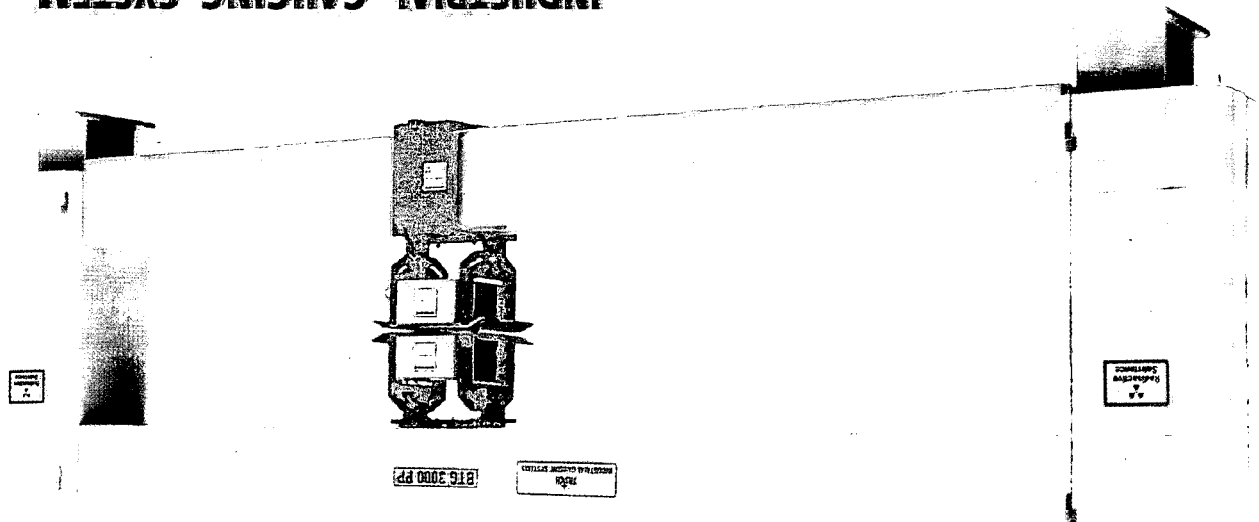


INDUSTRIAL GAUGING SYSTEM



Report  Junction.com

2006-2007

ANNUAL REPORT

27th

JASCH INDUSTRIES LIMITED



JASCH INDUSTRIES LIMITED

Twenty First Annual Report 2006-2007

BOARD OF DIRECTORS

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

*(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

State Bank of India

Overseas Branch, Janpath, New Delhi

REGISTRARS & TRANSFER AGENTS

Alankit Assignments Ltd.

2E/21, Jhandewalan Extn.

New Delhi - 110 055

REGISTERED OFFICE AND WORKS

43/5, Bahalgarh Road

P. O. Bahalgarh

Distt. Sonapat-131 021 (Haryana)

CORPORATE OFFICE

JASCH HOUSE (Behind Khalsa College)

5105/1, Dev Nagar, Karol Bagh

New Delhi-110 005

CONTENTS

1.	Notice of Meeting	...	...	1
2.	Directors' Report	...	...	3
3.	Corporate Governance Report	...	...	7
4.	Auditors' Report	...	...	11
5.	Balance Sheet	...	...	14
6.	Profit & Loss Account	...	...	15
7.	Schedules to Accounts	...	...	16
8.	Cash Flow & other Statements	...	...	27
9.	Attendance Slip & Proxy Form	...	...	29



NOTICE OF 21st ANNUAL GENERAL MEETING

To

The Members,

NOTICE is hereby given that the 21st Annual General Meeting of Members of JASCH INDUSTRIES LIMITED will be held on Friday, the 28th September, 2007 at 10.00 A.M. 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, 2007.
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 Dr. S.K. Khandelwal, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint M/s Arora & Choudhary Associates, Chartered Accountants, the retiring Auditors, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 269, Schedule XIII and in partial modification of all earlier Resolutions, remuneration of Shri J.K. Garg, Managing Director be and is hereby increased from the present Rs. 55,000 per month to Rs. 1,00,000 (Rupees One Lakh) per month with effect from 01st April, 2007 to 30th April, 2011 (being the unexpired period of his present term of appointment). All other terms including perks, will remain unchanged."

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

"RESOLVED THAT pursuant to the provisions of Section 269, Schedule XIII and in partial modification of all earlier Resolutions, remuneration of Shri Ramnik Garg, Whole Time Director be and is hereby increased from the present Rs. 30,000 per month to Rs. 50,000 (Rupees Fifty Thousand only) per month with effect from 01st April, 2007 to 30th June, 2008 (being the unexpired period of his present term of appointment). All other terms including perks, will remain unchanged."

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

"RESOLVED THAT pursuant to the provisions of Section 269, Schedule XIII and in partial modification of all earlier Resolutions, remuneration of Shri Navneet Garg, Whole Time Director be and is hereby increased from the present Rs. 30,000 per month to Rs. 50,000 (Rupees Fifty Thousand) per month with effect from 01st April, 2007 to 30th April, 2011 (being the unexpired period of his present term of appointment). All other terms including perks, will remain unchanged."

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

"RESOLVED THAT pursuant to the provisions of Section 269, Schedule XIII and in partial modification of all earlier Resolutions, remuneration of Shri Manish Garg, Whole Time Director be and is hereby increased from the present Rs. 30,000 per month to Rs. 50,000 (Rupees Fifty Thousand) per month with effect from 01st April, 2007 to 28th July, 2007 (being the unexpired period of his present term of appointment). All other terms including perks, will remain unchanged."

"RESOLVED FURTHER THAT pursuant to the provisions of Section 269, Schedule XIII and all other applicable provisions of the Companies Act, 1956, re-appointment of Shri Manish Garg, made by the Board as Whole Time Director of the Company for a period of five years in the time scale of Rs. 50,000-10,000-1,00,000 with effect from 29th July, 2007, with the initial remuneration fixed at Rs. 50,000 per month on the terms and conditions set out in Annexure, or as may be varied in the General Meeting be and is hereby approved."

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

"RESOLVED THAT pursuant to Section 310 and all other applicable provisions of Companies Act, 1956 but subject to provisions of Article 119(a) of the Articles of Association of the Company, the Board of Directors of the Company be and are hereby authorized to pay to non-executive Directors of the Company a sitting fee of Rs. 5,000 per Meeting of the Board or Committee thereof attended by them."

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

PLACE : SONIPAT
DATED : 5th June, 2007

(S. K. Verma)
Company Secretary

NOTES

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 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 1st September, 2007 to 5th September, 2007 (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(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF AGENDA ITEM NO. 5 TO 9

AGENDA ITEM NO. 5 TO 8

As per approval granted by the shareholders at previous Annual General Meetings, Shri J.K. Garg, Managing Director is presently entitled to a remuneration of Rs. 55,000 per month. Shri Manish Garg, Director; Shri Ramnik Garg, Director and Shri Navneet Garg are drawing remuneration of Rs. 30,000 each per month presently. In addition to their salary, these managerial personnel are entitled to Chauffeur-driven car, Telephone at residence, Gratuity as per law and Medical reimbursement for indoor treatment for self & family on actual basis.

The Remuneration Committee in its meeting held on 28th April, 2007 reviewed the aforesaid remuneration and decided, subject to approval of this Annual General Meeting, to increase the remuneration of these directors w.e.f. 1st April, 2007 till the remaining term of their present tenure. Accordingly, subject to approval of this Annual General Meeting, with effect from 1st April, 2007, the remuneration of Shri J.K. Garg has been increased to Rs. 1,00,000 per month for the remaining part of his tenure. Also, with effect from 01st April, 2007, the remunerations of Shri Manish Garg, Shri Ramnik Garg and Shri Navneet Garg has been increased to Rs. 50,000 for the remaining part of their respective tenures, subject to approval of this Annual General Meeting.

Further, the term of Shri Manish Garg as whole time director came to an end on 28th July, 2007. The Directors in their meeting held on 5th June, 2007 re-appointed him a whole time director for a further period of five years with effect from that date at a remuneration to be decided by the Remuneration Committee and subject to approval of this Annual General Meeting. Resume of Shri Manish Garg is given in Corporate Governance Report annexed.

The Remuneration Committee, in its meeting held on 5th June, 2007, have sanctioned the following remuneration, perks and other terms in respect of Shri Manish Garg :

Monthly Salary : Rs. 50,000 per month in the time scale of Rs. 50,000 -10,000 – 1,00,000.

Perks in addition to salary : Chauffeur-driven car, telephone at residence, Gratuity as per law, Medical reimbursement of indoor treatment for self & family on actual basis.

Other Terms & Conditions : He will be entitled to the above remuneration and perks even in case there are no profits or if the profits are inadequate. The remuneration and perks shall be payable if the appointee and the Company fulfill the conditions of eligibility and quantum as laid down under Schedule XIII of the Companies Act, 1956. This appointment will be terminable by either side by giving three months' notice in writing.

The Directors recommend passing of the Resolutions at Sr. Nos. 5 to 8 as Special Resolutions. Shri Navneet Garg, Shri J. K. Garg, Shri Ramnik Garg and Shri Manish Garg may be deemed to be interested in these Resolutions, as self/relatives.

AGENDA ITEM NO. 9

At present, the non-executive Directors are paid a sitting fee of only Rs. 2,000 per meeting for attending Board Meetings. It is proposed to authorize the Board to pay to non-executive Directors, a sitting fee of Rs. 5,000 per meeting attended by them; which is within the limit prescribed under law.

The Directors recommend passing of this Resolution as special Resolution.

All the non-executive Directors be deemed to be interested in this Resolution.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 21st Annual Report and Audited Accounts of the Company for the year ended 31st March 2007.

FINANCIAL RESULTS		(Rs. in Lakh)
Particulars	Current Year	Previous Year
Gross Sales & Other Income	3818.37	3237.17
Operating Profit before interest, Depreciation exceptional items and prior period adjustments	422.39	367.84
Interest & Financial Charges	105.41	92.90
Gross Profit before Depreciation	316.98	274.94
Depreciation	113.61	105.65
Exceptional items and prior period adjustments	03.35	02.40
Provision for Income Tax	26.66	19.29
Net Profit before Deferred Tax	173.36	147.60
Less : Provision for Deferred Tax Liability	28.94	42.56
Net Profit	144.42	105.04
Surplus brought forward from Previous Year	330.10	265.10
Less : Deferred Tax Liability	—	40.04
	330.10	225.04
Available for appropriation	144.42	105.04
Transfer to General Reserve	—	—
Surplus carried forward	474.52	330.10

DIVIDEND

In view of Company's need to conserve resources for modernization of PU/PVC coated Fabric Division and addition of balancing equipment in Electronic Gauge Division, the Board has not recommended any dividend for the year ended on 31st March, 2007.

OPERATIONS & PERFORMANCE

Your company has achieved sales of Rs. 3818.37 lakh during 2006-2007 which were 17.95% higher as compared with the sales of previous year. The sales of Synthetic Leather Division at Rs.2540.52 lakhs during 2006-2007 were higher by 18.80% as compared with the sales of Rs. 2137.85 lakhs in the previous year. The sales of Electronic Gauge Division also increased by 16.80% to Rs. 1241.85 lakh as compared with sales of Rs. 1063.22 lakh in the previous year.

The exports including deemed exports of Rs. 36 lakhs registered sharp increase of 20.6% to Rs. 607 lakhs during 2006-07 as compared with export including deemed exports of Rs. 503 lakhs in the previous year. In fact, excluding purchase of capital goods worth Rs. 234.13 lakh during the year, the company spent foreign exchange of only Rs. 547.58 lakhs during 2006-2007 thereby earning net foreign exchange for the first time. Exports constituted almost 50% of sales of Electronic Gauge Division.

The improvement in the sales performance of PU/PVC coated fabric division is due to continuing modernization of plant and machinery which has resulted in higher productivity and widening of product range. However, performance of this division suffered due to sharp increase in prices of petroleum based raw materials during the year. The performance of Electronic Gauge Division was quite satisfactory during the year with increase in exports to China, South Africa, Brazil, Egypt, Nigeria etc. The Company's participation in national and international trade exhibitions has been particularly useful which increased order flow from international market.

Operating profit before interest, depreciation, Income Tax, Fringe Benefit Tax, Deferred Tax and exceptional items and prior period adjustments has increased to Rs. 422.39 lakh i.e. an increase of 15% over the previous year due to higher sales achieved by the Company during the year under review. The interest & Finance charges have increased to Rs. 105.41 lakhs mainly due to higher term loan and working capital borrowings from the Banks for Modernization to sustain higher tempo of production and sales.

The gross profit before depreciation increased to Rs. 316.98 lakh during the year i.e. an increase of 15.70% over previous year. After providing depreciation of Rs. 113.61 lakhs and provision of Income Tax, Fringe Benefit Tax and Deferred Tax of Rs. 55.60-lakh the company has earned net profit of Rs. 144.42 lakh which is substantially higher at 39.4% as compared with Net Profit of only Rs. 105.04 lakhs in the previous year. The cash profit of the Company was also substantially higher at Rs. 288.07 lakh as compared with Rs. 253.25 lakhs in the previous year.

EXPANSION SCHEME AND TECHNICAL COLLABORATION

The Company has implemented an Expansion Scheme in PU Coated Fabric Division during the year by installing a high speed and fuel efficient PU coating Plant, imported from China. The plant has commenced production from March end, 2007. The Company has also installed a computerized Numerically Controlled Machining Centre in its Electronic Gauge Division for improving productivity and finish of the machine.

With a view to keep abreast with latest technology for the manufacture of PU coated fabric and development of new products, the company has entered into a Technical Collaboration Agreement with Duksung Company Ltd, a reputed company in this field in South Korea in September, 2006, valid for a period of three years. This will enable the Company to produce higher quality PU coated fabrics for use in footwear, upholstery, garments and sports goods industry.

INSURANCE CLAIM

As reported in the previous years, the Company has initiated legal proceedings against the insurance company for recovery of balance amount of insurance claim regarding fire accident in November, 2001 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

In view of installation of new PU Coating Plant in PU Coated Fabric Division and CNC Machining Centre in Electronic Division, the sales of the Company is expected to increase by almost 20% during the current year with corresponding increase in profits. Overall, the Management is hopeful of further improvement in performance during the current year as the overall order position, both domestic and export is good.

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 2007 was Nil.

DIRECTORS

Dr. S.K. Khandelwal and Shri O.P. Garg, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The Directors recommend their re-appointment. During the year under Report, Shri J.K. Garg was appointed as Managing Director for a period of five years w.e.f. 1st May, 2006 Shri Navneet Garg was appointed as an Additional Director w.e.f. 29.04.2006 and a whole time Director w.e.f. 1st May 2006. Their appointments and remuneration have already been approved by the previous Annual General Meeting held on 15th September, 2006. Further, the tenure of Shri Manish Garg, Director (whole time) expired w.e.f. 28th July, 2007. Subject to approval of this Annual General Meeting, the Board has reappointed him as whole time Director for a further period of five years with effect from 29th July, 2007.

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 31st March, 2007 and of the profits of the Company for the year ended 31st March, 2007.
- (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 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

Sonipat

5th June, 2007

(J. K. GARG)

Chairman

ANNEXURE A TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS REPORT
(PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGES)

PRODUCT INTRODUCTION

Jasch Industries Ltd. manufactures PVC/PU Coated Fabrics (also known as Synthetic Leather or Artificial Leather), Non Woven Fabrics & Allied Products & Nucleonic & X-Ray and Nucleonic Source based Thickness Gauging System in Electronic Division. The major business segment & their product applications are as follows :-

Business Segment

- PU/PVC Coated Fabric & Allied Products (Non-

Product Applications

Used in Footwear, Garment, Upholstery, Automobile,

Woven Fabric, Needle Punched Felt, Laminated Products etc.

- Electronic Gauges

Luggage & Sports Goods

Used for on line measurement of thickness, grammage, moisture & ash contents in Paper Making Industry, on line measurement of thickness & coating weight in Plastics, Steel Sheet Rolling, Galvanising Sheet, Aluminium foil & Non Ferrous Metal Rolling Industry



Business Distribution	(Rs. in Lakh)			
	2006-2007		2005-2006	
	Value	(%)	Value	(%)
- PU/PVC Coated Fabrics	2540.51	66.50%	2173.86	67.15%
- Electronic Gauges	1277.86	33.50%	1063.32	32.85%
	3818.37	100.00%	3237.18	100.00%

As may be seen from above, about 2/3rd of sales is contributed by Coated Fabrics products and balance 1/3rd by Electronic Gauge Division & both are growing at almost same pace.

INDUSTRY STRUCTURE AND DEVELOPMENT

PU/PVC Coated Fabric, also known as 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 & Bags and in the manufacture of sports goods & Accessories.

Synthetic Leather Industry in India is badly fragmented & somewhat concentrated in Northern India & Western India. Most of the units are in small scale and unorganized sector manufacturing cheap quality products for small & unorganized sector. The Industry has not been able to achieve its full potential due to tough competition from imported material from China, Taiwan, Hong Kong & Korea, where there are very large units enjoying benefits of economies of scale. The competition has become more acute in the last 2-3 years due to declining custom tariff barrier. However, Jasch Industries Ltd. has been successful in meeting competition from abroad, as it is an integrated player with in-house manufacturing facility for Non-Woven Fabrics & PU Resin, which are main raw materials for PU coated Fabrics. Further the company is continuously upgrading its technology & modernizing plant & machinery to maintain competition edge in the market.

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

	2006-2007	2005-2006 (Rs. Lakhs)
Segment Revenue	2540.52	2173.86
Segment Profits/(Loss) before interest & other common unallocable expenditure	79.83	66.34
Working Capital Employed	1362.83	1181.55

B. ELECTRONIC GAUGE AUTOMATION DIVISION

Electronic Gauging Systems has been developed by in-house research & development. This division's performance has been improving consistently as may be evident from the following results.

	2006-2007	2005-2006 (Rs. Lakhs)
Segment Revenue	1277.85	1063.32
Segment Profits before interest & other common unallocable expenditure	228.95	195.86
Working Capital Employed	290.51	248.81

The company has domestic and export orders of more than Rs. 500 Lakh on hand for execution in the next 4-5 months. There is very little competition to the company for this segment of business though the business growth is limited as it is a capital goods items & hence can grow only in line with expansion & modernisation of user Industries. The company is continuously updating its manufacturing & product technology in line with international trends.

RESOURCE UTILISATION

(i) Fixed Assets

The gross fixed assets were Rs. 2621.63 lakhs as on 31st March 2007 after capitalization of entire fixed assets of expansion scheme of PU Coated Fabric Division in March 2007. The addition of Rs. 447.75 lakh to fixed assets was mainly due to installation of PU Coating Plant and associated equipment under expansion scheme & acquisition of certain balancing equipment.

(ii) Current Assets

The net current assets as on 31st March, 2007 were Rs. 1306.92 lakhs as compared with Rs. 1165.97 lakh in the previous year resulting in increase of Rs. 140.95 lakh. for sustaining higher level of production and sales.

(iii) Term Loan and Working Capital

The Company changed its Bank from Punjab National Bank, Sonapat to State Bank of India, Overseas Branch, New Delhi both for term loan and working capital for better operational flexibility and lower rate of interest during June, 2006. The company is regularly servicing its term loan liabilities. The working capital borrowing from Bank increased by about Rs. 49.28 lakhs during the year, for financing higher level of production and sales. Overall secured debt of the company increased from Rs. 810.87 lakh as on 31-03-2006 to Rs. 1121.16 lakhs against net worth of Rs. 1779.73 lakh indicating overall debt equity ratio at 0.63 : 1 as on 31st March, 2007, 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 70% 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 both for Coated Fabrics & Electronic Gauges.

c. Technological Obsolescence

Right from the beginning, the company carried out its own Research & Development with a view to improve upon/modify the process and product to suit Indian tropical conditions and usage practices. Over

the years, the company has been able to develop many new products/ applications. Further, the Company has entered into technical collaboration agreement with DUKSUNG COMPANY LTD., Korea in September, 2006 for developing new products & updating its technology as per International Standards.

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 25.80% 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. 547.58 lakhs during the year (excluding capital goods), against exports in foreign currency were Rs. 571 lakhs (excluding deemed exports), turning the company into foreign currency earner. The company's foreign currency transactions are on current account basis and there is no significant deferred liability in terms of foreign exchange.

(b) Interest and Leverage Risk

The interest rate in the Indian economy has sharply risen by over 2% in the last 6 months due to monetary policies of the Reserve Bank of India. As a result of this the interest payable on term loan & working capital borrowings has increased, the full impact of which will be felt in the current year. The company's profit margin will be under severe pressure particularly with ongoing expansion & modernization scheme which would entail additional borrowing from the Bank.

HUMAN RESOURCES

The Company did not have any labour problem during 2006-2007. 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 adequate 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 action to be taken, if any.

CAUTIONARY STATEMENT

Statements in the "Management Discussion and Analysis" relating to Company's objectives, projections, outlook, expectations, estimates, etc., are forward-looking statements 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 demand/supply, price conditions in the domestic and overseas markets, International prices of crude oil & other related raw materials & chemicals, Government Regulations and Policies, Legislation, Tax Laws, political and economic developments, natural calamities & more particularly escalating rate of interest, etc. over which the Company does not have any direct control. Hence the company assumes no responsibility for any forward looking statements or for prospects going haywire due to event happening subsequent to the balance sheet date.

On behalf of the Board

Sonipat
5th June, 2007

(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 :

Wind operated fans have been installed in ceiling of factory building for proper ventilation. Since these are run by wind power, these do not consume energy. 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. The company has installed capacitors to improve power factor resulting in lower power cost/consumption. The company had switched over from furnace oil/LDO to petro-coke and firewood to reduce cost of fuel. For lighting, maximum use of CFL is being made.

FORM 'A' (SEE RULE - 2)

A) Power and Fuel Consumption

Year Ended
31.03.2007

1) ELECTRICITY		
PURCHASE	KWH UNITS IN LAKH	09.26
TOTAL AMOUNT	RS. IN LAKH	40.63
AVERAGE RATE	RS. PER UNIT	04.39

2) FUEL FOR DG SET

QUANTITY (LTRS)	LAKH	03.13
TOTAL COST	RS. IN LAKH	104.19
AVERAGE RATE	RS. PER LTR.	33.24

3) FUEL FOR BOILER

(PETRO COKE & FIRE WOOD)	LAKH KGS	17.42
TOTAL COST	RS. IN LAKH	85.34
AVERAGE RATE	RS. PER KG.	04.90

4) OWN GENERATION

THROUGH DIESEL GENERATORS	UNITS IN LAKH	10.09
UNIT PER LTR. OF DIESEL		03.22
COST	RS. PER UNIT	10.33

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

i) Efforts, in brief, made towards technology absorption, adaptation and innovation

The technology transferred to the company prior to those being currently imported, has been fully absorbed. Developments, wherever required, have been carried out by adapting to Indian condition.



ii) **Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction import substitution, etc.**

The technology absorption has contributed to substantial savings in foreign exchange by way of import substitution and development of new products.

iii) **Imported technology, (imported during the last 5 years reckoned from the beginning of the financial year),**

Technology imported	Technology for manufacture of PU Coated Fabrics from Ducksung Co. Ltd., Korea
Year of import	2006-2007
Has technology been fully absorbed	It is under implementation & trial runs.
If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action	The technology will be fully absorbed upon commissioning of the plant & during 3 years duration of technical collaboration.

3. **Outgo by way of foreign exchange (CIF)**

(Rs in Lakh)

a. Foreign exchange outgo	781.77
b. Foreign exchange earnings (excluding deemed export of Rs. 36 Lakhs)	571.00

4. Since the Company produces a number of different products with common utility services, it is not feasible to work out product wise energy consumption per unit of production.

5. The cost of Research & Development is included in respective heads of accounts and not kept separately.

For and on behalf of the Board of Directors

Sonipat
5th June, 2007

(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 31st March, 2007 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 2006-2007, 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 at Board Meetings	Number of directorships/ committee member/chairmanships including that in Jasch			Whether attended last AGM
			Directorships#	Committee~~ Member	Chairman	
J.K. Garg	E&P	6	3	0	0	Yes
O.P. Garg	E&I	6	3	1	0	Yes
Justice A.S. Garg	N&I	5	1	0	0	No
S.K. Khandelwal	N&I	6	2	3	1	Yes
Ramnik Garg	E&P	5	2	0	0	Yes
Manish Garg	E&P	6	2	0	0	Yes
Navneet Garg*	E&P	5	2	0	0	Yes
K.C. Varshney	N&I	5	4	2	2	Yes
Ashok Mittal	N&I	4	2	0	0	Yes
Kuldeep Singal	N&I	6	1	2	0	Yes

E = Executive, P=Promoter, N=Non-Executive I = Independent * = appointed w.e.f. 29-04-2006

= Directorships in Indian public limited companies only. ~~ = Committee means only the Audit Committee, Shareholders' Grievance Committee and Remuneration Committee.

During the year under the report, the Board met six times i.e. on 29-04-2006, 12-05-2006, 22-07-2006, 15-09-2006, 28-10-2006 and 21-01-2007. The maximum time gap between any two meetings was not more than three calendar months. As per information available with the Company, none of the Directors is a member of more than ten committees and none acts as chairman in more than five committees across all companies in which he is a director.