



**FRONTIER  
SPRINGS LIMITED**

# FRONTIER SPRINGS LIMITED

## ANNUAL REPORT 2002-2003

### BOARD OF DIRECTORS

Shri KUNDAN LAL BHATIA, *Chairman & Managing Director*

Shri KAPIL BHATIA

Shri NEERAJ BHATIA

Smt. SUSHMA BHATIA

Shri PREM SAGAR

Shri PRADEEP GOENKA

Shri R. K. BHATIA

Shri YASHPAL SETHI

### COMPANY SECRETARY

Shri ASHISH PANDEY

### AUDITORS

SANJAY NANDANI & Co.

*Chartered Accountants*

OFF NO. 229, 2nd FLOOR,

63/2, CITY CENTRE,

THE MALL, KANPUR-208 004

### BANKERS

STATE BANK OF INDIA

### REGISTRAR AND SHARE TRANSFER AGENT

(For Electronic Connectivity)

M/s. ALANKIT ASSIGNMENT LIMITED

205-208, ANARKALI MARKET

JHANDEWALAN EXTENSION

NEW DELHI-110 055

### SHARES LISTED AT

KANPUR, MUMBAI, CALCUTTA, DELHI &

AHMEDABAD STOCK EXCHANGES

### REGISTERED OFFICE

E-14, PANKI INDUSTRIAL AREA, SITE-1,

PANKI, KANPUR - 208 022

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## TWENTY THIRD ANNUAL REPORT

### NOTICE

**NOTICE** is hereby given that the TWENTY THIRD ANNUAL GENERAL MEETING of the Shareholders of FRONTIER SPRINGS LIMITED will be held on Thursday, 28th August, 2003 at 12 noon, at the Registered office of the Company at E-14, Panki Industrial Area, Site-1, Panki, Kanpur 208 022, to transact the following business :

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and Profit and Loss Account for the financial year ended on that date together with Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Smt. Sushma Bhatia, who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and in this connection, to consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956 and other applicable provisions, if any, M/s. Sanjay Nandani & Co., Chartered Accountants, being eligible, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 40,000/- (Rupees Forty Thousands Only) plus service tax at the applicable rates."

#### SPECIAL BUSINESS

4. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :  
"RESOLVED THAT Shri Yashpal Sethi, who was appointed as an additional Director of the Company pursuant to provisions of Section 260 of the Companies Act, 1956 and Article 112 of the Articles of Association of the Company, who holds office upto the date of this Annual General Meeting in respect of whom a notice alongwith requisite deposit of money has been received from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."
5. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :  
"RESOLVED THAT Shri Pradeep K. Goenka, who was appointed as an additional Director of the Company

pursuant to provisions of Section 260 of the Companies Act, 1956 and Article 112 of the Articles of Association of the Company, who holds office upto the date of this Annual General Meeting in respect of whom a notice alongwith requisite deposit of money has been received from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

6. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri R. K. Bhatia, who was appointed as an additional Director of the Company pursuant to provisions of Section 260 of the Companies Act, 1956 and Article 112 of the Articles of Association of the Company, who holds office upto the date of this Annual General Meeting in respect of whom a notice alongwith requisite deposit of money has been received from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

7. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri Prem Sagar, who was appointed as an additional Director of the Company pursuant to provisions of Section 260 of the Companies Act, 1956 and Article 112 of the Articles of Association of the Company, who holds office upto the date of this Annual General Meeting in respect of whom a notice alongwith requisite deposit of money has been received from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

8. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT in accordance with the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification and re-enactment thereof for the time being in force, the Articles of Association of the Company be and are hereby altered/amended in the following manner :

After the existing Article 24, the following be inserted as Article 24A :

#### Article 24A

"Notwithstanding anything contained in the Article 24, subject to the provisions of Section 77A, 77AA and 77B of the Companies Act, 1956 as amended from

time to time, the Board of Directors may from time to time, subject to the limits as laid in the Act and if so required, authorized by a special resolution passed by the Company in general meeting and subject to regulation framed by the Securities Exchange Board of India from time to time in this regard, purchase fully paid up equity shares or such specified securities of the Company on such terms as the Board may deem proper."

9. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter), Listing Agreement and SEBI (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be imposed by any authority while granting such approvals, sanction and permissions which may be agreed to the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any committee thereof for the time being exercising the power conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board to delist the Equity Shares of the Company from all the Stock Exchanges at Ahmedabad, Delhi and Kolkata."

Registered Office : By order of the Board of Directors  
E-14, Panki Industrial Area,  
Site-1, Panki, ASHISH PANDEY  
Kanpur- 208 022.  
Dated : 16-06-2003 Company Secretary

#### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY, IN ORDER TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement setting out the material facts concerning the special business mentioned under item Nos. 4, 5, 6, 7, 8 & 9 of the Notice as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday,

20th August, 2003 to Thursday, 28th August, 2003 (both days inclusive) for the purpose of Annual General Meeting of the Company.

4. The members who hold shares in dematerialised form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting.
5. All documents referred to in the accompanying Notice are available for inspection at the Registered Office of the Company during business hours on all working days upto the date of the Annual General Meeting.
6. Members are requested to :
  - A) consider dematerialising the equity shares held by them.
  - B) Bring their copy of Annual Report and duly completed attendance slip for attending the meeting.
  - C) Quote their Folio number/DP Identity and Client Identity in all correspondence.
7. Members desirous of obtaining any information concerning the Accounts and operations of the Company are requested to write to the Company at least seven days before the date of the meeting, to enable the management to make the information available at the meeting, if the Chairman so permits.
8. Members holding shares either singly or jointly in identical order in more than one Folios are requested to write to the Company enclosing the share certificates to enable the Company to consolidate their holdings in one Folio.

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

##### ITEM NO. 4

With a view to broad base the Board of Directors of the Company, Shri Yashpal Sethi was co-opted as an additional Director with effect from 20th March, 2003.

As per Section 260 of the Companies Act, 1956, Shri Yashpal Sethi holds his office upto the ensuing Annual General Meeting. Notice has been received from a member proposing the candidature of Shri Yashpal Sethi for appointment as a Director of the Company and an amount of Rs. 500/- has been deposited with the Company by the said member pursuant to Section 257 of the Companies Act, 1956.

Shri Yashpal Sethi is a Retd. I.A.S. Officer. He devoted long time in Indian Administrative Services.

Keeping in view of his vast experience and administrative capabilities, it will be in the interest of the Company that he is appointed as a Director of the Company.

Your Directors, therefore, recommend the proposed resolution for your approval.

Save and except Shri Yashpal Sethi, none of the other Directors of the Company is, in any way, concerned or interested in the proposed resolution.



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### ITEM NO. 5

Shri Pradeep K. Goenka was co-opted as an additional Director with effect from 20th March, 2003.

As per Section 260 of the Companies Act, 1956, Shri Pradeep K. Goenka holds his office upto the ensuing Annual General Meeting. Notice has been received from a member proposing the candidature of Shri Pradeep K. Goenka for appointment as a Director of the Company and an amount of Rs. 500/- has been deposited with the Company by the said member pursuant to Section 257 of the Companies Act, 1956.

Shri Pradeep K. Goenka is a Fellow member of the Institute of Chartered Accountants of India. He has vast experience in financial as well as in policy matters. He is also Director in the Board of several other Companies.

Keeping in view of his vast expertise and knowledge, it will be in the interest of the Company that he is appointed as a Director of the Company.

Your Directors, therefore, recommend the proposed resolution for your approval.

Save and except Shri Pradeep K. Goenka, none of the other Directors of the Company is, in any way, concerned or interested in the proposed resolution.

### ITEM NO. 6

Shri R. K. Bhatia was co-opted as an additional Director with effect from 20th March, 2003.

As per Section 260 of the Companies Act, 1956, Shri R. K. Bhatia holds his office upto the ensuing Annual General Meeting. Notice has been received from a member proposing the candidature of Shri R. K. Bhatia for appointment as a Director of the Company and an amount of Rs. 500/- has been deposited with the Company by the said member pursuant to Section 257 of the Companies Act, 1956.

Your Directors, therefore, recommend the proposed resolution for your approval.

Save and except Shri R. K. Bhatia, none of the other Directors of the Company is, in any way, concerned or interested in the proposed resolution.

### ITEM NO. 7

Shri Prem Sagar was co-opted as an additional Director under Section 260 of the Companies Act, 1956. Shri Prem Sagar holds his office upto the ensuing Annual General Meeting. Notice has been received from a member proposing the candidature of Shri Prem Sagar for appointment as a Director of the Company and an amount of Rs. 500/- has been deposited with the Company by the said member pursuant to Section 257 of the Companies Act, 1956.

Shri Prem Sagar has given his kind direction earlier also to our Company. Under his kind direction and valuable guidance, our Company got the present status. He has vast experience in administrative as well as in policy matters. He is also Director in the Board of several other reputed companies.

Keeping in view of his vast experience, it will be in the interest of the Company that he is appointed as a Director of the Company.

Your Directors, therefore, recommend the proposed resolution for your approval.

Save and except Shri Prem Sagar, none of the other Directors of the Company is, in any way, concerned or interested in the proposed resolution.

### ITEM NO. 8

Under Section 77A of the Companies Act, 1956 as amended in the year 2001, permitting the Company to buy back its shares or specified securities with approval of shareholders of the Company at the General Meeting, the said amendment inserted new provision thereby enabling the Board of Directors to effect buy back of securities upto 10% of the equity capital and free reserves of the Company, from time to time as may be deemed necessary or expedient, it is proposed to insert Article 24A in the Articles of Association of the Company.

The Board of Directors recommends the resolution for approval of the shareholders.

None of the Directors of the Company is, in any way, concerned or interested in the proposed resolution.

### ITEM NO. 9

Presently, the Company's equity shares are listed at the following five Stock Exchanges in India :

1. The U. P. Stock Exchange Association Ltd.
2. The Delhi Stock Exchange Association Ltd.
3. The Calcutta Stock Exchange Association Ltd.
4. The Stock Exchange, Mumbai.
5. The Stock Exchange, Ahmedabad.

With the extensive networking of the Stock Exchange, Mumbai (BSE) and the extension of the BSE terminals to other cities as well, investors have access to on-line dealings in the Company's equity shares across the country. The bulk of trading of Company's equity shares in any case takes place on the BSE and depth and liquidity of trading in the Company's equity shares on the other Stock Exchanges viz., Ahmedabad, Delhi and Kolkata are much lower or almost negligible.

As a part of cost reduction measure, the Company has proposed this resolution, which will enable it to delist its equity shares from Stock exchanges at Ahmedabad, Delhi and Kolkata.

In line with the SEBI (Delisting of Securities) Guidelines, 2003, members approval is being sought by a Special resolution for enabling voluntary delisting of its equity shares from the aforesaid Stock exchanges. Such proposal will not adversely affect the interest of investors. The Company's Security will continue to be listed on the U. P. Stock Exchange, Kanpur and the Stock Exchange, Mumbai.

The Board of Directors recommends the resolution for approval of the shareholders.

None of the Directors of the Company is, in any way, concerned or interested in the proposed resolution.

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the 23rd Annual report of our Company alongwith the Audited Statements of Accounts for the year ended 31st March, 2003. The year in retrospect was characterised by global economic slow down with sluggishness and recession in domestic economy. Your Company endeavoured to face these recessionary conditions. We hope you will find the performance of the Company satisfactory.

<b>FINANCIAL RESULTS</b>	<b>2002-2003</b>	<b>2001-2002</b>
	<b>Rs. in Lacs</b>	<b>Rs. in Lacs</b>
Turnover	<b>1018.39</b>	877.94
Profit Before Interest,		
Depreciation & Tax	<b>60.01</b>	61.45
Interest	<b>27.98</b>	28.90
Depreciation	<b>23.52</b>	22.84
Profit Before Tax	<b>8.51</b>	9.71
Income Tax		
Current	<b>0.61</b>	0.13
Deferred	<b>15.63</b>	6.20
Profit After Tax	<b>(7.73)</b>	3.36

According to Accounting Standard No. 22 "Accounting for Taxes on Income" which has become mandatory with effect from April 1, 2001, the Company has made provision of Rs. 15,63,014.00 towards deferred tax for the year.

**DIVIDEND**

Although the performance of the Company has shown improvement during the year 2002-03, but profit is not still sufficient, therefore, Board of Directors of the Company had decided not to declare any dividend for the year under review.

**COURSE OF BUSINESS AND OUTLOOK**

As required under Clause 49 of the Listing Agreement, the Management's Discussion and Analysis Report which is forming a part of this Directors' Report (Annexure-II), is a reflection of the current state of Business. It also deals with the opportunities and challenges faced by your Company and the outlook in near future.

The raw material prices have already started firming up. The pressure on selling prices is expected to continue due to cut throat competition. Since your Company is pursuing cost cutting measures and improving efficiencies in manufacturing areas, barring unforeseen circumstances, we hope to perform better during the current fiscal year.

**DIRECTORS**

Smt. Sushma Bhatia, Director of the Company retire from the Board by rotation at the ensuing Annual General Meeting and being eligible, offers herself for re-appointment.

Sri Yashpal Sethi, Shri Pradeep Goenka, Shri R. K. Bhatia and Shri Prem Sagar were co-opted as Additional Directors of the Company under Section 260 of the Companies Act, 1956.

The term of all the Additional Directors expires at the ensuing Annual General Meeting. Their appointment as Directors is recommended.

**AUDITORS**

The retiring Auditors, M/s. Sanjay Nandani & Co., Chartered Accountants, are eligible for re-appointment. The Auditors have furnished certificate of their eligibility for appointment under Section 224(1B) of the Companies Act, 1956.

The observations of Auditors in their report, read with notes to the account, are self-explanatory and therefore, do not call for further information and explanation.

**DIRECTORS RESPONSIBILITY STATEMENT**

As required under Section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that -

- ♦ In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed except valuation of finished goods. There is no impact on the profitability of the Company due to such valuation. However, steps have already been taken to bring the aforesaid valuation in conformity with the Accounting Standard-2 issued by ICAI in the next year.
- ♦ The accounting policies are consistently applied and are reasonable, prudent judgements and estimates are made, so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that year.
- ♦ Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- ♦ These Annual Accounts have been prepared on a going concern basis.

**PARTICULARS OF EMPLOYEES**

Disclosure as required under Section 217(2A) of the Companies Act, 1956 read with the Companies

## TWENTY THIRD ANNUAL REPORT

(Particulars of Employees) Rules, 1975 is not being given here, since there was no employee drawing remuneration in excess of prescribed limit under the said Section.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The prescribed particulars under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are furnished in the Annexure-I to this report.

### LISTING INFORMATION

Your Company's shares are listed at Uttar Pradesh Stock Exchange Association Ltd., Kanpur, being the regional Stock Exchange, as well as at Ahmedabad, Mumbai, Delhi and Kolkata Stock Exchanges. The Company is proposing to delist its Equity Shares from the Stock Exchanges located at Ahmedabad, Delhi and Kolkata.

### CORPORATE GOVERNANCE

Your Company is fully committed to the philosophy of conducting its business with due compliance of laws, rules

and regulation. The sound internal control and efficient Management Information System which plays a pivotal role in Corporate Governance are in place in your Company.

We are pleased to inform you that your Company has implemented all the stipulations on Corporate Governance prescribed by SEBI. The certificate of the Statutory Auditors in line with Clause 49 of the Listing Agreement supports our claim. This certificate is annexed to and forms part of the Directors' Report.

### ACKNOWLEDGEMENTS

The Directors wish to convey their appreciation to all the Company's employees for their enormous personal efforts as well as their collective contribution, which enabled the Company to meet the challenges set before it and improve its performance during the year. The Directors would also like to thank the shareholders, Indian Railways, Central Govt., Bankers, suppliers and other business associates for their continuous support to the Company and confidence reposed in its management.

For and on behalf of the Board

Place : Kanpur

K. L. BHATIA

Date : 16.06.2003

Chairman & Managing Director

## COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,  
The Members of  
Frontier Springs Limited,  
E-14, Panki Industrial Area,  
Site-1, Panki,  
Kanpur-208 022.

We have reviewed implementation of Corporate Governance procedure set by Frontier Springs Limited ("The Company") for the year ended 31st March, 2003 with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of the conditions of the Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither audit nor an expression of the opinion on the Financial Statements of the Company. We, further, state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or

effectiveness with which the management has conducted the affairs of the Company.

On the basis of our review and according to the information and explanation given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges have been complied with in all material respect by the Company except the ratio of Executive and Non Executive Directors as well as non independent and independent Directors as on 31.03.2003 was 4:3. This situation has arisen due to resignation of Mr. Anup Singh on 26.09.2002 who was the Chairman & Non Executive Director at that time. These defects have been ratified by the Company on 05.05.2003 by the appointment of Mr. Prem Sagar as an independent Non Executive Director.

For SANJAY NANDANI & CO.  
Chartered Accountants

Place : Kanpur

MANISH GUPTA

Date : 16.06.2003

Partner

**ANNEXURE - I**

**INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES  
(DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES, 1988 FOR THE YEAR  
ENDED 31ST MARCH, 2003.**

**CONSERVATION OF ENERGY**

The Operations of your Company do not consume high levels of energy. However, wherever possible, adequate measures have been taken to conserve energy.

Measures Taken : Optimum utilisation of Heat treatment furnace.

Additional Investment : Phased replacement of old machines/equipments.

Impact of above : The measures taken by the Company for conservation of energy have resulted in optimum usage of energy.

Total energy conservation etc. : Form A not applicable.

**RESEARCH & DEVELOPMENTS**

There is no specific and full fledged R&D department. However, the personnel engaged in the process, production, maintenance etc., undertake activities which are aimed at improvements in the following areas :

Specific Areas in which R & D carried out by the Company :

- a. Development of Springs for LHB Coaches.
- b. Development of Samples for Siemens and Crompton Greeves for use in Circuit Breakers manufactured by it.

Benefits derived as a result of Research & Development :

- a. By developing Springs for LHB Coaches, we will be able to replace the import of particular Springs which

Indian Railways is presently importing from Germany and in turn, we will get business from Railways.

- b. The Company will be able to get supply order from Siemens & Crompton Greeves subject to approval of Samples.

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

Efforts made :

- Systematic training of personnel to reduce time, cost and at the same time maintaining the quality levels.

Benefits derived :

- In your Company, continuous efforts are made to refine techniques and technologies resulting in enhancement of overall quality and productivity, resultantly products are more competitive, increased product life and customer satisfaction.

Imported Technology : Nil

Foreign Exchange Earning and Outgo : Nil

For and on behalf of the Board

Place : Kanpur

K. L. BHATIA

Date : 16.06.2003

Chairman & Managing Director



**TWENTY THIRD ANNUAL REPORT****ANNEXURE-II****MANAGEMENT DISCUSSION AND ANALYSIS****INDUSTRY STRUCTURE & DEVELOPMENTS**

The Company is engaged in manufacture of Springs. Initially, the Company was supplying its product to the Automobile Industry and upto certain extent, to the Indian Railways. But after the Automobile Industry became stagnant, the Company started to sell its product mainly to the Indian Railways. At present, the main consumer of the product of our Company is Indian Railways, about 90% of Company's production is supplied to it. However, with revival sign of Automobile Industry, the Company is trying to approach to the past parties as well with the expectation of getting good supply order.

**OPPORTUNITIES & THREATS**

The Company has sufficient order in hand from Indian Railways and other parties. With liberalised import-export policy of the Indian Government and globalized business environment, the Company is trying to get export order of Coil Springs from the Railways of neighbouring countries viz. Iran and others. In future, the Company will have number of export orders. Our Company is also in discussion with Siemens & Crompton Greeves for supply of Coil Spring to it. These Coil Springs will be used in Circuit Breakers manufactured by Siemens & Crompton Greeves.

**PRODUCTWISE PERFORMANCE**

The Company is giving its main emphasis on the quality of the product manufactured by it. That is the main reason, it is holding leading position among the supplier/manufacturers of the spring to the Indian Railways. It is evidenced by the increased sales in the year under review. In future also, the Company is committed to keep up its performance.

**RISKS AND CONCERNS**

- ♦ Currently, the Company perceives the following main business risks :
  - a) increase in prices of raw materials and other inputs

- b) Pressure on selling price due to increase in competition.

- ♦ The assets, buildings, plant & machinery and stock of the Company are adequately insured.

**OUTLOOK**

The Company continues to experience tight margins due to progressive competition and is gearing up to meet the challenges through continuous improvement in quality and reduction in costs.

**INTERNAL CONTROL SYSTEM AND ADEQUACY**

The Company is committed to maintain internal control systems and procedures designed to provide reasonable assurance for orderly and efficient conduct of business and security of its assets. Actual performance is constantly monitored by the management. The Company has a well defined organisation structure and authority level. The internal control system is supplemented by an extensive review by the management and documented policies, guidelines and procedures.

**HUMAN RESOURCE**

The Company believes that its employees are a vital resource in the current business environment. To ensure that this resource plays important role in the performance of the Company, the Company is pursuing the following :

- ♦ It is engaged in providing continuous training and all round exposure to its people.
- ♦ It is inviting suggestions from all the employees on regular basis and is also engaged in obtaining feedback in a meaningful way from time to time.
- ♦ It is ensuring proper empowerment of employees to foster a sense of ownership among them.

In brief, it is providing an opportunity to all employees to utilize their full potential and grow in the organisation.

**REPORT ON CORPORATE GOVERNANCE**

As per Clause 49 of the Listing Agreement, the Securities Exchange Board of India (SEBI) has introduced a comprehensive code on Corporate Governance and is to be implemented on or before 31st March, 2003, as far as our Company is concerned.

The Company has accordingly implemented the code.

**COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :**

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity in all facets of its operations and in all its interactions with shareholders, employees, Govt. and lenders. The Company is committed to pursue a policy of appropriate disclosures and communications.

**ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETING, LAST ANNUAL GENERAL MEETING AND NUMBER OF OTHER DIRECTORSHIP AND CHAIRMANSHIP/MEMBERSHIP OF EACH DIRECTOR IN VARIOUS COMPANIES**

Name of Director	Attendance Particulars			Number of other Directorships and Committee Membership/Chairmanship		
	Category	Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
K.L. Bhatia	CMD	11	YES	1	1	1
Kapil Bhatia	ED	11	YES	-	-	-
Neeraj Bhatia	ED	11	YES	-	-	-
Sushma Bhatia	ED	8	YES	-	-	-
Anup Singh *	C&NED	-	NO	9	-	-
Yashpal Sethi	INED	-	NO	1	-	-
Pradeep Goenka	INED	-	NO	5	1	-
R.K. Bhatia	INED	-	NO	-	-	-
Prem Sagar *	INED	-	NO	4	1	1

C : Chairman, CMD : Chairman & Managing Director; ED : Executive Director; INED : Independent Non-Executive Director

\* Retired from Directorship w.e.f. 26.09.2002.

\* Appointed as a Director w.e.f. 05-05-2003

**AUDIT COMMITTEE**

The Audit Committee was constituted on 20th March, 2003 comprising three non-executive Directors viz. Shri Pradeep K. Goenka as the Chairman, Shri Yashpal Sethi and Shri R.K. Bhatia as members and Shri Ashish Pandey, Company Secretary as secretary to the Committee. The terms of reference stipulated by the Board to the Audit Committee are as contained under clause 49 of the Listing Agreement :

- Oversight of the Company's financial reporting process and disclosure of its financial information.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function.
- Discussion with internal auditors on any significant findings and follow up thereof.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with external auditors before the audit