

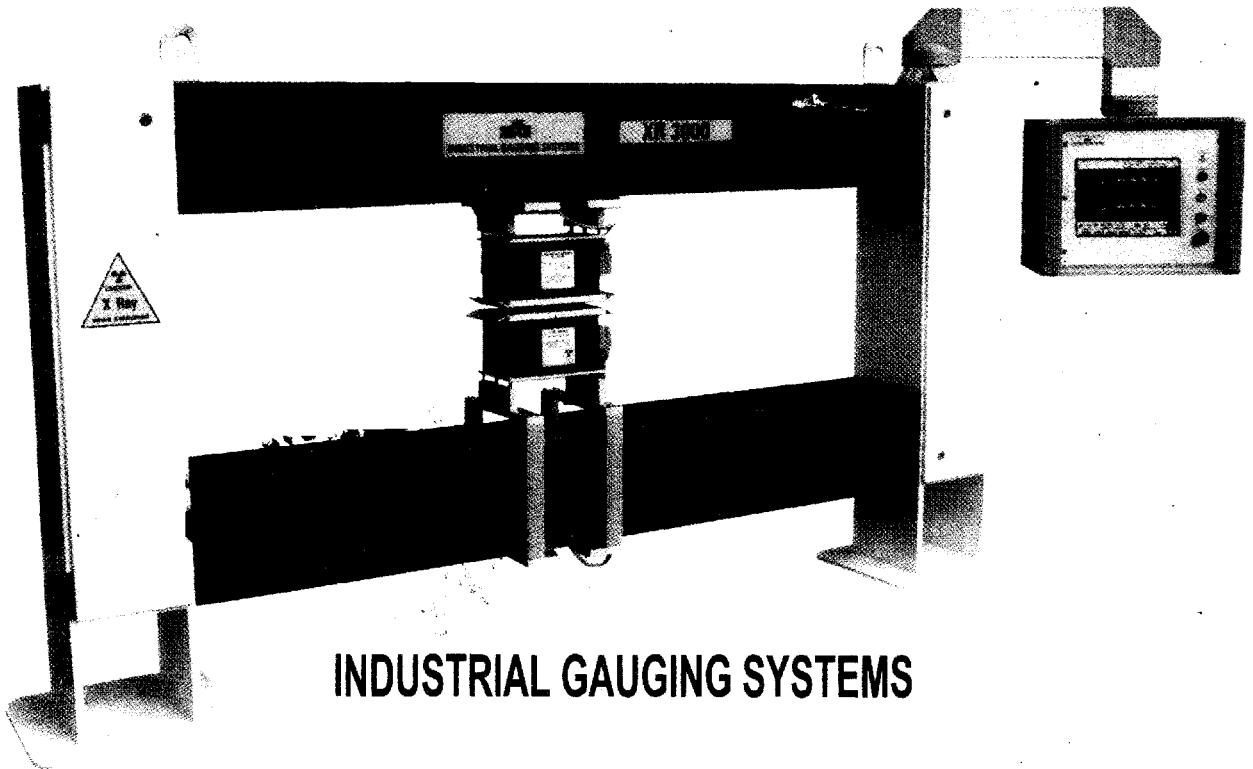


JASCH INDUSTRIES LIMITED

19th

ANNUAL REPORT
2004-2005

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INDUSTRIAL GAUGING SYSTEMS

JASCH INDUSTRIES LIMITED

Nineteenth Annual Report 2004-2005

BOARD OF DIRECTORS

J. K. Garg	Chairman
S. C. Garg	Managing Director
Manish Garg	Director
Ramnik Garg	Director
O. P. Garg	Executive Director
S. K. Khandelwal (Dr.)	Director
A. S. Garg (Justice) (Retd.)	Director
K. C. Varshney (Dr.)	Director
Ashok Mittal (Dr.)	Director
Kuldeep Singal	Director

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 19th ANNUAL GENERAL MEETING

To

The Members,

NOTICE is hereby given that the 19th Annual General Meeting of Members of JASCH INDUSTRIES LIMITED will be held on Monday, the 27th day of June, 2005 at 10.00 A.M. at Registered office of the Company at 43/5, Bahalgarh Road, P.O. Bahalgarh, Dist 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, 2005.
2. To appoint a Director in place of Dr. K.C. Varshney, who retires by rotation, and being eligible, offers himself for re appointment.
3. To appoint a Director in place of Justice A.S. Garg (Retd), who retires by rotation, and being eligible, offers himself for re appointment.
4. To appoint Statutory Auditors for the Financial Year 2005-2006.

SPECIAL BUSINESS

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

"RESOLVED THAT Shri Navneet Garg be and is hereby appointed as Production Manager on remuneration, terms and conditions as set out in the Explanatory Statement."

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

PLACE: SONEPAT
DATED: 27th April, 2005

(S. K. Verma)
Company Secretary

NOTES

1. Explanatory Statement relating to Agenda Item No. 5 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 him along with this Annual Report, to facilitate his 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 1st June, 2005 to 17 June, 2005 (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 WILL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(A) OF THE COMPANIES ACT, 1956**AGENDA ITEM NO. 5 : APPOINTMENT OF SHRI NAVNEET GARG AS PRODUCTION MANAGER**

In the Board Meeting of the Company held on 27th April, 2005 in which disinterested quorum was present, it was resolved to appoint Shri Navneet Garg as Production Manager on a gross monthly remuneration of Rs. 19,500. The appointment is contractual and terminable by giving three months written notice on either side.

Shri Navneet Garg is a qualified Mechanical Engineer with more than 10 years experience in production of synthetic leather. He being relative of undermentioned Directors of the Company, his appointment is subject to approval by Special Resolution in this Annual General Meeting in terms of Section 314 of the Companies Act, 1956.

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

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 19th Annual Report and Audited Accounts of the Company for the year ended 31st March 2005.

FINANCIAL RESULTS*(Rs. in Lakh)*

Particulars	Current Year	Previous Year
Gross Sales & Other Income	2650.12	2312.4
Operating Profit before interest, depreciation exceptional items and prior period adjustments	327.83	262.44
Interest & Financial Charges	103.63	104.21
Gross Profit before Depreciation	224.20	158.23
Depreciation	97.29	90.32
Exceptional items and prior period adjustments	3.92	27.84
Provision for Income Tax	9.64	3.31
Provision for Income Tax		
Net Profit	113.35	36.76
Surplus brought forward from Previous Year	212.41	175.65
Less : Deferred Tax Liability	60.66	—
	151.75	—
Available for appropriation	113.35	36.76
Transfer to General Reserve	—	—
Surplus carried forward	265.10	212.41

DIVIDEND

In view of Company's need to conserve cash for phased modernisation of the plant, the Board has not recommended any dividend for the year ended on 31st March, 2005.

PERFORMANCE

Your company has achieved sale of Rs. 2650.12 lakh during 2004-2005 which were 14.60 % higher as compared with the sales of previous year. The sales of Synthetic Leather Division were marginally higher at Rs. 1727.47 lakh during 2004-2005 as compared with Rs. 1690.61 lakh in the previous year. The Electronic Gauge Division recorded a 48.37 % jump in sale at Rs. 922.65 lakh as

compared with sales of Rs. 621.86 lakh in the previous year. The company has also exported Electronic Gauges and its parts worth Rs. 302.49 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. 327.83 lakh i.e. an increase of 24.92% over the previous year due to improved performance of Electronic Division. The interest & Finance charges have remained almost constant at Rs. 103.63 lakh during the year under review. The Company has repaid existing term loan to the financial Institutions and Bank and has availed fresh term loan for modernisation of Synthetic Leather Plant. The gross profit before depreciation has increased to Rs. 224.20 lakh from Rs. 158.23 lakhs during previous year, registering a growth of 41.7%. After providing depreciation Rs. 97.29 lakh & provision for Income Tax, the company has earned net profit of Rs. 113.35 lakh during the year under review, which indicates more than three-fold increase as compared with the profit of the previous year.

INSURANCE CLAIM

As reported in the previous years, one of the Plants manufacturing PU Foam Laminated products alongwith inventory was completely destroyed in a fire accident in November, 2001. Although the company had received the insurance claim from the insurance company, the same was highly inadequate (claim of only Rs. 86 lakhs was received against the book value of Rs. 135 lakhs destroyed in fire) and was received after inordinate delay. As such, the Company has initiated legal proceedings against the insurance company for recovery of balance amount of insurance claim and currently the matter is pending in Delhi High Court.

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

FUTURE PROSPECTS

The Company is facing stiff competition in Synthetic Leather and non-woven fabric division from cheaper imported goods from China, Taiwan and Korea. In view of this, the Company has undertaken implementation of a modernisation scheme in its Synthetic Leather and Non-woven Division. The Scheme has been substantially completed during the year 2004-2005 and the benefits of modernisation have started accruing to the Company. Full benefits of the modernisation by way of reduction in the cost of raw materials, fuels and power and higher sales realisation, consequent to better product mix would be available in the current year.



The Electronic Gauges being produced by the Company have been exported to many countries such as China, Pakistan, Bangla Desh, Egypt, South Africa, etc during the year and further orders of almost Rs. 500 lakhs, both from the country and abroad, are in hand. In view of this, the management visualises a bright future for both Electronic Division and the Company as a whole, with higher sales and profit.

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 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 2005 was Nil.

DIRECTORS

Dr. K.C. Varshney and Justice A.S. Garg(Retd) Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. The Directors recommend their re-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. The Directors

and the Audit Committee recommends their 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 Dr. K.C. Varshney, Shri Kuldeep Singal and Shri S.K. Khandelwal all of whom are non-executive Directors. Dr. Varshney, who is the Chairman of the Audit Committee, is a retired executive director of Industrial Development Bank of India with more than 35 years' experience in the field of corporate finance, and as such as sound knowledge of financial matters. 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 have been made 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, 2005 and of the profits of the Company for the year ended 31st March, 2005.
- (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

Sonepat
27th April, 2005

(J. K. GARG)
Chairman

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 & Nucleonic & X-Ray based Thickness Gauging System in Electronic Division. The major business segment & 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

2004-2005

	(Rs. in Lakh)	(%)
- PVC/PU Synthetic Leather	1727.47	65.18%
- Nucleonic & X-Ray Thickness Gauging System	922.65	34.82%
	2650.12	100.00%

The performance of Synthetic Leather segment has marginally improved during 2004-2005 although it still continues to suffer losses,

The company has substantially implemented modernisation scheme in Synthetic Leather and 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 & contribution to profits.

B. ELECTRONIC GAUGE AUTOMATION DIVISION

The company has developed Electronic Gauging Systems by inhouse research & development. This division has further improved its performance during 2004-05 as may be evident from the following results.

	2004-05	2003-04 (Rs. Lakhs)
Segment Revenue	922.65	621.86
Segment Profits before interest & other common unallocable expenditure	217.61	198.04
Working Capital Employed	246.52	165.527

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 performance of Synthetic Leather Division of the Company has not been satisfactory in the last 2-3 years due to aforesaid factors.

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

	2004-05	2003-04 (Rs. Lakhs)
Segment Revenue	1727.47	1690.61
Segment Profits/(Loss) before interest & other common unallocable expenditure	12.93	(25.93)
Working Capital Employed	702.01	486.19

The company has orders in hand worth Rs. 500 lakhs for supply of Gauges to Paper, Steel, Aluminum Foil & Plastic Industry including export orders. 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.

RESOURCE UTILISATION

(i) Fixed Assets

The gross fixed assets (including capital work in progress) as at 31st March, 2005 were Rs. 2066.75 lakhs as compared to Rs. 1860.05 lakhs in the previous year. The addition of fixed assets of Rs. 206.7 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, 2005 were Rs. 979.22 lakhs as compared with Rs. 830.76 lakhs in the previous year resulting in increase of Rs. 148.46 lakhs. There is also a decrease in current liability including 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 22% 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 11.75% only.

HUMAN RESOURCES

The Company did not have any labour problem during 2004-2005. Relations with worker & Staff were cordial.

INTERNAL CONTROL

The management is having tight control on all the operations of the Company, particularly finance expenses which are scrutinized and approved by the top management. The Company has also introduced Internal Audit System so as to have proper check and control on every department. Further the report of Internal Auditor is placed before Audit Committee of the Board for review and corrective to be taken, if any.

On behalf of the Board

Sonepat
27th April, 2005

(J. K. GARG)
Chairman

ANNEXURE B TO DIRECTORS' REPORT

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

I. CONSERVATION OF ENERGY :

- i) During the year under review, the Company had switched over from Furnance Oil/L.D.O. to Coal and firewood to reduce cost of fuel. The Company is further exploring avenues of taking a piped gas connection.
- ii) The compny 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.

FORM 'A' (SEE RULE - 2)

A.) Power and Fuel Consumption

Year Ended
31.03.2005

1) ELECTRICITY

PURCHASE	KWH UNITS IN LAKH	06.82
TOTAL AMOUNT	RS. IN LAKH	28.95
RATE	RS. PER UNIT	04.25

2) FUEL FOR DG SET

QUANTITY (LTRS)	LAKH	02.62
TOTAL COST	RS. IN LAKH	50.10
RATE	RS. PER LTR.	19.12

3) FUEL FOR THERMIC FLUID HEATING SYSTEM

QUANTITY (LTRS)	LAKH	14.57
TOTAL COST	RS. IN LAKH	68.24
RATE	RS. PER LTR.	04.68

4) OWN GENERATION

THROUGH DIESEL GENERATORS	UNITS IN LAKH	08.38
UNIT PER LTR. OF DIESEL		03.20
COST	RS. PER UNIT	05.98

iii) Outgo by way of foreign exchange (CIF)

(Rs. in Lakh)

Raw material & Consumables	300.82
Capital Goods	13.50
Foreign Travels	10.66
Technical Know-how	—
	<u>324.98</u>

For and on behalf of the Board of Directors

Sonepat
27th April, 2005(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, 2005, 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 Investors' 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

New Delhi
27th April, 2005

VIJAY K. CHOUDHARY
Partner

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