



FORBES GOKAK LTD.

REPORT

82nd

REPORTJUNCTION.COM

ANNUAL REPORT

2000 - 2001

IN YOUR OWN INTEREST

1. Dematerialisation of Shares of the Company :

The shares of the Company are eligible for dematerialisation. The Company has entered into an agreement for dematerialisation of securities with both National Securities Depository Ltd. and Central Depository Services (India) Ltd. The ISIN is INE518A01013.

2. Permanent Details of your Account:

All communications to the Company or its Registrars and Share Transfer Agents which would have the effect of amending the permanent details of your ledger Account viz. change of address, advising details of bank account etc. should be signed by all the Shareholders.

3. Ledger Folio Number:

Please quote your ledger folio number in all your communications with the Company or our Registrars and Share Transfer Agents.

4. Multiple Accounts:

Please advise us all folio numbers for combining into one. Please also forward your respective Share Certificates to enable us to change folio number.

5. Change of Address:

Please intimate us change in address, as soon as possible.

6. Unclaimed Dividend:

Please claim your previous dividends, if any, not encashed. If the dividend warrants have been lost, please apply for duplicate warrants.

7. Transmission of Shares:

In case of deceased Shareholders, their relatives are requested to file death certificates, probate and other relevant documents for transmission of shares. Kindly contact our Registrars and Share Transfer Agents for necessary formalities.

SHAREHOLDERS ARE REQUESTED TO NOTE THAT HANDBAGS/ PARCELS OF ANY KIND WILL NOT BE ALLOWED INSIDE THE AUDITORIUM. THE SAME WILL HAVE TO BE DEPOSITED, AT THE SHAREHOLDER'S OWN RISK, AT THE COUNTER OUTSIDE THE AUDITORIUM. ENTRANTS WILL HAVE TO COLLECT AUDITORIUM ENTRY PASS FROM THE RECEPTION COUNTER AND HAND OVER THE SAME AT THE ENTRANCE OF THE AUDITORIUM.



DIRECTORS:	DR. F.A. MEHTA K.C. MEHRA N.A. SOONAWALA G.V. KAPADIA M.R. PAI D.B. ENGINEER D.S. SOMAN J.K. SETNA C.G. SHAH R.N. JHA	<i>Chairman</i> <i>Deputy Chairman & Managing Director</i> <i>Vice-Chairman</i> <i>Executive Director (Finance)</i>
AUDIT COMMITTEE:	M.R. PAI D.S. SOMAN D.B. ENGINEER	<i>Chairman</i>
SHARE TRANSFER AND SHAREHOLDERS' GRIEVANCE COMMITTEE:	DR. F. A. MEHTA K.C. MEHRA D.S. SOMAN	<i>Chairman</i>
REMUNERATION COMMITTEE:	DR. F.A. MEHTA K.C. MEHRA J.K. SETNA D.B. ENGINEER	<i>Chairman</i>
SECRETARY:	A.T. SHAH	<i>Company Secretary</i>
MANAGEMENT:	K.C. MEHRA C.G. SHAH B.G. JAIN C.A. KARNIK G. MUKHERJI K.C. RAMAN H.S. BHASKAR T.R. CHANDRAN V. CHANDRASEKHARAN A.V. SATHE R.T. DOSHI	<i>Deputy Chairman & Managing Director</i> <i>Executive Director (Finance)</i> <i>Director (Textiles)</i> <i>Director (HRD)</i> <i>Director (Engineering)</i> <i>Regional Director (Shipping-South & East)</i> <i>Director-Operations (Textiles)</i> <i>Regional Director (Shipping-North & West)</i> <i>Director-Marketing (Textiles)</i> <i>Director (Materials Management & Logistics)</i> <i>Vice-President (Finance & Accounts)</i>
AUDITORS:	Messrs.A.F. FERGUSON & CO. Messrs.S.B. BILLIMORIA & CO.	



**SOLICITORS AND
ADVOCATES:**

Messrs.CRAWFORD BAYLEY & CO.
Messrs.MANEKSHA & SETHNA
Messrs.UDWADIA, UDESHI & BERJIS (REGD.)

BANKERS:

PUNJAB NATIONAL BANK
STANDARD CHARTERED GRINDLAYS BANK
UNION BANK OF INDIA
STATE BANK OF INDIA

**REGISTRARS AND SHARE
TRANSFER AGENTS :**

TATA CONSULTANCY SERVICES,
UNIT : FORBES GOKAK LIMITED
6, LOTUS HOUSE, SIR VITHALDAS
THACKERSEY MARG
MUMBAI 400 020

MILLS:

GOKAK FALLS (District Belgaum-Karnataka State) - 591 308
VADODARA (Gujarat) - 390 005

**FACTORIES:
AURANGABAD**

1. A-7, M.I.D.C. AREA
CHIKALTHANA
AURANGABAD- 431 210
2. PLOT B-13,
WALUJ INDUSTRIAL AREA,
AURANGABAD- 431 133

MUMBAI

CHANDIVALI ESTATE,
KURLA-POWAI ROAD
MUMBAI - 400 072

REGISTERED OFFICE:

FORBES BUILDING
CHARANJIT RAI MARG
FORT, MUMBAI 400 001



EIGHTY-SECOND ANNUAL REPORT 2000-2001

CONTENTS

	Pages
Notice	4-5
Directors' Report	6-18
Highlights	19
Summarised Balance Sheets 1981 to 2000-2001	20
Summarised Profit and Loss Accounts 1981 to 2000-2001	21
Distribution of Revenue	22
Auditors' Report	23-25
Balance Sheet	26
Profit and Loss Account	27
Schedule 1 — Share Capital.	28
Schedule 2 — Reserves and Surplus	28
Schedule 3 — Secured Loans.	29-30
Schedule 4 — Unsecured Loans	30
Schedule 5 — Fixed Assets	31
Schedule 6 — Investments	32-33
Schedule 7 — Current Assets, Loans and Advances	34-35
Schedule 8 — Current Liabilities and Provisions.	36
Schedule 9 — Sales, Services and other Income	36
Schedule 10 — Manufacturing, Trading and other Expenses.	37-38
Schedule 11 — Notes to the Accounts	39-49
Cash Flow Statement.	50-51
Balance Sheet Abstract and Company's General Business Profile	51
Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies	52-53
Annual Reports and Accounts of Subsidiary Companies for the year ended 31st March, 2001:	
A. P. Industrial Components Limited	54-72
Bradma of India Limited	73-92
Campbell Knitwear Limited	93-110
Eureka Forbes Limited	111-132
Forbes Estates Limited	133-143
Latham India Limited	144-159
Volkart Fleming Shipping & Services Limited	160-172

**The Annual General Meeting will be held on Friday, the
27th July, 2001 at 4.00 P.M. at Bombay House
Auditorium, 24, Homi Mody Street, Mumbai 400 001.**



NOTICE

NOTICE is hereby given that the EIGHTY-SECOND ANNUAL GENERAL MEETING of the Shareholders of FORBES GOKAK LIMITED, will be held at the Bombay House Auditorium, 24, Homi Mody Street, Mumbai 400 001 on Friday, the 27th July, 2001 at 4.00 P.M. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Dr. F.A. Mehta who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. G.V. Kapadia who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. N.A. Soonawala who retires by rotation and is eligible for re-appointment.
6. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution :

“RESOLVED that Messrs. A.F. Ferguson & Co. and Messrs. S.B. Billimoria & Co., Chartered Accountants, be and they are hereby appointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, at the remuneration to be determined by the Board of Directors, plus their actual travelling and other expenses in connection with the Company's audit.”

For and on behalf of
the Board of Directors

F.A. MEHTA
Chairman

Mumbai, 22nd June, 2001.

Registered Office:
Forbes Building,
Charanjit Rai Marg,
Mumbai 400 001

NOTES:

1. A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A SHAREHOLDER.
2. As advised through Newspapers, the Register of Members and the Share Transfer Books of the Company will remain closed from 13th July, 2001 to 27th July, 2001 (both days inclusive).
3. The Dividend, when declared, will be payable on and after Tuesday, the 31st July, 2001 to those Shareholders whose names appear on the Register of Members on 27th July, 2001. In respect of shares held in dematerialised form in the depository system, the dividend will be paid to the beneficial owners as on 12th July, 2001 as per the list provided by the depositories.
4. Shareholders are requested to notify the REGISTRARS AND SHARE TRANSFER AGENTS immediately any change in their address and bank account details to ensure correct and prompt receipt of the Dividend Warrants or to the DEPOSITORY PARTICIPANTS (in case of shares which have been dematerialised).
5. SHAREHOLDERS ARE ADVISED, IN THEIR OWN INTEREST THAT ALL THE COMMUNICATIONS TO THE COMPANY OR ITS REGISTRARS AND SHARE TRANSFER AGENTS WHICH WOULD HAVE THE EFFECT OF AMENDING THE PERMANENT DETAILS OF THEIR LEDGER FOLIO, SHOULD BE SIGNED BY ALL THE SHAREHOLDERS REGISTERED UNDER THE LEDGER FOLIO.
6. Please check whether you have encashed Dividend Warrants for earlier years. If the Dividend Warrants are lost or have become time-barred, please apply to the Company or its Registrars and Share Transfer Agents for duplicate / revalidated Dividend Warrants.

Dividend for the year ended	Rate of Dividend	Dividend Warrant dated
31st March, 1996	25%	30.09.1996
31st March, 1997	30%	30.10.1997
31st March, 1998	30%	10.09.1998
31st March, 1999	15%	26.08.1999
31st March, 2000 (Interim)	100%	10.05.2000

Advices are also being sent in this behalf, to the concerned shareholders, individually.

7. Please address all communications including lodging of Transfer Deeds to -

REGISTRARS AND SHARE TRANSFER AGENTS
Tata Consultancy Services,
UNIT: Forbes Gokak Ltd.
6, Lotus House,
Sir Vithaldas Thackersey Marg,
Mumbai 400 020
Kindly quote your Ledger Folio No.



DIRECTORS' REPORT

To,
The Shareholders,
Ladies and Gentlemen,

Your Directors submit their Report and the Audited Accounts of the Company, for the year ended 31st March, 2001.

1. FINANCIAL RESULTS:

The results for the current year and those for the previous year are set out in this paragraph.

	Current Year ended. 31 st March, 2001	(Rs. in Crores) Previous Year ended 31 st March, 2000
01. Sales Services & Other Income	366.23	374.37
Add: Profit on Sale of Long Term Investments	—	80.50*
Total Income	366.23	454.87
02. Less: Expenditure:		
(a) Manufacturing, Trading and other Expenses	321.53	335.92
(b) Interest	11.32	11.10
(c) Loss on sale of Investments	—	0.08
(d) Voluntary Retirement Compensation Amortised	3.03	2.97
(e) Depreciation	16.84	15.73
(f) Sub Total	352.72	365.80
03. Balance	13.51	89.07
04. Less:		
(a) Provision for doubtful Loans and Advances	4.37	24.06
(b) Provision for Diminution in value of investments	0.11	24.90
(c) Sub Total	4.48	48.96
05. Profit before Taxation	9.03	40.11
06. Less: Provision for Taxation	1.90	9.00
07. Profit after Taxation	7.13	31.11
08. Add: Transfer from Debenture Redemption Reserve Account	11.17	—
Transfer from Investment Reserve Utilised Account	8.82	—
Balance brought forward from last year	10.90	13.61
09. Total amount available for Appropriation	38.02	44.72
10. Less: Appropriations:		
(a) Interim Dividend	—	12.45
(b) Proposed Final Dividend	3.74	—
(c) Corporate Dividend Tax	0.38	1.37
(d) General Reserve	1.59	20.00
(e) Sub Total	5.71	33.82
11. Balance carried to Balance Sheet	32.31	10.90

The decrease in turnover is mainly on account of decrease in the sales of Engineering Division during the second half of the year and rationalisation of trading activity of the Textiles Division, which was giving insignificant contribution. If the profit on sale of long-term investment is excluded, the operating results before provision for doubtful loans and advances and provision for diminution in value

of investments are marginally higher compared to the previous year. The Directors have deemed it advisable to make provisions for doubtful loans and advances and for diminution in value of investments aggregating to Rs.4.48 Crores. These are in respect of advances to Latham India Ltd., Coromandel Garments Ltd. and investment in The Svadeshi Mills Company Ltd.

2. LIQUIDITY, INVESTMENTS AND BORROWINGS:

The aggregate amount of investments of the Company as on 31st March, 2001 was Rs.76.94 Crores (as at 31st March, 2000 - Rs.74.04 Crores). This included investments in Mutual Funds of book value Rs.48.00 Crores as at 31st March, 2001.

The aggregate borrowings of the Company as at 31st March, 2001 were Rs.110.66 Crores (as at 31st March, 2000 - Rs.92.90 Crores). The increase is mainly on account of the fact that having regard to the expected decrease in availability of raw material namely cotton, the Company decided to carry higher inventory to protect itself. As a result the requirement of funds have also increased. The inventory has since been reduced which would also bring down the level of borrowings.

3. DIVIDEND:

For the year ended 31st March, 2000 the Company had declared a dividend of 100%, which together with the dividend tax of 11%, had meant an aggregate outgo of Rs.13.82 Crores. The dividend of 100% had included a special dividend of 70% having regard to one - time profit on sale of non-operating investment i.e. in Goodlass Nerolac Paints Ltd.

Having regard to the operating results for the year, the Board of Directors of the Company at their meeting held on 8th June, 2001, have recommended a dividend of 30% which together with the dividend tax of 10.20%, will mean an aggregate outgo of Rs. 4.12 Crores.

4. DEBENTURES:

The particulars of Debentures issued by the Company and currently outstanding are set out in Schedule 3 to the Accounts. In compliance with the conditions of the issue of Debentures, the Directors hereby certify that the funds raised through the outstanding Debentures have been utilised for the purposes for which they were raised. As per the terms of issue of 18.5% Secured Non-convertible Debentures aggregating to Rs.15 Crores, the Company has redeemed the first and second instalments aggregating to Rs.10 Crores on due dates. The amount held in Debenture Redemption Reserve in excess of mandatory requirements has been transferred to Profit & Loss Account for the year.

CRISIL has reaffirmed their Credit Rating for the Privately Placed Debentures at "AA" which indicates high safety with regard to timely payment of interest and principal.

5. TEXTILES DIVISION:

- 5.1. The textile industry could not show any improvements due to recessionary trends both in the domestic as well as international markets. This is the fourth consecutive

year the spinning industry is undergoing severe pressures on margins as on one hand the raw material prices are steeply rising and on the other the yarn prices are coming down, bringing considerable pressure on the bottom line. The textile industry in general and the spinning industry in particular are continuing to suffer from excess supply in relation to demand both locally and internationally. Pakistan has become an aggressive seller at low prices due to favourable dollar parity to their local currency. In last two years, Pakistan has been drastically making radical changes in the spinning technology and more than 30% to 35% of the machinery sold by the European manufacturers in the spinning sector is to Pakistan. Turkey and Pakistan are aggressive in the international markets and this, in turn, is resulting in reduction in yarn prices internationally. Further, the slow down in the U.S. markets has severely affected the consumption and hence the demand for cotton yarn has drastically come down with the result that there is a tremendous pressure on the selling prices. India continues to "subsidise" the yarn requirements of European and other markets due to competition.

- 5.2. Due to earthquake in Gujarat and failure of the monsoon especially in Gujarat and other North Indian cotton-growing states, the cotton yield suffered very badly and the production almost dropped by around 12%. But in certain varieties, which are grown in Gujarat, the yield decrease was higher than 25% to 30%. Due to this, the cotton prices in the second half of the financial year (cotton season) were very high and in many cases, it was unaffordable. The prices went up steeply by around 12% to 15% over the previous year and as a result of this, the textile industry in general and spinning industry in particular, had to suffer.

- 5.3. During the quarter October-December 2000, even the international prices of cotton were very firm and also volatile. Due to this, the buying decisions were rendered difficult. The situation during the quarter January-March 2001 changed drastically due to imminent economic slow down in the USA, and major consuming countries of Europe. The international cotton prices dropped drastically after January 2001, and in fact they bottomed down to a 16-year low. Such volatility in the international cotton market severely affected the price structure of yarn from India, which accounts for almost 25% of the international trade of cotton yarn.

- 5.4. Coming to the operations of the Textiles Division during April - September 2000 period, the Textiles Division was able to make a turnaround and in fact was at profit levels. But in the second half, due to volatility in the cotton prices, the situation changed, bringing considerable pressure on the bottom line.



- 5.5. During the year under review, an investment of about Rs.17 Crores was made in the following areas:
- (a) Installation of 5 numbers E/62 combers from Reiter, Switzerland.
 - (b) Installation of 8 numbers autoconers from Savio, Italy.
 - (c) Installation of 4 numbers Sulzer looms from Switzerland.
 - (d) Installation of state-of-the-art digitally controlled humidification plant from Luwa, Switzerland.
- All the above equipment were commissioned during the second half of the financial year and its full impact will be felt from the financial year 2001-2002. These are expected to bring about an improvement in quality and a higher productivity.
- 5.6. During the year under review, the production value of the dyed yarn plant improved as compared to the previous year. This is expected to improve further during the year.
- During the year under review, due to reduced international demand for cotton yarn, the overall export sales decreased marginally from Rs. 144 Crores to Rs.141 Crores.
- 5.7. During the financial years 2001-2002 and 2002-2003 the Company has plans to implement expansion and modernisation programmes as follows:
- i) Yarn mercerizing plant of 2 MT per day.
 - ii) R&D and other quality improvement equipment.
 - iii) Modernisation of production facilities in No.1 mill.
- These investments will bring up the average selling price of our yarn and will also help in rationalisation of work force. This should reduce the cost of production, which will ultimately help improve the operational results in the years to come.
- 5.8. To add to the woes of the Company, insufficient rains in the catchment areas on which Mills are dependent, have meant reduced supply of water both for generation of power and for dyeing of yarn. This has an impact not only on the quantity of production but also on cost of manufacture. The Company is tackling this situation by rationalising requirement for water and power and outsourcing power from other sources.
- 5.9. There were some positive developments of relevance to the Company in the Central Government Budget for 2001-2002. The Finance Minister has thought it appropriate to continue the excise duty on cotton yarn at the present level of 9% but the independent small-scale processors will now be treated on par with the organised sector. This is expected to provide certain amount of a level playing field to the Company.
- 5.10. The present exercise is to take steps to eliminate counts and product groups yielding no or low contribution and upgrade level of technology so as to move up the value chain. The process will call for financial outlay and rationalisation of market presence and honing of marketing skills. The advantages we possess are, a reservoir of related skills and our presence in global market and, we intend to use these to our advantage.
- 6. FORBES-PATVOLK LOGISTICS SOLUTIONS ACTIVITY (FORBES-PATVOLK SHIPPING):**
- 6.1. The Shipping Division's major thrust continues to be on earnings from Liner activity. However, considerable attention is being paid to enhance the non-liner activity. Forbes Group was able to procure agencies of new lines during the year. It places greater emphasis on penetrating the Indian market from all major ports and inland container depots. The revenue from these new lines has commenced in the later part of this year and, its full benefit will accrue to the company in the next year when they are expanding their services to new destinations.
- 6.2. Forbes-Patvolk is gradually stepping up the MTO operation while covering global destinations and the current year has shown better performance over the previous year. Forbes-Patvolk will be able to further enhance this operation in the next year while spreading the activities on all India basis.
- 6.3. The Company's long association with Multiport Network has been providing additional opportunities to obtain more tramp agencies, besides enlarging operations in shipping and MTO.
- 6.4. Another significant thrust made during this year is to enter into the area of Chartering. It is our earnest endeavour to develop this new venture where we will have full control in providing total logistics to the clients.
- 6.5. Our Joint Venture set up with With Wilhelmsen Group of Norway has taken a strong root and the Joint Venture Company, Barwil Forbes Shipping Services Ltd., has achieved a substantial profit in the first year of its operation. Further, we are also looking into various other areas of co-operation where they have strength, besides utilising their worldwide network.
- 6.6. The Division is also focussing more and more on total logistics which is a large growth area globally and it is our intention to play a leading role in providing services not only to our customers but also to provide the same to our Principals. This will involve ocean transportation, freight forwarding, warehousing, road transportation and customs clearance where we have the core competence. Thus our clients will have to deal with only one organisation for all their logistics needs.
- 6.7. It is also our plan to strengthen our overseas alliances with the Shipping Principals like Hellmann, etc. to our maximum advantage especially when Government of India removes all quantitative restrictions as per WTO guidelines. It is our fervent