

MANAGEMENT DISCUSSION AND ANALYSIS

The unprecedented changes in global macroeconomic environment in mid FY09, triggered by sub-prime crises in United States, has made the year unforgettable and had its adverse impact on the Indian economy. During the second half of FY09, the economy experienced a sharp slowdown in activity, liquidity squeeze and a dip in confidence levels, in line with the global conditions. With a weak second half, when industrial production nearly stagnated and exports declined, India's GDP growth in FY09 declined to 6.7%, as per the latest CSO estimates. Weak demand conditions were also reflected in the wholesale-level inflation approaching closer to zero by the end of the year.

However, there have been some positive factors. International energy prices have eased considerably. Prompt counter-cyclical measures from policy makers, in the form of interest rate cuts and fiscal stimuli, moderated the effect of global factors on demand.

Relative to other emerging economies, the inherent strengths of India helped it better withstand the adverse effects of the global financial crisis. With a fairly young population, skilled manpower, a tradition of saving, a vibrant service sector, a potentially large source of domestic demand (particularly rural) and the emergence of globally competitive firms, India has held out the promise of stable and sustained future growth. These strengths will get further augmented by the planned investments in infrastructure development envisaged in the Twelfth Five Year Plan.

The first monsoon (between June and September) of FY 09 was 98% of the long period average, resulting in a good kharif crop. However, during the second half of the year, the country experienced a deficient north east rainfall by 31% in 30 of the 36 metrological districts. In spite of overall lower rainfall and lower reservoir levels in FY09, the total food grain production during the year was 228 million tones (based on RBI's report "Macroeconomic and Monetary Developments in 2008-09" (MMD09) in April 2009).

Substantial increase in the minimum support prices for various crops announced by the government have positively impacted rural disposal incomes. In addition, credit allocation to agriculture, in Union Budget 2008, saw an increase of Rs 50,000 crores to reach Rs 280,000 crores. There were increases in other outlays as well for supporting development of rural economy. As per RBI's report (MMD09) India's agriculture GDP grew by 2.9% in FY 09 and was 17.1% of the India's GDP.

Despite adverse global & local economic conditions and subdued agri growth in the country in Rabi season, JISL could continue its growth momentum and grew by 28% in revenue and 39% in EBITDA terms.

Leadership position across the businesses, improving financials, key ratios and promising business outlook have helped the

Company to get improved credit rating. The improved credit rating has helped the Company to borrow funds at low cost compared to the historical borrowing cost and has also helped the Company to negotiate and reduce interest cost on the long term loans.

The strong and stable government at centre post recently concluded election augurs well for the country. The Government now has the mandate and the opportunity to boldly move forward with its reforms agenda, creating in the process, an enabling climate for a faster and wider economic recovery. This augurs well for the Company to maintain its growth momentum.

(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 manufacturers of irrigation systems in India. Globally its leadership position is not restricted to irrigation alone, it is 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 manufacturers of polyethylene pipes, one of large 3 PVC pipe manufacturer and is the largest manufacturer of Tissue Culture Banana Plants in India. JISL is also into hybrid & grafted plants; greenhouses, poly and shade houses; bio-fertilizers; solar water heating systems and bio-energy sources. JISL also renders consultancy for complete or partial project planning and implementation e.g. Watershed or Wasteland and / or Crop Selection and Rotation.

(2) The Strategy

(a) 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 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, offer new technology, 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.

(b) Focusing on the agri-supply chain

We plan 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 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.

(c) Expanding into new growth products and markets

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.

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.

(d) 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.

(e) Positive contribution towards prosperity of rural India

In line with your Company’s philosophy, we are spreading and pushing concept of Micro Irrigation into newer states and we are also increasing our penetration level in our existing states. We are educating farmers in deep rural areas and giving them comprehensive guidance on making the farming more remunerative, along with teaching them techniques of conserving water, labour, fertilizer and power. Your Company is also running a training centre for farmers, agri students, Govt. officials etc. where annually more than 30,000 people benefit by visiting the same.

(f) Creating Jains as an international icon in Agri Value Chain

Your Company and all its associates are working hard to make Jain a respected icon in agriculture value chain globally. As of now we have 13 manufacturing facilities in countries like USA, Israel, Switzerland, Peru, Chile, Brazil, Spain etc. Your Company has 23 offices outside India and your Company is exporting its products to more than 160 countries.

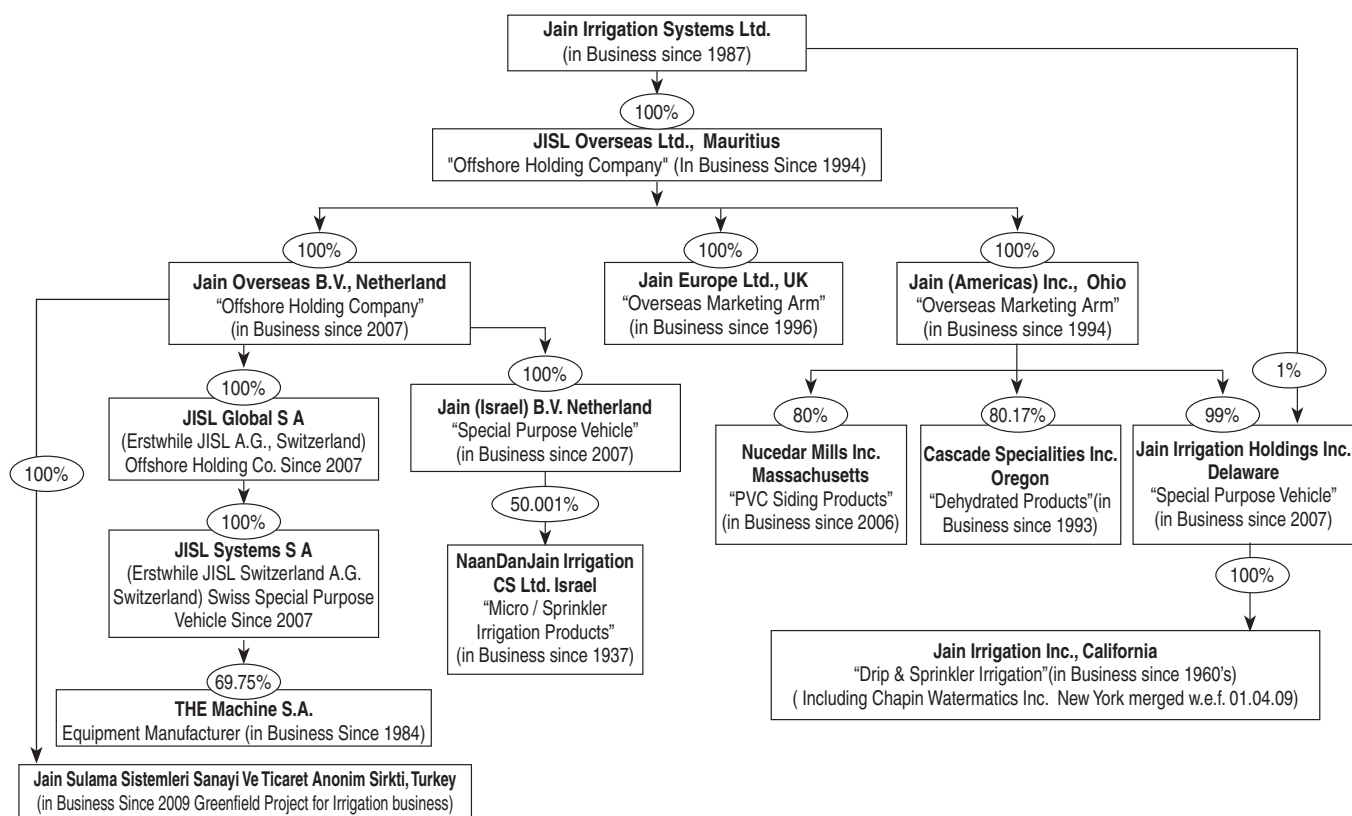
(g) Focus on liquidity and reduction of finance cost.

With growing businesses, not only in value and volume terms, but also geographically, managing finance is becoming more and more critical. On a continuous basis your Company is focused on having the limits and facilities available to fund our future growth plan. We are equally focused on bringing our interest cost down by changing the borrowing mix in line with change in the market dynamics.

International Finance Corporation (IFC) has become an equity stake holder in your Company in April 2009. IFC is a member of World Bank group. They bought around 2.69% stake in the Company. Your Company has also borrowed USD 45 million (including USD 15 million borrowed in July-2009), so far, from IFC at competitive rates and has sanction of another USD 15million for Company's expansion project. Our association with IFC will be very beneficial to the Company on long term basis.

(3) Corporate Structure

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



(4) [1] Operating Subsidiary Companies

- a) **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, 2009, JISL Overseas had share capital of approximately US\$ 88.25 million out of which \$ 24.01 million was infused in the year FY 2009. The said Company had a loss of US\$ 456,017 for the year ended 31st March, 2009. Mainly due to premium paid on redemption of preference shares of the parent.
- b) **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, distribution investment arm in the United States. For the year ended 31st March, 2009, Jain (Americas) Inc. had sales of US\$23.36 million.
- c) **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, 2009, Jain (Europe) Ltd. had sales of GBP 15.20 million (Equivalent to US\$25.89).
- d) **Jain Irrigation Inc., USA** is a wholly owned subsidiary of the Company thru the Jain Americas Inc. JII is engaged in drip tape manufacturing and distribution business based in California. The Company has reported revenue of US\$46.75 million in the 12 months to March 2009.
- e) **Cascade Specialities Inc. USA** is owned to the extent of 80.17% 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 2009 were US\$15.41 million. The Company has definite agreement to acquire over the next 2 years remaining ownership from other shareholders at an agreed EBIDTA multiple each year.
- f) **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 continued to develop it's products. It has received revenue of US\$ 0.74 millions from sale of products to prove the concept.
- g) **NaanDan Jain Irrigation C.S. Ltd. Israel** is owned to the extent of 50.001% by the Company thru Jain (Israel) B.V. It is engaged in the manufacturing of drip / sprinkler irrigation. NaanDan also has manufacturing facilities in USA, Chile, Brazil, Spain & Australia. The Company has reported revenue of NIS 369.76 million (Equivalent



to US\$100.58 million) in the 12 months to March 2009. The Company has a call option to acquire remaining ownership over the next 8 years from other shareholders at an agreed fixed price.

- h) THE 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. The Revenue for 12 months is CHF 21.53 million (Equivalent to US\$19.57million). The Company has a call option to acquire remaining ownership over the next 1 year from other shareholders at an agreed fixed price.

[2] Overseas Holding Companies

These Companies are investment holding vehicles.

- 1) JISL Overseas Ltd., Mauritius
- 2) Jain Overseas B.V., Netherland
- 3) JISL Global S A, Switzerland
- 4) Jain (Israel) B.V. Netherland
- 5) JISL Systems S A, Switzerland
- 6) Jain Irrigation Holdings Inc. Delaware, USA

(5) Competitive Strengths

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

(a) 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 46 years of a strong relationship and mutual warmth with the larger agricultural community.

(b) Unparalleled soft Infrastructure

Your Company has the splendid pool of agriculture professional, probably the largest employed by any private sector organization in the country. Your Company has around 1800 dealers on pan India basis selling exclusively Jains irrigation products. Most of these dealers come from farming background and are influential personality in their respective region. Unmatched knowledge pool sourced from the ongoing agriculture R & D activities coupled with vast farming experience has enabled your Company to built an unparalleled strong soft infrastructure which is the helping the Company to continue its journey on the growth path especially in rural India.

(c) 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 5 years in which Company has increased its plastic piping systems capacity, 4.6 times to 2,05,420 tons as of 31st March, 2009 from 44,276 tons as of 31st March, 2003 and It increased the PVC sheet capacity by almost 4 ½ times to 36,300 tons as of 31st March, 2009 from 7,735 tons as of 31st March, 2003 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.

(d) Backward Technical Integration

Last year, your Company acquired THE Machines S.A., a Switzerland based manufacturer of Plastic Extrusion equipment. This Company has more than 15 years of expertise in developing and manufacturing of machineries with focus on automation and laser technology. With this, your Company's ability to get quality equipment in timely manner and also at competitive cost, has become stronger. This will also ensure that supply of equipment and machineries would not be a barrier for the fastest growing business i.e. micro irrigation of your Company.

(e) 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 8% to Rs. 489 crores in FY 2009.

The Company's Food plant are certified of ISO 22000-2005 Food Safety Management systems accredited by ISA-Cert, The Netherland & Fruit Plant also certified for SGF, Germany. Onion dehydration Plant is certified for British Retail Consortium (BRC issue:5) Global Standard For Food Safety, The Netherlands. Tissue Culture activities and solar division had achieved ISO 9001-1987 certification. The Company's plastics processing was certified under ISO 14001-2004 Environment Management System and BS OHSAS 18001-2007 by TUV NORD Germany in 2005-06.

(f) 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 wealth of 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. He was recently confirmed highest civilian award by Government of India for his contribution to Science and technology. 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. Company has also acquired large and talented managerial pool through various acquisitions. 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 an excellent understanding of the needs of the domestic customers.

(g) 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, sale of fruit pulp & onion to large global food Companies and sales of PVC sheets to the home building construction industry. In fiscal 2009, 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, biotech tissue culture and other agri inputs. This segment has grown at almost 52% over the previous year at Rs. 13,249 million. The main growth engine was the MIS/SIS business at a robust 54% growth. PVC pipes also grew at significantly high growth rate of 43%. The segment profit has grown by an impressive 47% over the earlier year's level, while the capital employed grew at a little over 20% 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. 17 bn. and it is growing rapidly. Currently about 3.0 to 3.5 million Ha of possible 70 million Ha area is covered under the micro and sprinkler irrigation in the country. However, as per Government task force 17 million Ha of land can be easily brought under micro irrigation coverage in the country in the near future, say in next 5 years or so.

The world over the MIS/SIS industry is undergoing a consolidation phase with M & A activity at its highest in the last 30 years or so. The Company has secured 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 while it faces a demand explosion in the fastest growing Indian market.

ii) Performance

The business contributes a little over 43% of the Company's turnover. The division has been growing at a CAGR of 60% plus on the back of projects in the States of Andhra Pradesh, Gujarat, Tamil Nadu and consistent growth in Maharashtra continues. The business added 47,730 MT of capacity during the year under review, while Fixed Assets addition was to the tune of Rs. 1185 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 XI plan period.

State governments 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, Potatoes 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 is very positive and opportunity is immense.

With current year's deficient rainfall in most of the states, till mid August, Micro irrigation could be the key water conservation tool for the central government and state governments. Recently AP government had announced that by 2014, approximately 6.2 million acres (around 2.5 Mn Ha) would be brought under micro irrigation and lift irrigation scheme. Haryana has increased the subsidy for micro irrigation from 50% to 90% to popularize micro irrigation in the State.

Your Company is making significant investment in production capacity and in network building so that it can maintain the growth momentum 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, consecutive drought like situation for 2/3 years 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 FY 2009, this business contributed 18% revenue for the Company. The business has grown at a steady 43% in revenues. The business added 36,540 MT of capacity during the year under review, while the Fixed Assets addition was to the tune of Rs.349 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. Hence the Company has again decided to enhance the capacity by 33,323 MT, the full effect of which will be observed in FY 2011. In a full year's operation the investment would generate Rs.1939 million 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. 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.

v) Risks & Challenges

Delays in government decision/spending and limited availability of PVC resin in India are, 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. Volatility 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. 148 million during the year, reflecting a 26% growth over the previous year. The quantity increase at 12.18 million plantlets contributed 30% of the growth while 1% increase in price realization was achieved during the year. Keeping quality of plants as the top priority Company had implemented four stage disease 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.

Your Company has developed Pomegranate Tissue Culture for the 1st time and has distributed around 3 lacs Pomegranate Tissue Culture plants free of cost in FY 2009 among farmers.

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 last 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 7% over the earlier year's level at Rs. 8,541 million. The major growth came from the Onion Dehydration business at a 48%. The segment profit has grown by 42% over the earlier year's level, while the capital employed grew at a little over 43% reflecting the creation of additional capacities during the year.

a) PVC & PC Sheets

i) Industry

The market is divided into two segment; Graphics Market (GM) 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 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.

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, Eyeware, Compact Discs have been its niche markets.

ii) Performance

Since other businesses are growing faster and this business has seen some de-growth in last two years, revenue mix of this business has come down substantially. In FY 2009 it accounted for around 8% of the revenue.

The adverse effect of continued slowdown of American Housing Industry has led to decline in PVC Sheet business revenue by about 12% over the previous year, however it is a decline 20% in terms of volume.

iii) Opportunity & Outlook

The economic downturn has resulted into some players exiting the market and others redefining their basket of offerings. We are expecting some consolidation in the industry globally, which ultimately will benefit both the manufacturer and the end user. US housing market has started showing sign of recovery and is expected to comeback on growth track.

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 pace of recovery of the housing industry and the credit situation could have major impact on demand for this business.

b) 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 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 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 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 has witnessed de-growth in FY 2009. Revenue was down by 11% and volumes were down by 16% reflecting sluggish and subdued capital expenditure by the infrastructure sector in general and telecom sector in particular amid prevailing tight liquidity and poor sentiment during major period of FY 2009. 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 19860 MT of capacity during the year under review, while Fixed Assets addition was to the tune of Rs. 573 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 telecom sector in India, 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. Recently Jain irrigation has become the first Company in India to successfully install indigenously manufactured 1600mm dia. PE Pipe under sea water in one of the prestigious infrastructure project in Chennai. 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 65% 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 50% 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 48% in terms of value and approximately 31% in terms of volume. The realization Increased by 13%. The Company achieved this sales growth under the adverse scenario of bad onion crop, increased raw material cost, volatile rupee, etc.

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 continues to have ISO 9001, ISO 22000, FSMS, BRC Global Standard and GMA food certifications. To continue our thrust to offer value added products, the Company has added fresh fried onion and dried fried onion to its product basket.

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 180,000MTPA. The industry is growing globally at 6-8% per annum. The Company now has capacity to produce approximately 25,000 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. 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, addition of 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 experienced 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 affect 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. Other risk is slow markets in Europe and USA where customers are delaying their off takes and seeking lower prices.

A poor monsoon can adversely affect the availability, pricing and quality of the onion and other vegetables.

This can have significant impact on the profitability of Agro Processing business.

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 produce 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 million 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, thereby completing the agri value chain. The division clocked yearly revenues of Rs. 2,014 Mn. during the year under review. The

business grew at 26% in value terms. The division processed 82,107 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 30,214 MT of Mango products, 2,996 MT of Banana products, 2,413 MT of Tomato products, and 2,518 MT of other products like Guava, Amla, Papaya, Pomogranate etc during the year under review.

Your Company is supplying Mango Pulp and Puree to Coca Cola for last 7 years. The *Maaza* brand of Coca Cola Company is growing very fast at the rate of around 40-50%. Recently your Company has bagged large orders worth Rs. 158 crores from various Coca Cola bottlers in India and Overseas for supply of mango for the 2009-10 season. This is increase of more than 85% compared to last season.

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 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 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 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 whereas 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, heatherto 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 weather 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.

Processing agro products, requires procurement of good quality fruits, a poor monsoon can adversely affect the availability, pricing and quality of the fruits. This can have significant impact on the profitability of Agro Processing business.

(7) Human Resource

The long-term objective of all HR is to create a culture of sustained business outperformance accompanied by extreme care for all stakeholders, while sustaining and strengthening the core values of the Group.

Given the business imperatives in the current economic slowdown, the focus during the year was on aligning all HR levels to support the initiatives for cost control and conservation of cash, while creating the required capabilities in the workforce and ensuring organizational confidence and employee motivation that would enable the Company to face current challenges and seize future opportunities.

A major challenge was to find a sense of balance between the short and the long term and to honour the Triple Bottom Line of profit, people and planet.

The focus on cost control from the HR perspective resulted in changes in the organization structure and work design, a review of the number of employees along with salary levels and incentive schemes, and the right level and mix of skills.

Performance Management continued to be the backbone of all HR activities and goal-setting received a lot of focus in the year under review.

The Talent Management process has grown in strength during the year. Succession planning for critical positions, use of development centres continued to be high on the priority list along with cross-business rotation of employees.

Various training programs were organized at all plants for developing personal, interpersonal and technical skills of the workmen. These training programs covered a wide range of topics including Positive Attitude, Stress Management,

Creativity, Team Effectiveness, Safety and Environment, Quality Tools, TPM, Dexterity and Technical training. The workmen wholeheartedly participated in all training programs and in many cases on a holiday or after working hours.

The permanent Employee strength of the Company as on 31st March, 2009 was 5082.

(8) 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.

Now, your Company is preparing a comprehensive risk management policy. The risk management inter alia, shall provide for periodical review of the procedure 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 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 specially 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, however, in most cases the adverse exchange rate movement cannot be passed on to the customers.

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.

The Company has scheduled the development of plan for mitigation of risks in FY 2010, and on completion of the exercise, the Risk Management Plan shall be in place in full.

(9) Analysis of the Standalone Financial Performance

a) Net sales

Rs. in Million

	2008-09	2007-08	Change	Change %
Micro Irrigation Systems	9,509	6,179	3,330	53.90%
Piping Systems	7,445	6,601	844	12.79%
Agro processed Products	3,217	2,417	800	33.12%
Plastic Sheets	1,717	1,891	(175)	-9.24%
Other Products	485	373	112	30.17%
Total Gross Sales	22,373	17,460	4,912	28.13%
Less: Excise Duty	(863)	-879	16	-1.77%
Net sales	21,509	16,582	4,928	29.72%
Domestic	16,623	12,048	4,576	37.98%
Export	4,886	4,534	352	7.76%
Export to Total	22.72%	27.3%	-	-

- Sales excludes export incentives

Net Sales on corporate basis increased by 29.72% to Rs. 21,509 million as compared to Rs. 16,582 million in previous year. This increase in revenues primarily reflected increased domestic sales of Micro Irrigation Systems, and Agro Processed products,

Our total domestic revenue increased by 37.98% in fiscal 2009 to Rs. 16,623 million from Rs 12,048 million in fiscal 2008. The revenues from exports increased by 7.76% in fiscal 2009 to Rs.4,889 million from Rs 4,534 million in fiscal 2008. Export sales accounted for 22.72% corporate sales in fiscal 2009 as compared to 27.30% in fiscal 2008.

- Micro Irrigation Systems:** Revenues from domestic sales of our Micro Irrigation Systems increased by 48% in fiscal 2009 to Rs.8.847 million from Rs. 5,967 million in fiscal 2008, primarily due to increased retail sales in States like Maharashtra, Andhra Pradesh, Karnataka, Madhya Pradesh, and Uttar Pradesh and project sales in Andhra Pradesh, Tamil Nadu & Gujarat States. During the same period, exports of Micro Irrigation Systems increased by 213% to Rs.662 million from Rs.211 million mainly due to sales to overseas subsidiaries.
- Piping Products:** Revenues from domestic sales of our Piping Systems increased by 26% in fiscal 2009 to Rs.6798 million from Rs5,394 million in fiscal 2008. The retail business in Maharashtra & Madhya Pradesh contributed to the increased domestic sales of PVC pipes while slowdown in demand from telecom duct segment led to a marginal increase in domestic sales of our PE pipes. The revenues from export of Piping Products decreased by 46% in fiscal 2009 to Rs.647 million from Rs.1,206 million in fiscal 2008, mainly on account of slowdown in exports of PE pipes to an MNC of telecom ducting exports to the African continent.
- Agro-Processed Products:** Revenue from exports of Agro-Processed Products increased by an impressive 49% in fiscal 2009 to Rs.2,353 million from Rs.1579 million in fiscal 2008 mainly on account of higher

exports of mango puree and dehydrated onions in our European & US markets. Revenues from domestic sales of our Agro-Processed Products increased marginally by 3.22% in fiscal 2009 to Rs.865 million from Rs.838 million in fiscal 2008.

- Plastic Sheets:** Revenues from our Plastic Sheet products de-accelerated by 9.2% in fiscal 2009 to Rs. 1,717 million from Rs.1,891 million in fiscal 2008, mainly due to slowdown in housing market in United States of America. One of the applications of Plastic sheets is in trim boards and siding products as a replacement of cedar wood in housing segment in USA, which segment is not performing well. The other application of plastic sheet is in signage and advertisement segment, which is growing at 5-8% in Europe & USA.
- Other products:** Other product includes Solar Water Heating systems, Solar Photovoltaic Systems, Tissue Culture Plants and Agricultural products. Revenues from other products increased by 30.20% in fiscal 2009 to Rs. 485 million from Rs.373 million in the fiscal 2008, mainly due to higher sales of tissue culture plants & solar products.

b) Operating Income:

Rs. in Million

	2008-09	2007-08	Change	Change%
Export Incentives & Assistance	280	129	151	117

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

c) Raw materials consumption

Rs. in Million

	2008-09	2007-08	Change	Change%
Polymers, Chemicals & additives, Fruits & Vegetables, Consumables, packing material, etc	12,898	10,808	2,090	19.34%

Raw materials consumption increased by 19.34% to Rs. 12,898 million as compared to Rs. 10,808 million in the previous year, as against revenue increase of over 27.5%. The growth in major segments was offset partly by lower raw material prices (specially plastics) during the year. During the same period, polymer consumption increased to 146,882 MT from 133,916 MT representing an increase of 9.68%; however in value terms the increase is 15.26%. Similarly, the consumption of fruits and vegetables increased to 198,032 MT from 166,907 MT representing an increase of 18.64%, however in value terms, the increase is 22.19% reflecting marginal price increase.

d) Stores Consumed and Repairs to Machinery

Rs. in Million

	2008-09	2007-08	Change	Change%
Stores Consumed and Repairs to Machinery	419	371	48	12.94%

Stores consumed and repairs & maintenance costs increased by 12.94% to Rs. 419 million as compared to Rs.371 million in the previous year, mainly due to the increased scale of operations and expenses towards relocation to a bigger facility in major plastic products divisions.

e) Power and Fuel Rs. in Million

	2008-09	2007-08	Change	Change%
Power & Fuel Cost	678	664	14	2.11%

Power & Fuel cost increased merely by 2.11% to Rs. 678 million as compared to Rs 664 million in the previous year. Despite the increased level of production in all major divisions, fuel cost was offset by replacement of furnace oil used as fuel in agro processed products division with coal.

f) Other Manufacturing Expenses: Rs. in Million

	2008-09	2007-08	Change	Change%
Other Manufacturing Expenses including operating lease rent	440	360	80	22.22%

Other Manufacturing Cost increased by 22.22% to Rs. 440 million as compared to Rs 360 million in the previous year, mainly due to the increased level of production in all major divisions.

g) Payments and Provisions to Employees Rs. in Million

	2008-09	2007-08	Change	Change%
Payments to and provisions for Employees	810	658	152	23.1%

Employee costs increased by 23.10% to Rs.810 million as compared to Rs.658 million in the previous year. The increase is mainly due to higher employee compensation expenses, commission to directors and new employment. During the year a total of 806 new associates joined the Company. Employee Cost as % of Net Sales is 3.77% in current year, as against 3.97% in previous year reflecting better fixed cost absorption.

h) Selling & Distribution Expenses Rs. in Million

	2008-09	2007-08	Change	Change%
Selling & Distribution Expenses	1,446	1,185	262	22.11%

The Selling & Distribution Expenses increased by 22.11% to Rs. 1,447 million as compared to Rs 1,185 million in the previous year mainly due to increase in cash discount and commission and brokerage on sales. S&D Expenses as % of Net Sales are 6.72% in current year as against 7.15% in previous year reflecting better cost management & higher sales.

i) Interest & Finance Charges: Rs. in Million

	2008-09	2007-08	Change	Change%
Interest Expense	1,483	1,071	412	38.47%
Bank charges	128	94	34	36.17%
Total	1,611	1,165	446	38.28%
Less: Interest Income	(48)	(30)	(18)	60%
Interest & Finance Charges (Net)	1,563	1,135	428	37.71%

The net interest charges increased by 37.71% to Rs. 1,563 million as compared to Rs. 1,135 million in the previous year, mainly due to long term loans raised for growth capex, increase in working capital utilization for growth.

J) Fixed Assets Rs. in Million

	2008-09	2007-08	Change	Change%
Gross Block (net of disposal)	13,149	9,790	3,359	34.31%
Less: Depreciation	(3,637)	(3,157)	(480)	15.24%
Net Block	9,511	6,633	2,878	43.39%

Gross block increased by Rs.3,359 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 362,880 MT as compared to 258,750 MT in previous year increase of 3,354 MT in DHO, increase of 24,975 MT in fruit processing division, and substantial increase of 8 million plantlets in Tissue Culture. New Capex has been financed out of long term loans and internal accruals during the current year.

k) Investments Rs. in Million

	2008-09	2007-08	Change	Change%
Investment in wholly owned subsidiary (WoS)	3,892	2,745	1,147	41.79%
Other Investment	13	413	(400)	-69.61%

The increase of Rs. 1,147 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 Turkey. The funds have been ultimately utilized towards funding the capex growth and working capital needs of the acquired companies during the year. Others investments of Rs. 400 million in Mutual Fund Units (Liquidity Fund – Growth Option) as a part of treasury management was divested during the year.

l) Inventories Rs. in Million

	2008-09	2007-08	Change	Change%
Inventories	5,195	4,844	351	7.25%

The increase in inventory by Rs. 351 million during the current year compared to previous year is mainly on account of increased in material in transit by 465 million. However raw material inventory decreased by Rs. 241 million due to deflation in prices of various polymers for plastic processing divisions.

m) Sundry Debtors Rs. in Million

	2008-09	2007-08	Change	Change%
Gross Debtors	7,861	5,987	1,874	31.30%
Less: Provision Doubtful Debts	(45)	(31)	(14)	45.16%
Net Debtors	7,816	5,956	1,860	31.23%

The increase in debtors is commensurate to increase in sales. Net sales in last quarter were about 32% of total sales for the year.

n) Loans and Advances Rs. in Million

	2008-09	2007-08	Change	Change%
Loans & Advances	3,236	2,254	982	43.57%

Loans & Advances increased by Rs.982 million to Rs. 3,236 million in current year from Rs.2,254 million in previous years mainly due to increase in loan to WoS subsidiary (Rs. 328 million), increase in MAT credit receivable (Rs. 206 million), increase in advance tax (Rs.178 million), increase in incentives & assistance from Gol (Rs. 160 million).

o) Current Liabilities & Provisions Rs. in Million

	2008-09	2007-08	Change	Change%
Current Liabilities	6,879	5,251	1,628	31.00%
Provisions	786	516	270	52.33%

Current Liabilities & Provisions increased by Rs.1,628 million to Rs. 6,879 million in current year from Rs5,767 million in previous year mainly due to increase in sundry creditors for purchases (Rs. 645 million), unrealized derivatives liability (Rs.399 million), increase in customer advances (Rs.263 million), increase in outstanding liabilities for expenses (Rs.235 million), increase in provision for income taxes (Rs. 206 million) etc.

q) Shareholders Funds

Rs. in Million

	Equity Capital	Preference Capital	Share Premium	Other Reserves	Retained Earnings	Share Warrants	Total
Balance as on 31-March-2008	721	885	4,367	857	2,463	358	9,651
Changes during the year							
• Conversion of FCCB [^]	3		108				111
• Adjustment for unrealized gain/ loss due to hedging derivatives [^]				(402)			(402)
• Premium on Redemption of Preference Shares & Debentures		(437)	(34)				(471)
• Profit for the Year					1,202		1,202
• Profit transferred to General Reserve				120	(120)		-
• Profit transferred to Capital Redemption Reserve				437	(437)		-
• Dividend (incl. Dividend Tax)					(257)		(257)
• Sub Total	3	(437)	74	155	388	0	184
Balance as on 31-March-2009	724	449	4,441	1,012	2,851	358	9,835

[^]Refer Note No. (3), (4), & (14b) of Notes to Accounts Schedule 21 (Part-B)

r) Appropriation Rs. in Million

	2008-09	2007-08	Change	Change%
Transfer to CRR	437	-	437	100.0%
Transfer to Reserves	120	146	-26	-17.81%

An amount of Rs.120 million has been transferred to the General Reserve during the year. An amount of Rs. 437 million is transferred to Capital Redemption Reserve in view of Redemption of preference shares during the year.

s) Dividend: Rs. in Million

	2008-09	2007-08	Change	Change%
Preference Dividend	31	35	-4	-11.43%
Equity Dividend	188	156	29	18.24%

p) Secured & Unsecured Loan Rs. in Million

	2008-09	2007-08	Change	Change%
Secured Term Loan	6,950	4,373	2,577	58.93%
Secured working Capital Loan	6,052	4,164	1,888	45.34%
Unsecured Loan	553	534	19	3.56%

Company has raised new secured term loan of Rs. 2,263 million towards (excluding forex loss of Rs. 901 million on foreign currency loss) (1) Foreign currency loan for funding Capex of US\$25.50 million and CHF 1.84 million (equivalent to US\$ 1.64 million) aggregating equivalent to Rs. 1,219 million. (2) Rupee term loan taken for improving the long term working capital margin of Rs. 1,014 million and (3) Term loan of Rs. 30 million for financing commercial & agriculture vehicles.

Further, during the current year Company has repaid secured term loan of Rs. 673 million.

Working capital loan increased by Rs. 1,888 million for higher scale of operation during the year mainly for MIS and Agro processing divisions.

Unsecured loan increased by Rs.19 million during the current year due to revaluation by Rs. 111 million and conversion into equity by Rs. 130 million of FCCB.

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.2.5 per share (25%) to all eligible Shareholders, subject to approval of Shareholders at the ensuing AGM. The dividend cash-outgo (including dividend tax) would be Rs. 256 million as against Rs.227 million in previous year. The dividend payout (including current year dividend on Preference Shares) as % of Net Profit works out to 21.31% as compared to 16% in previous year.

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.