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E-WHA FOAM INDIA LIMITED

5TH ANNUAL REPORT 1996-97

Innovative Products for better tomorrow



E-WHA FOAM INDIA LIMITED

FIFTH ANNUAL GENERAL MEETING

On Wednesday, the 24th December, 1997
at 11.00 a.m.

at

Shree Gujراتi Mandal,
Navinbhai Thakkar Hall,
Shradhanand Road, Vile Parle (E),
Mumbai - 400 057.

BOARD OF DIRECTORS

Mr. Navin C. Shah	Chairman
Mr. Ajay B. Shah	Managing Director
Mr. Nijal N. Shah	Director
Mr. J. I. Shin	Nominee E-Wha Foam Korea Co.
Mr. Pratap J. Ghatalia	Director
Dr. Maniketh K. Unnimenon	Director
Mr. Hiranmoy Biswas	I.D.B.I. Nominee

AUDITORS

M/s. Pradip Shah & Company
Chartered Accountants

Request to Shareholders

- Shareholders are requested to bring their copy of the Annual Report along with them at the Annual General Meeting as copies of the Report will not be distributed at the Meeting.
- Kindly send all your Transfer deeds together with Share Certificates for transfer of Shares to the Registrar and Transfer Agents at their following address :

SYSTEM SUPPORT SERVICES

209, Shivai Ind. Estate,
89, Andheri Kurla Road, Sakinaka,
Bombay-400 072.

OR

H-11, Laxmi Industrial Estate,
New Link Road, Andheri (West),
Bombay-400 053.

- Kindly notify change of your address and write only to the Registrar and Transfer Agents in respect of any matter connected with your Shares.

BANKERS

Oriental Bank of Commerce
Bank of Baroda

REGISTERED OFFICE

H-11, Laxmi Industrial Estate,
New Link Road,
Andheri (West),
Bombay-400 053.

AR
9/11/96

FACTORY

Sancoale Ind. Est. of GDDIDC.,
Plot No. 19 to 22 & 37 to 40,
Phase III-A. Near Zuari Nagar,
Village Sancoale, Goa.



E-WHA FOAM INDIA LIMITED

NOTICE

Notice is hereby given that the FIFTH ANNUAL GENERAL MEETING of E-WHA FOAM INDIA LIMITED will be held as scheduled below :-

DAY : WEDNESDAY
DATE : 24th December, 1997
TIME : 11.00 a.m.
PLACE : SHREE VILE PARLE GAJARATI MANDAL

Agenda for the meeting is as under :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit and Loss Accounts for year ended 31st March, 1997 and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Pratap Ghatalia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri J.I. Shin, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. Pradip Shah & Co., Chartered Accountants, as Auditors of the company to hold the office from the conclusion of this annual general meeting until the conclusion of next annual general meeting on such remuneration as shall be decided by the Board of Directors of the company.

SPECIAL BUSINESS:

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

"RESOLVED THAT in accordance with the provisions of section 81(1-A) and all other applicable provisions, if any, of the Companies Act, 1956, (including any amendment to or re-enactment thereof), the Articles of Association of the company, the guidelines and clarifications thereon issued by the Securities and Exchange Board of India (SEBI), from time to time, and subject to such consents, approvals, permissions or sanctions as may be necessary of the Government of India (GOI), Reserve Bank of India (RBI), Financial Institution(s) /Bank(s) and/or other authority(ies) (hereinafter referred to as Appropriate authorities) required under any legislation or rules and regulations for the time

being in force concerning issue of capital, and subject further to such terms, conditions, stipulations, alterations or modifications as may be specified by the said authority(ies) and accepted by the Board of Directors of the company [hereinafter called the "Board" (which term shall be deemed to include any committee which the Board may have constituted or hereafter constitute to exercise its powers including the powers conferred by this resolution)], the consent of the company be and is hereby accorded to the Board to offer, issue and allot 9,85,500 Equity Shares of Rs. 10/- each aggregating Rs. 98,55,000 equivalent of US\$ 2,70,00 at an exchange rate of US\$ 1 = Rs. 36.50 or such higher or lower number of shares as may be decided by the board depending on the prevailing US\$/Rs. exchange rate at the time of import of machineries, and approved by the appropriate authorities, at par for consideration other than for cash to the foreign collaborators E-WHA FOAM KOREA CO. on preferential basis in satisfaction of, part payment of purchase price for import of machineries from the said collaborators.

RESOLVED FURTHER THAT the new equity shares of Rs. 10/- each to be issued as aforesaid shall rank, pari passu, in all respects with the then existing fully paid up equity shares in the capital of the company and shall rank for dividend, pro rata, from the date of allotment.

RESOLVED FURTHER THAT the Board be and is hereby authorised to decide, add, delete, alter, modify and vary any of the terms and conditions of the proposed issue of securities as they may deem fit in the best interest of the company and to do all necessary acts, deeds, things and matters including the date and period of issue of said shares, allotment and listing of said shares, as may be required from time to time, in the best interest of the company, to give effect to above resolution."

By order of the Board

NAVIN C. SHAH
CHAIRMAN

19th November, 1997

Regd. Office :

H-11, Laxmi Industrial Estate,
New Link Road, Andheri (West), Mumbai-400 053.



E-WHA FOAM INDIA LIMITED

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 PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED/RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THIS ANNUAL GENERAL MEETING.
2. The Register of Members and Share Transfer Books of the company will remain closed on 18th and 19th December, 1997 (both days).
3. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business at item No. 5 of the notice is attached herewith.
4. Members are requested to notify immediately change in their address, if any, to the company's registered office and/or to the company's share transfer agent M/S. System Support Services, 209, Shivai Ind. Estate, Next to Parke Davis, 89, Andheri Kurla Road, Sakinaka, Bombay - 400 072.
5. Members are requested to bring the copy of Annual Report at the time of attending the Annual General Meeting.
6. Members seeking any information/clarification with regards to accounts are requested to write to the company at an early date so as to enable the management to keep the information ready.
7. Members/proxy holders are requested to produce attendance slip, at the entrance of the Hall of the meeting duly completed and signed.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****For Item No.5:**

As you are aware that on 25th January, 1997 an unfortunate devastating fire accident took place on account of electric short circuit at the company's factory at Goa which damaged all the equipments extensively resulting in a complete stoppage of all equipments and operations including production. The said matter was immediately reported to all the agencies and a detailed rehabilitation plan was submitted to IDBI so as to enable the company to resume operations at the earliest, the same was approved by IDBI. Foreign collaborators, at the request of the company, also visited the site alongwith their technical experts. As per their report all the machines and equipments are to be replaced by new machinery and equipments. After detail discussion with the collaborators they have in principle agreed to bring in US\$ 2,70,000 towards their contribution in the equity of the company and the same would be brought in and adjusted against the import of plant & machinery from them the value of which would be US\$ 5,88,120.

Hence it is proposed to issue and allot around 9,85,500 equity shares of Rs. 10/- each at par for consideration other than cash on preferential basis to the foreign collaborators subject to necessary approval of members and other appropriate authorities in this behalf.

However, please note that the above number of shares have been derived at the exchange rate at US \$ 1 = Rs. 36.50. In case of fluctuation in the exchange rate the number of shares proposed to be issued and allotted may vary for which you are requested to authorise the Board of Directors to increase or decrease the number of shares proposed to be issued and allotted to the said foreign collaborators.



E-WHA FOAM INDIA LIMITED

Your Directors recommended the above resolution for your approval -

None of the Director except Mr. J. I. Shin, nominee of foreign collaborator is in any way concerned or interested in the above resolution. DISCLOSURE PURSUANT TO PROVISION (ii) OF RULE 3(1) (c) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997.

(A) IDENTITY OF THE CLASS OF THE PROPOSED ALLOTTEES AND REASONS FOR SUCH ALLOTMENT :

It is proposed to issue and allot 9,85,500 Equity Shares of Rs. 10/- each or such other lower or higher number of shares as may be decided by the Board and approved by the appropriate authorities, at par, in consideration of part payment for acquisition of plant & machinery and equipments from foreign collaborators E-WHA FOAM KOREA CO.

The foreign collaborators have agreed to contribute US \$ 2, 70,000 to be adjusted against the import of plant & machinery and equipments from them. The proposed 9,85,500 shares have been derived at exchange rate at US \$ 1 = Rs. 36.50 Any fluctuation in exchange rate may vary the number of shares proposed to be issued and allotted to the collaborators.

(B) PRICE AT WHICH THE ALLOTMENT IS PROPOSED :

It is proposed to issue and allot 9,85,500 equity shares of Rs. 10/- each at par for consideration other than cash preferential basis.

(C) PRESENT SHAREHOLDINGS OF THE PROPOSED ALLOTTEES :

<u>Name Of The Allottee</u>	<u>No. of Shares Held</u>	<u>% of Capital of the Company</u>
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E-WHA FOAM KOREA CO.	1000658	19.54%
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(Issued, Subscribed and Paid up capital of the company is 51,20,000 Equity Shares of Rs. 10/- aggregating Rs. 5.12 crores)

(D) FURTHER SHARES PROPOSED TO BE ALLOTTED TO THE PROPOSED ALLOTTEES, THEIR SHAREHOLDINGS AFTER THE PROPOSED ALLOTMENT AND PERCENTAGE OF THEIR HOLDING OF POST ISSUE CAPITAL :

<u>Name of the Allottee</u>	<u>No. of shares held</u>	<u>No. of shares to be allotted</u>	<u>Total holding after proposed issue</u>	<u>% of post issue Capital</u>
E-Wha Foam Korea	1000658	985500	1986158	32.53%

(E) CONSEQUENTIAL CHANGE IN THE BOARD OF DIRECTORS AND VOTING RIGHTS :

At present Mr. J.I. Shin is a Director on the Board of Directors of the Company nominated by foreign collaborators E-WHA FOAM KOREA CO. There will not be any change in the constitution of the Board of Directors of the Company after the proposed allotment.

Voting rights of the proposed allottee will be increased in proportion to the increase in its shareholding after the proposed allotment.

After the proposed allotment there will not be any change in the control of the Company as the shares are proposed to be issued and allotted to the existing foreign collaborators of the Company.

(F) PRE-ISSUE AND POST-ISSUE SHAREHOLDING PATTERN OF THE COMPANY :

<u>Category</u>	<u>Pre-Issue Holding</u>	<u>%</u>	<u>Post-Issue Holding</u>	<u>%</u>
Indian Promoters	14,99,342	29.29%	14,99,342	24.56%
Public	26,20,000	51.17%	26,20,000	42.91%
Foreign Collaborators	1,00,658	19.54%	1,986,158	32.53%

By order of the Board

NAVIN C. SHAH
CHAIRMAN

19th November, 1997

Regd. Office :

H-11, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai-400 053.



E-WHA FOAM INDIA LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors present herewith the FIFTH ANNUAL REPORT together with the Audited statement of accounts for the year ended 31st March, 1997.

FINANCIAL RESULTS :

	As at 31.03.97 (Rs. in lacs)	As at 31.03.96 (Rs. in lacs)
Turn over	214.90	143.15
Profit / (Loss)		
before Interest	13.45	4.06
Interest	64.26	55.07
Depreciation	—	—
Profit / (Loss)		
before Tax	(-)50.81	(-)51.01
Tax	—	—
Extra ordinary loss	(-)37.76	—
Profit / (Loss)	(-)88.57	(-)51.01

Note : The said result reflect the working of the company for about 9 months, that is up to 25 Jan 1997 as the on line operation was stopped due to fire accident at factory of company at Goa.

DIVIDEND :

In view of loss your Directors regret their inability to recommend any dividend for the year under review.

FIRE ACCIDENT AT FACTORY :

Your Directors regret to inform you that on 25th January, 1997 major fire broke out in the company's factory at Goa due to short circuit and within no time, inspite of serious efforts by the staff, fire service and other agencies, entire factory building with most of the critical plant and machinery, raw material and finished goods were gutted in fire. Immediately a high power committee consisting of Managing Director and other professionals was formed to look into the

matter and investigate the cause of fire and company's collaborators were requested to send their technicians to assist the management and other agencies in ascertaining the loss so as to expedite the matter with the insurance company as entire factory building and all other assets of the company were fully insured.

In the month of March, 1997, after considering the plea of the company and genuinity of the case the Insurance company sanctioned an interim relief of Rs. 1.50 Crores. Company has approaches IDBI, the term lender to allow the company to utilise these fund for rehabilitation. For this, the company has submitted the complete proposal to IDBI and is negotiating with them for clarence of the same at the earliest.

Your Directors are of the opinion that with full co-operation of all the agencies in settling the claim in full and bearing unforeseen circumstances, operations are expected to be resumed by January, 1998.

OPERATIONS :

Due to the cut throat competition in the foam market from the established players the expected turn over, during the first nine months of the year under review, could not be achieved. Inspite of that, as a result of the company's continuous effort to maintain the quality of its products, your company could achieve better results than the preceding year.

But unfortunately entire efforts of last three years were turned into ashes as entire factory, as stated above, was gutted into fire in few hours on 25th January, 1997.

FUTURE COURSE OF ACTION :

Company has already drawn out plans of rehabilitation, pending clearance from IDBI. Collaborators have agreed to supply the plant and machineries with further improvement in technology. Management is hopeful of restarting the production by January, 1998 as mentioned above.



E-WHA FOAM INDIA LIMITED

DIRECTORS :

Mr. Pratap Ghatalia and Mr. J.I. Shin retire by rotation at ensuring Annual General Meeting and being eligible, have offered themselves for re-appointment.

FIXED DEPOSITS :

During year under review the company has not accepted any deposit within the meaning of section 58A of the Companies' Act, 1956 read with the Companies (Acceptance of Deposit) Rules, 1975 as amended.

PROJECTIONS V/S PERFORMANCE (IN TERMS OF CLAUSE 43 OF LISTING AGREEMENT) :

As per the profitability projection given by the company in its prospectus dated 25th July, 1994 the company has had projected the turn over of Rs. 1278 lakhs and the next profit (before tax) of Rs. 193 lakhs for the year 1996-97. While during the year under review, company could achieve turn over of Rs.214.90 lacs and incurred net loss of Rs. 88 lacs.

Projected results could not be achieved as you are aware that the commercial production was delayed and the company could commence the commercial production in April, 1995. In the said year also company's performance was badly affected due to high labour turnover and problems relating to the quality of the company's products. During the year under review company could overcome all these problems, but due to the cut throat competition from the established players in the market and various price cutting methods adopted by them, the performance of the company was not upto the level of expectation.

AUDITORS :

Messrs. Pradip Shah & Co., Chartered Accounts, retire as Auditors of the company at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for

re-appointment. They have furnished a certificate to the effect that the re-appointment, if made, will be in accordance with section 224 (1B) of the Companies Act, 1956.

DISCLOSURES :

a) Employees :

The company did not have any employee drawing remuneration as stipulated under section 217 (2A) of the Companies' Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

b) Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo :

The information required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in report of the Board of Directors) Rules, 1988 in respect to above matters appended hereto and form part of this report.

ACKNOWLEDGEMENT :

Your Directors wish to place on record their gratitude to the Industrial Development Bank of India. Oriental Bank of Commerce and other Government Departments for their continued support and guidance.

Your Directors also wish to place on record their sincere gratitude to the Insurance company and other agencies for their co-operation and timely help in securing the interim relief.

Your Directors also wish to record their appreciation of the dedicated services of the employees of the company.

For and on behalf of
the Board of Directors

Places : Mumbai
Date : 30th June, 1997

NAVIN C. SHAH
CHAIRMAN



E-WHA FOAM INDIA LIMITED

ANNEXURE TO DIRECTOR'S REPORT**FORM - A**

1995-96 1996-97

Power and Fuel Consumption

1. Gas and Electricity :		
a. (i) Gas	Nil	Nil
Unit : ('000 M3)	Nil	Nil
Total Amt. (Rs. in Lacs)	Nil	Nil
Rate/per unit (M3)	Nil	Nil
(ii) Electricity :		
Unit :	146258	162918
Total Amt. (Rs.)	506244	488852
Rate/per unit	3.46	3.00
b. Own Generation :		
(i) Through diesel generator :	Nil	Nil
Unit	50324	96680
Total Amt. (Rs.)	93100	217311
Rate/per unit	1.85	2.24
(ii) Through steam turbine/Generators :	Nil	Nil
Unit	Nil	Nil
Total Amt. (Rs. in Lacs)	Nil	Nil
Rate/per unit	Nil	Nil
2. Coal	Nil	Nil
Quantity (tonnes)	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate	Nil	Nil
3. Furnace Oil, LSHS & L.D. Oil :		
Quantity (Ltrs.)	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate/Litre	Nil	Nil
4. Other/Internal Generation :		
Quantity	Nil	Nil
Total Cost	Nil	Nil
Average Rate	Nil	Nil
b. Consumption per unit of production		
Electricity P. E. form		
(179860 kg) @	1.23	1.44

FORM - B**I. FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION ETC. :**

- 1) Specified areas in which R&D has been carried out by the company : Nil

- 2) Benefits derived as a result of above R&D : Not Applicable
 3) Future Plan action: All the necessary efforts are being made for improvement and development of the products, new applications and cost reduction
 4) Expenditure R&D : Nil

II. TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION :-

1. Efforts, in brief, made towards technology absorption, adoption and benefits delivered as a result of the above : Nil
 2. Technology imported during the last 5 years: The company had imported technology and Plant & Machineries from its collaborators E-WHA FOAM KOREA CO. The said imported Plant & Machineries were destroyed in fire. Now it is Proposed to import Plant & Machineries, duly upgraded, from the said collaborators under the rehabilitation package.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :-

1. Activity related to export, initiatives taken to increase exports, developments of new export markets for products and services and export plans : Nil
 2. Total Foreign Used and Earned
- | | | |
|---|----------------|----------------|
| (in Rupees) | <u>1995-96</u> | <u>1996-97</u> |
| Used | 3,051,814 | 1,562,352 |
| Earned (F.O.B. value of exported goods) | Nil | 229,330 |

For and on behalf of
the Board of Directors

Places : Mumbai
Date : 30th June, 1997

NAVIN C. SHAH
CHAIRMAN



E-WHA FOAM INDIA LIMITED

AUDITORS REPORT

To the members of E-WHA FOAM INDIA LIMITED.

We have audited the attached Balance Sheet of E-WHA FOAM INDIA LIMITED, as at 31st March, 1997 and the Profit & Loss Account of the company for the year ended on that date, annexed there to and report that :-

1. As required by the manufacturing and other companies (Auditor's Report) order 1988, issued by the company law Board in terms of section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in the paragraph 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that :-
 - (a) We have obtained all the information and explanation which to the best of our knowledge and belief where necessary for the purpose of our audit.
 - (b) In our opinion, proper books of accounts as required by Law have been kept by the company, so far as appears from our examinations of such books, except stock books, as it was destroyed by fire in the factory.
 - (c) The balance sheet and Profit & Loss accounts referred to in this report are in agreement with the books of accounts.
 - (d)
 - (i) Note No.1 (C) of Schedule "O" regarding non-provision of depreciation.
 - (ii) Note No.3 of Schedule "O" regarding balances in accounts referred to in the said note being subject to confirmation and reconciliation.

- (iii) We have relied upon the Managements presumption as regard expected insurance claim under the fire policies which is estimated at Rs.5,45,56,423/- (See Note No.9 & Note No.10 of Schedule "O".)
- (iv) Note No.18 of Schedule "O" regarding non-provision of penal interest and liquidated damages charges of Rs.10,36,766/- due to IDBI.
- (v) Note No.19 of Schedule "O" regarding modvat credit availed on stock destroyed by fire.

Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with note thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.

- (i) In the case of Balance Sheet of the state of affairs of the Company as on 31st March, 1997.
- (ii) In the case of Profit and Loss Account of the loss of the Company for the year ended on that date.

FOR PRADIP SHAH & COMPANY,
CHARTERED ACCOUNTANTS.

PLACE : MUMBAI
DATE : 30th June, 1997

(P. N. SHAH)
(PROPRIETOR)