



GOETZE (INDIA) LIMITED

A N N U A L R E P O R T 2 0 0 1 - 2 0 0 2



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**GOETZE (INDIA) LIMITED**C O N T E N T S**47TH ANNUAL REPORT 2001-2002****GOETZE (INDIA) LIMITED**

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GOETZE (INDIA) LIMITED




GOETZE (INDIA) LIMITED

Financial Controller
Mr. Sunil Khemka

Company Secretary
Mr. Mukesh Manglik

REGISTERED OFFICE
52-B, 2nd Floor,
Okhla Industrial Estate,
Phase-III, New Delhi 110 020

HEAD OFFICE
Corporate Centre,
15/5, Mathura Road,
Faridabad - 121 003

WORKS

1. Bahadurgarh,
Patiala (Punjab)
2. Yelahanka,
Bangalore (Karnataka)
3. SPL 1240-44
RIICO Industrial Area,
Phase-I Extn.,
Bhiwadi, Rajasthan
4. Village Roondh Dhooni Nath,
Tehsil Ramgarh,
Dist. Alwar (Rajasthan)

BANKERS

ABN Amro Bank N.V.
Bank of America
Bank of India
Deutsche Bank AG
HDFC Bank Ltd.
Standard Chartered Bank
State Bank of Patiala

AUDITORS

M/s. S.N. Dhawan & Co.

B O A R D O F D I R E C T O R S

Chairman & Managing Director
Mr. Anil Nanda

Vice-Chairman
Mr. Rajan Nanda

Directors

Mr. Chakor L. Doshi

Mr. Rajen A. Kilachand

Field Marshal Sam Manekshaw, MC

Mr. Nikhil Nanda

Dr. Brian L. Ruddy

Mr. M.M. Sabharwal

Mr. Jahar Sengupta

Mr. L.M. Thapar

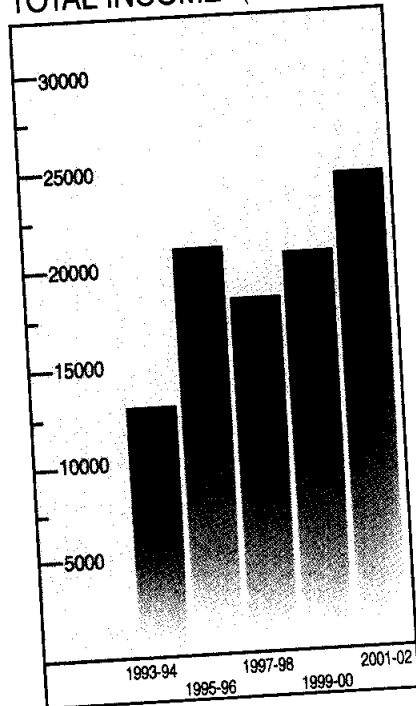
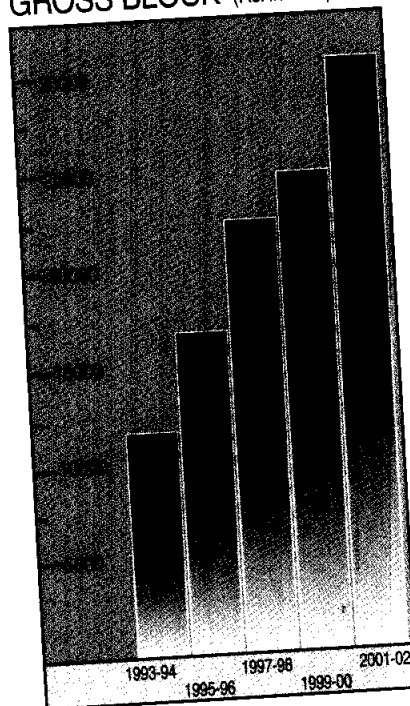
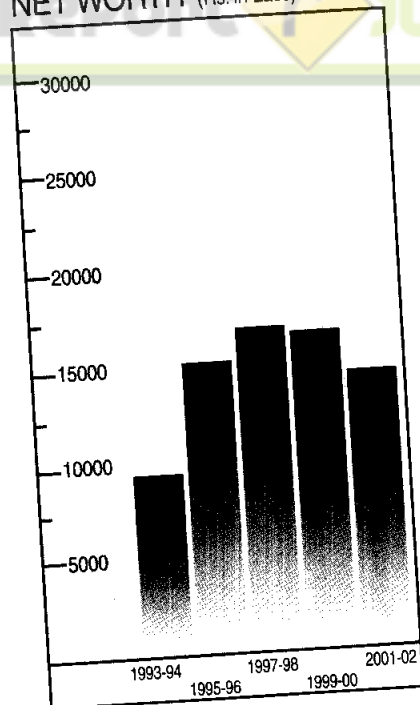
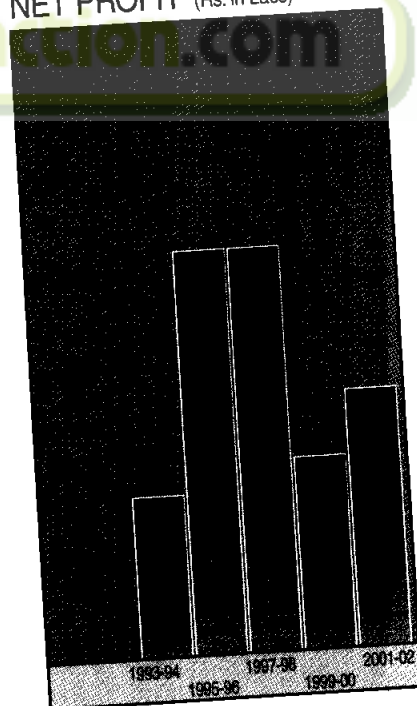
Dr. Ramesh C. Vaish

Executive Director

Mr. B.R. Kapoor

Whole Time Director

Mr. Arun Anand


GOETZE (INDIA) LIMITED
TOTAL INCOME (Rs. in Lacs)

GROSS BLOCK (Rs. in Lacs)

NET WORTH (Rs. in Lacs)

NET PROFIT (Rs. in Lacs)


**GOETZE (INDIA) LIMITED****TEN YEARS' FINANCIAL REVIEW**

	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	(Rs. Lacs) 1992-93
Total Income	246,84.40	186,53.65	204,99.69	176,56.22	185,48.38	256,93.77	216,77.31	203,81.93	129,49.71	75,29.10
Depreciation	18,15.67	12,82.28	11,89.81	10,89.34	8,82.00	8,24.67	5,13.53	4,25.48	3,16.64	2,30.06
Profit before Tax	13,17.42	10,00.53	10,06.46	3,06.53	21,03.00	27,06.41	21,08.46	16,03.81	8,01.90	5,97.72
Taxation	1,78.88	-	-	-	2,30.00	5,25.00	5,50.00	4,37.35	2,20.00	2,30.00
Profit after Tax	11,38.54	10,00.53	10,06.46	3,06.53	18,73.00	21,81.41	15,58.46	11,66.46	5,81.90	3,67.72
Dividend	2,52.88	6,32.19	6,32.19	5,05.75	10,11.50	10,11.50	7,23.13	5,68.74	3,68.39	2,99.40
Dividend Tax	-	64.48	69.54	55.63	2,02.30	-	-	-	-	-
Retained Profit	8,85.66	3,03.86	3,04.73	(2,54.85)	6,59.20	11,69.91	8,35.33	5,97.72	2,13.51	68.32

Assets, Liabilities & Net Worth

	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	(Rs. Lacs) 1992-93
Fixed Assets	187,92.29	188,52.30	169,37.42	176,40.85	175,42.59	161,23.15	128,15.81	94,42.18	91,75.50	78,86.43
Investments	36,13.65	26,53.96	44,62.16	45,42.24	36,72.16	37,98.93	34,08.97	23,44.17	12,37.94	9,22.86
Indebtedness	177,54.11	133,77.01	101,83.33	117,40.73	107,47.85	86,97.13	77,90.36	43,99.69	48,05.62	32,82.92
Share Capital	25,28.75	25,28.75	25,28.75	25,28.75	25,28.75	25,28.75	25,28.17	16,85.84	12,27.96	12,27.96
Reserves	115,28.19	131,08.78	139,55.20	138,18.65	142,56.39	138,07.99	128,13.05	129,92.77	79,87.92	79,48.80
Net Worth	140,56.94	156,37.53	164,83.95	163,47.40	167,85.14	163,36.74	153,41.22	146,78.61	92,15.88	91,76.76

Significant Ratios

	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
A. Measurement of Investment										
Percentage of Return on Investment	13.46	10.70	9.96	6.27	13.46	18.57	15.75	15.74	10.99	7.83
Percentage of Return on Equity	8.87	6.23	6.13	1.85	12.70	17.09	14.05	9.76	6.31	4.82
Dividend Cover (Ratio)	4.50	1.58	1.59	0.61	1.85	2.16	2.16	2.05	1.58	1.23
B. Measurement of Performance										
Percentage of Profit before Tax to Sales	5.56	5.58	5.06	1.81	12.41	11.20	10.27	8.16	6.39	8.62
Percentage of Profit after Tax to Sales	4.81	5.58	5.06	1.81	11.05	9.03	7.59	5.94	4.64	5.30
C. Measurement of Financial Status										
Percentage of Term Loans to Tangible Net Worth	56.92	39.53	27.58	34.34	28.46	18.60	21.06	15.96	33.42	17.83
Current Ratio	1.40	1.16	1.19	1.70	1.68	1.65	1.98	3.32	1.61	1.62
D. General										
Dividend per Equity Share (Rs.)	1.00	2.50	2.50	2.00	4.00	4.00	4.00*	4.00*	3.00	3.00*
Earnings per Equity Share (Rs.)	4.50	3.96	3.98	1.21	7.41	8.63	8.62	8.22	4.74	2.99
Book Value per Equity Share (Rs.)	55.59	61.84	65.19	64.65	66.38	64.60	60.68**	87.07	75.05	74.05

* Dividend on shares issued and allotted during the year is payable pro-rata for the period and amount paid-up thereon.

** After issue of bonus shares in the ratio of 1:2 in February, 1996.



GOETZE (INDIA) LIMITED

DIRECTORS' REPORT

The Directors are pleased to present the 47th Annual Report alongwith the Audited Accounts of the Company for the period of fifteen months ended 30th June, 2002.

FINANCIAL RESULTS

	(Rupees in Crores)	
	For the period ended 30.06.2002	For the year ended 31.03.2001
Total Income	219.88	166.76
Profit before depreciation and interest	43.67	32.92
Deduct:		
Depreciation (net of transfer from revaluation reserve)	18.16	12.82
Interest	12.34	10.09
Net Profit before Exceptional & Non-Recurring items and taxation	13.17	10.01
Exceptional & Non-Recurring items		
Provision for diminution in the value of Investments	-	10.00
Less : Transferred from General Reserve	-	(10.00)
Provision for Tax		
- Current	0.69	
- Deferred	1.09	
Profit after Tax	11.39	10.01
Surplus brought forward	17.61	18.11
Transfer from Debenture Redemption Reserve	-	0.83
	29.00	28.95
Appropriations:		
Proposed Dividend	2.53	6.32
Tax on Dividend	-	0.65
Debenture Redemption Reserve	3.13	3.12
General Reserve	2.00	1.25
Surplus carried to Balance Sheet	21.34	17.61
	29.00	28.95

MANAGEMENT DISCUSSION AND ANALYSIS :

Auto-ancillaries Business

a) Industry structure and Developments

In the year under review, there has been an improvement in the commercial vehicle segment which has shown a growth in volumes for our company. According to the analysts, due to increased spending in infra-structure in the country, the commercial vehicle segment is likely to show robust growth. Since our Company is a very strong player in the diesel piston ring segment the benefits of this growth will automatically accrue to the Company. Similarly the bi-wheeler industry, which has not seen recession that was affecting the other segments, continues to grow at a very fast rate. Our Company along with its subsidiary Goetze TP (India) Ltd., is a very strong player in the bi-wheeler business and consequently the growth in this segment shall be advantageous for the Company.

The only segment which has shown a negative trend during the current year is the tractor segment where the manufacturers are struggling to market the products. As a consequence the business for this segment is showing a reduction. However, our Company has taken steps to overcome this negative trend by indigenising tractor rings for customers who were hitherto importing the rings.

b) Opportunities

With the emission legislation getting more stringent there is an increased opportunity for reputed manufacturers to increase their share of business because of the inability of players in the unorganised sector to meet the quality and technological demands of the new engines. Our Company is far ahead in meeting the requirements of vehicle manufacturers to comply with the stipulations for emission norms.

c) Challenges

Due to introduction of new emission norms, there is a big shift in the type of rings that are required by the customer, both in terms of material of rings as well as profiles and coatings. This calls for investment to be made in converting the current capacity to meet the needs of rings of high strength material. Our company has made regular investments to upgrade the plant & machinery to produce the desired rings.

d) Outlook

The outlook for the automotive business in the country is promising as India is likely to become a global source for rings for many international vehicle manufacturers. Our Plants have been geared up to the increased quality requirements and benchmarking criteria that will be laid down by these vehicle manufacturers.

Solvent Oil Extraction Business

The solvent oil extraction plant of the company continued to remain shut through out

the year. As informed last year, your directors have taken a decision to sell this plant and accordingly it has been shown as current assets in the accounts at the estimated net realisable value.

Financial Performance

Total income of the Company for the 15 months period increased to Rs.219.88 crores as compared to Rs.166.76 crores for the previous year. This is mainly attributed to pickup in the commercial & bi-wheeler segment of the auto industry. Efforts for cost reduction at all levels & productivity improvements in the plants continued during the year. The company has recorded a profit before tax of Rs.13.17 crores for the 15 months period as against profit of Rs.10.01 crores for the previous year.

Exports

The Company's exports during the period were Rs.29.56 crores as against Rs.21.70 crores in the previous year. There is a growth of 9% on an annualised basis both for automotive components and leather goods. The Company has increased its focus on exports by getting business from newer customers and territories.

Human Resources

Industrial relations at the Company's plants and other establishments remained cordial during the year. The Company continued its efforts towards the overall development of its human capital by training employees in various strategic areas.



GOETZE (INDIA) LIMITED

DIRECTORS' REPORT (Contd.)

Adequacy of Internal Control systems

The Company has an adequate system of internal controls and procedures to ensure that all financial and other transactions follow the policies, guidelines, authorisations and approval procedures of the Company to maintain accountability of assets and reliability of financial statements. The Company has an independent internal audit system covering, on a continuous basis, the entire operations and functions at all locations. The internal audit findings and recommendations are reviewed by the management and the audit committee on a regular basis.

Dividend

The proposed acquisition of Escorts Mahle Limited requires substantial funds towards the acquisition cost and working capital requirements. Therefore, in order to conserve resources, the Directors have considered it prudent to recommend a Dividend of 10% for the period under report which involves a cash outflow of Rs.2.53 crores (previous year 25% - Rs. 6.97 crores).

Acquisition of Escorts Mahle Limited

Escorts Mahle Limited (EML) was a 50:50 joint venture between Escorts Limited (EL) and Mahle GmbH (Mahle) manufacturing Pistons and Piston Pins at Bangalore and Patiala. Pursuant to the Disengagement and Share Purchase agreement among EL, Mahle and EML, Mahle had decided to exit from the joint venture and sell its entire share holding in EML. EL having decided to exit from this joint venture, would also sell its entire share holding in EML.

In view of the fact that the businesses of EML and your Company are closely inter-linked and have obvious financial and technical synergies due to common location of plants, common customers, complementary products etc., it was considered advisable in the interest of the Company to acquire the entire share capital of EML through a special purpose vehicle (100% subsidiary). This proposal has been vetted by J.M. Morgan Stanley Pvt. Ltd. (Merchant Bankers) who have assessed its viability and recommended the acquisition of EML. Accordingly your Directors at the meeting held on 15th June, 2002 have approved the acquisition of EML.

Change in Financial Year

In view of the acquisition of Escorts Mahle Limited, the Board of Directors at their meeting held on 15th June, 2002 decided to extend the Financial year of the Company by three months i.e. upto 30th June, 2002. Accordingly, the audited accounts have been made for the period of fifteen months - from 1st April, 2001 to 30th June, 2002.

Subsidiary Companies

Goetze TP [India] Limited

During the year, the Company has acquired an additional 1% of the paid up Equity Capital of Goetze TP [India] Limited thereby making it a 51% subsidiary of your Company. The balance 49% is held by the Foreign Collaborators - 24.5% by T&N Investments Ltd., UK and 24.5% by Teikoku Piston Ring Co. Ltd., Japan. This

Company is engaged in the manufacture of Steel Rings used by four stroke vehicles. It is a major player in the Bi-wheeler segment of Steel Piston Rings which continues to grow at a very fast rate. The Company has earned net profit of Rs.2.02 crores on a turnover of Rs.22.31 crores during the year 2001-02, as against net profit of Rs.0.32 lacs on a turnover of Rs.14.29 crores during the previous year.

Coupled Investments Pvt. Limited

The Company acquired the entire paid up Capital of Coupled Investments Pvt. Ltd. during the year making it a wholly owned subsidiary. This Company, is designated as a special purpose vehicle to acquire the entire paid up Capital of Escorts Mahle Limited. Upon completion thereof Escorts Mahle Limited will become an indirect 100% subsidiary of your Company.

Statement pursuant to Section 212 of the Companies Act, 1956 along with the annual accounts of the subsidiaries are attached.

Consolidated Financial Statements

In compliance with Clause 32 and Clause 50 of the Listing Agreements with the Stock Exchanges, and as per the Accounting Standard on Consolidated Financial Statements (AS 21) issued by the Institute of Chartered Accountants of India, the Audited Consolidated Financial Statements along with the Auditors' Report have been annexed with this report.

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act 1956, the Directors confirm that:

- The applicable accounting standards have been followed in the preparation of the annual accounts and there have been no material departures;
- Appropriate accounting policies have been selected and applied consistently; judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2002 and of the profit of the Company for the period ended on that date;
- Proper and sufficient care has been taken for the maintenance of 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;
- The annual accounts have been prepared on a going concern basis.

Directors

Mr. J.B. Dadachanji and Mr.V.K. Srivastava have resigned from the Board of Directors of the Company during the period under review. The Directors place on record their appreciation for the valuable guidance and support rendered by them during the tenure as Directors of the Company.

In accordance with the Articles of Association of the Company, Mr. Rajan Nanda, Mr. Chakor L. Doshi, Mr Rajen A Kilachand and Field Marshal Sam Manekshaw M.C. Directors retire by rotation and, being eligible, offer themselves for re-election.

The term of office of Mr.B.R. Kapoor as Executive Director of the Company expires on

31st March 2003. The Board of Directors at the meeting held on 24th September 2002 have re-appointed him as Executive Director, subject to the approval of Members, for a further period of three years with effect from 1st April, 2003.

Mr Arun Anand has been appointed, subject to the approval of Members, as whole time Director of the Company for a period of five years with effect from 24th September, 2002. Notice under Section 257 of the Companies Act, 1956 along with requisite deposit has been received from a member of the Company signifying his intention to propose the candidature of Mr. Arun Anand, who being eligible, offers himself for appointment.

Auditors

M/s. S. N. Dhawan & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect that the re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

Public Deposits

114 Deposits aggregating to Rs.14.24 lacs had fallen due for repayment as on 30th June, 2002 but remained unclaimed. Out of these 14 deposits aggregating to Rs. 1.44 lacs have since been renewed or repaid.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed and forms a part of this report.

Particulars of Employees

The particulars of employees, as required under section 217(2A) of the Companies Act, 1956 are given as an Annexure to this report.

Acknowledgement

Your Directors would like to express their appreciation for assistance and co-operation received from the promoters, Government Authorities, Banks and Financial Institutions. Your directors also express their gratitude to your company's customers, dealers and suppliers for their continued support. The directors also acknowledge the outstanding performance, dedicated hard work and co-operation of the employees at all levels. Lastly, the directors also thank the esteemed shareholders for their continued support and encouragement.

For and on behalf of the Board


ANIL NANDA
Chairman

September 24, 2002



GOETZE (INDIA) LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

(1) The following energy conservation measures were taken:

- Load management by scheduling and monitoring the operation of major power consuming equipment like melting furnaces and plating baths to contain the load demand within the minimum billing demand.
- Bench marking the specific power as the power consumed per good piston ring produced for controlling power consumption on day to day basis.
- Optimization of compressed air system by monitoring supply Vs demand.
- Reducing compressed air losses by retrofitting online indigenously designed and developed automatic condensate drains.
- Optimization of moulding process of CI rings by improvising the mould plate design.
- Optimization of chrome plating process of piston rings by closely monitoring the plating parameters.
- Balancing of loads on 11KV transformers has optimized the line losses within 5% as against 6% recorded earlier.
- The power consumption of chrome plating operation of piston rings optimized by monitoring the Iron

content of electrolyte - resulting into reduction in power per piston ring chrome plated.

(2) Additional investment and proposals for reduction in energy consumption:

- GIL Bangalore Plant has set up a modern engine test house. The test house is commissioned in January, 2002 and made fully operational from February, 2002. This engine test house is equipped with eddy current dynamometers integrated with computerized state of the art technology to measure engine performance, fuel consumption, oil consumption and blow-by of petrol and diesel engines of bi-wheelers, LCVs and MCVs. This new facility acquired has rendered the Bangalore Plant self sufficient to validate newly designed pistons and rings to meet the customers demands in the shortest possible time.
- Lean Management & upgradation of Foundry with new Technology has been taken. Results are monitored. Benefits will be realised in following years.
- Procurement and installation of Conserve Air System for optimum use of Compressors and Compressed Air.

(3) Impact of above measures:

Optimisation of compressor air and Electrical Energy.

B. TECHNOLOGY ABSORPTION

There has been no new technology import during the current year. Hitherto all technology transfers have been fully absorbed.

C. ENVIRONMENT AND SAFETY:

- Statutory requirements of various environmental and pollution control Acts are being met and monitored / maintained.
- Training programmes are being conducted regularly on environmental and safety aspects by internal and external faculty to educate employees.

Information as per section 217(2A) of the companies act, 1956, read with the companies (particulars of employees) rules, 1975 and forming part of the directors' report for 15 months period ended June 30, 2002.

Sr. No.	NAME OF EMPLOYEE	AGE (Years)	QUALIFICATIONS	EXPERIENCE (Years)	DATE OF EMPLOYMENT	DESIGNATION/ NATURE OF DUTY	GROSS REMUNERATION (Rupees)	LAST EMPLOYMENT HELD
A. Employed throughout the period and in receipt of remuneration not less than Rs.24,00,000 per annum.								
1.	NANDA ANIL	50	Sr. Cambridge	30	01.07.1981	Chairman & Managing Director	2,984,151	Intercontinent (Travancore) Pvt. Ltd.
2.	KAPOOR B.R.	60	B. Com.(Hons) FCA	36	01.04.1993	Executive Director	3,912,156	Escorts Limited Vice President

B. Employed for a part of the period and in receipt of remuneration not less than Rs. 2,00,000/- per month.

Nil

Notes : 1. Remuneration includes salary, leave pay, commission, actual expenditure on rent free accommodation and benefits or amenities, Company's contribution to provident fund, gratuity fund but excludes superannuation contribution which is not allocated individually.

2. Mr. Anil Nanda is related to Mr. Rajan Nanda & Mr. Nikhil Nanda, Directors of the company.

3. All appointments are contractual.