

JASCH INDUSTRIES LTD

(An ISO 9001:2008 Company)
25th ANNUAL REPORT (2010-2011)

BOARD OF DIRECTORS

J.K. GARG	CHAIRMAN & MANAGING DIRECTOR
MANISH GARG	WHOLE TIME DIRECTOR
RAMNIK GARG	WHOLE TIME DIRECTOR
NAVNEET GARG	WHOLE TIME DIRECTOR
KAMLESH GARG (MS)	DIRECTOR
O.P. GARG	EXECUTIVE DIRECTOR
S.K. KHANDELWAL (DR.)	DIRECTOR
K.C. VARSHNEY (DR.)	DIRECTOR
ASHOK MITTAL (DR.)	DIRECTOR
KULDEEP SINGAL	DIRECTOR
K.L. KHETARPAUL	DIRECTOR

COMPANY SECRETARY

S.K. VERMA

AUDITORS

Arora & Choudhary Associates
Chartered Accountants
(Registration No. 003870N)
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

Alankit Assignments Ltd.
(Unit : Jasch Industries Ltd)
2E/21, Jhandewalan Extn.,
New Delhi – 110 055

REGISTERED OFFICE AND WORKS

43/5, BAHALGARH ROAD,
P. O. BAHALGARH,
DISTT. SONPAT 131 021 (HARYANA)

CORPORATE OFFICE

502, BLOCK C, NDM-2,
NETAJI SUBHASH PLACE,
PITAMPURA, DELHI – 110 034

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NOTICE OF 25th ANNUAL GENERAL MEETING

To

The Members,

NOTICE is hereby given that the 25th Annual General Meeting of Members of JASCH INDUSTRIES LIMITED will be held on Friday, the 30th day of September, 2011 at 10:00 AM at Registered Office of the Company at 43/5, Bahalgarh Road, PO, Bahalgarh, Distt. Sonapat-131021, Haryana, to transact the following business :

ORDINARY BUSINESS :

AGENDA ITEM NO. 1 : To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 2011, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.

AGENDA ITEM NO. 2 : To declare dividend for the financial year ended 31st March, 2011.

AGENDA ITEM NO. 3 : To appoint a Director in place of Shri O.P. Garg who retires by rotation, and being eligible, offers himself for re-appointment.

AGENDA ITEM NO. 4 : To appoint a Director in place of Dr. S.K. Khandelwal who retires by rotation, and being eligible, offers himself for re-appointment.

AGENDA ITEM NO. 5 : To re-appoint Auditors and in this connection, to consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT the retiring auditors M/s Arora & Choudhary Associates, Chartered Accountants, being eligible for reappointment, be and are hereby re-appointed as auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, on a remuneration of such sum as may be fixed by the Board of Directors / any Committee of the Board of Directors, plus service tax and reimbursement of out of pocket expenses as may be incurred in the performance of their duties."

SPECIAL BUSINESS

AGENDA ITEM NO. 6 : TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATIONS, THE FOLOWING RESOLUTION AS SPECIAL RESOLUTION :

"RESOLVED THAT Shri Jai Kishan Garg be and is hereby re-appointed Managing Director for a period of five years w.e.f. 1st May, 2011 on remuneration, terms and conditions as sanctioned by remuneration committee and as set out in the Explanatory Statement."

AGENDA ITEM NO. 7 : TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATIONS, THE FOLOWING RESOLUTION AS SPECIAL RESOLUTION :

"RESOLVED THAT Shri Navneet Garg be and is hereby re-appointed Whole Time Director for a period of five years w.e.f. 1st May, 2011 on remuneration, terms and conditions as sanctioned by remuneration committee and as set out in the Explanatory Statement."

AGENDA ITEM NO. 8 : TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATIONS, THE FOLOWING RESOLUTION AS SPECIAL RESOLUTION :

"RESOLVED THAT the existing Clause V of Memorandum of Association and the existing Article 3 of Articles of Association of the Company be and are hereby substituted with the following :

"The Authorised Share Capital of the Company is Rupees 14,00,00,000 (Rupees Fourteen Crores) divided into 1,40,00,000 (one Crore Forty Lakh) equity shares of ₹10 (Rupees ten) each."

By Order of the Board of Directors
For JASCH INDUSTRIES LTD

Place : Sonapat
18th July, 2011

S.K. VERMA
COMPANY SECRETARY

NOTES

1. Explanatory Statement relating to Agenda Item No. 6, 7 and 8 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 Registers of the company will remain closed from 1st September, 2011 to 30th September, 2011, both days inclusive.
7. Subject to the provisions of Section 206A of the Act, dividend as declared at the meeting, will be payable on or after 5th day, of October, 2011 (being 5th day from the date of declaration) to those members whose names appear on the Register of Members as on 01st Day of September, 2011.
8. Members holding shares in electronic form may please note that: (a) the dividend, when declared, will be credited to their respective Bank Accounts as furnished to the Depository Participants through the National Electronic Clearing Service (NECS) where this facility is available; (b) in other cases, Bank details as furnished to the Depository Participants will be printed on the dividend warrants as per the applicable regulations. The company shall not entertain any direct communications for deletion of / change of such Bank details. Further, it may be noted that instructions, if any, already given by the members in respect of the shares held in physical form will not be automatically applicable to the dividend paid on their holding in electronic form.
9. Pursuant to Section 205C of the Act, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the company's Unpaid Dividend Account, will be transferred, to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.
10. As the equity shares of the company are compulsorily traded in demat form, members holding equity shares physical form are requested to get the shares converted in demat form.
11. Members holding equity shares in physical form are hereby requested to promptly notify the change of address/ dividend mandate, if any, to the company's Registrar and Share Transfer Agents, Alankit Assignments Ltd (2E/21, Jhandewalan Extension, New Delhi) quoting their folio number and Members holding equity shares in demat form shall have to intimate to their respective Depository Participants quoting their Client ID.
12. Members who have not registered their e-mail addresses so far are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participant. Members who hold shares in physical form are requested to register their e-mail addresses with Alankit Assignments Ltd (2E/21, Jhandewalan Extension, New Delhi), Registrar and Share Transfer Agent of the company.
13. To avoid loss of dividend warrants in transit and undue delay in receipt thereof, members are advised to avail the facility for receipt of future dividends through National Electronic Clearing Service (NECS). The NECS facility is available at the locations identified by Reserve Bank of India from time to time which covers most of the cities and towns. Members holding shares in dematerialized mode are requested to contact their respective Depository Participant (DP) for availing NECS facility. Members holding shares in physical form and who have not submitted the NECS details and desirous of availing NECS facility are requested to send to the company or to the Share Transfer Agents the details such as: the name of the Shareholder, Bank through which account held, Bank Account number and MICR details immediately and wherever possible the request shall be acceded to.
14. Members are requested to make use of Nomination facility by filing Form 2B. In case of shares held in demat mode Form 2B has to be lodged with the respective DP and in case of the shares held in physical mode the same has to be lodged with the company or its Share Transfer Agents.
15. 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 as extra copies will not be supplied at the meeting.
16. 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.
17. **FOR SPECIAL ATTENTION OF MEMBERS : NO GIFTS/COUPONS WILL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail id with Alankit Assignments Ltd (Registrar and Share Transfer Agents of the company) by sending a request letter duly signed by the first / sole shareholder.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF AGENDA ITEM NOS. 6, 7 & 8

AGENDA ITEM NO. 6

Shri Jai Kishan Garg, 64 is a Mechanical Engineer. He has been associated with the Company as Chairman and Whole Time Director since its inception in the year 1985. His last re-appointment for a period of five years was approved by the Board in its Meeting held on 29th April, 2006, The re-appointment was for a period of five years w.e.f. 01-05-2006. The Remuneration Committee of the Board had initially fixed his salary at ₹ 55,000 per month in the scale of ₹ 55,000 – 75,000 which was later increased to ₹ 1,00,000 w.e.f. 01st April, 2007 for the remaining term of his tenure. Both of these remunerations were approved by the Shareholders in the Annual General Meetings held on 15th September, 2006 and on 28th Sept, 2007 respectively.

The aforesaid period of 5 years came to an end on 30-04-2011 and the Board of Directors of the Company, in their Meeting held on 30-04-2011 re-appointed him for a further period of five years. As prescribed under Schedule XIII of the Companies Act, 1956, the remuneration of Directors is required to be fixed by the Remuneration Committee and approved by the Shareholders. While fixing his remuneration, the Remuneration Committee of the Board, in its Meeting held on 30-04-2011 passed the following Resolution :

"RESOLVED THAT subject to approval of the Company in the forthcoming Annual General Meeting, the remuneration and perks of Shri Jai Kishan Garg, Managing Director be and are hereby sanctioned as follows :

Monthly Salary : ₹ 1,00,000 per month.

Perks : In addition to salary, he will be entitled to following perks :

1. Chauffeur-driven car for official use only.
2. Telephone at residence and mobile phone for official use only.
3. Special Allowance not exceeding six months' salary in a year, to cover housing, conveyance, telephone, medical, electricity, gas, water and other personal expenses.
3. Gratuity as per law

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."

AGENDA ITEM NO. 7

Shri Navneet Garg, 35, is a Mechanical Engineer. At the time of his first appointment in the Company on 7th April, 2005 as Production Manager, he had eleven years' experience in production of Synthetic Leather. Later, in the Board Meeting held on 29th April, 2006, he was appointed as Whole Time Director for a period of five years w.e.f. 01st April, 2006. The Remuneration Committee of the Board had initially fixed his salary at ₹ 30,000 in the scale of ₹ 30000 – 3000 – 42000 plus perks which was later increased to ₹ 50,000 w.e.f. 01st April, 2007 for the remaining term of his tenure. Both of these remunerations were approved by the Shareholders in the Annual General Meetings held on 15th September, 2006 and on 28th Sept, 2007 respectively.

The aforesaid period of 5 years came to an end on 30-04-2011 and the Board of Directors of the Company, in their Meeting held on 30-04-2011 re-appointed him for a further period of five years. As prescribed under Schedule XIII of the Companies Act, 1956, the remuneration of Directors is required to be fixed by the Remuneration Committee and approved by the Shareholders. While fixing his remuneration, the Remuneration Committee of the Board, in its Meeting held on 30-04-2011 passed the following Resolution :

"RESOLVED THAT subject to approval of the Company in the forthcoming Annual General Meeting, the remuneration and perks of Shri Navneet Garg, Whole Time Director be and are hereby sanctioned as follows :

Monthly Salary : ₹ 70,000 per month in the scale of ₹ 70,000 – 1,00,000.

Perks : In addition to salary, he will be entitled to following perks :

1. Chauffeur-driven car for official use.
2. Telephone at residence and mobile phone for official use.
3. Reimbursement of electricity bills, consumption of gas, water, conveyance, telephone, medical and other personal expenses, subject to a maximum of six months' salary in a year.
3. Gratuity as per law

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.'

AGENDA ITEM NO. 8

At present the Authorised Capital of the Company is ₹ 1250 lakhs and the Paid Up Capital is 1133 lakhs. In order to meet its future growth objectives and to strengthen its financial position it may, in future, need to generate long term resources by issuing further shares in accordance with law prevailing at that time. It is, therefore, proposed to make an enabling provision at this stage only, by amending the Capital Clause of the Memorandum of Association of the Company and also by making consequential amendment in the Articles of Association of the Company.

The provisions of Companies Act, 1956 require the Company to seek the approval of Members by way of a Special Resolution, for alteration of Capital Clause of Memorandum of Association and Articles of Association of the Company.

The Directors recommend passing of the Resolutions proposed at Agenda Item Nos. 6, 7 and 8 as Special Resolutions.

Disclosure of interest : None of the Directors is interested in the aforesaid Resolutions except Shri Jai Kishan Garg, Smt. Kamlesh Garg, Shri Ramnik Garg, Shri Manish Garg and Shri Navneet Garg, who may be deemed to be interested in Resolutions at Agenda Item Nos. 6 and 7, being relatives/re-appointees.

18th July, 2011

Registered Office :
Jasch Industries Ltd.
43/5, Bahalgarh Road,
P.O. Bahalgarh, Distt. Sonapat
Haryana

By Order of the Board
For Jasch Industries Ltd.

S. K. Verma
COMPANY SECRETARY

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 25th Annual report and audited accounts of the company for the year ended 31st March 2011.

FINANCIAL RESULTS

Particulars	Current year 2010-11	Previous Year 2009-10
	₹ lakh	
Gross Sales	8252.74	7045.32
Less Excise Duty/vat/service tax	723.27	487.74
Net Sales Turnover	7529.47	6557.58
Other Income	41.71	51.45
Net sales and & other income	7571.18	6599.53
Operating Profit before Interest		
Depreciation, Income Tax,		
Exceptional Items &		
Prior Periods Adjustments	842.89	656.14
Interest & Financial Charges	226.44	200.90
Gross Profit Before Depreciation	616.45	455.24
Depreciation	180.33	172.12
Less : Provision for income tax	133.41	94.21
Net profit before deferred tax	302.71	188.91
Add / (Deduct) : Provisions for		
deferred Tax (Assets) / Liability	26.51	(3.69)
Net profit available for appropriation	276.20	185.22
Surplus brought forward from previous year	879.55	694.33
Transfer to general reserve	30.0	—
Provision for dividend including dividend distribution tax	132.11	—
surplus carried forward to balance sheet	993.64	879.55

DIVIDEND

In view of satisfactory performance of the company during the year 2010-2011, the Management is pleased to recommend maiden dividend @ 10% i.e. ₹ 1 on face value of ₹ 10 each at Silver Jubilee Annual General Meeting (25th) of the Company. The total dividend outgo would workout to ₹ 132.11 lakh comprising dividend of ₹ 113.3 lakh and dividend distribution tax of ₹ 18.81 lakh.

PERFORMANCE DURING THE YEAR

Your company has achieved gross sales of ₹ 8252.74 lakh during 2010-2011 which were 17.13% higher as compared with the sales of the previous year. The sales of Synthetic Leather Division at ₹ 6548 lakh during 2010-2011 were higher by 21.48% as compared with the sales of previous year. The sales of Electronic Gauge Division at ₹ 1704.51 lakh during the year under review were marginally 2.97% higher as compared with the previous year. The Electronic Gauge Division has achieved exports of ₹ 773.0 lakh during the year under review including a very prestigious export order of Gauges to ArcelorMittal in Kazakhstan.

The growth of 17.13% in production and sales of Synthetic Leather Division is significant especially in view of recessionary conditions in user industries. The company is continuing Modernization of PU Synthetic Leather Division by installing a New DMF Recovery Plant of higher capacity with improved energy efficiency, which will result in higher production of PU Synthetic Leather at lower cost of production.

The company's operating profit before interest, depreciation, income tax and deferred tax has increased by 28% to ₹ 842.89 lakh during 2010-2011 as compared with ₹ 656.14 lakh during the previous year. The substantial Improvement in operating profit has been achieved despite sharp increase in the prices of raw material on account of the inflationary pressure in the economy. Despite increase in the rate of interest on finance by the bankers and availment of term loan for modernization of Plant & Machinery and DMF Recovery plant and increase in the production and sales, the company has managed to contain interest and finance charges at ₹ 226.4 lakh which was only 13% higher as compared with the previous year due to efficient management of financial resources.

The gross profit before depreciation and income tax has also increased to ₹ 616.45 lakh during the year 2010-2011, which is 35.4% higher than that of the previous year. After providing depreciation of ₹ 180.33 lakh and provision of income tax of ₹ 133.4 lakh, the company has earned net profit before deferred tax of ₹ 302.71 lakh, which was 49.1% higher as compared with net profit of ₹ 185.22 lakh in the previous year. After providing deferred income tax of ₹ 26.51 lakh consequent to capitalization of fixed assets, the company has achieved net profit of ₹ 276.20 lakh during the year under review. The cash profit of the company without taking in to account notional deferred income tax has increased to ₹ 483.0 lakh during the year 2010-2011 as compared with cash profit of ₹ 361.0 lakh in the previous year. Keeping in view recessionary conditions particularly in the international market, which adversely effected export of Electronic Gauges during the year and wide fluctuation in the prices of main raw materials, the Management considers overall performance of the company during the year under review quite satisfactory.

CREDIT RATING AND ISO 9001 CERTIFICATION

The Company's performance and financial position was rated by CRISIL Ltd, the Premier credit rating agency in the country. CRISIL has assigned BBB Stable rating to fund based long term bank loans and P-3⁺ to non-fund based facilities from State Bank of India. Our rating reflects moderate safety to timely payment of financial obligations and comes under Investment Grade rating. The Company has obtained ISO 9001:2008 and ISO 9001:2000 Quality Certificates for its Synthetic Leather and Electronic Gauge Division respectively.

INSURANCE CLAIM

The company's insurance claim of ₹ 48.96 lakhs regarding fire accident in November, 2001 continues to be pending in Delhi High Court. Necessary provisions would be made after the case is settled by the court. The company has taken adequate insurance cover for the building, Plant & Machinery and inventory.

FUTURE PROSPECTS

The company has achieved consistent increase in production and sales in the last few years due to the Management's focus on continuous up-gradation and modernization of plant and machinery and development of innovative products. In view of installation of New DMF recovery Plant of higher capacity with better energy efficiency, the Management is optimistic that, besides increasing production capacity of PU synthetic Leather & sales, this up-gradation will also result in substantial saving in cost of power and fuel, thereby improving profitability of the company in the next 2 - 3 years. Therefore, management expects better results in the current year as well as in future.

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 ₹ 60 lakhs or more per annum or, if employed for a part of the year, ₹ 5 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 31st March 2011 was Nil.

LISTING

The Shares of the Company are traded at Mumbai Stock Exchange. The Company has sought voluntary delisting of its shares from Kolkata Stock Exchange.

DIRECTORS

Shri O.P. Garg and Dr. S.K. Khandelwal, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. In addition, Shri J.K. Garg, Managing Director and Shri Navneet Garg, Whole Time Director, who had completed their tenure of five years on 30-04-2011 have also offered themselves for re-appointment. The directors recommend their reappointments. A brief resume of these proposed re-appointees is given in the Corporate Governance Report.

AUDITORS & THEIR REPORT

M/s Arora and Choudhary Associates, Chartered Accountants retire as Auditors of the Company at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The company has received a letter from them that their reappointment, if made would be within the prescribed limit under section 224(1B) of Companies Act, 1956 and that they are not disqualified from being reappointed as Auditor U/s 226. The Directors and the Audit Committee recommend 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 38 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 judgments and estimates made 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, 2011 and of the profits of the Company for the year ended 31st March, 2011.
- (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 of the company for their continued and valuable co-operation and support to the Company.

Your Directors also express their appreciation for the hard work and sincere services rendered by workers, staff and executives of the Company during the year.

For & on behalf of the Board

Place : Sonapat
Date : 18th July, 2011

(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) and Allied Products & Nucleonic & X-Ray Source based Thickness Gauging Systems in Electronic Gauge Division. The major business segment & their product applications are as follows :-

Business Segment	Product Application
- PU/PVC Coated Fabric & Allied products	Used in Footwear, Garment Upholstery, Automobile Luggage & sports Goods

- Electronic Gauges	Used for online measurement of thickness, grammage, moisture & ash contents in Paper Making Industry, on line measurement of thickness & coating weight in Plastics, Steel Sheet Rolling, Galvanizing Sheet, Aluminum foil & Non Ferrous Metal Rolling Industry
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Business Distribution	(₹ in Lakh)			
	2010-11 Value	2009-10 Value		
- PU/PC Coated Fabrics	6548.22	79.4 %	5390.00	76.50 %
- Electronic Gauges	1704.51	20.6 %	1655.32	23.50 %
	8252.73	100 %	7045.32	100 %

As may be seen from above, the business of Synthetic Leather has shown higher rate of growth than Electronic Gauge due to continuous modernization in Synthetic Leather Division and slightly slackening of orders for Electronic Gauge due to recession in the user industries.

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 Garments as Lining Material, as Automobile seat cover & Furniture upholstery material, in Ladies and Gents Purses and 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, the company has been able to withstand competition both domestic and from abroad, as it is an integrated player with in-house manufacturing facility for PU Resin, which is main raw materials for PU coated Fabrics. Further, the company is continuously upgrading its technology and modernizing plant & machinery to maintain competitive edge in the market and hence despite tough competition in the market, its sales are growing every year and it has achieved 17.13% increase in production and sales during 2010-11. The company is now concentrating on PU Synthetic Leather where competition is somewhat less.

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

	2010-11	2009-10
Production lakh meter	37.35	37.08
Segment Revenue	6548.22	5390.00
Segment Profits/(Loss) before interest & other common unallocable expenditure	387.91	257.56
Capital Employed	3761.73	3049.38

ELECTRONIC GAUGE AUTOMATION DIVISION

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

	2010-11	2009-10
		(₹ Lakhs)
Production (in Nos.) (Gauges + Parts)	59 + 448	64+423
Segment Revenue	1704.51	1655.32
Segment Profits before interest & other common unallocable expenditure	387.91	226.47
Capital Employed	591.39	541.20

The company has executed large export orders of Electronic Gauges to ArcelorMittal, Kazakhstan during the year. The Electronic Gauges are used in various industries as Capital Goods item, hence market for electronic Gauges depends upon investment in users industries. In view of recessionary trends particularly in international market the company has been able to increase only marginally production and sale of Electronic Gauges. The export of Electronic Gauges was foreign currency equivalent of ₹ 760 lakh during the year under review.

(i) Fixed Assets

The gross fixed assets including capital work in progress of ₹ 608.48 lakh were ₹ 4155.75 lakh as on 31st March 2011. The net addition of fixed assets of ₹ 702.74 lakh was due to ongoing modernization, installation of balancing equipments and capital expenditure on installation of New DMF Recovery Plant during the year.

(ii) Current Assets

The net current assets as on 31st March, 2011 were ₹ 1657.45 lakhs as compared with ₹ 1574.53 lakh in the previous year resulting a marginal increase of ₹ 82.92 lakh during the year due to increase in inventory & sundry debtors consequent to higher production and sales.

(iii) Working Capital and Borrowings

The working capital borrowing from the Bank increased by ₹ 182.0 lakh to ₹ 1007.4 lakh as on 31.03.2011 to finance higher production and sales during the year. Over all secured debts of the company increased from ₹ 1304.7 lakh as on 31.03.2010 to ₹ 1826.11 lakh as on 31.03.2011 due to avilment of additional term loan for ongoing modernization and higher working capital borrowing. The net worth of the company has increased from ₹ 2012.55 lakh as on 31.03.2010 to ₹ 2156.6 lakh as on 31.03.2011 due to retention of profit after payment of proposed dividend. Overall secured debts to equity ratio increased from 0.65:1 as on 31.03.2010 to 0.85:1 as on 31.03.2011 due to avilment of term loan and higher working capital from Bank.

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 Company's products are mostly (upto 75% of total) used in Footwear Industry. Therefore, the fortunes of the company are invariably inter 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 in respect of Coated Fabrics & Electronic Gauges.

c. Technological Obsolescence

Right from the beginning, the company has been engaged in its own Research & Development activity 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 a fresh technical collaboration agreement with DUKSUNG COMPANY LTD., Korea in September, 2010 for a period of 3 years for up gradation of technology, development of new products and saving in the cost of inputs.

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 Synthetic Leather and 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 about 45.5% of total cost of raw material and

consumables. The Thickness Gauging System has large export potential, which will provide cushion by way of natural hedge on foreign exchange transactions. The company incurred foreign currency expenditure of ₹ 2858 lakhs during the year (including capital goods of ₹ 533 lakh and foreign travel of ₹ 13.0 lakh) against exports in foreign currency were of ₹ 773 lakh (Electronic Gauge - ₹ 760 lakh and Synthetic Leather ₹ 13.0 lakh), which provides some cushion against adverse fluctuation in foreign currency. The company's foreign currency transactions are on current account basis and there are no deferred liabilities in terms of foreign exchange except small amount due in respect of raw material imported on deferred payment basis upto 31st March, 2011 and to be paid later.

(b) Interest and Leverage Risk

With a view to contain inflationary pressure in the economy the RBI is continuously increasing the interest rate in the last 18 months resulting in higher interest on borrowing from the Banks. The management is trying to contain interest cost by efficient management of inventory and working capital resources and availment of short term borrowings in foreign currency at substantially lower interest for financing import of raw materials.

HUMAN RESOURCES

The Company did not have any labour problem during 2010-2011. Relation with worker and Staff were cordial.

INTERNAL CONTROL

The Management is having tight control on all the operations of the Company. All expenses 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. Adequacy of internal Control System is periodically reviewed by the Audit Committee of the Board for corrective action to be taken, if any.

CAUTIONARY STATEMENT

Statements in this directors' report & management discussion and analyses describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed/implied. Important factor that could make a difference to the company's operations include raw material availability and prices, cyclical demand and pricing in the company's principal markets, change in the Government regulations, tax regime, economic developments within India and the countries in which the company conducts business and other incidental factors.

For & on behalf of the Board

Place : Sonapat
Date : 18th July, 2011

(J.K.GARG)
Chairman