



REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of **Jain Irrigation Systems Limited**, as at 31st March, 2007 and also the annexed Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 2. As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a Statement on the matters specified in paragraphs 4 and 5 of the said Order;
 3. Further to our comments in Annexure referred to in paragraph 2 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the Books of the Company;
 - (c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the Books of Account of the Company;
- (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable.
 - (e) On the basis of the written representations received from the Directors as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2007,
 - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
 - (iii) In the case of the Cash Flow statement, of the cash flows of the company for the year ended on that date.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner
Membership No: 37310

Mumbai, 22nd August, 2007



STATEMENT REFERRED TO IN PARAGRAPH 2 OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF JAIN IRRIGATION SYSTEMS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007.

On the basis of the records produced to us for our verification/perusal, such checks as we considered appropriate, and in terms of information and explanations given to us on our enquiries, we state that:

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management at reasonable intervals during the year. According to the information and explanations given to us and the records produced to us for our verification, discrepancies noticed on such physical verification were not, in our opinion, material and the same have been properly dealt with in the Books of Account.
- (c) As per the information and explanation given to us on our enquiries the disposal of assets during the year were not substantial and would not have an impact on the operations of the company.
- ii) (a) The inventories have been physically verified by the management at reasonable intervals during the year and at the close of the year;
- (b) The procedures of physical verification of inventories followed by the management as explained to us are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) According to the records produced to us for our verification, the discrepancies noticed on physical verification of inventories referred to above, as compared to book records, though not material, have been properly dealt with in the books of account;
- iii) As per the information and explanation given to us and the records produced to us for our verification the company has not taken any loans secured or unsecured from Companies, Firms and other parties in the register maintained under section 301 of the Companies Act, 1956. The company has not granted any loan, secured or unsecured to Companies, Firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 except on current account to Gandhi research Foundation of Rs. 1.39 Million which is interest free.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and also for the sale of goods and services. As per the information given to us, no major weaknesses in the internal controls have been identified by the management or the internal audit department of the company during the year. During the course of our audit, nothing had come to our notice that may suggest a major weakness in the internal control systems of the company;
- v) (a) On the basis of the audit procedures performed by us and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, the contracts or arrangements required to be entered into the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- (b) The transactions so entered, aggregating in excess of Rs.500,000/- in respect of each party during the year, have been, in our opinion, as per the information and explanation given to us, made at prices which are reasonable having regard to prevailing market prices as available with the Company for such transactions or prices at which transactions, if any, for similar goods have been made with other parties at the relevant time;
- vii) As explained to us and representation obtained from the management, the Company has not accepted fixed deposit from public therefore compliance of Section 58A & 58AA or any other relevant provisions of Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, is at present not applicable;
- viii) On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the coverage of the internal audit functions carried out by firm of Chartered Accountants appointed by management, is commensurate with the size of the Company and the nature of its business;
- ix) As explained to us and the representation obtained from the management the Central Government has not prescribed maintenance of cost records for any of the products manufactured by the company under section 209(1)(d) of the Companies Act 1956;
- x) (a) According to the records of the Company, the company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty, Cess and other Statutory dues with the appropriate authorities. There were no dues with respect to these statutory dues outstanding for a period in excess of six months as on 31st March, 2007;
- (b) According to the records of the Company and the information and explanations given to us upon our enquiries in this regards, disputed dues in respect of Sales Tax, Income-tax, Wealth-tax, Service tax, Customs Duty and Excise Duty, Cess unpaid as at the last day of the financial year, are as follows:

Rs. in Million

Statutes	Forums before whom pending				Total
	Commi- ssioner Appeals	Tribunal	High Court	Supreme Court	
Custom & Excise Duty	6.53	197.01	55.19	-	258.74

- x) According to the records examined by us, Company do not have any accumulated losses at the end of the financial year and also the company has not incurred cash losses in this financial year as well as immediately preceding financial year.;
- xi) According to the records examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders;

- xii) The Company has, in our opinion, maintained proper records and contracts with respect to its investments where timely entries of transactions have been made therein;
- xiii) According to the information and explanation given to us, representation obtained from the management, the company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities;
- xiv) According to the information and explanation given to us, company is not dealing or trading in shares or securities, debentures and other investments;
- xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions except that it has given corporate guarantee on behalf of subsidiaries towards credit facility availed by the later, the terms and conditions whereof are not prima facie prejudicial to the interest of the company;
- xvi) As per information and explanations given to us, the company has taken term loan of Rs. 460.86 Million during the year and the same has been applied for which loans were applied;
- xvii) As per the information and explanations given to us and on an overall examination of the financial statements of the company and placing reliance on reasonable assumptions made by the company for classification of long term & short term usages of funds, we have to state that as at the close of the year long term funds for sum of

Rs. 439.92 Million stands utilized for short term purposes and for working capital usage and not vice-a-versa;

- xviii) In our opinion and according to the information and explanations given to us, the company has not issued any secured debentures during the period covered by our report;
- xix) As per the information and explanations given to us on our enquiries on this behalf there were no frauds on or by the company which have been noticed or reported during the year;

In view of the nature of activities being carried on at present by the company and also considering the nature of the matters referred to in the various clauses of the Companies (Auditors' Report) Order, 2003, and the Companies (Auditors Report)(Amendment) Order 2004, clause (xiii) , (xviii) and (xx) of paragraph 4 of the aforesaid Order, is in our opinion, not applicable to the company.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner
Membership No: 37310

Mumbai, 22nd August, 2007