

45th Annual Report 2007-2008

BOROSIL



BOROSIL GLASS WORKS LTD.

BOROSIL

BOARD OF DIRECTORS

B. L. Kheruka - Chairman
P. K. Kheruka - Vice Chairman & Managing Director
A. C. Dalal
S. Bagai
K. V. Krishnamurthy
V. Ramaswami - Wholetime Director

REGISTERED OFFICE

Khanna Construction House,
44, Dr. R. G. Thadani Marg, Worli, Mumbai - 400 018.
☎ : 6740 6300

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.
- Door No. 22, Wheat Croft Road, Nungambakkam,
Chennai - 600 034.
- 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
IndusInd 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.
☎ : 2820 7203 / 2820 7204 / 2820 7205

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NOTICE

NOTICE is hereby given that the Forty Fifth Annual General Meeting of the Members of Borosil Glass Works Limited will be held at Sasmira Auditorium, 3rd Floor, Sasmira Marg, Dr. Annie Besant Road, Worli, Mumbai-400 030 on Thursday, the 31st July, 2008 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, 2008 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. S. Bagai who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. B. L. Kheruka who retires by rotation and, being eligible, offers himself for re-appointment.
4. 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

5. 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, 310 and 314(1B) 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 re-appointment of Mr. P. K. Kheruka as Vice-Chairman and Managing Director for a period of three years with effect from 1st August, 2008 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.

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."

By Order of the Board

C. Baptista

Company Secretary

Place: Mumbai

Date: 19th June, 2008

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) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No.5 is annexed hereto and forms part of this Notice.
- (3) The Register of Members and Share Transfer Books of the Company will remain closed from 24th July, 2008 to 31st July, 2008 (both days inclusive).

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- (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) Members are requested to bring their copy of Annual Report to the Meeting as the same will not be distributed at the meeting.

The details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement) are furnished below:

Name of the Director	Mr. S. Bagai	Mr. B.L. Kheruka	Mr. P.K. Kheruka
Date of Birth	7th March, 1956	7th November, 1930	23rd July, 1951
Qualification	B.Com, L.L.B	B. Com	B. Com
Date of Appointment	29th June, 2002	24th November, 1988	24th November, 1988
Expertise in Specific Functional Area	Over 25 years experience in legal and taxation matters	Industrialist having 55 years of experience in various functional areas of business / industry	Over 35 years experience particularly in glass industry
List of other Indian Public Limited Companies in which Directorship held	NIL	1. Window Glass Limited 2. Gujarat Fusion Glass Limited 3. General Magnets Limited 4. Gujarat Borosil Limited 5. Croton Trading Limited 6. Borosil International Limited	1. Gujarat Fusion Glass Limited 2. General Magnets Limited 3. Gujarat Borosil Limited 4. Window Glass Limited 5. Borosil International Limited
Chairman/ Member of the Board Committees of other Public Limited Companies	NIL	Share Transfer and Investor Grievance Committee: Gujarat Borosil Limited – Member	Share Transfer and Investor Grievance Committee: Gujarat Borosil Limited – Chairman Audit Committee: Gujarat Borosil Limited - Member
No of shares held by them	NIL	50	50

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

The Company had appointed Mr. P. K. Kheruka as Vice- Chairman & Managing Director for a period of three years with effect from 1st August, 2005. The said term will expire on 31st July, 2008. He has been guiding the Company with exemplary resilience during the difficult times as a Managing Director. It is therefore proposed to re-appoint him as Vice Chairman & Managing Director for a further period of three years from 1st August, 2008.

The appointment of Mr. Kheruka is subject to provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any of the Companies Act, 1956 (hereinafter referred to as "Act") read with Schedule XIII.

Moreover, since Mr. P. K. Kheruka is relative of Mr. B. L. Kheruka, Chairman, prior approval of the shareholders in terms of Section 314(1B) of the Act is also sought for holding of office of Managing Director by him as above. As per clarification issued by the Department of Company Affairs vide their Letter No. 3/36/87/CL-V dated 29.5.1989, approval of the Central Government is not necessary as the appointment is in accordance with Schedule XIII to the Act.

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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.2,00,000/- p.m. in the scale of Rs.2,00,000/- p.m. to Rs.2,50,000/- p.m. 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.
 - 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.

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(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 type of glassware
- (2) Date of commencement of commercial production : 14th December, 1962

	(Rs. in lacs)		
(3) Financial Performance	2005-06	2006-07	2007-08
Gross Sales	7012.88	7371.45	7757.49
Profit before Tax	575.44	1319.15*	86.02
Net Profit/ (Loss)	401.03	1102.58*	53.59

* includes Extra ordinary item to the extent of Rs.666.83 lacs

- (4) Export performance and net Foreign Exchange Earnings : (Rs. In lacs)
- | | | | |
|--|--------|--------|--------|
| | 631.03 | 665.48 | 436.09 |
|--|--------|--------|--------|
- (5) Foreign investments or Collaborators, if any : Foreign institutional investors (FIIs and Foreign Citizens) hold 15.66% Equity Shares in the Company.

II. Information about the appointee

- (1) Background details : Mr. P.K. Kheruka is a graduate in Commerce and has wide experience of over 35 years particularly in the glass industry. He has been associated with the Company as Director over last 19 years and as Managing Director since last 3 years.
- (2) Past remuneration :
- a) Salary : Rs.1,50,000/- p.m. in the scale of Rs.1,50,000/- p.m. to Rs.2,00,000/- p.m..
 - b) Commission : such percentage of the net profits of the Company or such amount as 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 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 covered by the Company's medical insurance scheme.
 - iii) Club fees

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 - iv) Personal Accident Insurance

Personal Accident Insurance Policy of such amount, the premium of which not exceeded Rs.10,000/- per annum.
 - v) Company maintained car with Driver.
 - vi) Phone rental and call charges paid by the Company at actuals for telephone at the residence/mobile phone. Charges for personal STD/Trunk Calls borne by Mr. Kheruka.

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- 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 not be included in the computation of limits for the remuneration or perquisites aforesaid.
 - viii) Leave will full pay or encashment thereof as per the Rules of the Company.
 - ix) Reimbursement of actual entertainment and travelling expenses incurred by him for business purposes:
- (3) Recognition or awards : —
 - (4) Profile and his suitability : Mr. Kheruka looks 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
 - (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 directly/ indirectly with the Company or with the Managerial Personnel, if any. : Mr. Shreevar Kheruka who is Mr. P. K. Kheruka's son occupies the position of Vice-President of the Company, which appointment has been made with the approval of the Central Government.

III. Other Information

- (1) Reasons of loss or inadequate profits : In view of steep rise in the cost of energy and other operational costs coupled with aging of the furnace, the operations at Marol, Mumbai has become unviable, which resulted in lower profit for the year 2007-2008.
- (2) Steps taken or proposed to be taken for improvement : The Company has decided to shift its cold-end operations outside Mumbai to reduce cost. The Company will take such other steps including commercial exploitation of its surplus land, as may be necessary to improve its profitability.
- (3) Expected increase in the productivity and profit in measurable terms : Increase in productivity is not expected. But the Company will resort to some measures as mentioned above to increase its profitability, which as of now can not be expressed in measurable terms.

Your Directors recommend passing of the Resolutions at Item No. 5 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 resolution.

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 the day of 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 re-appointment of Mr. P. K. Kheruka, pursuant to Section 302 of the Companies Act, 1956 and Memorandum of Interest in that behalf.

By Order of the Board

Place: Mumbai
Date: 19th June, 2008

C. Baptista
Company Secretary

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

FIVE YEAR FINANCIAL HIGHLIGHTS

		2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
Net Sales	(Rs. lacs)	7161.55	6825.95	6494.7	5845.21	6169.04
Profit Before Tax	(Rs. lacs)	86.02	1319.15	575.44	98.08	(80.17)
Profit/(Loss) Before Tax as % on Sales		1.20	19.33	8.86	1.68	(1.30)
Provision for Taxation (including Deferred	(Rs. lacs)	32.43	216.57	174.41	(134.33)	(91.14)
Tax credit of Rs. 102.78 lacs; Previous Year						
Rs.14.73 lacs)						
Profit/(Loss) After Tax	(Rs. lacs)	53.59	1,102.58	401.03	232.41	10.97
Profit/(Loss) After Tax as % on Sales		0.75	16.15	6.17	3.98	0.18
Dividend	(%)	-	30.00	20.00	10.00	-
Net Earnings per Share	(Rs.)	1.49	32.12	11.12	6.78	0.32
Shareholders' Funds	(Rs. lacs)	6196.27	6142.68	4715.46	4392.96	4610.65
Book Value per Share	(Rs.)	171.71	170.23	137.51	128.11	134.46
Return on Investment	(%)	3.84	15.04	9.30	6.86	4.68

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DIRECTORS' REPORT

Your Directors present their Forty Fifth Annual Report and the Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS

	(Rupees in lacs)	
	Year ended 31.03.2008	Year ended 31.03.2007
Gross Sales (Including Excise Duty):	7757.49	7371.45
Other Income	245.48	291.33
Profit for the year before Interest, Depreciation and Extra Ordinary Items		
Extra Ordinary Items	795.66	1345.62
Less: Interest	315.71	292.42
Less: Depreciation	393.93	400.88
Profit/(Loss) from Extra Ordinary Items (Net)	-	666.83
Profit for the year before tax	86.02	1319.15
Less: Provision for Income Tax	110.24	207.94
Less: Provision for Wealth Tax	0.29	0.24
Less: Provision for Fringe Benefit Tax	24.68	23.12
Less: Deferred Tax	(102.78)	(14.73)
Profit for the year	53.59	1102.58
Add: Transfer from Debenture Redemption Reserve	-	101.00
Add: Balance as per last year	2229.63	1267.70
Amount available for Appropriation	2283.22	2471.28
Appropriations		
Transferred to General Reserve	-	115.00
Proposed Dividend	-	108.25
Tax on Proposed dividend	-	18.40
Balance carried to Balance Sheet	2283.22	2229.63

DIVIDEND

Your Directors do not recommend any dividend for the year ended 31st March, 2008 in view of inadequacy of profit.

PERFORMANCE

During the year under review, the Company had to confront various challenges. At the beginning of the year, electricity charges were sharply increased by about 70%. Supply of natural gas was suddenly reduced drastically, causing the use of LPG, which is four times more expensive. These factors caused a huge surge in energy cost. Moreover, in view of aging of furnace crown and failure of forehearth electrodes, operations at Marol have become unviable. As a result, the Company decided to shift its cold-end operations from Marol, Mumbai to Village - Dumala Boridra of District-Bharuch in Gujarat and have transferred the workmen connected with that Department. The said transfers have been challenged by the Workers' Union. However, Industrial Court has rejected their application for stay of said transfers. The Union has appealed before the High Court of Bombay and the outcome is awaited. The work on new manufacturing unit as been kept in abeyance in view of changing industrial climate in Uttarakhand.

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The sales during the year under review were higher at Rs.7757.49 lacs as compared to Rs.7371.45 lacs in the previous year. However, owing to various factors, as compared to last year, the expenses have gone up by Rs 7.96 crores, as follows:

Power & Fuel	:	Rs.	3.64 crores
Staff Cost	:	Rs.	1.36 crores
Job Charges	:	Rs.	1.60 crores
Other Expenses	:	Rs.	1.36 crores

Consequently, profit after tax has declined to Rs.53.59 lacs. Exports during the year were lower at Rs.436.09 lacs as compared to Rs.665.48 lacs in the previous year.

PREFERENTIAL ISSUE

During the year under review, the promoters have not exercised their rights in respect of remaining 3,55,460 Warrants issued on preferential basis last year. The last date for exercising such right is 16.07.2008.

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 this Report.

FIXED DEPOSITS

The Company does not accept fresh fixed deposits. The total amount of old unmatured deposits as on 31st March, 2008 was Rs.175.55 lacs (including unclaimed deposits). Deposits amounting to Rs.18.01 lacs due for repayment remained unclaimed as on 31st March, 2008. Out of these, deposits for Rs.2.50 lacs have since been paid.

DIRECTORS

Mr. B. L. Kheruka and Mr. S. Bagai retire by rotation and, being eligible, offer themselves for reappointment.

Management Discussion and Analysis Report

A. Industry Structure and Developments

The Company is the sole manufacturer in India of low expansion borosilicate glass which it uses to manufacture a wide variety of scientific, industrial, lighting, pharmaceutical and consumerware glass items.

The Company 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 and jointed items, reaction, distillation and extractors units etc. The entire Research and Development, Industry, Education and Health segments of the market are major users of scientific and industrial products. Consumerware items cater to the need of the household sector.

B. Opportunities and Threats

- Opportunities

- With the increased grants by the Government of India both in Research and Education segments of the markets and faster growth particularly in the Research and Development as well as Pharma and Biotechnology segments in the private sector, there is good opportunity for the Company to increase its presence in these areas.
- So far as consumerware items such as drinking glasses and microwave glassware etc. are concerned, there is continuous scope of growth in these areas in view of growing disposable income, particularly among the middle class in India. The Company will continue to strengthen its position in marketing these products.

- Threats

- Less availability of apparatusware and drinking glasses in view of supply constraints
- With the increased energy and other operational costs as mentioned above, the profitability in the Marol plant is coming under increasing pressure and the Company is finding it extremely difficult to continue operations there.