

*Seventeenth
Annual Report
2002-2003*

Report  Junction.com



JASCH INDUSTRIES LIMITED

JASCH INDUSTRIES LTD.**Seventeenth Annual Report 2002-2003****BOARD OF DIRECTORS**

J. K. Garg	Chairman
S. C. Garg	Managing Director
Manish Garg	Whole Time Director
Ramnik Garg	Whole Time Director
O. P. Garg	Executive Director
Rajesh Sharma	Director (HSIDC Nominee)
Gian Prakash (IAS Retd.)	Director
M. R. Gupta	Director
S. K. Khandelwal	Director
Justice A. S. Garg (Retd.)	Director
K. C. Varshney	Director

COMPANY SECRETARY

S. K. Verma

AUDITORS

M/s Arora & Choudhary Associates
Chartered Accountants

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

CONTENTS

1.	Notice of Meeting	...	...	1
2.	Directors' Report	...	...	3
3.	Corporate Governance Report	...	...	4
4.	Annexure's A to Directors' Report	...	...	5
5.	Annexure's B to Directors' Report	...	...	7
6.	Auditors' Report	...	...	9
7.	Balance Sheet	...	...	10
6.	Profit & Loss Account	...	...	11
7.	Schedules to Accounts	...	...	12
8.	Cash Flow & other Statements	...	...	21
9.	Attendance Slip & Proxy Form	...	...	25

NOTICE OF 17th ANNUAL GENERAL MEETING

To

The Members,

NOTICE is hereby given that the 17th Annual General Meeting of Members of JASCH INDUSTRIES LIMITED will be held on Tuesday, the 30th day of September, 2003 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 Account of the Company and the Report of Directors and Auditors thereon for the year ended 31st March, 2003.
2. To appoint a Director in place of Shri Gian Prakash, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Statutory Auditors for the Financial Year 2003-2004.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modifications, the following Resolution as **ORDINARY RESOLUTION** :
"RESOLVED THAT Dr. K. C. Varshney, who was appointed as Additional Director by the Board in its meeting held on 31st October, 2002 and who holds office upto the ensuing Annual General Meeting, be and is hereby appointed as Director, subject to his retirement by rotation."
5. To consider and, if thought fit, to pass with or without modifications, the following Resolution as **ORDINARY RESOLUTION** :
"RESOLVED THAT Justice A. S. Garg (Retd.), who was appointed as Additional Director by the Board in its meeting held on 30th April, 2003 and who holds office upto the ensuing Annual General Meeting, be and is hereby appointed as Director, subject to his retirement by rotation."
6. To consider and, if thought fit, to pass with or without modifications, the following Resolution as **SPECIAL RESOLUTION** :
"RESOLVED THAT the equity shares of the Company be delisted from Delhi, Calcutta, Hyderabad and Ahmedabad Stock exchanges and that the Board of Directors of the Company be and are hereby authorised to take all actions necessary and incidental to giving effect to this Resolution."
7. 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 S.C. Garg, be and is hereby appointed as Managing Director for a period of five years with effect from 1st July, 2003 on terms and conditions as set out in Explanatory Statement to the notice, or as may be varied in the meeting."
8. 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 O. P. Garg, be and is hereby appointed as Executive Director for a period of five years with effect from 1st July, 2003 on terms and conditions as set out in Explanatory Statement to the notice, or as may be varied in the meeting."
9. 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 Ramnik Garg, be and is hereby appointed as Whole Time Director for a period of five years with effect from 1st July, 2003 on terms and conditions as set out in Explanatory Statement to the notice, or as may be varied in the meeting."

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

Place : Sonapat
Dated : 30th July, 2003

(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 to 9 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 M/s. Alankit Assignments Ltd., who are Registrars, Share Transfer Agents of the Company and whose address is given in Item No. 9.13 of Corporate Governance Report.
6. The Register of Members and share transfer books of the Company will remain closed from the 01st September, 2003 to 30th September, 2003 (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 & 5: APPOINTMENT OF DR. K. C. VARSHNEY AND JUSTICE A. S. GARG (RETD.) AS DIRECTORS**

In order to broad base the Board of Directors of the Company, the Board had appointed Shri K.C. Varshney and Justice A.S. Garg (Retd.) as Additional Directors in its Meeting held on 31st October, 2002 and 30th April, 2003 respectively. They hold office upto the ensuing Annual General Meeting and being eligible, have offered themselves for being appointed as Directors of the Company.

Dr. K. C. Varshney, aged 62 years is a Ph.D. in Chemical Engineering with more than 35 years' experience in the field of corporate finance and development banking. He retired as Executive Director of Industrial Development Bank of India.

Justice Anand Sawrup Garg (Retd.), aged about 64 years, retired as a judge of Punjab & Haryana High Court. Prior to that, he has held various judicial assignments, including that of Sessions Judge. The Board is of the view that the Company will immensely benefit from their vast experience.

The Board therefore, recommends their appointments as Directors, both the appointments being subject to retirement by rotation of Directors. Besides the proposed appointees who are interested in their own appointments, none of the Directors is interested in the Resolution.

AGENDA ITEM NO. 6: DELISTING OF SHARES

At present, the equity shares of the Company are listed at Ahmedabad, Calcutta, Delhi, Hyderabad and Mumbai Stock Exchanges. However, the shares of the Company are not actively traded at any of the Stock Exchanges. In fact, there has been virtually no trading at Ahmedabad, Calcutta, Delhi and Hyderabad Stock Exchanges, although there has been an occasional trading at Mumbai Stock Exchange. A few years ago, the Company had written to Ahmedabad, Calcutta and Hyderabad Stock Exchanges for delisting its shares. However, these Stock Exchanges have not officially communicated delisting to the Company.

The Securities & Exchange Board of India (SEBI) has recently issued SEBI (Delisting of Securities) Guidelines, 2003 under the SEBI Act. Since the securities of the Company are listed at the Stock Exchange, Mumbai, which has nationwide trading terminals, it is proposed to delist the Company's shares from all other Stock Exchanges except that at Mumbai. The Directors recommend passing of the proposed Resolution as Special Resolution.

None of the Directors is interested in the proposed Resolution.

AGENDA ITEM NO. 7 & 8: APPOINTMENT OF SHRI S. C. GARG AS MANAGING DIRECTOR AND SHRI O.P. GARG AS EXECUTIVE DIRECTOR

These Directors were appointed in their respective capacities for a period of five years in the Board Meeting held on 1st July, 1998 and their appointment was approved by the Annual General Meeting held on 28th September, 1998. These appointments came to an end on 30th June, 2003.

The Board of Directors of the Company, in their meeting held on 30th July, 2003, appointed Shri S.C. Garg as Managing Director and Shri O.P. Garg as Executive Director for a period of five years with effect from 1st July, 2003 on the remuneration, terms and conditions as may be approved by the Remuneration Committee.

1. Shri S. C. Garg, Managing Director

Pay: Rs. 12,500 per month in the scale of 12,500 - 17,500 with suitable Annual increments as may be decided by this Committee from time to time.

Perquisites in addition to Pay :

- (1) Chauffeur driven car for use for official purposes only. Personal use of car will however be billed to the incumbent.
- (2) Gratuity as per rules of the Company.
- (3) Perquisites including house rent allowance, residential electricity, personal use of telephone, medical reimbursement, leave travel concession, club fees, provident fund and personal accident insurance. However, such perquisites shall be restricted to an amount equal to one year's salary during each year.

Minimum Remuneration : The above remuneration shall be payable as minimum remuneration even in case of inadequacy of profits, provided that the conditions contained in Schedule XIII to the Companies Act, 1956 are complied with.

2. Shri O. P. Garg, Executive Director

Pay: Rs. 13,000 per month in the scale of 13,000 - 18,000 with suitable Annual Increments as may be decided by this Committee from time to time.

Perquisites in addition to Pay :

- (1) Free unfurnished accommodation or house rent allowance in lieu thereof, the annual value of which shall not exceed 40% of pay.
- (2) Self-driven car for use for official purposes only. Personal use of car will however be billed to the incumbent.
- (3) Gratuity as per rules of the Company.
- (4) Perquisites including, personal use of telephone, medical reimbursement, leave travel concession, club fees, provident fund and personal accident insurance. However, such perquisites shall be restricted to an amount equal to one year's salary during each year.

Minimum Remuneration: The above remuneration shall be payable as minimum remuneration even in case of inadequacy of profits, provided that the conditions contained in Schedule XIII to the Companies Act, 1956 are complied with. The Board recommends passing of these Resolutions as Ordinary Resolutions. Besides the proposed appointees who are interested in their own appointment, none of the other Directors are interested in these appointments.

AGENDA ITEM NO. 9: APPOINTMENT OF SHRI RAMNIK GARG AS WHOLE TIME DIRECTOR

Shri Ramnik Garg, aged 32 years is a Graduate Polymer Engineer and has been the Production Manager and later, the Whole Time Director of Jasch Plastics India Ltd. for over ten years. The Board feels that his appointment as Whole Time Director will be of immense use to the Company.

The Board had appointed Shri Ramnik Garg as Additional Director (on whole time basis) for a period of five years with effect from 01st July, 2003, at a remuneration to be decided by the Remuneration Committee. The appointment and remuneration was, however, subject to approval of the ensuing Annual General Meeting.

The Remuneration Committee has sanctioned the following remuneration and perks in case of Shri Ramnik Garg:

Pay: Rs. 20,000 per month in the scale of 20,000 - 30,000 with suitable Annual increments as may be decided by this Committee from time to time.

Perquisites in addition to pay:

- (1) Chauffeur driven car for use for official purposes only. Personal use of car will however be billed to the incumbent.
- (2) Gratuity as per rules of the Company.
- (3) Perquisites including house rent allowance, residential electricity, personal use of telephone, medical reimbursement, leave travel concession, club fees, provident fund and personal accident insurance. However, such perquisites shall be restricted to an amount equal to one year's salary during each year.

Minimum Remuneration: The above remuneration shall be payable as minimum remuneration even in case of inadequacy of profits, provided that the conditions contained in Schedule XIII to the Companies Act, 1956 are complied with. The Board recommends passing of these Resolution as Ordinary Resolutions. Besides the proposed appointee himself, Shri J.K. Garg and Shri Manish Garg are interested in his appointment, being relatives.

DIRECTORS' REPORT

Dear Shareholders,
Your Directors have pleasure in presenting the 17th Annual Report and Audited Accounts of the Company for the year ended 31st March 2003.

FINANCIAL RESULTS

(Rs. in Lakh)

	Current Year	Previous Year
Gross Sales and other Income	2126.21	2031.31
Operating Profit before interest And depreciation	226.58	169.63
Interest and Finance Charges	114.86	125.77
Gross Profit before Depreciation	112.12	43.86
Depreciation	87.69	87.05
Provision for Income Tax	(1.89)	—
Net Profit/(loss)	(22.17)	(43.19)
Income Tax for earlier years	(0.37)	(0.97)
Surplus Brought forward from Previous Years	153.85	198.01
Available for Appropriations	—	—
Transfer to General Reserve	—	—
Surplus Carried forward	175.65	153.85

DIVIDEND

In view of inadequacy of profits, the Board has not recommended any dividend for the year ended on 31st March 2003.

OPERATIONS :

Your Company has achieved sales of Rs. 2126.21 lakhs during 2002-2003 which were 4.67% higher as compared with the sales of the previous year. The sales of the Synthetic Leather Division declined to Rs. 1642.81 lakhs during 2002-2003 as compared with Rs. 1856.59 lakhs in the previous year, while the sales of Electronic Gauging System increased sharply to Rs. 482.39 lakhs during 2002-2003, registering a jump of 277% over the previous year's sales of only Rs. 174.71 lakh. The Synthetic Leather Division continues to suffer from cheap imports from China, Taiwan and Korea. The Company has now developed full range of Electronic Gauges for Paper, Steel, Plastics and Aluminium Industries and executed several large orders besides exporting two gauges to Pakistan.

With the improved performance of the Electronics Division, operating profit before interest, depreciation and Income Tax has increased to Rs. 226.98 lakhs i.e. an increase of 33.81% over the previous year. The interest and finance charges have declined to Rs. 114.86 lakhs during the year under review mainly due to negotiation of lower rate of interest of 12.5% (earlier 14.5%) with the Financial Institutions and repayment of term loan. The Gross Profit before depreciation increased to Rs. 112.12 lakhs registering a growth of 157% over the previous year. After providing depreciation (Rs. 87.69 lakhs) and provision for Income Tax, the Company has earned net profit of Rs. 22.17 lakhs during the year under review, as compared with net loss of Rs. 43.19 lakhs during the previous year.

FUTURE PROSPECTS :

The Company has achieved sales of Rs. 463 lakhs during the first quarter of the current financial year ended on 30th June, 2003 and earned net profit of Rs. 7.5 lakhs. The Company now proposes to concentrate on PU Synthetic Leather and nonwovens, which have better sales realisation and value addition. The Company is seeking advice from experts in the field of PU Leather and Non-Woven Fabrics and both the Divisions will be suitably revamped for achieving higher productivity and enlargement of product range. Further, large number of orders for Electronic Gauges

are in hand. In view of this, the Management expects much improved performance in the current as well as next year.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Kindly refer to Annexure A.

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.

CORPORATE GOVERNANCE

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

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 2003 was Nil.

DIRECTORS

Shri S.C. Garg and Shri O.P. Garg were appointed as Managing Director and Executive Director respectively for a period of five years with effect from 01st July, 1998. They completed their term on 30th June, 2003. The Board appointed them in their respective capacities for a further period of five years each with effect from 1st July, 2003. These appointments and remuneration being subject to approval of Annual General Meeting, appropriate Resolutions have been proposed in the notice calling the Annual General Meeting.

Shri Ramnik Garg, was appointed by the Board as Additional Director (on whole time basis) in Board Meeting for a period of five years with effect from 01st July, 2003. His appointment and remuneration is, however, subject to approval of the ensuing Annual General Meeting, for which appropriate Resolution has been proposed in the notice calling the Annual General Meeting.

In accordance with the provisions of the Companies act 1956 and Articles of Association of the Company, Shri Gian Prakash retires by rotation at the ensuing annual general meeting and being eligible, he offers himself for reappointment.

Shri K.C. Varshney, who was appointed Additional Director in the Board Meeting held on 31.10.2002 vacates office on the ensuing Annual General Meeting. Being eligible, he has offered himself for being appointed as Director.

The Board recommends these appointments.

Besides the above appointments, Shri G.K. Saxena and Shri S.K. Garg have ceased to be Directors of the Company with effect from 30th September, 2002 and 30th July, 2003 respectively. Nomination of

Shri Rajesh Devial as Director of Haryana State Industrial Development Corporation has been withdrawn by the said Corporation and Shri Rajesh Sharma is its new nominee.

Justice A.S. Garg (Retd.), who was appointed Additional Director in the Board Meeting held on 30th April, 2003, vacates office on the ensuing Annual General Meeting. Being eligible, he has offered himself for being appointed as Director.

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). Pursuant to SEBI directions, the entire Share Transfer Registry and dematerialisation work is now being maintained at a single point (with M/s. Alankit Assignments Ltd.) with effect from 31st January, 2003.

AUDITORS & THEIR REPORT

M/s Arora and Choudhary Associates, Chartered Accountants 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

The Audit Committee constituted by the Board compliance with Section 292A of the Companies Act, 1956 and under the Listing Agreement, comprises of Shri M.R. Gupta, Shri K.C. Varshney 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, 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 31st March, 2003 and of the profits of the Company for the year ended 31st March, 2003.
- (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 : 30th July, 2003

(J. K. Garg)
Chairman

CORPORATE GOVERNANCE COMPLIANCE REPORT

To the members of Jasch Industries Limited

We have examined the compliance of conditions of Corporate Governance by Jasch Industries Limited, for the year ended on 31st March, 2003, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Investor's Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which management has conducted the affairs of the Company.

For Arora & Choudhary Associates
Chartered Accountants

Place : NEW DELHI
Dated : 30th July, 2003

VIJAY K. CHOUDHARY
Partner

ANNEXURE A TO DIRECTORS' REPORT

MANAGEMENT'S DISCUSSION & ANALYSIS REPORT
 (PURSUANT TO CLAUSE-49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGES)
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 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	2002- 2003	
	(Rs. in Lakh)	(%)
- PVC/PU Synthetic Leather	1642.82	77.27%
- Nucleonic & X-Ray Thickness Gauging System	483.39	22.73%
	2126.21	100.00%

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

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 25% which is the same as that for raw materials. Hence there is no protection for domestic industry. Performance of Jasch Industries Ltd. has not been satisfactory in the last 2-3 years due to aforesaid factors.

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

	2002-03	2001-02 (Rs. Lakhs)
Segment Revenue	1642.82	1856.59
Segment Profits before interest & other common unallocable expenditure	176.37	78.96
Capital Employed	1873.66	1237.09

The performance of Synthetic Leather segment has improved during 2002-03 due to better product mix and improved sales realisation.

The Company is taking 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 further 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 2002-03 as may be evident from the following results :-

	2002-03	2001-02 (Rs. Lakhs)
Segment Revenue	483.39	174.72
Segment Profits before interest & other common unallocable expenditure	143.38	40.13
Capital Employed	122.25	44.08

The Company has received orders from/supplied Gauges to most reputed companies like Ballarpur Industries Ltd., Ispat Industries, Hindalco Industries Ltd. etc. besides export orders from Pakistan, China and Bangladesh.

There are very few companies in the world which are making entire range of these Gauges 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**(i) Fixed Assets**

The gross fixed assets (including capital work in progress) as at 31st March, 2003 were Rs. 1749.85 lakhs as compared to Rs. 1667.83 lakhs in the previous year. The addition of fixed assets of Rs. 82.02 lakhs was mainly on construction of new office and factory building for Electronic Division and installation of balancing machinery for improving operational efficiency.

(ii) Current Assets

The net current assets as on 31st March, 2003 were Rs. 871.79 lakhs as compared with Rs. 971.44 lakhs in the previous year, resulting in decline of Rs. 99.65 lakhs mainly due to better inventory management and better recovery of sales, resulting in low sundry debtors. Debtors outstanding for more than six months also declined to Rs. 71.68 lakhs as on 31st March, 2003, as compared with Rs. 83.31 lakhs in the previous year.

RISK MANAGEMENT

Risk is an integral part of any business, more 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. The company is making efforts to increase usage of its products in other Industries such as Automobile & General purpose App-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.

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 the 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. Also the customers of Electronic Gauges are spread all over India and there is no Geographical or user

concentration.

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 17% of total cost of raw material and consumables. Hence the risk is not significant. Further, the Thickness Gauging System has export orders on hand, 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 partly with general decline in interest rate structure in the economy, and partly with repayments, which will have positive impact on the company's financials. The Company's debt is also declining continuously and average rate of interest on term loan has declined to 12.5% only.

HUMAN RESOURCES

The Company had a minor labour problem during March, 2003 which has been resolved satisfactorily.

INTERNAL CONTROL

The management is having tight control on all the operations of the Company, particularly finance expenses are scrutinized and approved by the top management. The Company has also introduced Internal Audit by an outside agency so as to have proper check and control on every department.

On behalf of the Board

Place : Sonapat
Dated : 30th July, 2003

(J. K. Garg)
Chairman