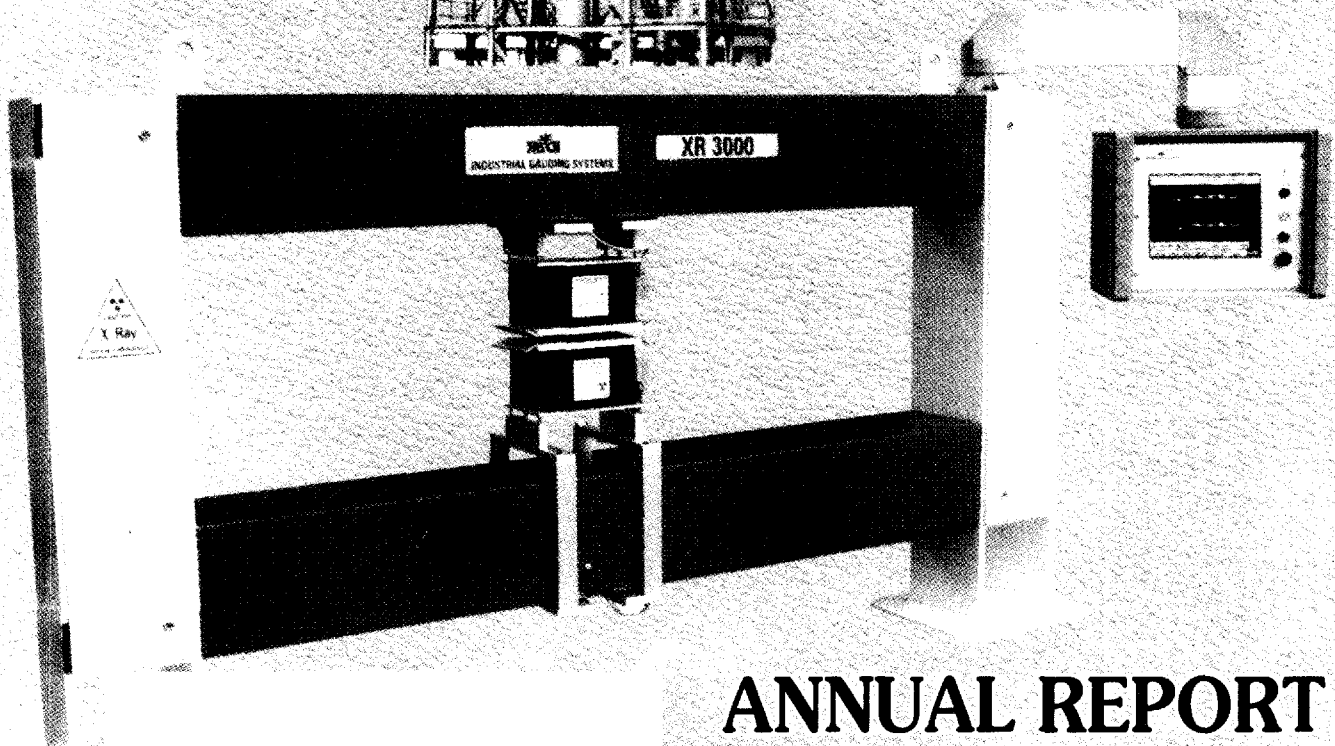




JASCH INDUSTRIES LIMITED

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**ANNUAL REPORT
2003-2004**

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JASCH INDUSTRIES LIMITED

Eighteenth Annual Report 2003-2004

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
S. K. Khandelwal	Director
Justice A. S. Garg (Retd.)	Director
K. C. Varshney	Director
Kuldeep Singal	Director (wef 30.07.2004)
Ashok Mittal	Director (wef 30.07.2004)

COMPANY SECRETARY

S. K. Verma

AUDITORS

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

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NOTICE OF 18th ANNUAL GENERAL MEETING

To

The Members;

NOTICE is hereby given that the 18th Annual General Meeting of Members of JASCH INDUSTRIES LIMITED will be held on Thursday, the 30th day of September, 2004 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, 2004.
2. To appoint a Director in place of Shri O.P. Garg, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri S.K. Khandelwal, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors for the Financial Year 2004-2005.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications, the following Resolution as **ORDINARY RESOLUTION** :
"RESOLVED THAT Dr. Ashok Mittal, who was appointed as Additional Director by the Board in its meeting held on 30th July, 2004 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 **ORDINARY RESOLUTION** :
"RESOLVED THAT Shri Kuldeep Singal, who was appointed as Additional Director by the Board in its meeting held on 30th July, 2004 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 in partial modification of Ordinary Resolution passed in the Annual General Meeting held on 27th September, 1999 pursuant to the provisions of Section 198, 269, Schedule XIII and other applicable provisions of the Companies Act, 1956, remuneration of Shri J.K. Garg, Chairman, be and is hereby increased from Rs. 25,500 per month to Rs. 50,000 per month with effect from 23rd January, 2004 till the expiry of his present term of appointment on terms and conditions as set out in Resolution dated 23rd January, 2004 passed by the Remuneration Committee of the Company, a gist of which is contained 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 in partial modification of Ordinary Resolution passed in the Annual General Meeting held on 30th September, 2002 pursuant to the provisions of Section 198, 269, Schedule XIII and other applicable provisions of the Companies Act, 1956 remuneration of Shri Manish Garg, Director, be and is hereby increased from Rs. 15,000 per month to Rs. 30,000 per month with effect from 23rd January, 2004 till the expiry of his present term of appointment on terms and conditions as set out in Resolution dated 23rd January, 2004 passed by the Remuneration Committee of the Company, a gist of which is contained 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 J.K. Garg, be and is hereby re-appointed as Executive Chairman for a period of five years with effect from 01st October, 2004 on terms and conditions as set out in Explanatory Statement to the notice, or as may be varied in the meeting."
10. 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 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 the consent of members be and is hereby given to the Board of Directors of the company to mortgage and/or charge the movable and immovable properties, both present and future, of the company wheresoever situated in favour of Bank of Baroda to secure:
 - (a) Term Loan of Rs. 299 Lakhs (Rupees Two Hundred Ninety Nine Lakhs)
 - (b) Fund-based and non-fund based working capital loan aggregating Rs. 750 lakhs (Rupees Seven Hundred and Fifty Lakhs only)
 - (c) Together with interest thereon at the respective rates, additional interest plus liquidated damages, compound interest, commitment charges and premium on pre-payment, if any under the respective loan agreements as amended from time to time."**"RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to finalise, settle and execute such documents, deeds/ agreements/paper as may be required for creating aforesaid charges and to do all such acts, deeds and things as deemed fit or considered necessary or incidental thereto in order to give effect to the said resolution."

"RESOLVED FURTHER THAT the mortgage/charge created and/or agreements/documents executed and all acts done in terms of the above Resolution by and under the authority of the Board of Directors be and are hereby confirmed and ratified."

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

(S. K. Verma)
Company Secretary

Sonepat, 27th August, 2004

NOTES

1. Explanatory Statement pursuant to Section 173(A) of the Companies Act, 1956 in respect of special business items No. 5 to 10 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 their 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 Corporate Governance Report.
6. The Register of Members and share transfer book of the Company will remain closed from the 16th September, 2004 to 25th September, 2004 (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. 5 & 6: APPOINTMENT OF DR. ASHOK MITTAL AND SHRI KULDEEP SINGAL AS DIRECTORS

After the demise of Shri M.R. Gupta and resignation of Shri Gian Prakash due to indifferent health, the number of Board Members was reduced to eight Directors, comprising of five executive directors and three non-executive directors.

In order to broad base the Board of Directors of the Company, the Board had appointed Dr. Ashok Mittal and Shri Kuldeep Singal as Additional Directors in its Meeting held on 30th July, 2004. They hold office upto the ensuing Annual General Meeting and being eligible, have offered themselves for being appointed as Directors of the Company.

Dr. Ashok Mittal, 62, is Ph.D. in International Trade and has more than 40 years teaching and professional experience. Shri Kuldeep Singal, 60, is an industrialist with about 43 years' industrial experience. The Board is of the view that their association with the Company will be quite useful to the Company. Both the appointments are 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 these Resolutions.

AGENDA ITEM NO. 7 & 8 : REMUNERATION OF DIRECTORS

As per Schedule XIII of the Companies Act, 1956, Shri J.K. Garg and Shri Manish Garg, Directors are entitled to a maximum remuneration of Rs. 1,25,000 per month each, based on its effective capital which is in the range of Rs. 5 to 25 crores. However, these Directors had volunteered to accept a lesser remuneration, keeping in view the financial position and profitability of the Company prevailing at the time of their respective appointments.

The Board of Directors of the Company, in their Meeting held on 23rd January, 2004, had considered the increased profits of the Company, progress of Electronic Gauges Division and extensive modernization & quality control efforts in coated fabrics Division. After due deliberations, the Board had decided to revise the remuneration of these Directors upwards for the unexpired term of their respective office and had authorised the Remuneration Committee to increase the monthly remuneration of these Directors, within a ceiling of Rs. 60,000 per month for each of these Directors with suitable perquisites.

The Remuneration Committee in their Meeting held on 23-01-2004 considered that Shri J.K. Garg, who was appointed Chairman for five years w.e.f. 01st October, 1999 was drawing remuneration of Rs. 25,500 per month in the grade of Rs. 25,000 - 35,000 and that Shri Manish Garg, who was appointed Whole Time Director for a period of five years w.e.f. 29th July, 2002 was drawing a remuneration of Rs. 15,000. After deliberations, the Committee had passed the following Resolutions:

"RESOLVED THAT monthly remuneration of Shri J.K. Garg, Chairman be and is hereby increased from Rs. 25,500 per month to Rs. 50,000 per month for the unexpired period of his present term i.e. from 23rd January, 2003 to 30th September, 2004."

"RESOLVED THAT the monthly remuneration of Shri Manish Garg, Whole Time Director be and is hereby increased from Rs. 15,000 per month to Rs. 30,000 per month for the unexpired period of his present term i.e. from 23rd January, 2004 to 28th July, 2007."

"RESOLVED FURTHER THAT the following terms & condition and perquisites will be applicable to all the above Directors":

1. Remuneration Committee may approve periodic increments to the above Directors provided that the annual value of increments does not exceed Rs. 2000.

2. The Directors shall be entitled to the above remuneration and perquisites even in case there are no profits or the profits are inadequate.
3. In addition to the remuneration, each of the above Directors shall be entitled to the following perquisites:
 - (a) Rent-free unfurnished accommodation or house rent allowance in lieu thereof not exceeding 40% of their remuneration.
 - (b) Chauffeur-driven car for official duties only. Personal use will be chargeable to the Director.
 - (c) Telephone at residence.
 - (d) Gratuity as per law.
 - (e) Medical reimbursement for indoor treatment for self & family on actual basis.
4. The above remuneration and perquisites shall be payable subject to the following terms and conditions:
 - (a) The concerned Director fulfills the eligibility conditions as laid down under Part I of Schedule XIII of the Companies Act, 1956.
 - (b) The Company fulfills conditions of payment of remuneration and its quantum, as laid down in Part II and also meets the provisions of Part III of the above Schedule".

The above increase in remuneration, which is subject to approval by the Annual General Meeting, is within the limits prescribed in Schedule XIII of the Companies Act, 1956. The Director recommend passing of the Resolutions mentioned at Agenda Items No. 7 and 8 as Ordinary Resolutions.

Besides Shri J.K. Garg and Shri Manish Garg i.e. the proposed appointees and Shri Ramnik Garg, their relative, none of the other Directors is interested in the proposed Resolution.

AGENDA ITEM NO. 9 : RE-APPOINTMENT OF SHRI J. K. GARG AS CHAIRMAN

Shri J.K. Garg was reappointed as Chairman of the Company for a period of five years with effect from 1 October, 1999. His appointment will come to an end on 30th September, 1999. The Board of Directors of the Company, in their Meeting held on 27th August, 2004 have passed a Resolution reappointing him Chairman for a further period of five years with effect from 1st October, 2004. The Remuneration Committee, in its Meeting held on 27th August, 2004 has approved the same remuneration, terms and conditions as it approved in its Meeting held on 23rd January, 2004 and which has been mentioned in Explanatory Statement relating to his remuneration above.

Since the reappointment and remuneration is subject to approval of General Meeting, the Directors recommend passing of the proposed Resolution as Ordinary Resolution.

Besides Shri J.K. Garg, Shri Manish Garg and Shri Ramnik Garg, none of the Directors is interested in the proposed Resolution.

AGENDA ITEM NO. 10 : MORTGAGING THE WHOLE OR SUBSTANTIALLY THE WHOLE OF UNDERTAKING OF THE COMPANY

Your company has been sanctioned a Term Loan of Rs. 299 lakhs and enhanced fund & nonfund based working capital facility of Rs. 750 lakhs by Bank of Baroda to part finance the cost of modernisation scheme of Non-Woven plant and enhanced working capital requirement.

Section 293(1)(a) of the Companies Act, 1956 provides that the Board of Directors of a Public Limited Company shall not, without the consent of the Company in General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking/division, of the whole or substantially the whole, or any such undertaking(s)/division.

Since the mortgage by the Company of its immovable properties, as aforesaid, in favour of Bank of Baroda may be regarded as disposal of the company's properties/undertakings, the approval of the members of the Company under Section 239(1) (a) of the Companies Act, 1956 is solicited, by way of abundant caution.

None of the Directors is interested in the proposed Resolution.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 18th Annual Report and Audited Accounts of the Company for the year ended 31st March 2004.

FINANCIAL RESULTS

(Rs. in Lakh)

Particulars	Current Year	Previous Year
Gross Sales and other Income	2312.47	2126.21
Operating Profit before interest, depreciation exceptional items and prior period adjustments	262.44	230.75
Interest & Financial Charges	104.21	114.87
Gross Profit before Depreciation	158.23	115.89
Depreciation	90.32	87.70
Exceptional items and prior period adjustments	27.75	4.13
Provision for Income Tax	(3.31)	(1.89)
Provision for Income Tax of earlier years	(0.09)	(0.37)
Net profit	36.76	21.79
Surplus brought forward from Previous Year	175.65	153.85
Available for Appropriation	36.76	21.79
Transfer to General Reserve	—	—
Surplus Carried forward	212.41	175.65

DIVIDEND

In view of inadequacy of profits, the Board has not recommended any dividend for the year ended on 31st March 2004.

OPERATIONS :

Your Company has achieved sales of Rs. 2312.47 lakh during 2003-2004 which were 8.76% higher as compared with the sales of the previous year. The sales of the Synthetic Leather Division were marginally higher at Rs. 1690.61 lakh during 2003-2004 as compared with Rs. 1642.81 lakh in the previous year. The Electronic Gauge Division performed much better with 28.90% jump in sale at Rs. 621.86 lakh as compared with sales of Rs. 483.39 lakh in the previous year. The company has also exported Electronic Gauge and its parts worth Rs. 122.26 lakhs (CIF) to China, Bangladesh, Egypt, Turkey etc. The Synthetic Leather Division continues to suffer from cheap imports from South East Asian Countries besides escalation in prices of petroleum based raw materials.

Operating profit before interest, depreciation, Income Tax, exceptional items and prior period adjustments has increased to Rs. 262.44 lakh i.e. an increase of 15.83% over the previous year due to improved performance of Electronic Division. The Interest & Finance charges have declined to Rs. 104.21 lakh during the year under review partly due to repayment of term loan. The gross profit before depreciation has increased to Rs. 158.23 lakh registering a growth of 41.1% over the previous year. After providing depreciation Rs. 90.33 lakh & provision for Income Tax, the company has earned net profit of Rs. 36.76 lakh during the year under review as compared with net profit of Rs. 21.79 lakh in the previous year.

INSURANCE CLAIM :

After much efforts, the company has received insurance claim of Rs. 86.00 lakh from the insurance company against book value of Rs. 135.00 lakhs. In respect of one of the Plants manufacturing PU Foam Laminated products alongwith inventory which was completely

destroyed in a fire accident in November, 2001. The company is planning to take legal action for recovery of balance amount of insurance claim.

Comprehensive insurance cover of adequate amount has been taken for the company's building, plant & machinery and inventory.

FUTURE PROSPECTS :

The Company has achieved sales of Rs. 566.00 lakh during the first quarter of the current financial year ended on 30th June, 2004 & earned net profit of Rs. 13.55 lakh. The company has started implementation of a modernisation scheme in its Non-Woven plant so as to achieve higher value addition & better sales realisation at a capital cost of Rs. 267.00 lakh. The scheme is expected to be substantially completed during the current financial year and benefit will start accruing in second half of current financial year. Electronic Gauge Division is performing very well in the current year also with large domestic & Export orders on hand. Therefore the management expects improved performance in the current year and the year ahead.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Please refer to Annexure A to this 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 is at Annexure B to this Report :

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 2004 was Nil.

DIRECTORS

The Board is pained to report the sad and sudden demise of Shri M.R. Gupta. He was a source of inspiration to the Company.

During the year under report, Shri S.K. Garg, Director, resigned w.e.f. 30th July, 2003 due to some personal reasons. Shri Gian Prakash, IAS (Retd.) tendered his resignation as Director with effect from 30 July, 2004 on account of old age and continued ill health. The Board places on record its appreciation for the zeal, dedication and devotion with which they have guided the Company in the past.

Shri O.P. Garg and Shri S.K. Khandelwal, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Directors recommend their re-appointment.

The Board, in its Meeting held on 23rd January, 2004 has approved change in remuneration of Shri J.K. Garg, Shri Manish Garg and

Shri Ramnik Garg. Details of these are given in Notice constituting the Annual General Meeting.

Shri J.K. Garg was appointed Chairman by the Annual General Meeting held on 30th September, 1999 for a period of five years w.e.f. 01-10-1999 and his tenure comes to an end on 30th September, 2004. The Directors in their meeting held on 27.08.04 have reappointed him as Executive Chairman for a further period of five years for terms and remuneration as set out in the Notice convening the Annual General Meeting.

Dr. Ashok Mittal and Shri Kuldeep Singal have been appointed by the Board as Additional Directors w.e.f. 30-07-2004 and they hold their office only upto the ensuing Annual General Meeting. It is proposed to appoint them as Directors at the Annual General Meeting. The Directors recommend their appointment.

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

The Audit Committee constituted by the Board in compliance with Section 292A of the Companies Act, 1956 and under the Listing Agreement, comprised of Shri M.R. Gupta, Shri K.C. Varshney and Shri S.K. Khandelwal all of whom are non-executive Directors. After the demise of Shri M.R. Gupta, Shri Kuldeep Singal has been appointed a member of the committee w.e.f. 27.08.04. 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, 2004 and of the profits of the Company for the year ended 31st March, 2004.
- (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

(J. K. Garg)
Chairman

Sonepat, 27th August, 2004

ANNEXURE A TO DIRECTORS' REPORT

MANAGEMENT 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 Fabrics, Needle Punched Felt, Laminated Products etc.	Footwear, Garment, Upholstery Luggage & Sports Goods
- Electronic Automation 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	2003-2004	
	(Rs. in Lakh)	(%)
- PVC/PU Synthetic Leather	1690.61	73.10%
- Nucleonic & X-Ray Thickness Gauging System	621.86	26.90%
	2312.47	100.00%

The performance of Synthetic Leather segment has improved marginally, during 2003-2004 although it still continues to suffer losses.

The Company is now implementing a modernisation scheme in its Non-Woven plant at a capital cost of Rs. 267.00 lakh for which term loan of Rs. 200 lakh has been tied-up with Bank of Baroda & balance amount of Rs. 67 lakh is being financed from internal resource. The scheme envisages, production of value added Non-Woven fabric for footwear industry besides reduction in cost of production so as to improve competitive position of the company. In view of this it is hoped that performance of this segment will improve in current & next year both in terms of sales and contribution to profits.

B. ELECTRONIC GAUGE AUTOMATION DIVISION

The company has developed Electronic Gauging Systems by in house research & development. This division has blossomed into a major business segment during 2003-04 as may be evident from the following results :-

	2003-04	2002-03 (Rs. Lakhs)
Segment Revenue	621.86	483.39
Segment Profits before interest & other common unallocable expenditure	198.04	176.37
Working Capital Employed	165.52	142.54

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 Cover & 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 material from China, Taiwan, Hongkong & Korea. The basic Custom Duty on import of Synthetic Leather has declined to 20% which is the same as that for raw materials but the countervailing duty on import of Synthetic Leather is only 8% while for raw materials it is 16%. Hence there is negative protection from imports 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 :-

	2003-04	2002-03 (Rs. Lakhs)
Segment Revenue	1690.61	1642.82
Segment Profits/(Loss) before interest & other common unallocable expenditure	(25.93)	(33.01)
Working Capital Employed	486.19	495.47

The Company has many orders on hand for supply of Gauges to Paper, Steel, Aluminium Foil & Plastic Industry besides export orders from China & South Africa. Therefore this segment of business is expected to further grow both in terms of volume & profitability in the current year as there is very little competition in the domestic market for this segment of business.

(i) Fixed Assets

The gross fixed assets (including capital work in progress) as at 31st March, 2004 were Rs. 1860.05 lakhs as compared to Rs. 1749.85 lakhs in the previous year. The addition of fixed assets of Rs. 110.20 lakhs was mainly on construction of additional factory building, installation of balancing machinery & utility equipments under modernisation scheme of Non-Woven Plants.

(ii) Current Assets

The net current assets as on 31st March, 2004 were Rs. 830.76 lakhs as compared with Rs. 871.79 lakhs in the previous year resulting in decline of Rs. 41.03 lakh partly due to receipt of insurance claim of Rs. 86.00 lakh during the year, which was treated as part of current assets under insurance claim receivable in the previous year. There is also an increase in current liability for sundry creditors for raw materials in the year under review.

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.'s products are mostly (upto 75% 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 the country.

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 is taking help from an Italian consultant for modernisation of its plant particularly of Non-Woven Fabric so as to keep abreast with latest technology & improve quality of production.

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 19.5% of total cost of raw material and consumables. Hence the risk is not significant. Further, the Thickness Gauging Division 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 during 2003-2004.

HUMAN RESOURCES

The Company did not have any labour problem during 2003-2004. Relations with Worker & Staff were cordial.

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. Further the report of Internal Auditors is placed before Audit Committee of the Board for review and corrective action to be taken, if any.

On behalf of the Board

(J. K. Garg)
Chairman

Sonepat, 27th August, 2004

ANNEXURE B TO DIRECTORS' REPORT

INFORMATION PURSUANT TO SECTION 217(1) (A) OF THE COMPANIES ACT 1956 READ WITH COMPANIES (DISCLOSURES OF PARTICULAR IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.
I. CONSERVATION OF ENERGY :

- i) The company is studying feasibility of switching over from furnace Oil/L.D.O. to Coal to reduce cost of fuel.
- ii) The company has installed capacitors to improve power-factor resulting in lower power cost/consumption.
- iii) Wind operated fans have been installed in ceiling of factory building for proper ventilation. Since fans are run by wind power, there is no need of electricity.
- iv) An old 1100 KVA DG Set scrapped during the year & a new fuel efficient DG Set installed resulting in saving of fuel cost.

FORM 'A' (SEE RULE - 2)**A) Power and Fuel Consumption****Year Ended
31.03.2004**

1) ELECTRICITY			
PURCHASE	KWH UNITS IN LAKH		07.01
TOTAL AMOUNT	RS. IN LAKH		29.88
RATE	RS. PER UNIT		04.26
2) FUEL FOR DG SET			
QUANTITY (LTRS)	LAKH		02.71
TOTAL COST	RS. IN LAKH		47.65
RATE	RS. PER LTR.		17.58
3) FUEL FOR THERMIC FLUID HEATING SYSTEM			
QUANTITY (LTRS)	LAKH		03.12
TOTAL COST	RS. IN LAKH		53.21
RATE	RS. PER LTR.		17.05
4) OWN GENERATION			
THROUGH DIESEL GENERATORS	UNITS IN LAKH		08.13
UNIT PER LTR. OF DIESEL			03.00
COST	RS. PER UNIT		05.86

B) Consumption per unit of Production :

Since the company is producing a number of products with common utility facilities, it is not feasible to estimate energy consumption separately for each of the product manufactured by the company.

II. TECHNOLOGY ABSORPTION**FORM 'B'****A. RESEARCH AND DEVELOPMENT (R & D)****1. Specific areas in which R & D carried out by the company**

The company is continuously making efforts to improve upon/optimize raw material mix so as to reduce cost of inputs. The Electronic Division is developing new design of Gauge for new application & also working upon substitution of imported components by local procurement to reduce cost.

2. Benefits derived as a result of the R&D

The company has been continuously improving the quality of its products and has been able to reduce the cost of production.

3. Future plan of action

Management is committed to strengthen R&D efforts to improve competitiveness in times to come.

4. R & D Expenditure

R & D Expenditure is not accounted for separately and the expenses are included in respective heads of accounts.

B. TECHNOLOGY ABSORPTION, ADOPTATION AND INNOVATION :**1) Efforts made towards absorption, adoption and innovation :**

Efforts are continuously made for further developing, improving and upgrading of processes and products to suit Indian tropical environmental conditions after receiving feed back from the customers.

2) Information regarding technology imported during the last 5 years.

The Company has not imported any technology during the last five years.

3. Foreign Exchange earnings and outgo

i) Activities relating to exports	Sale of Beta Gauges
ii) Earnings by way of Exports (f.o.b.)	US\$ 2,47,264.00
(Equivalent to Rs. 122.26 lakhs)	Euro 6,540.00
iii) Outgo by way of foreign exchange (CIF)	

(Rs. in Lakh)

Raw material & Consumables	318.61
Capital Goods	01.36
Foreign Travels	10.43
Technical Know-how	05.54
	335.94

For and on behalf of the Board of Directors

(J. K. Garg)
Chairman

Sonepat, 27th August, 2004