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# REPORT AND ACCOUNTS 1998-99

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GKW

**GKW Limited**

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CHAIRMAN
Kaisar Ahmad
*(Alternate : P K Khaitan)*

VICE-CHAIRMAN
K K Bangur

MANAGING DIRECTOR
J D Curravala

WHOLETIME DIRECTOR
G Srinivasan

DIRECTORS
S K Mukerji
*Nominee of LICI*
R P Goyal
Y F Lombard
*(Alternate : N N Kampani)*
B P Mishra
*Nominee of IFCI*
A L A Mudaliar
N I Ganga Ram

SECRETARY
S Kar

AUDITORS
Lodha & Co.

BANKERS
Central Bank of India
Bank of India
Canara Bank
State Bank of Hyderabad
State Bank of India
Union Bank of India
United Bank of India
American Express Bank Limited
Indian Overseas Bank
ICICI Banking Corporation Ltd.

REGISTRAR & SHARE TRANSFER AGENT
(For Equity Shares)

Robson, Black & Ghosh
(Management Consultants) Private Ltd.
11, Russell Street
Calcutta 700 071

REGISTRAR FOR DEPOSIT SCHEMES
ABC Computers Private Limited
National Council of Education, Bengal
Jadavpur University Campus, Jadavpur
Calcutta 700 032

REGISTERED OFFICE
3A Shakespeare Sarani
Calcutta 700 071

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# DIRECTORS' REPORT
## TO THE SHAREHOLDERS

1. Your Directors submit their Annual Report together with the audited accounts for the year ended 31st March, 1999.

2. The results for the year under review are given below :-

| | Rs. Crores | |
|---|---|---|
| | **1998/99** | 1997/98 |
| Sales | **171.49** | 237.06 |
| Profit/(Loss) before interest & depreciation | **(11.36)** | 9.80 |
| Interest | **(34.28)** | (25.60) |
| Gross Profit/(Loss) | **(45.64)** | (15.80) |
| Depreciation | **(9.68)** | (9.49) |
| Profit/(Loss) before Tax | **(55.32)** | (25.29) |
| Taxation | **(0.74)** | (0.07) |
| Profit/(Loss) after Taxation | **(56.06)** | (25.36) |
| Prior years Expenses | **(4.69)** | (0.75) |
| Provision for gratuity and leave encashment | **(15.15)** | (3.93) |
| Profit/(Loss) after Taxation and adjustment | **(75.90)** | (30.04) |

3. In view of the unsatisfactory results and the loss suffered by the Company, your Directors regret their inability to recommend any dividend in respect of equity and preference shares for the year ended 31st March, 1999.

### ACCOUNTS & FINANCE

4. The amounts no longer required to be kept in the Property Revaluation Reserve amounting to Rs. 23 lakhs (1997/98 – Rs. 23 lakhs) and in Investment Allowance Reserve amounting to Rs. 1 lakh (1997/98 – Rs. 51 lakhs) have been transferred to Profit & Loss Account.

5. Capital expenditure during the year under review amounted to Rs. 109 lakhs (1997/98 – Rs. 2099 lakhs) and the value of new assets put into use was Rs. 3286 lakhs (1997/98 – Rs. 78 lakhs). As in the last year no assets were given on lease during the year.

6. The total borrowings as at 31st March, 1999 amounted to Rs. 15740 lakhs (1997/98 – Rs. 20656 lakhs) out of which bank borrowing was Rs. 5089 lakhs (1997/98 – Rs. 5093 lakhs). In addition outstanding bills discounted amounted to Rs. 14 lakhs (1997/98 – Rs. 14 lakhs).

7. As regards investments in subsidiaries referred to in the Auditors Report, note number 31(b) is self explanatory.

8. Hitherto accrued year-end gratuity and leave encashment liability as actuarially valued was being charged to the accounts over a five year period. However, an amendment to Section 211 of the Companies Act, 1956 made full provision for such accrued liability mandatory with effect from October 1998. Pursuant to this amendment the entire outstanding gratuity and leave encashment liability as on 31.03.99 amounting to Rs. 1285.89 lakhs and Rs. 229.29 lakhs respectively has been provided in the accounts and disclosed separately in the Profit & Loss Account.

### EROSION OF NET WORTH

9. Based on the audited accounts of the Company for the year ending 31st March, 1999, the accumulated losses of the Company have exceeded its networth as defined under the relevant provisions of the Sick Industrial Companies (Special Provisions) Act, 1985. Consequently, the Company has become a Sick Industrial Company within the meaning of the said Act and your Directors are taking appropriate steps for reporting the matter to the Board for Industrial and Financial Reconstruction for determination of measures which shall be adopted with respect to restructuring of the Company.

As regards preparation of accounts on going concern basis referred to in the Auditors Report, note number 31(h) is self explanatory.

### OPERATIONS

10. The industrial recession, specially in the segments serviced by the Company continued throughout the year under review thereby severely affecting demand for products manufactured by the Company.

The economy also witnessed severe liquidity problems experienced by the end user industries and pressure on margins on account of demand – supply imbalance aggravated further by easy availability of cheap imports coupled with slowdown in investments.

In this situation the Company was not able to take any pricing action to recover input cost escalations. On the other hand, a burgeoning interest cost, put a severe



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strain on already depleted operating margins. The cumulative impact of these factors resulted in the Company incurring substantially higher losses as compared to the previous year.

11. The automobile industry and in particular the commercial vehicle segment which constitutes the major market segment for the products manufactured by the Wheels and Metal Pressings Divisions of your Company, experienced a negative growth throughout last year resulting in reduced offtake of the Company's products. In the car segment serviced by the Company, General Motors and Hindustan Motors reduced offtake due to reduction in their production schedules. However, with the commencement of commercial production at the Pune plant, your Company will be in a better position to service the metal pressing business in future.

12. As a result of sluggish demand, periodical increases in power tariff, overmanning and low productivity of workmen, the profitability of the Steel Division was adversely affected. Consequently operations were suspended from August 1998 and the same continues till date. Discussions with both the Union and State Government are continuing and at the same time avenues are being explored for utilisation of the division's rolling and bright bar facilities through a strategic alliance.

13. The continued slackness in demand for electrical motors and pumpsets and cheap imports of end products particularly during the first half of the year under review affected the demand for stampings and laminations manufactured by the Sankey Electrical Stampings Division of your Company. While the lockout in the Bhandup Unit of the Sankey Electrical Stampings Division continued, the Bangalore and Calcutta units also experienced slack demand and had to contend with liquidity constraints faced by major customers.

14. The demand for High Speed Steel manufactured by the Powmex Steels Division, both in the local and export market remained sluggish during the year under review. In the export market, particularly in the United States, prices were under pressure. This coupled with the heavy interest burden resulted in lower operating margins as compared to the previous year. Actions are on hand to expand the size range of the divisions products and with commencement of commercial production in the powder metallurgy plant, improvement in margins is expected.

15. The slack demand faced by the fasteners businesses resulted in cut-throat price competition both from the organised and unorganised sectors. This resulted in operating margins of the Bolt & Nut Division being severely eroded during the year under review.

16. Overall your Company passed through a year of severe trials and tribulations. For overcoming the recessionary forces being faced by your Company, drastic cost and inventory control measures are being adopted.

**CEMENT PROJECT**

17. The Scheme of Arrangement proposed for transferring the assets and liabilities of the Cement Project to a separate Company was approved by the shareholders of the Company, at a general meeting convened on 28th July, 1999 by the Hon'ble Calcutta High Court. The said court confirmed the Scheme of Arrangement on 13th October, 1999.

Necessary steps are being taken for implementing the transfer of Cement Project to GKW Cement Ltd., a Company formed for this purpose, which has since become a subsidiary of the Company.

**PROPERTY DEVELOPMENT**

18. The stagnant state of the real estate market in Mumbai continued during the year under review affecting the implementation of the property development plans of your Company.

**EXPORTS**

19. Products exported during the year amounted to Rs. 2353 lakhs (1997/98 – Rs. 2035 lakhs), Bolt & Nut Division and Powmex Steels Division accounting for bulk of the exports.

20. Earnings in foreign exchange during the year amounted to Rs. 2265 lakhs (1997/98 – Rs. 1970 lakhs) and outgo was Rs. 1446 lakhs (1997/98 – Rs. 2090 lakhs).

**CONSERVATION OF ENERGY**

21. The prescribed Form 'A' relating to conservation of energy in the Company's Steel Division at Calcutta and Powmex Steels Division at Titlagarh in Orissa is annexed.

22. Energy Conservation is an on going exercise to mitigate the impact of progressive increases in energy



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costs. In Powmex Steels Division there has been an improvement in energy consumption in melting and finishing plants, however in the case of black bar there has been an increase in consumption due to initial problems faced while developing indigenous spares for imported plant as an import substitution measure.

Steel Division operated intermitently for only five months during the year and hence energy consumption figures are not strictly comparable with the previous years figures.

## TECHNOLOGY AND RESEARCH & DEVELOPEMENT

23. During the year under review Powmex Steels Division obtained ISO-9002 certification from RWTUV, Germany for quality system. The Powmex Steels Division also manufactured new Austenitic Stainless Steel Grade 21-4-N.

24. R&D work is carried out by the Company at its Government recognized laboratories located at Mumbai and Howrah. Powmex Steels Division also undertakes research in its laboratory at Titlagarh in Orissa. During the year total expenditure on R&D was Rs. 6.59 lakhs comprising only revenue expenditure and represented 0.04% of turnover.

## SUBSIDIARY COMPANIES

25. Accounts and annual reports of the subsidiary companies have been appended hereto.

## PARTICULARS OF EMPLOYEES

26. The information required under Section 217 (2A) of the Companies Act, 1956 is given in the statement annexed.

## DIRECTORS

27. Mr. J. C. Khanna who was the Deputy Managing Director of the Company expired on 12th July, 1998. The Directors record their deep appreciation of the valuable services rendered by Late J. C. Khanna during his long association with the Company.

28. Mr. J. P. Thacker who was the Alternate Director to Mr. Y. F. Lombard resigned from the Board with effect from 17th December, 1998. The Directors record their appreciation of the valuable services rendered by Mr. J. P. Thacker to the Company.

29. Mr. N. N. Kampani resigned from the Board with effect from 17th February, 1999 and was appointed as the Alternate Director to Mr. Y. F. Lombard with effect from said date.

30. Mr. T. K. Faris resigned from the Board with effect from 22nd July, 1999. The Directors record their deep appreciation of the valuable services rendered by Mr. T. K. Faris during his tenure as the Chairman of the Company. Consequent upon the resignation of Mr. T. K. Faris, Mr. P. K. Khaitan ceased to be the Alternate Director to Mr. T. K. Faris.

31. Mr. Kaisar Ahmad was appointed as a Director of the Company with effect from 22nd July, 1999 in the casual vacancy caused by the resignation of Mr. T. K. Faris and on the same date Mr. P. K. Khaitan was appointed as the Alternate Director to Mr. Kaisar Ahmad. Mr. Kaisar Ahmad was appointed as the Chairman of the Board of Directors of the Company on 30th November, 1999.

32. Directors retiring by rotation at the forthcoming Annual General Meeting are Mr. K. K. Bangur, Mr. S. K. Mukerji and Mr. G. Srinivasan all being eligible, offer themselves for re-election.

## YEAR 2000 (Y2K) COMPLIANCE

33. The Company has taken adequate steps to ensure all computerised systems are Y2K compliant. The Company has also developed contingency plans for any unanticipated Y2K problems. The costs for upgradation/ replacement of hardware, operating systems and application software will not be material.

## AUDITORS

34. Messrs. Lodha & Company, the retiring Auditors, have expressed their willingness to be re-appointed.

## ACKNOWLEDGEMENT

35. The Board of Directors would like to thank the Company's customers, employees, shareholders, bankers, financial institutions, suppliers and all others associated with the Company for their continued support.

For and on behalf of the Board

K K Bangur — *Vice-Chairman*

J D Curravala — *Managing Director*

Calcutta,
30th November, 1999



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## FORM — A
(See Rule 2)

Form for disclosure of particulars with respect to conservation of energy

| (A) POWER & FUEL CONSUMPTION | | Current Year Ended 31.3.99 | | Previous Year Ended 31.3.98 | |
|---|---|---|---|---|---|
| | | **Powmex Steels Divn.** | **Steel Divn.** | Powmex Steels Divn. | Steel Divn. |
| 1. Electricity : | | | | | |
| a) Purchased | | | | | |
| Unit (KWh million) | | **9.47** | **6.29** | 11.42 | 36.33 |
| Total Amount (Rs. Crores) | | **3.23** | **2.58** | 3.50 | 13.23 |
| Rate/Unit (Rs.) | | **3.41** | **4.10** | 3.07 | 3.64 |
| b) Own Generation (Diesel Generator) | | | | | |
| Unit (KWh) | | **Nil** | **Nil** | Nil | Nil |
| Unit/Litre of Diesel Oil | | **Nil** | **Nil** | Nil | Nil |
| Cost/Unit — Variable (Rs.) | | **Nil** | **Nil** | Nil | Nil |
| 2. HSD/Furnace Oil | | | | | |
| Quantity (Kilo Litre) | | **1,969** | **882** | 2,516 | 4,438 |
| Total Amount (Rs. Crores) | | **2.05** | **0.47** | 2.32 | 2.75 |
| Average Rate/Kilo Litre (Rs.) | | **10,397** | **5,389** | 9,225 | 6,201 |
| (B) CONSUMPTION PER UNIT OF PRODUCTION (M.T.) | | | | | |
| Electricity (KWh/tonne) | Melting | **898** | **873** | 908 | 835 |
| | Black Bar | **991** | **636** | 937 | 382 |
| | Bright Bar | **280** | **246** | 303 | 166 |
| | Heat Treatment | **119** | **345** | 116 | 311 |
| HSD/Furnace Oil (Litre/tonne) | Rolled Product | **392** | **210** | 394 | 176 |



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Particulars of employees forming part of the Directors' Report for the year ended 31st March, 1999

| PARTICULARS OF PRESENT EMPLOYMENT | | | | | | | PARTICULARS OF LAST EMPLOYMENT | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Age | Qualification | Years of experience | Designation | Date of commencement of employment | Remuneration Rs. | Employer | Designation | Years of experience |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Curravala J. D. | 59 | B.Com., A.C.A., LL.B. | 34 | Managing Director | 01.04.70 | 1,254,691 | Stewart & Lloyds Ltd. | Financial Accountant | 2 |
| *Khanna J. C. | 62 | B.A., M.S.W. | 39 | Deputy Managing Director | 15.06.62 | 630,265 | Lynx Machinery Ltd. | Personnel Officer | 3 |
| *Mandhana N. L. | 57 | B.Com., LL.B., F.C.S. | 36 | President – Special Project | 01.11.98 | 289,950 | Digvijay Cement | President (Finance) & Secretary | 35 |
| *Mitra K. K. | 58 | B.E. (Mech.), C. Engg. (UK) M. I. Mech. E, M. I. Prod E | 37 | President – Andul Road Works | 16.06.71 | 77,663 | Ibcon Pvt. Ltd. | Consultant | 6 |
| Srinivasan G. | 55 | B.E. Mech., D.I.M. | 32 | Wholetime Director | 13.09.97 | 1,097,903 | Zuari Industries Ltd. | Executive President | 3 |
| Venkataramani N. | 54 | B.Sc., B.E., M.Tech. | 31 | President – Bolt & Nut Division | 03.10.95 | 761,849 | Carbon Everflow Ltd. | President | 7 |

*Notes :*

1. Remuneration received/receivable includes salaries, commissions, bonus, allowances, contributions to provident fund and pension fund and value of perquisites and excludes terminal payments and gratuity.
2. Designation describes nature of duties.
3. All appointments are/were contractual.
4. None of the employees is a relative of any director of the Company.
5. None of the employees of the Company falls under the category as indicated under Section 217 (2A) (a) (iii) of the Companies Act, 1956.

* Refers part of the year

For and on behalf of the Board

Calcutta,
30th November, 1999

K K Bangur, *Vice-Chairman*
J D Curravala, *Managing Director*



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## AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of GKW Limited, as at 31st March, 1999 and the Profit & Loss Account of the Company for the year ended on that date annexed thereto.

A. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to information and explanations given to us we report that :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets, leased assets and hire purchased assets.
2. Physical verification of the fixed assets has been conducted by the Management during the year except in respect of fixed assets of Company's Bhandup unit of the Sankey Electrical Stampings Division and Steel Division, where such verification could not be carried out due to lock out and suspension of the operations respectively as mentioned in Note No. 31(f) of Schedule 20. However, no physical verification of Furniture & Fixtures has been carried out during the year as the same is being conducted in a phased manner over a period of three years. As explained no material discrepancies were noticed with regard to book records to the extent of assets verified.
3. The fixed assets of the Company have not been revalued during the year.
4. The stocks of finished goods, stores and raw materials have been physically verified by the Management during the year except stock of stores, raw materials and finished goods lying at the Company's Bhandup unit of the Sankey Electrical Stampings Division and Steel Division, where such verification could not be carried out due to lock out and suspension of the operations respectively as mentioned in Note No. 31(f) of Schedule 20 and excluding goods in transit, goods lying with third parties or given for job work.
5. In our opinion, procedure of physical verification in respect of the stock verified as followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
6. The discrepancies noticed on physical verification of stocks were not material compared to the book records and these have been properly dealt with in the books of account.
7. In our opinion, on the basis of our examination of the stock records, the valuation of stocks of finished goods and raw materials (without considering excise duty thereon) is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
8. The Company has not taken any loans secured or unsecured from the companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As informed to us there are no bodies corporate under the same Management as defined under Section 370(1-B) of the Companies Act, 1956.
9. The Company has not granted any loans secured or unsecured to companies, firms or other parties listed in the Register as maintained under Section 301 of the Companies Act, 1956. As informed to us there are no bodies corporate under the same Management as defined under Section 370(1-B) of the Companies Act, 1956.
10. The parties (including employees) to whom loans and advances in the nature of loans have been given by the Company are generally repaying principal amount as stipulated and are also regular in payment of interest, where applicable.
11. In our opinion, there is an adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, including components, plant and machinery, equipment and similar assets and for the sale of goods.
12. In our opinion, transactions of purchases of goods and materials and sale of goods and materials made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices (including suppliers' price lists and tenders, as the case may be) for such goods and materials or the prices at which transactions for similar goods have been made with other parties. There has been no sale of services to such parties during the year.
13. The Company has a system of determining unserviceable or damaged stores, raw materials and finished goods on the basis of technical evaluation and on the aforesaid basis, except for the Steel Division and Sankey Electrical and Stampings Division (at Bhandup) where the same could not be carried out due to work suspension/lock out as indicated in Note no. 31(f) of Schedule 20. In our opinion adequate amounts have been written down in respect of such stocks in the accounts.



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14. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provision of Section 58A of the Companies Act, 1956 and the rules framed thereunder with regard to deposits accepted.
15. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scraps, where applicable and significant. The Company has no by-products.
16. In our opinion the Company's present internal audit system is commensurate with its size and nature of the business.
17. On the basis of records produced, we are of the opinion that *prima facie*, the cost records and accounts prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 in respect of the products of the Company's Powmex Steel Divisions have been maintained. In respect of the Company's Steel Division, such records if any, could not be accessed due to suspension of work as indicated in Note No. 31(f) of Schedule 20. However, we are not required to carry out a detailed examination of such accounts and records. The Central Government has not prescribed maintenance of cost records by the Company under Section 209(1)(d) in respct of other products of the company.
18. The Company has generally regularly deposited during the year, Provident Fund and Employees' State Insurance dues with the appropriate authorities.
19. There were no amounts outstanding as on 31st March, 1999 in respect of undisputed income tax, wealth tax, customs duty and excise duty which were due for more than six months from the date these became payable.
20. During the course of our examination of the books of account carried out in accordance with generally accepted accounting practices we have not come across any personal expenses which have been charged to Profit & Loss Account other than expenses under contractual obligations and/or normally accepted business practices, nor have we been informed of such case by the management.
21. The Company is a Sick Industrial Company within the meaning of Clause (O) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. We have been informed that the Company is taking necessary steps to make the reference to the Board for Industrial and Financial Reconstruction under Section 15 of the said Act.

We further report that :

B. As indicated in Note No. 31(h) of Schedule 20, the accounts of the Company have been prepared on the going concern basis. However, its ability to continue so is dependent upon implementation of approved rehabilitative measures in future.

C. As indicated in Note No. 31(f) of Schedule 20 operations at the Company's Bhandup unit of the Sankey Electrical Stampings Division were suspended through out the year due to lock out and operations at Steel Division were suspended from 30th August, 1998. The vouchers and related documents for the year were therefore not available for verification.

D. We have obtained subject to our observation under para (C) above all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

E. The Balance Sheet and the Profit & Loss Account of the Company dealt with by this report are in agreement with the books of account.

F. In our opinion, the Profit & Loss Account and Balance Sheet prepared by the Company are in compliance with the various Accounting Standards specified by the Institute of the Chartered Accountants of India.

G. Subject to regarding non-availability of certain documents in respect of the Company's Bhandup unit of the Sankey Electrical Stampings Division and Steel Division, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books; and

H. In our opinion and to the best of our information and according to explanations given to us and subject to our observation under para (B) and (C) above and also subject to Note No. 31(b) (i) & (ii) of Schedule 20 regarding non-provision against year end short fall in value/recoverability if any of investments and loans & advances the extent and impact whereof as such not being determined, the said accounts read together with the notes thereon give the information required by the Company's Act, 1956 in the manner so required and also give a true and fair view :

   i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 and

   ii) in the case of Profit & Loss Account, of the Company for the year ended on that date.

For LODHA & CO.
*Chartered Accountants*

Place : Calcutta,
Date : 30th November, 1999

P L Vadera
*Partner*



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