

20 MICRONS LIMITED

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ANNUAL REPORT

2003 – 2004

BOARD OF DIRECTORS :

MR. CHANDRESH S. PARIKH	CHAIRMAN & MANAGING DIRECTOR
MRS. DARSHANA J. MANKAD	
MR. RAJESH C. PARIKH	WHOLETIME TECHNICAL DIRECTOR
MR. VISHNU R. VARSHNEY	NOMINEE DIRECTOR – GVFL
MR. SUDHIR R. PARIKH	WHOLETIME DIRECTOR (FINANCE)
MR. VITTHALDAS D. TALATI	
MRS. VASANTHI MOHANRAM	NOMINEE DIRECTOR - IDBI
MR. BHARAT KANANI	NOMINEE DIRECTOR – GVFL
(W.E.F 08-9-2004)	

COMPANY SECRETARY :

MR. VITTHALDAS D. TALATI

BANKERS :

STATE BANK OF INDIA
SBI FACTORS AND COMMERCIAL SERVICES PVT LTD
SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

STATUTORY AUDITORS :

M/S. N. C. VAISHNAV & CO.
CHARTERED ACCOUNTANTS
VADODARA.

REGISTERED OFFICE & WORKS OFFICE :

9/10, GIDC INDUSTRIAL ESTATE, WAGHODIA,
DIST. VADODARA – 391 760, GUJARAT STATE,
INDIA.

CORPORATE OFFICE :

307-308, ARUNDEEP COMPLEX,
3RD FLOOR, RACE COURSE,
VADODARA – 390 007. GUJARAT STATE,
INDIA.

TELE : +91 - 265 - 2330714 / 2337730

FAX : +91 – 265 – 2333755

E-MAIL : account@20microns.comVISIT US : www.20microns.com

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20 MICRONS LIMITED

REGISTERED OFFICE: 9-10, GIDC INDUSTRIAL ESTATE, WAGHODIA, VADODARA

NOTICE FOR THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the SEVENTEENTH ANNUAL GENERAL MEETING of the shareholders of 20 Microns Limited will be held on Thursday, the 30th September, 2004 at 11:00 a.m. at the registered office of the Company at 9/10, GIDC Industrial Estate, Waghodia, Dist. Vadodara, to transact the following business.

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Balance Sheet as at and the Audited Profit and Loss Account of the Company for the year ended 31st March 2004, together with Directors' Report and Auditors' Report thereon.
- 2 To appoint a Director in place of Shri Rajesh C. Parikh who retires by rotation, and being eligible, offers himself for reappointment.
- 3 To appoint a Director in place of Shri Sudhir R. Parikh who retires by rotation, and being eligible, offers himself for reappointment.
- 4 To appoint M/s. N. C. Valshnav & Co., Chartered Accountants, Vadodara, 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 and to fix their remuneration.

SPECIAL BUSINESS

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

- 5 "RESOLVED THAT Shri Bharat Kanani who was appointed as an Additional Director on the Board of Directors of the Company on 8th September, 2004 and who holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing from some members proposing his candidature for the office of a Director under the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- and who is eligible for appointment to the office of a Director, be and is hereby appointed a Director of the Company."

By order of the Board of Directors

PLACE: Waghodia, Dist - Vadodara

DATE: 8th September, 2004

V. D. Talati
Company Secretary

NOTABENE:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. PROXIES TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. THE EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956, RELATING TO ITEM NO 5 OF THE NOTICE IS ANNEXED HERETO.
4. IT IS CLARIFIED THAT FOR ATTENDING THE ANNUAL GENERAL MEETING, EXPENSES OF WHATSOEVER NATURE LIKE TRAVELLING EXPENSES, HALTING ALLOWANCE AND/OR OUT OF POCKET EXPENSES WILL NOT BE REIMBURSED.

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THE COMPANY BEING AN UNLISTED COMPANY, CLAUSE 49 OF THE LISTING AGREEMENT IS INAPPLICABLE TO THE COMPANY. HOWEVER THE COMPANY, IN COMPLIANCE WITH THE SAID CLAUSE HEREBY FURNISHES THE BRIEF RESUME & FUNCTIONAL EXPERTISE OF THE DIRECTORS SEEKING RE-APPOINTMENT AS UNDER:

Name of the Director	SHRI RAJESH C. PARIKH	SHRI SUDHIR R. PARIKH
Age	33 Years	51 Years
Qualification	B.E (Mechanical), M.B.A.	B.Com., A C A
Date of Appointment	2 nd July, 1998	10 th April, 2000
Expertise	Rich & Wide Experience in Technical Marketing and General Management.	Vast and Varied experience in Accounting, Auditing, financial and other Commercial matters
Directorships as on 31 st March, 2004	a. Speciality Minerals Ltd., b. Nanotech Minerals India Pvt. Ltd.	a. Speciality Minerals Ltd.,
Chairman/ Membership of the Committees as on 31 st March, 2004	Committee Member in: 1. Share transfer Committee 2. Management Committee of Directors of 20 Microns Limited	<u>Committee Member in:</u> 1. Audit Committee of Directors 2. Share Transfer Committee of Directors 3. Finance Committee of Directors and 4. Management Committee of Directors of 20 Microns Limited

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20 MICRONS LIMITED

REGISTERED OFFICE: D 10, OLD INDUSTRIAL ESTATE, WAGHODIA, VADODARA

EXPLANATORY STATEMENT

(as required under Section 173 (2) of the Companies Act, 1956)

Shri Bharat Kanani joined the Board of the Directors of the Company as GVFL nominee Director with effect from 8th September, 2004 and he holds office as such Director only upto the date of the ensuing Annual General Meeting of the shareholders of the Company.

Shri Bharat Kanani is a Chartered Accountant and a Company Executive in GVFL, a leading Venture Company in India. He is well versed in accountancy and other related matters. He has amassed considerable practical experience during the course of his service in GVFL.

Notice in writing under Section 257 of the Companies Act, 1956 has been received by the Company from some of the members proposing his candidature for the office of a Director alongwith a deposit of Rs. 500/-. It is therefore thought fit and it would be in the interest of the Company to appoint him as an addition to the Board of Directors of the Company.

Your Directors commend the resolution set out at item 5 of the notice for your approval and acceptance.

Except Shri Bharat Kanani, none of the other Directors of the Company may be considered to be concerned or interested in passing of this resolution.

PLACE: Waghodia, Dist - Vadodara

DATE: 8th September, 2004

By order of the Board of Directors

V. D. Talati
Company Secretary

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DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the Seventeenth Annual Report together with Audited Statement of Accounts for the year ended 31st March 2004.

PERFORMANCE OF THE COMPANY

The Company's performance during the year 2003 – 04 is summarized below:

	2003-2004 (Rs. in lacs)	2002-2003 (Rs. in lacs)
Sales and Other Income	6178.24	5249.47
Expenses	5713.88	4790.29
Profit before Depreciation, interest and Tax	464.36	459.18
Interest for the year	364.38	411.90
Depreciation for the year	261.99	195.29
Profit/(loss) for the year	(162.01)	(148.01)
Deferred Tax Asset/(liability) (Net)	171.97	(663.28)
Tax liability of earlier years	-----	(10.56)
Expenses on repairs of Magnet, and Diminution in value of slow and Non moving stocks	(33.44) (290.29)	-----
Net Profit/(loss) for the year	(313.77)	(821.85)

Your Directors consider the working results satisfactory.

PROSPECTS FOR THE YEAR 2004-05

Your Directors are glad to report that the working of the Company during the first four months of the current year i.e. 1st April to 31st July 2004 has improved. The same is summarized as under:

	Rs.in Lacs	
	1 st April 2004 to 31 st July 2004	1 st April 2003 to 31 st July 2003
Turnover	2457.98	1988.25
Gross Profit	638.88	493.17
Profit before Interest, Depreciation and Tax	266.35	201.29
Interest and Depreciation	230.35	241.73
Profit before Tax	36.00	(40.44)

Your Directors are confident that this trend would certainly continue and taking into consideration this basic parameter for growth and development of any Company including ours, other things being equal and favorable, there is no room for any despondency or any cause of alarm for the future.

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DIVIDEND

Your Directors regret their inability to recommend payment of any dividend to the shareholders for the year under review, on account of the loss incurred during the year.

RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make following statements in terms of Section 217(2AA) of the Companies Act, 1956:

- (a) The applicable accounting standards have been followed in the preparation of the Annual Accounts along with proper explanations relating to material departures;
- (b) Accounting policies are selected and applied consistently and judgments and estimates are made which are reasonable and prudent so as to give a true and fair view of the state of the affairs at the end of financial year and of the loss of the Company for the year under review;
- (c) The Directors have taken proper and sufficient care 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;
- (d) The Directors have prepared the accounts on a "going concern" basis.

REPORTS ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS

Clause 49 of the Listing Agreement is inapplicable to the Company. However, both the above reports are furnished separately to form part of this Director's Report.

Corporate Governance

Your Company always strives to incorporate standards of good Corporate Governance. It has complied with the significant principles and practices of good Corporate Governance.

As in the past, the Company continues to give extreme importance to good Corporate Governance practices in all its activities with emphasis on integrity, accountability, transparency and social responsibility to protect the interest of all its stakeholders and endeavors to improve these aspects on an ongoing basis.

Management Discussion and Analysis

The Management Discussion and Analysis report, annexed separately, highlights the Operations, Future Outlook, Market Scenario, Research and Development, SWOT etc.

FINANCE***Corporate Debt Restructuring Rehabilitation Package.***

Your Directors reported last that the Company had approached IDBI and EXIM Bank for reduction in rate of interest payable on the term loans granted by them. This was so because there was a severe strain on the operations and pressure on the Cash Flow position of the Company.

The broad reasons for the financial crunches were: Impact of non operating of Cryogenic Magnet at Bhuj, which was affected by Earthquake; Global competition

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causing reduced mark up levels; Reduction in import duties causing global competition and steep rise in power and fuel costs due to international price factors.

IDBI reviewed the operations of the Company in respect of the immediately preceding two years and being satisfied, took a positive and pragmatic view and approached the CDR cell for debt restructuring.

Your Directors greatly appreciate the initiative taken by IDBI in approaching the CDR Cell. After careful considerations and hearing the concerned parties, the CDR Empowered Group approved the comprehensive debt-restructuring package keeping Cut off date as 1st April 2003 with concessions and reliefs which includes reduction in the rates of interest, waiver of the differential rate of interest, penal rates of interest and liquidated damages, funding of the interest installment into term loan, conversion of the working capital into term loan and re-fixation of the payment of term loan installment.

The beneficial effect of the Debt Restructuring Package shall be to the tune of Rs.627 Lacs during the tenure of the loan, (based on NPV) and to the tune of Rs.48 Lacs in respect of financial year ended 31st March 2004.

Your Directors place on record their grateful acknowledgement to CDR group for restructuring the debts of the Company and also place on record their gratitude to the financial Institutions, banks and other lenders namely Industrial Development Bank of India, EXIM Bank and State Bank of India for agreeing to the proposal of restructuring of debts submitted by the Company to the CDR group. The other two lenders namely Gujarat State Financial Corporation and SBI Factors and Commercial Services were not agreeable to fall in line with IDBI and 2 others.

Repayment of Term Loans to SIPCOT and GLIC

Your Directors are glad to report that the Company had repaid the entire amount of Rs. 320 Lacs and Rs.200 Lacs granted by SIPCOT and GLIC respectively by way of term loans to the Company. Consequently, the charges created in their favour were satisfied on 23rd August 2004 and 20th May, 2004 respectively.

ISO ACCREDITATION

It is hearteningly to note that upon completion of Audit of Quality Management System prevailing at the manufacturing units located at:

(1) Plot No. 253-254, GIDC Estate, Waghodia, Dist Baroda (Export Unit) and,

(2) Plot No 157, Village Mamuara, Bhuj. (for China Clay)

the Company has been granted a Certificate from BVQI (India) Pvt. Ltd., on 18th June 2004, which is valid upto 3rd June 2007. This certificate specifically states that the Quality Management System Standards have been duly maintained under standard ISO 9001:2000 for the manufacture and supply of Natural Mineral Products i.e. Calcium Carbonate, Dolomite, Talc, Silica, Barytes, Oxides, Mica, Hydrous and Calcine China Clay (Kaolin).

The Company is in the process of obtaining similar accreditation for other manufacturing units located at Hosur and Vadadala. The Company shall also endeavor to obtain such accreditation for the Alwar and Swaroopgunj manufacturing plants and also for plants located at Plot Nos. 9,10,11,728 and 729, GIDC Estate, Waghodia.

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SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts for the year ended 31st March 2004 along with the Report of the Board of Directors and Auditors' Report of the Speciality Minerals Ltd., a subsidiary of the Company, as also a Statement under sub-section (1) (c) of the said Section relating to the interest of the Company in the said subsidiary are annexed.

It will be observed from the Directors Report that the sales turnover of the Company, which stood at Rs.5276 Lacs in the previous year, got increased to Rs.6271 lacs during the year under report. The Subsidiary Company is slowly and steadily growing.

FIXED DEPOSITS

Fixed Deposits from Public and Shareholders stood at Rs.637.42 Lacs on 31st March, 2004. 61 (Sixty-one) deposits totaling to Rs. 9.10 Lacs due for repayment on or before 31st March 2004 were not claimed by the depositors on that day.

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and outgo required to be given pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are given in the Annexure 'A' to this Report.

PERSONNEL

Your Company strongly believes that the bedrock of success for your Company is the capability and competence of the Human Resources and efforts continue to be made regularly to develop the personnel for improving performance and Values. The Company believes that this will be of great value addition.

The Board of Directors wishes to place on record their sincere appreciation to all the employees for their dedication and loyalty to the Company.

The Company does not have any employee to whom the provisions of Section 217(2A) of the Companies Act, 1956 read with the Company's (Particulars of Employees) Rules, 1975 are applicable.

INDUSTRIAL RELATIONS

Industrial Relations remained cordial throughout the year at all the factories.

INSURANCE

All the insurable interests of the Company including inventories, buildings, plants and machinery and liabilities under legislative enactments are adequately and appropriately insured.

DIRECTORATE

Upon withdrawal of appointment of Smt. Lalita D. Sharma as its Nominee Director on the Board of Directors of the Company, IDBI had appointed in her place as its nominee Director Smt. Vasanthi Mohanram with effect from 7th June 2004.

The Directors have placed on record their appreciation for the assistance received from Smt. Lalita Sharma while she was on the Board.

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Mr. Bharat Kanani joined the Board of Directors of the Company as GVFL Nominee Director with effect from 8th September 2004. He holds his office as such Director only upto the date of ensuing Annual General Meeting of the Company. He, being eligible, offers himself for appointment. Notice under section 257 of the Companies Act, 1956 has been received from some of the members alongwith a deposit of Rs.500/- proposing his candidature for the office of the Director. Necessary resolution in this behalf is included in this notice for your approval.

Shri Sudhir R. Parikh and Shri Rajesh C. Parikh retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment. Appropriate resolutions for their re-appointment are being placed for your approval at the forthcoming Annual General Meeting.

AUDITORS

M/s. N. C. Vaishnav & Co., Statutory Auditors, retire at the ensuing Annual General Meeting and have made themselves available for re-appointment. The Company has received a letter from Statutory Auditors to the effect that in case their appointment is made it would be within the specified limit under Section 224(1B) of the Companies Act, 1956. You are requested to re-appoint them and to fix their remuneration.

THANK YOU

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Government Authorities, Financial Institutions, Bankers, Consultants, other professionals, Customers, Vendors, investors and depositors during the year under review.

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For and on behalf of the Board of Directors

Place : Vadodara

Date : 8th September 2004

CHANDRESH S. PARIKH
Chairman and Managing Director

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