

MANAGEMENT DISCUSSION AND ANALYSIS

Indian economy is on a sustained uptrend with GDP growth rate hovering around 9% for the last three years, with 2006-07 witnessing a 9.2% growth in GDP. Increased international competitiveness, increased pace of capital formation across sectors, rising domestic demand are all contributing to such sustained growth. The double digit GDP growth estimates for the 11th five year plan appear achievable. While on the one hand the strong capital expenditure momentum and reasonably high business confidence justify the growth aspirations, on the other, the rising oil prices, rising inflation, appreciating local currency and interest rates remain a cause of concern.

Agriculture in 2006-07 according to Government estimates had grown by only 2.7%. 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 can lead to problems in price stability and supply side concerns in essential commodities. The Economic Survey has 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.

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 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.

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, polyethylene pipes and plastic sheets and now also the largest mango processor 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.

2) The Strategy

Your Company's primary business strategy is to increase the manufacturing capacities in each of the respective business lines to compete in the global market, through increased focus on cost-competitive and high quality manufacturing, commitment to R&D and penetrating new markets in India and the rest of the world. The principal elements of this strategy are –

- 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.

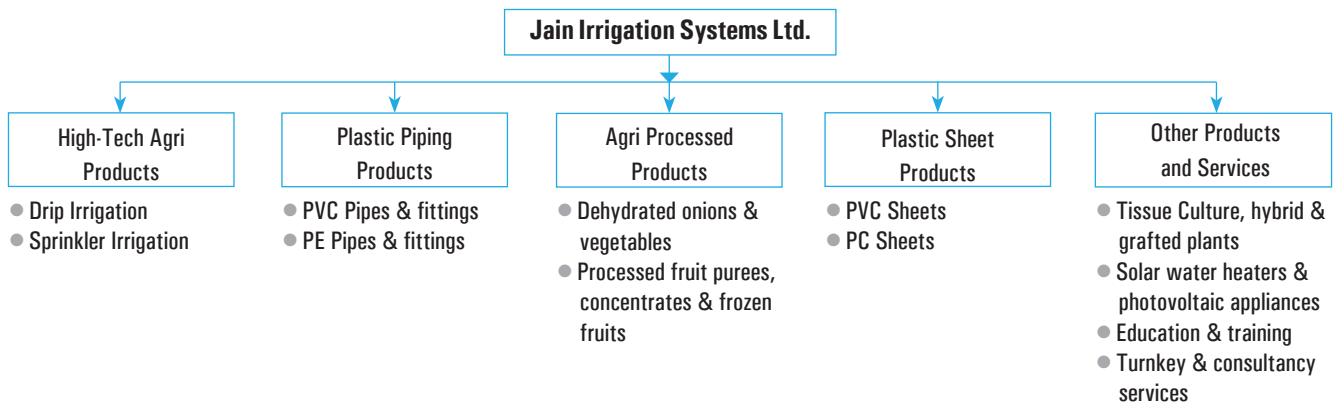
- Expanding into new growth products and markets The Company will continue to expand its product range with new and innovative products in areas such as PVC window and door profiles and other building products made from PVC Sheets which are believed to have a cost advantage over traditional wooden (lumber) 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.

- **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 1,700 farmers, covering approximately 2,600 acres of farm land. The Company provides such farmers with various agricultural inputs and services.

3) Key Products

The following table outlines the principal business segments and products as of the date of this report



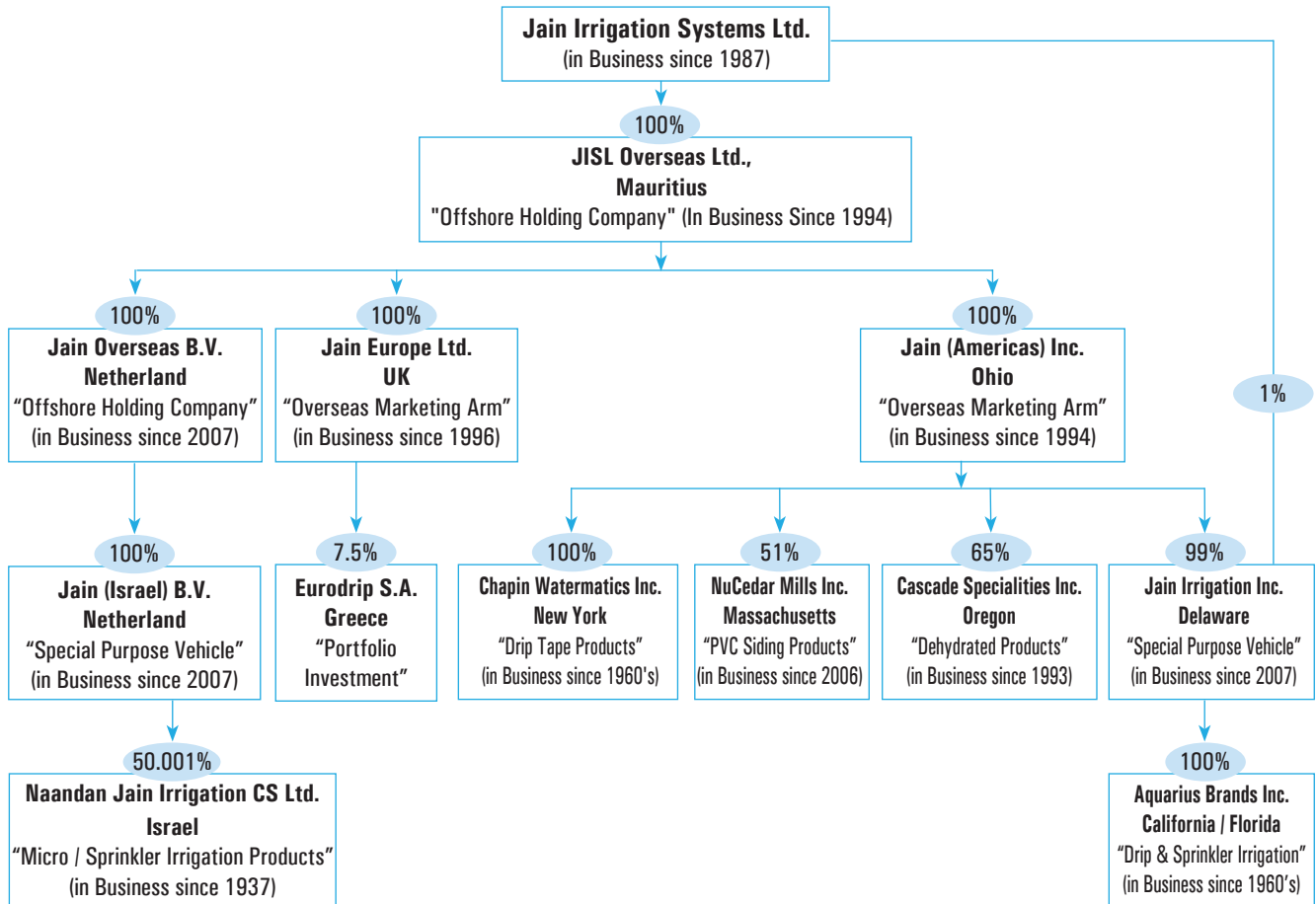
A brief synopsis of our products and their application is provided in the table below

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 Photovoltaic	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, 2007, JISL Overseas had share capital of approximately US\$39.65 million out of which \$ 21 mn was infused in the year FY 2006-07. The said Company had a profit of \$155,287 for the year ended 31st March, 2007.

Jain (Americas) Inc. is a wholly owned subsidiary of the Company and was incorporated in 1994, under the laws of Ohio, US. It is our key marketing and distribution arm in the United States. For the year ended 31st March, 2007, Jain (Americas) Inc. had sales of US\$26.14 million. The paid in capital was \$ 30.22 mn on 31st March, 2007.

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, 2007, Jain (Europe) Ltd. had sales of GBP 14.21 mn while its Capital stood at GBP 4.1 mn at the end of 31st March, 2007.

Chapin Watermatics Inc, 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 \$8.6 mn in the 10 month period to March 2007 after its acquisition in May 2006, while its paid in capital is \$2.5 mn. Chapin was valued at just under \$6.8 mn at the time of acquisition and the acquisition

was financed with the proceeds of ZCCB issue made by the Company in March 2006.

Cascade Specialities Inc. is owned to the extent of 65% by the Company thru the Jain (Americas) Inc. It is engaged in onion and vegetable dehydration business with specialization in natural low bacteria and organic dehydrated products. The revenues for 3 months ended in March 2007 were 2.37 mn, the paid in capital is \$7.9 mn. Cascade Specialities was valued at \$ around \$7.6 mn at the time of acquisition. The acquisition was financed with the proceeds of ZCCB issue made by the Company in March 2006. The Company has a right to acquire over the next 5 years remaining equity from other shareholders at an agreed EBIDTA multiple each year.

NuCedar Mills Inc. 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 had a paid in capital of \$1.1 mn and it will start commercial production in 2007-08.

The acquisition was financed with the proceeds of ZCCB issue made by the Company in March 2006. The total capital infusion in form of equity & debt has been \$3.1 mn. USD.

Aquarius Brands 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 just under 2 months of ownership by the Company the said company has achieved a sales level of \$4.7 mn, while the paid in capital was \$21.5 mn at the end of



31st March, 2007. The acquisition was part financed with the proceeds of ZCCB issue and partly by means of long term debt.

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 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 six times to 57,324 tons as of 31st March, 2007 from 8,676 tons as of 31st March, 2003. It increased the PVC sheet capacity by almost 4½ times to 36,300 tons from 7,735 tons as of 31st March, 2003 and it increased the PVC pipe capacity by 136% to 85,015 tons as of 31st March, 2007 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 centralization of its plastics manufacturing facilities in Jalgaon, 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 41% to Rs. 406 crores in fiscal 2007. 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 an aggregate of 35 years 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 2007, the Company derived a little over 49% 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 55% over the previous year at Rs. 6136 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.7 bn. Currently only about 1.6mn 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 63% compared to the earlier year, 8% increased realizations led to growth in revenue terms at 75%. The business contributes a little over 30% of the Company's turnover. The division has been growing at a CAGR of 63% 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 9,185 MT of capacity during the year under review, while Fixed Assets addition was to the tune of Rs. 438 million.

iii) 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 The Task Force on Micro Irrigation had in 2003 recommended Rs.307 bn over a 5 year period of the XI five year plan, resulting in a business opportunity of Rs.615 bn over the period. The central government allocation for FY 2007-08 was pegged at Rs.6.9 bn. 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.

iv) Opportunity and risks The implementation of the Task Force on Micro Irrigation has started in right earnest in Andhra Pradesh, Gujarat, Tamil Nadu while the retail sales in Maharashtra continue to grow at a steady pace. Even assuming partial initiatives out of the measures in the above para, the industry has potential to grow from the present Rs.7 bn to Rs.20 bn i.e. almost 3 fold in the next 2-3 years. Hence, the outlook for the medium term for the industry is excellent. However, the growth in markets is very much 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.

b) PVC Piping

i) Industry The Indian plastic industry uses almost 6 mn MT of resins as per a recent industry estimate. Out of this more than

71% is accounted for by extrusion of pipes, profiles and films. Out of the 4.3mn MT of extrusion capacity about a fifth (0.817 mn MT) is comprised of pipe extrusion. The industry is fragmented and scattered near the user belts in the country. A large part of the industry is unorganized, being small and medium scale in nature. However, there are 3 major players in the organized sector and the Company is one of the players in the organized market with a 15% share. In addition 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 This business contributed just under 19% revenue for the Company. While the business has grown at a steady 29% in revenues, the realizations were steady showing a marginal 1% growth, while the tonnage grew at a steady 27% to reach just under 46,000 MT. The business added 32,685 MT of capacity during the year under review, while the Fixed Assets addition was to the tune of Rs. 97 million.

iii) 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 over the medium term. Hence the Company has again decided to enhance the capacity by another 42,500 MT per annum, the full effect of which will be observed in FY2008-09. In a full year's operation the investment would generate Rs. 2.3 bn of incremental revenues.

iv) Opportunity and risks While the government infrastructure spends are increasing all the time, the government programmes for safe drinking water, rural sanitation, integrated watershed management programme etc. are expected to generate substantial demand for piping products. Further in view of the housing and construction boom in the country, there are plans to start a complete range of PVC SWR pipes and moulded fittings to strengthen the product portfolio in the current year (2007-08). Additionally, during the current year two more production centers would be established in the north part of country and in Tamil Nadu to move closer to demand centers. Of the Rs. 630 bn reserved for urban infrastructure projects in the XIth five year plan, a large part is towards irrigation and drinking water supply. Delays in government decision/spending and prices of PVC resin are the potential threats to the otherwise rosy picture for the future of the industry.

c) Biotech Tissue Culture

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

- (1) Fruits and vegetables and
- (2) Plants and flowers.

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.

iii) 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 ornamental & other fruit plants. There is also an export potential to other Asian countries which can be tapped.

iv) Opportunity and risks The focus has shifted on research and development during the year under review and geographical expansion into suitable parts of the country specially for Banana. 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 Sheets

i) Industry The PVC sheets industry is operating worldwide and has many players. When further divided into the market by application, the product is used in signage, display, insulation, marine and construction sectors. Of late, the most promising application has emerged in the area of lumber replacement. Thus, trim board, bead board, bead sheet and extruded profiles find applications in windows, siding, roofing and fencing. The US market for trims (\$3.5bn) and siding (\$12bn) alone provides a challenging opportunity for revenues. Lumber applications are equally relevant for new homes as well as for remodeling existing homes. The estimated market share of the Company in the market is close to 20% at present.

ii) Performance The business reflected a deceleration in rate of growth from CAGR of over 50% plus and has grown only 25% over the previous year's level. While the tonnage has grown by 16% the realizations have increased 8% during the year under review. The business added 8,300 MT of capacity during the year under review, while Fixed Assets addition was to the tune of Rs. 180 million.

iii) Outlook While the US accounts for 65% of the revenues of the Company for this business, Europe accounts for nearly 30% of the revenues while all other countries contribute 5% of the revenues for the business. The Company has acquired a controlling stake in one of the downstream end users for the products of this business and hence has diversified its risk basket for the business. This is expected to increase demand for sheet products annually

from FY 2008-09. The signage market is growing at a steady 5% pace per annum and is expected to grow similarly in the short and medium term. In view of the advent of digital printed sign boards, the Company's stringent quality system delivers excellent quality digital print on sheets. The Company hopes to expand its reach and customer base in the advanced countries by entering the cut to size and OEM (high gauge) segments. The outlook for the housing market remains bleak for the next 18 months or so. The only silver lining is the remodelers who are expected to provide value proposition in the upgradation of their existing homes.

iv) Opportunity and risks The threat to signage is the electronic signage developments but it would happen over a longer time as costs are prohibitive and a big deterrent to this shift at present. Low cost competition from China is also a threat. The current slow down in the new home sales will impact this business. With diversified product range and applications the growth of the Company's business is not expected to be significantly impacted. However, the players who ride this downturn in a better shape will emerge stronger when the tide turns next time to convert the business opportunity into improved top lines and bottom lines.

b) PC Sheets

i) Industry PC sheets have multiple applications like building and construction, advertising signs and displays, transportation, greenhouses and security applications. While GE India Industrial Pvt. Ltd. markets the products in the Asia Pacific region (including India but excluding Australia and New Zealand), the Company caters to its customers across the western world. While there are not many domestic players as raw material is tightly controlled, the export market is driven by the 3 big players internationally.

ii) Performance The business has grown marginally at 6% over the previous year's level on the back of 12% tonnage growth while the realizations suffered 5% decline in this business due to reduction in PC raw material prices world over.

iii) Outlook The construction boom in the world and specially in Asia Pacific markets augurs well for demand growth for the PC sheet products. The business is very small in size given the overall business volumes on a corporate basis and the Company operates the facility for GE. While it is learnt that GE Plastics is under a possible takeover by ME Asian entity, the arrangements with GE are to expire at the end of current calendar year. However there are strong indications that the arrangements would not only continue but will get enhanced in terms of size and investments.

iv) Opportunity and risks The Company is working on new product development for the domestic and export markets. These products will create new market opportunities other than construction market for the Company. Resin prices seem to have settled down at current level and are expected to remain stable at this level for the next one year or so.

c) PE Piping

i) Industry The applications of PE pipes have grown at a very fast pace and yet new applications are being developed for the product. Due to tougher environmental laws and stricter application of the same, the replacement of cement/metal pipes by PE pipes is

very relevant. Especially since the development of the extrusion process for larger diameter PE pipes, the possibilities are huge. 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, sand stowing, dust suppression etc.

ii) Performance This business saw a marginal 4% growth in revenues over the last year's level reflecting a phase of consolidation in the industry. While the tonnage went down by 8% the price realizations saw an increase of nearly 13% 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 16,204 MT of capacity during the year under review, while Fixed Assets addition was to the tune of Rs. 88 million.

iii) Outlook The Company has signed large continuous supply contracts with multinational companies for supply all over the world as a preferred supplier and the revenues in the first year of operation are very encouraging. The massive infrastructure projects undertaken under the *Bharat Nirman Yojana*, increased investments by telecommunication industry and plans for piped gas in cities, are all potential demand drivers for the industry. Mahanagar Gas Limited, Indraprastha Gas Limited, Gujarat State Petrochemicals Limited, Petronet LNG Limited etc are all growing their gas distribution plans. The natural gas production at 95 mn cubic meters per day 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 is expected to release 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 about 183 firms registered with BIS, only 5 are national players and Jain Irrigation is the only player to manufacture 1000 mm and above dia pipes. About 12 firms are registered with BIS for HDPE pipes for sewerage applications but again Jain Irrigation is the only player to manufacture 1000 mm and above dia pipes for sewerage applications.

iv) Opportunity and risks The capacity expansion undertaken earlier has been completed. Continued implementation by Government for schemes like *Bharat Nirman Yojana*, *Swajaldhara Yojana* etc, supplemented by drinking water distribution and telecommunication demand are the major growth drivers in the medium term. Anticipating the demand growth the Company is in the midst of another capacity expansion plan. The unstable raw material prices and business cycles of the end users and delay in implementation of projects are major risks faced by the business segment.

d) **Onion and vegetable dehydration**

i) Industry 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 either the customers of the Company or they are in the process of becoming customers soon. With the acquisition of controlling stake in Cascade Specialties 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. Because of the location advantage, Cascade Specialties 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 Specialties is also the only producer of organic dehydrated onions in the USA.

ii) Performance The business has grown at an impressive 42% over the earlier year's level backed by a 31% quantity growth at just under 8,000 MT, while the appreciating rupee has impacted the realizations to some extent. Although The Company managed to get improved realization, the appreciation in the Rupee had an adverse impact to some extent. The Company achieved less than projected growth in sale and profitability due to general crop shortage in the country which resulted in shortfall in material available for dehydration as well. High raw onion prices between January and March 2007 impacted the margins significantly. The business added 7,060 MT of capacity during the year under review, while Fixed Assets addition was to the tune of Rs. 237 million. In addition, to maintain very important food specific certifications, the Company's two plants at Jalgaon and Baroda secured the renewal of ISO 9001:2000, HACCP and obtained ISO 22000, FSMS, BRC Global Standard food certifications during the year under review. The Jalgaon plant also secured EUREGAP's control points and compliance criteria for fruits and vegetables certification during the year under review. The Company is member of SGF, Germany.

iii) Outlook Worldwide Onion dehydration industry is estimated to be around 175,000mt. The industry is growing globally at 7-8% 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 Specialties Inc, USA has further opened up the global customer base for the Company's products. The Company has rationalized the production process in India at 2 locations from 5 locations in earlier years, improving the efficiency and overhead absorption. The Company has also started making improvements in its plant in the USA by capacity expansion and 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 toasted onion and the addition of new products like fried onion, frozen onion and other vegetables in the coming year.

iv) Opportunity and risks The major risks for the business are uncertain crop patterns in the country, low cost and low quality competition strengthening Rupee, rising energy costs etc. 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. The acquisition of controlling stake in Cascade Specialities Inc., USA has opened up further the global customers for Company's products. Agro processing is a priority area for government in the country. Europe had hitherto been a large consumption centre for the Company's products but now with a foothold in the US the servicing of a mature market is likely to become significant.

e) 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.

India is the second largest producer of Pomegranates and Maharashtra is the major producer. Research in the developed countries in the past few years has established the health benefits of Pomegranate. Pomegranate is a rich source of Anthocyanins, Ellagitannins & Polyphenols. Pomegranate juice, drinks and other products are becoming increasingly popular in the Western world.

ii) Performance This became the fifth business to cross the Rs. 1 billion mark in yearly revenues during the year under review. The business grew at 102% with 95% growth in tonnage at just over 25,500 MT of processed fruits, while the realizations were steady showing 3% increase. The fruit processing division of your Company has grown significantly in this financial year. Two plants were acquired in Chittoor last year. These plants were upgraded and a large mango ripening facility was added. Further, new lines were added both at Chittoor & Jalgaon. This enabled the Company to process large quantities of mangoes in the 2006 season and at reduced cost of production.

Recently, the facilities also secured EUREGAP, ISO 22000, FSMS, BRC Global Standard- Food. The Company is member of SGF, Germany.

Apart from the significant growth in the aseptic fruit purees and concentrate production, capacity for frozen pulp and concentrate has been added and production of frozen pulp and concentrate has been started. The demand for frozen mango pulp as well as pomegranate clarified juice concentrate is increasing rapidly in the international market. Similarly, the IQF capacity has been increased and new products have been developed.

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 22,600 MT of Mango products, 1,300 MT of Banana products, 370 MT of pomegranate products, and 1,200 MT of other products like Tomato, Guava, Gooseberry, Papaya etc during the year under review. The business added 32,500 MT of capacity during the year under review, while Fixed Assets addition was to the tune of Rs.405 million.

iii) Outlook The demand for tropical fruit purees and concentrates is continuously increasing both in domestic as well as overseas markets. Packaged fruit juices and drinks are now becoming popular in India. MNCs and large Indian corporates have started promoting the fruit based drinks in the domestic market. Your Company is the largest mango processor in the country (and is probably also the largest mango processor in the world).

Fruit processing is a priority area for the government and infrastructure for storage and transportation of fresh/processed fruits and vegetables is getting its due attention. Despite producing over 100 mn tonnes of fruits and vegetables the country barely processes 2-4% of the products and even less is exported. In comparison countries like Brazil, Malaysia, Israel and USA process between 50-80% of the fruits and vegetables grown, while exporting a majority of their product.

iv) Opportunity and risks The Company has not only diversified its product range with IQF and BF on one hand and pomegranate and tomato on other and but also the markets to which it caters. The opening up of economy and higher disposable incomes have resulted in increased demand for juice and convenience products in the domestic market and this trend is likely to continue in medium to long term. Growing demand for processed fruit products is expected to continue for the next five years. Your Company would continue to grow this business and proposes to add capacity, both in aseptic as well as in frozen pulp and concentrate as well as in IQF & F & V production.

The risks faced by the fruit processing industry are uncertainty of the raw material (fruits) supplies & prices, varying raw material quality and Rupee appreciation. Uncertain raw material supplies and prices, increasing energy costs, short life cycle of product due to changing tastes are some challenges faced by the industry.

7) Analysis of the Financial Performance

a) Net Sales:	Rs. in Million			
	2006-07	2005-06	Change	Change %
Micro Irrigation Systems	3,762	2,139	1,623	75.9%
Piping Systems	4,240	3,579	662	18.5%
Plastic Sheets	2,618	2,172	446	20.5%
Agro processed Products	1,755	1,011	743	73.5%
Other Products	299	167	132	78.8%
Total Sales	12,674	9,068	3,606	39.7%
Less: Excise Duty	-657	-512	-145	28.4%
Net sales	12,017	8,556	3,460	40.4%
Domestic	7,956	5,689	2,267	39.8%
Export	4,061	2,867	1,194	41.6%

Net Sales on corporate basis increased by 40.4% to Rs. 12,017 million as compared to Rs. 8,556 million in previous year. This increase in revenue primarily reflected increased domestic sales of Micro Irrigation Systems, Piping systems and Agro Processed products and increased exports of Plastic Sheets, Agro processed products and piping systems.

Our total domestic revenue increased by 39.8% in fiscal 2007 to Rs. 7,956 million from Rs 5,689 million in fiscal 2006. The revenues from exports increased 41.6% in fiscal 2007 to Rs.4,061 million from Rs 2,867 million in fiscal 2006. Export sales accounted for 33.8% corporate sales in fiscal 2007 as compared to 33.5% in fiscal 2006.

i) Micro Irrigation Systems: Revenues from domestic sales of our Micro Irrigation Systems increased by 74.5% in fiscal 2007 to Rs.3,599 million from Rs.2,062 million in fiscal 2006, primarily due to increased retail sales in States like Maharashtra, Karnataka & Madhya Pradesh and project sales in Andhra Pradesh, Gujarat & Tamil Nadu. During the same period, exports of Micro Irrigation Systems increased by 111.7% to Rs.163 million from Rs.77 million mainly due to project sales in African continent.

ii) Piping Systems: Revenues from domestic sales of our Piping Systems increased by 17.7% in Fiscal 2007 to Rs.3,942 million from Rs.3,348 million in fiscal 2006. The implementation of projects by Indian water boards in Andhra Pradesh, Karnataka and Gujarat States contributed to the increased domestic sales of PVC pipes while demand from water & gas distribution segment led

to an increase in domestic sales of our PE pipes. The revenues from export of Piping Systems increased by 29.0% in fiscal 2007 to Rs.298 million from Rs.231 million in fiscal 2006, mainly on account of increased exports of PE pipes to an MNC for telecom ducting to the African continent.

iii) Plastic Sheets: Revenues from Plastic Sheets products increased by 20.5% in fiscal 2007 to Rs. 2,618 million from Rs.2,172 million in fiscal 2006, mainly due to increased revenue of PVC sheets to US & European Markets and PC sheets to Europe, Middle East & India.

iv) Agro-Processed Products: Revenues from domestic sales of our Agro-Processed Products increased by 51.7% in fiscal 2007 to Rs.448 million from Rs.295 million in fiscal 2006, mainly due to higher off-take of mango puree by Indian arm of a MNC as a result of growing demand for their juice products. Revenue from exports of Agro-Processed Products increased by 82.3% in fiscal 2007 to Rs.1,307 million from Rs.717 million in fiscal 2006 mainly on account of higher exports of mango puree and dehydrated onions in our European & US markets. During Fiscal 2007, we have launched new value added product 'pomegranate juice concentrate' which has contributed ~ 5% to total revenue of this division.

v) Other products: Other product includes Solar Water Heating systems, Solar Photovoltaic Systems, Banana Tissue Culture and Agricultural products. Revenues from domestic sales of other products increased by 79% in fiscal 2007 to Rs.299 million from Rs.167 million in the fiscal 2006, mainly due to higher sales of tissue culture plants & solar products.

b) Operating Income:	Rs. in Million			
	2006-07	2005-06	Change	Change %
Export Incentives & Assistance	68	34	34	100.0%

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

c) Raw materials consumption:	Rs. in Million			
	2006-07	2005-06	Change	Change %
Polymers, Chemicals & additives, Fruits & Vegetables, Consumables, etc.	7,903	5,549	2,354	42.4%

The raw materials consumption increased by 42.4% to Rs. 7,903 million as compared to Rs. 5,549 million in the previous year, mainly due to increased sales & increase in finished goods inventory in major segments and also partly due to raw material price volatility during the year.

d) Stores Consumed and Repairs to Machinery	Rs. in Million			
	2006-07	2005-06	Change	Change %
Stores Consumed and Repairs to Machinery	251	180	71	39.4%

The stores consumed and repairs & maintenance costs increased by 39.4% to Rs. 251 million as compared to Rs. 180 million in the previous year, mainly due to the increased level of production.

e) Power and Fuel:	Rs. in Million			
	2006-07	2005-06	Change	Change %
Power & Fuel Cost	425	266	159	59.8%

The Power & Fuel cost increased by 59.8% to Rs. 425 million as compared to Rs 266 million in the previous year, mainly due to the



increased level of production in major divisions and higher costs of furnace oil used as fuel in agro processed products division.

f) Other Manufacturing Expenses: Rs. in Million

	2006-07	2005-06	Change	Change %
Other Manufacturing Expenses including operating lease rent	248	164	84	51.2%

The Other Manufacturing Cost increased by 51.2% to Rs. 248 million as compared to Rs 266 million in the previous year, mainly due to the increased level of production in major divisions.

g) Payments and Provisions to Employees Rs. in Million

	2006-07	2005-06	Change	Change %
Payments to and provisions for Employees	462	301	161	53.6%

The staff costs increased by 53.6% to Rs.462 million as compared to Rs. 301 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 1,025 new associates joined the Company.

h) Selling & Distribution Expenses: Rs. in Million

	2006-07	2005-06	Change	Change %
Selling & Distribution Expenses	900	622	278	44.7%

The Selling & Distribution Expenses increased by 44.7% to Rs. 900 million as compared to Rs 622 million in the previous year mainly due to increase in outward freight and commission on sales.

i) Interest & Finance Shares: Rs. in Million

	2006-07	2005-06	Change	Change %
Gross Interest & Finance Shares	729	490	239	48.8%
Less: Interest Received	(73)	(19)	(54)	
Net Interest & Finance Shares	656	471	185	39.3%

The net interest charges increased by 39.3% to Rs.656 million as compared to Rs. 471 million in the previous year, mainly due to increase in interest rates & higher utilization of working capital loan. Increase in interest received in current year is mainly on un-utilized ZCCB funds. Interest cost as % to net sales has decreased marginally to 5.4% of revenue as compared to 5.5% in previous year.

j) Fixed Assets: Rs. in Million

	2006-07	2005-06	Change	Change %
Gross Block	7,991	6,293	1,698	27.0%
Less: Depreciation	2,703	2,348	355	15.1%
Net Block	5,288	3,945	1,343	34.0%

Gross block increased by Rs.1,698 million during the year, mainly due to acquisition of fixed asset on merger of Eurisko Agro Ltd. (Rs. 119 million) and expansion and modernization plan implemented in various divisions (Rs. 1,581 million). In current year we have increased installed capacities in plastic processing to 206,029 tons as compared to 139,475 tons in previous year & similarly in agro processed products we have increased installed capacities to 95,860 tons as compared to 39,560 tons in previous year. We have financed expansion and modernization capex out of un-utilized ZCCB proceeds & long term loans raised during the current year.

k) Investments: Rs. in Million

	2006-07	2005-06	Change	Change %
Investment in Wholly Owned Subsidiary (WoS)	1,764	815	949	116.4%
Investment in Others	10	10	-	-

The increase of Rs. 949 million in investments is on account of capital infused in the WoS based in Mauritius. The WoS has in turn invested amounts in second generation subsidiary in the USA, and the funds have been ultimately utilized for various acquisitions during the year by the Company.

l) Inventories: Rs. in Million

	2006-07	2005-06	Change	Change %
Inventories	2,743	1,837	906	49.3%

The increase in inventory by Rs. 906 million during the current year compared to previous year is mainly on account of; increase in inventory of raw material & consumables by Rs. 485 million of which Rs. 374 million in plastic processing activities is to take the benefit of lower polymer prices in volatile market and increase in consumables in agro processing division is to take care of seasonal requirement. Similarly the finished goods inventory increase by Rs. 381 million is mainly in Micro Irrigation & Piping division to take advantage of buoyant demand for the products in the domestic market.

m) Sundry Debtors: Rs. in Million

	2006-07	2005-06	Change	Change %
Gross Debtors	4,436	2,861	1,575	55.1%
Less: Provision for Doubtful Debts	31	31	-	-
Net Debtors	4,405	2,830	1,574	55.6%

The increase in debtors is mainly on account of increase in sales. Sundry debtors in terms of number of days sales has gone up to 127 days as compared to 115 days in previous year, mainly on account of change in product mix e.g. higher sales mix of Micro Irrigation & Plastic Sheets division in total sales which has longer collection cycle compared to other divisions.

n) Loans and Advances: Rs. in Million

	2006-07	2005-06	Change	Change %
Loans & Advances	1,075	758	317	41.8%

Loans & Advances increased by Rs.317 million to Rs. 1,075 million in current year from Rs.758 million in previous years mainly due to increase in advances for purchases of materials (Rs. 58 million), increase in taxes refundable & other advances (Rs. 57 million), increase in advance tax (Rs.76 million), increase in incentives & assistance from Gol (Rs. 40 million), increase in claims receivables (Rs. 37 million) etc.

o) Current Liabilities & Provisions: Rs. in Million

	2006-07	2005-06	Change	Change %
Current Liabilities	4,320	3,079	1,241	40.3%
Provisions	259	302	-43	-

Current Liabilities & Provisions increased by Rs.1,198 million to Rs. 4,579 million in current year from Rs.3,381 million in previous years mainly due to increase in sundry creditors for purchases (Rs. 1,057 million), Outstanding liability for expenses (Rs.33 million), increase in taxes, performance bonus & other payables (Rs.93 million), etc.

p) Secured & Unsecured Loan: Rs. in Million

	2006-07	2005-06	Change	Change %
Secured Term Loan	1,620	1,887	-267	-
Secured Working Capital Loan	3,162	2,130	1,032	48.5%
Unsecured Loan	2,715	2,728	-13	-

Secured Term loan decreased by net Rs. 267 million during the current year, which consist of repayment of existing loan of Rs. 726 million (including FOREX fluctuations of Rs. 5 million) and new borrowing of Rs. 461 million as per details provided below:

Foreign currency loan drawn for funding Capex of US\$ 9.68 million equivalent Rs. 431 million

Rupee Term Loan taken for funding Cold Storages of Rs. 6 million Vehicle Loan of Rs. 25 million

Working capital loan increased by Rs. 1,032 million commensurate to higher scale of operation during the year.

Unsecured loan decreased by Rs.13 million during the current year, which consists of repayment/ conversion of existing loan of Rs. 112.9 million (including FOREX fluctuations of Rs.61.2 million) and increase in borrowing of Rs. 100 million against 10% contribution towards Equity Share warrants subscribed by Promoters under preferential allotment.

Unsecured outstanding for the current year includes ZCCB of Rs. 2,615 million (US\$ 60 million) of which 58.3% is converted into Equity Shares as on date.

q) Appropriation: Rs. in Million

	2006-07	2005-06	Change	Change %
Transfer to CRR	25	25	-	-
Transfer to Reserves	100	50	50	100%

Due to redemption of preference shares an amount of Rs. 25 million has been transferred to Capital Redemption reserve, while an amount of Rs.100million has been transferred to the General Reserved during the year.

r) Dividend: Rs. in Million

	2006-07	2005-06	Change	Change %
Preference Dividend	36	37	-1	-
Equity Dividend	132	105	27	26%

The Board has proposed to pay dividend on 4.00% and 1.00% Redeemable Preference Shares at fixed rates and to pay dividend on Equity Shares @ Rs.2 per share (20%) to all eligible shareholders, subject to approval of Shareholders at the ensuing AGM. The dividend cash-outgo (including dividend tax) would be Rs. 197 million. The dividend payout (including current year dividend on Preference Shares) as % of Net Profit works out to 20% as compared to 24%.

Note: Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/ supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.