

# MANAGEMENT DISCUSSION AND ANALYSIS

After growing at a scorching 9% plus rate in 2005-06 to 2007-08, Indian economy consolidated at 6.7% in economic downturn of 2008-09 and recovered moderately to 7.4% in 2009-10 as per RBI's quick estimates. The 2010-11 projections are closer to 8% but macro headwinds are indicating a consolidation at over 7% for the current year.

The progress of monsoon has been good while geographical distribution is expected to be even.

The low growth phenomenon has continued with developed economies of Western world. They are grappling with problems like high borrowings and likely sovereign default in EU countries and if these were to happen, it would be catastrophic as many international commercial banks have exposure to EU countries. Energy prices have remained high through the current year so far but developments in various parts of world have moderated the demand expectations and hence prices have stabilized now at lower than top price achieved. The lower commodity prices and hence lower inflation expectations as a corollary may force RBI to either pause the policy rate hikes. However RBI has continued with its hawkish stance – due to high food inflation. In fact, food inflation issue is more supply side issue and partly can be addressed by improving agricultural productivity by using micro irrigation and other technologies being propagated by your Company.

The quick estimate released by RBI indicates that the economy grew by 7.7% in Q1 FY 2011-12. The Manufacturing sector grew by 7.2 while Mining sector grew only by 1.8%. However, the Agricultural sector grew by heartening 3.9% which is an encouraging sign.

Today need for your Company's product is even more intensifying & continued deployment of these products will allow Company to full-fill its objective of meaningfully addressing issues, like water conservation and food security, being faced by the nation.

## 1. Overview of Business

Your Company (JISL) is leading agri-business Company, operating in diverse but integrated segments of the agri-business value chain. It is the second largest micro irrigation Company globally and is largest manufacturer of irrigation systems in India. It is also the largest manufacturer of Mango pulp, puree and concentrate in the world and also third largest manufacturer of dehydrated onions. JISL is also India's largest manufacturer of polyethylene pipes, leading PVC pipe manufacture and is furthermore the largest manufacturer of Tissue Culture Banana Plants in India. JISL is additionally into hybrid & grafted plants; greenhouses, poly and shade houses, bio-fertilizers, solar water heating systems, Solar panels, Solar water pumps and wood substitute plastic sheets. JISL renders consultancy for complete or partial project planning and implementation e.g. watershed or wasteland and / or crop selection and rotation..

## 2) The Strategy

Our goal is to leverage our strengths to continue to expand our capacities in each of our respective business lines and expand into complementary product lines to continue our growth in India and to compete in the global market. The principal elements of our strategy are:

### a) Continue expansion of our micro irrigation products in India.

We are currently one of the largest suppliers of micro irrigation systems in India. Our strong brand name, extensive agricultural expertise and broad network of dealers has contributed to our aggressive growth in India and we aim to continue this growth by focusing

on states such as Maharashtra, Karnataka, Gujarat, Rajasthan, Himachal Pradesh and Haryana – while continue working in other states such as Andhra Pradesh, Tamil Nadu, Madhya Pradesh etc.

We attained a compound annual growth rate of 42.9% from fiscal 2008 to fiscal 2010 for our micro irrigation sales in India. We hope to continue this growth by developing new products such as automated greenhouses, developing micro irrigation system education efforts for paddy and new crops such as pulses, oil seeds and cotton and high density plantations such as mango, guava. We are expanding to new states in our manufacturing and distribution networks.

We aim to provide farmers an end-to-end water solution by transporting water, creating new water reservoirs, creating irrigation systems and assisting with agronomy through our canal command area programs. We also believe that the Government allocated agriculture areas next to cities to control food inflation will provide us with new opportunities.

### b) Expanding into new growth products and markets and continue focus on agricultural value chain.

We will continue to expand our product range with continued emphasis on the agricultural value chain. We also plan to enhance our distribution reach by adding new dealers and distributors to penetrate Indian and international markets, particularly in Turkey, Mexico, Africa, the USA and Latin American countries. For example, we set up a greenfield plant in Turkey for growth of MIS sales in Turkey and regional MENA countries. We also plan to add new fruits and vegetables to our vegetable dehydration and fruit processing capabilities, adding to our capabilities in the agricultural value chain and meeting demands for new products and food ingredients for consumers. We believe this will further diversify our revenues to insulate our sales from adverse conditions. We are also adding new products in our renewable energy segment, including integrated photo voltaic modules, which can be used on roof tops and in building, full aperture collectors, hygienic hot air dryers and Solar Water Pumps.

### c) Focus on financial management and synergies of creating an affiliated financing entity.

Our fastest growing business is micro irrigation which has a relatively protracted cash collection cycle from the invoice date. It takes between 9 and 12 months after delivery of products to receive the government incentives portion, which makes up at least 65% of the purchase price. We are focused on having sufficient financing facilities in place to fund future growth. Additionally, we continuously monitor interest cost and optimise our borrowing mix in line with changes in market dynamics. We hope the creation of a finance entity (NBFC) in which we will have a minority stake will significantly shorten the cash flow cycle by disbursing funds to us at the time of delivery of our products.

### d) Maintaining our cost competitiveness through technology.

We seek to be a cost-competitive high-quality producer and are focused on maintaining our cost competitiveness in our domestic and international markets. We have invested and we continue to invest in advanced equipments which provide us with consistent and cost effective production rapidly while maintaining quality. Due to our backward and forward integration, we have optimised capital investment on a per ton basis

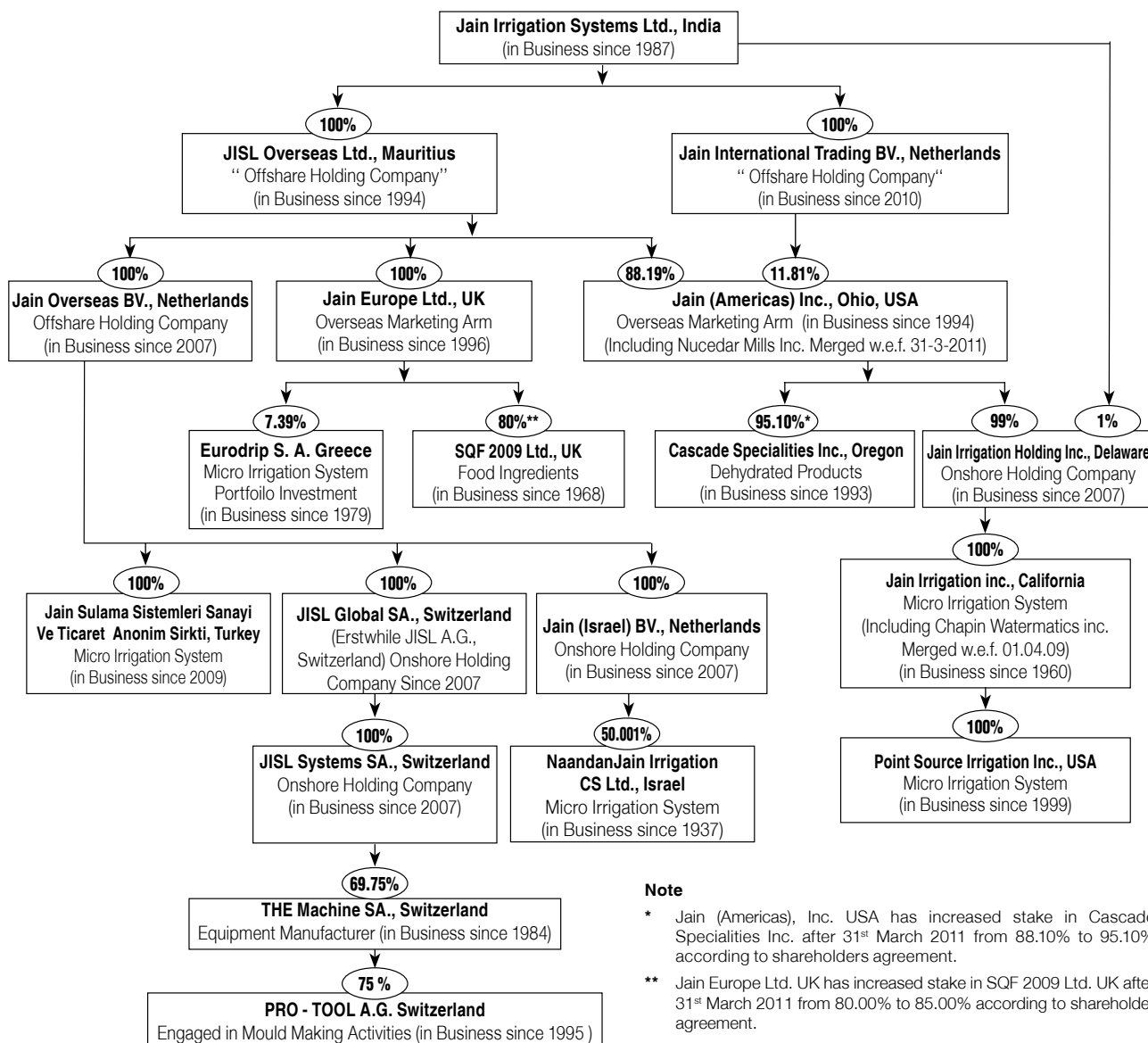
for our production facilities. We continue to pursue the one-stop-shop and integrated system approach which allows us to maintain lower sales and distribution costs resulting in cost competitiveness. We have invested in and have evolved our own unique processing technology and special seeds which allows us to improve yields in our food processing division, thereby increasing competitiveness. We buy major polymers which are our raw materials at reduced prices due to our scale. We have automated various processes in our plants so as to reduce manpower costs. We have started new plants in different states in the last two to three years and we plan to build more such plants across India, thereby reducing logistic and other costs. Our continuous research and development in-house and on-field has allowed to optimise our product and system design, thus rendering our end offering to be more cost competitive. In our micro irrigation business, we have focused on helping our customers to improve their production and productivity thus increasing value proposition of our product. We have also invested in green technology for the generation of energy which is expected to generate carbon credits. We plan to further increase productivity and production while reducing our costs by continuing to invest in new equipment, improving our material management systems to minimize wastage and production losses, improving our working capital cycle

to reduce our interest costs and refinancing our higher cost debt with lower interest.

**e) Growth through select strategic partnerships and investments in other ventures and mergers and acquisitions.**

We aim to be among the top global players in each of our major business segments and become an international brand in the agricultural business. In addition to organic growth, we will evaluate on a case-by-case basis potential acquisition targets that can grow our business, provide new technology, increase production capacity and/or expand our capabilities or geographic reach. For example we purchased Chapin Watermatics Inc., a USA Company, to incorporate their subsoil irrigation technology. We invested in NaanDanJain an Israeli irrigation Company, to incorporate their controlled irrigation technology and micro sprinkler products; THE Machines, a Swiss Company, to adopt their equipment and machine manufacturing expertise, and more recently Sleaford (UK), a UK food distribution Company, to have direct access to a large market with value-added new food products. We plan to acquire the minority stakes from past acquisitions to further integrate these businesses into our operations. We intend to pursue those acquisitions that are related to our key strengths, are synergistic and in our assessment, have manageable integration risks.

**3) Corporate Structure :** The below table sets for the current corporate structure of the Company



**Note**

\* Jain (Americas), Inc. USA has increased stake in Cascade Specialities Inc. after 31<sup>st</sup> March 2011 from 88.10% to 95.10% according to shareholders agreement.

\*\* Jain Europe Ltd. UK has increased stake in SQF 2009 Ltd. UK after 31<sup>st</sup> March 2011 from 80.00% to 85.00% according to shareholder agreement.

#### 4] A) Overseas Holding Companies

- a) JISL Overseas Ltd., Mauritius** is a wholly owned subsidiary of the Company and was incorporated in 1994 under the laws of Mauritius. JISL Overseas Ltd. acts as a holding Company for the overseas subsidiaries and all of the overseas subsidiaries are directly held by JISL Overseas Ltd. For the year ended 31<sup>st</sup> March, 2011, JISL Overseas had share capital of approximately US\$ 86.06 million. The said Company had a loss of US\$ 810,782 for the year ended 31<sup>st</sup> March, 2011.
- b) Jain International Trading B.V., Netherland** is a wholly owned subsidiary of the Company and is incorporated in 2010 under the laws of Netherland. The said Company had a loss of US\$ 388,047 for the year ended 31<sup>st</sup> March, 2011.
- c) Jain Overseas B.V., Netherland** is a wholly owned subsidiary of the JISL Overseas Ltd., Mauritius and was incorporated in 2007 under the laws of Netherland. The said Company had a profit of US\$ 152,227 for the year ended 31<sup>st</sup> March, 2011.
- d) Jain (Israel) B.V. Netherland** is a wholly owned subsidiary of the Jain Overseas BV., Netherlands and was incorporated in 2007 under the laws of Netherland. The said Company had a Loss of US\$ 345,157 for the year ended 31<sup>st</sup> March, 2011.
- e) JISL Global SA, Switzerland** is a wholly owned subsidiary of the Jain Overseas BV., Netherlands and was incorporated in 2007 under the laws of Switzerland. The said Company had a profit of CHF 3,317 (approx. US\$ 3,308) for the year ended 31<sup>st</sup> March, 2011.
- f) JISL Systems SA, Switzerland** is a wholly owned subsidiary of the JISL Global SA., Switzerland and was incorporated in 2007 under the laws of Switzerland. The said Company had a loss of CHF 13,580 (approx. US\$ 13,543) for the year ended 31<sup>st</sup> March, 2011.
- g) Jain Irrigation Holdings Inc. Delaware, USA** is a subsidiary of the Jain Americas Inc., USA and was incorporated in 2007 under the laws of USA.

#### B] Overseas Marketing Companies

- a) Jain (Americas) Inc., USA** (Including NuCedar Mills Inc., USA merged w.e.f. 31<sup>st</sup> Mar 2011) is a wholly owned subsidiary of the Company and was incorporated in 1994, under the laws of Ohio, USA. It is our key marketing, distribution investment arm in the United States. For the year ended 31<sup>st</sup> March, 2011, Jain (Americas) Inc. had sales of US\$ 22.06 million.
- b) Jain (Europe) Ltd., UK** is a wholly owned subsidiary of the Company and was incorporated in 1996, under English laws. Jain (Europe) Ltd. is our key marketing and distribution arm in the UK and other European countries. For the year ended 31<sup>st</sup> March, 2011, Jain (Europe) Ltd. had sales of GBP 25.19 million (Equivalent to US\$ 39.18 million).

#### C] Operating Subsidiary Companies

- a) Jain Irrigation Inc., USA** (Including Chapin Watermatics Inc. merged w.e.f. 1<sup>st</sup> April 2009) is a wholly owned subsidiary of the Company through the Jain Americas Inc. Jain Irrigation Inc is engaged in drip tape manufacturing and distribution business based in California. For the year ended 31<sup>st</sup> March, 2011, the Company had reported revenue of US\$ 55.86 million.

**b) Cascade Specialities Inc. USA** is owned to the extent of 95.10% by the Company through the Jain (Americas) Inc. It is engaged in onion and garlic dehydration business with specialization in natural low bacteria and organic dehydrated products. For the year ended 31<sup>st</sup> March, 2011, the Company had reported revenue of US\$ 19.87 million. The Company has definite agreement to acquire remaining ownership in the next year from other shareholders at an EBIDTA multiple.

**c) NaanDan Jain Irrigation C.S. Ltd. Israel** is owned to the extent of 50.001% by the Company through Jain (Israel) B.V. It is engaged in the manufacturing of drip / sprinkler irrigation. NaanDan also has manufacturing facilities in Chile, Brazil, Spain. For the year ended 31<sup>st</sup> March, 2011, the Company had reported revenue of NIS 418.54 million (Equivalent to US\$ 114.06 million). The Company has a call option to acquire remaining ownership over the next 6 years from other shareholders at an agreed fixed price.

**d) THE Machines SA, Switzerland** is a Switzerland based manufacturer of plastic extrusion equipments with laser technology. The Company is owned to the extent of 69.75% through JISL Systems SA. For the year ended 31<sup>st</sup> March, 2011, the Company had reported revenue of CHF 28.18 million (Equivalent to US\$ 28.11 million). The Company has a call option to acquire remaining ownership over in the next few months from other shareholders at an agreed prefixed price.

**e) Jain Sulama Sistemleri San. Tic. A.S., Turkey**, is a Turkey based manufacturer of drip / sprinkler irrigation. The Company is owned to the extent of 100% through Jain Overseas B.V. For the year ended 31<sup>st</sup> March, 2011, the Company had reported revenue of TRY 19.44 million (Equivalent to US\$ 12.87 million).

**f) SQF 2009 Ltd., UK** is based in Sleaford town in Lincolnshire County in the East Midlands region of England. The Company is owned to the extent of 80% through Jain (Europe) Ltd., UK. For the post acquisition period, the Company had reported revenue of GBP 11.66 million (Equivalent to US\$ 18.14 million). The Company has a put option to acquire remaining ownership over the next 3 years from other shareholders at an EBIDTA multiple each year.

#### g) Eurodrip S.A. Greece

In February 2006, we acquired 7.39% in Eurodrip through Jain (Europe) Ltd. The Company is one of the largest micro irrigation companies in Europe with its headquarters in Greece.

### 5. Competitive Strengths

We believe that the following are our principal competitive strengths :

#### a) Strong brand and leadership position in our businesses in India.

We are one of India's leading manufacturers of micro irrigation systems, piping systems and agro-processed products. Our MIS products are customised to assist in meeting the special requirements of our customers in India. We have worked with farmers to provide them training and introduce them to more advanced processes and technology as well as with Indian state governments

and international organisation to develop technology and support new initiatives to assist farmers. We have maintained our leadership position with extensive research and development to improve our products. We have built an extensive and loyal distribution and dealership network throughout semi-urban and rural India, selling flagship brands such as Jain Drip, Jain Sprinklers, Jain Pipes, Chapin and FarmFresh, which we believe are well known in our Indian and international markets. We believe that our strong brand presence and leading market position and understanding of our customer's needs makes us well-placed to capitalise on growth opportunities in the Indian and international markets for our products.

**b) Total solution provider across the agricultural value chain.**

We have utilised our agriculture expertise and relationships to participate across the agricultural value chain and diversify our revenue. In addition to our micro and sprinkler irrigation systems, plastic piping and solar pumps which are used in irrigation, we also supply bio-tech tissue cultures which help farmers reduce growing time and create higher crop yields. In addition, we work with our customers on a turnkey basis providing engineering, soil and water analysis, water resource estimation, crop planning, irrigation and fertigation scheduling, marketing assistance and other agronomical and technical support and training. We purchase onions, tomatoes and other vegetables for vegetable dehydration from our contract farmers and others and are a major consumer of mangoes for our fruit processing operations. We believe that being involved across the value chain leverages our knowledge, relationships, brand name and strong distribution network and provides total solutions for farmers.

**c) Diverse revenue streams.**

We have production and processing facilities across India and our sales have been growing in various states in India and internationally, which makes our sales and production less susceptible to weather or other risks in a particular region. We aim to expand internationally by looking for opportunities for future growth, especially in progressive agriculture markets. Our revenues are further diversified across the wide range of products we sell. Additionally, no single customer accounts for more than 5% of our revenues in fiscal 2011. This diversification can help insulate our overall sales and operations from adverse conditions affecting any one of our business segments or products, a particular region or a particular customer.

**d) Experienced management and large pool of agriculture professionals.**

Our senior management team has deep experience in the industries in which we operate. We believe that the experience of our management team in the agriculture sector and international markets will help us increase our penetration internationally and expand the range of our product offerings. Our management team also has long-standing relationships with many of our major customers, distributors/dealers and suppliers. Further, we have one of the largest pools of agricultural scientists, technicians and engineers in the private sector in India, comprising over 900 agricultural scientists, technicians and engineers. Our after sales support, training and other services are one of our main selling points.

**e) Flexible and scalable business model.**

We believe that the flexibility and scalability of our existing production facilities and distribution network will help us meet increased demand for our products. Our presence in India with nine manufacturing plants provides us a low cost, centralised manufacturing base.

The scalability of our existing facilities enables us to increase our production capacity through the installation of new equipment and production lines. Our manufacturing facilities enable us to produce a wide range of products with different specifications, such as inline tubing, flat dripper tubing, PC emitters, sprinkler pipes, impact sprinklers, PVC/PE pipes, casing and screen pipes and duct pipes with different diameters and working pressure ranges, and processed and dehydrated fruits and vegetables using different organic feedstocks. This assists us in meeting the specific demands of our customers and reducing the impact of seasonal changes in production volumes for specific products such as our agro-processed products and piping systems.

**f) Wide dealer and distribution network.**

We have over 2,500 dealers in India selling our products exclusively. Most of these dealers come from farming backgrounds and are influential in their respective regions. This strong local sales force gives us a deep understanding of the needs of our customers in India and assists us in providing strong after-sales support and sharing our knowledge with our customers. We can leverage our production facilities to further expand our distribution reach by adding additional dealers in new areas.

**6) Overview of Segment**

**A) High-Tech Agri Input Products**

The segment comprises of Micro and Sprinkler irrigation systems, PVC Pipes, biotech tissue culture and other agri inputs. The segment has grown at almost 26.7% over the previous year at ₹ 22,859.8 million. The main growth engine was the MIS/SIS business at a robust 31.6% growth. PVC pipes also grew at reasonable growth rate of 10.4%. The segment profit has grown by an impressive 40.1% over the earlier year's level, while the capital employed grew at a little over 30% reflecting the creation of additional capacities during the year.

**a) Micro and sprinkler irrigation**

**i) Industry**

The industry is broadly divided into the organized and unorganized segments in the country. The Company is the largest player in the organized sector. In view of the involvement of a large number of components in a system, all of which are not available with a single manufacturer, it is difficult to hazard a guess about the exact size of the industry as most of the figures are derived on the basis of information available from different sources. While the Company controls 55% of the Micro Irrigation business in the country, it has a market share of 35% in the Sprinkler irrigation business in the country. The current estimate of industry size is ₹ 30 bn. and it is growing at a fast pace. Currently only 5 million Ha (7% coverage) of the possible 69 million Ha area is covered under the micro and sprinkler irrigation in the country. However, as per Government task force 17million Ha of land can be easily brought under micro irrigation coverage in the country by 2012,

while by 2030 the extent of MIS/SIS coverage may reach 69.5 mn Ha.

The prospect for global growth of the MIS industry is strong. Experts estimate that by 2025 the majority of developed countries will confront issues resulting from a scarce water supply, with all major economies switching to MIS to mitigate the disruption that such a shortage could cause. Although MIS's popularity continues to grow, high establishment costs have hindered its wider circulation. Despite this, over the last 20 years, there has been a six-fold increase in the area under micro irrigation. North America and Europe have the highest rates of utilization, with the United States being the first country to employ micro irrigation technology in its fields and achieving the highest micro irrigated area. Asia is in the development phase in its use of the technology, with both India and China adopting the technology, albeit with low utilization rates. India and China both represent attractive growth opportunities for the MIS industry.

## ii) Performance

The business contributes a little over 51% of the Company's turnover. The division has been growing at a CAGR of 46% in last five years on the back of projects in the States of Andhra Pradesh, Gujarat, Tamil Nadu and consistent growth in Maharashtra. The business added 53,060 MT of capacity during the year under review, while Fixed Assets addition was to the tune of ₹1962 million.

## iii) Opportunity & Outlook

Almost 50% of the arable land in the country is still rain fed. The Government (Central and State) provide 50% capital subsidy for promoting the use of Micro Irrigation by farmers. While targeting an agriculture growth of 4% per annum the government had also placed higher targets for farm credit and agriculture investments at 2% plus of the GDP for the XII plan period. Very recently in 2010 the Cabinet Committee of Economic Affairs approved the "National Mission on Micro Irrigation" (NMMI) during the Eleventh Plan period. This again demonstrates the sustained focus of the government on pushing the micro-irrigation as a tool to conserve the water and address the issue of food security. The Union Budget reflected an overall increase in thrust towards agriculture.

During the year under review, the 22<sup>nd</sup> manufacturing plant was inaugurated at Bhavnagar in Gujarat. The plant at peak capacity shall have a capacity to manufacture 15,000 MT per annum of MIS/SIS, 25000 MT per annum of PVC Pipes & Fittings. It will serve the state of Gujrat and help the company improve its penetration levels in this important state in western India.

Your Company has continued its training & extension activities throughout the country. Thus, during the year under review the extension activities were carried out in over 165 districts in the country covering over 164,000 farmers in 15 states. All in all, outlook for this industry in very positive and opportunity is immense.

## iv) Risks & Challenges

Government policies and allocation amount towards central subsidy could influence the growth prospects of this business. Delayed cash-flow, could, apart from causing pressure on managing the working capital requirements, also have negative impact on the profitability of this business. With very high working capital requirements causing higher interest cost, the net profit margin of this business remains under check for the industry.

The growth in industry requires a large pool of trained sales people on continuous basis and skilled people are also required for implementation of the system and also require a dedicated dealer network in the far flung areas of the country. The uneven distribution of rainfall in the country, consecutive drought like situation for 2/3 years and fluctuations in the polymer prices are constant threats faced by the industry. Due to fragmented land holding in the country, the average farmer holds very small piece of land but irrespective of his size of holding the services required are almost the same. This fragmented holding therefore results in high transaction cost for the Company.

There are a large number of players in the industry whose influence is restricted to a small surrounding area, who neither maintain quality nor are able to give any quality service. These players tend to spoil the market due to their practices and may provide backlash against the concept of Micro Irrigation.

## b) PVC Piping

### i) Industry Indian Scenario

India's plastics industry is projected to grow dramatically in the coming years. The country's plastics processing sector, for example, is expected to grow from 69,000 machines to 150,000 machines in 2020. The PVC industry is integral to the MIS industry. The PVC pipes business is driven in large measure by demand for pipes used in agriculture, including agriculture unrelated to MIS. With agriculture expected to continue its rapid growth in India, and the positive correlation historically observed between the growth rates of agriculture and PVC, experts project that the PVC sector will grow by around 9% over the next two years.

Jain Irrigation, with a 15% share, is one of the three (3) major players in the organized market. Rest of the industry, being small and medium scale in nature, is unorganized, fragmented and scattered near the user belts in the country. Increased micro irrigation spends, higher allocation towards rural water infrastructure for potable water, push for urban infrastructure by government agencies and Command Area Development Programme will improve the demand situation for the industry.

### ii) Performance

During the FY 2011, this business contributed 18.1% revenue for the Company. The business has grown at a steady 10.4 % in revenues over last year. The business added 35,145 MT of capacity during the year under review, while the Fixed Assets addition was to the tune of ₹196 million.

### iii) Opportunity & Outlook

While the expansion of capacity undertaken last fiscal year is complete, in view of increased budgetary allocation from government, demand is expected to continue to increase. While the government infrastructure spends are increasing all the time, the government programmes continued for safe drinking water, urban and rural sanitation, rain-water harvesting and integrated watershed management programme etc. are expected to generate substantial demand for piping products in the coming years. The Company is considering establishing two more production centres in the north part of country in near future. A large part of the Urban Infrastructure projects in the current five year plan is towards irrigation, drinking water supply & sanitation.

### iv) Risks & Challenges

Delays in government decision/spending and limited availability of PVC resin in India is the potential threats to the otherwise rosy picture for the future of the industry. Low cost and low quality manufacturers continue to twist healthy markets. Volatility in price of raw material PVC resin is another dampening factor on demand. Due to heavy anti dumping duty, cost of PVC resin has been artificially increased for domestic processors, affecting end product demand.

### c) Biotech Tissue Culture

#### i) Industry

The industry is broadly divided into two segments

- 1) Fruits and vegetables
- 2) Leafy Plants and flowering Ornamental Plants.

The industry is not organized although some big names did start forays in this industry in the mid 1990's. Most of the players are engaged in tissue culture for cut flower exports, where the model of business is quite different. The Company started with banana as the main crop for tissue culture and the efforts have really paid off. The industry is still growing at an estimated 25% per annum.

#### ii) Performance

The sales in business crossed ₹270.0 million during the year, reflecting a 20.3% growth over the previous year. The quantity increased to 22.5 million plantlets Keeping quality of plants as the top priority Company had implemented four stage disease testing program. Unit has also maintained various certification standard for commercial tissue culture laboratories.

#### iii) Opportunity & Outlook

The outlook continues to be excellent and demand shows improved off take in the coming season. Now, many State Governments are evincing keen interest in promoting tissue culture. The Company has opportunity to diversify the business & produce fruit & ornamental plants & other fruit plants. Your Company has also started production of tissue cultured pomegranate plants, onion and even mango. Research and development is on to create Citrus plants. There is also an export potential to other Asian countries which can be tapped.

### iv) Risks & Challenges

Lack of skilled work force and the risk of legal problems in case of non-performance of the planting material in the farmer's field are the major challenges facing the business.

### B) Industrial Products

The segment business includes the varied business lines like PVC Sheets, Polycarbonate Sheets, PE pipes for industrial applications, Fruit processing, and onion and vegetable dehydration. Business in this segment has grown at 13.7% over the earlier year's level at ₹10,449.21 million. The major growth came from Solar business at 112% growth in revenue terms on a small base.

#### a) PE Piping

##### i) Industry

The applications of PE pipes are growing at a fast pace and yet new applications are being developed for the product. In applications like sewage & effluent disposal, due to the tougher environmental laws and stricter application of the same by the Govt. departments, the replacement of cement/metal pipes by PE pipes is becoming very relevant. Such possibilities are significant especially since the larger diameter PE pipes are now indigenously available within the country itself. The Company's presence in gas and cable duct segments of the PE pipe business is commanding and hence the overall market share is in excess of 30%. The Company is operating in all segments of the applications like cable duct, sprinklers, gas distribution, water conveyance, house service connection, Sewage conveyance, Effluent disposal, sand stowing, dust suppression etc.

##### ii) Performance

This business has grown in FY 2011 by 5.8% and volumes grew by 15.4%. However, with all user industries like telecom, gas, water and sewerage having good plans for growth and capital expenditure, the future is bright for this business.

##### iii) Opportunity & Outlook

The Company has successfully continued to get large supply contracts with multinational companies for supply all over the world as a preferred supplier with very encouraging revenues. The massive infrastructure projects undertaken under the Bharat Nirman Yojana, increased investments by telecommunication industry and plans for piped gas in cities, continue to be the potential demand drivers for the industry. All the Gas Distribution companies are continuing their growth plans as newer cities are being added every year. The telecom sector in India is growing well, more so the recent allocations of licence for 3G applications augur well for the telecom sector.

The demand for next 18 months is expected to be over 275,000 kms of duct pipes. In water transmission and distribution business there are around 200 firms registered with BIS, but the national players are only 3 and Jain Irrigation is the only player to manufacture pipes up to 1600+ mm dia. Jain Irrigation now, has developed the capability to provide a complete solution to Water Management, Waste-water Treatment and judicious use of treated water.

#### iv) Risks & Challenges

The unstable raw material prices and business cycles of the end users and delay in implementation of projects remain the major risks faced by the business segment. Lack of awareness about quality needs at the customer end provide significant challenge. Also conversion to HDPE from steel or concrete is still not easy due to unwillingness to change old specification at engineering levels.

### b) Onion and vegetable dehydration

#### i) Industry

Dehydrated Onion is the largest used general food ingredients. This industry is dominated by USA, followed by India and Egypt. Dehydrated Onion industry uses less than 2% of world's total fresh onion production. Agro processing in India provides an important link between the country's rural and urban economies by combining food produced in farms and villages with growing demand in the cities for high value, packaged food. As a result, the agro processing industry has expanded, growing at about 14% and contributing to 10% of India's manufacturing GDP and 13% of the country's exports. India's total food market turnover is over US\$69.4 million, of which the "value-added" food market of the agro processing industry now contributes US\$22.2 million. Even accounting for the industry's recent growth, agro processing in India remains underdeveloped. Only 2% of India's total agriculture and food produce is processed. India's dairy industry is the sector with the highest processing rates at 35%, with only 13% processed by the organised sector.

#### ii) Performance

During the year under review, product sale remained approximately same in terms of value and quantity. The Company achieved this sales growth under the adverse scenario of bad onion crop, increased raw material cost, volatile rupee, etc.

In order to maintain its leadership position the Company has upgraded and maintained its quality management system to ISO 22000 apart from other certifications like BRC, GMA SAFE, Kosher, Halal etc. Company's Indian operations have also been certified under ISO 14001 and OSHAS 18001 for Environment and Occupational Health and Safety.

#### iii) Opportunity & Outlook

Outlook for vegetable dehydration industry in general and dehydrated onion industry in particular looks positive. Large multinational companies with very popular household brands are looking towards consolidating the number of suppliers and trying to align with select few suppliers who can provide better traceability and sustainability. This puts the Company in a very good position due to its backward linkages, relationship with farmers, contract farming programs, ability to supply from two different origins with different seasons and product quality attributes and Company's sustainability in general.

Worldwide Onion dehydration industry is estimated to be around 180,000MTPA. The industry is growing globally at 3-5% per annum. The Company now has capacity to

produce approximately 26,000 MT per annum of finished products between its three plants in two countries. This makes the Company the third largest dehydrated onion producer in the world. Demand for naturally produced low micro products and organic dehydrated vegetables continues to grow. The Company estimates that with growing demand of its finished products and general upward movement of food prices globally, the Company will be able to achieve further growth in sale and better realization in the coming year. The Company is also looking at increasing production of value added products like fried onion, frozen onion and other vegetables in the coming years.

#### iv) Risks & Challenges

The biggest challenge for any agro processing industry is the availability of right quality material at right price and the required quantity. Poor monsoon, changing climate, competing crops etc pose risk in terms of availability of the raw material itself, which can result in lower production in a particular year. Part of this risk is mitigated by the contract farming program undertaken by the Company, under which the Company secures 100% of its raw material for its US operation and a substantial portion of the Company's raw material requirement for its Indian operations. Apart from challenges on raw material availability front, the other challenge is the rising energy and other costs. Company also faces stiff challenge from low cost / low quality producers who can adversely affect the overall market.

### c) Fruit processing

#### i) Industry

The fruit and vegetable processing industry has a huge potential in India, with India ranking 2<sup>nd</sup> in the world in production of fruits and vegetables but is at the lower rung of the value chain in terms of processing. The availability of fruits and vegetables is varied due to diverse agro climatic conditions. Despite the large production of fruits and vegetables, it is estimated that only up to 6 per cent of total agro output of India is currently processed as against up to 60-80 per cent in some developed countries. India's share in the global food trade is only 1.5%. All of this implies that there is a great potential to grow this industry. An increase from 6% to 20% in terms of processing and increase in value addition from 20% to 30% will translates in to quantum jump in the size of the processed fruit and vegetable industry.

The installed capacity of India's fruit and vegetable subsector has increased from 1.1 million tonnes in January 1993 to 2.1 million tonnes in 2006. It is estimated that processing fruits and vegetables accounts for around 2.2% of India's total production. The major items of this subsector include fruit pulps and juices, fruit-based ready-to-serve beverages, canned fruits and vegetables, jams, squashes, pickles, chutneys and dehydrated vegetables. Recent additions to the space include vegetable curries in reportable pouches, canned mushroom and mushroom products, dried fruits and vegetables and fruit juice concentrates.

## ii) Performance

This division forms an important part of the Company's approach to integrated farming model, wherein the Company supplies the farmer with high-tech agri inputs, and is ready to buy back the surplus output to add value and offer the same locally and in International markets, thereby completing the agri value chain. The division clocked yearly revenues of ₹3,087 Mn. during the year under review. The business grew at 14.8% in value terms. The division processed 115580 MT of fruits during the year. The division added new capacities in Aseptic, Frozen and IQF part of the business. Company processed various different fruits like Mango, Pomegranate, Amla, Guava, Banana, Papaya, Tomato, etc in the year under review.

The division continues to retain its accreditation under various quality standards such as ISO 22000, SGF, Kosher etc. The business unit has also achieved accreditation under ISO 14000 and OSHAS 18000 standards.

With the increased capacity, improved plant utilization and reduction in raw material transport cost; this division has become cost efficient and a high quality producer of fruit purees and concentrates.

Your Company is a strategic supplier to Coca Cola system worldwide for supplying Mango Pulp/Puree and concentrates. The Maaza brand of Coca Cola Company is a brand leader in the fruit beverages category and continues to clock compounded annual growth rate of up to 30%.

## iii) Opportunity & Outlook

India's Economic development has registered a growth rate of 8% over 2006-2009. Contributing to this flourishing economy is the agriculture sector, where productivity is showing an increasing trend. Keeping pace with the world production of Fruits and Vegetables the production in India has also grown and now accounts for 15% of world's vegetable production and 8% of world's fruit production. The focus has now changed from grains and cereals to fruit and vegetables owing to change in consumption pattern resulting in increase in demand for fruits and vegetables.

The fruit and vegetable processing industry is critical to fruit and vegetable sector. Although the horticulture sector has grown by 10%, only just over 2% of the produce is processed, resulting in huge post harvest losses. Fruit and vegetable processing establishes the vital linkage between agriculture and industry. In order to sustain the growth in the economy, Govt. has realized the need to support this vital link and has been providing support to accelerate growth in the sector. The sector has seen exponential growth with demand for fruit juices, beverages, convenience foods growing by around 30% YoY.

The demographic profile of the consumers has been changing. With increase in disposable incomes and standard of living, the consumption pattern is shifting from basic foods to more healthy, convenience foods resulting in growing demand for processed food in general and processed fruits and vegetables in particular.

There is a marked shift in the International markets with emphasis being laid on wellness products and products having nutritive/therapeutic properties. There is also a shift from the usual products such as Citrus and Apple to more exotic products like Mango, Guava, and Pomegranate etc. which are being increasingly being researched for their wellness aspects.

New markets such as China, Russia and Africa are opening up and the existing markets such as Middle East are moving up the value and quality chain.

With opening up of US and Japanese markets for fresh Mango, the taste profile is witnessing a change, resulting in opening up of these markets for processed products also.

The demand for tropical fruit purees and concentrates and processed vegetables is growing rapidly within India as well as in International markets. The new format stores have added a different dimension to the distribution and sale of products, opening up opportunities, hitherto nonexistent. The packaged juices have seen a growth of more than 30% YoY and the consumption of fruits and vegetables as whole has shown an increase of 2.3% CAGR whereas that of cereals has decreased.

With a view to offer products with therapeutic values, the Company is working on offering products from Amla (Gooseberry) and Mangosteen in the International markets.

Company is also working on setting up a processing line for processing Mosambi, the most widely consumed juice in India and also other citrus varieties. The Company was successful in standardizing process and technology for these products, hitherto not processed in India.

Orange being the largest processed and consumed juice in the world and to be able to meet the growing demand for this juice within the country, the Company has drawn up plans to cultivate the processing variety of Oranges in India.

## iv) Risks & Challenges

The biggest challenge in any agri processing business is the availability of required quantity of raw material at the right time and at the right price. The changing climatic conditions are adding uncertainty to the entire agri and horti sector with year of plenty followed by severe scarcity. To mitigate this risk the Company is pro-actively working to expand its sourcing base and is promoting the concept of integrated development of agriculture and establishing backward linkages. The successful model of contract farming in Onion and integrated development in case of Banana is being extended to other fruit crops such as Mango, Pomegranate and Tomato. Company has successfully evolved the concept of 'Ultra High Density' plantation of Mango, which will revolutionise the mango growing, making it one of the most profitable crops for the farmers Company has also evolved a basic standard of good agricultural practices in association with IFC, called 'JainGAP', which has been recognised by Global GAP as the intermediary standard and is being implemented by the Company both in its contract farming program for Onion as well as contact farming

program of Mangoes. This will result in higher productivity at the farm levels, better availability and price stability for the Company apart from taking in to account the concern of traceability to farm get and health of the farmer and farm labour.

The other major risk being the ever increasing cost of energy. The spiralling fuel oil prices are not only mounting pressure on the processing costs, but also directly and indirectly increasing the cost of various inputs. The Company is working towards utilizing its bio-waste to generate energy to offset these rising costs.

There are fiscal and non fiscal trade barriers in the form of multifarious certifications being put by importing countries adds to cost.

#### d) PVC Sheets

##### i) Industry

Major markets for Company's products are Europe and United States of America. The market is divided into two segment; Sign & Graphics (S&G) and Building Materials Market (BMI)

In the BMI segment, Lumber the traditional building material was being replaced by PVC. The basic uses of PVC in BMI was in Trim, used as surrounds for windows and garage doors, Corner Boards, Soffits and interior applications such as Wainscoat and Beadboards. The inherent qualities of PVC such as impervious to water absorption; protected against insect attacks and a life term warranty promulgated the product over traditional Lumber. Further, availability of good quality wood was a problem as resources were drying up and cost of processing was escalating.

The market is serviced by 7 manufacturers and some Chinese imports.

The S&G market has been using PVC sheets in manufacturing Sign and Graphic boards, Point-of Purchase displays and large print mediums. This industry has stayed with PVC for over 3 decades.

This segment is serviced by 5 manufacturers Some China products have attempted to penetrate the market.

##### ii) Performance

This business has steady growth rate in FY 2011.. it accounted for around 22% of the revenue. Improved 2<sup>nd</sup> half helped achieving the same level of revenue at ₹ 1394 Million compared to ₹1143 Million in the previous year.

##### iii) Opportunity & Outlook

The economic downturn has resulted into some players exiting the market and others redefining their basket of offerings. This consolidation in the industry will benefit both the manufacturer and the end user. US housing market has started showing sign of recovery and is expected to come back on growth track, while signs are positive, nothing can be certain. We have introduced several new products to the market place: A Digital print sheet for optimum print quality, Sheet for the environmentally (EFS) conscientious market place which has been received well.

##### iv) Risks & Challenges

The economy has been slow and this poses a challenge. Jobless rate is another factor adding to the uncertainty in the marketplace. However,

other indicators such as the stock markets show a reasonably healthy trend. Major corporations are showing profits and the Detroit car industry has shown a very a very healthy recovery. The market continues to adopt 'just in time' requirements and this has the manufacturers carrying the inventory burden. Housing statistics show an improvement but has been slow paced. Your Company has modified its marketing strategy which has resulted in current year surpassing several previous results. The trend going forward is cautiously optimistic.

#### 7) Risks and concerns at corporate level

Your Company has significant experience in managing risks related to farming, weather, seasonality, global markets and impact of government policy. During last few very volatile years, this experience and expertise has helped Company to navigate turbulent times in a smooth manner resulting in sustained growth, improved margins and increasing market share, despite historical financial meltdown and violent disruption of all types of global markets.

The risk management, inter alia, shall provide for periodical review of the procedures to ensure that executive management controls the risks through a properly defined framework. The Company has identified the risks and their owners within the organisation and following risks have emerged as the top 5 risks:

- Continuous fund requirement
- **Seasonality in agriculture** and monsoon
- Currency fluctuations
- Aggressive strategies of competition
- Integration and profitability of acquisitions

**Continuous fund requirement :** Challenges in managing cash to cash cycle (payment for procurement to collection for sales) needs continuous fund infusion. This results in increased capital requirements. This risk is especially relevant for a growth oriented Company and the kind of business Company operates in.

**Seasonality in agriculture :** Company's performance is also dependent on the seasonality in agriculture sector.

**Currency fluctuations :** Adverse changes in the exchange rates leading to erosion in export income. Also large amount of Company borrowing is in foreign currency. Therefore exchange rate movement of Rupee can result into notional profit or notional loss for mark to market accounting treatment.

**Aggressive strategies of competition :** The competition adopts aggressive strategies (large sales force, credits, products offered at multiple price points etc.) and competition from unorganised sector (aggressive pricing) results in pressure on sales/margins.

**Integration of acquisitions :** Inability to capitalize on the opportunities arising from the acquisitions due to sub optimal integration of the people, process and technology from the acquired entities is one of the risks associated with the recently completed acquisitions.

#### 8) Analysis of the Standalone Financial Performance

##### a) Net sales

₹ in Million

	2010-11	2009-10	Change	Change%
Micro Irrigation Systems	16,983	13,006	3,977	30.60%
Piping Systems	9,461	8,414	1,047	12.40%
Agro processed Products	4,427	4,028	399	9.90%

	2010-11	2009-10	Change	Change%
Plastic Sheets	1,402	1,523	-121	-8.00%
Other Products	1,142	637	505	79.30%
<b>Total Gross Sales</b>	<b>33,415</b>	<b>27,608</b>	<b>5,807</b>	<b>21.00%</b>
Less: Excise Duty	908	691	217	31.40%
<b>Net sales</b>	<b>32,507</b>	<b>26,917</b>	<b>5,590</b>	<b>20.80%</b>
Domestic	27,349	21,708	5,641	26.00%
Export	5,158	5,209	-51	-1.00%
Export to Total	15.90%	19.40%		

Sales excludes export incentives

Net Sales on corporate basis has increased by 20.8% to ₹32,507 million vis-à-vis ₹26,917 million in the previous year. This increase in revenues primarily reflected increased domestic sales of Micro Irrigation Systems, and Agro Processed products & Solar Systems

Our total domestic revenue increased by 26% in fiscal 2011 to ₹27,349 million from ₹21,708 million in fiscal 2010. The revenues from exports have decreased by 1.0% in fiscal 2011 to ₹5,158 million from ₹5,209 million in fiscal 2010. Export sales accounted for 15.9% corporate sales in fiscal 2011 as compared to 19.4% in fiscal 2010.

**i) Micro Irrigation Systems :** Revenues from domestic sales of our Micro Irrigation Systems increased by 32.4% in fiscal 2011 to ₹16,116 million from ₹12,175 million in fiscal 2010, primarily due to increased retail sales in States like Maharashtra, Andhra Pradesh, Gujarat, and Punjab and project sales in Karnataka, & Rajasthan States. During the same period, exports of Micro Irrigation Systems increased by 4.4% to ₹867 million from ₹831 million mainly due to sales to overseas subsidiaries.

**ii) Piping Products :** Revenues from domestic sales of our Piping Systems increased by 18.4% in fiscal 2011 to ₹9,180 million from ₹ 7,756 million in fiscal 2010. The retail business in Maharashtra, Madhya Pradesh, Karnataka, Gujarat and Rajasthan contributed to the increased domestic sales of PVC pipes and Duct distribution, Gas distribution & water distribution pipe all three segments contributed to the increased domestic sales of our PE pipes. The revenues from export of Piping Products decreased by 57% in fiscal 2011 to ₹281 million from ₹658 million in fiscal 2010,

**iii) Agro-Processed Products:** Revenue from exports of Agro-Processed Products increased by 5.4% in fiscal 2011 to ₹2,684 million from ₹2,546 million in fiscal 2010 mainly on account of higher mango puree demand in our European & Middle East markets. Revenues from domestic sales of our Agro-Processed Products increased by 17.6% in fiscal 2011 to ₹1,743 million from ₹1,483 million in fiscal 2010.

**iv) Plastic Sheets :** Revenues from our Plastic Sheet products de-accelerated by 8% in fiscal 2011 to ₹1,402 million from ₹1,523 million in fiscal 2010, mainly due to closing down the polycarbonate business in third quarter of year 2010.

**v) Other products :** Other product includes Solar Water Heating systems, Solar Photovoltaic Systems, Tissue Culture Plants and Agricultural products. Revenues from other products increased by 79.30% in fiscal 2011 to ₹1,142 million from ₹637 million in the fiscal 2010, mainly due to higher sales of tissue culture plants & solar products.

## b) Operating Income

₹ in Million

	2010-11	2009-10	Change	Change%
Export Incentives & Assistance	802	285	517	181.50%

Operating income includes accrued export incentives & assistance under VKYU Scheme & Transport Assistance Scheme of GOI for our agro processed products division and Mega project incentive from Maharashtra Government.

## c) Raw materials consumption

₹ in Million

	2010-11	2009-10	Change	Change%
Polymers, Chemicals & additives, Fruits & Vegetables, Consumables, packing material, etc.	21,281	16,905	4,376	25.90%

Raw materials consumption increased by 25.9% to ₹21,281 million as compared to ₹16,905 million in the previous year mainly due to increased higher growth in the major segments and also partly due to raw material price increase during the year. During the same period, polymer consumption increased to 217,506MT from 185,722 MT representing an increase of 17%; however in value terms the increase is 34%. The consumption of fruits and vegetables has decreased to 200,171MT from 258,216 MT representing a decrease of 22.4%, however in value terms, the increase is 38.9% reflecting the significantly price increase.

## d) Stores Consumed and Repairs to Machinery

₹ in Million

	2010-11	2009-10	Change	Change%
Stores Consumed and Repairs to Machinery	894	690	204	29.6%

Stores consumed and repairs & maintenance costs increased by 29.6% to ₹ 894 million as compared to ₹690 million in the previous year, mainly due to the increased scale of operations

## e) Power and Fuel

₹ in Million

	2010-11	2009-10	Change	Change%
Power & Fuel Cost	880	780	100	12.8%

Power & Fuel cost increased by 12.8% to ₹ 880 million as compared to ₹ 780 million in the previous year. Mainly due to increased level of production in all major divisions.

## f) Other Manufacturing Expenses:

₹ in Million

	2010-11	2009-10	Change	Change%
Other Manufacturing Expenses including operating lease rent and processing charges	970	740	230	31.1%

Other Manufacturing Cost increased by 31.1% to ₹ 970 million as compared to ₹ 740 million in the previous year, mainly due to the increased level of production in all major divisions.

**g) Payments and Provisions to Employees** ₹ in Million

	2010-11	2009-10	Change	Change%
Payments to and provisions for Employees	1,503	1,036	467	45.1%

Employee costs increased by 45.1% to ₹ 1503 million as compared to ₹1036 million in the previous year. The increase is mainly due to higher employee compensation expenses, commission to directors and new employment. During the year 894 new associates joined the Company. Employee Cost as % of Net Sales is increased to 4.6 % in current year, as against 3.8% in previous year.

**h) Selling & Distribution Expenses** ₹ in Million

	2010-11	2009-10	Change	Change%
Selling & Distribution Expenses	2,053	1,745	308	17.6%

The Selling & Distribution Expenses increased by 17.6% to ₹ 2,053 million as compared to ₹ 1,745 million in the previous year efficiently in line with the revenue growth S&D Expenses as % of Net Sales are 6.3% in current year as against 6.5% in previous year reflecting better cost management & higher sales.

**i) Interest & Finance Charges** ₹ in Million

	2010-11	2009-10	Change	Change%
Interest Expense	2,107	1,751	356	20.3%
Bank charges	257	192	65	33.6%
Total	2,364	1,943	421	21.6%
Less: Interest Income	80	52	28	52.9%
Interest & Finance Charges (Net)	2,284	1,891	393	20.8%

The net interest charges increased by 20.3% to ₹ 2,107 million as compared to ₹ 1,751 million in the previous year, mainly due to long term loans raised for growth capex, increase in working capital utilization for growth and increase in interest rate. The overall finance cost is 7.0% of net sales as same as previous year.

**J) Fixed Assets** ₹ in Million

	2010-11	2009-10	Change	Change%
Gross Block (net of disposal)	19,830	16,309	3,521	21.6%
Less: Depreciation	5,123	4,283	840	19.6%
Net Block	14,707	12,026	2,681	22.3%

Gross block increased by ₹ 3,521 million during the year, mainly due to expansion & modernization plan implemented across all divisions. In current year we have increased installed capacities in plastic processing to 508,700 MT as compared to 421,995 MT in previous

year, in Food processing to 159,789 MT as compared to 127,789 in previous year, substantial increase of 5 million plantlets in Tissue Culture and 24.2 million watts in Solar Photo Voltaic. New Capex has been financed out of long term loans and internal accruals during the current year.

**k) Investments** ₹ in Million

	2010-11	2009-10	Change	Change%
Investment in wholly owned subsidiary (WoS)	4,009	3,941	68	1.7%
Other Investment	24	13	11	82.3%

The increase of ₹ 68 million in investments is mainly on account of capital/loan infused in the WoS based in Mauritius and Netherlands/Holland.

**l) Inventories** ₹ in Million

	2010-11	2009-10	Change	Change%
Inventories	9,149	6,062	3,087	50.9%

The increase in inventory by ₹ 3,087 million during the current year compared to previous year is mainly on account of increased in Finished Good Inventory by 2411 million, raw material increased by 375 million and material in transit increased by ₹ 148 million.

**m) Sundry Debtors** ₹ in Million

	2010-11	2009-10	Change	Change%
Gross Debtors	14,980	8,975	6,005	66.9%
Less: Provision Doubtful Debts	162	99	63	63.2%
Net Debtors	14,818	8,876	5,942	66.9%

The increase in net debtors were 66.9% at ₹ 14,818 million compared to ₹ 8,876 million in the previous year mainly due to higher MIS sales and substantially higher than normal subsidy receivable from government.

**n) Loans and Advances** ₹ in Million

	2010-11	2009-10	Change	Change%
Loans & Advances	5,224	3,736	1,488	39.8%

Loans & Advances increased by ₹ 1,488 million to ₹ 5,224 million in current year from ₹ 3,736 million in previous years.

**o) Current Liabilities & Provisions** ₹ in Million

	2010-11	2009-10	Change	Change%
Current Liabilities	12,933	7,722	5,211	67.5%
Provisions	528	497	31	6.2%

Current Liabilities increased by ₹ 5,211 million to ₹12,933 million in current year from ₹ 7,722 million in previous year mainly due to increase.

**p) Secured & Unsecured Loan** ₹ in Million

	2010-11	2009-10	Change	Change%
Secured Term Loan	7,738	8,660	-922	-10.6%
Secured working Capital Loan	9,226	5,362	3,864	72.1%
Unsecured Loan	5,161	3,813	1,348	35.4%

The Secured Term Loan have gone down as normal repayments have been made during the year. Due to

increase in working capital requirements the Secured Working Capital has gone up substantially at ₹ 9226 million. Similarly Unsecured Loans have gone up moderately due to increase in deferred credit from suppliers of equipment.

#### q) Shareholders Funds

₹ in Million

	Equity Capital	Preference Capital	Share Premium	Other Reserves	Retained Earnings	Share Warrants	Total
Balance as on 1-Apr-2010	760	23	5,697	2,500	4,449	-	13,430
Changes during the year	-	-	-	-	-	-	-
Conversion of FCCB <sup>^</sup>	2	-	65	-	-	-	67
Conversion of Warrants <sup>^</sup>	-	-	-	-	-	348	348
Adjustment for unrealized gain/ loss due to hedging derivatives <sup>^</sup>	-	-	-	66	-	-	66
Adjustment for ESOPs	9	-	446	(1)	-	-	454
Redemption & Redemption Premium on Preference Shares & Debentures	-	(23)	(2)	23	(23)	-	(25)
Profit for the Year	-	-	-	-	2,953	-	2,953
Profit transferred to General Reserve	-	-	-	300	(300)	-	-
Dividend (incl. Dividend Tax)	-	-	-	-	(450)	-	(450)
Sub Total	11	(23)	509	388	2,180	348	3,413
Balance as on 31-Mar-2011	771	-	6,206	2,888	6,629	348	16,843

<sup>^</sup> Refer Note No. (2), (3) & (13b) of Notes to Accounts Schedule 22 (Part-B)

#### r) Appropriation

₹ in Million

	2010-11	2009-10	Change	Change %
Transfer to CRR	23	425	(402)	-94.56%
Transfer to General Reserves	300	271	29	10.62%

An amount of ₹300 million has been transferred to the General Reserve during the year. An amount of ₹23 million is transferred to Capital Redemption Reserve in view of Redemption of preference shares during the year.

#### s) Dividend

₹ in Million

The Board has proposed to pay dividend on 4.00% Redeemable Preference Shares at fixed rates, while it is proposed to pay dividend on Equity Shares @ ₹1 per share (50%) to all eligible Shareholders, subject to approval of Shareholders at the ensuing AGM. The dividend cash-outgo (including dividend tax) would be ₹450 million as against ₹417 million in the previous year. The dividend payout (including current year dividend on Preference Shares) as % of Net Profit works out to 15% as compared to 15% in previous year.

	2010-11	2009-10	Change	Change %
Preference Dividend	0	14	(14)	-98.29%
Equity Dividend	386	343	43	12.37%

**Note: The Management cautions that some of statements above are directional and forward looking and do not represent correctness of the underlying projections as they are dependent on various factors some of which may be outside control of management.**