

An ideal way to close a satisfying year is to promise that tomorrow will be even better.



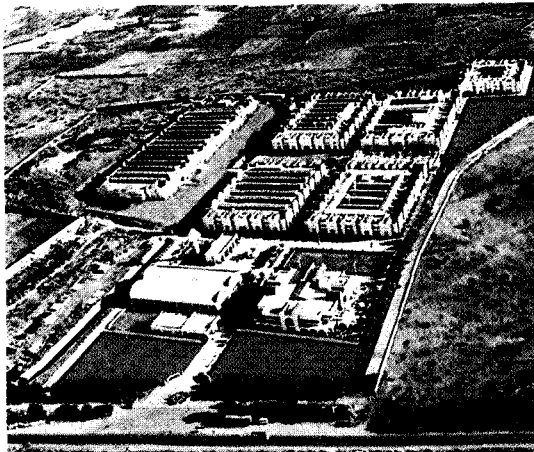
Jain Irrigation Systems Ltd.

Small Ideas. Big Revolutions.®

19th Annual Report 2005-2006

Beyond Irrigation.

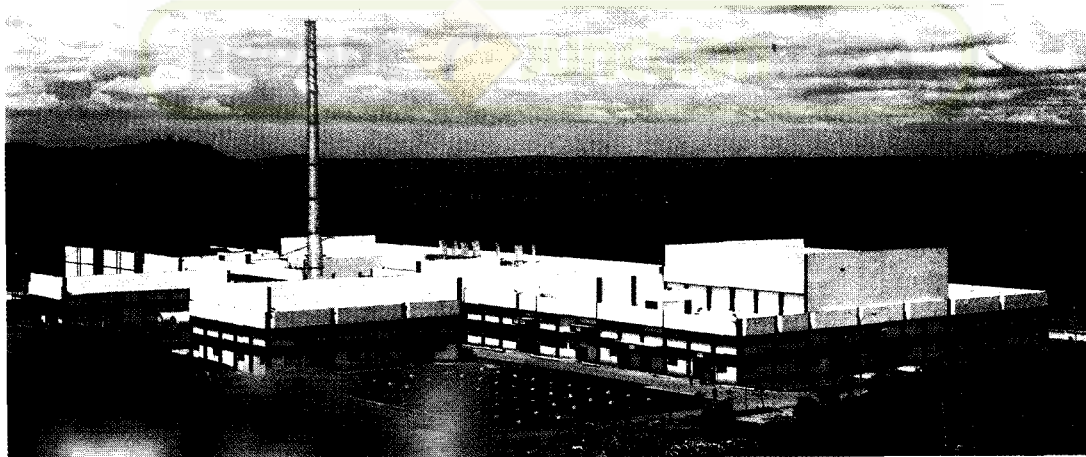
Integrating across the world



Jain Plastic Park, Jain Fields, Jalgaon (MS) : Drip/Sprinkler Systems, Plastic Piping, Plastic Sheets, Green House Fabrication



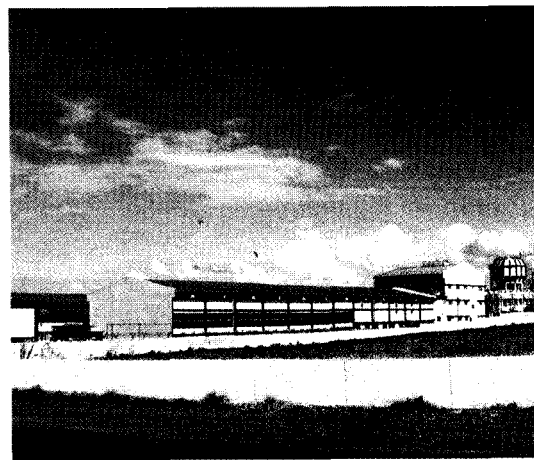
Jain Agri Park, Jain Hills, Jalgaon (MS) : Farm R&D, Demonstration, Training & Extension Centre, Tissue Culture Lab & Solar Products



Jain Food Park, Jain Valley, Jalgaon (MS) : Onion & Vegetable Dehydration



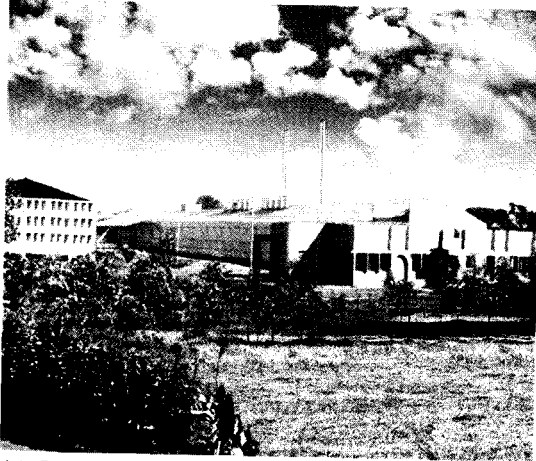
Jain Food Park, Jain Valley, Jalgaon (MS) : Fruit Processing



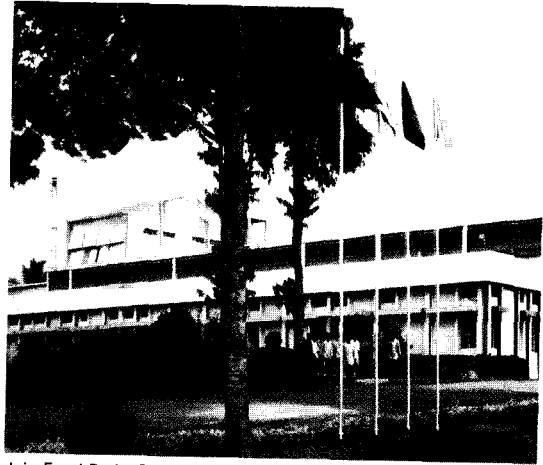
Jain Food Park, Hyderabad (AP) : Fruit Processing

Beyond India in Agriculture and Plastics!

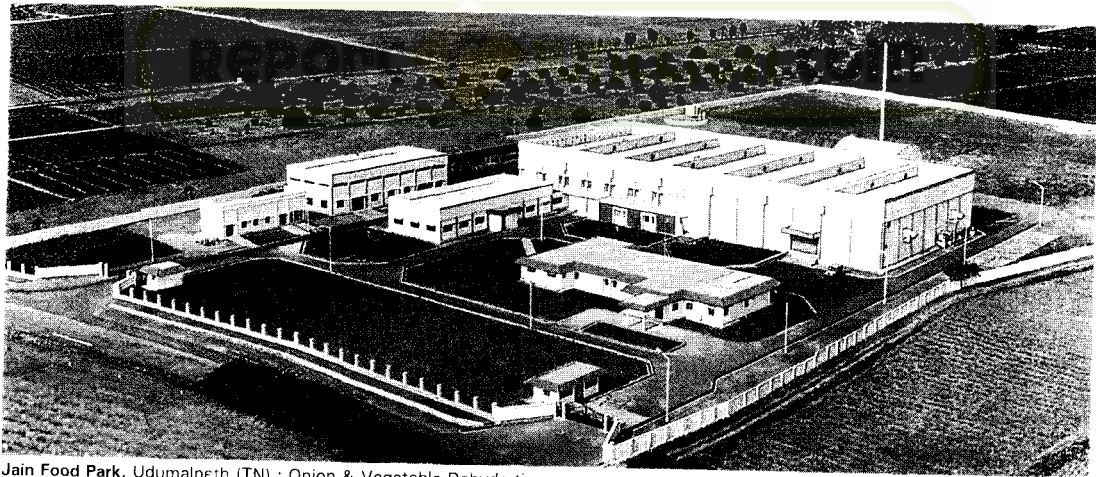
Acquisitions (2005-2006)



Jain Food Park, Baroda (Guj) : Onion & Vegetable Dehydration



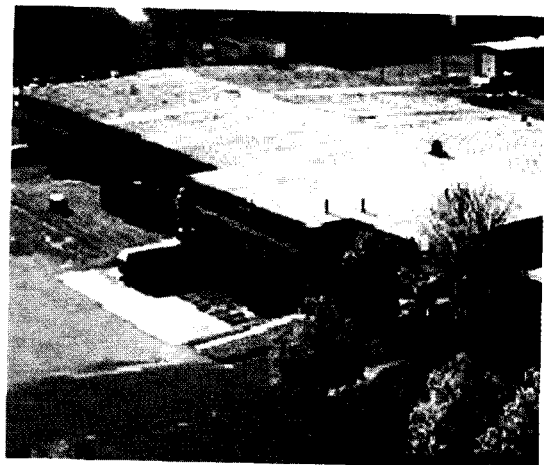
Jain Food Park, Chittoor (AP) : Fruit Processing



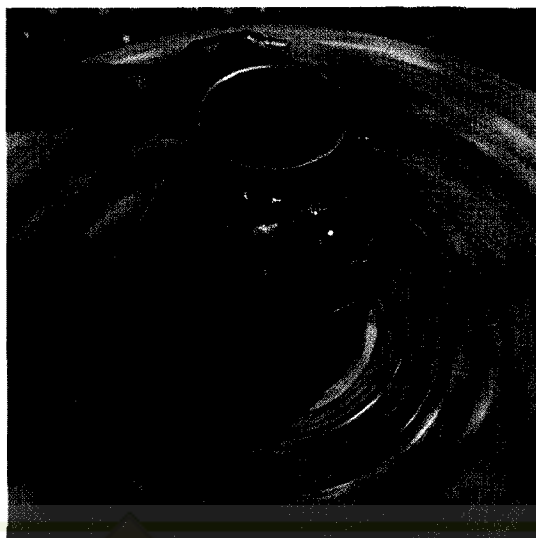
Jain Food Park, Udumalpet (TN) : Onion & Vegetable Dehydration



Chapin Watermatics - A Jain Company, Watertown (USA) : Drip Irrigation



NuCedar - A Jain Company, Chicopee, (USA) : Plastic Building Products



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Corporate Philosophy

Leave this world better than you found it.

Establish leadership in whatever we do at home and abroad.

Serve and strive through strain and stress;
Do our noblest, that's success.

Achieve continued growth through sustained innovation for total customer satisfaction and fair return to all other stakeholders.
Meet this objective by producing quality products at optimum cost and marketing them at reasonable prices.

Toil and sweat to manage our resources of men, material and money in an integrated, efficient and economic manner. Earn profit, keeping in view commitment to social responsibility and environmental concerns.

Make quality a way of life.

Experience : 'Work is life, life is work.'



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CORPORATE DIRECTORY

Board of Directors

a) Non Executive Directors

Bhavarlal H. Jain	- Chairman
Anirudha R. Barwe	- Director
Vasant V. Warty	- Director (Nominee SBI)
Ravendran Krishnasamy	- Director (Resigned w.e.f. 4th November, 2005)
Ramesh C. A. Jain	- Director (w.e.f. 30th September, 2005)
Radhika C. Pereira	- Director (w.e.f. 29th December, 2005)

b) Executive Directors

Ashok B. Jain	- Vice Chairman (w.e.f. 30th September, 2005)
Anil B. Jain	- Managing Director
Ajit B. Jain	- Joint Managing Director
Atul B. Jain	- Director – Marketing (w.e.f. 30th September, 2005)
Rajanikant B. Jain	- Director – Technical [Food Park] (w.e.f. 30th September, 2005)
R. Swaminathan	- Director – Technical [Plastic Park] (w.e.f. 30th September, 2005)

Company Secretary

A.V. Ghodgaonkar

Audit Committee

Anirudha R. Barwe	- Chairman
Anil B. Jain	- Member
Ramesh C. A. Jain	- Member
Vasant V. Warty	- Member

Compensation Committee

Anirudha R. Barwe	- Chairman
Ramesh C. A. Jain	- Member
Ashok B. Jain	- Member
Ajit B. Jain	- Member
Vasant V. Warty	- Member

Bankers

Bank of Baroda, Jalgaon
 Centurion Bank of Punjab Ltd., Mumbai
 Canara Bank, Jalgaon
 Development Credit Bank Ltd., Mumbai
 Dena Bank, Mumbai
 Export Import Bank of India, Mumbai
 ICICI Bank Ltd., Mumbai
 State Bank of India, Mumbai
 State Bank of Indore, Mumbai
 The United Western Bank Ltd., Jalgaon
 Union Bank of India, Mumbai
 UTI Bank Ltd., Jalgaon

Auditors

Qalal & Shah, Chartered Accountants, 'The Regency', Office No. 11, First Floor, National Library Road, Bandra (W), Mumbai - 400 050.

Solicitors

Mulla & Mulla & Craigie & Blunt & Caroe, Mumbai
 ARA LAW, Mumbai

Registered Office

Jain Plastics Park, Jain Fields,
 P.O.Box: 72, Jalgaon. 425001. (India)

Shareholders Grievances Committee

Vasant V. Warty	- Chairman
Ajit B. Jain	- Member
Anirudha R. Barwe	- Member

Operations Review Committee

Ashok B. Jain	- Chairman
Anil B. Jain	- Member
Ajit B. Jain	- Member
Atul B. Jain	- Member
Rajnikant B. Jain	- Member
R. Swaminathan	- Member



PROFILE OF DIRECTORS:

Mr. Bhavarlal H. Jain is the Founder of the Jain group of companies and Chairman of the Issuer. He began his business in 1963 by trading in agricultural inputs and equipments. In 1978, he acquired a sick unit which he used to manufacture Papain. In 1980, he commenced PVC Pipe manufacturing operations. During 1987 and 1988, he pioneered the concept of micro irrigation in India. He has received many awards and accolades for outstanding work in agriculture including the prestigious Crawford Reid Memorial Award instituted by Irrigation Association, U.S.A. for "Significant Contribution to the Irrigation Industry outside the United States".

Mr. Ashok B. Jain is the Vice Chairman of the Issuer. He holds a graduate degree in commerce from Pune University, India. He joined our management team in 1982 and was in charge of marketing and extension services in Maharashtra and other States. In 1993 he became our Director and was responsible for Corporate Administration, Corporate Image and Relationships, Events Management, Personnel/Human Resource Development, Communication, Public Relations, Art and Publicity. At present he also acts as Commercial Chief of the Food Processing Division.

Mr. Anil B. Jain has been the Managing Director of the Issuer. since 1992. He joined our management team in 1984 and was in charge of our US based marketing operations. Mr. Anil Jain has an extensive background and experience in Finance, Banking, Mergers & Acquisitions, Strategic Planning, Restructuring Operations, Export Marketing, International Business Relations, Collaborations and Joint Ventures.

Mr. Ajit B. Jain has been the Joint Managing Director of the Issuer. since 1994 and is responsible for the pipe division as well as marketing all plastic products, including drip irrigation, guidance for extension service and development of new applications and products. He joined us in 1984 and started his training in production and maintenance in the pipe division. During the period from 1985-1990, he was in charge of establishing our new pipe production plant at Sendhwa (in the state of Madhya Pradesh in India). In 1991, he was appointed Director with the overall responsibility of the pipe manufacturing plant at Jalgaon, including production, maintenance and marketing.

Mr. Atul B. Jain is our Director of Marketing. He holds a graduate degree in commerce from Pune University, India. He joined the management team in 1992. During the period from 1994-2000, he was in charge of our Europe-based marketing operations and was responsible for developing and maintaining the market for PVC products in India and abroad. Presently, he focuses on marketing our products on a global basis in addition to maintaining the profitability of our piping division.

Mr. Anirudha R. Barwe (Independent) is a Director and Chairman of the Audit Committee. He holds a graduate degree in Mathematics and is an associate of the Indian Institute of Bankers in Mumbai. He started his career as a lecturer in Northern Maharashtra in 1960 and was a Probationary Officer of State Bank of India (SBI) in 1961. He held several important positions within State Bank of India and in 1996 was named Managing Director of SBI Capital Markets Limited. Mr. Anirudha Barwe has also held Directorships in various subsidiaries of SBI and stock exchanges such as NSE and OTCEI. Until recently, he held the position of Chief Financial Officer of IDFC Limited. He is currently advising a number of entities including foreign bodies in the financial field and is a member Government economic committees and other listed company boards.

Mr. Rajnikant B. Jain is a Director, in charge of the technical area of the food processing plants. He graduated with a B.Tech (Hons.) from IIT in Chemical Engineering in 1978 and since then he has been associated with the Jain Group. He has been the key person for major technical developments in almost all the industrial ventures. In 1978-1979, he was associated with Papain manufacturing and was responsible for developing the refining process. In 1981, he was in charge of the development of PVC pipes. During the period from 1987 to 1990, he was Managing Director. Since 1994, he has been in charge of Agro Processing Activities.

Mr. R. Swaminathan is a Director and Chemical Engineer responsible for manufacturing operations in our Poly-tube, Sprinkler, PVC & PC Sheets and PVC & PE Pipe units. Mr. Swaminathan has 30 years of experience in operation and maintenance activities of plants handling such things as Solvent Extraction, Plastics Extrusion and Injection Moulding. He joined the Jain Group in 1982 and was appointed a full-time Director in 1996.

Mr. Ramesh C.A. Jain (IAS Retd.) (Independent) is a Director of the Company. He holds a Bachelor of Arts Degree from the University of Rajasthan, a Bachelor of Law Degree from the University of Bombay and a Post-graduate Diploma in Development Administration from the University of Manchester in the United Kingdom. He has 10 years of experience in the industrial development and financial sectors. In 2003 he was Secretary of the Department of Agriculture and Cooperation in the Ministry of Agriculture in New Delhi and was responsible for the formulation and implementation of national policies and programmes for agricultural development. In 2004, before joining the Food and Agriculture Organization of the United Nations as its Country Representative in the Philippines, he held the post of Member Secretary, National Commission on Farmers, established by the Government of India.

Mr. Vasant V. Warty (Lender Nominee appointed by SBI) (Independent) is a Director and was appointed on May 13, 2004 by State Bank of India, the lead bank for our consortium of working capital bankers. He is a graduate in arts and law and holds a diploma in Managerial Accounting from Jamnalal Bajaj Institute, in addition to having passed CAIIB. Mr. Warty joined State Bank of India as a Probationary Officer in October 1966 and has held various positions within the field of Branch Management, including International Banking faculty member of State Bank staff college, Zonal Office in Mumbai, GM Commercial Banking and CGM Orissa State.

Mrs. Radhika C. Pereira (Independent) is a Director. She is a graduate of Mumbai University concentrating in science and law, and holds an LLM from Cambridge (England) and Harvard (USA). Currently, she is a Partner of Dudhat, Pereira and Associates, Advocates, Mumbai. Prior to joining Dudhat, Pereira and Associates, she worked with Mulla & Mulla, Cragie, Blunt & Caroe, Advocates and Solicitors, Mumbai, Arthur Anderson & Co, Mumbai, and as a Partner in Udawadia & Udeshi, Advocates, Mumbai.



HISTORICAL FINANCIALS (4 YEARS)

OPERATING RESULTS 2003-2006:

	2002-03	2003-04	2004-05	Rs. in Lacs 2005-06
Gross Income	33,944.35	42,144.44	64,186.21	91,708.03
Excise Duties etc.	1,880.44	2,152.61	3,265.66	5,128.99
Net Income	32,063.91	39,991.83	60,920.55	86,579.04
Cost of Sales	28,235.11	33,412.31	51,091.31	72,126.45
PBDIT	3,828.80	6,579.52	9,829.24	14,452.59
Interest	4,568.76	4,831.57	4,441.13	4,711.35
PBDT	(739.96)	1,747.95	5,388.11	9,741.24
Depreciation	2,115.43	2,126.79	2,200.28	2,625.57
PBT before exceptional Items	(2,855.39)	(378.84)	3,187.83	7,115.67
Non-operating/ Exceptional Items - Net	(2,541.73)	(1,546.55)	(34.63)	200.28
PBT	(313.66)	1,167.71	3,222.46	6,915.39
Deferred Tax	(3,326.69)	(438.08)	(17.13)	128.38
FBT / WT	0.16	0.19	0.11	70.85
PAT	3,012.87	1,605.60	3,239.48	6,716.16
Dividends	-	(101.98)	-	(2,592.70)
Transfers to/ from to Reserves	(1,899.39)	(1,120.38)	(187.15)	3,039.08
Retained Profits	1,113.48	383.24	3,052.33	7,162.54
EPS - Basic	7.87	3.05	5.87	10.79
EPS - Diluted	7.87	3.02	5.87	10.78
Dividend Per Share (of Rs. 10/-)	-	-	-	1.8
Market Capitalisation	18,675.66	34,797.19	73,174.91	146,320.65
Export Earnings (FOB)	10707.38	12837.54	21036.82	26907.75

Note: Other Income has been bifurcated into Operating & Non-operating income.

SOURCES AND APPLICATION OF FUNDS 2003-2006:

	2002-03	2003-04	2004-05	2005-06
Sources Of Funds:				
Equity	4,788.63	5,300.41	5,835.32	5,835.32
Reserves	9,290.71	12,646.12	17,656.11	20,434.88
Shareholders' Funds	14,079.34	17,946.53	23,491.43	26,270.20
Redeemable Preference Capital	9,353.19	9,353.19	9,353.19	9,108.92
Loan Funds ⁽¹⁾	33,393.91	31,505.50	33,665.11	67,452.80
Funds Employed	56,826.44	58,805.22	66,509.73	102,831.92
Application of Funds:				
Fixed Assets (Gross)	45,850.09	47,851.91	51,518.18	67,109.89
Depreciation	(14,685.64)	(17,151.72)	(19,342.04)	(23,482.11)
Fixed Assets (Net)	31,164.45	30,700.19	32,176.14	43,627.78
Investments	1,505.63	1,500.58	820.55	8,260.10
Deferred Tax - Net	6,976.57	7,414.64	7,431.78	7,303.40
Net Current Assets	17,179.79	19,189.81	26,081.26	43,640.64
Deferred Revenue Expenditure	-	-	-	-
Net Assets Employed	56,826.44	58,805.22	66,509.73	102,831.92
Net Worth per Share (Rs.)	29.40	33.86	40.26	45.02
Debt : Equity Ratio ⁽²⁾	2.10	1.53	1.19	2.10
Net Debt : Equity Ratio ⁽³⁾	1.95	1.45	1.14	1.24

Note: [1] Loan funds for FY 05-06 includes FCCB issue of Rs. 26766.00 Lacs (USD 60 Million) on 29th March 2006. This funds will be fully utilised during FY 06-07.

[2] Debt includes Redeemable Preference Share Capital and excludes Working Capital Loans.

[3] Net Debt is after deducting Cash & Bank balance from Debt calculated as per [1] above.



BOARD'S REPORT

The Board of Directors are pleased to submit their report for the FY 2005-06.

1. Financial Highlights:

	2005-06	2004-05
	(Rs. in Lacs, except per share data)	
Domestic sales	56,881	37,274
Export sales	28,672	22,879
Other operating income	337	328
Sales & operating income	85,890	60,481
Operating profit (PBDIT)	15,527	9,901
Interest & finance charges	4,711	4,401
Depreciation & amortization	2,625	2,200
Profit before taxation	6,915	3,222
Provision for tax		
-Current	-	-
-Deferred (asset) / liability	(128)	17
-Fringe benefit	70	-
Profit for the year	6,716	3,239
Earnings per share (Rs.)		
-Basic	10.79	5.87
-Diluted	10.78	5.87

2. Operations:

The Corporate sales have grown by 42% over the earlier year to reach a level of Rs. 85,890 lacs whereas, domestic sales have grown by 53% over the earlier year at Rs.56,881 lacs. The export sales have grown by 25% to reach a level of Rs.28,672 lacs in Financial Year 2005-06. The other income has gone up by two & half times from Rs. 512 lacs last year to Rs.1764 lacs in FY 2005-06.

The operating profit has grown by 57% reflecting gains of increased scale of operations at Rs.15,527 lacs.

The raw material prices were volatile throughout the year as polymers are derivatives of oil. However, with optimum buying decisions, better product mix and, appropriate inventory management the Company has been able to bring down the overall raw material costs by 1.5% as compared to last year.

The manufacturing expenses have gone up by a third of a percentage mainly due to increase in power charges.

The staff costs as a percentage of revenue have shown 0.5% decrease, even though there is substantial increase in revenue, reflecting better productivity and lower fixed cost.

The selling distribution & administrative costs have remained at same levels as last year. Though the interest & finance charges have gone up by about Rs. 270 lacs, as a percentage of sales income they have come down substantially from 7.3% to 5.5% in the current year.

During the year under review the Company has written off / made provisions against non recoverable claims, advances & value of unserviceable, slow moving inventory worth Rs.1,795 lacs, Company continues to pursue recovery efforts for claims and advances.

Out of profit available for appropriation an amount of Rs. 250 lacs has been used for creating CRR on redemption of preference shares while Rs. 504 lacs has been transferred to General Reserve, and balance (remaining after Preference & Equity Dividend) of Rs. 7,162 lacs is carried to balance sheet.

3. Dividend:

Dividend [both accumulated & current] are payable on 4% redeemable preference shares and are provided for in annexed accounts. The same shall be paid after declaration at 19th Annual General Meeting. The total provision made on this account is Rs.1395 lacs.

The Board has recommended 18% Dividend on Equity Shares of the Company. The same shall be paid after declaration at 19th Annual General Meeting. The total provision made on this account is Rs.1197 lacs.

4. Amalgamation of Terra Agro Technologies Limited:

The scheme of amalgamation effective 1st April 2005 was sanctioned by the honourable High Courts at Bombay and Madras on 21st April 2006 and 26th June 2006 respectively. The accounts for the FY 2005-06 reflect the amalgamated numbers after giving effect to the Scheme sanctioned. The Company had in consultation with Stock Exchange at Mumbai fixed 17th July 2006 as the record date for exchange of shares of erstwhile Terra Agro



Technologies Limited with the Company's equity shares and is in process of sending the Share Certificates to the eligible shareholders. The listing and trading permissions will be obtained soon thereafter.

5. Domestic Acquisitions:

In January 2006, the Company acquired the undertaking of LMP Agro Exports Limited, located near Vadodara in Gujarat, which was a 100% EOU engaged in dehydration of vegetables, with an annual capacity of 2000 MT.

In February 2006, the Company acquired an undertaking comprising of two plants of Parle Bisleri Private Limited, located in Chittoor district of Andhra Pradesh for pulping and aseptic packaging of Mango products, with an annual capacity of 28,000 MT.

Both these plants are amidst the raw material growing regions of vegetables and fruits to be processed.

6. Capacity expansion and Additional resources:

The Company has raised Rs. 475 lacs in September 2005 by allotment of 30,70,000 Share Warrants to individuals of the Promoter Group on preferential basis as per the SEBI(DIP) Guidelines, with an option to holder to apply for 1 Equity Share of Rs. 10 each against each warrant at a price of Rs.155 per share (i.e. Capital of Rs.10 each and securities premium of Rs.145 each) upto 9th March 2007. The additional cash inflow if the warrant conversion is opted for shall be Rs. 4,275 lacs.

The Company has drawn up an expansion plans which will add significant capacities in the Plastics and Food businesses in the FY 2006-07. Thus, the plastics business will add 69,000 MTPA of capacity, while food business will see addition of 41,550 MTPA of capacity.

To fund the organic growth, the strategic acquisitions, and to strengthen overseas second generation wholly owned subsidiaries in UK and USA, the Company has issued 60,000 Zero Coupon Convertible Bonds (ZCCB's) of \$ 1,000 each aggregating \$ 60 mn (equivalent to Rs. 26616 lacs) in March 2006. The Bonds are convertible upto March 2011 into Equity shares at a fixed conversion price of Rs. 345.59 per share. If all the ZCCB's are converted at fixed conversion price 7,701,611 Equity Shares shall be issued by the Company. If not converted the Bonds are redeemable in US\$ at 139.91% of its principal amount on maturity date or earlier, subject to certain conditions. The Bonds also have an option to convert into an underlying EDR(s) at the option of the Bondholder. The Bonds are listed and traded on the Singapore Stock Exchange, while the EDR's are listed and traded on the Luxembourg Stock Exchange. The Shares on conversion shall be listed and traded on the Stock Exchange, Mumbai and the National Stock Exchange, Mumbai.

The net ZCCB proceeds are being used by the Company towards capital and product development expenditure, financing and refinancing of the overseas acquisitions, strategic alliances, refinancing of the foreign currency loans as per applicable laws and regulations.

7. Government of India Budget 2006:

The Government of India announced its budget for 2006-2007 on February 28, 2006. Your Company expects the budget to have an overall positive impact on the agricultural sector and the MIS and Agro-Processed Products segments and to a lesser extent Company's Piping System and Plastic Sheets, Agro-Processed segments.

For the agricultural sector, the Government's budget announcement included, among others, the following policies:

- a plan to bring an additional 10 million hectares under assured irrigation under the "Bharat Nirman" project;
- promotion of micro-irrigation technology, comprising drip and sprinkler irrigation, on a large scale;
- a plan to encourage commercial banks, regional rural banks and cooperative banks to increase the flow of credit to farmers by an additional 30 % in 2006-2007. Further, public sector banks will be asked to increase the number of borrowers by another 5 million;
- a plan to make short-term credit available to farmers at a 7 per cent, interest rate subject to an upper limit of Rs.300,000 on the principal amount.

For the MIS products, it is expected that more farmers shall have access to credit to buy Company's products as a result of these policies. Further, it is anticipated that the Government's emphasis on irrigation projects will have a positive effect on the demand for Company's MIS products in the long-term.

For the Agro-Processed Products, the Government declared food processing to be a priority sector for bank credit. India's National Bank for Agricultural and Rural Development ("NABARD") has been directed to create a refinancing window with a corpus of Rs.10 billion, especially for agro-processing infrastructure and market development. It is expected that these policies would enable Company to obtain credit at a cheaper rate for the future expansion projects and help reduce the cost of borrowing.

For the Plastic Sheets and Piping Systems, the Government announced a reduction of the duty on the raw materials for major bulk plastics like PVC, LDPE and PP from 10% to 5% which will reduce the cost of raw materials in this segment, which may result in either increases in the margins or increased demand for the products due to lower prices. It could also provide greater flexibility to Company in sourcing raw materials either domestically or internationally.

8. Empanelment as supplier in Tamil Nadu micro irrigation schemes:

On March 20, 2006 your Company was empanelled by the State Government of Tamil Nadu, India as one of three Indian suppliers authorized to participate in proposed micro irrigation schemes sponsored by it and the central government. The State Government has announced that it plans to increase the coverage of micro irrigation systems in Tamil Nadu under these schemes by up to 30,000 hectares over the next year. The term of the empanelment extends from fiscal 2006 to fiscal 2007.