

41st Annual Report 2003-2004

BOROSIL



BOROSIL GLASS WORKS LTD.

BOROSIL

BOARD OF DIRECTORS

Mr. B. L. Kheruka - Chairman
Mr. P. K. Kheruka - Vice Chairman
Mr. A. C. Dalal
Mr. V. N. Nadkarni
Mr. S. Bagai
Mr. R. Mehra - Whole-time Director

COMPANY SECRETARY

Ms. Jyoti Dialani

REGISTERED OFFICE

Khanna Construction House,
44, Dr. R. G. Thadani Marg, Worli, Mumbai - 400 018.

FACTORIES

- Marol-Maroshi Road, Off Military Road,
Mumbai - 400 059.
- Maraimalai Nagar - 603 209
Tamilnadu.

ZONAL SALES OFFICES

- Block No. 403/404, Kaliandas Udyog Bhavan Premises
Co-op. Society Ltd.
Near Century Bazar, Worli, Mumbai - 400 025.
- Dabriwala House, 10, Middleton Row,
Kolkata - 700 071.
- 161, Anna Salai, Chennai - 600 002.
- 19/90, Connaught Circus, New Delhi - 110 001.

AUDITORS

Chaturvedi & Shah
Chartered Accountants

BANKERS

Bank of Baroda
Union Bank of India
The Zoroastrian Co-operative Bank Limited

REGISTRAR & TRANSFER AGENTS

Mondkar Computers Pvt. Ltd.
Unit : Borosil Glass Works Ltd.
21, Shakil Niwas, Mahakali Caves Road,
Andheri (East), Mumbai - 400 093.
☎ : 2836 6620 / 2821 1996

BOROSIL

NOTICE

NOTICE is hereby given that the Forty First Annual General Meeting of the Members of Borosil Glass Works Limited will be held at Sunville Pavilion, Dr. A.B. Road, Worli, Mumbai 400 018 on Wednesday, 22nd September, 2004 at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Mr. R. Mehra who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. P. K. Kheruka who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

NOTES

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (2) The relevant details in respect of Item Nos. 2 & 3 set out above, pursuant to Clause 49 of the Listing Agreement are annexed hereto and forms part of this Notice.
- (3) The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 2004 to 22nd September, 2004 both days inclusive.
- (4) The Members are requested to notify immediately the change of address, if any, to the Company's Registrar and Transfer Agents viz. Mondkar Computers Pvt. Ltd. Unit: Borosil Glass Works Ltd., 21, Shakil Niwas, Mahakali Caves Road, Andheri (East), Mumbai 400 093.
- (5) Pursuant to Section 205A of the Companies Act, 1956 ("the Act"), all unclaimed/unpaid dividends upto the financial year 31st March 1996 have been transferred to General Revenue Account of the Central Government. Shareholders who have not yet encashed the Dividend Warrants for the said period(s) are requested to claim their amounts from the Registrar of Companies, Maharashtra at their Office at CGO Complex, 2nd Floor, A-Wing, Next to RBI Building, CBD Belapur 400 614.

Shareholders are hereby informed that after the amendment of the Act with effect from 31.10.1998, the Company will be obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of Investor Education and Protection Fund ("Fund") established by the Central Government. In accordance with Section 205C of the Act, no claim shall lie against the Company or Fund in respect of the Individual amounts of dividends remaining unclaimed and unpaid for a period of seven years from the dates they became first due for payment and no payment shall be made in respect of any such claims.

- (6) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.

BOROSIL

(7) Appointment/Re-appointment of Directors

Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Name of Director:	Mr. R. Mehra	Mr. P.K. Kheruka
Date of Birth:	16th January, 1946	23rd July, 1951
Date of Appointment:	16th August, 2000	24th November, 1988
Qualification :	B.Sc Production Engineer (U.K.)	B.Com
Expertise in specific functional area	Over 23 years experience in the Company in various areas	Experience of over two decades in glass industry
List of other Indian Public Limited Companies in which Directorship held.	<ul style="list-style-type: none"> ● Swapan Properties Ltd. 	<ul style="list-style-type: none"> ● Gujarat Fusion Glass Ltd. ● General Magnets Ltd. ● Gujarat Borosil Ltd. ● Window Glass Ltd.
Chairman/Member of Committees of the Board of other public limited companies.	- N.A. -	<ul style="list-style-type: none"> ● Gujarat Borosil Ltd. Audit Committee-Member Share Transfer and Shareholders/ Investors Grievance Committee - Member

Date : 30th July, 2004

Registered Office:

Khanna Construction House
44, Dr. R.G. Thadani Marg
Worli, Mumbai 400 018.

By Order of the Board

JYOTI DIALANI
Company Secretary

BOROSIL**FIVE YEAR FINANCIAL HIGHLIGHTS**

		2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Gross Sales	(Rs. Lacs)	6510.88	6873.00	8648.91	7819.92	5917.82
Profit Before Tax	(Rs. Lacs)	(80.17)	(32.47)	(167.47)	11.59	9.46
Profit/(Loss) Before Tax as % on Sales		(1.23)	(0.47)	(1.94)	0.15	0.16
Provision for Taxation (including Deferred Tax income of Rs. 91.27 lacs, 77.45 lacs and 71.22 lacs for the years 2003-04, 2002-03 and 2001-02 respectively)	(Rs. Lacs)	(91.14)	(76.82)	(70.54)	1.49	1.69
Profit/(Loss) After Tax	(Rs. Lacs)	10.97	44.35	(96.93)	10.10	7.77
Profit/(Loss) After Tax as % on Sales		0.17	0.65	(1.12)	0.13	0.13
Dividend	(%)	0.00	0.00	0.00	0.00	0.00
Net Earnings per Share	(Rs.)	0.32	1.29	(2.83)	0.29	0.23
Shareholders' Funds	(Rs. Lacs)	4610.65	4599.68	4555.33	5233.19	5223.08
Book Value per Share	(Rs.)	134.46	134.14	132.84	152.61	152.32
Return on Investment	(%)	4.68	7.61	7.53	8.71	8.54

BOROSIL**DIRECTORS' REPORT**

Your Directors present their Forty First Annual Report and the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

(Rupees in thousands)

	Year ended 31.3.2004	Year ended 31.3.2003
Gross Sales (Including Excise Duty)	651088	687300
Other Income	16311	24210
Profit/(Loss) for the year before interest, Depreciation and Extra Ordinary Items	52225	74400
Less: Interest	33290	62652
Less: Depreciation	28878	36118
Add: Profit from Extra Ordinary Items	1926	21123
Profit/(Loss) before tax	(8017)	(3247)
Provision for tax (including Deferred Tax Credit Rs. 9127 thousand ; previous year Rs. 7745 Thousand)	9114	7682
Profit/(Loss) after tax	1097	4435
Add: Balance as per last year	59683	51748
Add: Transfer from Debenture Redemption Reserve Account	4500	3500
Balance carried to Balance Sheet	65280	59683

DIVIDEND

Your Directors do not recommend any dividend for the year ended 31st March, 2004 in view of insufficient profit.

PERFORMANCE

The following factors affected the operational results of the Company during the year under review.

- The operations at furnace no. 2 at Marol Plant restarted from mid of December, 2003, after incurring expenses towards repairs of Rs. 8500 thousand, which has been debited to revenue in the accounts.
- Since only one tube draw has been working on Furnace No. 1 at Marol, the requirements of tubing could not be met fully, which affected manufacture of drinking glasses, lantern chimneys and tube made sub-contracted items.
- Operations at Maraimalai Nagar remained suspended as only lamp shop and grinding operations are being carried out there.
- In consumerware segment, the Company decided to focus only on niche products and stopped fresh business in slow moving items. As a result, the sales of this division has declined during the year, but margin has improved.

As reported last year, the Company is in the process of upgrading furnace no. 1 at Marol from 12 M.T. per day to 22 M.T. per day, which is likely to be completed by end of September, 2004, at an estimated cost of about Rs. 12 crores, which will be met from term loan(s) not exceeding Rs. 5 crores and balance from internal funds. This will give a major boost to the productivity/

BOROSIL

quality as well as profitability of the Company which will be partly reflected in the current year's performance. Out of the aforesaid Rs. 12 crores, the Company has incurred a capital expenditure of Rs. 516 lacs during the year in connection with modernisation cum expansion of Tank # 1.

Pursuant to One Time Settlement (OTS) made with ICICI Bank Ltd., the Company got, inter alia, remission of Rs.409 lacs in principal amount, which has been treated as an extra ordinary item. As a condition of OTS, the Company has fully repaid their working capital facilities. IDBI has restructured repayment schedule at a lower rate of interest.

During the year, the Company changed its accounting policy of depreciation in respect of its plant, machinery and equipment at Maraimalai Nagar from straight line method to written down method in view of need for early replacement on account of advancement in technology. This has resulted in an extra depreciation of Rs. 389.65 lacs for earlier years.

Exports during the year increased to Rs. 295 lacs as compared to Rs. 177 lacs in the previous year. There is substantial untapped demand which will be met after increased production is received from Tank # 1 at Marol.

Even after handing over a portion of land to BMC, the Company has substantial land at its plant at Marol, which is not effectively used for production. In order to bring in some permanent funds into the Company to ease interest burden, the Company has entered into an arrangement with a party to grant development rights in respect of plot of land admeasuring about 14,000 sq. mtrs. for a total consideration of Rs. 5 crores. Since the land is presently mortgaged to Term lenders, Trustees for debentureholders and working capital bankers, the possession of land can be given only about two years from now after the said charges/mortgage are released. The Company has received a sum of Rs. 3.25 crores as an earnest money against this dealing in the current year.

GUJARAT BOROSIL LTD. (GBL)

Your Directors are pleased to inform that Gujarat Borosil Ltd. (GBL), a company promoted by your Company, has ceased to be a sick industrial company and is making reasonable profits.

The Company as promoter paid balance contribution of Rs. 4.5 crores to GBL as unsecured loan in terms of BIFR Order, which has been refunded back by GBL on the condition that they will take this money when required by them since repair of their furnace has been postponed.

DEBENTURES

15.5% Non-Convertible Portion of Partly Convertible Debentures (NCDs) of Rs. 65/- each have been fully redeemed by payment of third & final instalment of Rs. 25/- each on 14th August, 2003. In case of 13.25% NCDs of Rs. 65/- each totalling 804,778 held by LIC MF and insurance companies, the first instalment is due for redemption on 14.8.2004.

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

The particulars prescribed under the Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988 are furnished in the Annexure forming part of the Report.

FIXED DEPOSITS

The Company mobilised fresh fixed deposit of Rs. 102.70 lacs in the year 2003-2004 and the total amount of deposits as on 31st March, 2004 was Rs. 253.52 lacs (including unclaimed deposits). There were 132 deposits amounting to Rs. 12.12 lacs due for repayment which remained unclaimed as on 31st March, 2004. Out of these unclaimed deposits, 4 deposits for Rs. 0.50 lacs have since been renewed and 9 deposits for Rs.1.07 lacs have been repaid.

DIRECTORS

Mr. T. Raghavendran ceased to be a nominee director of ICICI Bank Ltd. with effect from 19.8.2003. The Board placed on record its appreciation for the valuable guidance received from Mr. T. Raghavendran during his tenure as a nominee director.

Mr. P.K. Kheruka and Mr. R. Mehra retire by rotation and, being eligible, offer themselves for reappointment.

BOROSIL

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company is the sole manufacturer in India of low expansion borosilicate glass which is used by it to manufacture a wide variety of scientific, industrial, lighting and consumerware items. The Company also supplies tubing and other products which are used by the small scale down stream processing units to manufacture various finished products like burettes, pipettes, flasks, condensers, ground joints, extractors etc. The entire Research and Development Industry, Education and Health segment of the market are major users of scientific and industrial products, whereas consumerware items cater to the need of domestic sector.

B. OPPORTUNITIES AND THREATS

The scientific and industrial segments depend largely on government funding which has not seen much hike during the last few years. This has acted as a constraint in growth in these segments in the domestic market. The situation has been further aggravated by the usage of plastic and instruments in laboratories as a substitute for glassware. In order to cope up with the situation, the Company has significantly stepped up its efforts from the latter part of the year in the export markets and this has resulted in significant improvement in export sales.

There has been fierce competition mainly from imported goods in consumerware segment. The Company is now trying to consolidate its position in the areas where the Company has edge over others. The Company has arrangement/ understanding with various manufacturers of Europe and South East Asia to market and sell various items which are required in the domestic market alongwith the products manufactured by the Company.

The most serious threat to the business of the Company is from unrestricted import and dumping of scientific and industrial products by importers from various countries. During the year, the Company has rationalised pricing of its tubing to make it competitive with imported ones. This has helped the Company in maintaining its market share.

The second major threat is availability of significant quantities of spurious goods bearing Company's brand name. In order to combat this menace, the Company through investigating agencies conducted number of raids on the unscrupulous manufacturers/traders during the last couple of years which has had very salutary effect on the market. However, this is a wide-spread problem which can be tackled only by constant vigil and action.

C. SEGMENTWISE OR PRODUCTIONWISE PERFORMANCE

- Scientific and Industrial Product Division

The overall growth of scientific and laboratory business in the country has been limited because of restricted government funding. The performance of this division has been affected during a part of the year, on account of lower availability of tubing, as a result of aging of Tank # 1 at Marol as also because of availability of substitute products such as plastic etc. This has been partly offset by laying emphasis on exports. The sales of this division has marginally improved during the year. However, margins came under pressure.

- Consumerware Division

The Company has been consolidating its position in microwave glassware segment. With the introduction of new variants, the sale of drinking glasses has been growing steadily. During the year, the Company has decided to focus its attention mainly on two brands namely Borosil International and Napoli apart from traditional Borosil @ brand and to stop fresh business in other brands. This resulted in lower sales for this division but margin has slightly improved.

D. OUTLOOK

Scientific and Industrial Products:

As mentioned above, the scope of growth in this segment in domestic market is limited. The Company has augmented its sub-contract activities, which have resulted in better availability of products. The Company is planning to tap new export markets in a big way once the rebuild of Tank # 1 at Marol is completed and it starts receiving production therefrom.

Consumerware Products:

The Company is a market leader in microwave glassware segment and emerging fast as market leader in higher quality drinking glasses. There is still scope for growth in microwave glassware and drinking glasses segments. The Company will continue to concentrate in these two areas to consolidate its position further.

E. RISK AND CONCERNS

- (a) Dumping of goods by foreign competitors.
- (b) Increased usage of other scientific products e.g. plastics and instruments.
- (c) Spurious activities.
- (d) Competition from imported goods mostly from the grey market.

BOROSIL

F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate Internal Control System commensurate with its size and nature of business. The internal audit is periodically conducted by external firm of Chartered Accountants and internal audit reports are reviewed by the Audit Committee.

G. MATERIAL DEVELOPMENT IN HUMAN RESOURCES, INDUSTRIAL RELATION FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED

Industrial relations at both the plants of the Company remained cordial during the year under review.

The Company has a team of special skilled workers at its plants. The Company has been imparting training to its workers particularly in cold-end area in order to maintain its pool of skilled and semi skilled workers.

Number of people employed with the Company as on 31.3.2004 are as follows:

The Company has in total 700 permanent employees including 208 management/ supervisory cadres (excluding badli/ temporary workers). The Company is contesting individual suits filed by 23 employees, who were laid-off earlier at Maraimalai Nagar plant, for re-instatement in Labour Court, Chennai.

CORPORATE GOVERNANCE REPORT

A separate section on Corporate Governance is included in the Annual Report and the Certificate from Company's Auditors confirming the compliance with the code of Corporate Governance as enumerated in Clause 49 of the Listing Agreement with the Stock Exchange is annexed hereto.

PARTICULARS OF EMPLOYEES

There was no employee drawing remuneration to the extent as required to be disclosed under Section 217(2A) of the Companies Act, 1956 and rules thereunder, as amended.

AUDITORS

M/s. Chaturvedi & Shah, Chartered Accountants, will retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and being eligible have expressed their willingness for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956.

Subject to disclosures in the Annual Accounts and also on the basis of the discussion with the Statutory Auditors of the Company from time to time, the Board of Directors state as under:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that there were no material departures;
- ii) that we had selected such accounting policies and 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 profit or loss of the Company for that period;
- iii) that we had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that we had prepared the annual accounts on a going concern basis.

SAFETY AND POLLUTION CONTROL

The Company is continuously endeavouring to ensure safe working conditions for all its employees.

The manufacturing activities of the Company do not pollute the environment.

ACKNOWLEDGEMENTS

Your Directors record their appreciation for the co-operation received from the employees, Bankers and Financial Institutions during the year under review.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 30th July, 2004

B. L. KHERUKA
Chairman

BOROSIL

ANNEXURE TO THE DIRECTORS' REPORT**CONSERVATION OF ENERGY**

The Company continues to emphasize on the optimal utilisation and conservation of energy.

FORM – A

Form for Disclosure of Particulars with respect to Conservation of Energy

(A) Power and Fuel Consumption :

	April, 2003 To March, 2004	April, 2002 To March, 2003
1. Electricity		
Purchased Units ('000 KWH)	6578	5196
Total Amount (Rs. Thousands)	24234	20615
Rate Unit (Rs.)	3.68	3.97
2. Fuel Oil / Gas		
(a) L.D.Oil		
Quantity ('000 Litres)	37	244
Value (Rs. Thousands)	685	3112
Rate/Kilo Ltr. (Rs.)	18.51	12.75
(b) H.S.D. (*)		
Quantity ('000 Litres)	5	10
Value (Rs. Thousands)	95	175
Rate/Kilo Ltr. (Rs.)	19.00	17.31
(c) Furnace Oil		
Quantity ('000 Litres)	4608	3329
Value (Rs. Thousands)	47039	34973
Rate/Kilo Ltr. (Rs.)	10.21	10.50
(d) L.P. Gas		
Quantity ('000 Litres)	15	6
Value (Rs. Thousands)	375	123
Rate/Kilo Ltr. (Rs.)	25.00	22.20
(e) Liquid Oxygen		
Quantity ('000 Cu.Mtrs.)	472	389
Value (Rs. Thousands)	5870	4996
Rate/Cu.Mtrs. (Rs.)	12.44	12.85
(f) Natural Gas		
Quantity ('000 Cu.Mtrs.)	2078	1113
Value (Rs. Thousands)	16156	10480
Rate/Cu.Mtrs. (Rs.)	7.77	9.41

NOTE : (*) Self generation – Diesel Generators are run during power failure and on regular interval to maintain the equipment.