

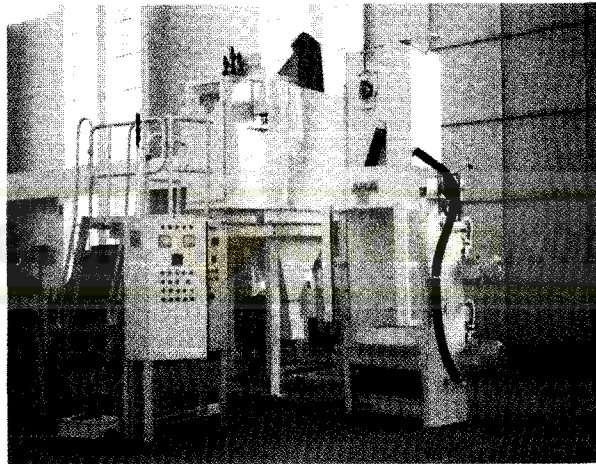
18TH ANNUAL REPORT
2002 - 2003

DISA

OUR NEW CORPORATE OFFICE
AT WHITEFIELD



DISA



**SHOT BLASTING MACHINE MODEL SPH-2-3/9
INSTALLED AT
TOYOTA KIRLOSKAR AUTO PARTS PVT LTD
BANGALORE**

BOARD OF DIRECTORS

V.A. DATAR
 H. BRÜNGGER
 JAN JOHANSEN
 B.P. VAIDYA
 F.A.A. JASDANWALLA
 V.M. BHAT
 TOMAS DYRBYE upto 30.08.02
 HANS OLE MADSEN w.e.f. 19-02-03
 R.N. CHAWHAN
 VILAS KARNIK

Chairman

KSII DC Nominee
 Vice-Chairman & Managing Director

BANKERS

CANARA BANK
 THE VYSYA BANK LIMITED
 STATE BANK OF INDIA
 BANK OF MAHARASHTRA
 THE BANK OF NOVA SCOTIA

REGISTRARS

Alpha Systems Pvt. Ltd.
 30, Ramana Residency,
 Ground Floor,
 IV Cross, Sampige Road,
 Malleswaram,
 Bangalore - 560 003.

REGISTERED OFFICE

Plot No. 98 & 99,
 Export Promotion Industrial Park,
 Whitefield, Bangalore - 560 066

Branches Telephone

PUNE :020 - 6132503 DELHI :011 - 6411123
 KOLKATA :033 - 22805570 COIMBATORE :0422 - 2216065

**STOCK EXCHANGES**

The Bangalore Stock Exchange Ltd.
 51, Stock Exchange Towers
 1 Cross, JC Road,
 BANGALORE - 560 027

National Securities Depository Limited
 Trade World, 4th Floor, Kamala Mills Compound
 Senapati Bapat Marg, Lower Parel
 MUMBAI - 400 013

The Stock Exchange, Mumbai
 Phiroze Jeejeebhoy Towers
 Dalal Street
 MUMBAI - 400 001

Central Depository Services (India) Limited
 Phiroze Jeejeebhoy Towers
 28th Floor, Dalal Street
 MUMBAI - 400 023

AUDITORS

Dandeker Associates,
 Chennai

SOLICITORS

Chander Kumar & Associates
 Bangalore

WORKS

Foundry Machinery Division,
 28-32, Satyamangala Indl. Area,
 Tumkur - 572 104.

Clean Air Division,
 50, KIADB Industrial Area,
 Hosakote - 562 114.

DISA INDIA LIMITED

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of DISA INDIA LIMITED, will be held at 1030 hrs on Thursday, the 25th September, 2003 at the Registered Office of the Company situated at Plot No. 98 & 99, Export Promotion Industrial park, Whitefield, Bangalore – 560 066 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date, together with the Reports of the Board of Directors and the Auditors thereon.
2. To declare dividend.
3. To note that Mr. B. P. Vaidya retires by rotation but has decided not to offer himself for re-election.
4. To note that Mr. F. A. A. Jasdanwalla retires by rotation but has decided not to offer himself for re-election.
5. To appoint Auditors of the company 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 a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 of, and Schedule XIII to, and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded for the appointment of, Mr. Vilas Karnik, as Vice Chairman & Managing Director of the Company for an appropriate duration in the period between 1st October, 2003 and 31st December, 2005 subject to the terms and conditions and the ceilings as specified in Schedule XIII to the Companies Act, 1956 as may be in force from time to time and that the appointee shall not be liable to retire by rotation during the tenure of office as above.

RESOLVED FURTHER THAT the Board of Directors be authorised to fix the tenure of appointment within the period specified above and to fix such remuneration as they may deem fit from time to time within the prescribed ceilings during the tenure of

appointment of Mr. Vilas Karnik as Vice- Chairman and Managing Director and further that the Board be and is hereby empowered to do such acts and deeds as may be necessary in this regard.”

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 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and hereby altered as under:

- a) Article 65 be and is hereby re-numbered as Article 65 (a);
- b) After Article 65 (a) the following Article be and is hereby inserted:
 - (b) i) Every holder of shares in the Company, may at any time, nominate, in the prescribed manner, a person to whom his / her shares in the Company shall vest in the event of his / her death;
 - ii) Where the shares are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all rights in the said shares of the Company shall vest in the event of death of all the joint holders;
 - iii) Subject to the provisions of Section 109A of the Companies Act, 1956,, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares held in the Company, the nominee shall, on the death of the shareholder, or on the death of the joint holders, as the case may be, become entitled to all the rights in the said shares, unless the nomination is varied or cancelled in the prescribed manner;
 - iv) Where the nominee is a minor, it shall be lawful for the holder of the shares to make the nomination to appoint in the prescribed manner, any person to become entitled to the said shares in the Company, in the event of his / her death during the minority of the nominee.

- c) Article 92 be and is hereby re-numbered as Article 92 (a);
- d) After Article 92 (a) the following Article (b) (c) (d) & (e) be and are hereby inserted:
- (b) Notwithstanding anything contained in these Articles and subject to the provisions of Section 192A the following businesses shall be transacted only through resolutions passed by means of postal ballot:
- Alteration of the Objects Clause of the Memorandum of Association of the Company;
 - Buy-back of own shares by the Company;
 - Issue of shares with differential voting rights as to voting or dividend or otherwise under clause(ii) of clause (a) of Section 86 of the Companies Act, 1956;
 - Shifting of Registered Office outside the local limits of any city, town or village, as specified in Section 146 of the Companies Act, 1956;
 - Sale of the whole or substantially the whole of the undertaking of the Company as specified under clause (a) of sub-section (1) of Section 293 of the Companies Act, 1956;
 - Giving loans or extending guarantee or providing security in excess of the limits prescribed under sub-section (1) of Section 272A;
- c) Where any resolution is proposed to be passed by postal ballot in terms of Article 92 (b) above, Notice shall be sent to all the shareholders along with a draft resolution explaining the reasons therefor and seeking the shareholders' communication of assent or dissent in writing on the postal ballot within 30 days of posting of the letter;
- d) The notice shall be sent by Registered Post acknowledgement due or under Certificate of Posting and shall include with such notice a postage pre-paid envelope for facilitating communication of assent or dissent in writing of the shareholder to the resolution within the said period of 30 days;

- e) If a resolution is assented to by a majority of the shareholders by means of postal ballot, the resolution shall be deemed to have been duly passed at a General Meeting convened in that behalf;

NOTES:

- An explanatory statement pursuant to Section 173 of the Companies Act, 1956, pertaining to special business contained in the Notice is annexed.
- 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 a proxy need not be a member.** Proxies, in order to be effective, must be received by the Company not less than forty-eight hours before the meeting.
- The Register of Members and the Share Transfer Books of the Company will remain closed from 16th September, 2003 to 25th September, 2003 (both days inclusive).

The shares of the Company are now traded compulsorily in dematerialized form as per the directions of the Stock Exchanges. Accordingly members who have not opted for dematerialization of shares are once again reminded to take steps to demat their shares.

- Members wishing to claim dividends, which remain unclaimed, may send their written request to the Company Secretary at the Registered Office furnishing details. Members may please note that Dividend Warrants not encashed or claimed within 7 years from the date of transfer to the Company's Unpaid Dividend Account will now be transferred to the Investors' Education and Protection Fund in terms of Section 205A of the Companies Act, 1956.**
- Members are requested to communicate the changes, if any, in their addresses to the Company's Registrar and Share Transfer Agents, Alpha Systems Pvt. Ltd. 30, Ramana Residency, IV Cross, Sampige Road, Malleswaram, Bangalore-560 003.

By order of Board of Directors

Place : Pune
Date : 22nd July, 2003

S. R. Ravi
Company Secretary
& DGM - Accounts.

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

Mr. Vilas Karnik was appointed as the Vice-Chairman & Managing Director of the Company for a period of five years w.e.f. 01.10.1998 on the terms and remuneration as approved by the shareholders of the Company. The Board of Directors at its Meeting held on July 22, 2003 have decided to appoint, subject to the approval of the shareholders and other applicable approvals, if any, Mr. Vilas Karnik as Vice-Chairman & Managing Director of the Company for an appropriate duration within the period from 1st October, 2003 to 31st December 2005 on the terms set out in the Resolution.

Following statement may be construed as compliance with the requirements of Schedule XIII as amended to date:

General Information**1. Nature of the Industry**

The Company is in the manufacturing and engineering industry. Its products are heavy machinery – designed and engineered to fulfill Customer needs. The underlying technology has been acquired from within the Disa Group. This places the Company in a unique position because, in addition to serving the Indian customers the Company can also service other Companies in the Group and also its world customers.

The repeat orders from most of its major and prestigious customers like Brakes India Limited, Burn Standard Company Limited, BHEL, Rico Castings and new customers like Suzuki Metal, Punj Lloyd, TELCON, - to name a few – is ample evidence of the goodwill the Company enjoys in the industry. The Company also has significant overseas business and therefore foreign currency earnings. Disa India is the first choice of many of these customers whenever they need any new equipment.

2. Date of commercial production

The Company commenced commercial production in November 1986.

3. Financial performance

The Company is in a good financial position. Effective capital of the Company stood at Rs. 248.47 million

as at 31st March 2003. The Company has always been prudent with its cash management and has surplus cash to fund future growth and better performance.

Rs. in million

| | 31-03-2001 | 31-03-2002 | 31-03-2003 |
|------------------|------------|------------|------------|
| Revenue | 213.978 | 220.048 | 184.979 |
| Profit after tax | 20.768 | 21.108 | 5.95 |

4. Export performance and net foreign exchange

The Company has been consistently having export earnings. For the year ended 31-03-2003, the foreign currency earnings stood at Rs. 20.55 million and the net foreign exchange earnings was Rs. 3.41 million.

5. Foreign investments and collaboration

The Company belongs to the DISA group. The parent Company has about 57% stake in the Company. The parent Company is also represented on the Board by two senior executives who have in depth knowledge and experience in the same line of business. Also, the said Directors actively participate in the proceedings of the Management Committee, which meets at regular intervals and reviews the operations of the Company. This proves the total commitment of the foreign collaborators to their Indian subsidiary.

The foreign collaborators provide regular technology upgrades from time to time and therefore the Company always derives the latest of the best know-how.

II. INFORMATION ABOUT THE MANAGING DIRECTOR

Mr. Vilas Karnik is a qualified engineer with B. Tech Honors from IIT Mumbai. He worked with leading company like Vulcan Laval Ltd., as Product Manager and gained substantial experience. Thereafter, he joined the Company as Vice President and was in due course elevated to the Office of Managing Director on account of his merit and proven ability. He has been at the helm of affairs on the day-to-day operations of the Company for over twelve years. He is the only whole time Director of the Company. It

is also significant to note that Mr. Vilas Karnik was further elevated to the office of Vice Chairman of the Company and in the absence of Chairman, it is he who chairs the proceedings of the Board/Shareholders. The confidence reposed in Mr. Karnik by the Board and the Foreign Holding company is thus corroborated.

He has been associated with this Company since its inception in India and has brought it up to a state where it now enjoys a dominant market share in the Foundry Industry. Under his leadership, the Company has grown and has earned a reputation for fair dealing, high quality, reliable and responsible service to customers. He has developed technical & human resources of the Company and brought in a Company culture, which is professional, enthusiastic and innovative.

The remuneration paid to the Managing Director in the last two years is as under:

| Rs. | |
|------------|------------|
| 31-03-2001 | 31-03-2002 |
| 1,868,550 | 2,126,325 |

This level of remuneration has been in line with similarly placed Companies in India, in terms of size, business profile and nature of industry, professional qualification and experience of the incumbent.

The Managing Director and his wife together hold 2696 fully paid equity shares of Rs.10/- each.

III. OTHER INFORMATION

The Company has been consistent in its performance and has always been profitable. Efforts to improve the performance and increase the productivity will continue and contribute to higher profits in years to come.

IV. DISCLOSURES

The remuneration package of the Managing Director for the year ended 31-03-2003 is as below and is within the limits prescribed by Schedule XIII to the Companies Act, 1956:

| | |
|---|---------------|
| SALARY + HRA | Rs. 1,500,499 |
| PERQUISITES | Rs. 474,395 |
| PERFORMANCE BONUS (in lieu of Commission) | Rs. 199,375 |
| OTHERS – SPECIFY | Rs. Nil |
| TOTAL COST TO COMPANY. | Rs. 2,174,269 |
| TOTAL REMUNERATION (S.198) excl. PF & SA | Rs. 1,939,369 |
| TOTAL REMUNERATION AS % OF NET PROFIT (as calculated under s.198) | 16.90% |
| DATE FROM WHICH PAID | 01.04.2002 |

Your Company has not made any default in repayment of any of its debts in the past year.

Considering the fact that Mr. Vilas Karnik has ably led the Company during his tenure in the past, the Board of Directors recommend that Mr. Vilas Karnik be appointed as Vice-Chairman & Managing Director for an appropriate duration in the period from 1st October, 2003 to 31st December 2005 as specified in the resolution. The Board of Directors may be authorized to negotiate and approve the tenure of appointment within the period mentioned in the resolution and the terms of remuneration within the ceilings specified in the Companies Act, 1956 and Schedule XIII thereto, as may be in force hereafter. Such remuneration may also be regarded as minimum remuneration in the event of inadequacy of profits or loss in any year.

Except Mr. Vilas Karnik, no other Director is interested/concerned in the above resolution.

Item No.7

Consequent upon the recent amendments to the Companies Act, 1956 it is proposed to pass enabling resolutions for altering the Articles of Association of the Company to provide for nomination facility to shareholders and passing of resolutions by postal ballots.

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

By order of Board of Directors

Place: Pune
Date : 22nd July 2003

S. R. Ravi
Company Secretary
& DGM - Accounts.

DISA INDIA LIMITED

DIRECTORS' REPORT

The Board of Directors take pleasure in presenting the Eighteenth Annual Report and Audited Statement of Accounts for the year ended 31st March 2003, together with the Auditors' Report.

FINANCIAL RESULTS:

(Rs.in '000)

| Description | 2002-2003 | 2001-2002 |
|---|-----------|-----------|
| Sales & Service | 165,354 | 198,063 |
| Profit before depreciation, tax & financial charges | 26,324 | 51,842 |
| Less: Depreciation | 14,390 | 15,838 |
| Less: Interest | 2,480 | 3,133 |
| Less: Provision for taxation (net of deferred tax) | 3,508 | 11,763 |
| PROFIT AFTER TAXATION | 5,946 | 21,108 |
| Less: Prior period (Debits) / credits | 0 | 10,457 |
| PROFIT AFTER PRIOR PERIOD ADJUSTMENTS | 5,946 | 10,651 |
| Add: Profit & Loss account Balance b/fd | 6,813 | 9,430 |
| Less: Deferred Tax liability as at 01.04.01 | 0 | (3,342) |
| Add: Investment Allowance written back | 0 | 3,700 |
| PROFIT AVAILABLE FOR APPROPRIATION | 12,759 | 20,439 |
| APPROPRIATION: | | |
| Dividend proposed & Tax thereon | 2,044 | 3,624 |
| General Reserve | 5,000 | 10,000 |
| Balance in Profit & Loss Account | 5,715 | 6,815 |

DIVIDEND:

Your Board is pleased to recommend a dividend of 12%.

PERFORMANCE OF THE COMPANY:

During the year under review, your Company achieved a turnover of Rs. 165.35 million (previous year Rs. 198.06 million). The Profit after Tax for the year under review is Rs. 5.95 million compared to Rs. 21.11 million in the previous year. The performance of the Company during the year under review has shown a steep decline mainly due to lack of investment by the Foundry Industry. However new prospects for shot blast machines and air filters have improved. The export market is also showing promise.

Your Directors have taken note of the general industrial scenario and have initiated suitable measures to control costs.

The Company's Corporate Office at 98 & 99, EPIP, Whitefield, Bangalore-560 066 was inaugurated during the year and the Registered Office of the Company has been shifted to the new complex w.e.f. 01.11.2002. The land admeasuring 8,121 sq. mtrs. was allotted by Karnataka Industrial Area Development Board. The Company had arranged a shareholders' visit to the new Registered Office in December 2002.

CORPORATE GOVERNANCE:

The Corporate Governance Code is not applicable to the Company as of date. Your Company has nevertheless set up a Share Transfer Committee, Management Committee, Remuneration Committee consisting of Directors and Working Committee comprising of Senior Executives. Your Company is a part of DISA group and in terms of reporting, has been making full disclosures.

A reputed firm of independent Chartered Accountants act as Internal Auditors and have been periodically reporting their findings on systems, procedures and management practices.

In terms of the requirements of the amendments to Schedule XIII to the Companies Act 1956, following additional disclosures are made :-

1. The Company has only one whole-time Director, namely Mr. Vilas Karnik, Vice Chairman & Managing Director and other Directors are non-whole time.