



N A T U R E D E L A Y S , B U T N E V E R D E N I E S .

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JAIN IRRIGATION SYSTEMS LTD., JALGAON.

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Girish S. Mehta	- Director (Nominee of ICICI) (withdrawn w.e.f. 15.04.01)
P. Ramakrishnan	- Director
M.V. Phadke	- Director (Nominee of IDBI) (withdrawn w.e.f. 30.03.01)
Dr. P.V. Sane	- Director
Mr. C. V. Ramani	- Director (Nominee of IDBI w.e.f. 30.03.01)
Mr. Arun G. Joshi	- Director (Nominee of UTI w.e.f. 30.01.01)

Principal Bankers

Bank of Baroda, Jalgaon.
 Centurian 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 and Sendhwa
 The Hongkong & Shanghai Banking Corporation 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

Chapin Watermatics Inc., USA - Sub-soil Tubing



JAIN IRRIGATION SYSTEMS LTD., JALGAON.

CORPORATE PHILOSOPHY



Mission:

Leave this world better than you found it.

Vision:

Establish leadership in whatever we do at home & abroad.

Credo:

Serve & strive through strain & stress; your noblest, that's success.

Goal:

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:

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.



JAIN IRRIGATION SYSTEMS LTD., JALGAON.

DIRECTORS' REPORT

The Directors present the 14th Annual Report of the Company and the Audited Accounts for the year ended 31st March 2001.

Financial Performance:

	(Figs in Rs. lacs)	
	2000-01 (12 months)	1999-00 (9 months)
Domestic Sales	25,336.50	9,525.26
Export Sales	8,058.90	4,821.67
Total	33,395.40	14,346.93
Operating Profit	4,970.57	1,390.34
(Gross Profit before Depreciation, write-off's, Interest & Tax)		
Interest & Finance Charges	4,363.03	3,127.98
Extraordinary expenses/(Income)	332.37	(131.03)
Amounts written off and provisions	741.66	464.21
Depreciation	1834.91	1,373.33
Provision for Wealth Tax	0.69	—
Profit / (Loss) after Tax	(2,302.10)	(3,444.15)

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

Operations:

The Company has shown a marked turnaround in the operations for the year, as compared to earlier years, on account of improved working capital availability. During the year under review the Company has achieved a turnover of Rs. 33,395.40 lacs and the sales have grown by about 75% on annualised basis, whereas Domestic sales have strongly grown by 99.5%, the Export sales have shown improvement by almost 76.6%.

Other income has shown an increase of almost 25% as compared to last period, mainly due to contributions from foreign exchange gains (Rs.413.92 lacs), and miscellaneous income (Rs.252.48 lacs).

The operating margin has jumped by over 4.6% points, mainly on account of substantial fall in manufacturing expenses(2.12%), payments to employees (2.8%) and administrative expenses(1%) , which was offset partly by substantial increase in selling and distribution expenses(3.5%).

After providing for write offs of Rs. 741.66 lacs (Previous Years Rs. 464.21 lacs), the interest and finance charges have gone up marginally by 5% to Rs. 4363.03 lacs. The Company has provided for depreciation of Rs. 1834.91 lacs, as against extraordinary expenses accounting for Rs.332.38 lacs. The prior period adjustments relate to expenses earlier years crystallised in year under review. Thus, after all these adjustments the loss is lower by almost 50% on annualised basis.

After transfer from investment allowance reserve (utilised), export turnover reserve, capital investment subsidy, and debenture redemption reserve to general reserve, as a result from general reserve to the profit and loss account of equivalent amount, leaves the accumulated losses at a level of Rs. 16,799.25 lacs.

The Company has earned a cash profit of Rs.132.69 lacs, for the first time in three years. However, despite this improvement Company has incurred net loss due to lower capacity utilisation. During the year all the Banks had sanctioned and implemented the restructuring scheme, except 2 banks who have not disbursed the limits of 2000-01 and 4 banks who have opted for one time settlement.

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

Sr Division/Business Unit	(Rs. In lacs)		
	2000-01 (12 Months)	1999-00 (9 Months)	%Change
1 Hi-Tech Agri Irrigation Products	11,183	5,135	63%
2 Plastic Piping Systems	13,556	4,872	109%
3 Plastic Sheet	4,531	2,420	40%
4 Agro Processed Products	1,496	787	43%
5 Other Manufacturing Activities	552	271	56%
6 Trading and Interdivision sales	2,078	991	82%
Grand Total	33,395	14,347	75%

* Annualised



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Agri Irrigation Products:

Within the Agri Irrigation Products division Sprinkler Irrigation Systems has seen strong growth, showing a whopping 284% increase in value terms, and also reflecting a 349% growth in quantity, however, experiencing a 7% fall in average realizations. While Micro Irrigation Systems has shown a normal 45% growth in value terms, reflecting a modest 16% growth in quantity of laterals sold, but more importantly showing a 38% growth in average realisation. This division could have done even better with availability of adequate and consistent working capital funds, as the business is extremely working capital intensive. The Division has successfully developed turbo inline 16 mm short dripper during the year under review.

Plastic & PE Piping Systems:

The plastic piping systems has reported substantial increase of 109%, while PVC pipes sales have contributed 106%, the PE pipes have registered a 378% growth in the topline of Division. Whereas the average realization have grown 27%, the quantity numbers have grown by 52%. The division has added to its product range, riser pipes for hand pumps and borewell applications, PE100 gas pipes, and sure loc joint for HDPE pipes using PVC coupler during the year under review.

PVC & PC Sheet Products:

The major increase is in the exports and is mainly on account of 108% increase in PVC Sheet sales. The average realization have shown 11% growth, the tonnage has shown 88% growth. The PC sheet sales have gone down marginally by 4%, showing a 22% increase in average realization, registering 21% fall in tonnage. The reason for reduction in growth of PC segment was 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 but has improved in the current year. The division has added 25 mm thick free foam sheet to its product range manufactured during the year, thus opening a new market in western world.

Agri processed Products :

Dehydrated Onion products have reported a rise in turnover of 41%. The quantity has grown by 43%, thereby reflecting the lower per tonne realizations during the year marginally by 1%. The demand for products of the Division in very competitive markets abroad continues to be encouraging. The Company's order books are full this year.

Fruit Products :

This segment has shown a jump of almost 65% over earlier period, on the back of 11% growth in both realizations and, quantity. The Subsidiary's plant has received ISO 9001 certification during the year and, has also received Hazard Analysis and Critical Control Point (HACCP), (including Good Manufacturing Practice (GMP)) certification, crucial and necessary for food processing sector during the year under review. Since as per undertaking given to the lenders all processed fruit products produced by the subsidiary's plant are exported through the Company, the same has been included as part of trading sales in the current year.

Other manufacturing businesses:

Other businesses have reflected buoyant trend showing an improvement of about 56% over corresponding previous period. The notable growth is reflected by Tissue Culture (205%) and Solar (65%), where the benefits of volume have been passed on to the customers, and average realizations have been lower marginally.

Missed opportunities and their impact:

As reported in earlier years the project in Egypt was delayed for execution due to local political issues in the said country, and subsequently the Company has abandoned it. However, Company has found new business in the middle east Asian country and, substantial supplies have already commenced during the year under review. These sales are guaranteed / funded by global multinational development agencies.

The sale of two Polycarbonate lines reported as likely in earlier years, had been stalled due to change in management at the multinational Company with whom negotiations had been going on. These negotiations have been terminated since.

Restructuring Scheme implementation:

Till date approximately 98% of the term lending institutions, and all of the Bankers have sanctioned and implemented the restructuring scheme, except four bankers who have exited the consortium of WC lenders during the year. The rest of term lenders are expected to sanction and, implement the scheme during the current year. Hence, the implementation of the restructuring proposal is now almost complete.

Current Year Outlook:

Agri Irrigation Products : Business of this division continues to remain buoyant during the current year. With overall good monsoon, Company will be able to grow the business to the desired level. The new product line called In-line Dripper has been doing very well and, Company plans to add further capacity to fulfil increased demand for this product. Sprinkler division is also recording growth using some of the new products introduced by the Company over the last one year. The raw material prices have stabilized now and, looking at recessionary international scenario, the raw material prices are expected to remain at similar level in the foreseeable future.



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Plastic Piping System :

This business continues to remain stable. Company has been getting more orders with its rubber sealing and surelock joining system. Company plans to execute large turn-key piping system solutions in the current year for which negotiations are in advanced stage. Overall because of good monsoon, business will continue to maintain similar rate of growth as in last year.

P.E. Pipe Segment :

Growth in this product has continued in telecom and gas applications. However, the telecom application has shown signs of slowing down due to overall weakening in the telecom sector. Despite above, Company would be able to grow the business more than last year based upon incremental marketing efforts, and large turn-key projects.

Sheet Products :

The export market for PVC sheet has picked up substantially and Company expects to continue the growth in the current year. Some new products have been developed in higher thickness which will allow Company to increase its market share in diverse applications, such as furniture, building and construction, etc. The raw material prices of PVC have stabilized at lower levels, which will help Company to improve its margins.

PC Sheet did not have a good performance last year due to non-availability of raw material. However, raw material has become available now at lower prices as compared to last year. This new situation will allow the Company to regain its market share in export markets. Company has also started direct sales for certain products in the domestic market. This will strengthen Company's brand image and visibility in the country.

Dehydrated Products :

Demand for Company's dehydrated Onion products in international market is good, and order books are full. The plant is expected to run at full capacity in current year. There are plans to enhance capacity during current year, by addition of a dryer and preparatory line. The Company has succeeded in developing high solid onion seed varieties, and has distributed these varieties for cultivation. The results of these high solid onions are expected in current year in processing. The Company has been approached by a large and experienced international producer of dehydrated products for co-operation, including supply of products. The final shape co-operation is being discussed at present.

Fruit Products :

The last Mango season during current year, saw highest processing in Company's plant. The demand for processed Mango products is good in both domestic and international markets. The prices are on an uptrend and are expected to firm up towards end of year. The Company and its subsidiary have bagged large and firm orders from reputed multinationals. The Company is planning to commence production of organic banana and other fruit purees. Demand for organic products is growing in international markets. The Company has added canning facility this year to be able to supply Mango pulp in smaller packages.

Other manufacturing activities :

Tissue Culture activities are also on the up-swing. Total area of 22,42,000 Sq.ft. has been covered by tissue culture shed houses and is expected to yield substantial amount of revenue. Similarly, Solar products are finding increasing acceptance from large buyers, as well as individual buyers and is expected to reach the sales target of 5 Lac Liters of water heating systems.

Human Resource Development :

The Company has regularly conducted training programs, both internal and external for its associates at all levels. Total 290 programmes for over 26,933 man hours covering approximately 3,300 associates have been conducted during the year under review. The training programs covered various topics on quality certifications, management practices, computer awareness, energy conservation, maintenance program, etc.

Profitability

Profitability has improved considerably in the year under review. Company is expected to further improve its position in the current year and, is expected to reach no profit no loss position on net in this year.

Directors' responsibility statement

In accordance with the provisions of Section 217(2AA) of the Companies Act 1956, your Directors state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) the accounting policies are selected and applied consistently and reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company as at 31st March 2001, and, of the loss of the Company for year ended 31st March 2001;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts of the Company have been prepared on a "going concern" basis.



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Subsidiary Companies

During the year under review, the Mauritius-based subsidiary has earned about \$ 300,734 of gross revenue through trading activities, and has earned profit of \$117,885. The Company continues to hold its interest in the subsidiary's at the last year's level, and more details about the performance are reflected in Annual Report of 1999-2000 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 been registered as sick industrial company under the provisions of the Sick Industrial Companies (Special Provisions) Act 1985. The subsidiary is negotiating with its lenders for a gradual sale of assets and settlement of loans. The scheme in consultation with the BIFR appointed operating agency or otherwise as directed by the said BIFR, shall be prepared during the course of current year. The Company continues to hold its interest in the subsidiary at the last year's level, except for transfer of 10 Equity Shares to an Individual to preserve the limited liability status of the Company.

The subsidiary engaged in fruit processing activities has been commented upon, in terms of its operations already in foregoing part of the report. During the year under review, the Company has acquired 7.99% equity shares of the subsidiary to make it almost a wholly owned subsidiary of the Company. Thereafter, the Company has passed on the benefits of restructuring of subordinated loans (similar to the DRS sanctioned and implemented by Company's lenders) to the subsidiary in form of conversion of unsecured loans into Equity, Preference Shares and Secured Non-Convertible Debentures to correct the capital structure of the Subsidiary.

Reduction/Consolidation in Equity Shares

During the year under review, the Company has carried out the reduction/consolidation of Equity capital as proposed in the resolution of Shareholders dated 12-02-2000 and, as approved by the Honourable High Court Of Judicature at Bombay on 19-10-2000. After fixing record date in consultation with the Stock Exchange, the Company has sent new physical certificates to those shareholders who surrendered the old physical share certificates, and also completed the corporate action of reduction in respect of demat shares with both depositories.

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. The Company had no unclaimed/overdue deposits as on 31st March 2001.

Directors

Shri R.Swaminathan, Shri P.Ramakrishnan, and Shri.P.V.Sane, Directors retire by rotation and being eligible, offer themselves for re-appointment at the 14th Annual General Meeting. As per the requirement of corporate governance, the background of each Director seeking reappointment is given hereafter. Mr. Swaminathan is a Chemical Engineer. He has 26 years of rich experience in handling and management of technical matters like erection, commissioning and operation, maintenance activities of plants like Solvent Extraction, Plastic Extrusion, Injection Moulding, metal fabrication, etc. He was appointed as Whole Time Director of Company on 9th May, 1996, with remuneration. He is responsible presently for manufacturing operations in Polytube, Sprinkler, Filter Assembly, Sheets, Solar and Machine development units of the Company.

Shri. Ramakrishnan is a graduate of Poona University. Shri. Ramakrishnan has joined ESSO Standard Eastern in 1960 as Operations trainee. He then rose to become the Director of Marketing in the year 1988 and, later on became the Chairman and Managing Director (1990) of Hindustan Petroleum Corporation Ltd. (as it is now called). During his 35 years of service of HPCL, Shri. Ramakrishnan gained valuable insight in Petroleum Industry in the areas of operations, sales, supply and distribution and engineering. He is presently working as Executive President, (Petrochemicals) in Grasim Industries Ltd. and is associated with India's first Joint Sector Refinery Project, Mangalore Refinery Petrochemicals Ltd. He is Chairman of Audit Committee of the Board.

Dr. P.V.Sane is an Agricultural Scientist by Profession. He graduated from Nagpur University (B.Sc.-Agri) and also earned his masters degree (M.Sc. - Agri.) in 1960. He earned a doctorate (Ph.D.) from University of Alberta, Edmonton, Canada in 1968. After brief stints in Indian Standard of Institute (ISI), New Delhi (3 years) and BARC, Mumbai (11 years), Dr. Sane, joined National Botanical Research Institute, Lucknow as Dy. Director in 1983 and went on to become Emeritus Scientist of the Institute. He has over 3 decades of experience as agricultural Scientist. Dr. Sane is Member of several Learned Associations and Organisations in his field. He has won several awards for his outstanding work in the field of Plant Bio-Chemistry from Govt. of India. In addition to his Fellowship, Dr. Sane is also Research Co-ordinator with Government of India and has Research and Teaching experience in various countries of the West. He has over 140 Research Publications in National and International Journals to his credit and has edited 5 books in his area of specialisation. He is recognised expert in the area of Plant Bio-chemistry, Photosynthesis, Plant Bio-technology, Agricultural Productivity etc.

The ICICI Ltd. withdrew their nominee Mr.Girish Mehta from the Board on 31-03-2001. The Board wishes to place on record the deep appreciation of the valuable services rendered by Mr Girish Mehta during his tenure as Nominee Director, and in various Board committees on which he was co-opted by the Board of the Company. ICICI Ltd has not appointed any nominee on the Board of the Company thereafter. The Directors have co-opted Mr.C.V.Ramani, as Director- Nominee of IDBI Ltd., as per their request in place of Mr.M.V.Phadke, whose name was withdrawn as nominee during the year under review. The Board places on record their appreciation of the services rendered by Mr Phadke in the short tenure as Director of the Company.

The Directors at a meeting held on 5th June 2001 have reappointed Shri R.Swaminathan and Shri J.J.Kulkarni as whole time Directors for further 5 years period, the details of which are as per notice of the 14th AGM.



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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. 1d, 2, 6b, 7b, and 8b referred to by the Auditors, which are self-explanatory. Since the date of signing the accounts, Company has negotiated with few ICD and Bill holders for lowering the rate of interest or waiving it altogether, and the management firmly believes that the liabilities in this respect shall not exceed the amounts provided for in the accounts. Similarly, the remaining DRS shall either be implemented or settlement terms would be finalised with remaining lenders during next few months.

Particulars of Employees

As per provisions of Section 217 (2A) of the Companies Act, 1956 none of the persons in employment of the Company have drawn remuneration in excess of Rs.100,000/- per month, during the year under review.

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

A capacitor bank has been added during the year to improve power factor and also save energy utilization at Plastic Park. Old pumps were replaced with highly energy efficient pumps. Introduced infra red heating to reduce energy consumption. Cooling tower was used instead of chilling plant. The conventional temperature controllers were replaced with digital PID controllers to achieve heat load savings.

[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) Expenditure

	2000-01 Rs.	1999-00 Rs.
Capital Expenditure	44,81,000	2,388,981
Revenue Expenditure	33,14,000	83,596
Deferred Expenditure	60,45,000	-
Total	1,38,20,000	24,53,000
R & D expenditure as a percentage of the Turnover	0.41%	0.17%

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

	2000-01 Amount Rs.	1999-00 Amount Rs.
[a] C.I.F. Value of Imports :		
Raw Materials, Components and Stores and Spares	220,784,086	104,287,451
Capital Goods	460,127	-
Sub Total	221,244,213	104,287,451
[b] Expenditure in Foreign Currency [on accrual basis]		
Export Bills Discounting /Foreign Bank Charges	3,045,802	74,48430
Traveling Expenses	956,921	1,698,939
Export Market Development Expenses	2,521,043	374,270
Commission	-	118,493
Legal Charges and Professional Fees	545,755	-
Others	1,846,943	125,345
Sub Total	8,916,464	9,765,477
[c] Earnings in Foreign Currency		
FOB Value of Exports	641,200,045	379,769,454
Other Income (Interest)	1,857,200	-
Sub Total	643,057,245	379,769,454



JAIN IRRIGATION SYSTEMS LTD., JALGAON.

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. The Directors also wish to place on record their appreciation of patience and co-operation of share holders during these difficult times.

By Order of Board

Date : 28th August 2001.
Place : Jalgaon

B.H. Jain
Chairman

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