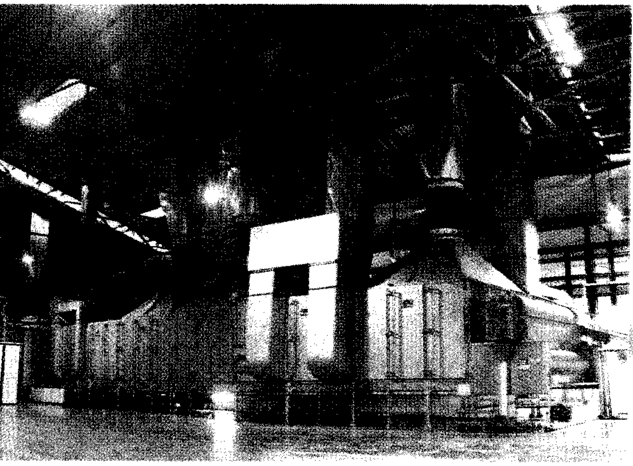
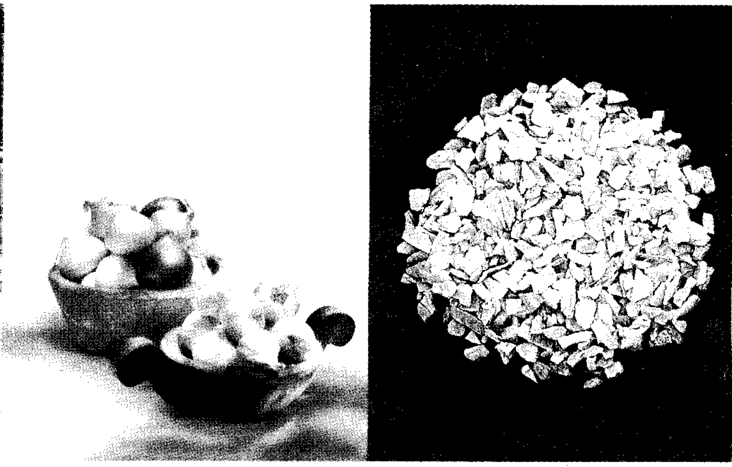
Nature might delay. But never denies.

Jain Irrigation Systems Ltd.

16th Annual Report (2002-2003)



Onion & Vegetable Dehydration Plant

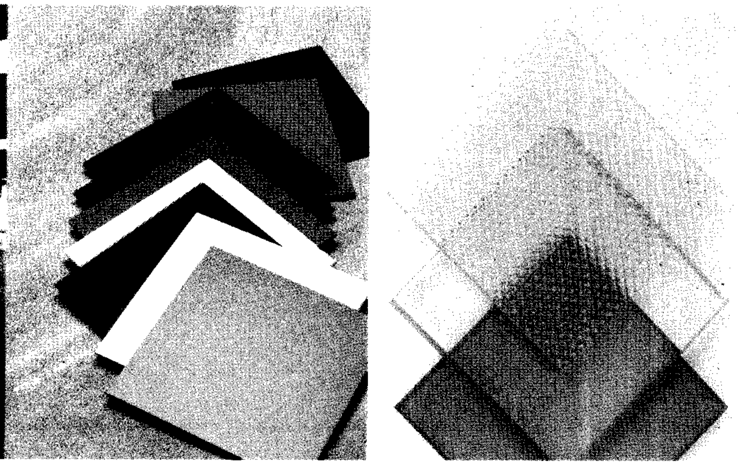


Dehydrated Onion

Fruit Processing Plant

Fruit Purees & Concentrates

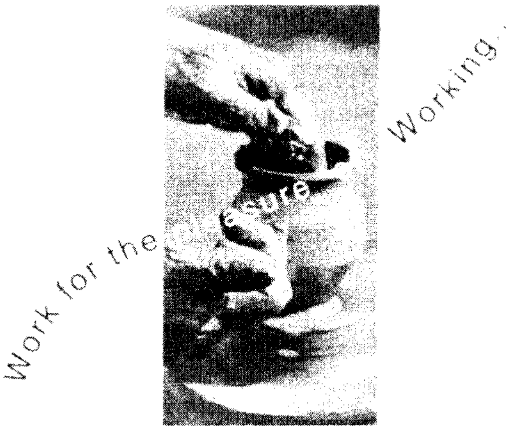
Plastic Sheet Plant



PVC, PC Sheet

Jain Irrigation Systems Ltd., Jalgaon.

CORPORATE PHILOSOPHY



Credo

Serving and striving through strain and stress;
doing our noblest, that's success.

Mission

Leave this world better than you found it.

Vision

We will establish leadership in whatever we do.

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 translate the Corporate Philosophy into action, we will work hard, very hard. We will manage our resources of 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, life is work.

INDEX

CORPORATE DIRECTORY

Board of Directors

a) Executive Directors

Anil B. Jain	-	**Managing Director**

b) Non Executive Directors

B.H. Jain	-	**Chairman**
N.V. Khote	-	**Co-Chairman**
Anirudha Ramkrishna Barwe		**Director**
Anup Mohan Jacob	-	**Director**
Bhikhubhai Shantilal Trivedi	-	**Director**
Bijesh Jamnadas Thakker	-	**Director**
John George Sylvia	-	**Director**
Puneet Madanlal Bhatia	-	**Director**

Management Team

Ashok B. Jain	-	**President**
Ajit B. Jain	-	**Chief Operating Officer**
Atul B. Jain	-	**Chief Marketing Officer**
G. Chandrasekhar	-	**Chief Financial Officer**
R. B. Jain	-	**Chief Technical Officer** (Food Park)
R. Swaminathan	-	**Chief Technical Officer** (Plastic Park)

Principal Bankers

Bank of Baroda, Jalgaon.
Centurian Bank, Mumbai
Development Credit Bank Ltd., Mumbai
Dena Bank, Mumbai
Export Import Bank of India, Mumbai
ICICI Banking Corporation Ltd., Mumbai
Indusind Bank Ltd., Mumbai
State Bank of India, Mumbai
State Bank of Indore, 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

DIRECTORS' REPORT

The Directors present the 16th Annual Report of the Company and the Audited Accounts for the year ended 31st March 2003.

1) Financial Performance :

	2002-03	2001-02 (Adjusted-Merged)	(Rs. lacs) 2001-02 (Pre-Merger)
Domestic Sales	23,468.11	24,191.62	25,210.14
Export Sales	11,570.61	10,819.03	9,541.00
Total	**35,038.72**	**35,010.65**	**34,751.14**
Operating Profit	**5,321.06**	**5,362.20**	**5,030.10**
(Gross Profit before Depreciation, Interest & Tax)			
Interest & Finance Charges	4,568.76	4,908.21	4,876.15
Extraordinary expenses/(Income)	(4,053.24)	(1,990.60)	(1,990.60)
Amounts written off and provisions	1,850.64	1,138.74	1,111.45
Provision for Depreciation	2,115.43	2,156.47	1,857.13
Provision for Tax on Wealth	0.16	0.49	0.49
Deferred Tax - Liability /(Asset)	(3,326.69)	(635.00)	(607.42)
Profit / (Loss) for the year after Tax	**4,166.00**	**(216.11)**	**(217.10)**
Prior year adjustments	1,149.77	(781.99)	(790.27)
Profit / (Loss) for the year	**3,012.87**	**565.29**	**572.58**

Note: The figures of FY 2003 reflect merger of Jain Processed Foods P. Ltd, and therefore do not afford true comparison with previous year's figures which are pre-merger. An additional coloumn has been introduced for purpose of comparison for adjusted merged figures for FY 2002.

2) Operations :

The sales have shown a small growth of less than 1% for the year under review as compared to the last year. While the domestic sales have gone down by just under 7%, the exports have shown increase of just over 21% as compared to the last year. The Other Income has shown a decrease by over 38% over last year.

The operating margins have gone up marginally by 1.16%. While the raw material costs have gone down by 0.34% percent over the last years level, the manufacturing expenses have shown an increase by 1.45% (mainly on account of 20% higher power charges), the employee cost has gone up by 0.65% over the last years percentage to sales, the selling and distribution expenses are up by over 2.5% over the last years level. and the administrative expenses have gone down by over 2.95% over the last years level.

The interest and finance charges have gone down by 1.7% over the last years level reflecting retirement of high cost debt mid way through the year. The depreciation figure has remained more or less same, except marginal increase on account of amalgamation of the wholly owned subsidiary, Jain Processed Foods P. Ltd (hereinafter referred as JPFPL). The one time extra-ordinary item of income, arising from waiver of long term liabilities under Negotiated Debt Settlement scheme, had helped in meeting the one time charge made towards write-offs and provisions. As per the accounting standard on taxes on income, the company has provided for a deferred tax asset of Rs.3,326.68 lacs as against Rs.607.42 lacs last year. The profit after tax for the year and prior year adjustments is Rs.3,012 .87 lacs as compared to the previous year's profit of Rs. 572.57 lacs.

In terms of the Scheme of Amalgamation approved by the Honorable High Court of Bombay vide its order dated 30th September 2003 and 21st November 2003, the Company has utilized its Share premium reserves of Rs.28,674.09 lacs to set off the debit balance in Profit and Loss account of Rs.14,866.57 lacs and Miscellaneous Expenses to the extent not written off of Rs.5,630.30 lacs and has carried forward Rs. 8,177.22 lacs in the Amalgamation Adjustment account, which will be adjusted in the current year. (Please refer to note number 17 (vi) of Schedule 23 of standalone financials of the Company).

3) Divisional performance : Comments on divisions in brief

a) High tech agri input products :

Agri Irrigation Products:

Within the Hi tech agri irrigation products Division, Micro and Sprinkler Irrigation Systems sales registered a 24% reduction in tonnage with realization having suffered by 16%. The company made a conscious shift in the sales strategy for this division during the year which explains the decline in growth. This decline is however temporary and the division is currently poised for excellent growth, reflecting the success of the changed strategy. The Division continues its initiatives on introducing newer range of high quality products.

Plastic & PE Piping Systems:

The PVC piping products registered a decline of 19% in quantity, while the unit registered an increase in realization of 18% resulting in an overall decrease of 4.5% in value terms. The main reason being the rise in resin prices for major part of the year which the Company was able to pass on to the customers. In the PE pipes division, the tonnage went up by an impressive 74% and the sales realization went up by 8% resulting in an overall 88% increase in top line. The Company continues its aggressive pursuit in new product applications and newer markets like pipelines for gas distribution. The pursuit is matched with increasing thrust from the gas distribution companies to shift from traditional form of gas distribution to distribution of gas thru pipelines in major cities in the next four to five years. Therefore, this division is poised for excellent growth both in terms of volume and value in the coming years.

b) Industrial Products :

PVC & PC Sheet Products:

PVC Sheets registered an increase of 25% in tonnage and 34% in value supported by 7% higher sales realization. Your Company's products are well accepted in US, UK, and parts of Europe and it is reflected in the unit volume growth. Your company's cutting edge initiatives in technological development has helped the Company's products to obtain resounding acceptance in new product applications with impressive growth potential.

PC sheets continued to grow at fast pace showing 60% rise in tonnage, but the realizations went down marginally by 4%, showing a top line growth of 52.5%. This business was divested during the year to GEPIL while the company retains the right to use the assets on lease for manufacture and supply to GEPIL on contract basis, while retaining its marketing freedom in certain export markets.

Onion Dehydration:

The overall performance of the onion dehydration plant has improved substantially. The sales volume have increased by 33.5% whereas sales realization have gone down by 2.5% as compared to the previous year. In addition, the measures taken by the company to reduce costs have resulted in improvement of profitability of this unit significantly. The Company has broadened the customer base and has added many new customers in the portfolio.

In order to meet the increased demand for the dehydrated onion products, Company has taken two plants on lease and has produced semi-finished products at these facilities which then were finished at Company's facilities before exports to customers.

Fruit Processing:

The performance of the fruit processing unit (of erstwhile JPFPL the wholly owned subsidiary) has improved during the year under review. The sales and realization per unit have increased by 49% and 11% respectively. The demand for Company's mango products is increasing every year. The Company has made inroads in developing new customers and markets for its banana products and has restarted supplying banana products. The company's efforts on cost reduction and productivity improvement have also resulted in improving the overall profitability of this division.

Other Manufacturing Businesses:

While Tissue Culture has reflected steady increases of 61% and 4% increase in quantity sold and realization, the Solar products have registered a negative growth of 9% further pressuring the sales by 7.5% drop in per unit realizations.

4) Amalgamation of Jain Processed Foods Private Limited :

The merger announced by the Board on 29th January 2003 has been approved by the High Court of Judicature at Bombay on 30th September 2003 and the utilization of share premium and other reserves has been approved by the court on 21st November 2003. The accounts for the year reflect these approved adjustments of share premium and other reserves and the amalgamated entity's performance.

5) Change in strategy for sale of Drip / Sprinkler Products :

During the year under review, the Company in consultation with its dealers and distributors made a shift in sales strategy and commenced selling its micro and sprinkler irrigation systems on cash and carry basis. The ultimate price for the farmer was however maintained to be attractive through adjustments in the pricing for the overall system. Thus, the decision to buy the micro irrigation system is now made purely commercial for the farmer and not subsidy dependent. Initially the Company faced setback in sales but it was quickly reversed by aggressive selling in new states/ areas. On the whole the cash and carry system has improved the working capital cycle of the business segment substantially.

6) Sale of equipment to GEPIL :

During the year under review the Company has transferred its PC Sheet business (including plant and equipment, technical know how, brand license, customer list for Asia Pacific etc.) to GE Plastics India Limited (GEPIL) under an arrangement. The Company under the three year lease arrangement continues to use GEPIL plant and equipment to produce and sell the PC Sheets to GEPIL for Asia Pacific and to sell on its own brand in export markets other than Asia Pacific.

7) APMIP :

The Government of Andhra Pradesh (GoAP) had called for an expression of interest from micro/ sprinkler irrigation suppliers for implementing its Andhra Pradesh Micro Irrigation Project (APMIP). After an extensive evaluation of technical, financial and after sales service capabilities of the suppliers who expressed interest, the GoAP short listed your Company along with six other vendors for the project. The Rs.1,200 crore project to be implemented in 2 phases over two years is spread over an area of 250,000 hectares in the 22 districts of the state. The Company has signed the contract documents for the project and has been allocated highest area among the 7 short listed companies of over 36,000 hectares in the Phase I of 135,000 hectares. The Company has established an office at Hyderabad and is placing a senior level team for overseeing and implementing Company's share of the pioneering project. The project will be enlarged to Phase II for additional area. The faith and confidence placed by the GoAP on your Company is truly a reward for the pioneering efforts your Company has put in the past decade in the development of Micro Irrigation/Sprinkler Irrigation industry.

8) Human resources and training :

The Company has regularly conducted training programs, both internal and external for its associates at all levels. Thus, 199 programs for over 15,691 hours covering approximately 4132 participants 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.

9) Subsidiary Companies operations :

a) JISL Overseas Limited:

During the year under review, the Mauritius-based subsidiary has earned about $ 934,871 of gross revenue through trading activities and has incurred a gross loss of $92,838. 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 audited accounts for the 9 month period ended 31st March 2003 of the subsidiary which is attached with the Annual Report as per requirements of Section 212 of the Companies Act, 1956. The second generation subsidiaries are coming into profits now. The Company is reviewing the structuring of its overseas arms of business and expects to initiate steps during the current year for carrying out the restructuring of these subsidiaries.

b) Gowtam Granites Private Limited:

During the last year, the subsidiary engaged in granite business was registered as sick industrial company under the provisions of the Sick Industrial Companies (Special Provisions) Act 1985. The BIFR vide order dated April 1st 2003 ordered liquidation of the subsidiary to High Court of Judicature at Andhra Pradesh. The subsidiary has then approached the Appellate Authority For Industrial and Financial Reconstruction (AAIFR) with an appeal against the BIFR order.

The Appeal is expected to be heard in early part of 2004. The subsidiary is in the meantime negotiating with its lenders for a gradual sale of assets and one time settlement of loan. The scheme in consultation with the AAIFR/BIFR appointed operating agency as may be directed by the AAIFR shall be prepared during the course of this year. The Company continues to hold its interest in the subsidiary at the last year's level.

10) Comments on segments in brief for current year performance :

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

a) High tech agri input products :

The monsoon on the whole has been very good throughout the Country and demand has been slow to start with but is picking up now. However, sales in major parts of Maharashtra are likely to suffer due to severe drought in some districts. At the same time the launch of APMIP has signaled start of new era of sustained growth for this business segment. The example of Andhra Pradesh is expected to be followed by other water scarce states like Maharashtra, Karnataka, Tamilnadu, Madhya Pradesh, etc.

The demand for specialty pipes, especially PE Pipes with applications in optical cable duct and gas distribution lines is expected to keep growing at a decent pace.. The Company has developed a high diameter pipe which has been successfully commercially launched last year. With large water management projects and gas distribution projects being launched, the demand for this product is expected to grow fast. The Company is developing new PLB duct piping product which offers significant advantages over conventional PLB duct for cable blowing. The product promises great future in view of OF cable laying projects being undertaken within the country. The launch is expected in the current year. In the piping products the "Tracer Pipe" has been developed which is likely to be launched during the current year. Overall this division is growing compared to last year and company expects to meet its budgeted numbers.

b) Industrial Products:

Successful commercial introduction of higher thickness PVC Sheet has nucleated an innovative application for these sheets. The product is successfully competing and replacing natural wood. This development is expected to be a short in arm for the PVC Sheet business and related exports.

The exports of PC Sheets is expected to grow steadily and together with improved off-take in the domestic market, the plant utilization is expected to go up substantially during the current year.

The take-off stage in the dehydration business has already been surpassed by the Company and the business has steadied at the higher level of volume, capacity utilization and profitability. With addition of acquired / leased capacity in the business the situation is improving. Backed by research work being put in on the seed front, the yield in the processing is likely to improve substantially in the coming season. However, economic effect of the same will only become available in the next fiscal year, The Company's move of getting contract farming done on vegetables has been supported by commercial banks and this will further improve the capacity utilization and profitability of this business segment.

The amalgamation of Jain Processed Foods Pvt. Ltd. has opened up possibilities of increased growth in the fruit processing segment. The Company's tie-up for product supplies in domestic market with reputed brands continues to prosper and discussions are in an advanced stage to add substantial capacities for consumer pack fruit juices. The Government of Andhra Pradesh (GoAP) has invited the Company to establish a food park in the state. The GoAP has promised grants and aid to kick start the food park project in the state.

The Company has already implemented the expansion plan in Tissue culture lab to increase production capacity to 5 million plants from 2.5 million plants at present. This will help the Company to meet unprecedented demand for tissue culture banana plants during the season.

The Company is undertaking a review of solar water heater business and moves to restructure the business would be finalized during the current year.

11) Raising of resources and reducing cost of funds :

Preferential Issue: The Board of Directors proposed to issue equity shares of the Company on preferential basis to Promoters group and Investor (Aqua entities) to raise up to Rs. 46 crores. The Shareholders have also approved the issue and have given enabling authority to Board to allot the shares. The process is likely to get completed before the end of the calendar year 2003. The funds would enable the Company to augment its long term resources and help in achieving its targeted growth path.

FCL Conversion: The Company has approached its lenders to convert the present rupee loans into foreign currency loans to take advantage of appreciation of rupee against dollar and prevailing low international interest rates. This exercise would bring down the average cost of funds for the Company and further make available the savings for additional business/sales generation.

12) National Task Force on Micro Irrigation (MITF) :

The Union Finance Minister while presenting the Union Budget 2003-04 formed a National Task Force on use of Micro Irrigation (MITF) in the Country. The Company was invited at first meeting of the MITF to present its views on how to promote the use of micro irrigation in the country. The Chairman of the Task Force and some members have already visited Jalgaon and have gained first hand knowledge of pioneering work done by the Company in the field. The MITF is expected to submit its report and recommendations to the Finance Minister before end December 2003. Some of the recommendations may find their way into the Union Budget 2004-05 for immediate implementation.

13) Selective delisting from five stock exchanges:

The Directors' have proposed delisting of equity shares of company from five stock exchanges at Pune, Ahmadabad, New Delhi, Kolkota and Chennai. The shareholders of the Company have also approved the delisting on 17th November 2003. In terms of SEBI (Delisting of Securities) guidelines 2003 selective voluntary delisting is permitted as long as the securities are listed and traded in stock exchanges which have nationwide trading terminals. The listing at the Stock Exchange, Mumbai and National Stock Exchange will continue and hence the parameters of SEBI guidelines will be complied with. This measure will help the Company in conserving resources. The process of delisting is expected to be completed before the end of FY 2004.

14) 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 except, to the extent indicated in notes;

(ii) the accounting policies 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 2003,and, of the profit of the company for year ended 31st March 2003;

(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.

15) 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 2003.

16) Changes in Directors :

Mr. N.V.Khote and Mr. Anup Mohan Jacob, Directors who retire by rotation and being eligible offer themselves for reappointment as Directors.

As per the requirement of Corporate Governance code their background is given hereunder:

Mr. N.V.Khote- Mr. Khote held an India Army Emergency commission during World War II from 1943-1945. He joined Tata Airlines as a Senior Manager in 1945 and had a successful career in the International air transport industry for 18 years. He left Air India as Vice-President, Planning in 1963. Mr. Khote returned to private sector industry in the Tata Group as Managing Director of Tata Fison Industries Ltd., and when the latter merged with Rallis India Ltd., he was Joint Managing Director. The Tata Fison-Rallis group was a leader in Agrochemicals, Pharmaceuticals, Engineering and Commodity Trading (Including Exports). Since 1987 Mr. Khote has been an independent business consultant as Advisor in India to a number of major multinationals corporations, such as Pechiney (world aluminium major) and Banque Paribas, (international finance) of France, CCU of UK (international general insurance), American National Can of USA (Beverage Cans).

Mr. Khote has an extensive background and experience in international business relations, collaborations and joint ventures. He was also a nominee Director on behalf of ICICI Bank on the Board of public limited companies.

Mr. Khote is a Director of Durga Khote Productions Private Limited, Empire Industries Limited and Mahindra Ugine Steel Company Limited.

Mr. Anup Jacob- Mr. Jacob is a Partner in the San Francisco based firm Aqua International. Aqua International Partners, L.P., a $230 million fund, was established in 1997 to make private equity investments in companies providing water and water-related products or services to emerging market economies. Aqua invests in operating and special purpose companies that are engaged in providing products or services to the water sector. Mr. Jacob graduated with Honors from the University of Chicago with a degree in Economics. Prior to joining Aqua, Mr. Jacob was a Senior Analyst for Donaldson, Lufkin and

Jenrette. Mr. Jacob serves on the Board of Metering Technology Corporation as well as several volunteer organizations and associations in the San Francisco Bay Area and in India.

17) 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.

18) 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. 3(c), 4, 5(a), and 5(b) referred to by the Auditors which are self-explanatory.

19) Particulars of Employees :

As per provisions of Section 217 (2A) of the Companies Act, 1956 only three of the persons in employment of the Company have drawn remuneration in excess of Rs. 200,000/- per month, during the year under review as per details in the annexure to this report.

20) Particulars of Energy Conservation, Technology absorption, Research and Development, and Foreign Exchange earnings and outgo

a) Energy Conservation :

i) Food Processing Divisions:

Various measures have been taken to reduce energy consumption. Some of which are:

a) Improved operation and capacity utilization of the plant has resulted in reduction in per unit energy consumption.

b) Company is also planning to switch over from freon based refrigeration system to steam based vapour absorption cooling system. This will reduce the electricity consumption.

ii) Plastic Processing Divisions:

The coverage of capacitors to improve power factor, and installation/replacement of PID energy controllers and energy efficient pumps started last year has been increased to cover whole of Company during the year under review.

b) Technology absorption :

Not Applicable

c) Research and Development :

i) Food Processing Divisions:

Company's in house research has developed high solid onion hybrid seeds. These seeds are then given to contract farmers. Company has also successfully established rapid multiplication of high solid onion variety by Tissue Culture.

ii) Plastic Processing Divisions:

The research and development efforts have been concentrated on sheets and PE pipes during the year under review, the details are already available in the section "Current Year Outlook".

iii) Research and Development expenditure

(Rs.in Lacs)

	2002-03	2001-02
Capital expenditure	Nil	104.50
Revenue expenditure	102.72	2.29
Deferred expenditure	Nil	18.68
Total..	**102.72**	**125.47**
R&D Expenditure as a percentage of the turnover.	0.29%	0.36%