

A SMALL DROP OF WATER CAN MAKE A
MIGHTY REVOLUTION



JAIN

Jain Irrigation Systems Ltd.

13th Annual Report - 1999-2000

WORKING FOR AGRICULTURE (SINCE 1979)

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
M.V. Phadke	- Director (Nominee of IDBI)
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

Dalai & 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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CORPORATE PHILOSOPHY



Mission:

Leave this world better than you found it.

Vision:

We shall establish leadership in whatever we do at home & abroad.

Credo:

Serving & striving through strain & stress; doing your noblest, that's success.

Goal:

To produce quality goods at optimum cost and market the same at reasonable price so as to achieve total customer satisfaction, fair return for all other stakeholders and continued growth for the Corporation through sustained innovations.

Guiding Principle:

In order to achieve the goal, we shall work hard, manage men, material and money in an integrated, efficient and economic manner keeping in view that social responsibility and environmental concerns are equally relevant.

Work Culture:

Work is life.

**DIRECTORS' REPORT**

The Directors present the 13th Annual Report of the Company and the Audited Accounts for the period ended 31st March 2000.

Financial Performance:

	(Figs in Rs. lacs)	
	1999-00 (9 months)	1998-99 (12 months)
Domestic Sales	9,525.26	15,575.82
Export Sales	4,821.67	8,923.82
Total	14,346.93	24499.44
Operating Profit	1,390.34	1801.04
(Gross Profit before Depreciation, Interest & Tax)		
Interest & Finance Charges	3,127.98	8,295.28
Extraordinary items write back	131.03	4837.95
Amounts written off and provisions	464.21	1,782.74
Provision for Depreciation	1,373.33	1899.08
Provision for Tax	—	—
Profit / (Loss) after Tax	(3,444.15)	(5338.11)

All the percentage comparison in following paragraphs are worked out on annualised basis as the two accounting periods are not comparable.

Change in Accounting Year:

The Directors have changed the accounting year of the Company to end on March 31, every year to coincide with the Previous Year under the Income Tax Act, 1961 and rules made thereunder. Hence the operations are for 9 month period ending 31st March 2000.

Operations:

Your Company continues to reflect the downturn due to inadequate working capital availability for the third successive year. During the period under review the Company could achieve a turnover of Rs.14,346.93 lacs and the sales have gone down by about 22% on annualised basis, Domestic sales have gone down by 18% whereas the Export sales have gone down by almost 28%.

Other income has shown an increase of almost 64% as compared to last year in view of recoupment of excess bill discounting charges recovered by bank(s) in earlier years.

The operating margin has improved by almost 2.3% points, mainly on account of substantial fall in selling and distribution expenses and marginal fall in administration and other expenses.

After providing for write offs of Rs. 464 lacs (Previous Years Rs. 1,783 lacs), the interest and finance charges have as expected dropped by almost 50% to Rs. 3,127.98 lacs. The Company has provided for depreciation of Rs. 1,373.33 lacs as against, extra ordinary items contributing income of Rs. 13103 lacs. The prior period adjustments relate to effect of debt restructuring scheme, which is effective from 1st April, 1999. Thus after all these adjustments the loss reported is lower by almost 14% on annualised basis.

A transfer from investment allowance reserve (utilised) to general reserve and, as a result from general reserve to the profit and loss account of equivalent amount, leaves the accumulated losses at a level of Rs. 16,398.81 lacs.

The major reason for the loss has been inadequate availability of working capital funds and consequent lower capacity utilisation. Before the year end only one Bank had sanctioned and implemented the restructuring scheme.

The Divisionwise performance of each of the Divisions during the period under review is as follows:

Srl Division/Business Unit	1999-00 (9 Months)	1998-99 (12 Months)	(Rs. In lacs)	
			Change* [+]/[-]	%Change
1 Hi-Tech Agri Irrigation Products	5,095	6,786	6	0%
2 Plastic Piping Systems	4,782	8,472	(1,572)	-25%
3 Plastic Sheet	2,420	7,213	(2,989)	-55%
4 Agro Processed Products	1,445	1,002	693	92%
5 Other Manufacturing Activities	326	583	(112)	-26%
6 Trading activities	279	444	(54)	-16%
Grand Total	14,347	24,499	(4,028)	-22%

* Annualised



Agri Irrigation Products: Within the domestic business the Agri Irrigation Products division has been quite steady showing a marginal fall of Q.4% only. This division could have done better with availability of adequate working capital as the business is working capital intensive. This division has received ISO 9001 certification during the period under review.

Plastic & PE Piping Systems: The plastic piping systems have reported fall of about 22% which has contributed the majority of downfall in the domestic business. The steep fall in volume based business of plastic piping systems was mainly due to inadequacy of working capital funds leading to curtailment in production. This division has also achieved ISO 9001 certification during the period under review.

PVC & PC Sheet Products: The major fall in the exports is mainly on account of drop 61% in PC Sheets product of the division. There are two reasons for fall of 55% in the divisional turnover as compared to earlier year. First reason being non-availability of raw material for best part of the year, although the demand for Company's product was more than adequate. The shortage of raw material is worldwide phenomenon which continues in the current year also. The second reason for fall in PC business was sale of two PC machines in 1998 which reduced manufacturing capacity.

Dehydrated Products : Dehydrated Onion products have reported a marginal fall in turnover of 5%. The division has received ISO 9001 certification during the year and has also received Hazard Analysis and Critical Control Point (HACCP) and Good Manufacturing Practice (GMP) certifications, crucial and necessary for food processing sector, during the period under review.

Fruit Products : The steep fall in exports of sheet product was to an extent compensated by improved performance of the fruit processing division (subsidiary's). Since as per undertaking given to the lenders all processed fruit products produced by the subsidiary's plant are sold through the Company, this segment has shown a jump of almost 2.3 times over earlier year. In fact the 9 month period was the part of first full season for the plant since it commenced commercial production in November 1998.

Non-significant manufacturing businesses: Other non-significant businesses have also reflected buoyant trend showing an improvement of about 1.9 times over corresponding previous year. Notable improvement is shown by the Tissue culture and Solar water heaters segments in this division.

Since the Company has indulged in some trading activities in absence of adequate working capital this segment has reported 16% fall in the current year as compared to previous year.

Missed opportunities and their impact:

As reported last year the project in Egypt is delayed for execution due to local political issues in the said country, however, Company has found new business in the middle east Asian country and, supplies have already started during the period under review. These sales are guaranteed / funded by global multinational agencies.

The sale of two Polycarbonate lines reported as likely last year has been stalled due to change in management at the multinational Company with whom negotiations had been going on. However, the Company has represented to the decision makers about the issue and, final decision is likely to be taken before December 2000.

Restructuring Scheme implementation:

Till date approximately 96% of the term lending institutions and 60% of the Bankers have sanctioned and implemented the restructuring scheme approved in principle earlier. The balance of term lenders and rest of Bankers are expected to sanction and implement the scheme during the next month or two.

Current year Outlook:

The Directors give following indicative statements for business in significant divisions of the Company.

Agri Irrigation Products : As informed in the last report the Government of Maharashtra has agreed to release the subsidy of Rs. 6500 lacs and, the process to disburse the same shall start from October 2000 onwards. However, in the meantime, old dues of subsidy have been released by the Govt. bringing much needed relief to the Company for continuation of business. The current year demand is expected to pick up from the next month with release of subsidy by the Govt., this division is well placed to reap the benefits of available business situation. However, raw material prices are on an upward trend moving in tandem with international crude oil prices. The sprinkler business provides hopes for improving the turnover and profitability as well.

Plastic Piping Systems : The Company has developed a new market and new product. For the first time in the history of Company plastic pipes (specially PVC) have been exported to North America. The Company has developed a new eco-friendly PVC Pipe for customers based in North America, if product is accepted well in the distribution market, few regular orders could follow and this would be a good business for the Company. The demand for Company's products is steadily improving and, new markets are being added regularly, specially in the export sector. However, raw material prices have been following the international crude prices on an upward spiral and are the cause of concern.

PE Pipe Segment : This segment has shown a temporary inactivity during the period under review but has bounced back in the current year with demand being driven by Telecom Sector, which is huge and growing at a very fast rate. The Company's products have also been accepted for critical Gas Distribution application, and this market segment is likely to gather momentum in the coming years. However, raw material prices which are on a rising curve might prove to be a disadvantage, except in price inelastic sectors.

Sheet Products : PVC Sheet division has developed new products for the North American market and the realisation from the product has shown improvement. The Company has also introduced an eco-friendly sheet product for the developed countries. The division is already ISO 9002 certified, and would also benefit from the currency depreciation as export constitute more than 80% of the business of this division.

The orders for PC Sheet products exceed the supply at present. On a worldwide basis, there is a shortage of Polycarbonate raw material. This is coupled



with rising prices of the raw material, hold out dim prospects of the business in this segment. The only silver lining appears to be the currency depreciation, however, this benefit will accrue only if business grows (depending on raw material supplies) in the current year. Based upon current commitments given by suppliers, Company can process upto 30% of its capacity.

Dehydrated Products : This division has faced depressed prices in the current year for dehydrated Onion products. The Company's efforts on research of various seeds have helped in identification of a high yielding variety suitable for Indian growing conditions. Use of this variety could result in straight addition to the bottomline, and would also result in higher capacity utilisation in the current year. The depreciation of Indian currency is likely to help the Company in competing with International suppliers in hard currency markets.

Fruit products : As reported last year supply of fruit products to an Indian arm of multinational company has commenced on a regular basis. Another Indian arm of multinational company has audited subsidiary Company's manufacturing plant for a venture in the fruit juice market. The mango season has been very short during the current year, however, product movement is quite satisfactory. The subsidiary Company has already completed trials of pomegranate, and hopes to commence trials on grape during the current season. Thus, two new product lines could be added to the Company's product line if found commercially viable.

Non-significant manufacturing businesses : Tissue culture plants are finding increased acceptance, specially for growing banana and this market is likely to generate substantial revenues in the current year.

The solar products are also being relaunched with price advantage, and finance schemes (from a leading consumer finance company) to reach the potential marginal buyers.

Other significant developments

The Company has received sanction after the end of the period under review, and some more are in pipeline for sales tax incentives of substantial amounts spread over next 8 to 10 years. The cash thus saved could be very useful to the Company, to tide over the current situation.

HRD : The Company has regularly conducted training programs for its associates at all levels. Thus programmes for over 20,000 man hours covering approximately 3,800 associates have been conducted during the period under review. The training programs covered various topics on quality certifications, management practices, computer awareness, energy conservation, maintenance program, etc.

PROFITABILITY

Although interest has been brought down substantially, the Company still faces problem of working capital funds, as the incremental working capital funds disbursement has reached figures of approximately only 43% of the sanctioned limits for 2000-01. The management would like to reiterate its resolve of turnaround situation within a period of 12 months from date when over 95% of incremental working capital funds are released to the Company.

Subsidiary Companies

During the year under review, the Mauritius-based subsidiary has indulged in some trading activities earning about \$ 325,496 of gross revenue and has incurred loss of \$126,188. 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 1998-1999 of the subsidiary which is attached with the Annual Report as per requirements of Section 212 of the Companies Act, 1956.

During the year under review, the subsidiary engaged in granite business has performed badly and has been reported as sick company under the provisions of the Sick Industrial Companies (Special Provisions) Act 1985. The company is negotiating with the lenders for a gradual sale of assets and repayment of loans. The scheme in consultation with the BIFR appointed operating agency shall be prepared during the course of year.

The subsidiary engaged in fruit processing activities has been commented upon, in terms of its operations already in foregoing part of the report. It is significant to note that the said subsidiary has also eroded its net worth and necessary action shall be initiated as per the provisions of law bring here in due course of time prescribed for potentially sick companies. However, during the current year the restructuring of its finances would take shape, and strategy would be formulated thereafter in consultation with a specialist banker in area of agricultural finance, entrusted with the task.

Dematerialisation of Equity Shares

During the period under review, the Company has been included in the compulsory demat settlement group by SEBI w.e.f. 8-05-2000. The Company had earlier in the year signed an agreement with Central Depository Services Limited. Accordingly the equity shares of the Company are now traded in demat form under National Securities Depository Limited, and Central Depository Services Limited in all the exchanges affiliated to the two depository companies.

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 31st March 2000, the Company had three fixed deposits which had matured for payment, but not claimed by the depositors, involving an amount of Rs. 6.51 lacs. However, the Company had no overdue deposits as on 31st March 2000.

Directors

Shri C.P. Mehta, Shri A.S. Ajgaonkar, Director and Shri J.J. Kulkarni retire by rotation and, being eligible, offer themselves for re-appointment at the 13th Annual General Meeting. The Directors have at a meeting held on 29th August 2000 co-opted Mr. M.V. Phadke as Director, nominee of IDBI Limited. Mr. Phadke is not liable to retire by rotation as per terms of appointment of nominee and the Articles of Association of the Company.

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 in 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, 1A (k), 1L, 1K, 1L, 4, 6, 9(a), 10(a), 12, 13, 16, 18, 23, referred to by the Auditors which are self-explanatory. As far as the compliance of Accounting Standards (specially AS2) is concerned, the Company being a multi product, multi location and diversified one in the nature of its business, would need some more time to comply with the same and concerted efforts are being made this year to follow the standard on valuation of inventories.

Particulars of Employees

As per provisions of Section 217 (2A) of the Companies Act, 1956 the details of persons who have drawn remuneration 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 :**[a] Energy Conservation**

The process of extrusion requires cooling water media for sizing of the processed plastic product. Significant level of electrical energy is consumed by chilling plants, which has been saved by use of cooling towers instead. It is observed that 20% saving is generated in this manner in PVC pipes, PC sheets, Plastic moulding plant.

In PVC pipe plant the number of capacitors have been increased to improve Power Factor, with substantial savings in energy bills.

The pre heating of process is done by using flash steam in dehydration unit. Thereby saving substantial quantities of furnace oil and also improvement in quality of dehydrated product. Similarly, a new gravity separator is introduced after drying stage, which would reduce the need for power intensive milling process substantially, thus saving energy.

Energy consumption has also been reduced in fruit processing plant of subsidiary (JPFL) by increasing the capacitors to improve power factor, and, by streamlining the production runs to minimize the idle duration and increase in length of continuous process runs.

[b] Technology Absorption

The Company has already fully absorbed the technical know how obtained from various collaborators in earlier years. However, adaptation of technology and improvement in product quality in Indian conditions are a continuous process and are carried out by company regularly thru field trials and experiments.

[c] R & D :

(i) Product development and improvement in technology already absorbed is a continuous process and is carried out by the Company thru contact with major customers and introducing new features and product value.

(ii) The Company has received ISO 9001 certification for following units during the year:

PVC pipes, fittings and Casing pipes, screens etc. March 3rd, 2000.

Polytubes and Sprinkler pipes March 3rd, 2000.

Dehydrated products May 19th, 2000.

The Dehydration division of the Company has also received Hazard Analysis and Critical Control Point (HACCP) which is must for food processing industries on 19th May, 2000.

(iii) Expenditure

Capital Expenditure	2,368,981
Revenue Expenditure	83,596
Total	24,53,000
R & D expenditure as a percentage of the Turnover	0.17%

[d] Foreign Exchange Earnings & Outgo :**C.I.F. Value of Imports, Expenditure and Earnings in Foreign Currency :**

	1999-00 Amount Rs.	1998-99 Amount Rs.
[a] C.I.F. Value of Imports :		
Raw Materials, Components and Stores and Spares	104,287,451	227,617,441
Capital Goods	-	3,317,698
	104,287,451	230,935,139

**(b) Expenditure in Foreign Currency (on accrual basis)**

Export Bills Discounting /Foreign Bank Charges	74,48,430	2,714,811
Traveling Expenses	1,698,939	2,538,911
Export Market Development Expenses	374,270	361,419
Commission	118,493	43,858
Legal Charges and Professional Fees	-	349,510
Others	125,345	5,290,819
	9,765,477	11,299,328

(c) Earnings in Foreign Currency

FOB Value of Exports	379,769,454	838,923,930
Receipts on account of Sale of Plant & Machinery.	-	221,287,500
Other Income [Interest]	-	2,129
	379,769,454	1,060,213,559

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 Country. 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 : 30th August 2000.

Place : Jalgaon

B.H. Jain

Chairman



ANNEXURE OF DIRECTORS' REPORT

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

Sr. No.	Name of the Employees	Total Experience (Year)	Designation	Remuneration Gross (Rs.)	Qualification	Commencement of Employment with Company	Particular of last Employment	Last Post	Employer	No. of Years (Previous Employment)	Covered Under 50,000/ Category w.e.f.
1	2	3	4	5	6	7	8	9	10	11	
A) Full Year											
1	Jain Ashok Bhavarlal	17 Years	Vice Chairman	4,94,085.00	B.Com	12.01.87	-	-	Own Business	10 Years	-
2	Jain Anil Bhavarlal	15 Years	Managing Director	4,94,085.00	B.Com, LLB	12.01.87	-	-	Own Business	8 Years	-
3	Jain Ajit Bhavarlal	15 Years	Jt. Managing Director	5,40,586.00	B.E.	11.01.85	-	-	Own Business	4 Years	-
4	Jain Abhay Kantilal	11 Years	President Mktg. (MS)	4,80,090.00	B.Com.	01.01.88	-	-	Own Business	2 Years	-
5	Jain Charitrakumar V.	25 Years	Sr. Vice President	4,61,058.00	B.E.(Hon.) Mech	24.05.94	Service	Asst. General Manager Calcutta	Subhash Mktg. & Project	1 Year	-
6	Katariya Anilkumar Fatechand	14 Years	President Mktg. (D.S.)	5,00,642.00	B.E. (Electro)	09.09.89	Business	-	Own Business	05 Years	-
B) Part of the year											
1	Ajgaonkar Arunkumar Shreekrishna *	39 Years	Director Corporate Affairs	4,99,768.00	B.Com.	18.01.78	Service	T&E Retail Shift I/C	Esso Standard Eastern India	10 Years	01.03.2000
2	Jain Rajanikant Birdichand *	22 Years	Director Technical (Food/ Agri. Park	4,54,085.00	I.I.T.B Tech.	01.02.99	-	-	-	-	01.03.2000
3	Kulkarni Jayprakash J. *	34 Years	Director (Product Devp.)	4,52,242.00	LME	04.01.89	Business	-	Business	03 Years	01.01.2000
4	R.Swaminathan *	27 Years	Director Technical (Plastic Park)	4,38,742.00	B.Tech (Chem.)	15.06.82	Service	Plant Manager	Flavours & Essance (P) Ltd. Mysore	2.5 Years	01.01.2000

* Have drawn remuneration of more than Rs. 50,000 P.M. only for part of the period 1999-2000.

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 father.

2) Remuneration includes perquisites also.