

DEWAN
GROUP

15th

ANNUAL REPORT

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**DEWAN RUBBER INDUSTRIES
LIMITED**

1999-2000

DEWAN RUBBER INDUSTRIES LIMITED

BOARD OF DIRECTORS

SHRI J.C. DEWAN
SHRI V.S. DEWAN Chairman & Managing Director
SHRI R.K. DEWAN
SHRI K.L. DEWAN
SHRI S.K. VERMA
SHRI K.R. GUPTA
SHRI H.N. DHYANI
SHRI A.K. SHARMA Nominee IFCI
SHRI DEVENDER SINGH Nominee PICUP

BANKERS

BANK OF BARODA
PUNJAB NATIONAL BANK
STATE BANK OF PATIALA
UTI BANK LTD.

AUDITORS

ASHOK & COMPANY
CHARTERED ACCOUNTANTS

REGISTERED OFFICE

POST BOX NO. 143,
VILLAGE RITHANI,
DELHI-MEERUT ROAD,
MEERUT - 250 001 (U.P.)

UNITS

1. CYCLE TYRE & TUBE UNIT,
VILLAGE-RITHANI,
MEERUT (U.P.)
2. 100% EOU TYRE & TUBE UNIT,
VILLAGE-RITHANI,
MEERUT (U.P.)
3. 100% EOU COTTON YARN UNIT,
DAURALA, MEERUT (U.P.)
4. RECLAIM RUBBER UNIT
A-3 INDUSTRIAL AREA, DELHI ROAD,
GHAZIABAD (U.P.)
5. CALCIUM CARBONATE UNIT,
BYE-PASS ROAD,
PARTAPUR,
MEERUT (U.P.)



DIRECTORS' REPORT

To the Members,

Your Directors' present the 15th annual report together with the Audited Balance Sheet and Profit & Loss Account for the year ended 30th June 2000.

FINANCIAL RESULTS

	(Rs. in lacs)	
	1999-2000	1998-1999
Sales & other income	6643.2	12604.8
Gross Profit (Loss) before interest & depreciation	(2755.5)	(84.2)
Interest	3081.4	2468.2
Depreciation	455.3	621.7
Profit (Loss) before tax	(6292.2)	(3174.1)
Prior period adjustments	494.3	2110.4
Profit (Loss) after tax	(6786.5)	(5284.5)
Balance of Profit & Loss Account brought forward	(1905.0)	2561.0
(Loss) carried forward to Balance Sheet.	(8691.5)	(2723.5)

OPERATIONS

The performance of the company has been adversely affected during the year under review due to various reasons such as tough industrial scenario, inadequate working capital funds, fall in average realization of tyres & tubes in the domestic as well as international market, increase in raw material prices and overall recession in the tyre industry. The problem was further compounded by industrial unrest on account of the rationalization program undertaken by the management. The company had to suspend its manufacturing activities in tyres & tubes division since 12th February 2000. The manufacturing activities of 100% EOU tyres & tubes division were already suspended since 9th September 1999, on account of lack of export orders.

As a result, the company could achieve a turnover of Rs. 65 crores during the year under review as against the previous year's turnover of Rs. 119 crores, registering a steep decline of 45%. The reduction in volume of sales coupled with provision for obsolescence in the value of stocks as well as meeting the fixed overheads of the unproductive divisions resulted in gross loss before interest and depreciation. The interest and depreciation burden further escalated the losses.

The performance of various divisions during 1999-2000 is briefly described below:

CYCLE TYRE & TUBE DIVISION

The division registered the lowest turnover during the last decade at Rs. 904 lacs (previous year; Rs. 6435 lacs). This massive reduction in sales was mainly on account of paucity of working capital funds on one hand and on the other the industrial unrest resulting in piecemeal operations for 89 days only till the suspension of manufacturing activities in January 2000. The margins during the year came under severe pressure on account of higher cost of raw material, provision for obsolescence and fixed overheads.

DEWAN RUBBER INDUSTRIES LIMITED

100% EOU TYRE & TUBE DIVISION

The division recorded a modest turnover of Rs. 37 lacs (previous year : Rs. 657 lacs) The performance of this division was adversely affected on account of increase in competition from China and Pakistan. Chinese have dumped the material in various countries at substantially lower rates, which reduced the average realization by around 40%, making the operations of this division totally unviable. Hence, the manufacturing activities of this division were suspended from 9th September 1999.

100% EOU COTTON YARN DIVISION

The 100% EOU Cotton Yarn division of the company has achieved a total production of 4233 MT (previous year: 3715 MT), recording an increase of 14%. The unit made export sales of Rs.4841 lacs during the year (previous year: Rs. 4237 lacs) registering an increase of 14%. The division also was able to marginally increase the average rate of realization, reduce the cost of raw material & consequently improve the contribution levels. As a result, the division staged a turnaround of its operations by reversing the gross loss before interest & depreciation of last year to gross profit during the year under review.

RECLAIM RUBBER DIVISION

The division has achieved a total production of 4788 MT (previous year: 5155MT), recording a decline of 7%. The unit achieved a sales of Rs. 465 lacs during the year (previous year: Rs. 574 lacs). The performance of this division has been affected by the overall recession in the automobile industry and import of second hand automobiles tyres.

CALCIUM CARBONATE DIVISION

There was no production activity in this division during the year under review.

RESTRUCTURING

The company is studying various options for restructuring including hiving-off of unviable divisions. In the meantime, the company has already initiated various cost reduction measures like rationalization of manpower, generation of power using its own D.G. Sets in place of acquiring power from electricity board and strict control on the administrative overheads.

The company has submitted its proposal for its Rehabilitation to the Banks and Financial Institutions envisaging a package of need-based reliefs, concessions and assistance, inter-alia to recommence production activities in Tyre & Tube division.

The Project Finance Division of Bank Of Baroda, Central Office, Mumbai have conducted a detailed viability study and submitted its report after considering the Revival Scheme submitted by the company. The final decision from participating institutions/Banks is still awaited.

REPORT TO BIFR

As the accumulated losses of the company as on 30th June, 2000 have eroded more than 50% of its peak net worth of the company during the immediately preceding four financial years, it is obligatory on part of the company to report the fact of such erosion to the Board for Industrial and Financial Reconstruction (BIFR), pursuant to section 23 to the Sick Industrial Companies (Special Provisions) Act, 1985. Accordingly, your Directors are taking the necessary measures as required in the said Act.

FIXED DEPOSITS

Based on the proposal by the company, the Company Law Board has approved a scheme for revised repayment schedule of the fixed deposits held by the company vide order dated 20.04.2000.

DIRECTORS

Since the last Annual General Meeting, the following changes have taken place in the Board of Directors of your Company.



S/Shri. Anil Kumar Dewan, O.P. Sapra and A.C. Seth have resigned from the directorship of the company. The Board places on records its deep sense of appreciation for the wise counsel and Valuable guidance extended by them, during their tenure of the directorship.

Shri. H.M. Dhyani has been appointed as an additional Director w.e.f. 31.01.2000.

IFCI has withdrawn its nomination of Shri Kamal Kishore on the Board of the company w.e.f. 27.09.2000 and has nominated Shri A.K. Sharma in his place.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company. S/Shri J.C. Dewan, V.S. Dewan and S.K. Verma retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

In respect of observations made by the Statutory Auditors in their report, your directors wish to state that the respective notes to the accounts are self-explanatory and therefore do not call for any further comments.

AUDITORS

M/s. ASHOK & COMPANY, Chartered Accountants, auditors of the company are retiring at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

PERSONNEL

None of the employees was in receipt of remuneration as prescribed under the provisions of section 217(2A) of the Companies Act, 1956.

STOCK EXCHANGE LISTINGS

The equity shares of the company are listed with the Stock Exchanges at Kanpur, Delhi, Calcutta, Mumbai and Ahmedabad. The Annual listing fees are pending for the year 1999-2000 and 2000-2001 amounting to Rs. 1.7 lacs and Rs.1.8 lacs respectively to the various stock exchanges.

LITIGATIONS

Some creditors of the company have filed winding up petitions against the company in several High Courts. Some of the creditors have also initiated legal proceedings in various courts/Tribunals for recovery of their dues. Your company is taking appropriate legal measures and also negotiating with the creditors for sorting out the matters.

Y2K COMPATIBILITY

The Company has rolled over to the new millennium without any problems.

ACKNOWLEDGEMENT

Your Directors appreciate the valuable co-operation extended by the Central and State Government Authorities and are grateful to the financial institutions and bankers for their continued assistance, guidance and support.

Your Directors place on record their appreciation of the contribution made by the employees of the company at all levels, the shareholders, suppliers, dealers, customers and public for their support and confidence reposed in the management.

For and on behalf of the board of directors

Sd/-

(V.S. DEWAN)
CHAIRMAN

PLACE : MEERUT
DATE : 14.02.2001

DEWAN RUBBER INDUSTRIES LIMITED

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY

Energy conservation measures taken :

- a) Energy conservation is receiving high priority, and major steps towards energy conservation are being taken by the company on a continuous basis.
1. Closely monitors energy consuming equipments company surrendered the sanctioned load of 2752 KVA and started the generation of power from its own generator sets.
 2. Maintains close liaison between energy generating centres and consuming points.
 3. Makes optimum use of steam, taking steps to implement the operations from Rice Husk/bagasse base boiler in place of coal base boiler.
- b) Additional investments and proposals being implemented for reduction of consumption of energy. The management endeavours to reduce consumption of energy and explorations/research in new areas for reduction in energy consumption, accordingly Rice-Husk/bagasse boiler has been purchased.
- c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The measures taken above for reduction in energy consumption will help to reduce the dependency on State Supplied power and stabilisation of production with the reduction in cost of production.

- d) Total energy consumption and energy consumption per unit of production as per Form A of the ANNEXURE to the Rules.

FORM "A"

FORM FOR THE DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSUMPTION OF ENERGY

A. POWER & FUEL CONSUMPTION:

	1999-2000	1998-1999
1. POWER		
a) Purchased: Unit (Lacs)	33.74	58.61
Total Amount (Rs. in lacs)	160.31	269.01
Rate/Unit (Rs.)	4.75	4.59
(b) Own Generating		
Through Diesel Generator (Units in lacs)	163.87	177.52
Units Per Litre of Diesel Oil	3.34	3.30
Cost/Unit (Rs.)	3.55	3.10



	1999-2000	1998-1999
1. Coal: Quantity (Tonnes)	689.35	4682.02
Total Cost (Rs. in lacs)	19.30	149.82
Average Rate/Tonne	2800.00	3200.00
3. Furnace Oil: Quantity (Kilo Litre)	311.90	324.72
Total Amount (Rs. in lacs)	27.82	32.73
Average Rate (Rs./Kilo Litre)	8.92	10.08

B. CONSUMPTION PER UNIT OF PRODUCTION :

There is no specific standard for the per unit consumption of Electricity as the consumption per unit depends on the production, energy consumption per unit varies as per the change in production mix.

FORM "B"

1. RESEARCH & DEVELOPMENT :

i) Specific areas in which R&D carried out by the Company :

The Company has installed proper Laboratories at its various plants for the better study of its products quality, and regularly in the process for developing and introducing various new sizes, designs and patterns of tyres under its regular R&D programme as per the market requirements.

ii) Benefits derived as a result of above R&D:

Reduction in cost of out-put, improvement of quality, better marketability.

iii) Further Plan of Action:

The above activities shall continue and more efforts in this direction will be made.

iv) Expenditure on R&D:

No System of separate maintenance of R&D records has yet developed.

The expenditure is merged with various other heads of expenses.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

i) THE EFFORTS IN BRIEF TOWARDS TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.

The plants are based on indigenous technology. Every effort is made to know the latest development in technology in India as well as abroad.

ii) BENEFITS DERIVED AS A RESULT OF THE ABOVE EFFORTS E.G. OUTPUT IMPROVEMENT, COST REDUCTION, PRODUCT DEVELOPMENT, IMPORT SUBSTITUTION.

It has helped the company to improve the quality of products according to the need of the market,

iii) DETAILS OF IMPORTED TECHNOLOGY . NOT APPLICABLE.

3. FOREIGN EXCHANGE USED AND EARNED :

	1999-2000	1998-1999
i) Foreign Exchange earned including direct and indirect Exports.	4852.30	4756.99
ii) Foreign Exchange used.	131.67	146.39

For and on behalf of the board of directors

Sd/-

(V.S. DEWAN)
CHAIRMAN

PLACE : MEERUT
DATE : 14.02.2001