



JIK INDUSTRIES LIMITED



***15th Annual Report
2005 - 2006***



JK INDUSTRIES LIMITED

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CORPORATE INFORMATION

BOARD OF DIRECTORS :

Shri R.G. Parikh	-	Chairman & Managing Director
Shri S.C. Gurav	-	Director
Shri R.H. Parihar	-	Director
Shri Kartik Kotadia	-	Director

AUDITORS :

M/s. Motilal & Associates

REGISTERED OFFICE :

Pada No.3, Balkum, Thane - 400 608.

Phone: +91-022-2534 0063, 2542 6349

ADMINISTRATIVE OFFICE :

1,2,3 & 16 Gundecha Chambers,

Nagindas Master Road, Fort,

Mumbai - 400 023.

Phone: +91 - 022 - 2263 3313

Fax: +91 - 022 - 2267 6633

E-mail : admin@jik.co.in

REGISTRAR & SHARE TRANSFER AGENT :

Sharex Dynamic (India) Pvt. Limited

17/B, Dena Bank Building, 2nd Floor,

Horniman Circle, Mumbai - 400 001.

LISTING :

Bombay Stock Exchange Limited

The National Stock Exchange of India Limited



JIK INDUSTRIES LIMITED

DIRECTORS' REPORT

To the Members,

1. Your Directors present herewith 15th Annual Report together with the Audited Accounts of the Company, for the financial year ended 30th June 2006.

2. FINANCIAL RESULTS

Summary of Financial Results for the year are as under:

Particulars	(Rs. in lakh)	
	<u>2005-2006</u>	<u>2004-2005</u>
Sales / Income from operations	22.88	1,091.61
Other Income	0.06	0.36
Profit / (Loss) Before Tax and Extraordinary Item	(761.02)	(3,498.04)
Extra Ordinary Item	622.58	Nil
Provision for Taxation		
- Current Tax	Nil	Nil
- Deferred Tax	(287.03)	(546.14)
- Fringe Benefit Tax	0.67	--
Profit / (Loss) for the year	147.92	(2,951.90)

3. DIVIDENDS

Your Directors do not recommend any dividend for the Financial Year under review, in view of accumulated losses.

4. OPERATIONS

The performance of the company was severely impacted due to the accident, which forced it to halt the hot room activity. However the company is in the process of re-starting the hot room activities of the plant with new investment, improved technology and renewed vigour. Company may shift to a new location with more benefits.

5. FINANCE

The management has taken various measures to ensure that your company returns to operational profitability and to achieve its full potential at the earliest.

During the year, the Hon'ble High Court Judicature at Bombay has sanctioned the scheme of arrangement under section 391 of the Companies Act, 1956 with the Fixed Deposit holders, Debenture holders and other unsecured creditors. The scheme has been duly complied with.

Further to make the company's rehabilitation fully tied up, a second scheme of arrangement under section 391 of the Companies Act, 1956, was proposed by your company with Secured Creditors (Banks, Financial Institutions and others as defined in the Scheme). The said scheme was approved by 96.17% of the Creditors in value and 11 out of 12 in number and the same is pending before the Hon'ble High Court Judicature at Bombay for sanctioning.

Your Directors are making efforts for further reduction of debt of the company.



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6. SUBSIDIARIES

The audited financial statements of subsidiaries and consolidated financial statements along with auditor's report are included in this annual report.

7. REFERENCE TO BIFR

As per the audited accounts for the year ended 30th June, 2006 the Company's net worth remains negative and as a result it continues to remain a sick industrial undertaking within the meaning of Sick Industries Companies (special provision) Act, 1985.

Further the Company has been declared as a Sick Industrial Company by Hon'ble Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 6th July, 2006.

8. DIRECTORS

Mr. Kartik Kotadia has been appointed as Director of the Company on 27th April, 2006.

Mr. Rajendra G. Parikh, Chairman, has also been appointed as Managing Director of the Company with effect from 1st April, 2006, in the Extra Ordinary General Meeting of the Company held on 10th June, 2006.

At the ensuing Annual General Meeting, Mr. Ramesh H. Parihar, Director of the Company retires by rotation and being eligible, offers himself for reappointment.

Mr. J. B. Ghule resigned from the Board of the Company on 7th November, 2005. The Board places on record its appreciation of the valuable services rendered by Mr. J. B. Ghule during his tenure as member of the Board.

9. CORPORATE GOVERNANCE

Necessary measures have been adopted to comply with the requirements of the Listing Agreements with the stock exchanges wherein your company's shares are listed. A separate report on Corporate Governance adopted by the company forms part of this report.

A certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as also the Management Discussion and Analysis Report stipulated under Clause 49 of the Listing Agreement is attached to this report.

10. RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards had been followed;
- ii. appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th June, 2006 and of the profit/loss of the Company for the year;
- iii. proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding of the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts have been prepared on a going concern basis.

11. PARTICULARS OF EMPLOYEE

The Company does not have any employee falling within the scope of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of the Employees) Rules, 1975.



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12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

A statement pursuant to section 217(1)(e) of the Companies Act, 1956, giving details of measures taken toward conservation of energy, technology absorption, foreign exchange earnings and outgo in accordance with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 is annexed in this report.

13. AUDITORS

M/s.Motilal & Associates., Chartered Accountants, Statutory Auditors of the Company retire at the ensuing Annual General Meeting and have pursuant to Section 224 (1B) of the Companies Act, 1956, furnished to the Company a certificate regarding their eligibility for re-appointment. You are requested to appoint the auditors and fix their remuneration for the ensuing period.

14. ACKNOWLEDGEMENT

Your Directors thank the customers, suppliers, financial institutions, bankers, employees and various state and central government agencies for their continued co-operation and support to the Company.

For and on behalf of the Board

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Date : 30th September, 2006

Place : Mumbai

R. G. Parikh

Chairman & Managing Director



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ANNEXURE I – TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

The Company has planned for newer, better and more efficient furnaces which will substantially save energy costs.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

The Company has not made any additional investments for reduction of consumption of energy in the current year.

c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: N.A.

d) Total energy Consumption and Energy Consumption per unit of production as per Form A in respect of industries specified in the Schedule:

FORM - A

(Disclosure of particulars with respect to Conservation of Energy)

A. Power and fuel consumption:

	2005-2006 (Current year)	2004-2005 (Previous year)
1. Electricity :		
(a) Purchased		
Unit (KWH)	Nil	30,935
Total Amount (Rs.)	Nil	169,788
Rate per unit (Avg)	Nil	5.49
(b) Own generation		
(i) Through diesel generator :		
Units (KWH)	15952	Nil
Units per Ltr. Of Diesel oil	4.55	Nil
Cost per unit (Rs.)	8.13	Nil
(ii) Through steam turbine/generator :		
Units	Nil	Nil
Units per Ltr. Of fuel	Nil	Nil
Oil/Gas	Nil	Nil
Cost/Units	Nil	Nil
2. Coal :		
Quantity (Tonnes)	Nil	Nil
Total Cost	Nil	Nil
Average Cost	Nil	Nil



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2005-2006 2004-2005
(Current year) (Previous year)

3. Furnace Oil/Gas :

a) Propane gas/Liquified Petroleum Gas		
Qty. (M.T.)	Nil	21.20
Total Cost (Rs.)	Nil	624,997
Average Rate (Rs.)/Kg.	Nil	29.45
b) Light Diesel Oil		
Qty. (Ltr.)	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate (Rs.)/Ltr.	Nil	Nil

4. Others/Internal Generation :

Distillate residue	Nil	Nil
Quantity in M. T.	Nil	Nil
Total Cost (not ascertained)	Nil	Nil
Rate per unit	Nil	Nil

B. Consumption per unit of production :

It is not feasible to maintain product-wise energy consumption data, since a large range of products having different energy requirements, is being manufactured.

B. TECHNOLOGY ABSORPTION

FORM - B

(Disclosure of particulars with respect to Technology Absorption)

RESEARCH AND DEVELOPMENT (R & D)

- Specific area in which R & D is carried out by the Company:
Not applicable.
- Benefits derived as a result of the above R&D:
Not applicable.
- Future Plan of Action :
The Company is in the process of re-starting the hot room activities with new investment, improved technology and renewed vigour. Company may shift to a new location with more benefits.
- Expenditure on R & D :
Not applicable.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

- Efforts, in brief, made towards technology absorption, adaptation and innovation:
Not applicable.
- Benefit derived as a result of the above efforts:
Not applicable



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3. Technology Imported :

- a) Technology imported from Reci Industri AB of Sweden and Lindhsammar Glasbruk AB of Sweden.
- b) Year of import during 1996-97 and 1997-98 respectively.
- c) Has Technology been fully absorbed: Yes.
- d) If not fully absorbed, reasons and future course of action: N.A.

C. FOREIGN EXCHANGE EARNINGS & OUTGOING :

Disclosure relating to export, initiatives taken to increase export, development of new export markets for products and services and export plans :

The Company is further exploring avenues for exports.

TOTAL FOREIGN EXCHANGE USED AND EARNED :

	(Rs. in Lakh)	
	2005-2006	2004-2005
i. Total foreign exchange used	4.34	NIL
ii. Total foreign exchange earned	NIL	NIL

For and on behalf of the Board

Place : Mumbai

Date : 30th September, 2006

R. G. Parikh

Chairman & Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Development:

The Company continues to implement its strategy of widening the customer base in its activity, however the same is going at a slow pace on account of liquidity constraints being faced by the Company and also because of the accidents and damages.

2. Opportunity and Threats:

The Company is focused on its crystal glassware manufacturing and allied products, which is a high-margin, labour-oriented, niche business with negligible competition and a defensible global strategy. The company plans to have a retail strategy and target the international market in luxury goods. Manufacture of handmade Crystalware being a highly skilled job, it requires a high level of production flexibility and knowledge, which the company has gained over the years. There are many manufacturers and brands in Europe that would need outsourcing due to high labour costs. JIK aims to align itself with top brands of Scandinavia and Europe as a private label (OEM). The Company's objectives entails leveraging on its strong institutional ties as well as become a production outsourcing hub for overseas manufacturers. This can lure new players into the segment attracted by margins. This and an improbable downturn in the entire luxury goods segment are potential threats.

3. Segment-wise or product-wise performance:

It has been fully dealt with in the notes to the accounts.

4. Outlook:

The Company is in the final stages of restructuring and is taking steps for further reduction of debt.

Organised retail segment is growing at the rate of 25-30 % p.a., with revenues from the sector expected to triple from the current US \$ 7.7 billion to US \$ 23 billion by 2010 (Source: Knight Frank - India Retail Market Review). Fashion and Lifestyle, which drive the segment, constitute majority of the organized retail market. The retail segment for crystalware has undergone a big change and the present market is Rs.4 billion in India and will grow at 100% every year for next three years (Source: The Economic Times)

The Company is already an established player in the hotel segment. With all the major star hotel chains as its clients, the company enjoys the strategic position of being the preferred supplier to the star hotels in India. Additionally, JIK now expects to capture a significant share of the export market mainly due to India's tried and tested labour cost arbitrage, the company's domain knowledge, established client base and a professional corporate set-up.

The company is in the process of firming up plans to enter the retail/export segment of home décor and life style products. This products will be designed by the company, the production will be outsourced and sold under the company brand.

5. Risks & concerns:

The Company faces capital constraint. Further, the second scheme of arrangement under section 391 of the Companies Act 1956 between the company and secured creditors has been filed with Hon'ble High Court