

Binani

BINANI INDUSTRIES LIMITED

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Annual Report 2002 - 2003

Binani Industries Limited

annual report 2002-2003

BOARD OF DIRECTORS

Mr. Braj Binani Chairman & Managing Director
Mr. S. Padmakumar
Dr. V. C. Shah
Mr. A. C. Chakrabortti
Mr. Sushil Bhatner)
Mr. N. Mohan upto 31.12.2002) **Wholetime Directors**
Mr. Deo Hirawat)
Mr. D. K. Guha Roy upto 25.7.2003
Mr. G. Venkatakrishnan from 25.7.2003
Mr. E. S. Kumar upto 5.9.2003
Mr. P. K. Sarkar from 5.9.2003 to 12.2.2004

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. T. R. C. Nair

CHIEF FINANCIAL OFFICER

Mr. M. K. Chattopadhyaya

CORPORATE MANAGEMENT

Mr. Braj Binani - Co-ordinator
Mr. Sushil Bhatner - President (Projects & Binani Zinc Ltd.)
Mr. S. S. Khandekar - President (Binani Cement Ltd.)
Mr. Rajesh Patel - President (Goa Glass Fibre Ltd.)
Mr. Deo Hirawat - President (Corporate Finance)
Mr. T. R. C. Nair - Executive Vice President
 (Corporate & Legal) & Secretary

ADVISORS TO CORPORATE MANAGEMENT

Mr. Ibrahim Ali
Mr. V. Subramanian
Mr. Ram Mohan

DIVISIONS**Mumbai Office**

Mr. M. K. Chattopadhyaya - Sr. Vice President (Corporate)
Mr. A. K. Jain - Vice President (Finance & Banking)

Projects

Mr. Murali Subramanian-Asst.Vice President (Projects)
Mr. S. B. Asawa - Asst. Vice President (Projects)

AUDITORS

S.R.Batliboi & Co., Mumbai

BANKERS

Bank of Baroda
Bank of India
Allahabad Bank
Punjab National Bank
The South Indian Bank Ltd.
State Bank of Travancore
IndusInd Bank Limited

LOCATIONS**Registered Office of the Company & its Subsidiaries**

706, Om Tower,
 32, Chowringhee Road,
 Kolkata - 700 071

Corporate Office of the Company & its Subsidiaries

Mercantile Chambers,
 12, J. N. Heredia Marg,
 Ballard Estate,
 Mumbai - 400 001

Mumbai Office of the Company & its Subsidiaries

Feltham House,
 10, J. N. Heredia Marg,
 Ballard Estate,
 Mumbai - 400 001.

Project Office of the Company & its Subsidiaries

901/903, Casablanca,
 Sector -11, Plot No.45,
 CBD, Belapur,
 Navi Mumbai - 400614

SUBSIDIARIES**Binani Zinc Limited**

Binanipuram, Ernakulam, Kerala - 683 502.

Binani Cement Limited

Binanigram, Pindwara,
 Dist. Sirohi, Rajasthan - 307025.

Goa Glass Fibre Limited

Colvale, Bardez, Goa - 403 513.

Binani Lead Limited

Wada, Dist - Thane

BT Composites Limited

C5 to C9, C12 to C16, Madkaim Industrial Estate,
 Mardol Post, Madkaim,
 Goa - 403 404.

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Binani**NOTICE TO SHAREHOLDERS**

(Adjourned Fortieth Annual General Meeting)

NOTICE is hereby given that the adjourned Fortieth Annual General Meeting of the Company will be held at 10.30 a.m. at Kalamandir, 48, Shakespeare Sarani, Kolkata - 700017 on Monday, the 12th July, 2004 to receive and adopt the Directors' Report and Audited Accounts in respect of the year ended 31st March, 2003.

By Order of the Board
for Binani Industries Limited

T. R. Chandramohan Nair
Executive Vice President
(Corporate & Legal) & Secretary

Place : Mumbai
Dated : 29th April, 2004

NOTES :

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. Instruments appointing proxies should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
3. The Annual Accounts for the year 2002-03 have been finalised and audited by the Statutory Auditors giving effect to the Scheme of Arrangement for hive off of Zinc Division of the Company to Binani Zinc Limited (BZL) duly approved by the Hon'ble High Court, Calcutta. This Adjourned Annual General Meeting is being convened by the Board under the authority given by the members at their meeting held on 20th November, 2003 to receive, consider and adopt the Audited Balance Sheet as on 31st March, 2003 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon which are annexed hereto.
4. Pursuant to the exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956, the Directors' Report, Auditors' Report, Balance Sheet and Profit & Loss Account of the Subsidiaries viz. Binani Cement Limited, Goa Glass Fibre Limited, Binani Zinc Limited, Binani Lead Limited and BT Composites Limited for the year ended 31st March, 2003 are not attached to this report. The same will be furnished to the shareholders on request free of cost. They have also been kept for inspection at the Registered Office of the Company and have been posted at Company's Website www.binani.com and also at SEBI's Website EDIFAR. Consolidated Financial Statement for the year ended 31st March, 2003 forms part of the report annexed hereto.

DIRECTORS' REPORT

TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Fortieth Annual Report of the Company together with the Audited Statement of the Accounts for the year ended 31st March, 2003 giving effect to the Scheme of Arrangement for hive off of the Zinc Division of the Company to Binani Zinc Limited (BZL) with effect from 1.4.2002.

As you are aware, the Company had filed a Scheme of Arrangement in the Hon'ble High Court, Kolkata in the year 2000 seeking inter-alia the hive off of the Zinc Division of the Company to Binani Zinc Limited with effect from 1st April, 2001 which was duly approved by the Hon'ble High Court, Kolkata in 2001. This was not given effect to pending institutional approvals. The Company's request for business and financial restructuring was finally evaluated and approved under the Corporate Debt Restructuring (CDR) Mechanism of the CDR Cell headed by Industrial Development Bank Limited (IDBI) and in line with the said CDR package, the Company filed a modification to the Scheme originally approved by the Hon'ble High Court, Kolkata in 2001 and to the revised scheme filed in 2002 which inter-alia provided for delisting etc. The modifications approved were :-

1. The appointed date for hive off of zinc division was shifted from 1.4.2001 to 1.4.2002.
2. The ratio for issue of shares to the Shareholders of the Company was modified from 3 Equity Shares of BZL for every 15 Equity Shares of the Company to 3 Equity Shares of BZL for every 13 Equity Shares of the Company.
3. The restatement of assets and liabilities of the Company consequent upon the write-off of the accumulated losses of Binani Cement Limited (BCL) and Goa Glass Fibre Limited (GGFL).

The said modifications were duly approved by the Hon'ble High Court, Kolkata and they have been given effect in the annual accounts of the Company for the year ended 31.3.2003 now placed before you.

1. FINANCIAL RESULTS

(Rs.Lacs)

	For the year ended 31.03.2003	For the year ended 31.03.2002***
Gross Sales and Other Income	3,615.38	24,027.92
Loss before Taxation & Depreciation	(4,627.99)	(1,666.24)
Provision for Depreciation	51.59	605.95
Loss before Taxation	(4,679.58)	(2,272.19)
Provision for Taxation including Deferred Tax.	640.74	872.30
Loss for the year	(4,038.84)	(1,399.89)
APPROPRIATIONS/ADJUSTMENTS		
Balance of Profit brought forward	2,296.16	2,494.07
Interest & Financial Charges recoverable from subsidiary written off	-	(1,069.25*)
Transfer from General Reserves	654.72	1,069.25*
Transfer from Investment Allowance Reserve	-	24.67
Dividend & Dividend Tax Written back	-	652.31**
Transfer from Debenture Redemption Reserve	-	525.00
Balance carried to Balance Sheet	(1,087.96)	2,296.16

* Consequent to Scheme of Arrangement of GGFL.

** Due to non-receipt of approval from Financial Institutions.

*** Figures for 2002 include results of erstwhile Zinc Division and hence not comparable with the current year.

2. REVIEW OF OPERATIONS DURING 2002-2003

Consequent upon the hive off of the Zinc Division of the Company to Binani Zinc Limited there are no significant manufacturing facilities.

The review of the Subsidiaries are as under:-

Binani Zinc Limited (BZL)

During the year under review production of Zinc was 28,459 MT only marginally lower as compared with 28,814 MT in the previous year. Sales volume was also lower at 28,994 MT as against 29,695 MT in the previous year. The operating results were adversely affected due to continued fall in the sales prices of zinc in the domestic market in line with the trend in international market and reduction in import duty without any corresponding corrective measure on the import duty on raw material. Higher input costs mainly on account of power also affected the operating margins. The fall in dollar / exchange rupee rate during the year further aggravated the situation.

However, due to relentless efforts aimed at cutting costs all around, the Company reported profit before tax of Rs.1.54 Crore.

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Binani Cement Limited (BCL)

Restructuring

The Business and Finance Restructuring approved by Financial Institutions and the Hon'ble High Court, Kolkata with effect from 1.10.2002 inter-alia provided for writing off of the accumulated losses and cancellation of shares held by the Company (Binani Industries Limited) have been given effect in the books of BCL and the Company, as applicable. The restructuring also involves reduction of interest rates, funding of interest and rescheduling of principal dues.

In the year ended 31.3.2003, BCL produced 21,12,559 MT of Cement as compared to 19,21,087 MT of the corresponding period registering an increase of 10%. The sales also registered marginal improvement of 9.8% during the period under review over the previous year. The Company sold 21,12,728 MT of Cement as against 19,23,885 MT during the corresponding period last year. The Company also successfully launched its Portland Pozzolona Cement (PPC) which has been well received in the market. However, in spite of increase in volume of sales the turnover was only Rs.441 Crores as against Rs.434 Crores in the previous year due to lower realization. The profit before tax for the year was Rs.1.03 Crore as against Rs.6.13 Crores in the previous year.

Accreditations /Accolades

BCL continues to be one of the most energy efficient cement plants in the country today. BCL also received Certificate of Registration for OHSAS 18001:1999 awarded by KPMG. BCL also bagged various prizes during the Mines Safety Week 2002 and also during the "XIIIth Mines Environment and Mineral Conservation Week 2002-03" Ajmer region apart from winning "Excellent Case Study Presentation Award" at the 27th International Convention of Quality Control Circle, 2002.

Social Responsibility

The Community Development activities of the Company focus on the areas of education, healthcare and overall development of the community. During the period under review, in view of the acute drought situation in the region the Company provided 1.5 lakhs litres of drinking water to Pindwara town.

Goa Glass Fibre Limited (GGFL)

Goa Glass Fibre Limited the wholly owned subsidiary of the Company, during the year under review, achieved a capacity utilization of 114% in spite of the Melter nearing its life due to wear and tear. Production and Sales were 7,535 MT and 7,192 MT respectively with a turnover of Rs. 5,155 lacs, despite decline in the average realization. A new recipe which brought down significantly the imported content in the batch, was developed and adopted resulting in savings of about 12% of the cost of raw material compared to the previous year.

The Company has been successful in creating value out of waste glass fibre, which was becoming an environmental issue, thereby improving efficiencies and revenues.

The Company continues to export a substantial part of its production. During the year under review, GGFL exported 4,148 MT of Glass Fibre through the holding company. The profit before tax for the year under review was Rs. 75 lacs as against Rs.153 lacs in the previous year.

BT Composites Limited (BTCL)

During the year under review the Company produced 214 MT LPMC of which 209 MT were used for conversion into Moulded Products. The Company achieved a turnover of Rs.204 lacs as against Rs.43 lacs in the previous year. The net loss during the year has been Rs.408.71 lacs after providing for depreciation and amortisation aggregating to Rs.117.95 lacs and interest and financial charges of Rs. 274.99 lacs. The Company has taken steps to reduce the cost of production and to increase the sales realization by adhering to the quality norms of Electricity Board and Railways. The demand for Hot Pressed Sectional Tank is gradually picking up and negotiations are going on for export of the same. With the broadbasing of products and markets the future prospects are encouraging.

Binani Lead Limited (BLL)

During the year under review the Company earned an income of Rs.4.18 lacs which has resulted in profit after tax of Rs.3.16 lacs arising out of sale of investment and dividend income. As regards the proposed lead project, in view of the continued restrictions on the import of battery scrap and non-availability of adequate quantities of battery scrap the Company is reviewing the entire project feasibility again.

3. FUTURE PROSPECTS

Binani Zinc Limited (BZL)

Although markets are showing signs of sustained improvement with Zinc prices moving up during the second half of 2003 - 04, continued imbalance in the supply - demand of Zinc Concentrate coupled with an extremely overheated freight market would continue to put tremendous pressure on the Zinc business's profitability.

Apart from efficiency improvement and various cost cutting measures, the Company is seriously evaluating setting up a 25 MW coal based Captive Power Plant, which would substantially bring down its power costs. A productivity-linked, 3 year long term labour settlement has been signed with the unions, further demonstrating the harmonious relationship that exists.

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Binani Cement Limited (BCL)

Cement market for the major part of 2003 - 04 showed no improvement over the past, although the last quarter witnessed impressive spurt in both demand and prices. The 'feel-good' factor in the country coupled with major initiatives announced by the Government of India in the basic infrastructure and housing sector has resulted in the changed scenario, which we believe would persist in the near future.

The Company is now giving finishing touches to its growth plans which include setting up of an RMC unit in Gurgaon to cater to this extremely aggressive market, as well as brownfield expansion at Binanigram with a 1.0 million clinkerisation plant (BCL-Unit II)

Goa Glass Fibre Limited (GGFL)

Work related to Melter rebuild started during the year under review was completed in September, 2003. The plant capacity is being gradually ramped up to its full potential of approximately 30% over the earlier installed capacity. With the increased melting efficiencies and lower consumption of fuel and power, significant cost savings are expected to be achieved. Efforts are on to develop alternate glass recipe for further reduction of costly imported raw material thereby improving profitability of the plant.

BT Composites Limited (BTCL)

Future prospects seems to be encouraging as the Company has received domestic orders from Central Public Works Department (CPWD) for Hot Pressed Sectional Water Tanks followed by repeat orders. The Company has also initiated steps for obtaining ISI marking for meeting the stringent parameters of Railways. Consequent upon receipt of orders from Goa Electricity Board, other electricity boards are being targeted for distribution boxes.

Binani Lead Limited (BLL)

As indicated earlier the feasibility of setting up the battery scrap project is being reviewed in view of the continued import restrictions on battery scrap which could affect the very viability of the project.

4. DIVIDEND

In view of the losses, the Directors do not recommend any dividend.

5. BOARD OF DIRECTORS

During the period under review, Mr. A.C. Chakrabortti and Mr. Sushil Bhatner who were liable to retire by rotation, were reappointed at the 40th Annual General Meeting held on 20th November, 2003.

6. AUDITORS' OBSERVATIONS

Responses of the Directors to the comments of the Auditors in their report on consolidated financial statements are as follows:

- 1) The Company has been consistently providing gratuity liability for its employees under the Group Gratuity Scheme of LIC. The premium payable for this purpose is based on the demands made by LIC. However, the actuarial valuation as suggested by the Auditors would be undertaken in the next year and the difference, if any, will be provided.
- 2) The holding and subsidiary (BCL) companies have given effect to the order of the Hon'ble High Court of Kolkata in regard to merger/ restructuring, as the case may be. However, on consolidation of the accounts of the holding company with the subsidiary (BCL), a difference of Rs.130 crore has been derived, the assets being higher than the liability. This difference has arisen due to the fact that certain adjustments made in the accounts of the subsidiary have not been considered by the holding company. The Directors are of the opinion that the subsidiary has tremendous potential which is evident from the improvement in the operations and therefore adjustment of the amount of Goodwill to Profit & Loss Account /Revenue Account would not be appropriate. It must also be mentioned that the loss sustained by the subsidiary was during the gestation period which is inherent in a situation of this nature. In these circumstances, the Directors feel that no adjustment is called for.
- 3) As regards overdue liquidated damages (BCL) which were converted into zero coupon loan and is payable in eight quarterly instalments from April, 2009 to January, 2011 for which provision has been demanded, the Directors are of the opinion that no such provision is desirable as the Company has made representation to the IDBI either for granting full relief or for waiver.

In preparing the consolidated accounts, the above views have been given due consideration, reference is also invited to Note Nos.6, 13 and 26 in the Consolidated Financial Statements.

7. AUDITORS

M/s. S.R. Batliboi & Co. Chartered Accountants, retiring Auditors' being eligible were reappointed as Statutory Auditors at the Annual General Meeting held on 20th November, 2003.

In terms of the order of the Company Law Board, the accounting records relating to manufacture of Sulphuric Acid were to be audited for the year 2002-2003. An application was submitted to the Central Government seeking their approval for the appointment of M/s. N. P. Gopalakrishnan & Company, Cost Accountants, Cochin as Cost Auditors and his appointment was approved for the year 2002-03.

8. SUBSIDIARY COMPANIES

The statement pursuant to Section 212 of the Companies Act, 1956 relating to the subsidiaries i.e. "Binani Zinc Limited", "Binani Cement Limited", "Goa Glass Fibre Limited", "BT Composites Limited" and "Binani Lead Limited", is annexed to this report. Pursuant to the exemption granted by the Central Government vide their letter No. 47/149/2003-CL-III dated 27.2.2004 the Annual Accounts and the Directors' Report / Auditors' Report of the 5 (five) Subsidiaries are not attached to this report as mentioned in the notice. However, they are available on request.

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9. PARTICULARS UNDER SECTION 217

Statement of particulars of employees under Section 217(2A) of the Companies Act, 1956 is annexed to this report. Statement of particulars under Section 217(1) (e) regarding conservation of energy and technology absorption are not applicable to the Company. Details of foreign exchange earnings and outgo are annexed to this report.

10. CORPORATE GOVERNANCE

The Company has since implemented all the mandatory provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance. The Annual Report contains a separate section on the same.

As required under the said provisions, the Company has obtained the Certificate from the Auditors of the Company which is annexed to and forms part of the Annual Report.

The Management Discussion and Analysis Report forms part of the Annual Report.

11. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Section 217 (2AA) of the Companies Act, 1956 the Directors state that :

- in the preparation of the annual accounts , all applicable Accounting Standards have been followed and proper explanation relating to material departures, if any, have been furnished.
- accounting policies as listed in Schedule 16 to the financial statements have been selected and consistently applied and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2003 and of the loss of the Company for the Accounting Year ended on that day.
- proper and sufficient care for the maintenance of adequate accounting records has been taken in accordance with the provisions of this act so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities and
- the annual accounts have been prepared on a going concern basis.

12. STOCK EXCHANGES - COMPLIANCE OF LISTING AGREEMENTS

The Equity Shares of the Company were listed at Calcutta, Mumbai, Kochi and Chennai Stock Exchanges. The Company's shares have since been delisted from Madras and Cochin Stock Exchanges with effect from 27.1.2004 and 16.2.2004 respectively by complying with the provisions of the SEBI Guidelines for delisting. However, the Company's shares continue to be listed at the Stock Exchange, Mumbai and The Calcutta Stock Exchange Association Limited , which is the Regional Stock Exchange. We confirm that the Company has paid the listing fee for 2002-2003 to Calcutta, Mumbai, Kochi and Chennai Stock Exchanges.

13. ACKNOWLEDGEMENT

Your Directors acknowledge the assistance and goodwill received from the concerned departments of the State and Central Governments, Financial Institutions, Banks, Customers, Selling Agents, Dealers, Distributors, Employees at all levels and the Shareholders.

By order of the Board
For Binani Industries Limited

Place : Mumbai
Dated : 31st March, 2004

Braj Binani
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

Statement of Particulars of Employees under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

Name	Age (Yrs)	Designation/ Nature of Duties	Remuneration Received (Rs.)	Qualification	Experience (Yrs)	Date of Commence- ment of Employment	Previous Employment	
							Post Held	Name of Previous Employer
Mr.Braj Binani	43	Chairman & Managing Director	47,97,448	B.Com (Hons.)	25	1.1.1997	Vice President	Binani Metals Limited

FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. Lakhs)
Total Foreign Exchange Earnings	3314.29
Total Foreign Exchange Outgo	61.62

MANAGEMENT DISCUSSION & ANALYSIS REPORT 2002-2003

INDUSTRY STRUCTURE AND DEVELOPMENTS

BINANI INDUSTRIES LIMITED (BIL)

Indian Economy continued to be sluggish during the period under review except for a short period in the end when it started showing signs of recovery, the main reason for the sluggishness being the drought arising out of poor monsoon which has a severe adverse impact in the agricultural sector and marginally in other sectors also. The GDP during the period was 4.3% as against 5.6% for 2001-02. On the positive side some of the manufacturing sectors of India Economy did fare well. Against this backdrop we evaluate the Company and its Subsidiaries

The Company's overall operating results will hence forth depend entirely upon the income by way of dividend to be received from its operating subsidiaries and the export income by export of Glass Fibre as Merchant Exporter. Binani Industries Limited as a holding company will evaluate the business opportunities for taking decisions on divestment, expansion and diversification of business. The respective entities will now focus on their respective sectors.

Risks & Concerns

The immediate matter of concern to the Company is the Company's debt servicing obligation. The Company has taken effective steps to address this problem by moving the Institutions and Banks. The Institutions and Banks have since sanctioned a relief package which inter-alia provide for reduction in rate of interest and re-schedulement of debt and funding of interest. This package being effective 1.4.2003 will be given effect to in the accounts for the year ending 31.3.2004. The Company would also evaluate options such as induction of a strategic partner for zinc operations, dilution of its stakes in subsidiaries with a view to pay off its term loan debts.

BINANI CEMENT LIMITED (BCL)

Sector Outlook

In spite of the sluggishness of the economy, the demand for Cement in the country grew by about 9% during 2002-03. In view of the supply exceeding demand the realizations were poor.

Overall the Cement industry is likely to continue to be region centric, benefiting from the recent consolidation moves. Demand growth is expected to be in the region of 8% - 10% .In the absence of any significant capacity additions in the next one year, the industry is expected to register improved financial performance.

In spite of improved operational efficiencies comparable with the best in the industry, BCL faced financial difficulties due to prolonged recession in Cement Industry and increase in input costs. The cumulative effect of adverse market conditions and high interest cost led to mismatch in cash flows. The Company's negotiations with the Institutions and Banks have since begun to yield results. The lead institution Industrial Development Bank of India (IDBI) has approved a scheme for financial restructuring effective 1.10.2002 which inter-alia provides for reduction in the rate of interest, deferment of interest, interest funded loan, conversion of liquidated damages as on 1st October, 2002 into zero coupon loan to be repaid in April, 2009 / January, 2011. The Company is continuing its efforts for securing further relief from IDBI and other lenders.

BINANI ZINC LIMITED (BZL)

Industry structure & Developments

Binani Zinc is the pioneer in the manufacture of primary Zinc Metal in India with a distinct presence in major consuming centres of Western, Southern and Eastern India.

Demand for Zinc Metal has been steadily increasing at 6.4% CAGR during 1997-2002. Over the next 5 years demand for metal is expected to increase by 1 lakh MT.

Per capita consumption of Zinc in the country is still way behind the levels achieved in the Developed Western Countries as well as China and other newly industrialized countries. This offers tremendous potential for future growth.

Opportunities / Threats/ Risks/Concerns

The Company has a strong brand equity, powered by quality of its product and strong technological and manufacturing base.

The major external factors that can have significant bearing on the Company's performance are discussed below:-

- The global recession which has negatively impacted on the economic performances of the major western economies is a serious threat in the short-term.
- The emergence of China is another factor that can be both an opportunity and a threat. The massive production capacities in the economy have a depressing effect on prices both for metal as well as for concentrates.
- However, the huge investments on infrastructure and other sectors of the Chinese economy are expected to boost demand counterbalancing the downward influence of capacity expansions in that country.
- Though bound-rates have not been negotiated for Zinc metal under WTO, the Government of India has announced its intention to progressively reduce tariffs to ASEAN levels in the coming years.
- The task force on Indirect Taxes setup by the Government of India under the Chairmanship of Dr. Vijay Kelkar has recommended a three-tier Import Duty structure for the country.

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- The peak duty on finished goods is to be reduced to 20% while for intermediates, non-ferrous metals etc. a duty structure of 10/15% is likely to be targeted.
- The reduction in peak rates have already commenced and the current year's Union Budget has continued the trend with a 5% cut in peak rates from 30% to 25 %. A graded reduction of 5% per annum is therefore a scenario, which is the most probable under the circumstances.
- In addition to the basic duty of customs, Special Additional duty that was introduced in 1998, to neutralize the domestic sales taxes and other levies like octroi is also slated for a phase-out.
- Thus the effective protection offered by way of import tariffs will see a steady reduction in the coming years.
- The pace of reforms in India has slowed down after the initial liberalization policies. This is true particularly in sectors like power, ports etc. where the 2nd generation reforms are yet to take place.
- However with the introduction of new legislation including the Electricity Act 2003, major thrusts are expected in these areas as well.

LME Prices

- Smelter revenues are critically dependent on the Internationally accepted prices ruling on the London Metal Exchange.
- Non-ferrous metal prices have seen a major downward spiral since January, 2001. Zinc has been the worst hit in terms of the price deflation.
- Year-on Year decrease was 25% between 2000-01 and 2001-02. For 2002-03 fiscal, the prices fell even further by 6.4%. The cumulative erosion in prices from 2000-01 was 29%.

Performance

- Company was able to achieve a high capacity utilization of 94.9% during 2001-2003, in spite of a light concentrate market situation.
- Concentrate availability was affected due to closure of several mines and increased Chinese purchases.
- Installation of a new 40 Ka Thyristor-type rectifier and water-cooled busbar system was undertaken. This will have a significant favourable impact on power consumption.
- First stage construction of new Jarosite pond, using latest available technology for safe storage of process residue, has been completed.

Outlook

- Demand for Zinc is closely correlated with the GDP and Industrial Production (IP) growth.
- With GDP expected to grow at 6-7% per annum the demand outlook is robust. Steel consumption at 32 mio MT, is also expected to move in line with GDP growth, which will give a fillip in the galvanizing segment.
- Other key sectors like infrastructure, construction activities, cars /commercial vehicles, power, telecom etc. are also poised for growth.
- Prices continue to be sluggish and a revival to the peak levels is likely to take place only if the predicted revival of the US and other western economies, take place.
- The long-term Zinc price cycle is also due for an upward movement from the second half of 2003.

GOA GLASS FIBRE LIMITED (GGFL)

Sector outlook

There are only three major multi-national manufacturers in the world namely Owens Corning Inc. USA, PPG Inc. USA and St. Gobain - Vetrotex, France, who control about 90% of the world production, balance are licensee or ex-licensee of the three majors and independent producers like the Company.

In India, there are two of the three world majors i.e. Owens Corning Inc. and St. Gobain Vetrotex manufacturing and we are the only independent manufacturer in the country.

The global market is expected to grow at two to three percent per annum. However the Indian market, though has great potential the growth is not in line of its potential due to poor legislation and knowledge of fiberglass application.

Glass Fibre is a speciality product and there are not too many players in the market. A substantial part of Company's products are exported the world over amidst stiff competition from International Competitors. The signs of economic recovery is expected to increase the demand for off take. Market forecast are such that overall global demand for glass fibre products are expected to increase by 2 to 3 % per annum.

The best opportunities are anticipated in non residential construction due to rebounds in office, commercial and industrial construction applications. Building products and motor vehicles will remain the leading applications. Among other major reinforced plastic markets, best growth is forecast for the electrical and electronic market, stimulated by rapid advances in computer and telecommunications technology, which have shortened the useful life of many types of business equipment. The consistent good quality of the goods produced by us has enabled us to establish markets overseas as well as in the domestic. To enlarge the scope of our product range,

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have introduced the production of Direct Rovings and various grades of Chopped Strand, where the consumption requirement is large due to the mechanized process of consumption.

Threats:

The major threat for producers worldwide is the indiscriminating low pricing by the Chinese manufacturers to grab market share.

The weakening and uncertainty of the US Dollar will have its impact on the Company's Export realization and pricing.

GGFL will complete the furnace rebuild in the next year which will enhance its capacity by more than 40% once the bushings are in place.

For GGFL which exports substantial part of its products is also adversely affected by the exchange rates.

BT COMPOSITES LIMITED (BTCL)**Sector outlook**

In spite of the long lasting nature of Company's FRP products, in view of the high cost, the products have not found a proper response. Aggressive marketing is required to educate the potential users about the advantages of FRP Products.

Concerns

For BTCL, the high cost involved in developing new moulds is a matter of serious concern. The Company cannot survive unless product development at huge cost is undertaken.

INTERNAL CONTROL SYSTEM

The Company and its Subsidiaries have a well developed Management Information System which facilitates control over its affairs. The treasury operations are controlled from Mumbai which ensures utilization of the Company and its subsidiaries' resources at optimum levels without affecting operations. At the plant levels all operating parameters are monitored and controlled. In addition to Statutory Audit and Internal Audit, Cost Audit is carried out for Sulphuric Acid in BZL and for Cement in BCL. Concurrent Audit is also carried out in BCL. Management review meetings are held at regular intervals to assess the performance of the Company and its operating subsidiaries.

ENVIRONMENTAL SAFETY

The Management is very conscious of its Social responsibility. To ensure a clean and green environment both BZL and BCL has taken effective steps by doing afforestation in a big way.

HUMAN RESOURCES/INDUSTRIAL RELATIONS

Consequent upon the hive off of Zinc Division to Binani Zinc Limited, the Company has a strength of 47 employees comprising of professionals in Engineering, Management, Finance, Legal and Accounting functions and support staff.

The Subsidiaries of the Company have a total workforce of 1179 including Professionals in Engineering, Management, HRD and Accounting Functions. Industrial Relations have been cordial in all places.

COMMUNITY DEVELOPMENT PROGRAMMES

Consequent upon the hive off of Zinc division the Company operates from Mumbai through the Corporate Office, Mumbai Office, Project Office at Navi Mumbai and Registered Office at Kolkata. The community development activities are carried out mainly by the Subsidiaries. In Binanipuram (Kerala) BZL organizes eye camps and health camps for employees and their family and the people residing in the area. Binani Charitable Trusts also run a community Centre which organizes tailoring classes for the womenfolk of the area. Ghanshyam Binani Health Centre also provides medical check-up at subsidized rates to the local inhabitants. The local school and hospital buildings are maintained by the Company.

In Binanigram, Rajasthan, Binani Cement Limited organizes health camps and eye camps at regular intervals. The Company was providing drinking water to Pindwara Town during the year under review because of the then prevailing drought situation. BCL also provided cattle fodder.

BCL also runs a Public School and Hospital at Binanigram which caters to the local population also.

Note

The Company has made a forward looking statement regarding its future profitability depending upon the existing business scenario and actual performance would however be influenced by internal and external factors beyond the control of the Company.