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Jain Irrigation Systems Ltd.
12th Annual Report - 1998-99

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Jain Irrigation Systems Ltd. (1998-99)

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 - Product Development
R.B. Jain	- Director - Technical (Food & Agri Park)
R. Swaminathan	- Director - Technical (Plastic Park)

Non Executive Directors

C.P. Mehta	- Director
Girish S. Mehta	- Director (Nominee of ICICI)
P. Ramakrishnan	- Director
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



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Jain Irrigation Systems Ltd. (1998-99)

DIRECTORS' REPORT

The Directors present the 12th Annual Report of the Company and the Audited Accounts for the year ended 30th June 1999.

Financial Performance:

	Figures in Rs. Lacs	
	1998-99	1997-98
Domestic Sales	15,384.78	20,492.21
Export Sales	9,114.66	9,383.81
Total	24,499.44	29,876.02
Operating Profit	1801.04	3187.78
(Gross Profit before Depreciation, Interest, Tax, Write-offs and Extra-Ordinary Items)	7.40%	10.70%
Amount written off & Provisions	1,782.74	366.65
Interest & Finance Charges	7,950.46	6,812.99
Premium on Redemption of NCD	344.81	-
Provision for Depreciation	1,899.08	1,938.77
Extra-Ordinary Items (Net-income)	4,837.95	-
Loss for the year	5,338.10	5,930.63

The Divisionwise combined Performance of Domestic and Export Sales during the year under view is summarised in brief hereunder :

S.N. Division/Business Unit	1998-99	1997-98	Figures in Rs. Lacs	
			Gain/(Loss)	% Gain/(Loss)
01 Agri Irrigation Products	6785.73	8500.51	(1714.78)	(20)
02 Plastic Piping Systems	8692.75	9203.55	(510.80)	(6)
03 Plastic Sheets	7212.53	7645.10	(432.57)	(6)
04 Agro Processed Products	1317.12	1755.94	(438.82)	(25)
05 Hi-Tech Farming & Agri Products	76.70	88.13	(11.43)	(13)
06 Others (including Trading)	414.61	2682.79	(2268.18)	(85)
Total	24499.44	29876.02	(5376.58)	

It will be observed that domestic sales have gone down by 25% as compared to the previous financial year. Main reason for this is fall in the Turnover of Agri Irrigation Products Division by over Rs.17 Crores i.e. a drop of about 20%. The steep fall in the most important business segment for the Company is a result of inadequate working capital availability, leading to curtailment of production.

The exports registered a marginal fall of about 3% as compared to the previous financial year, mainly on account of sale of 2 Nos. PC lines during the year. The loss of production was partially made up by higher capacity utilization in the remaining Sheet lines.

However, if only manufacturing turnover is considered, then drop is only 10%. Remainder of reduction comes in trading turnover.

Lower operating profits to the extent of Rs.1386.74 lacs, lower by 3.3% over last year's margin, has been mainly due to lower capacity utilisation consequent to inadequate working capital availability. The interest and financial charges for the year have gone up in absolute terms and in percentage terms they are 32%, a very high proportion to the sales turnover. However, the effect of restructuring on interest and finance charges for 1998-99 could be achieved only for last three months of the financial year.

The year, has closed with a loss of Rs. 53.38 Crores. The accumulated loss, therefore, stands at Rs. 126.22 Crores. The Management has undertaken various measures to contain the situation which is given in the following paragraphs.

The operations of associated Companies in the field of Information Technology & Financial Services have not been satisfactory nor there is any likelihood of these Companies recovering major portion of their asset portfolio. Hence, the Company has provided for an amount of Rs.11.95 crores towards diminution in value of investments held by it in various entities. A total of Rs.40.62 lacs have also been written off as not recoverable for claims, mortality of orchards and balances of customers, suppliers and employees.



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Jaip Irrigation Systems Ltd. (1999-98)

Current Year Outlook

After the year has ended, the Company has signed a large export project worth Rs.67 Crores to be completed in 12 months with the Egyptian Government. The L/C is expected to be opened before end January 2000. On successful completion of the project, there are possibility of repeat orders in the coming years.

In the Plastic Piping Systems Division and in the Agri Irrigation Products Division, the raw material prices have softened in last 2 months by 20%, thus reducing the squeeze on margins.

Working very closely with the Government of Maharashtra, the Company hopes to get Rs. 65 Crores of additional subsidy released in the current year whereby the business in Agri Irrigation Products Division will get a quantum boost. In the Agro Processed Products Division, the Onion & Vegetable Dehydration Plant has commenced production in the current season in time and the raw material prices are also at a satisfactory level. Thus the Company hopes to achieve good capacity utilisation during the current year in these plants. The market response and order book position continues to be satisfactory.

In the Fruit Processing Plant of the subsidiary, an Indian multinational Company has approved sample of Company's product and large orders are likely to follow from the said Company. The said subsidiary is in a good position to produce Banana Puree at low prices of raw materials and has more than satisfactory market demand.

The proposed sale of balance 2 PC lines before March 1999 has not still materialised but negotiations are on and expected to be completed before June 2000.

Once entire restructuring is implemented, Company expects to improve its operations substantially with the help of additional working capital which is expected to be released under the package. Company's businesses continue to grow at healthy rates and demand is increasing at constant rates. Your Company is fully ready on production and marketing side to turnaround within 12 months of working as soon as finance becomes available.

Debt Restructuring Scheme to improve long term viability :

The Company had submitted proposal to all the Financial Institutions and Banks for restructuring of existing debts based upon report from M/s. KPMG India Ltd., International management consultants, to improve the long term viability. The company's request has since been in-principle approved by the majority of lenders. The details of the Scheme are mentioned in the Note No.1 to the Accounts and the Highlights of the same are as under :

1. The cut off date for the implementation of the Scheme is 01.04.1999
2. Penal interest, Compound interest and Liquidated damages are to be waived.
3. 15% of the aggregate exposure of Term Loans to be waived by the Institutions opting for 10 year Scheme.
4. The balance in Term Loans and Working Capital Term Loans after the above waiver is to be restructured as on the cut off date as under :
 - 2.00 % in OFCD to be converted into Equity shares at par
 - 35.00% in Preference Shares with 4% Coupon rate
 - 63% in NCD/RTL/WCTL with 10 / 11 / 12% interest cost
5. The existing Subscribed and Paid-up Equity Share Capital of the company will be written down by 50% of its existing levels of Rs.20.24 Crores.
6. The Promoters will bring in Rs.18 Crores as their share of contribution for the restructuring scheme.
7. Additional release of working capital to match expected growth in sales.


Practically, the Institutions & Banks have two options of 10 Years' Scheme or 15 Years' Scheme. However, both the schemes are cash flow neutral and pari passu in respect of amounts involved. The difference being in the treatment of amounts to be waived. Lead Institution has already implemented the restructuring proposal by sanctioning the scheme and converting their respective amounts into various instruments as per the scheme. The Company has given effect of restructuring in the audited accounts for the year ended 30th June 1999. However, final adjustments if any are expected to be made during the current year. All the lenders are expected to give sanction letter and implement the scheme latest by March 2000.

Once implemented, the scheme will give the Company much needed relief in cost of funds and additional working capital to enable the Company to start earning profits so as to start repayments of loans as well as improve Companies position for benefit of all Stockholders.

Subsidiary Companies:

JISL Overseas Limited.

During the year under review, the Mauritius-based subsidiary achieved a turnover of \$325,496 and a loss of \$126,188. This was mainly due to market development efforts in new markets. The Company continues to hold its interest in the subsidiary at the last year's level. The detailed



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performance of the subsidiary is reflected in the Annual Report of JISL Overseas Limited which forms part of this Annual Report as per requirements of the Companies Act, 1956.

Jain Processed Foods Limited.

This subsidiary which is engaged in fruit processing business has started commercial production only on 1st November 1998 and has operated plant for about 8 months upto June 1999. This Company has achieved a turnover of Rs. 3.17 Crores during the year under review. As per the undertaking given to the lenders, the responsibility for distribution of products of the said subsidiary rests with your Company. The said Company could not operate its plants at full capacity due to paucity of working capital funds. However, its products now have stabilized and are getting increasing acceptance in international markets.

Gowtham Granites Limited.

During the year under review, this subsidiary engaged in Granite business has performed unsatisfactorily. The Company achieved a turnover of Rs. 1.32 Crores. The subsidiary is in a business which is facing grave risk of sickness all over the world. Approximately 85% of the units in India have been reportedly closed down as the fall in international prices and tough competition from other countries has made exports from India unviable. Efforts to sell the stake of Company in the said unit are on. Company is also talking to its lenders for restructuring of the debt.

Central Depository Services Limited.

The Company has signed an Agreement with Central Depository Services Limited, Mumbai to enable the Equity Shares of the Company being held in electronic form with a second depository. This Depository is promoted by the Bombay Stock Exchange.

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 1999, 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 1999.

Directors :

Shri R. Swaminathan, Director Technical (Plastic Park), Shri P. Ramakrishnan and Dr. P.V. Sane retire by rotation and, being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

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 provisions 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. 1, 4(b), 5, 11 and 17 referred to by the Auditors which are self-explanatory and need no further explanation.

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.50,000/- 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 :

- Energy Conservation :** Many of the process steps have been modified and re-organised so as to reduce the energy consumption. In the Dehydration plant, trials have been conducted and a particular Drier has been found to be more energy efficient.
- 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 product development.
- Research & Development :** Product development and improvement in technology already absorbed is a continuous process and the R&D Department is constantly introducing improvements to the product to enhance product value and product use to the customers. As a part of R&D, close contact is maintained with bulk users and efforts are carried out jointly to improve the product quality and features. The Company plans to achieve various levels of ISO Certification for all its plants in the next 2 to 3 years.



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d) Expenditure of R&D :		
i) Capital Expenditure	Rs. 74.16 Lacs	
ii) Revenue Expenditure	Rs. 23.86 Lacs	
Total Expenditure	Rs. 98.02 Lacs	
iii) Total R&D Expenditure as a percentage of turnover	0.4%	
	1998-99	1997-98
	Rupees	Rupees
e) Earnings		
FOB Value of Exports	838,923,930	763,930,333
Receipts on account of sale of 2 PC Lines	221,287,500	
Other Income (Interest)	2,129	3,450
Total Earnings	1,060,213,559	763,933,783
f) Expenditure in Foreign Currency (on accrual basis)		
Raw Materials, Components and Stores & Spares	227,617,441	379,879,064
Capital Goods	3,317,698	72,808,543
Sub Total	230,935,139	452,687,607
Export Bills Discounting Charges	2,714,811	8,795,551
Travelling Expenses	2,538,911	7,418,627
Export Promotion Expenses	361,419	6,507,060
Commission	43,858	3,187,697
Legal Charges & Professional Fees	349,510	172,589
Royalty		42,104
Others	5,290,819	299,675
Sub Total	11,299,328	26,423,303
Total	242,234,467	479,110,910

Acknowledgement

The Directors take this opportunity to place on record their appreciation of wholehearted support received from the various departments of Central and State Governments, Financial Institutions, Bankers, the Dealers and Suppliers of the Company. The Directors wish to place on record their sense of appreciation for the devoted services of all associates of the Company.

By Order of Board

Date : January 10th, 2000

Place : Jalgaon

B.H. Jain

Chairman

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ANNEXURE OF DIRECTORS REPORT

Statement of Particulars of Employees pursuant to the Previous of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended upto date.

Sr. No.	Name of the Employee	Total Experience (Years)	Designation	Remuneration Gross (Rs.)	Qualification	Commencement of Employment with Company	Particulars of Last Employment	Last Post	Employer	No. of Years (Previous Employment)
1	2	3	4	5	6	7	8	9	10	11
(A) Full Year										
1	Algaonkar Arun Shrinivas	38 years	Director Corporate Affairs	568,695.00**	B.Com.	18.07.78	Service	T&E Retail Shift IIC	Esso Standard Eastern India	10 Years
2	Jain Ashok Bhavarlal	16 years	Vice Chairman	639,835.00	B.Com.	12.01.87			Own Business	4 years
3	Jain Anil Bhavarlal	14 years	Managing Director	639,835.00	B.Com. LLB	12.01.87			Own Business	2 years
4	Jain Ajit Bhavarlal	14 years	Jt. Managing Director	639,835.00	B.E.	11.01.85				
5	Jain Abhay Kantilal	10 years	President Mktg. (MS)	563,469.00**	B.Com.	01.01.88				
6	Jain Charitrakumar V.	24 years	Sr.Vice President	564,484.00**	B.E. (Hon.) Mech.	24.05.94	Service	Asst.General Manager	Subhash Mktg & Project, Calcutta	1 years
7	Jain Rajnikant Birdichand	21 years	Director Technical Food & Agri Park		618,611.00	I.I.T. B.Tech	01.02.89			
8	Karariya Anilkumar Fatechand	13 years	President Mktg (O.S.)	606,079.00	B.E. (Electro)	09.09.89	Business		Own Business	05 years
9	Oswal Giridharlal R.	34 years	Member, Advisory Committee	567,476.00**	B.E. (Mech)	18.01.78	Service	Lecturer	Govt. Polytech, Jalgaon	08 years

* Increase of these persons of employment is/was contractual in nature

** Have drawn remuneration of more than Rs. 50,000 P.M. only for part of the year 1988-89.

1) Shri. Ashok B. Jain, Shri. Anil B. Jain and Shri. Ajit B. Jain are related to each other as brother and to Shri. B.H. Jain as sons later.

2) Remuneration includes perquisites also.



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Jain Irrigation Systems Ltd, (1998-99)

AUDITORS' REPORT

Jain Irrigation Systems Limited

Report of the Auditors to the Members

We have audited the attached Balance Sheet of Jain Irrigation Systems Limited as at 30th June, 1999 and also the annexed Profit and Loss Account of the Company for the year ended on that date, and report as under: -

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order;
2. Further to our comments in the Annexure referred to in paragraph 1 above, we have to report that: -

Note No. 1: For improving the long-term viability, the company had submitted proposal to all the Financial Institutions and Banks for restructuring of existing debts. The company's request has since been in-principle approved by the majority of lenders. Pending final approval and formalities, the effect of waiver of interest and loan amounts under the Debt Restructuring Scheme has been given in the annexed accounts as under:

- (a) credits for reliefs and concessions aggregating to Rs. 5353.27 Lacs in respect of waiver of interest and Loans outstanding (Note 1 A).
- (b) non provision of interest payable on unsecured loans, till 30-6-1999 aggregating to Rs. 308.67 Lacs (for the year Rs.108.82 Lacs) resulting into the loss for the year being lower by Rs. 108.82 Lacs and accumulated loss at the close of the year carried forward in Balance Sheet as at 30th June, 1999 being lower by Rs.308.67 Lacs (Note 1 E).
- (c) non-provision of commission payable in respect of Export Sales made till 30-6-1999 as the amount of such commission, pending negotiations is not yet finalised (Note 1 H).
- (d) change in the practice of amortisation of Sales Promotion expenses over a period of 10 years as against the past practice of amortising in five years resulting in
 - the write back of excess amount of Rs. 198.86 Lacs amortised during the years 1992-93 to 1995-96;
 - Lower amortisation for the year 1996-97 and 1997-98 as prior period adjustments by Rs. 262.13 Lacs, and;
 - Lower charge to profit and loss account for the year ended 30-6-1999 by Rs. 66.16 Lacs;
 - and loss for the year being lower by Rs. 66.16 Lacs and carried forward of accumulated losses at the close of the year being lower by Rs.527.15 Lacs (Note NO. 11).

Note 5 & 4 (b) - relating to non accruing of interest income of Rs.578.71 Lacs for the year 1998-99 for the reason stated in the note, resulting in loss for the year and carried forward of accumulated losses at the close of the year being lower by Rs.578.71lacs.

Note No. 11 - relating to pending reconciliation of balances of various lenders, Certain Bank Accounts, Sundry Debtors, Sundry Creditors, Loans and advances and deposits and its effect, if any, on Revenue, as detailed in the note, are as disclosed by the Books of Account.

Note No. 17 - relating to non-redemption of Preference Shares as required by Section 80 of the Companies Act, 1956.

Subject to above refereed observations, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

In our opinion proper Books of Account as required by law have been kept by the Company so far as appears from our examination of the Books the Company;

The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account of the Company;

The Balance Sheet and Profit and Loss Account comply with Accounting Standards referred to in Sub-section (3 C) of Section 211 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the Accounts, read together with other notes thereon, give the information required by the Companies Act, 1956. in the manner so required and present a true and fair view: -

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 1999 and
- (b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For and on behalf of **DALAL & SHAH**
Chartered Accountants

Shishir Dalal
Partner

Mumbai: January 08th, 2000.



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Jain Irrigation Systems Ltd. (1998-99)**Annexure Referred To In Paragraph 1 Of Auditors' Report To The Members Of Jain Irrigation Systems Limited On The Accounts For The Year Ended 30th June, 1999.**

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that:

1. As explained the Company has carried out physical verification of fixed assets during the year.. According to the information and explanations given to us no material discrepancies have been noticed in respect of the assets verified as compared to book records. Based on such verification asset register maintained by the Company with respect to quantitative details and situation of fixed assets have been updated;
2. None of the fixed assets have been revalued during the year;
3. The stocks of finished goods raw materials have been physically verified (except those lying with Central Warehousing Corporation and in transit which have, been confirmed by the party) during the year. As explained the stock of stores and spare parts has been physically verified during the period from 25-11-1999 to 31-12-1999 and based on this physical verification stocks of stores and spare parts as at the close of the year has been derived and updated;
4. As explained to us, the procedure of physical verification of the stocks referred to in (3) above followed by the management are, in our opinion reasonable and adequate in relation to the size of the Company and nature of its business;
5. According to the records produced to us for our verification there were no material discrepancies noticed on physical verification of stocks referred to in (3) above, as compared to book records, and the same have been properly dealt with in the books of accounts. Further, inventory records have been updated based on physical verification carried out as referred in (3) above;
6. We have examined the stock verification records produced to us by the Company. On the basis of such examination and verification and after considering the accounting treatment of excise duty referred to in Note No. 9 in Schedule 23 of Notes to the Accounts and method of valuation with respect to valuation of stock-in-process and finished goods as mentioned in item No.11 of the Part A of the Notes to the Accounts relating to the Significant Accounting Policies, followed by the Company. The basis of valuation of Stocks-in-process and finished goods is the same as in the preceding year and we are satisfied that valuation of stocks is fair and proper in accordance with the normally accepted accounting principal and is in the same basis as in the preceding year;
7. The Company has not taken loans, secured or unsecured, from parties listed in the register maintained under Section 301 of the Companies Act, 1956. As explained to us, there are no companies under the same management within the meaning of Section 370 (1-B) of the Companies Act, 1956;
8. Unsecured loans have been granted by the Company in earlier years, to the companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie, not prejudicial to the interest of the Company. As explained to us there are no companies under the same management within the meaning of section 370 (1-B) of the Companies Act 1956;
9. In respect of Loans and Advances in the nature of loans given by the Company, we have to state as under:
 - (a) Loans to subsidiaries maintained in the form of current account:
 - (i) Gowtham Granites Ltd.-Wholly Owned subsidiary:
The sum of Rs.1069.13 Lacs (inclusive of interest) were outstanding at the beginning of the year. During the year the company has further advanced Rs. 630.39 Lacs (including interest for the year Rs. 226.33 Lacs.) During the year Rs. 87.64.lacs were received back. Balance outstanding at the close of the year is Rs. 1611.88.lacs (inclusive of interest)
 - (ii) Jain Processed Foods Ltd. (Promoted by JISL)
The sums of Rs.4329.65 Lacs (inclusive of interest) were outstanding at the beginning of the year. During the year the company has further advanced Rs. 2190.71 Lacs (including interest for the year Rs. 855.91 Lacs). During the year Rs. 451.00 Lacs were received back. Balance outstanding at the closed of the year is Rs.6069.36 Lacs (inclusive of interest). As explained, the Jain Processed Foods Limited has pledged its assets as security for the Loans provided by the Banks to Jain Irrigation Systems Ltd. These loans are given under an arrangement with the bankers.
 - (iii) JSIL Overseas Ltd.- wholly owned subsidiary
The sum of Rs.10.44 Lacs (including Rs. 1.63 Lacs given during the year) were outstanding as on 30-6-1999 as unsecured loans given to JSIL Overseas Ltd. subsidiary Company. These amounts were advanced as interest free unsecured loans payable on demand, against which nothing was demanded and received during the year.