

38th Annual Report 2003-2004



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JAMNA AUTO INDUSTRIES LIMITED

Corporate Information



BOARD OF DIRECTORS

Mr. Bhupinder Singh Jauhar, Chairman & Managing Director
 Mr. Randeep Singh Jauhar, Executive Director
 Mr. Ashwani Sharma, Nominee-HSIDC
 Mr. H.S.Gujral, Director
 Mr. D.K.Sharma, Director

AUDITORS

Goel Garg & Co.
 Chartered Accountants

G.S. Johar & Co.
 Chartered Accountants

BANKERS

State Bank of India
 Canara Bank
 ICICI Bank Ltd.

REGISTERED OFFICE

Jai Springs Road,
 Yamuna Nagar - 135001
 (Haryana) India

CORPORATE OFFICE

2, Park Lane,
 Kishangarh, Vasant Kunj,
 New Delhi-110 070, India

WORKS

Jai Springs Road,
 Yamuna Nagar - 135001
 (Haryana) India

U-27-29, Industrial Area,
 Malanpur-477116
 Distt. - Bhind (M.P.) India

Annual General Meeting

30th September 2004 (Thursday)
 at 3.00 P.M. at
 Registered Office:
 Jai Springs Road,
 Yamuna Nagar - 135001
 (Haryana) India

SHARE TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.

123, Vinoba Puri, Lajpat Nagar - II,
 New Delhi - 110024, India
 Phone : 011-29847136, 29833777
 011-29848352 (Fax).

LISTING

Stocking Exchange at
 Delhi, Mumbai, Kolkata, Ludhiana, Jaipur
 Ahmedabad & Bangalore

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FINANCIAL HIGHLIGHTS

(Rs. In Lacs)

Year ending 31st March	2004	2003	2002	2001	2000
Sales & Earnings					
Sales	12258.05	6595.38	7877.23	8385.62	9772.25
Other Income	29.59	48.95	190.92	295.76	354.94
	12287.64	6644.33	8068.15	8681.38	10127.19
Total Expenditure	11110.92	6396.11	7621.27	8262.14	8673.84
Gross Profit (PBDIT)	1176.72	248.22	446.88	419.24	1453.35
Interest	794.76	957.28	1392.82	1379.50	1260.50
Profit/(Loss) before Depreciation	381.97	-709.06	-945.94	-960.26	192.85
Depreciation	372.26	368.65	368.70	376.37	369.98
Profit/(Loss) before Tax	9.71	-1077.71	-1314.64	-1336.63	-177.13
Tax	0.60	0.77	0.77	1.61	1.67
Deferred Tax Credit	159.89	-326.33	-432.73	-	-
Profit/ (Loss) After Tax	-150.78	-752.15	-882.68	-1338.24	-178.80
Cash Profit/ (Loss)	381.36	-709.83	-946.71	-961.87	191.18
What the Company Owned					
Fixed Assets- Gross Block	8430.18	8353.54	8278.40	8554.41	8538.64
Less: Depreciation(Cummulative)	3162.4	2794.59	2465.58	2402.25	2035.48
Net Block	5267.78	5558.95	5812.82	6152.16	6503.16
Investments	1208.48	1208.48	1208.48	1236.58	1236.58
Current Assets	4765.64	3940.46	4936.56	5511.65	6570.81
Deferred Tax Credit	538.18	698.07	371.74	-	-
	11180.08	11405.96	12329.60	12900.39	14310.55
What the Company Owed					
Long Term Funds	6173.86	5893.91	5167.48	4130.33	3716.28
Medium/ Short Term Funds	833.96	674.87	591.03	747.53	599.98
Working Capital From Banks	1020.59	985.07	2071.39	3143.87	3237.10
Current Liabilities & Provisions	3158.07	2983.83	2799.30	1878.07	2089.50
	11186.48	10537.68	10629.20	9899.80	9642.86
Net Worth of the Company					
Equity Share Capital	876.11	876.11	876.11	876.11	876.11
Reserves & Surplus	698.83	973.51	1832.63	3105.82	4670.33
Less: Intengibles (-)	981.34	981.34	981.34	981.34	878.75
	593.60	868.28	1727.40	3000.59	4667.69
Share Indices					
Cash Earnings/ (Loss) per share Rs.	4.36	-8.11	-10.82	-10.99	2.18
Earning Per Share	-1.72	-8.59	-10.09	-15.29	-2.04
Dividend per share	NIL	NIL	NIL	NIL	NIL
Net Worth Per Share	6.78	9.92	19.74	34.29	53.33



Notice

NOTICE is hereby given that the 38th Annual General Meeting of the members of Jamna Auto Industries Limited will be held on Thursday the 30th Day of September 2004 at 3:00 P.M., at the Registered office of the Company at Jai Springs Road, Yamuna Nagar -135001 (Haryana) to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2004 and Profit & Loss Account of the Company for the year ended on that date and the Report of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Daksh Kumar Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. Goel Garg & Co. Chartered Accountants, be and are hereby re-appointed as Joint Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on remuneration as may be decided by the Board of Directors or Committee thereof exclusive of travelling and other out-of-pocket expenses."

4. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. G. S. Johar & Co. Chartered Accountants, be and are hereby re-appointed as Joint Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on remuneration as may be decided by the Board of Directors or Committee thereof exclusive of travelling and other out-of-pocket expenses."

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
2. The register of Members of the Company and Share Transfer Books remained closed from Monday the 16th August 2004 to Saturday the 21st August 2004 (both days inclusive).
3. Shareholders seeking information with regard to accounts are requested to write to the Company at least ten days in advance as to enable the Company to keep the information ready.
4. Members/Proxies are requested to bring their copy of the Annual Report to the meeting, as copies of the Report will not be distributed at the meeting.
5. Members are requested to advise the Company immediately of any change in their address.

By order of the Board of Directors
for Jamna Auto Industries Limited

Place : New Delhi
Date : 04.09.2004

(Shiv R. Singh)
Company Secretary

Management Discussion and Analysis



INDUSTRY STRUCTURE AND DEVELOPMENTS

Demand growth in the domestic auto ancillary industry will continue to be linked to the growth in the automobile sector. During the last two years most automobile segments witnessed a sharp recovery in demand, with commercial vehicles estimated to grow by around 8 percent over a period of five years. The preference for higher tonnage vehicles has been increasing, due to higher revenues and profits per vehicle, therefore, the demand for higher tonnage vehicles is expected to increase significantly. Global vehicle manufacturers and auto ancillary majors have increased their presence in India through subsidiaries or marketing outlets, following India's commitment to the WTO, the subsequent removal of quantitative restrictions on auto ancillary imports and the reduction in import tariffs. However, the imports are mainly restricted to bearings, due to substantial increase in steel price, depreciation of dollar export margins fall down sharply.

In future the input costs of auto ancillary manufacturers are expected to rise, as aluminum and steel prices are expected to increase. This is expected to have an impact on the margins of auto ancillary manufacturers since they will have limited flexibility to pass on the increases, especially in the OEM segment. Though the manufacturers are expected to implement cost rationalisation measures and the higher capacity utilization to achieve lower overhead costs, margins are expected to remain under pressure.

SWOT Analysis :

Strengths

- Original equipment supplier to major automobile manufacturers in domestic & export market.
- High standard technology from world leader NHK, Japan.

Weaknesses

- Underutilisation of capacities.
- Sale of company's product is depend on the growth of commercial vehicle.

Opportunities

- Entry of new auto manufacturers in the domestic market.
- Acceptance of the product in domestic & foreign market, huge untapped replacement market and export market.
- Signs of revival in the Commercial Vehicle Segment of the Automobile Industry.
- Highly skilled and educated workforce.
- Benchmark Costing & low cost manufacturing base.
- R& D facilities.

Threats

- Entry of new players though very insignificant.
- Demand slump in the automobile sector particularly in the HCV/LCV/MUV segment.

Risk & Concerns :

Changing government policies are the main area of concern i.e. Sales Tax subsidy available to the Company's Malanpur Unit was withdrawn and implementation of Value Added Tax.

Internal control systems and their adequacy:

Internal control measures and systems are established to ensure the correctness of the transactions and safeguarding of the assets. Internal Audit includes system audit, management audit and financial audit. The control systems set on place are checked & further supplemented by budgeting and MIS which provide for planned expenditure and information on disposal and acquisition of assets.

Development in HR:

During the year under review the industrial relation in the Company remained cordial. Various training programs & workshops are being implemented for employee training & education. The Company recognize that employee motivation & training are important tool in achieving the high standards of quality & productivity.

Disclaimer:

Statements in the Management Discussion and Analysis describing objectives projections, estimates and expectations may be forward looking statements within the applicable laws and regulations. Actual results may differ or vary from those expressed or implied depending upon prevailing economic conditions, government policies and other factors.

Directors' Report



TO THE MEMBERS OF JAMNA AUTO INDUSTRIES LIMITED

Your Directors present their 38th Report & Accounts for the financial year ended 31st March 2004.

FINANCIAL PERFORMANCE

(Rs.in lacs)

Particulars	Years Ended	
	March 31, 2004	March 31, 2003
Sales & Other Income	12287.64	6644.33
Gross Operating Profit/(loss)	1176.73	248.22
Financial Expenses	794.76	957.28
Cash Profit before tax	381.97	(709.06)
Depreciation & Write Offs	372.26	368.65
Profit/(Loss) before taxation	9.71	(1077.71)
Provision for taxation	0.60	0.77
Deferred tax credit	159.89	(326.33)
Profit/(Loss) after taxation	(150.78)	(752.15)
Add: Profit/(Loss) brought forward from previous year	(3635.82)	(2776.69)
	(3786.60)	(3528.84)
Less: Previous year Expenses	(123.43)	(106.98)
	(3910.53)	(3635.82)
Less: Taxation Adjustment for previous years	0.00	0.00
Available Surplus/(deficit)	(3910.53)	(3635.82)

The year under review witness the turnaround position of the Company. The net sales of the company crossed Rs. 100.00 crore and was all time high in Company's history. The Company came in black after four years and achieved net profits of Rs. 9.71 lacs. The total sales was Rs. 12287.64 lacs as against the net sales of Rs. 6644.33 lacs with the growth of more than 80%. Further, due to company's continued efforts in cost reduction and improved capacity utilization the Gross Profit margins increased from 3% to 9%. This is considerable improvement on the part of company, considering the continuous increase of steel prices in the country. Steel is major raw material for manufacturing of leaf springs and accounts for more than 60% cost of the sales. There has been more than 100% increase in steel prices in last one and half year.

The restructuring scheme formulated by Industrial Development Bank of India (IDBI) during 2001-2002 have already been implemented by IDBI, State Bank of India, ICICI Bank Limited and EXIM Bank. The same is pending before the Hon'ble High Court of Punjab & Haryana at Chandigarh for approval and implementation by other lenders. In the meantime State Bank of India has proposed a further settlement proposal under the Corporate Debt Restructuring (CDR) Cell set up by Reserve Bank of India. The proposed scheme has also been accepted by the majority of lenders and being under consideration for approval.

The automobile sector has recovered from its earlier recessionary trend and as per the market studies, is slated to grow in the medium term. Adding a fillip to the revival of the sector is the present emphasis on the infrastructure projects, particularly the road sector which will augment the commercial vehicle demand. The domestic market for commercial vehicle segment is expected to grow at around 8% over the next 5 years period. In the backdrop of the encouraging industry scenario and taking into account the cost competitiveness with international players, the management feels that Company should be able to attain higher growth in domestic and export sales.

Dividend:

In view of accumulated losses your directors do not recommend any dividend.

Quality Management :

During the year under review Malanpur unit of your Company continued to maintain QS -9000 certification for manufacturing of leaf springs for the Automotive Industry.

Directors:

In accordance with the applicable provisions, Mr. D. K. Sharma retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Directors' Report



Energy, Technology Absorption & Foreign Exchange :

The particulars as prescribed under section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosures of particulars in the Report of the Board of Directors) Rules, 1988 are set out in the Annexure 'A' and form an integral part of this report.

Fixed Deposits :

The Company has not accepted or renewed any Fixed Deposit during the year under review. However, there are unclaimed matured deposit of Rs.10.27 lacs as on 31st March 2004.

Personnel :

There is no employee drawing remuneration in excess of limits prescribed under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975.

Auditors:

M/s Goel Garg & Co., Chartered Accountants and M/s G. S. Johar & Co., Chartered Accountants retire at the conclusion of the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed. The report of the Auditors read with the notes on accounts being self explanatory needs no further clarification.

Report on Corporate Governance :

Pursuant to clause 49 of the Listing Agreement, a report on Corporate Governance is given in Annexure 'B' and forms integral part of this report.

Director's Responsibility Statement:

The Directors confirm that:

- (a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departure from the same have been made;
- (b) They have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (c) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) They have prepared the Accounts on a going concern basis.

Appreciation :

Your Directors wish to place on record their sincere gratitude for the confidence reposed and the continued support lent by the company's lenders and Bankers.

Your Directors place on record their appreciation for the efforts put in by the Company's employees across the organisation, who, through their competence, hard work, solidarity and cooperation have sincerely stood by the Company.

Your Directors thank the Central Government, State Government, customers, vendors and investors for their continued support. The Directors particularly acknowledge with thanks the guidance and support extended by M/s NHK Spring Co. Limited, Japan.

For and on behalf of the Board

Place : New Delhi
Date : 04.09.2004

(B.S.JAUHAR)
Chairman & Managing Director

Directors' Report



ANNEXURE 'A' TO THE DIRECTORS' REPORT

Disclosure of Particulars with respect to conservation of energy, technology absorption and foreign exchange earning & outgo as required under Companies {Disclosure of Particulars in the Report of Board of Director(s)} Rules, 1988.

CONSERVATION OF ENERGY

1. Measures taken for conservation of Energy

- 1.1 The Company has successfully switched over to alternative fuel in place of LDO.
- 1.2 Cost awareness and training on productivity concepts brought in immense enthusiasm at workers level to save energy and reduce variation in product quality.
- 1.3 Productivity and Efficiency concept introduced at all stages of shop floor for improving productivity and saving of power cost.
- 1.4 Company is working to reduce wastage and increase productivity

2. Additional Investments and proposal for energy conservation

- 2.1 Company's belief in saving energy on continued basis remains still on the agenda of the top management.
- 2.2 As a QS 9000 objective of wastage elimination, defect prevention and mistake proofing at process like riveting have helped in reducing waste & rework. Additional opportunities for remake mistake proofing are being identified.
- 2.3 Roles of cross functional teams on inventory optimisation and relay - outing to have straight material flow will further reduce the use of forklift in plant.

3. Impact of above measures at 1 above for reduction of energy conservation and consequent impact on the cost of goods

- 3.1 The company has been able to eliminate the defect of distortion on parts and improved process capability.
- 3.2 More & more parameters are being covered under SPC as a part of QS 9000 activity.

RESEARCH & DEVELOPMENT

1. Specific Areas in which R&D is carried out by the Company

- 1.1 Change over from Conventional springs to parabolic springs.
- 1.2 Redesign of VE Springs.

2. Benefits derived as a result of R&D

- 2.1 Parabolic Springs lead to weight/ fuel saving.
- 2.2 Increase in realization with implementation of parabolic & VE designs.
- 2.3 Stronger customer base as a result of introduction of parabolic /VE springs.

3. Future Plan of Action

- 3.1 Design of long parabolic springs for buses.

4. Expenditure on R&D

i) Capital/Deferred Revenue	Nil
ii) Recurring	Nil
iii) Total	Nil
iv) Total R&D expenditure as percentage of Total Turnover	Nil %

TECHNOLOGY ABSORPTION & CONTINUOUS IMPROVEMENT

1. Technology Absorption, adaptation and innovation

- 1.1 Technology imported from NHK for manufacture of springs has already been absorbed.

2. Benefits derived as a result of the above efforts

- 2.1 The company's Malanpur Unit enjoys the QS 9000 certification for the last three years and has been recommended for re-certification for next three years.

Directors' Report



2.2 Employee morale has increased, the energy level are high and their involvement in productivity improvement and cost savings is creditable.

2.3 Very little variation in major processes leading to high process capability indices.

3 Technology imported (For the manufacture of Leaf Springs)

i) Year of import (1985-90)

ii) Has technology been fully absorbed: As reported the technology has been fully absorbed.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of foreign exchange earning and outgo are as under :-

	(Rs. in lacs)
(i) Foreign earnings on FOB	124.55
(ii) Foreign exchange Outgo:	
Repairs to Plant and Machinery	-
Overseas Travelling	23.53
Value of Imports on CIF basis	-
Books and Periodicals	-

ANNEXURE 'B' TO THE DIRECTORS' REPORT CORPORATE GOVERNANCE AT JAMNA AUTO INDUSTRIES LIMITED

Given below is a report on Corporate Governance in the Company:

I. BOARD OF DIRECTORS

The composition of the Board of directors, their attendance at the Board meetings held during the year and at the last AGM and also the number of other Directorship held by them are given below :

Name	Designation	Status	No. of Meetings attended.	Other BoD's or Board Committees	Attendance at last AGM.
Mr. B S Jauhar	Chairman & Managing Director	Executive and Non Independent	6	No	Yes
Mr. R S Jauhar	Executive Director	Executive and Non Independent	5	No	No
Mr. H.S.Gujral	Director	Non executive and Independent	4	No	Yes
Mr. D.K.Sharma	Director	Non executive and Independent	9	No	Yes
Mr.Ashwani Sharma (appointed w.e.f. 31.10.2003)	Nominee Director, HSIDC	Non executive and Independent	4	Not Available	NA

There were total 9 Board Meetings held during the financial year 2003-2004 on 11.04.2003, 30.04.2003, 05.07.2003, 31.07.2003, 04.09.2003, 31.10.2003, 27.11.2003, 01.01.2004 and 30.01.2004.

II. AUDIT COMMITTEE

The present Audit committee of the Board of Directors comprises Mr. D. K. Sharma, Mr. H. S. Gujral and Mr. Ashwani Sharma. Mr. D. K. Sharma having a rich experience of more than 10 years in the field of finance and accounts is Chairman of the Committee.

The audit committee is responsible for the effective supervision of the financial & accounting controls and compliance with the financial policies of the Company. The committee interacts with the Auditors to ascertain the quality and veracity of the Company's transactions, to review the manner in which they are performing their responsibilities and to discuss the reports of the Auditors. The Committee has full access to the financial data and to the members of Company staff. The Committee also considered the appointment of the Auditors their terms of reference, scope of work and powers etc., and reviewed the actions taken on various items discussed in the previous Audit committee meeting. The report of Chairman as well as the minutes of the audit Committee are circulated to all the Board Members for their discussion and consideration.

During the financial year 2003-2004, 5 Audit Committee Meetings were held on 30.04.2003, 31.07.2003, 04.09.2003, 31.10.2003 and 30.01.2004. Attendance of the Members at the meetings were as follows :