



MANAGEMENT DISCUSSION AND ANALYSIS

The Indian economy is on a sustained uptrend with GDP growth rate hovering a little over 9% for the last three years. The 2008-09 growth estimates however hover around 8% or lower due to slowdown in manufacturing sector accentuated by slow growth in agriculture, mining, construction sectors.

The inflation has been rising consistently touching a 12.63% level in August 2008. The RBI has tried to contain the WPI inflation by slew of monetary measures of rate hikes and reduction in liquidity. The external situation is moving fast with US dollar strengthening against all major currencies world over and Rupee breaching the Rs.44 mark against dollar depreciating close to 10% on YoY basis. The Index of Industrial Production (IIP) is hovering just over 5% mark.

Agriculture in 2007-08, according to Government estimates had grown by over 3%. The major reasons for such a poor performance were low investment, low water use efficiency, imbalance in fertilizer use, distorted incentive system and low post harvest value addition. The poor agricultural growth have lead to problems in price stability and supply side concerns in essential commodities. The Economic Survey in the past had called for an inclusive growth in the economy which implies that a large population should participate in the growth. With just under 60% of the population engaged/dependant on agriculture, they share less than 20% of the output in terms of value, causing a grave imbalance. This imbalance can only be set right by following policies centered around the rural and agriculture population. While there is good intent in the Government to improve rural/ agricultural economy, execution is tardy and beneficiaries at the bottom of the pyramid are hardly getting any benefits. Revival of this sector will require significantly higher resource allocation and an integrated development plan which will incorporate a holistic view of all round development.

1) Overview of Business

Your Company is one of India's leading agri-business companies, operating in diverse but integrated segments of the agri-business value chain. Your Company is one of India's largest manufacturers of irrigation systems, plastic pipes and plastic sheets and now also the largest mango processor and largest onion dehydrator in the country.

The Company's product range includes Micro Irrigation Systems ("MIS") consisting of drip and sprinkler irrigation systems; Piping Systems consisting of PVC pipe and polyethylene ("PE") pipe products- Plastic Sheets consisting of PVC sheet and polycarbonate ("PC") sheet products; Agro-Processed Products consisting of dehydrated onion and processed fruit purees and concentrates; and other products such as agricultural tissue culture and Solar Water Heater and Solar Lighting Systems.

The Company's overall business prospects are significantly integrated to the agriculture economy generally and horticulture sector in particular. The movements in the overall industrial economy and the external sector also have a significant effect on the business of the Company. Thus, the Company's performance is subject to seasonality in the agriculture sector and also partly dependant on Government policies at both Central and state level. To offset the risks of the agricultural sector the Company has built a diversified portfolio of industrial products.

External events and their impact on business has been increasingly volatile and challenging.

Now days, historical trends do not necessarily provide ready guide to future. Managements must keep constant vigil and respond in dynamic manner to effects of unfolding developments almost on 24 x 7 basis. This must be done while keeping focus on long term strategy and adherence to core values.

Our business during last year has also faced such challenges and has effectively managed them to provide another year of sterling growth and consistant profitability.

Current year seems to more challenging. We are on our guard. Our outlook is more cautions while keeping our convictions on growth intact. We have a task on hand to maintain growth rates near the one's we have achieved over last 5 years.

2) The Strategy

Your Company's primary business strategy is to play a key role of catalyst in providing value added long lasting solutions through it's products and services to problems of water security, food security and energy security.

This strategy is being implemented by pursuing well co-ordinated initiatives such as increase in product and services portfolio, increase in geographical reach, creation of value added products with help of fundamental research and development and by creating awareness to effect knowledge transfer to farmers.

- Growing the business organically and through select strategic partnerships and mergers and acquisitions The aim of the Company is to be among the top three global players in each of its major business segments such as Micro Irrigation Systems, Plastic Sheets and Agro-Processed Products. In addition to organic growth, the Company will evaluate on a case-by-case basis potential acquisition targets, that offer an opportunity to grow the business, production capacity and/or expand its capabilities or geographic reach. The Company intends to pursue those acquisitions that are related to its key strengths, are synergistic and in its assessment, have manageable integration risks. Your Company may also enter into strategic partnerships with leading overseas manufacturers and distributors of similar products with coverage in markets where the Company is presently under-represented.
- Focusing on the agri-supply chain The plan is to sell products and services at various levels of the agri-supply chain, leveraging the existing strong brand in India and established domestic and international distribution networks. For example, for the domestic farming customers the Company plans to provide an integrated "full service" product offering assistance to them at every step of their crop growing cycle with products and services which are synergistic with the current products of the Company. The Company plans to help its customers to improve their crop yield such as, through Micro Irrigation Systems and higher quality planting material like the selected high yielding and hybrid onion varieties presently supplied to its contract farmers.



The Company also plans to work with its customers to take their agricultural projects from conception to completion on a turnkey basis, providing services such as engineering, soil and water analysis, water resource estimation, crop planning, irrigation and fertigation scheduling, marketing assistance and other agronomical support. The Company believes that these activities are also complimentary to and synergistic with the vegetable and fruit dehydration and processing activities downstream in the agri-supply chain. The Company intends to achieve further vertical integration of its activities in the agri-supply chain such as through expanded upstream contract farming arrangements to support the downstream Agro-Processed Products business.

- **Expanding into new growth products and markets** The Company will continue to expand its product range with new and innovative products in areas such as PVC window and door profiles and other building products made from PVC Sheets which are believed to have a cost advantage over traditional wooden (lumber) products. Your Company also plans to further penetrate the urban and commercial applications for its PVC Piping Systems, focusing on India's increasing need for housing, sewerage, water supply, telecommunications and other infrastructure. The Company plans to enhance its distribution reach by adding new dealers and distributors to penetrate into new domestic and international markets, particularly in Africa, the Middle East and the East and

West coasts of the US. Furthermore, there are plans to foster strategic alliances with global players so as to have access to their distribution reach for marketing the Company's products.

Recently company has signed MOU with Mekorot of Israel to expand its activity in water infrastructure Area.

In case of fruit & vegetable processing company plans to add vegetables other than onion to its portfolio. It also will increase capacities in IQF fruits.

- **Maintaining cost competitiveness** Your Company seeks to be a cost-competitive high-quality producer and is focused on maintaining its cost competitiveness in the domestic and international markets. There are plans to further increase productivity and production while reducing costs by continuing to invest in new equipment, improving the material management system to minimize wastage and production losses, improving the working capital cycle to reduce the interest costs, refinancing the higher cost debt with lower interest debt and exploring ways to use the solid waste produced by our food processing facilities to generate electricity etc. Since 2004, The Company has engaged in contract farming, whereby it sources the raw materials for its onion dehydration business by buying-back onions at pre-determined prices from over 2,000 farmers, covering approximately 3,000 acres of farm land. The Company provides such farmers with various agricultural inputs and services.

3) Key Products

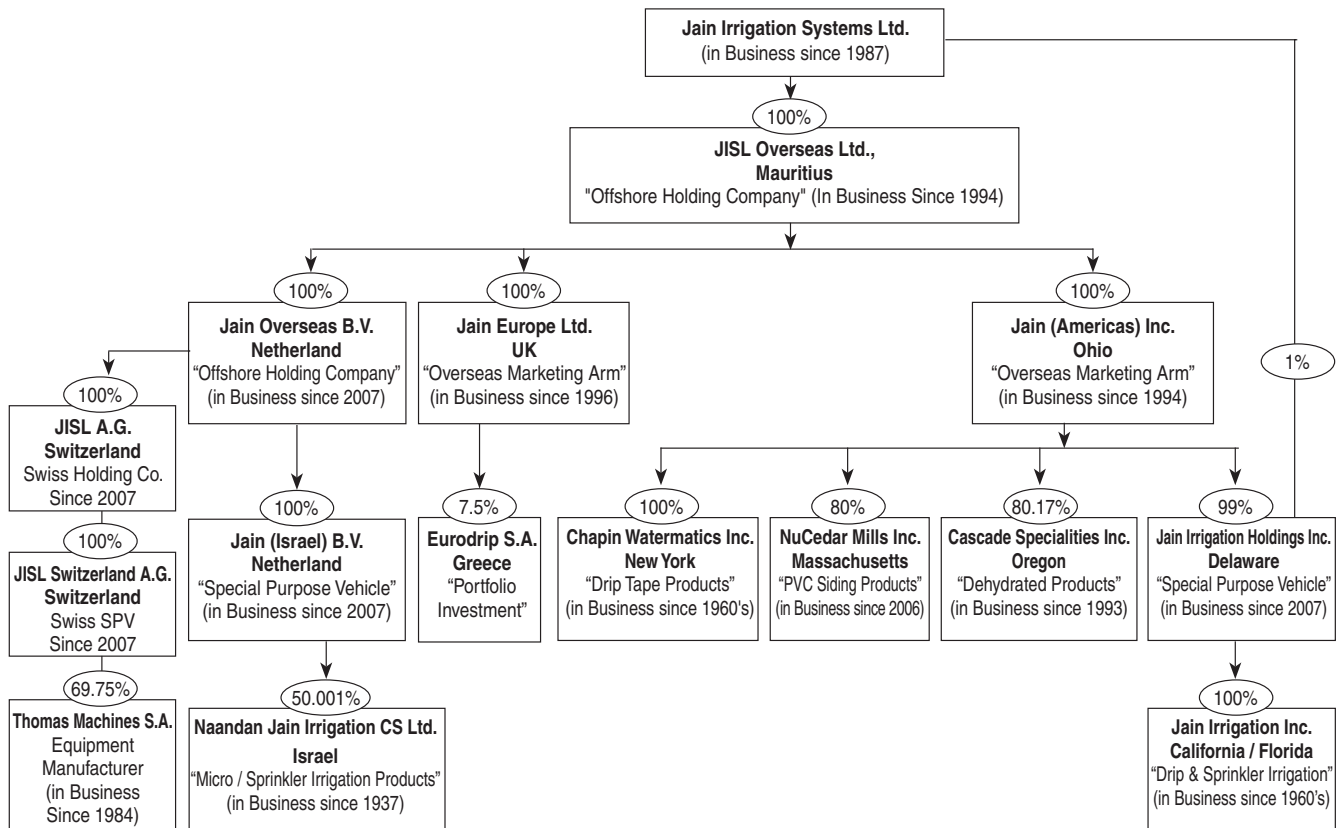
A brief synopsis of our products and their application is provided in the table below.

Product	Use and Applications	Brand Name	Logo
Drip Irrigation Systems	Farm Irrigation & Landscape	Jain Drip	
Sprinkler Irrigation Systems	Farm Irrigation & Landscape	Jain Sprinkler	
PVC Pipes	Water Supply, Farm Irrigation, Plumbing, Cable ducting	Jain Pipe	
High Density Polyethylene ("PE") Pipes	Water, Sewerage, Effluents, Cable ducting, Gas distribution	Jain PE Pipe	
PVC Sheets – Free Foam – Integral Foam – Rigid	Trim boards, display boards, sign boards, banners Marine industry, advertising, signs boards, interior designs Industrial applications, partitions, interior designs	Ex-cel	
Poly Carbonate (PC) Sheets – PC Compact – PC Corrugated	Building, construction, transport, advertising Greenhouses, stadium and industrial roofing	Ex-cel	
Dehydrated Onions	Processed food, soups, recipes, salads, retail	Farm Fresh	
Fruit Puree and Concentrates	Juices, baby foods, confectionary	Farm Fresh	
Tissue Culture Plants	Agriculture plantation	Jain Tissue Culture	
Solar Water Heating & Solar Photo-voltaic	Domestic and industrial uses, Hospitals, Dairies	Jain Sun Watt & Jain Jyot	



4) Corporate Structure

The below table sets forth the current corporate structure of the Company



JISL Overseas Ltd. 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 31st March, 2008, JISL Overseas had share capital of approximately US\$ 64.24 million out of which \$ 24.58 million was infused in the year FY 2007-08. The said Company had a profit of \$97,457 for the year ended 31st March, 2008.

Jain (Americas) Inc. is a wholly owned subsidiary of the Company and was incorporated in 1994, under the laws of Ohio, USA. It is our key marketing and distribution arm in the United States. For the year ended 31st March, 2008, Jain (Americas) Inc. had sales of US\$23.02 million.

Jain (Europe) Ltd. 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 31st March, 2008, Jain (Europe) Ltd. had sales of GBP 15.04 million.

Chapin Watermatics Inc, USA is a wholly owned subsidiary of the Company thru the Jain Americas Inc. Chapin is engaged in drip tape manufacturing and distribution business based in Watertown near New York. The Company has reported revenue of US\$13.13 million in the 12 months to March 2008.

Cascade Specialities Inc. USA is owned to the extent of 80% by the Company thru the Jain (Americas) Inc. It is engaged in onion and garlic dehydration business with specialization in natural low bacteria and organic dehydrated products. The revenues for 12 months ended in March 2008 were US\$12.89

million. The Company has definite agreement to acquire over the next 4 years remaining ownership from other shareholders at an agreed EBIDTA multiple each year.

NuCedar Mills Inc. USA is a start up venture engaged in the manufacture of PVC sidings thru a patentable product for the home building market in USA. The Company has commenced production in 2007-08 for test marketing reaching Revenue of US\$ 3.23 million.

Erstwhile Aquarius Brands Inc. USA now known as Jain Irrigation Inc. is a California based manufacturer of drip irrigation systems for agriculture landscape and nursery applications and is a wholly owned subsidiary of the Company thru the Jain Irrigation Inc. In first full year of ownership by the Company the said company has achieved a sales level of US\$34.14 million in the 12 month to March, 2008.

NaanDan Jain Irrigation C.S. Ltd. Israel is owned to the extent of 50.0001% by the Company thru Jain (Israel) B.V. It is engaged in the manufacturing of drip irrigation. NaanDan also has manufacturing facilities in USA, Chile, Brazil, Spain & Australia. The Company has reported revenue of NIS349.86 million in the 12 months to March 2008. The Company has a call option to acquire remaining ownership over the next 2-10 years from other shareholders at an agreed fixed price.

Thomas Machines S.A. is a Switzerland based manufacturer of plastic extrusion equipments with laser technology. The Company owns 69.75% of Thomas Machines thru JISL Switzerland Ltd. Revenue for the 12 months to December 2007 is CHF12.20 million. The Company has a call option to acquire remaining ownership over the next 3 years from other shareholders at an agreed fixed price.



5) Competitive Strengths

The Company believes that the following are its principal competitive strengths to successfully execute the earlier mentioned strategy.

- **Strong brand in India** Jain Irrigation is one of India's leading manufacturers of Micro Irrigation Systems, Piping Systems, Plastic Sheets and Agro-Processed Products. Since the Company commenced operations in 1986, it has built an extensive distribution network throughout semi-urban and rural India, selling flagship brands such as Jain Pipe and Jain Drip, which are well-known in the domestic markets. Company's MIS products are customized to assist in meeting the special requirements of its domestic customers. Management believes that the Company's strong brand, leading market position and understanding of the customers' needs, makes it well-placed to capitalize on growth opportunities in the fast growing domestic markets for its products. Formation of Jain Irrigation was preceded with other group companies that dealt with agriculture since 1963. Thus, there is 44 years of a strong relationship and mutual warmth with the larger agricultural community.
- **Flexible and scalable production facilities** Management believes that the flexibility and scalability of the Company's existing production facilities will help it meet increased demand for its products. The scalability of the Company's existing facilities enables it to increase its production capacity through the installation of new equipment and production lines. For example, the Company can increase the capacity to produce our PVC/PE pipes and Plastic Sheets by upgrading critical equipment such as screws/barrels and gear boxes, or if greater capacity enhancement is required, by adding new extruders. The Company's flexible manufacturing facilities enable it to produce a wide range of products with different specifications, such as PVC / PE pipes with different diameters and working pressure ranges and processed and dehydrated fruits and vegetables using different organic feedstock. This flexibility assists the Company in meeting the specific demands of its customers and reducing the impact of seasonal changes in production volumes for specific products such as the Agro-Processed Products and Piping Systems. The ability to expand production across product streams is demonstrated by the achievements in the past 48 months in which Company has increased its PE pipe capacity, more than eight times to 81,360 tons as of 31st March, 2008 from 8,676 tons as of 31st March, 2003. It increased the PVC sheet capacity by almost 4 1/2 times to 36,300 tons as of 31st March, 2008 from 7,735 tons as of 31st March, 2003 and it increased the PVC pipe capacity by 2.75 times to 98,010 tons as of 31st March, 2008 from 35,600 tons as of 31st March, 2005. Your Company plans to continue this aggressive capacity build up in current and coming year so as to maintain substantial organic growth across most of the divisions.
- **Cost competitive high quality producer** The Company's modern, large-scale production facilities, the de-centralization of its plastics manufacturing facilities in Jalgaon, Hyderabad and Udumalpeth near Coimbatore in India, the increasing de-centralization of the food processing and dehydration facilities throughout India, closer to the growing regions for the raw material and

efficient working capital management, make your Company a cost competitive manufacturer of various products. While the Company is committed to maintaining international quality standards for all its products, the success in meeting the quality requirements of the international customers is demonstrated by your Company's increasing export sales. The overall export sales increased by 12% to Rs. 454 crores in fiscal 2008. The Company's plastic processing, onion dehydration, fruit processing activities, tissue culture activities and solar division had achieved ISO 9001 certification. The Company's plastics processing was certified under ISO 14001-2004 Environment Management System certification by TUV NORD Germany in 2005-06.

- **Experienced management & sales teams** With significant experience in the plastics manufacturing, fruit and vegetable dehydration and/or fruit processing industries, the Company's senior management team has deep experience in the industries in which it operates.

The Chairman, Mr. B. H. Jain is the founder and is acknowledged as one of the pioneers of micro irrigation in India. The experience of the Company's management team in international markets will help it increase the penetration of strategically selected countries and expand the range of its product offerings in existing export markets. The management team also has long-standing relationships with many of the major customers, distributors/dealers and suppliers. Further, the Company has a strong local sales force, which together with the management team give the Company a deep understanding of the needs of the domestic customers.

- **Diverse revenue streams** Although the Company's business and its prospects are significantly integrated with the Indian agricultural sector, your Company also derives a significant portion of its revenue from non-agricultural sources, such as from sales of piping systems to commercial, industrial and government customers, and sales of PVC sheets to the home building construction industry. In fiscal 2008, the Company derived a little over 50% of its revenues from non-agricultural sources. The revenues are further diversified across the wide range of products sold. This diversification can help insulate the overall sales and operations from adverse conditions affecting any one of the business segments or products.

6) Overview of Segments

A) High-Tech Agri Input Products

The segment comprises of Micro and Sprinkler irrigation systems, PVC Pipes, bio tech tissue culture and other agri inputs. The segment has grown at almost 42% over the previous year at Rs. 6141 million. The main growth engine was the MIS/SIS business at a robust 75% growth. The segment profit has grown by an impressive 75% over the earlier year's level, while the capital employed grew at a little over 62% 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 Rs. 12 bn. and growing rapidly. Currently about 2.0mn Ha of possible 70 mn Ha are covered under the micro and sprinkler irrigation in the country. However, as per Government task force 17mn Ha of land can be easily brought under micro irrigation coverage in the country in the near future, say by 2011-12.

The world over the MIS/SIS industry is undergoing a consolidation phase with M and A activity at its highest in the last 30 years or so. The Company has now got a firm foothold in the mature North American market with two significant acquisitions to gain a 10% market share. The JV with Naandan gives it strategic access to markets the world over, specially in Europe, South America, Australia and ME Asian countries, while it faces a demand explosion in the fastest growing Indian market.

ii) Performance While the tonnage of the business has grown by a respectable 47% compared to the earlier year, 12% increased realizations led to growth in revenue terms at 64%. The business contributes a little over 35% of the Company's turnover. The division has been growing at a CAGR of 66% plus on the back of projects in the States of Andhra Pradesh, Gujarat, Tamil Nadu and the philip provided by Maharashtra continues. The business added 12,690 MT of capacity during the year under review, while Fixed Assets addition was to the tune of Rs. 610 million.

iii) Opportunity & Outlook Almost 60% 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 XI plan period.

State government have also started work on new concept of 'On Demand Irrigation' which will help farmers to do more productive farming. Another initiative called 'No Lift Without Drip' will encourage wide spread use of Micro Irrigation Systems even in crops such as cereal and pulses. Adoption of Micro Irrigation System is becoming more prevalent even in crops such as Cotton, Chillies, Onions, Potatos and other vegetable crops. States from Northern Parts of India are picking up speed especially with Horticulture crops. All in all, outlook for this industry in very positive and opportunity is immense.

Your company is making significant investment in production capacity and in network building so that it can maintain the unprecended compounded annual growth rate of 60-80% in this division going forward as well.

iv) Risks & Challenges The growth in markets is dependent on Government policies and release of capital subsidy etc in the short term. The growth in industry will need a large pool of trained sales people and a dedicated dealer network in the far flung areas of the country. The uneven distribution of rainfall in the country and fluctuations in the polymer prices are constant threats faced by the industry. Low cost quality competition is another threat.

b) PVC Piping

i) Industry Indian Scenario: During the year 2007-08 the Indian industry used 1373 KT of PVC Resin, achieving a growth of 13% over previous year. Out of this about 70% i.e. 972 KT was consumed for pipes & fittings. For the year 2008-09 Indian PVC industry in general looks forward to consume 11% more and looks forward to a CAGR of 10% up to the year 2012-13, matching the Global pace. Jain Irrigation, with a 15% share, is one of the handful 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. However, there are 3 major players in the organized sector. Increased micro irrigation spends, push for urban infrastructure by government agencies and Command Area Development Programme will improve the demand situation for the industry.

ii) Performance During the year 2007-08, this business contributed just under 16% revenue for the Company. While the business has grown at a steady 10% in revenues, the realizations were increased by 9%, while the tonnage grew at 1% to reach just under 46,221 MT. The business added 12995 MT of capacity during the year under review, while the Fixed Assets addition was to the tune of Rs. 107 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 significantly increase. Hence the Company has again decided to enhance the capacity by another 15972 MT, the full effect of which will be observed in FY 2008-09. In a full year's operation the investment would generate Rs. 298 mn of incremental revenues.

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. In the year 2007-08 the company has started a complete range of PVC SWR pipes and moulded fittings to strengthen the product portfolio. Additionally, during the current year a production centre is established in Tamil Nadu to move closer to the customers' demand centres and would be establishing two more 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 prices of PVC resin remain the potential threats to the otherwise rosy picture for the future of the industry. Low cost low quality manufacturers continue to twist the healthy markets. Increase in price of raw material PVC resin is another dampening factor on demand.

c) Biotech Tissue Culture

i) Industry The industry is broadly divided into two segments-

- (1) Fruits and vegetables and
- (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 Rs. 100 million for the first time during the year, reflecting a 51% growth over the previous year. The quantity increase at 9.4 mn plantlets contributed 47% of the growth while 3% increase in price realization was achieved during the year. Keeping quality of plants as the top priority company had implemented four stage diseases testing program. Unit has also undergone BCIL Certification, certification standard for commercial tissue culture laboratories by Department of Biotechnology, Govt. of India. The Unit has also received "Rajeev Gandhi National Quality award, 2007" for efforts and commitment to quality in the field of Biotechnology industry.

iii) Opportunity & Outlook The outlook continues to be excellent and demand shows improved offtake 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. To begin with in coming year company has started production of tissue cultured pomegranate 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 just under 29% over the earlier year's level at Rs. 5948 million. The major growth came from the fruit processing business at a whopping 102% level backed by a good Mango season and an additional revenue from Pomegranate processing. The segment profit has grown by just under 7% over the earlier year's level, while the capital employed grew at a little over 24% reflecting the creation of additional capacities during the year.

a) PVC & PC Sheets

i) Industry The market is divided into two segments; Graphics Market (GM) and Building Materials Market (BMI)

The BMI segment showed the largest growth in using PVC sheets over the last decade. Lumber the traditional building material was being replaced by PVC. 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 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. This segment uses sheets 12.5 MM and thicker going up to 30 MM.

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

The GM 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. However, the sheets properties have been undergoing changes to meet the new technology of printing that is constantly evolving. The sheets used in this industry have to be of a very high quality surface and dimensional tolerances have to be very stringent, Cost though being a factor, the print industry has yet to find a medium that could replace PVC.

This segment uses 1 MM to 12 MM thickness. This segment is serviced by 5 manufacturers. Some China products have attempted to penetrate the market.

Polycarbonate Sheets have been traditionally used in Glazings, Roofing, Security windows, some Sign and Display applications in the General Purpose segment. At the high end, Aeronautical applications, Eyewear, Compact Discs have been its niche markets.

ii) Performance

The adverse effect of continued slowdown of American Housing Industry has led to decline in PVC Sheet business revenue by about 36% over the previous year, however it is a decline 31% in terms of volume.

Building Materials Market

The home mortgage crisis in USA has severely impacted the housing industry and consumption of raw material in the Building industry segment fell by 40 %.

New home building has virtually come to a stop in lieu of high inventory levels of unsold homes. Adding to this is the non availability of funds for new home purchases. The area where this segment showed a slight growth was in the remodeling area. Most of the application in this field was towards repairs and replacement.

EX-CEL sheets in the Building Market saw a decline in sales. Some of this decline could be attributed to our losing a major distributor in the Mid Atlantic region of USA. The housing crisis was the major factor in our loss of sales. However, this was the case with all other manufacturers and our decline in sales has been in line with the lesser offtake in the industry as a whole.

Our inventory levels are high and all measures are being taken to reduce the levels but at the same time assuring the market of continued supply. Our quality has been exceptional.

The introduction of NuCedar was well received by the market. However, the housing crisis has been an entry barrier. None the less as a product it is unique and will see it penetrate high end market segment and gain volumes. We have had several main line building products manufacturers contacting us for possible cooperation and/or marketing arrangements. This speaks well of the product.

Graphics Market

This segment was effected by the credit crunch resultant of the mortgage crisis. However, both in Europe and USA, EX-CEL has held its own. This was achieved by adding manpower, opening new warehousing facilities and maintaining the exceptional quality and services.



The economic conditions have resulted in Graphics market cutting back on projects and reducing inventory levels to JIT. The emphasis of this market is to seek out manufacturers who will provide cut to size material and do custom jobs. This is aimed at reducing inventory and cutting back on labour. This market has trended at 5% growth annually and is expected to maintain this level.

The factor that will have an affect is the entry of High Speed Digital printers in place of the Screen print machines used previously. This requires a sheet of exceptional quality with a near pristine surface.

We have introduced the New Digital White which is manufactured to meet the standards required for the high speed digital printers. We expect to make good inroads into this segment. Our broad offering of products has aided in our consolidating the market place. 2 years ago our major market was second tier distributors and regional players. Today we are a major supplier to all 1st tier distributors. This is significant progress given that we do not have any manufacturing facilities outside of India.

The PC Sheet business has grown marginally at 5% over the previous year's level on the back of 12% tonnage growth while the realizations suffered 7% decline in this business due to reduction in PC raw material prices world over.

Polycarbonate product category saw a good growth in the domestic market and we continue to export. Our continued arrangement with Sabic and their increased offtake augurs well for this product line.

iii) Opportunity & Outlook The economic downturn will lead to some players exiting the market and others redefining their basket of offerings. This will create a vacuum of supply that can lead to possible JV's and Cooperations between like minded manufacturers operating in the same market segments and could open up a new vistas leading to a stronger resource pooling and reduction of duplicated costs which ultimately will benefit both the manufacturer and the end user.

The JAIN name has been fore front in publications in Plastics and Irrigation industry magazines due to the recent acquisitions. This gives the companies a greater exposure for growth.

iv) Risks & Challenges A lot will depend on the price of resin. The fluctuating oil prices do not provide any comfort. The industry as a whole has put through price increases and the reaction of these will be felt in the coming months.

The slow recovery of the housing industry and the credit crunch could further debilitate the levelling of the down markets.

Any slowdown in world economies will have a direct impact on the recovery speed.

A sluggish market is expected over the next 12 months to 18 months.

b) PE Piping

i) Industry The applications of PE pipes are growing at a very fast pace and yet new applications are being developed for the product. In applications like Sewage & Effluent disposal 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 huge,

especially since the larger diameter PE pipes are now indigenous 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 industry share is 30%. The Company is operating in all segments of the industry like cable duct, sprinklers, gas distribution, water conveyance, house service connection, Sewage conveyance, Effluent disposal, sand stowing, dust suppression etc.

ii) Performance This business saw a healthy 130% growth in revenues over the last year's level reflecting a phase of consolidation in the industry, while the tonnage increased by 132% over the earlier year's level. However, with all user industries like telecom, gas, water and sewerage having good plans for growth and capital expenditure, the future is very bright for this business. The business added 24036 MT of capacity during the year under review, while Fixed Assets addition was to the tune of Rs. 194 million.

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. The natural gas production is expected to double to 190 mn cubic mtrs per day by 2009 as per the estimates of Ministry of Petroleum and Natural Gas. On the telecom side, in view of the ever expanding market, the government has started releasing additional spectrum for normal as well as 3G and 4G applications. The demand for next 18 months is expected to be around 250,000 kms of duct pipes. In water transmission and distribution business there are around 200 firms registered with BIS, but the national players are only 5 and Jain Irrigation is the only player to manufacture 1000 mm and above dia pipes up to 1600 mm dia. Jain Irrigation is the only player to manufacture 1000 mm and above dia pipes for sewerage applications. Jain irrigation has become the first company in India to successfully install indigenously manufactured 2 km long 1200mm dia. HDPE pressure pipe-line in Kolkata. The company has also formed a strategic association for Indian market with 'Mekorot' (a Water Management & Treatment expert Israel Govt. company). With this added strength, 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 at specification level.

c) Onion and vegetable dehydration

i) Industry Dehydrated Onion industry is lead by USA who accounts for around 60% of world's total production. USA is also the biggest consumer of dehydrated onion in the world followed by EU, Latin America, etc. Total capacity



of Indian onion dehydrators is today second to USA. The Company is a large player and accounts for upwards of 40% of share in export of dehydrated vegetables from the country. Most of the domestic industry is unorganized. Unorganized producers supply semi-finished products in crude form, that many buyers in the EU and USA further process to make the finished products. The Company has an edge over unorganized producers because of backward linkages in seed production / distribution, contract farming, and its ability to supply processed finished products, ready to be used in the finished products of customers. Almost all big users of dehydrated onion in the world are the customers of the Company either directly or through distributors, resellers or blenders.

With the acquisition of controlling stake in Cascade Specialities Inc, the Company has also established its manufacturing presence in the USA, the world's biggest market for dehydrated onion. As the US market is protected by tariff barriers, having a production base in the country allows the Company to have access to that market as a local producer. The Company is also the only producer in the world that has manufacturing base in two different countries and as a result is able to produce dehydrated onions throughout the year. Due to the location advantage, Cascade Specialities also specializes in production of naturally produced low microbiology laden products, which are in great demand from flavor and seasoning companies. Ability to produce large quantity of low micro products gives the Company an edge over all other competitors in USA and outside, who are unable to produce large quantities of natural low micro products. Cascade Specialities is also the only producer of organic dehydrated onions in the USA.

ii) Performance During the year under review, Company's sale grew by approximately 26% in terms of value and approximately 11% in terms of volume. The Company increased its sales realization on per kilo basis in the year under review. The company achieved this sales growth under the adverse scenarios of bad onion crop, increased raw material cost, appreciating rupee, etc. The Company also faced government's ban on export of onion in the month of October 07, thereby having a very poor 3rd quarter. Company recovered well in the fourth quarter of the year under review and still managed to achieve approximately 25% increase in sales on year on year basis. Company also increased production of value added products like toasted onion to increase realization.

Company's US Operation continued to perform well with increase production of low micro products, increase in sales and realization.

To maintain very important food specific certifications, the Company's two plants at Jalgaon and Baroda secured the renewal of ISO 22000, FSMS, BRC Global Standard food certifications during the year under review.

iii) Opportunity & Outlook Outlook for vegetable dehydration industry in general and dehydrated onion industry in particular looks very good. 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 and sustainability in general.

Worldwide Onion dehydration industry is estimated to

be around 180,000mt. The industry is growing globally at 6-8% per annum. The Company now has capacity to produce approximately 25,000mt 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. The acquisition of controlling stake in Cascade Specialities Inc, USA has further opened up the global customer base for the Company's products. The Company has also made improvements in its plant in the USA by capacity expansion, cold storages for fresh onion storages to increase the season of production and other operational improvements. 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 year.

iv) Risks & Challenges As the Company experiences in the onion season of 2006-07, uncertain crop patterns continued to be the major risk for such businesses. Company also faces stiff challenge from low cost / low quality producers who can adversely effect the overall market. Rising energy costs and strengthening of The Rupee also pose challenges. Growing interest in bio-fuels have further added pressure on food industry as more and more farm land is now getting used for bio-fuel crops.

d) Fruit processing

i) Industry India is the world's second largest producer of fruits next only to China and has the potential of becoming the largest producer. India also ranks second in the world in the production of fruits and vegetables. Despite the large production of fruits and vegetables, fruit and vegetable processing was limited to only 2% of the production till 2001-02.

This sector has been accorded a very high priority by the Government of India and fruit & vegetable processing industry has been encouraged. Further, with the economic developments taking place in India, increasing health consciousness and with the coming of organized retail trade, the food industry is poised to grow rapidly. The Indian fruit processing industry is growing currently at the rate of 20% p.a. The demand for fruit juices and fruit drinks and other processed fruit products is growing rapidly in India. Further, Indian mango and other processed fruit products are getting popular in developed markets overseas. There are 4,000 fruit processing units in the country with an aggregate capacity of 1.2 mn tonnes per annum. It is estimated that 20% of the output is exported and the rest caters to domestic consumption.

Realizing the opportunity and potential of fruit and vegetable processing, the Company established modern plants a decade ago for processing fruits and vegetables. The Company has also added new capacities, acquired a number of plants and also increased the product portfolio. Jain Irrigation is now the largest processor of fruits and vegetables from India. Apart from growth in mango pulp and the concentrate business, the Company has set-up the most modern and largest Pomegranate processing facility at Jalgaon.

The rationalization of manufacturing locations was



completed by the Company in the year under review by deciding to process the mangoes in season only at two locations. The IQF and BF fruit products have further diversified the basket of fruits being processed by the Company.

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, there by completing the agri value chain. The division clocked yearly revenues of Rs. 1,605 Mn. during the year under review. The business grew at 45% with 53% growth in tonnage and with 45% growth in value terms. The division processed 88,455 MT of fruits during the year. The division added new capacities in Aseptic, Frozen and IQF part of the business.

The division continues to retain its accreditation under various quality standards such as ISO 22000, SGF, Kosher etc. The division is now actively working towards achieving 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.

The Company produced 35,063 MT of Mango products, 1,911 MT of Banana products, 804 MT of Pomegranate products, and 2,750 MT of other products like Tomato, Guava, Amla, Papaya etc during the year under review.

iii) Opportunity & Outlook India's Economic development has registered a growth rate of 8% for the last three consecutive years. 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 worlds vegetable production and 8% of worlds 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 7%, only 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 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, 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 non existing. 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 where as that of cereals has decreased.

With a view to offer products with therapeutic values, the Company is working on offering products from Amla 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, heather to 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 main risk that the Company perceives in this business is that of securing raw material and 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. However many states still have to amend the laws to permit contract farming and direct supply to the factories.

The other major risk being the ever increasing cost of energy. The spiraling 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.

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

At farm level, low yields and mismatch in quality produced and that required by the processing industry are two critical issues hampering the development of the fruit and vegetable processing industry.

Changing whether patterns is also a cause of worry as this is resulting in peak and trough's in production. Concern with use of pesticides and excess fertilizer is also mounting and it is a challenge to convince the farmers to desist from using these.



7 Analysis of the Standalone Financial Performance:

a) Net sales: Rs. in Million

	2007-08	2006-07	Change	Change %
Micro Irrigation Systems	6,179	3,762	2,417	64.2%
Piping Products	6,601	4,240	2,361	55.7%
Agro processed Products	2,417	1,755	662	37.7%
Plastic Sheets	1,891	2,618	-727	-27.8%
Other Products	373	299	74	24.7%
Total Sales	17,460	12,674	4,786	37.8%
Less: Excise Duty	-879	-663	-216	32.6%
Net sales	16,582	12,011	4,571	38.1%
Domestic	12,045	7,950	4,095	51.5%
Export	4,537	4,061	476	11.7%

Net Sales on corporate basis increased by 38.1% to Rs. 16,582 million as compared to Rs. 12,011 million in previous year. This increase in revenues primarily reflected increased domestic sales of Micro Irrigation Systems, Piping Products and Agro Processed products,

Our total domestic revenue increased by 51.5% in fiscal 2008 to Rs. 12,045 million from Rs 7,950 million in fiscal 2007. The revenues from exports increased by 11.7% in fiscal 2008 to Rs.4,537 million from Rs 4,061 million in fiscal 2007. Export sales accounted for 27.4% corporate sales in fiscal 2008 as compared to 33.8% in fiscal 2007.

- i) Micro Irrigation Systems: Revenues from domestic sales of our Micro Irrigation Systems increased by 65.7% in fiscal 2008 to Rs.5,964 million from Rs.3,599 million in fiscal 2007, primarily due to increased retail sales in States like Maharashtra, Karnataka & Madhya Pradesh and project sales in Andhra Pradesh, Tamil Nadu & Gujarat States. During the same period, exports of Micro Irrigation Systems increased by 32.5% to Rs.215 million from Rs.163 million mainly due to project sales in African continent.
- ii) Piping Products: Revenues from domestic sales of our Piping Systems increased by 36.9% in Fiscal 2008 to Rs.5,396 million from Rs.3,942 million in fiscal 2007. The retail business in Maharashtra & Madhya Pradesh contributed to the increased domestic sales of PVC pipes while demand from telecom duct, water & gas distribution segment led to an increase in domestic sales of our PE pipes. The revenues from export of Piping Products increased by 304.6% in fiscal 2008 to Rs.1,205 million from Rs.298 million in fiscal 2007, mainly on account of increased exports of PE pipes to an MNC for telecom ducting exports to the African continent. During the year, company has operationalized production facilities in Hyderabad, Andhra Pradesh & in Udmalpath, Tamilnadu
- iii) Agro-Processed Products: Revenues from domestic sales of our Agro-Processed Products increased by 87.2% in fiscal 2008 to Rs.838 million from Rs.448 million in fiscal 2007, mainly due to higher demand of mango puree by Indian arm of MNC as a result of growing demand for their "Maaza" juice products. Revenue from exports of Agro-Processed Products increased by 20.8% in fiscal 2008 to Rs.1,579 million from Rs.1,307 million in fiscal 2007 mainly on account of higher exports of mango puree and dehydrated onions in our European & US markets.

- iv) Plastic Sheets: Revenues from our Plastic Sheets products de-accelerated by 27.8% in fiscal 2008 to Rs. 1,891 million from Rs.2,618 million in fiscal 2007, mainly due to slowdown in housing market in United States of Americas. One of the applications of Plastic sheets is in trim boards and siding products as a replacement of wood cedar in housing segment in USA. The other application of plastic sheet is in signage and advertisement segment, which is growing at 5-8% in Europe & USA.
- v) Other products: Other product includes Solar Water Heating systems, Solar Photovoltaic Systems, Tissue Culture Plants and Agricultural products. Revenues from domestic sales of other products increased by 23.9% in fiscal 2008 to Rs.370 million from Rs.299 million in the fiscal 2007, mainly due to higher sales of tissue culture plants & solar products. Company has also started exporting tissue culture banana plants during the fiscal 2008 with a small beginning of Rs. 3 million.

b) Operating Income: Rs. in Million

	2007-08	2006-07	Change	Change %
Export Incentives & Assistance	134	68	66	96.7%

Operating income includes accrued export incentives & assistance under VKYU Scheme & Transport Assistance Scheme of GOI for our agro processed product division.

c) Raw materials consumption: Rs. in Million

	2007-08	2006-07	Change	Change %
Polymers, Chemicals & additives, Fruits & Vegetables, Consumables, packing material, etc.	10,808	7,903	2,906	36.8%

Raw materials consumption increased by 36.8% to Rs. 10,808 million as compared to Rs. 7,903 million in the previous year, mainly due to increased higher growth in major segments and also partly due to raw material price increase during the year. During the same period, polymers consumption increased to 133 916 MT from 103, 298 MT representing an increase of 29.6%; however in value terms the increase is 41.2%. Similarly the consumption of fruits and vegetables increased to 166,907 MT from 112,377 MT representing an increase of 48.5%, however in value terms, the increase is 34.6%.

d) Stores Consumed and Repairs to Machinery Rs. in Million

	2007-08	2006-07	Change	Change %
Stores Consumed and Repairs to Machinery	371	251	120	47.6%

Stores consumed and repairs & maintenance costs increased by 47.6% to Rs. 371 million as compared to Rs.251 million in the previous year, mainly due to the increased scale of operations and expenses towards reformation of dryers in agro process products division.

e) Power and Fuel: Rs. in Million

	2007-08	2006-07	Change	Change %
Power & Fuel Cost	664	425	239	56.2%

Power & Fuel cost increased by 56.2% to Rs. 664 million as compared to Rs 425 million in the previous year, mainly due to the increased level of production in all major divisions and



higher costs of furnace oil used as fuel in agro processed products division. During last quarter of current fiscal, company has installed multi-fuel boiler, which is expected to reduce the fuel cost in agro processed product division by 15-20%. Full benefit of change in boiler feed will come in coming years.

f) Other Manufacturing Expenses: Rs. in Million

	2007-08	2006-07	Change	Change %
Other Manufacturing Expenses including operating lease rent	360	248	112	45.4%

Other Manufacturing Cost increased by 45.4% to Rs. 360 million as compared to Rs 248 million in the previous year, mainly due to the increased level of production in all major divisions as well as increase in agriculture activities.

g) Payments and Provisions to Employees Rs. in Million

	2007-08	2006-07	Change	Change %
Payments to and provisions for Employees	658	462	196	42.3%

Staff costs increased by 42.3% to Rs.658 million as compared to Rs. 462 million in the previous year. The increase is mainly due to increments given to associates, employee compensation expenses including ESOP costs, commission to directors and new employment. During the year a total of 349 new associates joined the Company. Staff Cost as % of Net Sales is 4.0% in current year, as against 3.9% in previous year.

h) Selling & Distribution Expenses: Rs. in Million

	2007-08	2006-07	Change	Change %
Selling & Distribution Expenses	1,185	900	285	31.7%

The Selling & Distribution Expenses increased by 31.7% to Rs. 1,185 million as compared to Rs 900 million in the previous year mainly due to increase in outward freight and commission on sales. S&D Expenses as % of Net Sales are 7.1% in current year as against 7.5% in previous year.

i) Interest & Finance Charges: Rs. in Million

	2007-08	2006-07	Change	Change %
Interest Expenses	1,071	665	406	61.1%
Bank charges	94	64	30	46.8%
Total	1,165	729	436	59.8%
Less: Interest Income	(30)	(73)	42	-58.1%
Interest & Finance Charges (Net)	1,134	656	478	72.9%

The net interest charges increased by 72.9% to Rs.1134 million as compared to Rs. 656 million in the previous year, mainly due to increase in interest rates, long term loan raised for growth capex, increase in working capital utilization for growth, etc.

j) Fixed Assets: Rs. in Million

	2007-08	2006-07	Change	Change %
Gross Block (net of disposal)	9,790	7,991	1,799	22.5%
Less: Depreciation	-3,157	-2,703	-454	16.8%
Net Block	6,633	5,288	1,345	25.4%

Gross block increased by Rs.1,826 million during the year, mainly due to acquisition of fixed asset on merger of Orient Vegetexpo Ltd. (Rs. 123 million) and expansion & modernization plan implemented across all divisions (Rs. 1,703 million). In current year we have increased installed capacities in plastic processing to 255,750 MT as compared to 206,029 MT in previous year and small increase of 3,600 MT in fruit processing division. New Capex has been financed out of long term loans & equity funds raised during the current year.

k) Investments: Rs. in Million

	2007-08	2006-07	Change	Change %
Investment in Wholly Owned Subsidiary (WoS)	2,745	1,764	981	55.6%
Other Investments	413	10	403	-

The increase of Rs. 981 million in investments is on account of capital infused in the WoS based in Mauritius. The WoS has in turn invested in second generation subsidiaries in the USA, Israel and Switzerland, and the funds have been ultimately utilized for various acquisitions and or towards funding the growth in the acquired companies during the year. Others investments includes short term investment of Rs. 400 million in Mutual Fund Units (Liquidity Funds – Growth Option) as a part of treasury management.

l) Inventories: Rs. in Million

	2007-08	2006-07	Change	Change %
Inventories	4,844	2,743	2,101	76.6%

The increase in inventory by Rs. 2,101 million during the current year compared to previous year is mainly on account of; increase in inventory of raw material by Rs. 985 million most of which is towards buying inventory of various polymers for plastic processing divisions to take the benefit of lower polymer prices in volatile market. Similarly the finished goods inventory increased by Rs. 1,037 million during the same period mainly in Micro Irrigation, Piping & Agro processed products division to take advantage of buoyant demand for the products at the market place.

m) Sundry Debtors: Rs. in Million

	2007-08	2006-07	Change	Change %
Gross Debtors	5,987	4,436	1,551	35.0%
Less: Provision for Doubtful Debts	-31	-31	-	0%
Net Debtors	5,956	4,405	1,551	35.2%

The increase in debtors is commensurate to increase in sales. Net sales in last quarter were about 36% of total sales for the year. Sundry debtors in terms of number of days sales has slightly gone down to 125 days as compared to 127days in previous year in spite of change in product mix e.g. higher sales mix of Micro Irrigation in total sales which has longer collection cycle compared to other divisions. Bill Discounting in Micro Irrigation & Piping Division has helped to improve efficiency in receivable holding.



n) Loans and Advances: Rs. in Million

	2007-08	2006-07	Change	Change %
Loans & Advances	2,254	1,075	1,178	109.6%

Loans & Advances increased by Rs.1,178 million to Rs. 2,254 million in current year from Rs.1,075 million in previous years mainly due to increase in loan to WoS subsidiary (Rs. 207 million), increase in security deposit (Rs.116 million), increase in MAT credit receivable (Rs. 227 million), increase in advance tax (Rs.155 million), increase in incentives & assistance from GoI (Rs. 79 million) and increase in claims receivables (Rs. 67 million).

o) Current Liabilities & Provisions: Rs. in Million

	2007-08	2006-07	Change	Change %
Current Liabilities	5,251	4,320	931	21.5%
Provisions	516	259	257	99.0%

Current Liabilities & Provisions increased by Rs.1,188 million to Rs. 5,767 million in current year from Rs.4,579 million in previous years mainly due to increase in sundry creditors for purchases (Rs. 570 million), unrealized derivatives liability (Rs.318 million), increase in provision for income taxes (Rs. 227 million) etc.

q) Shareholders funds:

Rs. in Million

	Equity Capital	Preference Capital	Share Premium	Other Reserves	Retained Earnings	Share Warrants	Total
Balance as on 1-Apr-2007	618	885	904	968	1,385	100	4,859
Changes during the year							
• Conversion of FCCB [^]	60		2,010				2,069
• Conversion of Warrants [^]	36		1,487			(152)	1,371
• Subscription towards New Warrants Issue (10%) [^]						411	411
• Adjustment on account of Merger [^]	7			37	(5)		39
• Adjustment for unrealized gain/ loss due to hedging derivatives [^]				(311)			(311)
• Adjustment for ESOPs				17			17
• Premium on Redemption of Preference Shares & Debentures			(34)				(34)
• Profit for the Year					1,455		1,455
• Profit transferred to General Reserve				146	(146)		-
• Dividend (incl. Dividend Tax)					(227)		(227)
Sub Total	103	-	3,463	(111)	1,077	259	4,792
Balance as on 31-Mar-2008	721	885	4,367	857	2,463	358	9,651

[^]Refer Note No. (2), (4), (5) & (16b) of Notes to Accounts Schedule 21 (Part-B)

r) Appropriation: Rs. in Million

	2007-08	2006-07	Change	Change %
Transfer to CRR	-	25	-25	-100.0%
Transfer to Reserves	146	100	46	45.5%

An amount of Rs.146 million has been transferred to the General Reserve during the year.

s) Dividend: Rs. in Million

	2007-08	2006-07	Change	Change %
Preference Dividend	35	36	-1	-2.8%
Equity Dividend	159	132	27	20.2%

p) Secured & Unsecured Loan: Rs. in Million

	2007-08	2006-07	Change	Change %
Secured Term Loan	4,373	1,620	2,754	170.0%
Secured Working Capital Loan	4,164	3,162	1,001	31.7%
Unsecured Loan	534	2,615	-2,082	-79.6%

Company has raised new secured term loan of Rs. 3,425 million towards (1) Foreign currency loan for funding Capex of US\$ 55 million equivalent Rs. 2,204 million (2) Rupee term Loan taken for improving the long term working capital margin of Rs. 1,200 million and (3) Rupee term loan of Rs. 21 million for financing commercial & agriculture vehicles.

Further, during the current year company has repaid secured term loan of Rs. 586 million and there is decrease in term liability by Rs. 85 million on account of forex fluctuation.

Working capital loan increased by Rs. 1,001 million commensurate to higher scale of operation during the year.

Unsecured loan decreased by Rs.2,082 million during the current year, due to conversion of FCCB into Equity Shares (representing 77.75% of total issue size) by Rs. 2,069 million and decrease in liability by Rs.13 million on account of forex fluctuation.

The Board has proposed to pay dividend on 4.00% and 1.00% Redeemable Preference Shares at fixed rates, while it is proposed to pay dividend on Equity Shares @ Rs.2.2 per share (22%) to all eligible shareholders, subject to approval of Shareholders at the ensuing AGM. The dividend cash-outgo (including dividend tax) would be Rs. 227 million. The dividend payout (including current year dividend on Preference Shares) as % of Net Profit works out to 16% as compared to 20% in previous year.

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