

BATLIBOI LTD.



**ANNUAL REPORT
2002-2003**



NOTICE

59th ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fifty Ninth Annual General Meeting of BATLIBOI LTD., will be held at **M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kalkhushru Dubhash Marg, Mumbai - 400 001** on **Tuesday, the 29th July, 2003 at 3.00 p.m.** to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2003, the Balance Sheet as at that date and the Report of the Auditors and Directors' thereon.
2. To appoint a Director in place of Mr. Vijay R. Kirloskar, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. K.K. Anand, who retires by rotation and being eligible, offers himself for reappointment.
4. To note the retirement of Dr. S.M. Patil, who retires by rotation though being eligible, has not offered himself for re-appointment due to health reasons and to resolve not to fill the vacancy caused by the retirement of Dr. S.M. Patil.
5. To consider and if thought fit, to pass with or without any modification, the following as an ORDINARY RESOLUTION:

"RESOLVED THAT Messrs. V. Sankar Aiyar & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, on a remuneration as may be mutually agreed between the said auditors and the Board of Directors.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized in consultations with the Company's Auditors to appoint Auditors for Branches and Udhna Factory on such terms and conditions including remuneration as the Board of Directors may deem fit."

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :-
"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, sections, if any of the Companies Act, 1956, Mr. K.L. Swami be and is hereby appointed as a Director of the Company liable to retire by rotation.

RESOLVED FURTHER THAT in accordance with the provisions of Section 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactments thereof and subject to the approval of the Central Government and such other sanctions as may be necessary, the Company do hereby accord its approval to the appointment and payment of remuneration to Mr. K.L. Swami as Whole-Time Director of the Company, on the terms and conditions set out in the Draft Agreement for a period of 5 years with effect from 31st October 2002 and that the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include the Remuneration Committee constituted by the Board) be and is hereby authorised to effect such modification(s) in the terms and conditions of the said appointment and/or remuneration payable to Mr. K.L.

Swami as may be approved by the Board and Mr. K.L. Swami.

RESOLVED FURTHER THAT the Board be and is hereby authorized to make necessary alterations, if any, made by the Central Government in the terms and conditions of the said appointment."

7. To consider and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 311 read with Schedule XIII and other applicable provisions if any of the Companies Act, 1956 including any statutory modifications or re-enactments thereof and subject to the approval of the Central Government and such other sanctions as may be necessary, the Company do hereby accord its approval to the appointment and payment of remunerations to Mr. Pratap Bhogilal, as Executive Chairman of the Company on the terms and conditions set out in the Draft Agreement for a period of 3 years with effect from 1st June 2003 and that the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include the Remuneration Committee constituted by the Board) be and is hereby authorised to effect such modification(s) in the terms and conditions of the said appointment and/or remuneration payable to Mr. Pratap Bhogilal as may be approved by the Board and Mr. Pratap Bhogilal.

RESOLVED FURTHER THAT the Board be and is hereby authorized to make necessary alterations, if any, made by the Central Government in the terms and conditions of the said appointment."

8. To consider and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactments thereof and subject to the approval of the Central Government and such other sanctions as may be necessary, the Company do hereby accord its approval to the appointment and payment of remunerations to Mr. Nirmal Bhogilal, as Managing Director of the Company on the terms and conditions set out in the Draft Agreement for a period of 3 years with effect from 1st June 2003 and that the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include the Remuneration Committee constituted by the Board) be and is hereby authorised to effect such modification(s) in the terms and conditions of the said appointment and/or remuneration payable to Mr. Nirmal Bhogilal as may be approved by the Board and Mr. Nirmal Bhogilal.

RESOLVED FURTHER THAT the Board be and is hereby authorized to make necessary alterations if any made by the Central Government in the terms and conditions of the said appointment."

By Order of the Board of Directors

B. B. VANWARI
Vice President (Legal)
& Company Secretary

Mumbai

Dated 30th May, 2003

Registered Office

Bharat House, 5th floor,
104, Bombay Samachar Marg,
Fort, Mumbai - 400 001.

Batilbol Ltd.**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. The Register of Members and the Transfer Books of the Company are closed from Tuesday the 22nd July, 2003 to Tuesday the 29th July, 2003 both days inclusive.
4. **Reappointment of Directors:**

At the ensuing Annual General Meeting, Mr. Vijay R. Kirloskar, Dr. K.K. Anand and Dr. S.M. Patil retire by rotation and being eligible, Mr. Vijay R Kirloskar and Dr. K. K. Anand offer themselves for reappointment. Dr. S. M. Patil, however, has expressed his desire to retire due to his advanced age and ill health and therefore has not offered himself for reappointment. The vacancy caused by the retirement of Dr. S. M. Patil is not proposed to be filled at present. Pursuant to Clause 49 of the Listing Agreement relating to the Code of Corporate Governance, the particulars of the aforesaid two Directors are given below:

Profile of Directors retiring by rotation:

- a) Mr. Vijay Kirloskar, aged 52, joined the Board of Directors of the Company on 18th December, 1985 as Non-Executive Director. Mr. Kirloskar, an industrialist possesses, wide and varied experience in the field of Engineering and General Management.

The Other Directorship of Mr. Vijay R. Kirloskar:

Name of the Company(ies)

1. Kirloskar Electric Co. Ltd.
2. Kirloskar Computer Services Ltd.
3. Kirloskar Power Equipment Ltd.
4. KCS Trading Co. Ltd.
5. Kirloskar Ansaldo Industrial Systems Ltd.
6. Kirloskar Batteries Pvt. Ltd.
7. MRF Ltd.
8. BEST Trading & Agencies Ltd.
9. Kirloskar Sons & Co. Pvt. Ltd.
10. Kirloskar Power Build Gears Pvt. Ltd.
11. KEC North America Inc USA
12. Kirloskar (Malaysia) Sdn. Bhd.
13. Kirloskar Trading Pvt. Ltd.
14. Kirloskar Software Services, USA

Mr. Kirloskar is a member of Shareholders Investor Grievance Committee & Remuneration Committee of Kirloskar Electric Company Ltd.

- b) Dr. K.K. Anand, aged 76, joined the Board of Directors of the

Company on 31st July, 1984 as Non-Executive Director and possesses, wide and varied experience in the field of HRD and Corporate Management.

The Other Directorship of Dr. K.K. Anand:

Name of the Company(ies)

1. Hexaware Ltd.
2. Anand Health Eqpts. Pvt. Ltd.
3. Anand Consultancy Services Pvt. Ltd.
4. Cedar Enterprise Solutions Pvt. Ltd.

Dr. K.K. Anand is a member of Investor Grievance Committee & Compensation Committee of Hexaware Ltd. & Chairman of Audit Committee of Hexaware Ltd.

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 AND INFORMATION AS REQUIRED UNDER CLAUSE 49 (VI) (A) OF THE LISTING AGREEMENT.**

The following Explanatory Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice dated 30.05.2003

Item No. 6

The Board of Directors at their meeting held on 31st October, 2002 has appointed Mr. K.L. Swami as an Additional Director of the Company w.e.f. 31st October, 2002 and in the same meeting, he was appointed as a Whole-time Director of the Company on the terms and conditions as contained in the Agreement as per the draft placed before this meeting and initialed by the Chairman for the purpose of identification. Pursuant to the provisions of Section 260 of the Companies Act, 1956, read with Article 144 of the Articles of Association of the Company, Mr. K.L. Swami holds office as a Director of the Company upto the date of this Annual General Meeting. The Company has received a Notice along with a deposit of Rs. 500/- pursuant to Section 257 of the Act, from a Member proposing Mr. K.L. Swami's candidature for the office of the Director of the Company.

Mr. K. L. Swami (44) is a B.Com., AICWA, ACS, CAIIB, LL.B. (Gen), PGDBM and has wide range of experience of more than 24 years in business planning, financial management, accounting, costing, budgetary control, audit, taxation, legal, Company Secretarial, Import & export administration, commercial & Corporate affairs. Prior to his appointment as Whole-time Director, Mr. Swami was Group CFO. Before joining Batilbol Ltd., in June 2000, Mr. Swami was Vice President, Finance in Amforge Industries Ltd.

Other Directorship of Mr. K L Swami: (1) Batilbol International Ltd. (2) Batilbol Environmental Engineering Ltd. (3) Batilbol SPM Pvt. Ltd. (4) Batilbol enXco Pvt. Ltd.

The Board is of the opinion that it is in the interests of the Company that Mr. K.L. Swami be appointed as a Whole-time Director of the



Company. The Board recommends to the Members his appointment as a Whole - time Director of the Company.

The draft Agreement between the Company and Mr. K. L. Swami (the appointee) contains the following principal terms and conditions:

Period of Appointment: 5 years with effect from 31st October 2002.

Remuneration:

- a. Salary Rs.61,000/- p.m. (Rs.7,32,000/- p.a.)
In the scale of Rs.50,000 - Rs.5,000 - Rs.1,00,000 per month with authority to the Board of Directors to determine his salary within the above limit from time to time. The annual increments will be merit based and shall take into account the Company's performance.
- b. Perquisites & Allowances
- (i) In addition to the salary payable, the appointee shall also be entitled to the perquisites and allowances (per annum) viz: Housing or House Rent Allowance Rs. 3,00,000/-, S.C.A Rs. 1,56,000/-, Education Allowance Rs. 2,400/-, LTA Rs. 26,000/-, Medical Rs.15,000/-, Periodicals Rs.12,000/-, Gas/Electricity Rs.6,000/-, Hard Furnishings Rs.10,800/- (Rs. 54,000/- once in 5 years), Home Entertainment / Business exigencies Rs. 12,000/-, Business Expenses (Outfit) Rs.18000/-, One time performance Bonus Rs.37,500/-, Group Accident Insurance Premium Rs.421/-, Other Perks viz: Perqu. Value of Co. Car & Driver (as per IT Rules), Rs.21,600/-, Casual Leave encashment (upto 7 days in a year) Rs.14,233/-.
- | | |
|--------------------------|----------------------|
| Monetary Value of Perks | Rs. 6,31,954/- p.a. |
| Salary | Rs. 7,32,000/- p.a. |
| Total - (Salary + Perks) | Rs. 13,63,954/- p.a. |
- (ii) For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income- tax Rules, wherever applicable, in the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.
- (iii) Provision for use of the Company's car for official duties and telephone at residence shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
- (iv) Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income- Tax Act, gratuity payable as per the rules of the company and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.
- c. Minimum Remuneration:
Notwithstanding anything to the contrary herein contained, wherein any financial year, during the currency of the tenure of the

Appointee, the Company has no profits or its profits are inadequate, the Company shall pay remuneration by way of salary, perquisites and allowances as specified above subject to the approval of the Central Government, if required.

- d. The terms and conditions of the said appointment and/or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount approved by the Central Government or subject to the approval of the Central Government or in accordance with Schedule XIII to the Companies Act, 1956 or any amendments thereto made hereinafter in this regard as the case may be.
- e. The Agreement may be terminated by either party giving the other party six months' notice or payment of six months' salary in lieu thereof.
- f. If at any time the Appointee ceases to be a Director of the Company for any reason whatsoever, he shall also cease to be a Whole-time Director of the Company.
- g. If at any time the Appointee ceases to be a Whole- time Director of the Company for any reason whatsoever, he shall also cease to be a Director of the Company.

The Draft Agreement to be entered into between the Company and Mr. K.L. Swami is available for inspection by the Members of the Company at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m on all working days (excluding Saturday) of the Company.

Mr. K.L. Swami may be regarded as concerned or interested in the said Resolution as it pertains to his own appointment. No other Director is concerned or interested in the said Resolution. The above statement may be regarded as an abstract of the terms of appointment and memorandum of interest pursuant to section 302 of the Companies Act, 1956.

Your Directors recommend the resolution at item no. 6 of the Notice for your approval.

Item No. 7 & 8

The present term of Office of Mr. Pratap Bhogilal as Chairman and Mr. Nirmal Bhogilal as Managing Director will be expiring on 17/8/2004. Subject to the Share-holders Approval and subject to the Central Government's Approval the Board of Directors at their Meeting held on 30th May 2003 have reappointed the aforesaid Directors for a further period of 3 years with effect from 1st June 2003 (their earlier Agreements having been determined by mutual consent on 31st May 2003) on the remuneration determined by the Remuneration Committee of the Board of Directors.

The major contribution in terms of managerial and organizational input from both the Directors has played a crucial role in reviving the operations of the Company. The year has seen an improved performance and with the industrial economic scenario improving, the Company is expected to improve its performance further. Further inputs from the Chairman and the Managing

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Director will be necessary to ensure continuous growth within the domestic and export markets and in the continuous quest for the company to be internationally competitive.

Their remuneration needs a review since not only has it not been revised since 1994-95 but also is lower than some of the senior executives of the Company.

In view of the above the Board of Directors have unanimously proposed to reappoint Mr. Pratap Bhogilal and Mr. Nirmal Bhogilal with effect from 1st June 2003 for a term of 3 years at the following revised remunerations, as determined by the Remuneration Committee.

Mr. Pratap Bhogilal-

Salary: Rs.60,000/- p.m.

Perquisites: Rs. 75000/- p.m.

Mr. Nirmal Bhogilal-

Salary Rs.1,25,000/- p.m. (in the scale of Rs.1,25,000- Rs.25,000 - Rs. 2,00,000)

Perquisites: 75% of the Salary (Minimum Rs.95000/- p.m.)

The perquisites and allowances payable to the aforesaid Directors shall include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses and/or allowance and / or allowances for utilization of gas, electricity, water, furnishing and repairs; medical reimbursement, leave travel concession for self and family including dependents, club fees, medical insurance and such other perquisites and/or allowances, upto the amounts specified above, subject to an overall ceiling of remuneration stipulated in Sections 198 and 309 of the Companies Act, 1956. The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force). However, the Company's contribution to Provident Fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act, and gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company, shall not be included in the computation of limits for the remuneration which includes salary and perquisites.

c. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained,

where, in any financial year, during the currency of the tenure of the Appointee, the Company has no profits or its profits are inadequate, the Company shall pay remuneration by way of salary, perquisites and allowances as specified above subject to the approval of the Central Government, if required.

- d. The terms and conditions of the said appointment and/or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount approved by the Central Government or subject to the approval of the Central Government or in accordance with Schedule XIII to the Companies Act, 1956 or any amendments thereto made hereinafter in this regard as the case may be.
- e. The Agreement may be terminated by either party giving the other party six months' notice or payment of six months' salary in lieu thereof.

The Draft Agreements to be entered into between the Company and Mr. Pratap Bhogilal- Chairman & Mr. Nirmal Bhogilal - Managing Director respectively are available for inspection by the Members of the Company at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m on all working days (excluding Saturdays) of the Company.

Mr. Pratap Bhogilal- Chairman & Mr. Nirmal Bhogilal - Managing Director are related to each other and may be regarded as concerned or interested in the Resolution at item 7 & 8 as it pertains to their appointment. No other Director is concerned or interested in the said Resolution.

The above statement may be regarded as an abstract of the terms of appointment and memorandum of interest pursuant to section 302 of the Companies Act, 1956.

Your Directors recommend the resolution at item no. 7 & 8 of the Notice for your approval.

By Order of the Board of Directors

B.B.VANWARI
Vice President (Legal)
& Company Secretary

Mumbai
Dated 30th May, 2003
Registered Office:
Bharat House, 5th floor,
104, Bombay Samachar Marg,
Fort, Mumbai - 400 001



INFORMATION AS REQUIRED UNDER SCHEDULE XII OF THE COMPANIES ACT, 1956 AND CLAUSE 49 (V) (A) OF THE LISTING AGREEMENT RELATING TO APPOINTMENT OF MR. PRATAP BHOGILAL AND MR. NIRMAL BHOGILAL

I. GENERAL INFORMATION:

- | | | |
|--|---|---|
| (1) Nature of Industry | : | 1. Manufacturing of Machine Tools, Textile Machinery, Air - Conditioning & Humidification Plants & Equipments;
2. Marketing of various kinds of Machine tools, Industrial Machinery & Equipment, Agricultural Equipment, Electrical Appliances;
3. Contracting in the field of Air Conditioning, Air Pollution control, Water Supply Scheme, Sewage Pumping Station;
4. Project Engineering |
| (2) Date or expected date of commencement of commercial production | : | N. A. As the Company was initially incorporated as Private Company on 6 th December, 1941 and the commercial production is being carried on for more than 50 years. |
| (3) In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. | : | N. A. |
| (4) Financial performance based on given indicators | : | The Performance of the Company during the year under review has been better in as much as the total sales of your Company including indirect sales was Rs. 14259.55 lacs as against Rs. 13395.38 lacs for the year 2001-02. The total income stood at Rs. 7229.22 lacs as against Rs. 5858.60 lacs for the previous year. With the emphasis on cost reduction and the ongoing restructuring programme, the Company has made a profit of Rs. 86.88 lacs for the year under review. |
| (5) Export performance and net foreign exchange collaborations. | : | The thrust on exports of the company continues with special emphasis on Machine Tools and Textile Air Engineering Equipment. Machine Tools exports grew to Rs. 165 Lacs and Textile Air Engineering Equipment exports grew to Rs. 175 Lacs. |
| (6) Foreign investments or collaborators, if any | : | Technical Collaboration with Sachman, Italy for CNC Milling Machine and Mazzini ICI, Italy for Textile Air Engineering Products. |

II. INFORMATION ABOUT THE APPOINTEE:

- | | | | | | | | | | | |
|--|---|--|---|---|---------------------|---------------------|---------|---|----------|----------|
| (1) Background details | : | <table border="0"> <tr> <td style="vertical-align: top;">(a) Name</td> <td style="vertical-align: top;">:</td> <td>Mr. Pratap Bhogilal</td> <td style="vertical-align: top;">Mr. Nirmal Bhogilal</td> </tr> <tr> <td style="vertical-align: top;">(b) Age</td> <td style="vertical-align: top;">:</td> <td>86 Years</td> <td style="vertical-align: top;">54 Years</td> </tr> </table> | (a) Name | : | Mr. Pratap Bhogilal | Mr. Nirmal Bhogilal | (b) Age | : | 86 Years | 54 Years |
| (a) Name | : | Mr. Pratap Bhogilal | Mr. Nirmal Bhogilal | | | | | | | |
| (b) Age | : | 86 Years | 54 Years | | | | | | | |
| (2) Past remuneration | : | Rs. 360,000/- p.a. + perks subject to maximum of Rs. 4,50,000/- p.a. | Rs. 6,00,000/- p.a. + perks subject to a maximum of Rs. 4,50,000/- p.a. | | | | | | | |
| (3) Recognition or awards | : | M. A. in Economics and Textile Technologist from VJT | B. Sc. (Engg), Chemical Engg (London University), A.C.G.I. | | | | | | | |
| (4) Job profile and his suitability | : | He is Executive Chairman overseeing the corporate policies & their implementations. He is an industrialist having vast and varied experiences of more than 6 decades in Textile and Engineering Industry | Overall incharge of day to day management of the Company. He is having practical experience of 30 years in Machine Building & Engineering Industry. | | | | | | | |
| (5) Remuneration proposed | : | Salary : Rs. 60,000/- p.m.
Perquisites : Rs. 75,000/- p.m. | Salary Rs. 1,25,000/- p.m. (in the scale of Rs. 1,25,000-Rs. 25,000 - Rs. 2,00,000-)
Perquisites: 75% of the Salary (Minimum Rs. 95,000/- p.m.) | | | | | | | |
| (6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of his origin). | : | As per recent salary survey conducted by Business Today the remuneration of Senior Management Personnel in the Engineering Industry ranges between Rs. 20 Lacs to Rs. 50 Lacs and the difference in the remuneration between Senior Management personnel & Managing Director/CEO goes upto 300%. | | | | | | | | |

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- (7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. : Mr. Pratap Bhogilal - Chairman & Mr. Nirmal Bhogilal - Managing Director are related to each other and may be regarded as concerned or interested in their own appointment as well as each others appointment.

III. OTHER INFORMATION:

- (1) Reason of loss or inadequate profits : Economic downtrend and acute recession in the Capital goods and engineering industry in which the company operates.
- (2) Steps taken or proposed to be taken for improvement : The Company has reorganized and also closed down the un-remunerative divisions / businesses. It is now concentrating on its core competence in the following areas:

1. Machine Tool Manufacturing & Machine Tool Agencies.
2. Textile Machinery Agencies and Textile Air Engineering
3. Central Air Conditioning.

Apart from the above the Company has embarked on a massive Cost cutting exercise besides renewing the export thrust. The rightsizing of the manpower also has been effected.

The Company has also undertaken a large scale financial restructuring with Financial Institutions and banks and has drastically reduced its debts and interest burden.

- (3) Expected increase in productivity and profits in measurable terms. : The Engineering Industry in General and Capital Goods Industry in particular had not been doing well during the last few years. However the year under review witnessed a revival. The Company has made a net profit after seven continuous years of heavy losses. It is expected to improve upon its productivity and profits in the coming years.

The Other Directorship of Mr. Pratap Bhogilal:**Name of the Company(ies)**

1. Automotive Axles Ltd.
2. Bharat Forge Ltd.
3. Tata Investment Corpn.Ltd.
4. Satsang Investment & Trading Co. Pvt. Ltd.
5. Naikaj Investment & Trading Co. Pvt. Ltd.
6. Pramaya Shares & Securities Pvt. Ltd.
7. Nirbhag Investments Pvt. Ltd.

He is also a member of Audit Committee of Automotive Axles Ltd.

The Other Directorship of Mr. Nirmal Bhogilal:**Name of the Company(ies)**

1. Batilbol International Ltd.
2. Batilbol Environmental Engg. Ltd.
3. Chowgle Industries Ltd.
4. Hindustan Construction Co. Ltd.
5. Batilbol enXco Pvt. Ltd.
6. Satsang Investment & Trading Co. Pvt. Ltd.
7. Naikaj Investment & Trading Co. Pvt. Ltd.
8. Nirbhag Investments Pvt. Ltd.
9. Hico Investments Pvt. Ltd.
10. Bhagmal Investments Pvt. Ltd.
11. Pranir Trustees Pvt. Ltd.
12. Pramaya Shares & Securities Pvt. Ltd.

He is a member of the Remuneration Committee of Batilbol Environmental Engineering Ltd. & Hindustan Construction Co. Ltd. and Audit Committee of Batilbol Environmental Engineering Ltd.



DIRECTORS' REPORT

The Members,

Your Directors submit their 59th Annual Report together with the Audited Accounts for the year ended 31st March 2003.

1. FINANCIAL RESULTS

	Year Ended 31.03.2003 (Rs. in lacs)	Year Ended 31.03.2002 (Rs. in lacs)
Turnover (including indirect sales)	14259.55	13395.38
Sales income	6406.47	5101.71
Other income	822.75	756.89
Gross Profits	556.04	(23.90)
Add: Amount withdrawn from revaluation reserve	—	15.26
	556.04	(8.64)
Less: Interest	246.71	467.92
Depreciation	143.66	218.42
Deferred revenue		
Expenditure	78.79	69.40
Profit / (Loss) before tax	86.88	(764.38)
Profit / (Loss) after tax	86.88	(764.38)
Add / (Less) : Balance as per last Balance Sheet	(764.38)	—
Available Surplus (Deficit)	(677.50)	(764.38)
Balance to be carried forward	(677.50)	(764.38)

2. PERFORMANCE

The Engineering Industry in general and Capital Goods Industry in particular had not been doing well during the last few years. However, the year under review witnessed a revival. Your Directors are happy to report a marginal net profit after seven continuous years of heavy losses.

Even though advance estimates released by the Central Statistical Organisation (CSO) peg GDP growth for 2002-03 at 4.4% - which is less than the 5.5% GDP growth recorded in 2001 - 2002, the fact remains that the Industrial and Manufacturing sectors have recorded growth. The Industrial sector grew by more than 6% compared to 3.3% in the previous year and the manufacturing sector grew by almost 7% compared to 2.7% in the previous year.

This coupled with the thrust on exports as well as internal cost management has resulted in an improved performance over the previous year. The Performance of the Company during the year under review has been better in as much as the total sales of your Company including indirect sales was 14259.55 lacs as against Rs. 13395.38 lacs for the year 2001-02. The total income stood at Rs. 7229.22 lacs as against Rs. 5858.60 lacs for the previous year. With the emphasis on cost reduction and the ongoing restructuring programme, the Company has made a profit of Rs. 86.88 lacs for the year under review. However, after considering the carry forward losses for the earlier years, the net carry forward loss stands at Rs. 677.50 as against Rs. 764.38 during the previous year.

3. DIVIDEND

Your Directors regret their inability to recommend dividend, in view of the above.

4. INITIATIVES

The thrust on improving focus, competitiveness and customer service has been a continuous process.

During the year under review following have been some of the initiatives:

(i) Manpower

Further rightsizing has continued; as a result the employee strength has reduced during the year from 775 to 674. Furthermore, technical and professionally qualified personnel as a percentage to total employees has increased from 56% to 58%.

(ii) Exports

The thrust on exports continues with special emphasis on Machine Tools and Textile Air Engineering Equipment. Machine Tool exports grew to Rs. 185 lacs and Textile Air Engineering Equipment exports grew to Rs. 175 lacs. Major initiatives have been taken to increase exports and the fruits of these efforts will enable exports to contribute a very significant part of our total business in the years to come.

(iii) Balanced Score Card

To provide focus and growth for our various businesses, the Company has used the services of the Internationally renowned consultants M/s. Cedar Enterprise Solutions to introduce the concept of Balanced Score Card in all the Business Divisions of the Company.

(iv) Financial Restructuring

In order to reduce interest costs the Company has embarked on negotiations for Restructuring / One Time Settlements with its Consortium of Banks. Restructuring / Settlements have been finalised with 4 Banks and Settlements are under finalisation with the remainder 2 Banks.

This will enable the Company to further reduce its interest cost, the full impact of which will be felt in 2003-04.

Overall, the performance of the Company will be impacted by the results of the efforts to turnaround the Machine Tool Business Group.

5. FIXED DEPOSITS

Deposits aggregating Rs. 6.81 lacs falling due for payment on or before 31st March, 2003 were standing unclaimed as on that date.

6. SUBSIDIARY

Your Company was holding 64,83,930 (72.04%) Equity Shares in its subsidiary i.e. Batalibol Environmental Engineering Ltd., out of which it sold 20,75,000 Equity Shares (23.05 %) to the Bhogilal Family at Rs. 15/- per Equity Share as per the Valuation Report of M/s. Gautam Shah & Associates, Chartered Accountants. Due to the disinvestments, the Company's holding in Batalibol Environmental Engineering Ltd., has come down from 72.04% to 48.99% and accordingly, your Company ceased to be a holding Company of Batalibol Environmental Engineering Ltd. with effect from 10th March 2003.

Batilbol Ltd.**7. FOREIGN EXCHANGE EARNINGS AND OUTGOINGS**

During the year ended 31st March 2003, foreign exchange earnings were Rs.534.91 lacs and the foreign exchange outgo was Rs. 35.92 lacs. Further details may be obtained by referring to Notes 17 and 18 to the Accounts.

8. CONSERVATION OF ENERGY

The measures taken by the Company during the year for conservation of energy at its Udhna factory were as follows:

- In Foundry 37.5 KW Compressor motor being used for Two Hours instead of 90 KW Compressor motor – Saving of Rs. 0.90 L per annum.
- In Foundry 1300 KVA transformer is switched off while Induction Furnace is not in use – Saving of 1.10 L per annum.

9. RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION

Information in respect of Technology absorption in Form B to Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure-I to the Report.

10. CORPORATE GOVERNANCE

A separate Report on Corporate Governance alongwith Auditors' Certificate on its compliance is attached as Annexure – II to this Report.

11. DIRECTORS

Mr. J P Malik, retired on 31st October 2002. Your Directors place on record its appreciation of services rendered by Mr. Malik during his tenure as Executive Director.

Mr. K L Swami, Group CFO was inducted on the Board as Executive Director with effect from 31st October, 2002. The resolution pertaining to Mr. Swami's appointment is incorporated in the enclosed AGM Notice for the approval of the Share-holders. An application seeking approval of the Central Government as required, has been made which is under consideration.

The Board of Directors have by mutual consent determined the Agreements with Mr. Pratap Bhogilal – Chairman and Mr. Nirmal Bhogilal – Managing Director on 31st May 2003. The Board has reappointed Mr. Pratap Bhogilal as Executive Chairman and Mr. Nirmal Bhogilal as Managing Director of the Company for a period of 3 years with effect from 1st June 2003. A proposal for their appointment is being placed before the Members for approval at the ensuing Annual General Meeting. An application to the Central Government for its approval is also being made.

Mr. Vijay R. Kirloskar, Dr. K.K. Anand and Dr. S.M. Patil retire by rotation at the ensuing Annual General Meeting. Mr. Vijay R Kirloskar and Dr. K K Anand being eligible, offer themselves for reappointment. Dr. S. M. Patil, however, has expressed his desire to retire on account of his advanced age and ill health and has therefore not offered himself for reappointment. The Board has placed on record its sincere appreciation and valuable contributions made by Dr. S. M. Patil at the deliberations of the Board Meetings of the Company, particularly in view of his vast experience in the Machine Tool Industry.

Dr. S. M. Patil has been Director of the Company for the last 20 years. Your Directors take this opportunity to wish Dr. S. M. Patil

peaceful, happy and healthy retired life.

12. AUDITORS

M/s. V. Sankar Aiyar & Co. Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

13. AUDITORS' REPORT

The Auditors' report to the members on the Company's final accounts for the year ended 31st March 2003 is prefixed thereto. The Notes to the Accounts are self-explanatory with regard to the comments of the Auditors in their Report.

14. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act 1956, the Directors, based on the representations received from the Operating Management, confirm that :-

- in the preparation of the Annual Accounts, the applicable accounting standards had been followed and that there are no material departures;
- they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.
- they have taken proper and sufficient care, to the best of their knowledge and ability, 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.
- they have prepared the annual accounts on a going concern basis.

15. PARTICULARS OF EMPLOYEES

The Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is not provided as none of the employees of the Company are covered under the said provisions.

16. ACKNOWLEDGEMENTS

Your Directors avail of this opportunity to express and place on record their heartfelt gratitude to the Promoters and others shareholders, employees, customers, principals, collaborators, agents, bankers, financial institutions, suppliers and distributors for their support to your Company.

For and on behalf of the
Board of Directors

PRATAP BHOGILAL
Chairman

MUMBAI

Dated: 30th May, 2003



ANNEXURE TO DIRECTORS REPORT

ANNEXURE - I

FORM - B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

A. RESEARCH AND DEVELOPMENT (R & D)

I. Specific areas in which R & D carried out by the Company.

MACHINE TOOLS

- 1) Upgradation of CNC lathe sprint 16TC for better aesthetic look and performance.
- 2) Development & new model of CNC lathe sprint 20TC
- 3) Design of center lathe with 5HP and 1 meter admit.
- 4) Improvement of existing product range and its related areas.
- 5) Changes in design, assembly and process to eliminate customer complaints based on field Reports.
- 6) A cost reduction activity was carried out for CNC turning and milling machines.
- 7) CE certification for Radial Drilling Machines

TEXTILE AIR-ENGINEERING

Sr. No.	Product	Model	Specification
1	CYCLONE	CLN18 CLN27	Cap. 1800CMH, Dust 5kg./hr. Cap. 2700CMH, Dust 7kg./hr.
2	Fiber Compactor	FC60 FC70	Air Handling Cap.6000 CMH Max. Air Handling Cap.7000 CMH Max.
3	MT FAN	MTF 4014 MTF 4017 MTF 4614 MTF 4617	Impeller size ϕ 400X138 Impeller size ϕ 400x168 Impeller size ϕ 460x138 Impeller size ϕ 460x168
4	DAT FAN	DAT 5115	Volume 4500 CMH

AIRCONDITIONING & REFRIGERATION

- 1) The Package type Airconditioner and Ductable Split Units with Scroll type Compressors – range from 5TR to 16.5TR.
- 2) Roof Top Chiller Package with Scroll type Compressor - range from 11TR to 33TR.

II. BENEFITS DERIVED AS A RESULT OF ABOVE R & D.

- 1) Improved market share.
- 2) Improvement in quality and reduction in service requirements.
- 3) Cost reduction and better utilisation of resources.

III. DEVELOPMENT PLANS

MACHINE TOOLS

- 1) A heavy duty Vertical Machining Centre VMC1000 will be introduced in 2003-04.
- 2) Upgradation of products to reduce cost and improve quality.
- 3) CE certification of CNC Lathes and Vertical Machining Centres.

TEXTILE AIR ENGINEERING

Sr. No.	Product / Model / Specification	Advantages
1	Double Skinned Door DSD LH or RH and outside or inside opening.	<ol style="list-style-type: none"> 1) Reduce Welding Work 2) Weight will reduce by 20% 3) Finish & Aesthetics would improve 4) Flexibility in assembly due to common parts. 5) Hinges are made from press components for accuracy and repeatability.
2	Cone Ring (welded construction of Motor stand) ϕ 1200, ϕ 1400 & ϕ 1600 All frame size	<ol style="list-style-type: none"> 1) Assembly Time will reduce by 50% 2) Cost will be reduced due to elimination of Nuts & Bolts
3	MT Fan	Under study
4	Multi Drum Filter	Under Study

AIRCONDITIONING & REFRIGERATION

Development of Roof Top Units for Railway Coach Air-conditioning.

IV. EXPENDITURE ON R & D.

A. Capital	Rs 10 lacs
B. Recurring	Rs 24 lacs
C. Total	Rs 34 lacs
D. Total R & D expenses as a percentage of turnover	0.53%

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

I EFFORTS IN BRIEF, MADE TOWARDS ABSORPTION, ADAPTATION & INNOVATION.

- A. Manufacturing of CNC Milling Machine in collaboration with Sachman, Italy.
- B. Manufacturing of Portable Drilling Machine in collaboration with Weiler, Germany.

II BENEFITS DERIVED AS A RESULT OF ABOVE EFFORTS.

- A. Improvement in performance, quality and aesthetics .
- B. Cost reduction.
- C. Export growth.

III. INFORMATION REGARDING IMPORTED TECHNOLOGY DURING THE LAST 5 YEARS.

Sr. No.	Technology imported	Year of Import	Status
1.	Sachman, Italy for CNC Milling Machine	2002	Under absorption
2.	Mazzini ICI, Italy for Textile Air Engineering Products	1996-2000	Duly absorbed and under regular production.