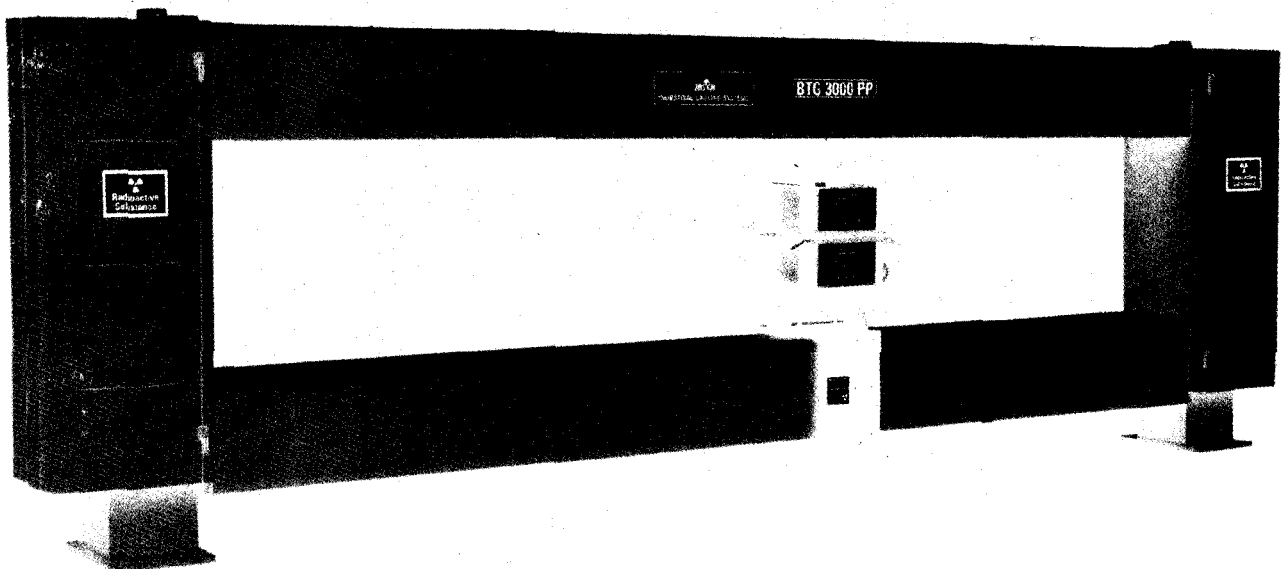


**20<sup>th</sup>**  
**ANNUAL REPORT**  
**2005 - 2006**



**JASCH INDUSTRIES LIMITED**



**INDUSTRIAL GAUGING SYSTEMS**

# JASCH INDUSTRIES LIMITED

## Twentieth Annual Report 2005-2006

### BOARD OF DIRECTORS

<b>J. K. Garg</b>	Chairman
<b>S. C. Garg *</b>	Managing Director
<b>Manish Garg</b>	Whole Time Director
<b>Ramnik Garg</b>	Whole Time Director
<b>Navneet Garg **</b>	Whole Time Director
<b>S. K. Khandelwal (Dr.)</b>	Director
<b>A. S. Garg (Justice) (Retd.)</b>	Director
<b>K. C. Varshney (Dr.)</b>	Director
<b>Ashok Mittal (Dr.)</b>	Director
<b>Kuldeep Singal</b>	Director
<b>O. P. Garg</b>	Executive Director

\* (Ceased w.e.f. 24-02-2006)

\*\* (Appointed w.e.f. 29-04-2006)

### 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

Punjab National Bank  
Bank of Baroda  
State Bank of India

### 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 20<sup>th</sup> ANNUAL GENERAL MEETING**


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To

The Members,

NOTICE is hereby given that the 20<sup>th</sup> Annual General Meeting of Members of JASCH INDUSTRIES LIMITED will be held on Friday, the 15<sup>th</sup> day of September, 2006 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 31<sup>st</sup> March, 2006.
2. To appoint a Director in place of Dr. Ashok Mittal, who retires by rotation, and being eligible, offers himself for re appointment.
3. To appoint a Director in place of Shri Kuldeep Singal, who retires by rotation, and being eligible, offers himself for re appointment.
4. To appoint Statutory Auditors for the Financial Year 2006-2007.

**SPECIAL BUSINESS**

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

**"RESOLVED THAT** Shri Navneet Garg be and is hereby appointed Director of the Company, his appointment being subject to retirement by rotation of Directors."

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

**"RESOLVED THAT** Shri Navneet Garg be and is hereby appointed Whole Time Director for a period of five years w.e.f. 1<sup>st</sup> May, 2006 on remuneration, terms and conditions as set out in the Explanatory Statement."

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

**"RESOLVED THAT** Shri Jai Kishan Garg be and is hereby appointed Managing Director for a period of five years w.e.f. 1<sup>st</sup> May, 2006 on remuneration, terms and conditions as set out in the Explanatory Statement."

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

**"RESOLVED THAT** the consent of the company as required under the provisions of section 293(1)(a) of the Companies Act, 1956 and other relevant or applicable provisions of the said Act, if any, be and is hereby accorded to the disposal by the Board of Directors of the Company's undertaking or a part of the undertaking at 43/5 Bahalgarh Road, Sonapat, Haryana and of the immovable properties comprising lands, buildings, structures, plant & machinery, fixtures and fittings and all other movable assets including outstanding moneys, receivables, claims, bills, invoices, documents, contracts, engagements, securities, investments and rights of the Company situated at 43/5 Bahalgarh Road, Sonapat in the state of Haryana or wherever else the same may be, to the State Bank of India by way of first equitable mortgage by deposit of title deeds and/or by way of hypothecation, pledge, floating charge, lien or any other charge with powers of sale, appointment of receivers, taking over of management and business of the Company in case of default and such other powers as the Directors may consider necessary or advisable for securing the various credit facilities granted or to be granted in future by the said Bank to the Company for sums not exceeding in the aggregate at any one time the sum of Rs. 20 crores with interest thereon, commitment charges, costs, other charges, expenses and other moneys as stipulated in the Loan or other Agreements entered into/to be entered into with State Bank of India."

**"RESOLVED FURTHER** that the mortgage/charge created/to be created and/or all agreements/documents executed/to be executed and all acts done in terms of the above resolutions by and with the authority of Board of Directors or Committee of Directors be and are hereby confirmed and ratified."

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

**"RESOLVED THAT** the Board of Directors of the Company be and is hereby authorized to borrow at all or any times moneys which together with the moneys already borrowed by the Company, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, in excess of the paid up capital and the free reserves that is to say reserves not set apart for any specific purpose subject to such borrowings in the aggregate not exceeding Rs. less 30 crores (Rs. Thirty Crores) at any time."

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

PLACE : SONEPAT  
DATED : 22<sup>nd</sup> July, 2006

(S. K. Verma)  
Company Secretary

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**NOTES**


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1. Explanatory Statement relating to Agenda Item No. 5 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 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 16<sup>th</sup> August, 2006 to 21<sup>st</sup> August, 2006 (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.**

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**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(A) OF THE COMPANIES ACT, 1956**


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**AGENDA ITEM NO. 5 & 6 :**

Shri Navneet Garg, 33, is a Mechanical Engineer with more than eleven years' experience in production of Synthetic Leather. He was appointed as Production Manager in the Company in Board Meeting held on 7<sup>th</sup> April, 2005. His appointment as Production Manager was subsequently approved by the immediately preceding Annual General Meeting.

In the Board Meeting held on 29<sup>th</sup> April, 2006, Shri Navneet Garg has been appointed by Board as Additional Director (on whole time basis) for a period of five years w.e.f. 1<sup>st</sup> May, 2006. The Remuneration Committee, in its Meeting held on 29<sup>th</sup> April, 2006, has approved the following remuneration, perks and terms of his appointment :

**Monthly Salary :** Rs. 30,000 per month in the time scale of Rs. 30,000 – 3,000 – 42,000.

**Perks :** In addition to salary, he will be entitled to following perks : 1. Chauffeur-driven car 2. Telephone at residence 3. Gratuity as per law

4. Medical reimbursement for indoor treatment for self & family on actual basis.

**Terms & Conditions :**

1. He will be entitled to the above remuneration and perks even in case there are no profits or if the profits are inadequate.
2. The remuneration and perks shall be payable if the appointee and the Company fulfills the condition of eligibility and quantum as laid down under Schedule XIII of the Companies Act, 1956.
3. Payment of the above remuneration and perks beyond the forthcoming Annual General Meeting will be subject to the condition of his being appointed Director in the said AGM.
4. This appointment will be terminable by either side by giving three months' notice in writing.

His appointment as Additional Director ceases on conclusion of this Annual General Meeting, unless he is appointed as Director at this Annual General Meeting. Accordingly, the Directors recommend his appointment as (1) Director, subject to rotation of Directors and (2) as Whole Time Director for a period of five years w.e.f. 1<sup>st</sup> May, 2006.

Shri Naveent Garg, Shri J. K. Garg, Shri Ramnik Garg and Shri Manish Garg being the proposed appointee/their relatives, may be deemed to be interested in the above appointment and remuneration.

**AGENDA ITEM NO. 7 :**

Shri J. K. Garg, 60, is a Mechanical Engineer with more than 35 years' experience of successfully running Plastic & Chemical industry to his credit. He has been the Chairman of the Company since its inception. He was re-appointment Executive Chairman for a period of five years w.e.f. 1<sup>st</sup> October, 2004 by the Annual General Meeting held on 30<sup>th</sup> September, 2004.

Consequent upon resignation of Shri S. C. Garg as Managing Director, the office of Managing Director has fallen vacant. In terms of Section 269 of the Companies Act, 1956, every Company having a paid up capital Rs. 5 crores or more, is required to have a Managing Director. Since the Company is having a paid up capital of Rs. 11.33 crores, the Company is required to appoint a Managing Director. This aspect was considered by the Board in their Meeting held on 29<sup>th</sup> April, 2006 and Shri J. K. Garg was appointed Managing Director of the Company for a period of five years w.e.f. 1<sup>st</sup> May, 2006, subject to approval by this forthcoming Annual General Meeting.

The Remuneration Committee in its Meeting held on 29<sup>th</sup> April, 2006 has approved the following remuneration, perks and terms & conditions for him :



**Monthly Salary :** Rs. 55,000 per month in the time scale of Rs. 55,000 – 5,000 – 75,000.

**Perks :** In addition to salary, he will be entitled to following perks : 1. Chauffeur-driven car. 2. Telephone at residence 3. Gratuity as per law 4. Medical reimbursement for indoor treatment for self & family on actual basis.

#### **Terms & Conditions :**

1. He will be entitled to above remuneration and perks even in case there are no profits or if the profits are inadequate.
2. The remuneration and perks shall be payable if the appointment and the Company fulfills the condition of eligibility and quantum as laid down under Schedule XIII of the Companies Act, 1956.
3. This appointment will be terminable by either side by giving three months' notice in writing.

The Board recommends his appointment as Managing Director and remuneration as above. It is clarified that w.e.f. 1<sup>st</sup> May, 2006, he will draw his remuneration only as Managing Director.

Shri J. K. Garg, Shri Navneet Garg, Shri Ramnik Garg and Shri Manish Garg being the proposed appointee/their relatives may be deemed to be interested in the above appointment/remuneration.

#### **AGENDA ITEM NO. 8**

Approval of the members of the Company was obtained earlier to create security on the Company's fixed assets in favour of its lenders viz ICICI Bank and Bank of Baroda under Section 293 (1) (a) of the Companies Act, 1956 upto a limit of Rs. 7 crores in the Annual General Meeting held on 29<sup>th</sup> September, 1997. The Company has since shifted its Loan Account to State Bank of India and it is also borrowing additional loan and working capital for Expansion. Therefore it is necessary for the Company to create security on the fixed assets of the Company in favour of State Bank of India. It is, therefore, proposed to obtain members' approval Under Section 293 (1) (a) of the Companies Act 1956 authorizing the Board to create security on its fixed assets upto a limit of Rs. 20 Crores in favour of State Bank of India. The resolution is proposed accordingly.

None of the Directors of the Company is in any way concerned or interested in the resolution.

#### **Item No. 9**

Pursuant to Section 293 (1) (d) of the Companies Act, 1956 the Board of Directors cannot borrow more than the aggregate amount of the paid up share capital of the Company and its reserves at any one time except with the consent of the Shareholders of the Company in a General Meeting. At the General Meeting of the Company held on 29<sup>th</sup> September, 1997, consent of the members was obtained by the Directors to borrow up to a maximum amount of Rs. 25 Crores irrespective of the fact that such amount together with the moneys already borrowed by the Company (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) exceeded the aggregate of the paid up capital and free reserves of the Company as on that date. Since the Company is planning expansion and growth, there may be need to borrow in excess of the aforesaid limit. The resolution seeking members approval authorizing the Board of Directors to borrow up to a limit of Rs. 30 Crores is proposed accordingly.

None of the Directors of the Company is in any way concerned or interested in the resolution.

### **DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the 20<sup>th</sup> Annual Report and Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2006.

#### **FINANCIAL RESULTS**

(Rs. in Lakh)

<b>Particulars</b>	<b>Current Year</b>	<b>Previous Yr.</b>
Gross Sales & Other Income	<b>3237.17</b>	2650.12
Operating Profit before interest, Depreciation exceptional items and prior period adjustments	<b>367.84</b>	327.83
Interest & Financial Charges	<b>92.90</b>	103.63
Gross Profit before Depreciation	<b>274.94</b>	224.20
Depreciation	<b>105.65</b>	97.29
Exceptional items and prior period adjustments	<b>02.40</b>	03.92
Provision for Income Tax*	<b>61.85</b>	09.64
Net Profit	<b>105.04</b>	113.35
Surplus brought forward from Previous Year	<b>265.10</b>	212.41
Less : Deferred Tax Liability**	<b>40.04</b>	60.66
	<b>225.04</b>	151.75
Available for appropriation	<b>105.04</b>	113.35
Transfer to General Reserve	<b>—</b>	—
Surplus carried forward	<b>330.10</b>	265.10

\*\* Deferred Tax Liability of 2004-2005 adjusted out of Reserve & Surplus.

#### **DIVIDEND**

In view of Company's need to conserve resources for expansion of Synthetic Leather Division, the Board has not recommended any dividend for the year ended on 31<sup>st</sup> March, 2006.

#### **OPERATIONS & PERFORMANCE**

Your company has achieved sales of Rs. 3237.17 lakh during 2005-2006 which were 22.15 % higher as compared with the sales of previous year. The sales of Synthetic Leather Division at Rs. 2137.85 lakh during 2005-2006 were substantially higher by 25.8% as compared with the sales of Rs. 1727.47 lakhs in the previous year. The Electronic Gauge Division also increased by 15.20% to Rs. 1063.32 lakh during 2005-2006 as compared with sales of Rs. 922.65 lakh in the previous year.

The exports including deemed exports of Electronic Gauges registered sharp increase of 66% during the year at Rs. 502.93 lakhs as compared with export of Rs. 302.49 lakhs in the previous year. In fact, exports constituted 47.3% of sales of Electronic Gauges Division during the year under review.

The improvement in the sale of Synthetic Leather Division is mainly due to phased implementation of modernisation scheme during 2004 to 2006 resulting in widening of product range and improvement in quality of products. However, Synthetic Leather Division continues to suffer cheap Imports from China and Taiwan besides sharp escalation in prices of petroleum based raw materials and chemicals.



The company could withstand competition successfully to a certain extent due to reduction in the cost of inputs, particularly power & fuel due to modernisation of machinery & improvement in productivity.

The performance of Electronic division was quite satisfactory during the year with sharp increase in exports to China, Bangla Desh, Egypt, South Africa, Turkey, etc. The company has received recognition as approved vendor from LN Mittal Group of Steel Companies in various countries for supply of Electronic Gauges. The Company is also participating in National & International Trade Fair displaying its Electronic Gauges, which is expected to result in more order inflows and hence better performance in the next 2-3 years.

Operating profit before interest, depreciation, Income Tax, Fringe Benefit Tax, Deferred Tax and exceptional items and prior period adjustments has increased to Rs. 367.84 lakh i.e. an increase of 12% over the previous year mainly due to improved performance of Synthetic Leather Division. The interest & Finance charges have marginally declined to Rs. 92.90 despite substantial increase in sales due to repayment of loan during the year and decline in interest rate on cash credit facility & term loan.

The gross profit before depreciation has also increase to Rs. 274.94 lakh during the year as compared with Rs. 224.20 lakhs in the previous year. After providing depreciation of Rs. 105.65 lakh & provision of Income Tax, Fringe Benefit Tax & Deferred Tax of Rs. 61.85 lakh, the company has earned net profit of Rs. 105.04 lakh which is marginally less as compared to previous years net profit of Rs. 113.35 lakh mainly due to provision of deferred tax of Rs. 42.56 lakh during the year consequent to capitalisation of assets of modernization scheme. Excluding notional deferred tax the net profit of the company would have been higher at Rs. 145.08 lakh i.e. an increase of 28.80% over the previous year's profit.

#### **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 during 2004-2005 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.

#### **EXPANSION SCHEME**

Enthused by the improved performance of the Synthetic Leather Division, the management has decided to take up an expansion scheme envisaging installation of a high speed and fuel efficient PU Coating Machine at a capital cost of Rs. 410 lakh, proposed to be financed by term loan of Rs. 300 lakh from State Bank of India and balance Rs. 110 lakh from internal cash accruals. New, PU Coating Plant would produced PU Synthetic Leather for use in Upholstry, garment, sports goods and automobiles, besides footwear industry. The Expansion Scheme is expected to be completed during the current financial year.

#### **FUTURE PROSPECTS**

Despite tough competition from imported goods from China & Taiwan, the management is hopeful of better performance of Synthetic Leather Division in view of many initiatives taken for cost reduction and improved sales realisation consequent to development of new products. Performance will improve further after completion of

Expansion Scheme. Electronic Gauge Division is also having domestic and export orders of more than 500 lakh. In view of this, barring unforeseen circumstances, the management is hopeful of higher sales and profits during the current year.

#### **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 lakhs 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 31<sup>st</sup> March 2006 was Nil.

#### **DIRECTORS**

Dr. Ashok Mittal and Shri Kuldeep Singal, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. The Directors recommend their re-appointment. Shri Suman Chand Garg resigned as Director w.e.f. 24-02-2006 due to personal reasons. He has been on the Board as Director/Managing Director since inception of the company. The Board wishes to place on record the dedicated work done by him during the period of his directorship with the company.

#### **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 has 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, 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 31<sup>st</sup> March, 2006 and of the profits of the Company for the year ended 31<sup>st</sup> March, 2006.
- (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  
22<sup>nd</sup> July, 2006

**(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.

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

	2005-06	2004-05 (Rs. Lakhs)
Segment Revenue	<b>2173.86</b>	1727.47
Segment Profits/(Loss) before interest & other common unallocable expenditure	<b>66.34</b>	12.93
Working Capital Employed	<b>1181.55</b>	920.64

#### B. ELECTRONIC GAUGE AUTOMATION DIVISION

The company has developed Electronic Gauging Systems by inhouse research & development. This division has further improved its performance during 2005-06 as may be evident from the following results.

	2005-06	2004-05 (Rs. Lakhs)
Segment Revenue	<b>1063.32</b>	922.65
Segment Profits before interest & other common unallocable expenditure	<b>195.86</b>	217.61
Working Capital Employed	<b>248.81</b>	333.28

The company has domestic and export orders on hand worth Rs. 500 lakh 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 their is very little competition in the domestic market for this segment of business. The Company is continuously updating its technology in line with international trend.

#### RESOURCE UTILISATION

##### (i) Fixed Assets

The gross fixed assets (including capital work in progress) as at 31<sup>st</sup> March, 2006 were Rs. 2173.88 lakhs as compared to Rs. 2066.75 lakhs in the previous year. The addition of fixed assets of Rs. 107.13 lakhs was mainly on construction of additional factory building, installation of balancing machinery & utility equipments under

Business Distribution	2005-2006 (Rs. in Lakh)	(%)
- PVC/PU Synthetic Leather	2173.86	67.15%
- Nucleonic & X-Ray Thickness Gauging System	1063.32	32.85%
	<b>3237.18</b>	<b>100.00%</b>

#### INDUSTRY STRUCTURE AND DEVELOPMENT

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 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 tough competition from imported material from China, Taiwan, Hongkong & Korea, which enjoy the benefits of economies of scale & hence lower cost of production.

modernisation scheme of Synthetic Leather Division.

## (ii) Current Assets

The net current assets as on 31<sup>st</sup> March, 2006 were Rs. 1165.97 lakhs as compared with Rs. 979.22 lakhs in the previous year resulting in increase of Rs. 186.75 lakhs for sustaining higher level of production and sales.

## (iii) Term Loan and Working Capital

The Company changed its Bank from Bank of Baroda, New Delhi to Punjab National Bank, Sonapat both for term loan and working capital for better operational flexibility and lower rate of interest during July, 2005. The company is regularly servicing its term loan liabilities. The working capital borrowing from Bank increased by about Rs. 66 lakhs during the year, for financing higher level of production and sales. Overall secured debt of the company increased marginally from Rs. 769.01 lakh as on 31-03-2005 to Rs. 810.87 lakhs against net worth of Rs. 1463.1 lakh indicating overall debt equity ratio at 0.55:1 as on 31<sup>st</sup> March, 2006, reflecting quite satisfactory debt profile of the company.

## 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 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 abroad 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 24.7% of total cost of raw material and consumables. Therefore, there is no significant long term currency risk. 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 incurred foreign currency expenditure of Rs. 511.14 lakhs during the year, against exports in foreign currency were Rs. 397.70 lakhs (excluding deemed exports), leaving a small deficit of Rs. 113.44 lakhs. The company's foreign currency transactions are on current account basis and there is no deferred liability in terms of foreign exchange.

### (b) Interest and Leverage Risk

The interest rate on the company's debt is continuously declining with 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 and working capital borrowings has declined during 2005-2006.

## HUMAN RESOURCES

The Company did not have any labour problem during 2005-2006. 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.

## CAUTIONARY STATEMENT

Statement in the "Management Discussion and Analysis" relating to Company's objectives, projections, outlook, expectations, estimates, etc., are forward-looking statement and progressive within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied, as several factors could make a significant difference to the Company's operation. These include economic conditions affecting markets, International prices of Crude Oil & other related Raw Materials & Chemicals, Government Regulations and Policies, Legislation, Tax Laws, Political and Economic Developments, Natural Calamities, etc. over which the Company does not have any direct control. Hence the company assumes to no responsibility to any forward looking statements or prospects going adverse due to event happening subsequent to the balance sheet date.

On behalf of the Board

Sonapat  
22<sup>nd</sup> July, 2006

(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.

## 1. CONSERVATION OF ENERGY :

- i) The Company had switched over from Furnance Oil/L.D.O. to petro-coke and firewood to reduce cost of fuel.
- 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.
- iv) Periodic energy consumption audit is carried out and corrective action taken such as replacement of higher HP motors by lower HP motors, without affecting operational efficiency.

## FORM A (SEE RULE - 2)

## A) Power and Fuel Consumption

Year Ended  
31.03.2006

## 1) ELECTRICITY

PURCHASE	KWH UNITS IN LAKH	08.03
TOTAL AMOUNT	RS. IN LAKH	33.52
AVERAGE RATE	RS. PER UNIT	04.17

## 2) FUEL FOR DG SET

QUANTITY (LTRS)	LAKH	01.34
TOTAL COST	RS. IN LAKH	39.08
AVERAGE RATE	RS. PER LTR.	29.07

## 3) FUEL FOR THERMIC FLUID HEATING SYSTEM

QUANTITY (C-9 IN KGS)	LAKH	00.63
TOTAL COST	RS. IN LAKH	15.70
AVERAGE RATE	RS. PER LTR.	24.89

## 4) FUEL FOR BOILER

LAKH KGS. 16.73

(PETRO COKE &amp; FIRE WOOD)

TOTAL COST	RS. IN LAKH	71.85
AVERAGE RATE	RS. PER KG.	04.30

## 5) OWN GENERATION

THROUGH DIESEL GENERATORS	UNITS IN LAKH	04.30
UNIT PER LTR. OF DIESEL		03.20
COST	RS. PER UNIT	09.09

## iii) Outgo by way of foreign exchange (CIF)

(Rs. in Lakh)

Raw material & Consumables	475.18
Capital Goods	16.17
Foreign Travels	19.79
Technical Know-how	—
	511.14

2. Since the Company produces a number of different products with common utility services, it is not feasible to work out productwise energy consumption per unit of production.
3. The cost of Research & Development is included in respective heads of accounts and not kept separately.
4. The company has not imported any new technology in the last five years.

For and on behalf of the Board of Directors

Sonepat  
22<sup>nd</sup> July, 2006(J. K. Garg)  
Chairman

## CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE DISCLOSURE PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGES

Corporate Governance Report of the Company for the financial year ended on 31<sup>st</sup> March, 2006 is as follows :

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on corporate governance is :

"Governance through use of collective wisdom of Directors and transparency in business dealings so as to be fair and also serve the best interests of all stakeholders e.g. shareholders, employees, customers, suppliers and society at large."

## 2. BOARD OF DIRECTORS

## a) Details of directors, their attendance at Board Meetings during the financial year 2005-2006, their attendance at previous Annual General Meeting and number of memberships held by them in the Board/Committees of various companies

Name (Shri)	Category	Attendance Particulars at Board Meetings	Number of other directorships committee member/chairmanships including that in Jasch	Committee~~~		Whether attended last AGM
			Directorships#	Member	Chairman	
J.K. Garg	E&P	4	3	0	0	Yes
S.C. Garg*	E&P	4	3	0	0	Yes
O.P. Garg	E&I	4	1	0	0	Yes
Justice A.S. Garg	N&I	2	1	0	0	No
S.K. Khandelwal	N&I	4	2	3	1	Yes
Manish Garg	E&P	4	1	0	0	Yes
Ramnik Garg	E&P	4	1	0	0	Yes
K.C. Varshney	N&I	4	3	3	2	Yes
Ashok Mittal	N&I	4	1	0	0	No
Kuldeep Singal	N&I	4	1	3	0	Yes

E = Executive, P=Promoter, N=Non-Executive I = Independent \* = Ceased w.e.f. 24.02.2006 # = Directorships in Indian public limited companies only.  
 ~~ = Committee means only the Audit Committee, Shareholders' Grievance Committee and Remuneration Committee.