

17th
Annual Report
2002-2003

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ELECTROTHERM (INDIA) LIMITED

COMPANY BRIEF

BOARD OF DIRECTORS

1. MR. MUKESH BHANDARI
Chairman & Managing Director

2. MR. SHAILESH BHANDARI
Whole Time Director

3. MR. HARISH SHARMA
Whole Time Director

4. MR. NARENDRA DALAL
Whole Time Director

AUDITORS

MEHTA LODHA & CO.,
Chartered Accountants
Ahmedabad

BANKER

Bank of India
Navrangpura Branch
Swastik Char Rasta. C.G.Road
Ahmedabad : 380 009.

REGISTERED OFFICE

A-1, Skylark Apartment
Satellite Road
Ahmedabad : 380 015.

CORPORATE OFFICE & WORKS

Survey No. 72
Village : Palodia, Via. Thaltej
Ahmedabad : 382 115

WIND FARM PROJECT

Village : Dhank
Dist. : Rajkot, Gujarat.

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DIRECTOR'S REPORT TO THE SHAREHOLDERS

To,
The Members,

Your Directors have pleasure in presenting the 17th Annual Report on the business and operations of your Company and Audited Financial Statement for the financial year ended 31st March, 2003.

FINANCIAL RESULTS :

(Rs.in Lacs)

Year ending March 31,	2003	2002
Sales & Other Income	3149.56	2835.23
Profit Before Interest, Depreciation & Tax	150.97	156.22
Interest	60.22	64.97
Depreciation	66.03	67.84
Profit Before Tax	24.72	23.41
Provision for Taxation	17.00	2.20
Net Profit	7.72	21.21
Surplus Brought Forward	232.72	211.51
Balance Carried Forward	240.44	232.72

DIVIDEND :

In absence of adequate profit, we regret our inability to propose Dividend.

OPERATION :

Steel Industry has shown some signs of recovery during the second half of financial year 2002-2003 after a long and unprecedented recession. Steel production of India has increased by 8% to 28.9 Million Tons during the financial year 2002-2003.

During the year, your Company could achieve a turnover of Rs.3015.47 Lacs in comparison to the turnover of Rs. 2716.66 Lacs achieved during previous year. Thus your Company could achieve a growth of 11.00% in terms of turnover.

OUTLOOK FOR THE CURRENT YEAR :

Steel Industry after several years, emerged from the shadows of a prolonged recession. Some of the steel consuming sectors such as Capital Goods, Auto and Construction are performing much better, a pointer to the continuing industrial recovery in the Indian economy. In view of it, outlook for the current year is looking promising.

WIND MILL DIVISION :

During the year under review, wind mill division of the company has performed satisfactory.

EXPORT :

Your Company's export was Rs. 430.05 Lacs during the year against Rs.361.25 Lacs during previous year. Thus export earnings of the company have increased by 19.04%.

QUALITY & ENVIRONMENT :

The best product, service quality and customer satisfaction are an integral part of your Company's vision.

DIRECTORS :

Mr. Narendra Dalal, Director of the Company retires by rotation and being eligible offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that :



- 1 In the preparation of the annual accounts for the year 2002-2003 the applicable accounting standards have been followed except the accounting standards 22 ;
- 2 Appropriate accounting policies have been selected and applied consistently and have made judgments 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 financial year and of the profit of the company for the financial year.
- 3 Proper and sufficient care has been taken 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;
- 4 The Annual Accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE :

Company's paid-up share capital is more than Rs.3.00 Crores, Therefore, provisions as to Corporate Governance Report as stipulated under clause 49 of the Listing Agreement became applicable. A separate section on Management Discussion and Analysis as well as on Corporate Governance alongwith a Certificate from the Auditors confirming the compliance is annexed and form part of this report.

RESEARCH & DEVELOPMENT :

The Company, through its Research & Development function is developing a new power efficient process to produce steel through secondary process.

AUDITORS REPORT :

With regard to paragraph 4 of the Auditor's Report, your Board submit that provision for deferred tax liability in terms of Accounting Standard 22 issued by ICIA, New Delhi could not be made due to inadequacy of balance in Profit & Loss Account. The same will be made in coming years.

HUMAN RESOURCES :

Employees relations continue to be cordial.

Company also believe in up-dating knowledge of its employees by training.

PARTICULARS OF EMPLOYEES :

The Company had no employee who was in receipt of remuneration morethan Rs.24 Lacs during the year ended 31st March, 2003 or morethan 2 Lacs per month during any part of the year.

PARTICULARS OF CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :

The additional information required under the provision of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report, is annexed hereto.

AUDITORS :

The auditor, M/S MEHTA LODHA & CO., Chartered Accountants, Ahmedabad retires at the forthcoming Annual General Meeting and has confirmed their eligibility and willingness to accept the office, if re-appointed.

APPRECIATION :

Your Directors would also like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, Government Authorities and Share Holders during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the company for its success.

Date : 30th June, 2003

Regd. Office :

A1,Skylark Apartment,

Satellite Road,

Ahmedabad : 380 015

On behalf of the Board

MUKESH BHANDARI

Chairman & Managing Director

ANNEXURE TO DIRECTOR'S REPORT

Conservation of energy, technology absorption and foreign exchange earning and outgo under Section 217(1)(e) of the Companies Act, 1956 read with the Company's (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988.

A] CONSERVATION OF ENERGY :

Being an engineering industry, avenues for conservation of energy are minimal. However, efforts are being made to conserve energy wherever possible.

B] TECHNOLOGY ABSORPTION :

a) Research & Development :

(i) Specific Areas :

- a) Development of Continuous Induction Furnace. (CONTIFUR)
- b) Development of Induction Ladle Refining Furnace. (INDUREF)
- c) Development of Electro Magnetic Stirrer.

(ii) Benefits Derived :

- a) By development of CONTIFUR, steel will be manufactured at lower power consumption by secondary process.
- b) By development of Ladle Refining Furnace the cost of production of steel through secondary, metallography application will come down
- c) By development of Electro Magnetic Stirrer, the defects in billet manufacturing will come down.

(iii) Future Plan of Action :

- a) Plan to develop more efficient furnaces and other equipments for the steel industry.

(iv) Expenditure on R & D :

a) Capital Expenditure	:	Rs. 1.47 Lacs
b) Recurring Expenditure	:	Rs. 69.41 Lacs
c) Total Expenditure	:	Rs. 70.88 Lacs
d) Total R&D as a percentage of total turnover (net of excise & Sales Tax)	:	2.35%

b) Technology absorption, adaptation and innovation :

(i) Efforts Made :

Designs are being continuously improved to reduce power consumption, increase melting rate and make furnaces more efficient and reliable.

(ii) Benefits Derived :

Due to the above development and modification, company could establish its brand name in market and is able to increase its turnover.

(iii) Import Technology : NONE

C] FOREIGN EXCHANGE EARNINGS AND OUTGO :

(i) Activities Relating to Export :

The Company has been making efforts for direct exports at international level. Company has executed export order of Rs. 430.05 Lacs during the year and has further diversified its export market.

(ii) Total Foreign Exchange Earnings and Outgo :

a) Foreign Exchange earnings	:	Rs.448.31 Lacs
b) Foreign Exchange Outgo	:	Rs.280.81 Lacs

Date : 30th June, 2003
Regd. Office :
A1, Skylark Apartment,
Satellite Road,
Ahmedabad : 380 015

On behalf of the Board

MUKESH BHANDARI
Chairman & Managing Director

FORM : A
(SEE RULE 2)

Form of disclosure of particulars with respect to conservation of energy.

A. POWER AND FUEL CONSUMPTION :

PARTICULARS	2002-2003	2001-2002
I. ELECTRICITY		
a. Purchased Units	408972	147640
Total Amount	1798757	1153485
Rate per unit.(Rs.)	4.39	7.81
b. Own Generation		
i. Through diesel generator (Units)	105200	402170
Unit per Litre. of Diesel Oil (Unit).	2.38	2.39
Cost per Unit.(Rs.)	8.67	8.02
ii. Through steam turbine/ generator (Units)	—	—
Unit per Litre. of Fuel Oil/Gas		
II. STEAM COAL		
Quantity	—	—
Total Cost (Rs.)	—	—
Average Rate (Rs.per mt.)	—	—
III. FURNACE OIL		
Quantity	—	—
Total Cost (Rs.)	—	—
Average Rate (Rs.per mt.)	—	—
IV. OTHERS/INTERNAL GENERATION		
Lignite quantity used	—	—
Total Cost (Rs.).	—	—
Rate per Unit (Rs.Per mt.)	—	—

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standards (if any)	Current Year	Previous Year
1. Electricity			
a) Electronic Furnaces KW/Furnaces	—	9701 }	11220 }
b) Induction Heating /Hardening Equipment KW/NO	—		
2. Furnace Oil	—	—	—
3. Coal	—	—	—
4. Lignite	—	—	—

Since they are manufactured in common manufacturing facility, it is not possible to work out separate power consumption per item per unit.

REPORT ON CORPORATE GOVERNANCE

The Security and Exchange Board of India (SEBI) ushered in a formal code of Corporate Governance practises by introducing the new clause 49 in the listing agreement with the stock exchanges. Clause 49 lays down several corporate governance practises that listed companies are required to adopt. Most of the practises laid down in clause 49 require mandatory compliance and there are some more which are voluntary for adoption. This report sets out the compliance status of the Company during the financial year 2002 - 2003, with respect to the conditions of corporate governance set out in clause 49.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Board of Directors of the Company fully subscribes to the framework for corporate governance as prescribed by the code. The Board has set, as its mission, the implementation of a Corporate Governance system to ensure transparency, control, accountability and responsibility in all areas of operation. The Board strongly believes that the Company should develop this desired minimum framework by adopting the best governance practices so as to protect and achieve enhanced value for all its stakeholders i.e. shareholders, employees, customers and society in general.

The board feels that this initiative to comply and follow the minimum framework is just a beginning. The Board along with all its employees would like to work towards policies and practises which go beyond the prescribed minimum scope to do full justice to the spirit behind the code.

2. BOARD OF DIRECTORS:

The Board of Directors of the Company comprises four Directors. All the four directors are executive directors. Two Directors are promoter Directors and Two Directors are independent Directors. The Chairman and Managing Director is promoter Director.

Except the Chairman and Managing Director, all other directors are liable to retire by rotation as per provisions of the Companies Act, 1956.

Details of composition of the Board, category, attendance of Directors at board meeting and last Annual General Meeting, No. of other Directorships and other Committee Membership are given below:

Name and Designation of Directors	Category	No. of Board Meeting Attended	No. of other Directorship held in Cos. As on 31st March, 2003	Attendance at last AGM	No. of Committee Positions held in other Cos.
Mr. Mukesh Bhandari Chairman & Managing Director	Executive Director	8	8	Yes	NIL
Mr. Shailesh Bhandari Director	Executive Director	7	10	Yes	NIL
Mr. Harish Sharma Director	Executive Director	7	1	Yes	NIL
Mr. Narendra Dalal Director	Executive Director	6	1	Yes	NIL

During the year Board of Directors held Eight Meetings. (On 21/05/2002, 30/06/2002, 31/07/2002, 12/10/2002, 31/10/2002, 28/12/2002, 31/01/2003 and 15/03/2003.)

3. COMMITTEES OF BOARD:

A. AUDIT COMMITTEE:

The broad terms of reference of the Audit Committee are to review financial reporting process, reports of the Internal Auditors and discussion with them periodically, to meet Statutory Auditors, to discuss their findings, suggestions and other matters, internal control systems and quarterly financial statements. The scope of the activities of the Audit Committee is as prescribed by Clause 49II (C)

& (D) of the Listing Agreement.

The Audit Committee was constituted in May 2002 consisting of three Directors. The committee meet four times (30/06/2002, 31/10/2002, 31/01/2003 and 15/03/2003) during the financial year 2002 - 2003 and on 25/06/2003 in financial year 2003 - 2004.

The Committee consists of two independent directors and one promoter director. The attendance of each member of the committee is given here below:

Name	Designation	No. of Committee meeting attended
Mr. Harish Sharma	Chairman	4
Mr. Shailesh Bhandari	Member	4
Mr. Narendra Dalal	Member	3

Mr. G. C. Goyal - General Manager (Finance) acts as secretary to the committee.

The representative of the statutory auditor of the company attended the meeting in which the annual accounts were discussed. Other executives of finance department were also called for in meetings as and when required.

B. REMUNERATION COMMITTEE:

The remuneration Committee was constituted in May 2002 by the Board of Directors. The Committee's objective is to evaluate compensation and other benefits for Executive Directors subject to the Board of Directors and Member's approval.

The Committee consists of two independent directors and one promoter director.

Name	Designation
Mr. Harish Sharma	Chairman
Mr. Shailesh Bhandari	Member
Mr. Narendra Dalal	Member

Since there was no revision of remuneration to Executive Directors, the Committee did not meet during the financial year 2002 - 2003.

Details of remuneration to Directors

(in Rupees)

Name	Salary	Other Allowances	Contribution to PF & Other Funds	Total
Mr. Mukesh Bhandari	5,40,000	3,38,611	64,800	9,43,411
Mr. Shailesh Bhandari	5,07,000	3,18,285	60,840	8,86,125
Mr. Harish Sharma	4,20,000	2,66,110	1,13,400	7,99,510
Mr. Narendra Dalal	3,48,000	2,08,800	93,960	6,50,760
Total				32,79,806

C. SHAREHOLDERS / INVESTORS' GRIEVANCE COMMITTEE:

The Company has an independent Shareholders / Investors Grievance Committee, which was constituted to look into redressal of investors' complaints and requests like delay in transfer of shares, non-receipts of annual report etc.

The committee comprises of Two Independent Directors and One Promoter Executive Director. Mr. Harish Sharma is the Chairman of the Committee. Mr. Shailesh Bhandari and Mr. Narendra Dalal are members of the Committee. Mr. G. C. Goyal, General Manager (Finance) acts as secretary to the committee.

Before constitution of the committee the functions of transfer of shares etc. were delegated to the Share Transfer Committee of the Company.

● **Attendance in the year 2002 - 2003:**

During the year ended on 31st March, 2003 the Committee met twice on 14th November, 2002 and 31st December, 2002 and all the members were present.

● **Details of Shareholders' Complaints Received:**

During the year ended on 31st March, 2003, Company received 3 complaints in respect of non-receipt of Annual Report which were sent immediately. There is no complaint outstanding as on 31st March, 2003. Normally all the complaints are disposed off within 15 days.

D. SHARE TRANSFER COMMITTEE :

The Company has Share Transfer Committee since 1994. At present members of Committee are Mr. Harish Sharma (Chairman), Mr. Shailesh Bhandari and Mr. Narendra Dalal. Mr. G. C. Goyal, General Manager (Finance) acts as secretary to the committee.

The Board of Directors has delegated power of approving transfer of Shares to Mr.G.C.Goyal, General Manager (Finance) and Mr.Ghanshyam Patel. The Board has designated Mr.Ghanshyam Patel as the Compliance officer.

The Committee meets once in a month to approve transfer and transmission of shares if there are transfer/ transmission of shares in that particular month. However, only one such meeting was held during the year 2002-2003 as there were only 11 (eleven) transfers of 5450 Shares.

4. GENERAL BODY MEETINGS:

Particulars of last three Annual General Meetings:

AGM	Year ended	Venue	Date	Time
16th	31st March, 2002	A-1, Skylark Apartments, Satellite Road, Satellite, Ahmedabad - 380 015.	30.09.2002	10:00 AM
15th	31st March, 2001	A-1, Skylark Apartments, Satellite Road, Satellite, Ahmedabad - 380 015.	28.09.2001	10:00 AM
14th	31st March, 2000	Plot No. 129-130 Opp. Jayantilal Park Amli-Bopal Road, Ahmedabad.	15.09.2000	10:00 AM

No special resolutions were put through postal ballot last year. Presently, the Company does not have any proposal for postal ballot.

5. DISCLOSURES ON MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTIONS:

The Company does not have any related party transactions which may have potential conflict with the interest of the Company. Related party transactions have been reported at Sr. No.8 of Notes to the Accounts. The Register of Contractors containing transactions in which directors are interested, is placed before the board regularly.

6. CASES OF NON-COMPLIANCE / PENALTIES:

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI on any statutory or on any matter related to capital markets during the last three years.

The Company has complied with all the requirements of the listing agreement with the Stock Exchanges as well as regulations and guidelines of SEBI except Regulation 6(2), 6(4), 8(1), and 8(3) of SEBI (Substantial Acquisition of Shares and Takeover) Regulation, 1997, which have been complied by the Company under SEBI Regularization Scheme, 2002 and Company has paid penalty of Rs.40,000/- to SEBI.