

49th Annual Report 2003-2004

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GOETZE (INDIA) LIMITED

Our Founder

Late Mr. H.P. Nanda



He touched the hearts of so many

THE LEGEND THAT NEVER DIES



GOETZE (INDIA) LIMITED

—“Our Primary Responsibility is to deliver maximum value to our Customers”

In pursuance of this effort,
WE COMMIT OURSELVES



Anil Nanda
Chairman & Managing Director



Arun Anand
Executive Director



Mohan Narayanan
Vice-President, Marketing



S. Ahluwalia
Plant Head, Patiala



Rakesh Anand
Associate Vice-
President-Plant Head,
Bangalore



Ashok Ahuja
Associate Vice-
President-Materials,
Plant Head, Bhiwadi



Rajan Luthra
Financial Controller
Company Secretary

— The Goetze



GOETZE (INDIA) LIMITED

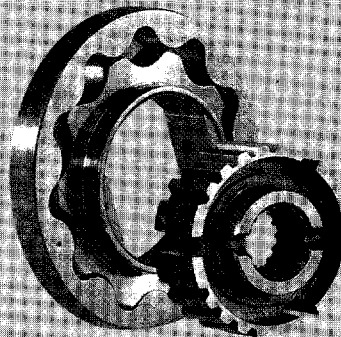
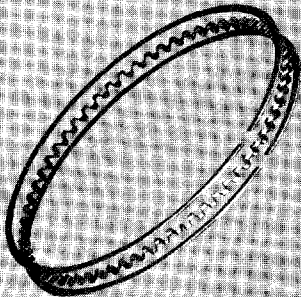
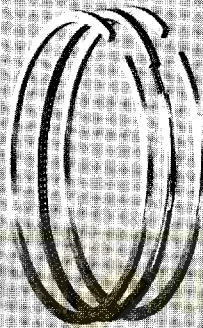
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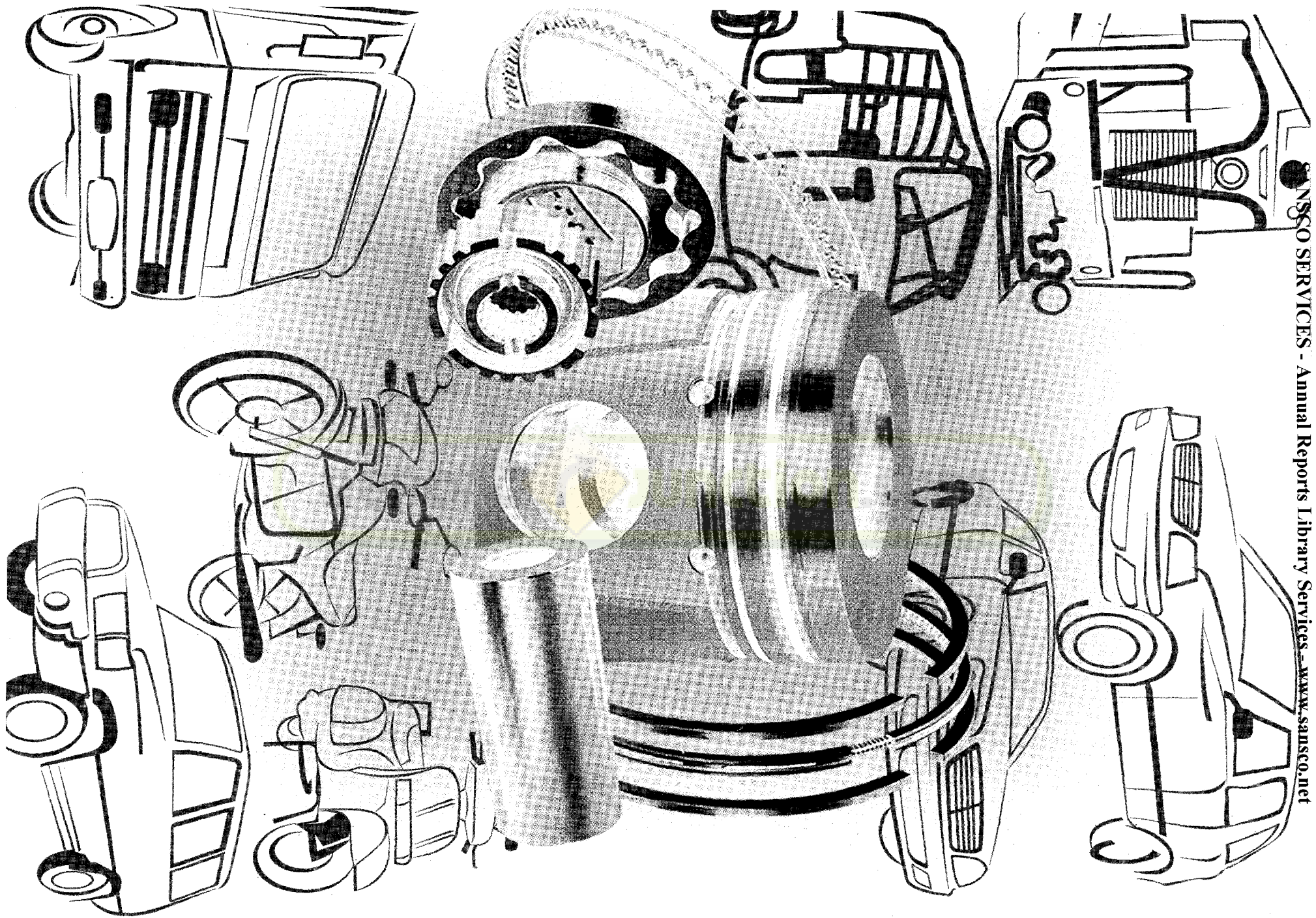
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CONSOLIDATED FINANCIAL STATEMENTS







GOETZE (INDIA) LIMITED

BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Anil Nanda

Directors

Dr. Brian L. Ruddy

Mr. Chakor L. Doshi

Mr. L.M. Thapar

Mr. M.M. Sabharwal

Mr. Nikhil Nanda

Mr. Rainer Jueckstock

(Alternate Mr. Jochen Stechow)

Mr. Rajen A. Kilachand

Dr. Ramesh C. Vaish

Dr. Surinder Kapur

Executive Director

Mr. Arun Anand

Financial Controller and Company Secretary

Mr. Rajan Luthra

Auditors

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

REGISTERED OFFICE

A-26/3 Mohan Co-
operative Industrial Estate,
New Delhi 110 044

WORKS

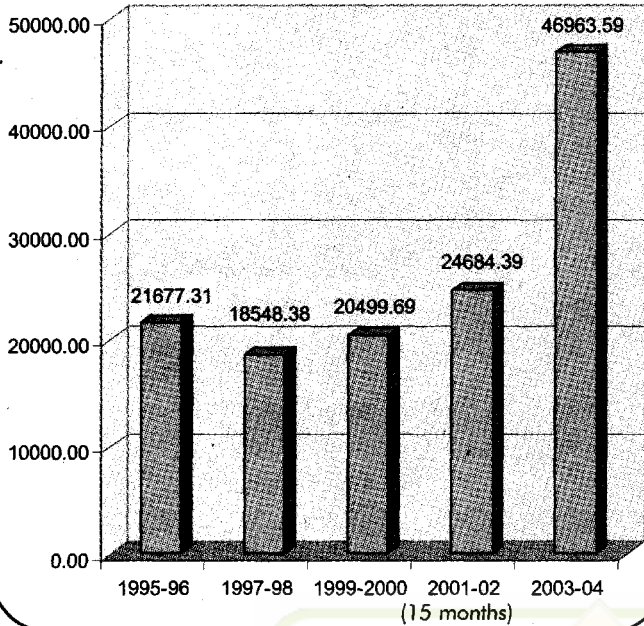
1. Bahadurgarh, Patiala (Punjab)
2. Yelahanka, Bangalore (Karnataka)
3. SPL 1240-44, RIICO Industrial Area,
Phase-I Extn., Bhiwadi (Rajasthan)
4. Village Roondh Dhooni Nath,
Tehsil Ramgarh,
Dist. Alwar (Rajasthan)

BANKERS

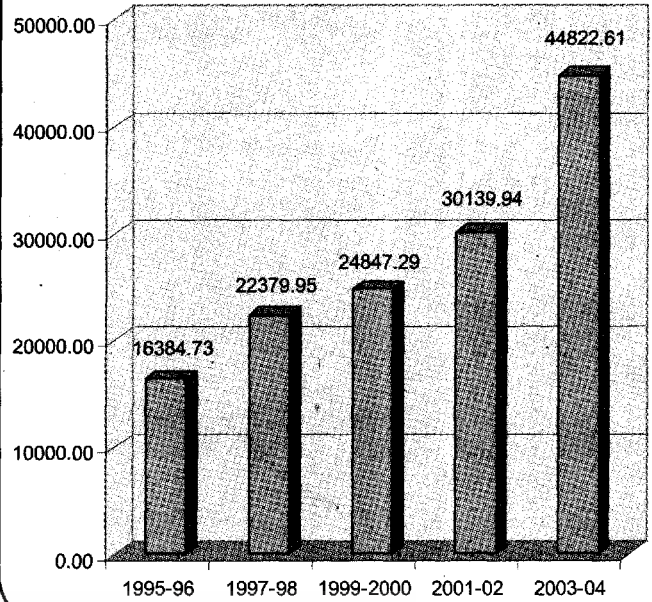
ABN Amro Bank NV
Bank of India
Bank of Punjab
Deutsche Bank AG
HDFC Bank Ltd.
ICICI Bank Ltd.
Standard Chartered Bank
State Bank of India
State Bank of Patiala


GOETZE (INDIA) LIMITED
TOTAL INCOME

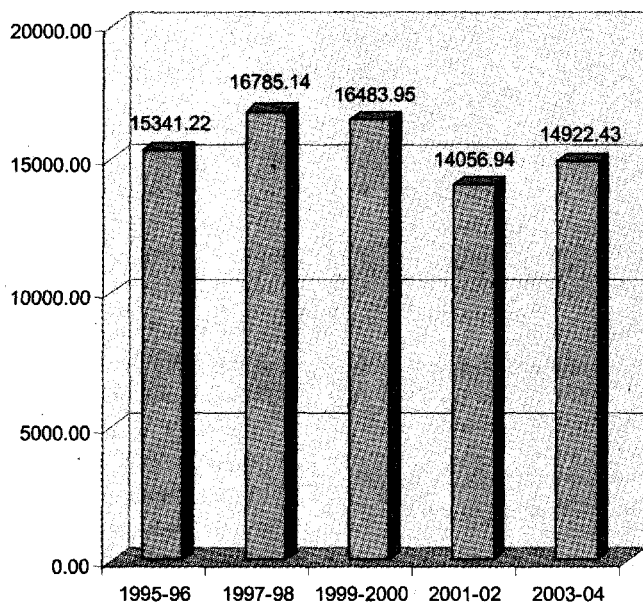
(Rs. in Lacs)


GROSS BLOCK

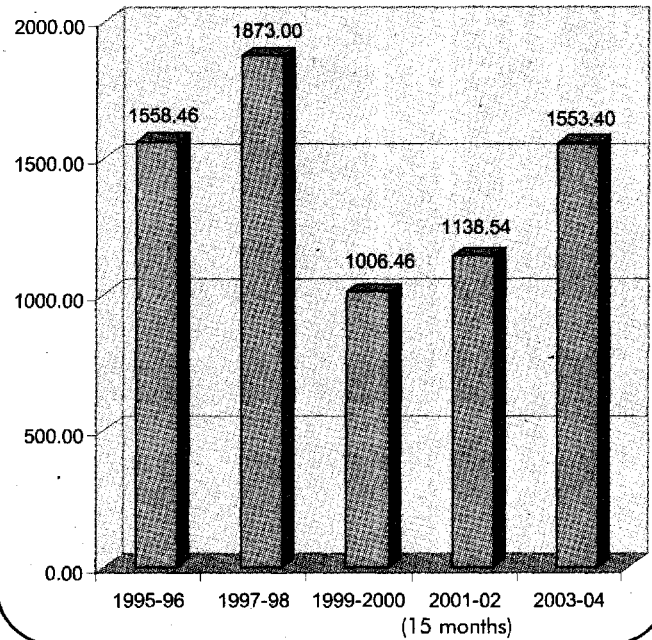
(Rs. in Lacs)


NET WORTH

(Rs. in Lacs)


NET PROFIT

(Rs. in Lacs)



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

	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	(Rs. Lacs) 1994-95
		(9 months)	(15 months)							
Total Income	46963.59	26407.26	24684.39	18653.65	20499.69	17656.22	18548.38	25693.77	21677.31	20381.93
Depreciation	2401.28	1464.18	1815.67	1282.28	1189.81	1089.34	882.00	824.67	513.53	425.48
Profit before Tax	2405.95	1319.90	1317.42	1000.53	1006.46	306.53	2103.00	2706.41	2108.46	1603.81
Taxation	852.55	301.17	178.88	—	—	—	230.00	525.00	550.00	437.35
Profit after Tax	1553.40	1018.73	1138.54	1000.53	1006.46	306.53	1873.00	2181.41	1558.46	1166.46
Dividend	782.74	532.87	252.88	632.19	632.19	505.75	1011.50	1011.50	723.13	568.74
Dividend Tax	100.29	68.27	—	64.48	69.54	55.63	202.30	—	—	—
Retained Profit	670.37	417.59	885.66	303.86	304.73	(254.85)	659.20	1169.91	835.33	597.72

Assets, Liabilities & Net Worth

	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95
Fixed Assets	31389.59	30809.13	18792.29	18852.30	16937.42	17640.85	17542.59	16123.15	12815.81	9442.18
Investments	3547.75	3594.43	3613.65	2653.96	4462.16	4542.24	3672.16	3798.93	3408.97	2344.17
Indebtedness	28113.39	27579.74	17754.11	13377.01	10183.33	11740.73	10747.85	8697.13	7790.36	4399.69
Share Capital	2528.75	3528.75	2528.75	2528.75	2528.75	2528.75	2528.75	2528.75	2528.17	1685.84
Reserves	12393.68	11867.08	11528.19	13108.78	13955.20	13818.65	14256.39	13807.99	12813.05	12992.77
Net Worth	14922.43	15395.83	14056.94	15637.53	16483.95	16347.40	16785.14	16336.74	15341.22	14678.61

Significant Ratios

	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95
A. Measurement of Investment										
Percentage of Return on Investment (annualised)	12.92	12.99	10.77	10.70	9.96	6.27	13.46	18.57	15.75	15.74
Percentage of Return on Equity (annualised)	15.87	11.95	7.10	6.23	6.13	1.85	12.70	17.09	14.05	9.76
Dividend Cover (Ratio)	1.98	1.91	4.50	1.58	1.59	0.61	1.85	2.16	2.16	2.05
B. Measurement of Performance										
Percentage of Profit before Tax to Sales	5.33	5.23	5.56	5.58	5.06	1.81	12.41	11.20	10.27	8.16
Percentage of Profit after Tax to Sales	3.44	4.03	4.81	5.58	5.06	1.81	11.05	9.03	7.59	5.94
C. Measurement of Financial Status										
Percentage of Term Loans to Tangible Net Worth	122.41	102.16	56.92	39.53	27.58	34.34	28.46	18.60	21.06	15.96
Current Ratio	0.82	1.01	1.40	1.16	1.19	1.70	1.68	1.65	1.98	3.32
D. General										
Dividend per Equity Share (Rs.)	3.00	2.00	1.00	2.50	2.50	2.00	4.00	4.00	4.00*	4.00*
Earnings per Equity Share (Rs.) (annualised)	6.04	5.21	3.60	3.96	3.98	1.21	7.41	8.63	8.62	8.22
Book Value per Equity Share (Rs.)	59.01	56.93	55.59	61.84	65.19	64.65	66.38	64.60	60.68**	87.07

* 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 1:2 in February, 1996.



GOETZE (INDIA) LIMITED

DIRECTORS' REPORT

The Directors are pleased to present their 49th Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

	For the year ended 31.03.2004 (12 months)	For the period ended 31.03.2003 (9 months)
Total Income	412.26	233.31
Profit before Depreciation, Amortisation and Interest	87.84	55.36
Deduct:		
Depreciation (net of transfer from revaluation reserve)	24.01	14.64
Amortisation	8.28	4.29
Interest	31.49	23.23
Net Profit before Tax	24.06	13.20
Provision for Tax		
- Current	1.61	1.05
- Deferred	6.92	1.96
Profit after Tax	15.53	10.19
Surplus brought forward	23.85	21.34
Transfer from Debenture Redemption Reserve	2.08	8.33
	41.46	39.86
Appropriations:		
Proposed Dividend - Equity	7.59	5.06
- Preference	0.24	0.27
Tax on Dividend	7.83	5.33
General Reserve	1.00	0.68
Surplus carried to Balance Sheet	10.00	10.00
	22.63	23.85
	41.46	39.86

Operations

The Financial results of the Company for the year ending 31st March 2004 have shown a marked improvement even though they are not comparable with the previous year as the previous year was for 9 months (July 2002 to March 2003). The benefit of the amalgamation of Escorts Pistons Limited and Coupled Investments Private Limited w.e.f. 1st Nov 2002 is accruing progressively.

The total income for the year at Rs. 412.26 crores as compared to Rs. 233.31 crores for nine months (July 2002- March 2003) on an annualised basis gives a significant growth of 32%. Similarly the net profit of Rs. 24.06 crores as compared to Rs. 13.20 crores (July 2002- March 2003) has also improved by 37% on an annualised basis.

Redemption of 11% Cumulative Preference Shares

The Company has redeemed 10,00,000 11% Cumulative Redeemable Preference Shares of Rs. 100/- each on 19th June 2003.

Dividend

In view of improvement in profits, your Directors have recommended a higher dividend of 30% on the Equity Shares, as against 20% paid in the previous year. An interim dividend @ 11% on Cumulative Preference Shares on pro-rata basis for the period commencing 1st April 2003 to 19th June 2003 being the date of redemption was also paid subject to your approval. Dividend if approved, will absorb a sum of Rs. 8.83 crores inclusive of Dividend tax of Rs. 1.00 crores.

MANAGEMENT DISCUSSION AND ANALYSIS:

Auto-ancillaries Business

(a) Industry Structure and Developments:

The Auto Component Industry has witnessed a very favourable business environment due to an overall improvement in the economy which led to substantial growth in automobiles. The Company still grew at a rate higher than the industry growth because the Company's products enjoy customer preference due to their superior quality.

(b) Opportunities

Due to the lower interest rates and easy availability of finance, the ownership of vehicles has become a very viable proposition, and there is a shift in the ownership from the 2-wheeler segment to the 4-wheeler segment, and from the moped segment to the motorcycle segment. This improved value proposition of our business also falls within the ambit of technically higher level quality of products where our Company has a distinct advantage.

Based on these factors and the continued robust growth of the industry, we expect a marked improvement in our turnover during the coming years. We are focussing on new markets and customers to offset the cyclical nature of the domestic industry. This, together with investment in the Plant & Machinery for removing bottlenecks & upgrading the processes, has made us very cost competitive, and we see a great opportunity in enlarging our business share.

(c) Challenges

We foresee the demands of vehicles to get

fragmented into several models posing a challenge to component manufactures to be more flexible to the changing requirements and smaller lots of production. Increase in raw material cost during the year also posed a very severe challenge to the Company, most of which was overcome through efficiency in our manufacturing system.

(d) Outlook

The outlook for the automotive industry is very buoyant not only for the domestic growth but also export growth of vehicles. Industry has finally broken the barrier of product acceptability in the international market. Our vehicle manufactures are today in a position to compete with world-class vehicles in the international markets. Being vendors to these vehicle manufactures helps us to participate on these growth initiatives and benefit from the same.

(e) Risks and Concern

The Company is exposed to various risks during the course of business and is efficiently monitoring risk levels on various parameters and ensuring implementation of mitigation measures, if required.

(i) Risk associated with the Industry Growth: The Automotive components industry is related to the overall growth of the Automotive Industry and any slowdown in the economy can have adverse effect on the business. We do not foresee any slow down in the economy in the current year.

(ii) Risk from the Unorganized Sector: Risk is also perceived from the unorganised sector in which the products are available at substantially lower prices which the Company is overcoming by technology



GOETZE (INDIA) LIMITED

DIRECTORS' REPORT (Contd.)

up-gradation, cost reduction, improved distribution and services.

(iii) Risk of technological obsolescence: The Company needs to evaluate the technological obsolescence and associated risks on a continuing basis and to ensure up gradation of technology. Our Products Pistons and Piston rings are critical engine components and require high level engineering and designing capabilities. The Company has strong technical backup, high level engineering and design capabilities to absorb and upgrade its technology.

(iv) Metal Prices: Metals like aluminum, pig iron, nickel etc. are critical raw materials in the manufacture of auto components. Global metal prices have hardened. It may not be possible for the Company to pass on to the customers such increases in prices of inputs or to offset these quickly through cost reduction measures.

(f) Adequacy of Internal Control System

The Company has in place adequate systems of internal control that is geared towards achieving efficiency in operations, optimum utilisation of resources, compliance with all applicable laws and regulations, protecting assets from unauthorized use and losses and ensuring reliability of financial and operational information. The Company has continued its efforts to align all its processes and controls with best industry practices.

Rights Issue

The members of the Company had approved the issue of Equity Shares on Rights basis upto Rs.50 crores at its Annual General meeting held on 27th September 2003 to meet its capital expenditure and working capital requirements. The Rights Issue remains under consideration and will be decided in consultation with the Merchant Bankers.

Solvent Oil Extraction Business

The Plant and Machinery of the Solvent Oil Extraction plant of the Company which remained non-operational throughout the year is being held for sale at an estimated net realisable value.

Subsidiary Company-Goetze TP (India) Limited

The Company consolidated its leadership position in the market with volume increase of 42%. The Total Income for the year 2003-04 at Rs. 35.11 crores increased by 36.34% as compared to the previous year. The Company recorded a 43.67% growth in the profit before tax. The Board of Directors of Goetze TP (India) Limited recommended a dividend of 6% on the Cumulative Redeemable Preference Shares for the year 1999-00 (from 20/1/2000 to 31/3/2000) and 2000-01 which was in arrears.

Statement pursuant to Section 212 of the Companies Act, 1956 as also their annual accounts form a part of the Company's Annual Report.

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 the requirements of Section 217(2AA)

of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- In the preparation of annual accounts the applicable accounting standards have been followed and that there have been no material departures;
- The Directors have selected such accounting policies and applied them consistently and 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 as at 31st March, 2004 and of the profit of the Company for the year ended on that date;
- The Directors have taken proper and sufficient care 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;
- The Directors have prepared the annual accounts of the Company on a going concern basis.

Directors

After a long association with the Company, Mr. B.R. Kapoor, Mr. Rajan Nanda and Field Marshal Sam Manekshaw M.C. resigned from the Board of Directors with effect from 1st September 2003, 2nd September 2003 and 19th March 2004 respectively. The Directors place on record their appreciation for their initiatives, guidance and valuable contribution to the success achieved during their tenure as Directors of the Company.

In view of the casual vacancy caused by the resignation of Mr. B.R. Kapoor, Mr. Rainer Jueckstock, Senior Vice President, Global Operations-Powertrain, Federal Mogul was appointed as a Director with effect from 1st September 2003. His appointment as a Director liable to retire by rotation was confirmed at the Annual General Meeting held on 27th September 2003. Mr. Rainer Jueckstock has rich experience in the Automotive Components Industry and is presently looking after the Global Operations of Rings and Liners in Federal Mogul Corporation, USA.

Mr. Jochen Stechow, Director-Business Development' Federal Mogul GmbH, Germany looking after Rings and Liners was appointed as Alternate Director to Mr. Rainer Jueckstock.

Considering the rich experience in the Auto Component and Engineering Industry Dr. Surinder Kapur, Chairman and Managing Director of Sona Koyo Steering Systems Ltd. was appointed as Additional Director of the Company with effect from 19th December 2003. Dr. Surinder Kapur's appointment as Additional Director is proposed to be confirmed as Director liable to retire by rotation at the ensuing Annual General Meeting.

In accordance with Article 109 of the Articles of Association of the Company Dr. Ramesh C. Vaish, Mr. M.M. Sobharwal and Mr. Chakor L. Doshi, Directors, retire by rotation. All of them offer themselves for re-election.

Public Deposits

115 deposits aggregating to Rs.22.75 lacs had fallen due for repayment as on 31st March 2004 but remained unclaimed. Out of these 21 deposits aggregating to Rs.5.61 lacs have since been repaid. Considering the financial strength of the Company,

the existing industrial scenario and falling interest rates the Company has decided to repay all the existing fixed deposits before due date. All fixed deposits active as on 15th June 2004 are being compulsorily repaid along with the interest accrued at the committed rate.

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.

Human Resources

The industrial relations continued to remain cordial throughout the year. The Company's focus has been to enhance organizational efficiencies, employee competencies and commitment and has taken initiatives in this direction by laying more thrust on human resource development, and new training programmes.

Safety, Health and Environment Protection

The company has taken initiative on safety awareness, conducted safety audits, providing health care to the employees, maintaining ecological balance in and around the Works and undertaking environment audits.

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

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with 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 the assistance and co-operation received from the financial institutions, banks, Government Authorities, shareholders, customers, dealers, vendors, unions, promoters and all the other business associates during the year under review. The Directors also wish to place on record their deep sense of appreciation for the committed services of the Executives, staff and workers of the Company.

For and on behalf of the Board

Anil Nanda
Chairman

7th June, 2004