

Sixteenth Annual Report 2001-2002



JASCH INDUSTRIES LIMITED

JASCH INDUSTRIES LTD.**Sixteenth Annual Report 2001-2002****BOARD OF DIRECTORS**

J. K. Garg	Chairman
S. C. Garg	Managing Director
S. K. Garg	Whole Time Director
Manish Garg	Whole Time Director
O. P. Garg	Executive Director
Rajesh Devlal	Director (HSIDC Nominee)
Gian Prakash	Director
M.R. Gupta	Director
S. K. Khandelwal	Director
G. K. Saxena	Director

COMPANY SECRETARY

S. K. Verma

AUDITORS

M/s Arora & Choudhary Associates
Chartered Accountant
8/28, W.E.A., Abdul Aziz Road
Karol Bagh, New Delhi-110 005

BANKERS

Bank of Baroda

REGISTERED OFFICE AND WORKS

43/5, Bahalgarh Road
P. O. Bahalgarh
Distt. Sonapat-131 021 (Haryana)

CORPORATE OFFICE

JASCH HOUSE (Behind Khalsa College)
5105/1, Dev Nagar
Karol Bagh, New Delhi-110 005

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NOTICE OF 16th ANNUAL GENERAL MEETING

To

The Members,

NOTICE is hereby given that the 16th Annual General Meeting of Members of JASCH INDUSTRIES LIMITED will be held on Monday, the 30th day of September, 2002 at 10.00 A.M. at Registered office of the Company at 43/5, Bahalgarh Road, P.O. Bahalgarh, Distt. Sonapat-131 021 (Haryana), to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet and Profit & Loss Accounts of the Company and the Report of Directors and Auditors thereon for the year ended 31st March, 2002.
2. To appoint a Director in place of Shri S.K. Khandelwal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Statutory Auditors for the Financial Year 2002-2003.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269. Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri Manish Garg, be and is hereby appointed as Whole Time Director for a period of five years with effect from 29th July 2002 on terms and conditions as set out in Explanatory Statement to the notice, or as may be varied in the Meeting."

5. To consider and, if thought fit, to pass with or without modifications, the following Resolution as **SPECIAL RESOLUTION** :

"RESOLVED that after existing Article 7 in the Articles of Association of the Company, the following be inserted as new Article 7A :

Subject to the provisions of Section 77A, 77AA and 77B of the Companies Act, 1956 and other provisions of law that may be in force from time to time, the Company may buy back its own shares."

6. To consider and, if thought fit, to pass with or without modifications, the following Resolution as **ORDINARY RESOLUTION** :
"RESOLVED THAT Shri M.R. Gupta, who was appointed as Additional Director by the Board in its meeting held on 31.01.2002 and who holds office upto the ensuing Annual General Meeting, be and is hereby appointed as Director, subject to his retirement by rotation."
7. To consider and, if thought fit, to pass with or without modifications, the following Resolution as **ORDINARY RESOLUTION** :
"RESOLVED THAT Shri G. K. Saxena, who was appointed as Additional Director by the Board in its meeting held on 29.07.2002 and who holds office upto the ensuing Annual General Meeting, be and is hereby appointed as Director, subject to his retirement by rotation."

By Order of the Board of Directors
for **JASCH INDUSTRIES LIMITED**

Place : Sonapat
Dated : 29th July, 2002

(S. K. Verma)
Company Secretary

NOTES

1. Explanatory Statement pursuant to Section 173(A) of the Companies Act, 1956 in respect of special business items No. 4, 5, 6 and 7 is annexed and forms part of this Notice.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy and vote in his stead. The proxy need not be a member of the Company. Proxy in the order to be valid, must be lodged at the Registered Office of the Company not less than 48 hours, before the commencement of Meeting.
3. A Member or his Proxy is requested to produce at the entrance of the Registered Office, Attendance Slip forwarded to them along with this Annual Report, to facilitate attendance at the AGM.
4. Members desirous of getting any information related to the accounts of the Company for the period under reference are requested to write to the Company at least ten days before the meeting, to enable it to make the requisite details available at the Meeting.
5. Members are requested to address all correspondence, including intimation of change in their addresses, if any, to the Registered Office of the Company at 43/5, Bahalgarh Road, P.O. Bahalgarh, Distt. Sonapat-131 021 (Haryana).
6. The Register of Members and share transfer book of the Company will remain closed from the 02nd September, 2002 to 30th September, 2002 (both days inclusive).
7. Members are requested to bring a copy of the Annual Report along with them to the Annual General Meeting since as a measure of economy extra copies will not be supplied at the meeting.
8. Members, who hold shares in dematerialised form are requested to bring their Client ID and DP ID Nos. for easier identification of attendance at the meeting.
9. **FOR SPECIAL ATTENTION OF MEMBERS : NO GIFTS/COUPONS OF ANY SORT WILL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(A) OF THE COMPANIES ACT, 1956**AGENDA ITEM NO. 4 : APPOINTMENT OF SHRI MANISH GARG AS WHOLE TIME DIRECTOR**

The Board of Directors of the Company was earlier constituted by eight Directors including one Director nominated by Haryana State Industrial Development Corporation. The Directors propose to broad base the Board.

Shri Manish Garg, aged about 29 years is a post-graduate in Engineering from Indian Institute of Technology, Mumbai. He was appointed as an Engineer to head the Electronic Division of the Company on 1st May, 1996. He has successfully set up this Division which has contributed Rs. 174.72 lakhs to the sales and Rs. 40.13 lakhs to the net profits of the Company during the financial year 2001-2002, which was the first full year of operation of this Division. This Division has an order book position of about Rs. 200 lakhs.

The Board in its meeting held on 29th July, 2002, had appointed Shri Manish Garg as whole time Director for a period of 5 years, subject to the approval of the ensuing Annual General Meeting.

The Remuneration Committee of the Company, set up in accordance with Schedule XIII of the Companies Act, 1956 has approved the following remuneration to Shri Manish Garg :

Salary : Rs. 15,000 per month initially, with suitable annual increments as may be decided by remuneration committee. Peak salary by the end of the term will however not exceed Rs. 25,000 per month.

Perquisites :

In addition to the above salary, Shri Manish Garg will also be entitled to the following perquisites :

- (1) Free furnished accommodation or house rent allowance including furnishings, gas, electricity and water, medical reimbursements, leave travel concession for self and family, club fees, medical insurance, etc. as per rules of the Company. The annual value of these perquisites shall be restricted to an amount equal to their respective annual salary.
- (2) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In absence of any such Rule perquisites shall be evaluated at actual cost. Provision for use of Company car for duties and telephone at residence (including payment of local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
- (3) Company's contribution to Provident Fund and Superannuation Fund not exceeding 27% of the remuneration as per rules of the Company. This shall, however, not be included in the computation of limits on perquisites as aforesaid.
- (4) Gratuity as per rules of the Company. However, this will also not be included in the computation of limits on perquisites as aforesaid.
- (5) The above remuneration shall be payable as minimum remuneration even in case of inadequacy of profits.

The Directors recommend the proposed Resolution to be passed as an Ordinary Resolution.

Besides Shri J.K. Garg who is a relative of Shri Manish Garg and the proposed appointee himself, no other Director is interested in the proposed Resolution.

ITEM NO. 5

At the time the Articles of Association of the Company were framed, companies were prohibited by virtue of Section 77 of the Companies Act, 1956 from buying back their own shares. However, three new Sections i.e. Sections 77A, 77AA and 77B have been inserted in the Companies Act, 1956 with effect from 31.10.1998, enabling the Companies to buy back their own shares, subject to certain conditions, one of which being an enabling provision in the Articles of Association of the Company.

It is therefore proposed to make this enabling provision in the Articles of Association of the Company, in tune with provisions of the above newly-inserted Sections. The Directors recommend passing of the proposed Resolution as Special Resolution.

None of the Directors is interested in the proposed Resolution.

ITEM NOS. 6 AND 7

In order to broad base the Board of Directors of the Company, the Board had inducted two more independent Additional Directors, who hold office upto the ensuing Annual General Meeting.

Shri M.R. Gupta was appointed Additional Director by the Board in its Meeting held on 31st January, 2002. Aged about 70 years, Shri Gupta has vast experience in over-all running and management of industrial enterprises. Besides being Chairman of Revex Industries Ltd., he is also President of Federation of Delhi Small Industries Association and member of a number of Boards/Councils/Committees Constituted by the Central/Delhi State Government. He is also associated with a number of social/religious and philanthropic organisations.

Shri G.K. Saxena was appointed Additional Director by the Board in its Meeting held on 29th July, 2002. He is about 60 years of age. He is a post-graduate in Commerce with about 36 years experience, during the course of which he has held senior executive positions in Industrial Development Bank of India and Small Industries Development Bank of India. The position last held by him was Deputy Managing Director in Small Industrial Development Bank of India at Lucknow. The fields of his expertise are management/administration/project financing/and development of industries.

The Board may kindly consider appointing Shri M.R. Gupta and Shri G. K. Saxena as Directors of the Company, subject to their retirement by rotation. The Directors recommend their appointment and for passing the proposed Resolution as Ordinary Resolution.

None of the Directors except the proposed appointees, is interested in the above Resolutions.



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 16th Annual Report and Audited Accounts of the Company for the year ended 31st March 2002.

FINANCIAL RESULTS

	Current Year	Previous Year
	(Rs. in Lakh)	
Gross Sales and other Income	2031.31	2132.07
Operating Profit before interest And depreciation	169.63	247.51
Interest and Finance Charges	125.77	143.96
Gross Profit before Depreciation	43.86	103.54
Depreciation	87.05	88.07
Provision for Income Tax	—	1.31
Net Profit/(loss)	(43.19)	14.16
Income Tax for earlier years	(0.97)	—
Surplus Brought forward from Previous Years	198.01	183.85
Available for Appropriations	—	14.16
Transfer to General Reserve	—	—
Surplus Carried forward	153.85	198.01

DIVIDEND

In view of incurring of losses, the Board has not recommended any dividend for the year ended on 31st March 2002.

OPERATIONS :

Your Company has achieved sales of Rs. 2031.31 lakhs during 2001-2002 which were 4.73% lower as compared with the sales of the previous year. The sales of the company were adversely affected due to destruction of PU foam and lamination plant in a fire in November, 2001. Consequently, there was no sales from this plant during the remaining part of the year. However, partly the loss in sales was compensated by improved performance of Electronic Division which accounted for sales of Rs. 174.72 lakhs during the year. Operating profit before interest, depreciation and Income Tax also correspondingly decreased to Rs. 169.63 lakhs showing a decrease of about 31.47% over previous year's profit of Rs. 247.51 lakh. The operating profit would have been higher but for the sharp increase in the prices of power and fuel during the year. The interest and finance charges have declined sharply by about 13% to Rs. 125.77 lakh during the year under review due to reduction in interest rate from 18.5% to 14.5% on term loan of the financial institutions, repayment of term loans and better inventory and working capital management. The Gross profit before depreciation declined by 57.64% to Rs. 43.86 lakh during the year. After providing for depreciation of Rs. 87.05 lakhs and Income Tax of Rs. 0.97 lakhs for previous years charged to Profit & Loss Account, the Company has suffered a loss of Rs. 44.16 lakhs during 2001-2002 as compared with profit of Rs. 14.16 lakhs in the previous year.

As reported last year, synthetic leather industry is facing tough competition from imports, particularly from China, Taiwan and Korea due to anomaly in customs tariff structure where custom duty on raw material is higher at 35% as compared with only 25% on synthetic leather, resulting in pressure on domestic prices. The problem has further been compounded due to fire accident in PU foam and lamination plant in November, 2001 which resulted in loss of fixed assets and raw material for which insurance claim of Rs. 2.65 crores has been lodged with the insurance company. The company's assets have adequate insurance cover.

FUTURE PROSPECTS :

The Company has achieved sales of Rs. 518 lakhs during the first quarter

of the current financial year ended on 30th June, 2002 and has incurred a loss of Rs. 10.18 lakh after providing for interest and depreciation. The Company's business is somewhat seasonal in nature and normally it achieves much higher production and sales during July-December due to festival season. In view of this and expected receipt of insurance claim coupled with large orders at hand for Electronic Gauging System, it is expected that the Company would be able to do better in the remaining part of the financial year 2002-2003.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Kindly refer to Annexure A.

CORPORATE GOVERNANCE

Corporate Governance Report is contained as a separate section in the Annual Report.

INFORMATION PURSUANT TO SECTION 217(1)(A) OF THE COMPANIES ACT 1956.

Information in Accordance with Section 217 (1) (a) of Companies Act, 1956 Read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and Particulars Relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo :

Kindly refer to Annexure B.

INFORMATION IN ACCORDANCE WITH SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975.

The Company had no employees drawing remuneration of Rs. 24 lakhs or more per annum or, if employed for a part of the year, Rs. two lakh or more per month during the year under report.

FIXED DEPOSITS

The Company did not accept/renew any fixed deposits during the year under report. The deposit outstanding as on 31st March 2002 was Nil.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri S.K. Khandelwal retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Shri M.R. Gupta, who was appointed Additional Director in the Board Meeting held on 31.01.2002 vacates office on the ensuing Annual General Meeting. Being eligible, he has offered himself for being appointed as Director. The Board recommends his appointment as Director.

In addition, Shri Manish Garg, who was appointed as Whole Time Director and Shri G.K. Saxena who was appointed as Additional Director in Board Meeting held on 29.07.02 also vacate office on the ensuing Annual General Meeting. Being eligible, they have offered themselves for being appointed as Director.

The Board recommends their appointment/reappointment as proposed in the Notice calling the Annual General Meeting.

DEPOSITORY SERVICES

Trading in Equity Shares of the Company has been made compulsory by the Securities & Exchange Board of India (SEBI) in dematerialised form with effect from March, 2001. The shares of the Company are

available for dematerialisation with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services India Ltd. (CDSL).

AUDITORS & THEIR REPORT

M/s Arora and Choudhary Associates, Chartered Accountant retire as Auditors of the Company at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Auditors' Report is self-explanatory and requires no comments by the Directors.

AUDIT COMMITTEE

In compliance with Section 292A the Company has already constituted Audit Committee of the Board of Directors comprising of Shri M.R. Gupta, Shri Gian Prakash and Shri S.K. Khandelwal all of whom are non-executive Directors. The finance executives and Statutory Auditors of the Company are permanent invitees to the Audit Committee Meetings. Shri S.K. Verma, Company Secretary is the Secretary of the Audit Committee.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, as introduced by Companies (Amendment) Act, 2000, the Directors confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) appropriate accounting policies have been selected and applied consistently, judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of

the Company as at 31st March, 2002 and of the losses of the Company for the year ended 31st March, 2002.

- (iii) proper and sufficient care has been taken 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.
- (iv) the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGMENTS

Your directors are pleased to place on record their sincere thanks to the Financial Institutions, Bankers and Business Associates for their continued and valuable co-operation and support to the Company.

Your Directors also express their appreciation for the hard work and sincere services rendered by workers, staff and executives of the Company during the year.

For & on behalf of the Board

Place : Sonapat
Dated : 29th July, 2002

(J. K. Garg)
Chairman





ANNEXURE A TO DIRECTORS' REPORT

MANAGEMENT'S DISCUSSION & ANALYSIS REPORT
(PURSUANT TO CLAUSE-49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGE)
BACKGROUND

Jasch Industries Ltd. manufactures PVC/PU Synthetic Leather & Allied Products and Nucleonic & X-Ray based Thickness Gauging System in Electronic Division. The major business segment and their product applications are as follows :-

Business Segment	Product Applications	
- PVC/PU Synthetic Leather & Allied Products (Non-Woven Films, Needle Punched, Felt Laminated Products etc.	Footwear Garment, Upholstery and Luggage & Sports Goods	
- Electronic Division	On line measurement of Thickness, Grammage, Moisture & Ash content in Paper Industry. On line measurement of Coating/Thickness in Plastic Steel Sheet Rolling Galvanised Sheet, Aluminium Foil Non Ferrous Sheet Rolling Industries.	
Business Distribution	2001- 2002	
	(Rs. in Lakh)	(%)
- PVC/PU Synthetic Leather	1856.59	91.40%
- Nucleonic & X-Ray Thickness Gauging System	174.72	08.60%
	2031.31	100.00%

INDUSTRY STRUCTURE AND DEVELOPMENT**A. PVC/PU SYNTHETIC LEATHER**

Jasch Industries Ltd. has set up an integrated complex for the manufacture of PVC/PU Synthetic Leather & Allied Products as per detail given hereunder :

PLANT	Products Manufactured
- Dry Process Line	PVC Synthetic Leather
- Wet Process Line with DMF Recovery Plant	PU Synthetic Leather
- Needle Punched Non-Woven fabric Plant	Needle Loom Felt & Non-Woven backing cloth for PU Synthetic Leather
- PU Resin	PU Resin & Adhesives for in house consumption in the manufacture of PU Synthetic Leather & Also for Out Side Sales.
-Thermal Bonding Press	Thermal Bonded Fabric of Nylon & Poly Propylene.

PVC & PU Synthetic Leather is mostly used in Footwear Industry as raw material for Shoe-Upper, Lining, Insole, Chappal & Sandal Straps etc. It is also used in Garment as Lining Material, as Automobile seat & Furniture upholstery material, in Ladies & Gents Purses and Bags and in the manufacture of sports goods.

Synthetic Leather Industry in India is badly fragmented & most of the players are in small scale and unorganised sector manufacturing cheap

quality products. The Industry is suffering due to inadequate Custom Tariff protection and tough competition from imported production from China, Taiwan, Hongkong & Korea. The basic Custom Duty on import of Synthetic Leather has declined to only 25% while the custom duty is higher at 30% on basic Raw Material imported for the manufacture of Synthetic Leather, indicating negative protection.

Performance of Jasch Industries Ltd. has also been worsening for the last 2-3 years due to aforesaid factors and the position has been compounded further due to destruction of PU Foam & Laminated products Plant in Fire on 23rd-24th November, 2001 resulting in lower production and sales.

Key performance parameters of Synthetic Leather Segment are as under :-

	2001-02	2000-01 (Rs. Lakhs)
Segment Revenue	1856.59	2118.39
Segment Profits before interest & other common unallocable expenditure	78.96	154.98
Capital Employed	1237.09	Total Capital

The performance of Synthetic Leather segment deteriorated during 2001-02 due to Fire in PU Foam & Lamination Plant and tough condition in domestic market due to general slow down in the economy and unabated imports at substantially reduced prices.

The cost of petro-based inputs has also increased during the year resulting in pressure on margins. Price realisation, particularly in lower end products was under severe pressure due to cheaper imports and competition from unorganised sector.

The company has taken several measures like developing products for niche markets and OEMs where competition from unorganised sector is less. Several new Products in premium segments have been developed and introduced in the market so as to enhance marketability and price realisation. It is hoped that performance of this segment will marginally improve in the current year, both in terms of sales and contribution to profit.

B. ELECTRONIC DIVISION

Jasch Industries Ltd. started developmental work on Thickness Gauging System in 1996-97. The Company avoided easy route of imports of technology and continued inhouse Research & Development work using Indian Technical Talent. Finally our results have borne fruit and the Electronic Division blossomed in to a major business segment during 2001-02 as may be evident from the following results :-

	2001-02	2000-01 (Rs. Lakhs)
Segment Revenue	174.72	13.67
Segment Profits before interest & other common unallocable expenditure	40.13	03.14
Capital Employed	44.08	—

The Company is manufacturing Gauging System for Paper Industry for on-line measurement of Thickness, Grammage, Moisture and Ash

content. These Gauges also find application in Plastic Coating, Cold Rolling of Steel, Galvanizing of Steel, Coils, Aluminum Foils & Non-Ferrous Industries. The Company has received orders from/supplied Gauges to most reputed companies like Ballarpur Industries Ltd., Century Paper Mills, Shreyans Paper, Amrit Paper, National Steel Industries, Ispat Industries, Hindalco Industries Ltd. etc.

There are very few companies in the world which are making these Thickness Gauging System as the technology is a very sophisticated one and closely guarded. The company has been successful in developing technology for both hardware and software and total integration of the system. A large number of orders for Gauges are on hand and this segment of business is expected to grow both in terms of volume and profitability in the current year as there is very little competition in the domestic market for this segment of business.

RISK MANAGEMENT

Risk is an integral part of any businessmen so in India. A brief evaluation of business risk of Jasch Industries Ltd. as perceived by the management is as under :-

1. Business Segment Risk

a. User Industry Concentration

PVC/PU Synthetic Leather is used across a wide spectrum of Industries. However Jasch Industries Ltd. products are mostly (upto 80% of total) used in Footwear Industry. Therefore, the fortunes of the company are invariably linked with that of Footwear Industry. Any downward trend in Footwear Industry will have significant impact on the company. The company is making efforts to increase usage of its products in other Industries such as Automobile & General purpose Up-holstery, Sports Goods and Garment Industries & it is hoped that over the next few years the share of Footwear Industry may come down to 60%.

b. Customer & Geographical Concentration

Excessive exposure to a few large clients has the potential to adversely affect the sales and profitability in view of failure/shift of clients to other manufacturers. Fortunately, the company's customers and dealers are fairly spread out across India. There are a few large dealers in some areas which is working to the advantage of the company as there is no unhealthy competition among fragmented dealers.

c. Technological Obsolescence

The Company initially received its technology inputs particularly for PU Synthetic Leather and PU Resin from its foreign collaborators - Ducksung Chemical Company Ltd. Seoul, South Korea. However, right from the beginning, the company carried out its own Research & Development with a view to improve upon/modify the processes and product to suit Indian tropical conditions and usage practices. Over the years, the company has been able to develop many new products/applications and

hence it is not dependent on any outside agency. Further, the manufacturing technology of PVC/PU Synthetic Leather is the same all over the world, except that degree of automation of the equipment which varies from country to country, depending upon socio-economic factors.

The Company has developed the technology in-house for the design and manufacture of Nucleonic and X-ray Thickness Gauging System which is being further upgraded continuously. Hence, there is no threat of obsolescence in near future.

FINANCIAL RISK

(a) Currency Risk

The currency risk emerges from the potential upward or downward fluctuations in foreign currency. The Company's foreign exchange spending by way of import of raw materials and consumables currently constitutes only 12.3% of total cost of raw material and consumables. Hence the risk is not significant. Further, the Thickness Gauging System has received export orders worth Rs. 50 lakhs during the year 2002-2003, which will provide cushion by way of natural hedge on foreign exchange transactions. The company's foreign currency transactions are on current account basis and there is no deferred liability in terms of foreign exchange.

(b) Interest and Leverage Risk

The interest rate on the company's debt is continuously declining with general decline in interest rate structure in the economy, which will have positive impact on the company's financials. The Company's debt has declined from 40% of total capital employed during 2000-2001 to 39.4% during 2001-2002 and therefore, the risk is within limit.

HUMAN RESOURCES

The Company has very harmonious relations between the management and employees, whose welfare is looked after well.

INTERNAL CONTROL

The management is having tight control on all the operations of the Company, particularly finance function and very little is delegated down the line. All expenses are scrutinized and approved by the top management. Besides, there is adequate control in every department and as such the risk of fraud etc. is minimum.

On behalf of the Board

Place : Sonapat
Dated : 29th July, 2002

(J. K. Garg)
Chairman