FLUIDOMAT LIMITED

26Th

Annual Report

2001-2002

- **Board of Directors :**
  ASHOK JAIN
  Chairman and Managing Director

  D.K. KENIKAR
  SHANTILAL KOTHARI
  L.N. DUBE
  B.C. CHHAJED
  M.K. SHAH
  B.K. CHAKRAVARTY
  (Nominee of IFCI Ltd.)

- **Company Secretary**
  VINEET CHOPRA

- **Auditors :**
  J.P. SARAF & CO.
  Chartered Accountants

- **Bankers :**
  CENTRAL BANK OF INDIA

- **Corporate Law Advisor :**
  D.K. JAIN & COMPANY
  Company Secretaries

- **Registered Office :**
  117, 1st Floor, Navneet Darshan,
  16/2, Old Palasia,
  INDORE - 452 001 (M.P.)

- **Share Transfer Agent :**
  For Dematerialised Shares
  MONDKAR COMPUTERS PVT. LTD.
  21, Shakil Niwas, Mahakali Caves Road,
  Andheri (E), MUMBAI - 400 093

  For Physical Shares :
  Share Department, Fluidomat Ltd.
  117, 1st Floor, Navneet Darshan,
  16/2, Old Palasia, INDORE - 452 001 (M.P.)

- **Works & Head Office :**
  7C-8J, Industrial Area,
  Agra-Bombay Road,
  DEWAS - 455 001 (M.P.)
  Tel.: 07272-58582, 58683
  Fax: 07272-58581
  E-mail : fluidomat@sancharnet.in

NOTICE

NOTICE is hereby given that the Twenty-Sixth Annual General Meeting of the Members of FLUIDOMAT LIMITED will be held on Thursday the 26th September 2002, at 2.30 PM at the Registered Office of the Company at 117, 1st Floor, "Navneet Darshan" 16/2, Old Palasia, Indore (M.P.) to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002, the Profit & Loss Account for the year ended on that date and the Reports of Board of Directors & Auditors thereon.
2. To appoint a Director in place of Mr. S. C. Chhajed, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S.M. Kothari, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution.

"RESOLVED THAT consequent to erosion of more than 50% of Peak Net Worth of the Company the Board of Directors be and is hereby authorised to make reference to BIFR in pursuance of provisions of Section 23 of SICA, 1985, and other applicable provisions, if any and to do such acts, deeds, matters and things as may be required in this regard from time to time."

By Order of the Board of Directors
For FLUIDOMAT LIMITED

Place : INDORE
Date : 31st July, 2002

Vineet Chopra
Company Secretary

NOTES :

1. A Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and the proxy need not be a Member of the Company. A Proxy in order to be effective must be received by the Company not less than 48 hours before commencement of the Meeting.
2. Register of Members and Share Transfer Book of the Company will remain closed from 18th September,2002 to 26th September, 2002 (both days inclusive).
3. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 A.M. to 1.00 P.M. except Saturdays and holidays.
4. Members desirous of getting any information in respect of Accounts and Operations of the Company, are requested to send their Queries in writing to the Company so as to reach us at least 7 days before the date of the Meeting, so that the required information can be made available at the Meeting.
5. The Company has connectivity from CDSL & NSDL. Equity Shares of the Company may be held in Electronic form with any Depository Participant (DP) with whom the members/investors have their depository account. The ISIN number for the Equity Shares of the Company is INE 459 C01015.
6. Details of Directors proposed to be re-appointed have been given in the Annexure to the Notice.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM No. 5

The accumulated losses of the Company as at 31st March, 2002, were Rs. 272.80 Lacs. Consequently, the company has become "Potential Sick" as per the provisions of Section 23 of SICA, 1985. Accordingly the Company is required to report the fact of such erosion to BIFR within 60 days from the date of General Meeting.

The causes of such erosion have been inter-alia major economic slowdown, low sales due to weak demand, low spending by government on infrastructure, lack of new projects, high interest cost, pressure on margins etc. Nevertheless, with cost cutting measures and all-out marketing efforts the Company has been able to maintain turnover. The Board recommends the resolution for approval.

None of the directors are concerned or interested in the said resolution.

Brief resume of directors proposed to be re-appointed:

1	Name	:	Mr. S.C. Chhajed
	Age	:	64 Years
	Qualification	:	B.Com
	Experience	:	Tax Practitioner & Financial Consultant having wide experience in taxation
	Other Directorships	:	i) Varun Fintech Limited ii) Romeda Chemicals Limited
2	Name	:	Mr. S.M. Kothari
	Age	:	73 Years
	Qualification	:	-
	Experience	:	More than 40 years experience in real estate/construction business and allied trading activities
	Other Directorships	:	Nil

By Order of the Board of Directors
For FLUIDOMAT LIMITED

Place : INDORE
Date : 31st July, 2002

Vineet Chopra
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

The Directors presenting their 26th Annual Report on the business and operations of the Company together with the Audited Balance Sheet & Profit and Loss Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS :

(Rs. in Lacs)

	2001-2002	2000-2001
Sales and Income from operations	479.37	472.90
Other income	7.37	6.54
Total Income	486.74	478.44
Total Expenses	428.83	400.57
Operating profit (PBIDT)	57.91	75.93
Interest	74.90	70.89
Depreciation	27.72	26.03
Profit/ Loss before tax	(-)45.91	(-)19.95
Previous year adjustment	(-)13.07	1.38
Profit/Loss after Tax	(-)58.98	(-)18.57

DIVIDEND

Looking into the losses incurred by the Company during the current year and heavy accumulated losses, it is not possible for the Board to recommend any dividend for the year under review (Previous year : NIL).

REVIEW OF THE WORKING AND FUTURE PROSPECTS

The year 2001-2002 like last few years continued to be difficult, due to difficult economic situation and continuing recession in engineering and capital goods industry. Negative growth of 4% for capital goods industry during 2001-02 itself highlights the difficulties and challenges being faced by your Company.

Industrial growth of 2.3% (the lowest in past 10 years), difficult fiscal situation, poor investment climate call for serious and urgent corrective action by the Government and Financial Institutions including Banks. The Union Budget of 2002-03 has no stimulus for increasing demand of capital goods in the country. Chronic power shortage, non investment in new projects, poor sentiments of stock market, etc. do not indicate an immediate growth of industry and the demand recession is expected to continue.

Your Company's business depends upon growth of industries in core sectors viz. Power, Cement, Steel, Metal, Port (trust), etc. but which have negligible growth/expansion plans in near future.

To meet the challenge your Company has shifted its focus on replacement and spare parts business of the existing fluid couplings. This strategy has helped the Company to maintain the turnover for the past two years.

During the year the Company achieved an important feat by successfully developing a new type of "Compact Scoop Couplings" given the nomenclature of "Delta-SC Couplings". These Delta SC couplings can replace the competitors rotating body type of Scoop Couplings, which are trouble prone due to their design philosophy. Two numbers of these "Delta -SC Couplings" have already proved successfully and operating since January 2002 in a power plant. This development offers very good opportunity in the replacement market. Other developments include development of customised couplings, standard range of couplings to replace other makes of fluid couplings etc. which will open up further opportunities in the replacement market.

However, substantial growth in turnover can be expected only with growth of industrial and core sectors. Your Company continues with efforts on cost cutting and economy in its operations. Thus, despite the increase in cost of raw material, power, wages and salaries and reduction in selling prices the Company has been able to maintain its operating profit before interest and depreciation.

In the present economic scenario interest @ 18-19% charged by IFCI is too high to be serviced and therefore resulted in default in repayment of IFCI. The Company has already submitted restructure proposal to IFCI with reduction in interest rate near to RBI PLR rate. This will enable a healthy operation in the present economic situation in the country.

The financial policy reforms facilitate low cost finance to new borrowers, while the old borrowers continue to bear the burden of very high interest cost affecting adversely their operations and health. It is therefore necessary that interest rate should be reduced for the old borrowers too.

Your Company is endeavoring by all means to reduce high interest cost and in this process, the Company is constantly requesting IFCI to consider reducing interest rates and rescheduling of term loans as per the current prevailing PLR rates. The constructive role of Financial Institution is very crucial in turnaround of Company. Your directors are very much hopeful for the positive outcomes looking to viability of the unit in the present market condition.

During current year till 30th June Company's despatches has increased to Rs. 89.02 Lacs as against Rs. 57.47 Lacs in the corresponding period in last year, which is 54.87%.

Your Company continues with its efforts for exports. With takeover of major manufacturers in the world by one single company and creating a monopoly in the world market, a good opportunity has arisen for your Company for exports. With creation of Website and continuous efforts the awareness about your Company is increasing and more and more enquiries are flowing in. However being a hi-tech product and being produced in India, it may take some time to penetrate the International Market.

With a positive attitude, against all odds, the Company is continuously striving to boost sales in domestic and international market and hope to turnaround once the economy shows positive signs of recovery. Recent indications are quite positive. Your Company expect IFCI to approve the loan restructure request already submitted to them.

POTENTIAL SICKNESS

Your directors have to report that the accumulated losses of your Company increased to Rs 272.60 Lacs as on 31st March, 2002, that is, 59.77% of the Total Peak Net worth of the Company. With this erosion, it has become 'Potential Sick Industrial Company' as per the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. Your directors recommend to pass suitable resolution authorising the Board to file reference with the BIFR.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

1. Information in respect of Form 'A' is not applicable to our unit
2. Information in respect of R & D and Technology absorption as required to be given is : Nil.
3. Information in respect of Foreign Exchange Earning & Outgo is :

Earning	:	Rs. 367072.00
Outgoing	:	Rs. 267348.00

PARTICULARS OF EMPLOYEES

None of the employees in the Company was in receipt of remuneration of Rs. 24,00,000 P.A., if employed throughout the financial year or at the rate of Rs.2,00,000 P.M. if employed for a part of the financial year, therefore the particulars of employees to be given as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of the Employees) Rules 1975 are not applicable to the Company.

LISTING OF SECURITIES

Your Company has arrangement with CDSL & NSDL for De-materialization of Company's Securities in accordance with the provisions of the Depository Regulations. The Shareholders have the option to hold the shares in the Company in Dematerialized form through both the Depositories. The Company's Shares are listed with the Madhya Pradesh Stock Exchange, Indore (Regional), The BSE Ltd., Mumbai and The Delhi Stock Exchange Association Ltd. Company is regular in payment of annual listing fee. There was no restriction in trading of the shares during the year under review.

DIRECTORS

In terms of Article 102 of the Articles of Association, Mr. S.M.Kothari and Mr. S.C. Chhajed the directors shall retire at the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment. The Board recommends their appointment, as director liable to retire by rotation.

IFCI Ltd has withdrawn nomination of Mr. M.K Jain w.e.f. January 11, 2002. Mr. B. K. Chakravarty was nominated as director on the Board w.e.f. 21st May, 2002. The Board place on record its deep appreciation for the valuable advice, guidance and support provided by Mr M. K. Jain. Your Directors also welcome appointment of Mr B. K. Chakravarty as Nominee Director on its Board.

INSURANCE

The assets of the Company are adequately insured against the loss of fire and other risk as is considered necessary by the Management.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm

- that in the preparation of annual accounts, the applicable accounting standards have been followed and no material departures have been made for the same ;
- that accounting policies selected were applied consistently and reasonable, prudent judgements and estimates were made so as to give a true and fair view of the state of affairs and loss of the Company at the end of financial year
- that 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 frauds and other irregularities;
- that the Directors have prepared the annual accounts of the Company on a going concern basis