsecured as on date.

The entire restructuring exercise is being undertaken with a view to minimise the interest service burden, as also infuse much required funds for smooth running and healthy growth of the core businesses. The response from major Financial Institutions and Bankers is encouraging. Your Directors believe that the exercise would be completed by June 1999, and that your Company will be on growth path from beginning of the Company's next financial year i.e. 1999-2000.

Disinvestment

The disinvestment and divestment plans have been executed and are being continuously pursued. An amount of Rs.1225.63 lacs are lying in Escrow Account. It is expected that realisation from two more extrusion lines amounting to over Rs.2150 lacs or so will be added to the said account, during the course of March 1999 itself. The sharing pattern between various lenders, and, the Company's needs for working capital is currently under discussion.

The disinvestment of surplus assets has continued during the year under review. The Company has been able to strike a very good deal for 2 of its PC MW Extrusion Lines with an MNC leader in the business. Simultaneously, the Company has signed an agreement to source its requirements of PC MW sheets from the said MNC, at attractive terms for its second generation subsidiaries based in UK & USA.

The Company is negotiating for sale of 2 more Extrusion Lines with an MNC - Indian PSU Joint Venture. The added advantages of the deal are as follows:

a) Company would be able to source its customers' requirements from acquirer of equipment.
b) The machines would be operated by the Company, and lease rentals for land, building and some equipment would flow into the Company.
c) Company would be reimbursed all expenses incurred for operating equipment.
d) The Company also would lease out additional space to the said acquirer in the process earning further revenues and improving asset productivity.

Re-structuring - Organisational

The Company has separated its manufacturing activities in 6 Divisions. In addition, 4 Service Divisions have been created for provision of efficient infrastructure support for the manufacturing divisions. Each Division has been further sub-divided into Business Units which are headed by senior and competent personnel. The annual revenue and capital budgeting exercise has been undertaken, along with industrial costing and value addition. The internal audit and statistical quality control services are being augmented, for close monitoring of the performance of each Division. The administration has been toned and rightsized. As for the organisational services, HRD, Training and Quality certification are being pursued with added vigour.

In terms of overall corporate functioning, Committees have been formed for collective decision making. The details of financial and organisational performance of the Company are being, for the first time, shared even with the last man on the floor. Your Directors believe that this will ensure involvement at all levels and, also serve the norms of transparency in all aspects of the business.

Subsidiary Companies :

JISL Overseas Limited

During the year under review, the Mauritius-based subsidiary has indulged in some trading activities earning about $ 330,000 of gross revenue and has earned a small profit of $ 356. The second generation subsidiaries in USA & UK have underperformed and have incurred smallish losses. The Company continues to hold its interest in the subsidiaries at the last year's level and more details about the performance are reflected in Annual Report of 1997-98 of the Subsidiary, which is attached with the Annual Report as per requirements of Section 212 of the Companies Act, 1956.

Gowtham Granite Limited

During the year under review, the Subsidiary engaged in granite business has performed steadily, but has not installed nor utilised substantial capacities for the diversification of its activities . The overall sales for the year under review are Rs.594.5 lacs against Rs.538.7 lacs achieved during the previous accounting year with profit after tax of Rs.9.8 lacs against Rs.41.1 lacs in the last accounting year. (Operating Profit Rs.216.03 lacs against Rs.202.16 lacs). Some of the assets including unoperated quarries of the said Company, have been lying idle, and could not be used for production, thereby putting pressure of servicing on the other performing assets. Efforts are being made to lease out quarries for operation to third parties to earn substantial revenues. The year 1998-99 is expected to show a significant improvement in revenues and profitability. The order book is satisfactory.

Jain Processed Foods Limited

The Subsidiary engaged in fruit processing activities has not started commercial production of fruit purees and concentrates during the year under review and extensive trials were continuing. The said Company which has been renamed as Jain Processed Foods Ltd., has incurred an additional expenditure on project of Rs.1200 lacs during the year, taking the total capex to over Rs.5200 lacs to date. The said Company is expected to commence commercial production very soon. As per the undertaking given to Lenders, the responsibility for distribution of products of the said Company rests with your Company. The expected level of revenues in the said Company would be in the region of Rs. 1500 lacs in the current year.

Issue of Shares pursuant to Amalgamation

During the year under review, the Company has fixed record date (July 2, 1998) for exchange of Equity Shares, Cumulative Convertible Preference Shares, as the case may be, of erstwhile Jain Plastics & Chemicals Ltd., Jain Kemira Fertilizers Ltd. and Jain Rahan Biotech Ltd. in consultation with Stock Exchange at Mumbai, and the process of issuing new share certificates has been completed on August 31, 1998 and the necessary formalities related thereto have been completed. Accordingly, the Equity Shares of the Company are now listed at Mumbai, National, Ahmedabad, Pune, Delhi, Calcutta and Madras Stock Exchanges, in addition to the EDRs already listed at Luxembourg Stock Exchange.

National Securities Depositary Limited (NSDL)

In February 1998, the Company signed an agreement with National Securities Depositary Limited (NSDL), Mumbai to enable the Equity Shares of Company being held in electronic form. This measure is expected to save lot of hardships caused to investors generally in physical mode of dealing. Members desirous of opting for this facility should contact one of the Depositary Participants (DP's) of the NSDL.

Fixed Deposits

The Company, during the year under review, has not accepted nor renewed any deposits from public, under the Companies (Acceptance of Deposits) Rules, 1975. As at 30th June 1998, the Company had no fixed deposits which had matured for payment, but not claimed by the depositors. Similarly, the Company had no overdue deposits as on 30th June 1998.

Directors

During the year under review, Shri R.B. Jain expressed his desire to step down as the whole time Director of the Company, and voluntarily resigned from the Board with effect from 1-6-1998. However, the Management has since persuaded him to continue to serve the Company, as a Technical Director (Food & Agri Parks), with effect from 1st February 1999, and as an Additional Director on the Board. The Company has received a proposal from one of the Shareholders to propose appointment of Shri R.B. Jain as Director of the Company, at the ensuing Annual General Meeting. His appointment and remuneration is being placed before the Shareholders in the AGM for consideration

Since the last report of the Directors, ICICI Ltd., Mumbai has withdrawn nomination of Shri P.R. Mahajan from the post of Nominee Director . The said Institution has now nominated Shri Girish Mehta as their Nominee on the Board of the Company. The Directors place on record their deep appreciation of the valuable services provided by Shri P.R. Mahajan, while he was associated with the Company as a Nominee Director. Shri C.P. Mehta and Shri J.J. Kulkarni retire by rotation and, being eligible, offer themselves for re-appointment at the Annual General Meeting.

During the year under review, your Directors have considered it fit to defray urgent medical expenses amounting to Rs. 19.45 lacs, which is subject to the approval of the Shareholders in ensuing AGM. Your Directors recommend in view of his untiring efforts and long association with the Company, the approval of said expenses. Central Government approval shall also be obtained for the expenses.

Auditors

The Auditors, M/s. Dalal & Shah, Chartered Accountants, Mumbai have furnished a Certificate under Section 224 (1B) of the Companies Act, 1956 that the proposed re-appointment, if made, will be in accordance with the said provision of the Companies Act, 1956.

Comments on Auditors Report

With reference to comments of Auditors in their Report, the Board wishes to draw the attention of the Shareholders to Note Nos. 5,9,10,11,13, 25, 28 & 29 referred to by the Auditors which are self-explanatory and need no further explanation, except for note no.13 in respect of diminution in value of Investments, and, note no.28 in respect of defraying medical expenses of a Director which are explained elsewhere in this report.

Particulars of Employees

As per provisions of Section 217 (2A) of the Companies Act, 1956 the details of persons who have drawn salary in excess of Rs.25,000/- per month, during the period under review are attached herewith, as annexure to this Report.

Particulars of Energy Conservation, Technology Absorption, R&D and Foreign Exchange Earnings & Outgo :

As per requirement of Companies Act, 1956, following are the details of energy conservation, technology absorption, R&D expenditure and foreign exchange earnings & outgo:

a) Energy Conservation

The Company continues to use more and more solar energy for its food processing plant and tissue culture laboratory. For disposal of waste generated from the food processing plant as well as agro and green waste, the Company has commissioned a vermiculture project through its subsidiary engaged in fruit processing business. The project not only takes care of disposal of biodegradable waste but, at the same time, produces organic fertilizer which is in demand everywhere and thereby earns revenue.

b) Technology Absorption

The Company has already fully absorbed the technical knowhow obtained from various collaborators in earlier years. However, adaptation of technology and other improvements to suit Indian conditions are being carried out continuously by the Company by way of field trials and R&D.

c) Research & Development

Specific areas in which R&D is carried out by the Company are:

i) Improvement in product quality, based on market feed back, and process efficiency based on quality control reports.

ii) Control and minimisation of waste.

iii) Import substitution wherever possible, and reconditioning of materials and equipment to suit production requirements.