



ELECTROTHERM (INDIA) LIMITED

AN ISO 9001 COMPANY

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**18th Annual Report
2003-2004**

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

5. MR. AVINASH BHANDARI
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 18th Annual Report on the business and operations of your Company and Audited Financial Statement for the financial year ended 31st March, 2004.

FINANCIAL RESULTS :

(Rs.in Lacs)

Year ending March 31,	2004	2003
Sales & Other Income	5831.15	3149.56
Profit Before Interest, Depreciation & Tax	239.42	150.97
Interest	63.74	60.22
Deprecation	68.34	66.03
Profit Before Tax	107.34	24.72
Provision for Taxation	32.00	17.00
Net Profit	75.34	7.72
Surplus Brought Forward	240.44	232.72
Balance Carried Forward	315.78	240.44

DIVIDEND :

Due to Company's internal requirement, we regret our inability to propose Dividend.

OPERATION :

Steel Industry has shown some signs of recovery during the current financial year after a long and unprecedented recession. Steel production of India has increased to 35 Million Tons during the financial year 2003-2004.

During the year, your Company could achieve a turnover of Rs.5679.66 Lacs in comparison to the turnover of Rs. 3015.47 Lacs achieved during previous year. Thus your Company could achieve a growth of 88.35% in terms of gross turnover.

OUTLOOK FOR THE CURRENT YEAR :

Economic sentiments have shown positive trend during financial year 2003-2004 with G.D.P. growth estimated at over 6%, robust growth in exports, record accretion to foreign exchange reserve, buoyant capital market, soft interest rate scenario, inflation at targeted levels of 4% to 5% and sharp appreciation of Rupee vis-a-vis US Dollar.

The Draft Steel Policy prepared by the Union Steel Ministry envisages that Indian Steel consumption will increase to 60 Million Tons from present level of 35 Million Tons by 2011-12. The Policy also forecast Indian Steel consumption of 100 Million Tons by 2018. Considering the projected growth of per capita steel consumption in the country most of the Indian Steel makers are putting plans in place to expand their respective steel making capacities.

Your Company is looking this opportunity to expand its business.

WIND MILL DIVISION :

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

EXPORT :

Your Company's export was Rs. 2364.91 Lacs during the year against Rs.430.05 Lacs during previous year. Thus export earning of the company have increased by 449.91%.

QUALITY & ENVIRONMENT :

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

DIRECTORS :

Mr. Shailesh Bhandari, Director of the Company retires by rotation and being eligible offer himself for re-appointment.

Mr. Avinash Bhandari was appointed as an Additional Director of the Company on 8th October, 2004. Mr. Avinash Bhandari holds office upto the date of ensuing Annual General Meeting. Your Company has received a notice u/s 257 of the Companies Act, 1956 from a member signifying the intention to propose the candidature of Mr. Avinash Bhandari for the office of Director at the ensuing Annual General Meeting.

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 2003-2004 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 more than Rs.24 Lacs during the year ended 31st March, 2004 or more than 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, 2004

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 PLASMA LADLE Refining Furnace.
- c) Development of Induction motor drive using DSP for Hybrid Electric Vehicle.

(ii) Benefits Derived :

- a) By development of CONTIFUR, steel will be manufactured at lower power consumption by secondary process.
- b) By development of Laddle Refining Furnace the cost of production of steel through secondary, metallurgy application will come down.
- c) Used in Hybrid Electric Vehicle.

(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. 1.06 Lacs |
| b) Recurring Expenditure | : | Rs. 81.68 Lacs |
| c) Total Expenditure | : | Rs. 82.74 Lacs |
| d) Total R&D as a percentage of
total turnover (net of excise & Sales Tax) | | 1.46% |

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. 2364.91 Lacs during the year and has further diversified its export market.

(ii) Total Foreign Exchange Earnings and Outgo :

- | | | |
|------------------------------|---|------------------|
| a) Foreign Exchange earnings | : | Rs. 2457.84 Lacs |
| b) Foreign Exchange Outgo | : | Rs. 445.21 Lacs |

Date : 30th June, 2004

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	2003-2004	2002-2003
I. ELECTRICITY		
a. Purchased Units	747210	408972
Total Amount	3272779	1798757
Rate per unit.(Rs.)	4.38	4.39
b. Own Generation		
i. Through diesel generator (Units)	53640	105200
Unit per Litre. of Diesel Oil (Unit).	2.40	2.38
Cost per Unit.(Rs.)	10.15	8.67
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	—	8430 }	9701 }
b) Induction Heating /Hardening Equipment KW/NO	—		
c) Wind Generating Set KW / WIND MILL	—		
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 2003 - 2004, with respect to the conditions of corporate governance set out in clause 49.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's philosophy on Corporate Governance envisages the attainment of the high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally, including its inter-action with employees, shareholders, creditors, consumers and institutional and other lenders and places due emphasis on regulatory compliance.

Corporate governance pertains to systems, by which companies are directed and controlled, keeping in mind long-term interest of stakeholders. The principal characteristics of Corporate Governance are Transparency, Independence, Accountability, Responsibility, Fairness and last but not least Social Responsibility.

With emphasis on transparency, integrity and accountability, the Board of Directors of the Company adopted the principles of good corporate governance by setting audit Committee, shareholders Committee since the year 2003. The Company, therefore, has developed systems that allow sufficient freedom to the board and the management to take decisions towards the growth of the Company while remaining within the framework of effective accountability. Given below is the report of the directors on corporate governance in accordance with the provisions of the listing agreement.

2. BOARD OF DIRECTORS:

The Board of Directors of the Company comprises five Directors all professionals in their own right. The composition of Board of Directors, the number of other directorship or board committees of which he is a member/ chairperson are as under :

Name and Designation of Directors	Category	No. of Board Meeting Attended	No. of other Directorship held in Cos. As on 31st March, 2004	Attendance at last AGM	No. of Committee Positions held in other Cos.
Mr. Mukesh Bhandari Chairman & Managing Director	Executive Director	7	3	Yes	NIL
Mr. Shailesh Bhandari Director	Executive Director	7	5	Yes	NIL
Mr. Harish Sharma Director	Executive Director	7	1	Yes	NIL
Mr. Narendra Dalal Director	Executive Director	6	NIL	Yes	NIL
Mr. Avinash Bhandari ** Director	Executive Director	3	2	NIL	NIL

** Mr. Avinash Bhandari was appointed as Director of the company w.e.f. 08/10/2003 in the Board meeting held on 08/10/2003 subject to the approval of members in the ensuing Annual General Meeting.

BOARD MEETINGS :

The meetings of the Board of Directors are generally held at the Head office & works of the Company at Palodia. Meetings are scheduled well in advance. The Board meets at least once a quarter to review the quarterly performance and the financial results.

The General Manager-Finance in consultation with the Managing Director prepares the agenda for the meeting. The Board papers are circulated to the directors in advance. The members of the Board have access to all information of the Company and are free to recommend inclusion of any matter in the agenda for discussion.

The Board met seven times on the following dates during the financial year 2003-2004 and the maximum time gap between two meetings did not exceed four months. (On 30/06/2003, 31/07/2003, 08/10/2003, 31/10/2003, 08/01/2004, 31/01/2004 and 29/03/2004.)

Attendance of Directors at the Board Meeting and last Annual General Meeting :

Name	Designation	No. of Board meeting attended	Attendance of last A.G.M.
Mr. Mukesh Bhandari	Chairman	7	Yes
Mr. Shailesh Bhandari	Member	7	Yes
Mr. Harish Sharma	Member	7	Yes
Mr. Narendra Dalal	Member	6	Yes
Mr. Avinash Bhandari	Member	3	No.

3. COMMITTEES OF BOARD:

A. AUDIT COMMITTEE:

Terms of reference & composition

The terms of reference of this committee cover the matters specified for Audit Committees under Clause 49 (II) (D) of the Listing Agreement.

Composition

The Audit Committee comprises Mr. Harish Sharma, Mr. Shailesh Bhandari and Mr. Narendra Dalal. The committee is constituted in accordance with the provisions of the Listing Agreement.

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

The Audit Committee met five times during the year under review. The Committee also met prior to the finalisation of accounts for the year ended March 31, 2004.

Name	Designation	No. of Committee meeting attended
Mr. Harish Sharma	Chairman	5
Mr. Shailesh Bhandari	Member	5
Mr. Narendra Dalal	Member	5

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 2003 - 2004.

Details of remuneration to Directors

(in Rupees)

Name	Salary	Other Allowances	Contribution to PF & Other Funds	Total
Mr. Mukesh Bhandari	5,40,000	3,24,000	64,800	9,28,800
Mr. Shailesh Bhandari	5,07,000	3,04,200	60,840	8,72,040
Mr. Harish Sharma	4,20,000	2,52,000	1,13,400	7,85,400
Mr. Narendra Dalal	3,48,000	2,08,800	93,960	6,50,760
			Total	32,37,000

C. SHAREHOLDERS / INVESTORS' GRIEVANCE COMMITTEE:

The Company has an independent Shareholders / Investors Grievance Committee, 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 2003 - 2004 :**

During the year ended on 31st March, 2004 the Committee met twice on 14th November, 2003 and 27th January, 2004 and all the members were present.

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

During the year ended on 31st March, 2004, Company received 2 complaints in respect of non-receipt of Annual Report which were sent immediately. There is no complaint outstanding as on 31st March, 2004. 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, five meetings were held during the year 2003-2004. (30/7/2003, 25/9/2003, 22/10/2003, 17/2/2004 and 22/3/2004)

There were 50350 shares transferred during the financial year 2003-2004.

4. GENERAL BODY MEETINGS:

Particulars of last three Annual General Meetings:

AGM	Year ended	Venue	Date	Time
17th	31st March, 2003	A-1, Skylark Apartments, Satellite Road, Satellite, Ahmedabad - 380 015.	30.09.2003	10:00 AM
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

No special resolutions were put through postal ballot last year.