

42nd Annual Report 2004-2005

BOROSIL



BOROSIL GLASS WORKS LTD.

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Krupa Anandpara

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

- 403/404, Kaliandas Udyog Bhavan Premises
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.
☎ : 2825 7641 / 2826 2920

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NOTICE

NOTICE is hereby given that the Forty Second Annual General Meeting of the Members of Borosil Glass Works Limited will be held at Sasmira Auditorium, 3rd Floor, Sasmira Marg, Dr. Annie Basant Road, Worli, Mumbai – 400 025 on Friday, the 29th July, 2005 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.
2. To declare a dividend on the equity shares.
3. To appoint a Director in place of Mr. A.C. Dalal who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S. Bagai who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint M/s. Chaturvedi & Shah, Chartered Accountants as Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the creation by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), of mortgages and charges on all the immovable and movable properties of the Company whatsoever and whosoever, both present and future, situated at Company's Plant at Marol, Mumbai and Maraimalai Nagar, Tamilnadu, to or in favour of Catholic Syrian Bank Limited to secure a term loan of Rs. 4,50,00,000 (Rupees Four Crores Fifty Lakhs only) together with interest, additional interest, liquidated damages, commitment charges, premium on prepayment or on redemption, costs, expenses and all other moneys payable by the Company in terms of the Loan Agreements/Letter of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said loan, ranking pari passu with the existing first charges created by the Company in favour of the other term lending institutions and subject to second charge in favour of the Trustees for debentureholders and working capital bankers.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do such acts, deeds and things as may be necessary, appropriate and expedient to give effect to the aforesaid Resolution."

7. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 314(1B) of the Companies Act, 1956, consent of the Company be and is hereby accorded to the appointment of Mr. P.K. Kheruka, (a relative of Mr. B. L. Kheruka, Chairman) as Vice-Chairman and Managing Director of the Company on a total salary, allowances, and perquisites not exceeding Rs. 36,00,000/- p.a. for a period of three years commencing from 1st August, 2005."

8. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and any other applicable provisions, if any, of the Companies Act, 1956, (hereinafter referred to as the "Act" which includes any statutory modification(s) or re-enactment thereof, for the time being in force), consent of the Company be and is hereby accorded to the appointment of Mr. P. K. Kheruka as Vice- Chairman and Managing Director for a period of three years with effect from 1st August, 2005 on the terms and conditions including remuneration as set out in the Agreement to be entered into between the Company and Mr. P. K. Kheruka, a draft whereof is placed before this meeting, with a liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement subject to the same not exceeding the limits specified in Schedule XIII to the Act or otherwise as permissible at Law for the time being in force.

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RESOLVED FURTHER THAT in case of loss or inadequacy of profits in any financial year during his tenure as Vice- Chairman and Managing Director, Mr. P. K. Kheruka shall be paid the remuneration as set out in the Explanatory Statement as the minimum remuneration subject to limits laid down in Schedule XIII of the Companies Act, 1956, or as may be approved by the Central Government.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all steps as may be necessary, proper and expedient to give effect to this Resolution."

9. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchange, the consent of the Company be and is hereby accorded to the payment of a sum of Rs. 5000/- (Rupees Five Thousand only) or such other amount as may be approved by the Board of Directors from time to time subject to the ceiling prescribed under the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) or under any Rules made thereunder, as amended from time to time, as the sitting fees for each meeting of the Board of Directors and/or any Committee(s) thereof, attended by the Non- Executive Directors of the Company."

By Order of the Board

Place : Mumbai

Date : 13th June, 2005.

Krupa Anandpara
Company Secretary

Registered Office:

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

NOTES

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective must be deposited with the Company at least 48 hours before the Meeting.
- (2) The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 6 to 9 are annexed hereto and form part of this Notice.
- (3) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 21st July, 2005 to Friday, 29th July, 2005 (both days inclusive).
- (4) The Dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 29th July, 2005 :
 - (i) to those Members whose names appear in the Register of Members after giving effect to all valid share transfers in physical form lodged with the Company on or before 20th July, 2005.
 - (ii) in respect of shares held in electronic form, to those "deemed Members" whose names appear on the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), at the end of business hours on 20th July, 2005.
- (5) 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.
- (6) Members are requested to bring their copy of Annual Report to the Meeting as the same will not be distributed at the meeting.

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

Name of the Director	Mr. A. C. Dalal	Mr. S. Bagai	Mr. P. K. Kheruka
Date of Birth	14th November, 1921	7th March, 1956	23rd July, 1951
Qualification	—	B. Com, L. L. B	B. Com
Date of Appointment	28th August, 1989	29th June, 2002	24th November, 1988
Expertise in Specific Functional Area	Over 63 years experience in capital market	Over 22 years experience in legal and taxation matters	Over 32 years experience particularly in glass industry
List of other Indian Public Limited Companies in which Directorship held	1. Sulej Industries Ltd. 2. Pilani Investment and Inds. Corp. Ltd. 3. Vidula Chemicals & Mfg. Inds. Ltd. 4. Birla Global Finance Ltd. 5. Century Textiles & Inds. Ltd. 6. Birla Securities Ltd.	—	1. Gujarat Fusion Glass Ltd. 2. General Magnets Ltd. 3. Gujarat Borosil Ltd. 4. Window Glass Ltd.
Chairman/Member of the Board Committees of other Public Limited Companies	Audit Committee 1. Century Textiles and Inds. Ltd. - Member 2. Birla Global Finance Ltd. - Member 3. Sulej Inds. Ltd. - Member 4. Pilani Investment and Inds. Corp. Ltd. - Member	—	Audit Committee 1. Gujarat Borosil Ltd. - Member Share Transfer and Investors' Grievance Committee 1. Gujarat Borosil Ltd. - Member

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 6**

The Company has been sanctioned a term loan of Rs. 450 lacs by the Catholic Syrian Bank Limited (hereinafter referred to as the said bank) to replace existing short-term borrowings availed in connection with rebuild of Furnace No. 1 at Company's Plant at Marol, Mumbai.

As per the terms of sanction letter from the said bank, the repayment of loan along with interest and other charges are required to be secured by the pari passu first charge over the immovable properties of the Company situated at Marol, Mumbai and Maraimalai Nagar, Tamilnadu. The immovable properties are presently subject to first charge in favour of the Asset Reconstruction Company of India Limited (Arcil) (previously ICICI) and IDBI bank and second charge in favour of the trustees for debentureholders and working capital bankers.

Pursuant to Section 293(1)(a) of the Companies Act, 1956, approval of the members is sought for creating first charge in favour of the said bank for securing the aforesaid term loan subject to the existing charges.

The Board recommends passing of resolution at Item No. 6 as an Ordinary Resolution.

None of the Directors is concerned or interested in the aforesaid Resolution.

Item Nos. 7 & 8

The term of Mr. R. Mehra, as Whole-time Director, expires on 15th August 2005.

The Company needs to appoint an experienced Managerial Personnel to look after day to day affairs. It is proposed to appoint Mr. P. K. Kheruka, Vice- Chairman having over 32 years experience particularly in the glass industry, as Vice Chairman & Managing Director with effect from 1st August, 2005.

However, since Mr. P. K. Kheruka is a relative of Mr. B. L. Kheruka, Chairman, prior approval of shareholders in terms of Section 314(1B) of the Companies Act, 1956 (hereinafter referred to as "Act") is sought for holding of office of Managing Director vide Resolution at Item No. 7 of the accompanying Notice for a period of 3 years with effect from 1st August, 2005. As per the clarification issued by the Department of Company Affairs vide their letter no. 3/36/87 CL-V dated 29.05.1989, approval of the Central Government is not necessary as the appointment is in accordance with Schedule XIII of the Act.

The appointment of Mr. Kheruka is subject to provisions of Sections 198, 269, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956.

The terms and conditions of Mr. Kheruka's appointment and remuneration payable to him, as approved by the Remuneration Committee are as follows:

I. Remuneration

- a) **Salary** : Rs. 1,50,000/- p.m. in the scale of Rs. 1,50,000/- to Rs. 2,00,000/- with such increments as may be decided by the Board of Directors (which includes any Committee thereof) from time to time.
- b) **Commission** : such percentage of the net profits of the Company or such amount as may be decided by the Board of Directors (which includes any Committee thereof) for each financial year or part thereof within overall ceiling of 5% of the net profits of the Company.
- c) **Perquisites** :
 - i) **Housing**
 - 1) Residential accommodation or house rent allowance not exceeding 60% of the salary.
 - 2) Expenses pertaining to electricity will be borne/ reimbursed by the Company.
 - ii) **Medical Expenses**

Domiciliary Treatment	-	At actuals subject to a ceiling of Rs. 15,000/- p.a. for Mr. Kheruka and his family.
Hospitalisation	-	Mr. Kheruka and his dependents will be covered by the Company's medical insurance scheme.
 - iii) **Club Fees**

Reimbursement of membership fee for upto 4 clubs in India including admission and life membership fee.

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iv) Personal Accident Insurance

Personal Accident Insurance Policy of such amount, the premium of which shall not exceed Rs.10,000/- per annum.

v) Mr. Kheruka will be provided with a Company maintained car with Driver.

vi) Phone rental and call charges will be paid by the Company at actuals for telephone at the residence/mobile phone. Charges for personal STD/Trunk Calls would be borne by Mr. Kheruka.

vii) Company's contribution to Provident Fund, Gratuity and encashment of leave at the end of his tenure, payable as per rules of the Company. These shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

viii) Leave

Leave with full pay or encashment thereof as per the Rules of the Company.

ix) Mr. Kheruka will further be entitled to reimbursement of actual entertainment and travelling expenses incurred by him for business purposes.

II. In case of inadequacy or absence of profits in any financial year during the tenure of Mr. Kheruka as a Managing Director, the remuneration payable to him in that financial year shall be calculated in a manner so that it does not exceed the limits laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956 or as may be approved by the Central Government.

III. Other terms and conditions:

(i) Mr. Kheruka, as long as he functions as Managing Director shall not become interested or otherwise concerned directly or through his wife in any selling agency of the Company without prior approval of the Central Government.

(ii) The Agreement may be terminated by either party by giving three months' notice in writing.

Statement of Information as required under Schedule XIII of the Companies Act, 1956 :

I. General Information

- (1) Nature of industry : Manufacture and trading in borosilicate and other types of glassware
(2) Date of commencement of commercial production : 14th December, 1962

			(Rs. in lacs)
(3) Financial Performance	2002-03	2003-04	2004-05
Gross Sales	6873.00	6510.88	6303.19
Profit before Tax	(32.47)	(80.17)	98.08
Net Profit/ (Loss)	44.35	10.97	232.41

			(Rs. In lacs)
(4) Export performance and net Foreign Exchange Earnings	2002-03	2003-04	2004-05
	177.91	303.71	366.12
(5) Foreign Exchange Collaboration	NIL	NIL	NIL

II. Information about the appointee

- (1) Background details : Mr. P.K. Kheruka is a graduate in Commerce and has over 32 years wide experience particularly in the glass industry. He has been associated with the Company over last 16 years.
- (2) Past remuneration : With other Company - Rs. 25,000/- per month + Perquisites and other benefits
- (3) Recognition or awards : —
- (4) Profile and his suitability : Mr. Kheruka shall be required to look after overall management of affairs of the Company subject to direction, superintendence and control of the Board of Directors.
- Mr. Kheruka has extensive experience in the corporate sector and particularly in the glass industry

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- (5) Remuneration proposed : As given above in the explanatory statement
- (6) Comparative Remuneration profile with respect to industry size of the Company, profile of the position and person : There is no other manufacturer of borosilicate glass in the country. As regards other glass manufacturers, the size of their operations are quite large and hence cannot be compared with the Company
- (7) Pecuniary relationship with directly /indirectly with the Company or with the Managerial Personnel, if any. : —

III. Other Information

- (1) Reasons of loss or inadequate profits : (i) During the year, operations at Furnace No. 1 was suspended for nearly about 3 months due to renovation and Furnace No. 2 was operational only for part of the year which has resulted in lower production and sales and as a result, inadequate profit.
(ii) Fierce competition mainly from imported goods
- (2) Steps taken or proposed to be taken for improvement : Furnace No. 1 at Marol, Mumbai has been rebuilt at a cost of Rs. 14.22 crores, which has resulted in improved quantity and quality with lower cost of operation.
- (3) Expected increase in the productivity and profit in measurable terms : Although in quantitative terms, the production may not increase much but in view of better quality and saving in fuel cost, the profitability is likely to be substantially higher in the current year as compared to the year ended 31st March, 2005.

Your Directors recommend passing of the Resolutions at Item Nos. 7 and 8 of the Notice.

Except Mr. P. K. Kheruka and Mr. B. L. Kheruka being a relative of Mr. P. K. Kheruka, no other Director is concerned or interested in the aforesaid resolutions.

A copy of the draft Agreement to be entered into between the Company and Mr. Kheruka will be available for inspection by members at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on any working days upto and including Annual General Meeting.

Abstract pursuant to Section 302 of the Companies Act, 1956

This may also be considered as an abstract of terms and conditions of appointment of Mr. P. K. Kheruka, pursuant to Section 302 of the Companies Act, 1956 and Memorandum of Interest in that behalf.

Item No. 9

One of the requirements of the revised Clause 49 of the Listing Agreement with the Stock Exchange on Corporate Governance is that all fees/compensation paid to the Non-Executive Directors shall be fixed by the Board of Directors and require approval of Shareholders at the general meeting.

Presently, the Company is paying Rs. 3,000/- as Sitting Fees to the Non-Executive Directors for each Board/Committee Meeting attended by them. It has been proposed to increase the sitting fees to Rs. 5,000/-. The increase is within the limits prescribed by the Rules framed under Section 309 of the Companies Act, 1956.

The approval of the Members is therefore sought for the payment of increased sitting fees to the Non- Executive Directors of the Company. The Board recommends passing of the Resolution as set out at Item No. 9 of the accompanying Notice.

All the Non- Executive Directors are considered to be interested in the aforesaid Resolution.

By Order of the Board

Krupa Anandpara
Company Secretary

Place: Mumbai
Date : 13th June, 2005

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

FIVE YEAR FINANCIAL HIGHLIGHTS

		2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Gross Sales	(Rs. Lacs)	6303.19	6510.88	6873.00	8648.91	7819.92
Profit Before Tax	(Rs. Lacs)	98.08	(80.17)	(32.47)	(167.47)	11.59
Profit/(Loss) Before Tax as % on Sales		1.56	(1.23)	(0.47)	(1.94)	0.15
Provision for Taxation (including Deferred Tax income of Rs. 134.48 lacs, Previous year Rs. 91.27 lacs)	(Rs. Lacs)	(134.33)	(91.14)	(76.82)	(70.54)	1.49
Profit/(Loss) After Tax	(Rs. Lacs)	232.41	10.97	44.35	(96.93)	10.10
Profit/(Loss) After Tax as % on Sales		3.69	0.17	0.65	(1.12)	0.13
Dividend	(%)	10.00 *	0.00	0.00	0.00	0.00
Net Earnings per Share	(Rs.)	6.78	0.32	1.29	(2.83)	0.29
Shareholders' Fund	(Rs. Lacs)	4392.96	4610.65	4599.68	4555.33	5233.19
Book Value per Share	(Rs.)	128.11	134.46	134.14	132.84	152.61
Return on Investment	(%)	6.86	4.68	7.61	7.53	8.71

* Proposed

DIRECTORS' REPORT

To the Members of **Borosil Glass Works Limited**

Your Directors present their Forty Second Annual Report together with the Audited Accounts for the year ended 31st March, 2005.

(Rs. in Thousands)

	Year ended 31.3.2005	Year ended 31.3.2004
Gross Sales (including Excise Duty)	630319	651088
Other Income	16257	16311
Profit/(Loss) for the year before Interest,	61395	52225
Depreciation and Extra Ordinary Items		
Less : Interest	25134	33290
: Depreciation	26453	28878
: Impairment loss	41133	-
Add : Amount transferred from General Reserve	41133	-
: Profit from Extra Ordinary Items	-	1926
Profit/(Loss) before tax	9808	(8017)
Less : Provision for tax	15	13
Add : Deferred Tax Credit	13448	9127
Profit after tax	23241	1097
Add : Balance as per last year	65280	59683
: Transferred from Debenture Redemption Reserve	8100	4500
Amount available for Appropriation	96621	65280
Appropriations		
Transferred to General Reserve	2324	-
Proposed Dividend	3429	-
Tax on Proposed Dividend	448	-
Balance carried to Balance Sheet	90420	65280

Dividend

Your Directors are pleased to recommend a dividend @ 10% i.e. Re. 1 per equity share.

Performance

The Company has successfully completed rebuild of Furnace No. 1 at Marol with enhanced capacity of 22 M. T. per day incurring cost of Rs. 14.22 crores. For the purpose, the operations at Furnace No. 1 at Marol were suspended from first week of September 2004 till end of December 2004. The rebuild has resulted in much better quality of products as well as substantial savings in fuel cost as envisaged. The Company met the expenditure partly by inter-corporate loans and balance from internal funds. Furnace No. 2 was operational only upto December 2004 whereas operations at Maraimalai Nagar remain suspended.

In spite of all these constraints, your Company could manage reasonable profits and dividend has been recommended after a gap of 9 years. The Company hopes to achieve much better results during the current financial year.

The Company has entered into tripartite Agreement for implementation of mySAP ERP System. The implementation of ERP is likely to improve the efficiency of business operations and will result in easy availability of real time data and thereby improved Management Information System (MIS). This will also help in integration of all business operations.