

REPORT AND ACCOUNTS 1999-2000



GKW Limited

NOTICE

Notice is hereby given that the 70th Annual General Meeting of the Members of GKW Limited will be held on Thursday, 21st September, 2000 at 10.30 a.m. at Kala Kunj, 48 Shakespeare Sarani, Calcutta 700 017, to transact the following business :

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2000, the Audited Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. R. P. Goyal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. G. Srinivasan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Kaisar Ahmad who was appointed as Director in the casual vacancy caused by resignation of Mr. T. K. Faris and who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and for that purpose to consider and, if thought

fit, to pass with or without modification the following Resolution which will be proposed as an Ordinary Resolution provided that if on the date of the Annual General Meeting not less than 25% of the subscribed share capital of the Company is held by public financial institutions and nationalised banks, the Resolution will be proposed as a Special Resolution pursuant to Section 224A of the Companies Act, 1956 :

"RESOLVED THAT Lodha & Co., Chartered Accountants of 14 Government Place East, Calcutta 700 069, 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 of the Company at a remuneration to be fixed by the Board of Directors of the Company plus out-of-pocket expenses as may be incurred by them in connection with the audit and that such remuneration be paid to them in four equal quarterly instalments".

Registered Office
3A, Shakespeare Sarani
Calcutta 700 071
Dated : 1st August, 2000

By Order of the Board
J N Ghosh
Secretary

NOTES :

- i) The Register of Members and Share Transfer Books will remain closed from 16th August, 2000 to 5th September, 2000, both days inclusive.
- ii) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
- iii) Members are requested to notify any change in their addresses to the Company's Registrars and Share Transfer Agents, (physical portion) Robson, Black & Ghosh (MC) Pvt. Ltd., 11 Russell Street, Calcutta - 700 071.
- iv) Pursuant to Section 205A (5) of the Companies Act, 1956 as amended from the 31st October, 1998, the dividends pertaining to the financial year ended 31st March, 1996 and thereafter remaining unclaimed for a

GKW LIMITED

period of seven years from the date of the transfer in accordance with Section 205A (1) of the Companies Act, 1956 need to be transferred to the Investor Education and Protection Fund of the Central Government. According to the provisions of the Act, no claims shall lie against the said fund or the Company nor shall any payment be made in respect of such claims.

- v) Members who have multi accounts in identical name and address or in joint names in the same order are requested to intimate the Company the ledger folios of such accounts for consolidating their shareholdings into one account.
- vi) MEMBERS WHO WERE SHAREHOLDERS OF ERSTWHILE POWMEX STEELS LIMITED (POWMEX) AND WHO HAVE NOT TILL DATE EXCHANGED THEIR SHARE CERTIFICATES OF POWMEX WITH SHARE CERTIFICATES OF GKW LIMITED ARE ONCE AGAIN REQUESTED TO KINDLY SEND THE SHARE CERTIFICATES OF POWMEX TOGETHER WITH A FORWARDING LETTER SIGNED BY THE JOINT HOLDER(S), IF ANY, BY REGISTERED POST TO :-

GKW LIMITED
REGISTERED OFFICE
3A, SHAKESPEARE SARANI
CALCUTTA - 700 071

- vii) Individuals holding shares singly or jointly upto two persons may nominate another person to whom the shares shall vest in the event of the shareholders death. Form 2B has been prescribed for the purpose. Blank forms may be available from the Company's Secretarial Department and the Registrar's office.
- viii) The Company has registered with National Securities Depository Limited (NSDL) for dematerialisation of its Equity Shares and the Registration No. granted by NSDL is ISI "INE528A01012". The Company has appointed ABC Computers Private Limited, National Council of Education, Bengal, Jadavpur University Campus, Jadavpur, Calcutta 700 032 as its Depository Registrar.

Report Junction.com

GKW LIMITED

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)

N D Auddy

Nominee of IFCI

A L A Mudaliar

SECRETARY

J N Ghosh

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

DEMATERIALISATION OF SHARES

Depository :

National Securities Depository Limited, Mumbai

Depository Registrar :

ABC Computers Private Limited

National Council of Education, Bengal

Jadavpur University Campus, Jadavpur

Calcutta 700 032

REGISTERED OFFICE

3A Shakespeare Sarani

Calcutta 700 071

Report



junction.com

CONTENTS

Page No.

Directors' Report	3
Auditors' Report	8
Balance Sheet	10
Profit & Loss Account	11
Schedules	12
Cash Flow Statement	29
Statement Regarding Subsidiary Companies	30
Ten Years' Profile	31
Report & Accounts of Subsidiary Companies	32

DIRECTORS' REPORT TO THE SHAREHOLDERS

1. Your Directors submit their Annual Report together with the audited accounts for the year ended 31st March, 2000.

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

	Rs. Crores	
	1999/2000	1998/99
Sales	<u>128.41</u>	<u>171.49</u>
Profit/(Loss) before interest & depreciation	5.82	(11.36)
Interest	<u>(34.95)</u>	<u>(34.28)</u>
Gross Profit/(Loss)	<u>(29.13)</u>	<u>(45.64)</u>
Depreciation	<u>(9.82)</u>	<u>(9.68)</u>
Profit/(Loss) before Tax	<u>(38.95)</u>	<u>(55.32)</u>
Taxation	<u>(0.07)</u>	<u>(0.74)</u>
Profit/(Loss) after Taxation	<u>(39.02)</u>	<u>(56.06)</u>
Prior year Income/ (Expenses) (net)	0.18	(4.69)
Provision for gratuity and leave encashment	(2.07)	(15.15)
Profit/(Loss) after Taxation and adjustment	<u>(40.91)</u>	<u>(75.90)</u>

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, 2000.

ACCOUNTS & FINANCE

4. The amounts no longer required to be kept in the Property Revaluation Reserve amounting to Rs. 39 lakhs (1998/99 - Rs. 23 lakhs) and in Investment Allowance Reserve amounting to Rs. 3 lakhs (1998/99 - Rs. 1 lakh) have been transferred to Profit & Loss Account.

5. Capital expenditure during the year under review amounted to Rs. 35 lakhs (1998/99 - Rs. 109 lakhs) and the value of new assets put into use was Rs. 44 lakhs (1998/99 - Rs. 3286 lakhs). As in the last year no assets were given on lease during the year.

6. The total borrowings as at 31st March, 2000 amounted to Rs. 18318 lakhs (1998/99 - Rs. 15740 lakhs) out of which bank borrowing was Rs. 6171 lakhs

(1998/99 - Rs. 5089 lakhs). In addition outstanding bills discounted amounted to Rs. 18 lakhs (1998/99 - Rs. 14 lakhs).

6.1 As regards non-availability of vouchers and related documents in units under lockout/suspension of operation/strike referred to in the Auditors' Report, Note No. 31(c) on accounts is self-explanatory.

6.2 As regards investments and loans & advances in subsidiaries referred to in the Auditors' Report, Note No. 31(a) on the accounts is self-explanatory.

EROSION OF NET WORTH

7. Based on the audited accounts for the year ended 31st March, 1999, the Company's reference under Section 15 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985 has been registered with the Board for Industrial & Financial Reconstruction (BIFR). As regards preparation of accounts on going concern basis referred to in the Auditors' Report, Note No. 31(f) on the accounts is self-explanatory.

OPERATIONS

8. Operations of the Company, during greater part of the year under review, continued to be affected by the recessionary conditions in the engineering sector. Some indications of a revival in demand, especially for the Company's products related to the auto industry were perceptible in the last quarter of the financial year. However, substantial cash losses over the past two years has eroded the liquidity base of the Company, and hence it was unable to take full advantage of the improved demand situation for these products. On the other hand, the heavy burden of interest costs continued during the year under review, contributing to the losses incurred by the Company.

9. During the year under review, Bolt & Nut Division faced severe competition both from the organised and unorganised sectors. Prices were under pressure throughout the year and limited pricing action could be implemented only during the last quarter of the financial year. However, volumes remained at unviable levels resulting in heavy losses due to under-recovery of overheads.

10. Although the demand for products of the Screws and Fasteners Division was slack, the Company was able to

GKW LIMITED

leverage the brand equity enjoyed by these products to take timely pricing action and maintain margins.

11. The electrical equipment industry serviced by Sankey Electrical Stampings Division remained sluggish during the year under review, with some of the division's major customers incurring heavy losses. This situation in the end user industry provided no scope for price revision of stampings and laminations manufactured by the division. Despite these difficult operating conditions, the work force at the division's Bangalore unit went on an illegal strike to press for increased wages without any commitment on improving productivity. This has resulted in the division losing an already truncated customer base. The lockout at the division's Bhandup plant continues and the matter is pending before the Mumbai High Court.

12. The heavy, medium and light commercial vehicle industry performed better during the year under review resulting in some improvement in demand for wheels supplied by the Wheels Division. However, liquidity constraints prevented the division from taking full advantage of the improved demand during the latter part of the year.

13. The Metal Pressings unit near Pune was able to improve capacity utilisation by supplying components to the small car segment. With the small car industry performing well, further consolidation of this unit's business is expected in the near future.

14. High Speed Steel demand remained steady during the period under review, resulting in the Powmex Steels Division maintaining volumes but without any price revision. This, coupled with a heavy interest burden continued to erode the division's margins.

15. In case of the Steel Division, where the suspension of operations continues, it is proposed to discontinue the unviable melting operation and instead use the division's rolling and bright bar facilities to convert bought out steel.

RESTRUCTURING

16. In view of the continuing loss situation and crippling interest burden, your Directors are engaged in working out a restructuring plan for the Company.

The major thrust of this plan would be

- to reduce the heavy debt burden and the corresponding interest costs,

- to rationalise divisional operations including manpower in the light of the emerging economic scenario,
- to truncate or eliminate unviable products/activities,
- to hive off some of the divisions in order to facilitate induction of a joint venture partner.

As a first step towards restructuring, the Company has hived off its Cement Division into a separate company. This will drastically reduce the Company's future financial commitments in the cement project and will also assist in induction of a joint venture partner in the new company.

CEMENT PROJECT

17. Pursuant to the order of the Hon'ble High Court, Calcutta, the assets and liabilities of the Cement Division of the Company were transferred with effect from 31st March, 1999 to GKW Cement Limited (GCL), a subsidiary company. In terms of the said order, GCL issued 12,00,000 shares of Rs. 10 each, to your Company representing your Company's investment in the said subsidiary.

PROPERTY DEVELOPMENT

18. The real estate activity has not yet picked up in Mumbai, affecting progress of the property development plans of your Company.

EXPORTS

19. Products exported during the year amounted to Rs. 1446 lakhs (1998/99 – Rs. 2353 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. 1283 lakhs (1998/99 – Rs. 2265 lakhs) and outgo was Rs. 1347 lakhs (1998/99 – Rs. 1446 lakhs).

CONSERVATION OF ENERGY

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

TECHNOLOGY AND RESEARCH & DEVELOPMENT

22. During the year under review Powmex Steels Division :
- successfully manufactured and supplied new grades M-4, EN-31 and S-2 of high speed steel, ball bearing steel and tool Steel respectively.

- Step-forged Stainless steel grade AISI-304 on long forging machine to customer's specifications.
- modified re-heating Furnace roller design, resulting in improvement in life of the rollers.

SUBSIDIARY COMPANIES

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

PARTICULARS OF EMPLOYEES

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

DIRECTORS

25. Mr. N. Ganga Ram resigned from the Board with effect from 28th April, 2000. The Directors record their deep appreciation of the valuable services rendered by Mr. Ganga Ram during his association with the Company.

26. Directors retiring by rotation at the forthcoming Annual General Meeting are Mr. R. P. Goyal and Mr. G. Srinivasan and both being eligible, offer themselves for re-election.

27. Mr. Kaisar Ahmad who 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 retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

YEAR 2000 (Y2K) COMPLIANCE

28. The Company did not face any disruptions on account of the Y2K Bug during transition into the year 2000.

AUDITORS

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

ACKNOWLEDGEMENT

30. 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,
23rd June, 2000

Report Junction.com

GKW LIMITED**FORM — A**

(See Rule 2)

Form for disclosure of particulars with respect to conservation of energy

(A) POWER & FUEL CONSUMPTION

	Current Year Ended 31.3.2000	Previous Year Ended 31.3.99	
	Powmex Steels Divn.	Powmex Steels Divn.	Steel Divn.
1. Electricity :			
a) Purchased			
Unit (KWh million)	9.02	9.47	6.29
Total Amount (Rs. Crores)	3.24	3.23	2.58
Rate/Unit (Rs.)	3.59	3.41	4.10
b) Own Generation (Diesel Generator)			
Unit (KWh)	Nil	Nil	Nil
Unit/Litre of Diesel Oil	Nil	Nil	Nil
Cost/Unit — Variable (Rs.)	Nil	Nil	Nil
2. HSD/Furnace Oil			
Quantity (Kilo Litre)	1,816	1,969	882
Total Amount (Rs. Crores)	2.28	2.05	0.47
Average Rate/Kilo Litre (Rs.)	12,522	10,397	5,389

(B) CONSUMPTION PER UNIT OF PRODUCTION (M.T.)

Electricity (KWh/tonne)	Melting	944	898	873
	Black Bar	903	991	636
	Bright Bar	193	280	246
	Heat Treatment	148	119	345
HSD/Furnace Oil (Litre/tonne)	Rolled Product	362	392	210

Note : The operations of the Steel Division were suspended from August 1998, hence particulars for power and fuel consumption of the said division have not been indicated for the year ended 31st March, 2000.

Particulars of employees forming part of the Directors' Report for the year ended 31st March, 2000

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
Curavala J D	60	B.Com., A.C.A., LL.B.	35	Managing Director	01.04.70	1,216,818	Stewart & Lloyds Ltd.	Financial Accountant	2
*Mandhana N L	58	B.Com., LL.B., F.C.S.	37	President - Special Project	01.11.98	169,470	Digvijay Cement	President (Finance) & Secretary	35
Srinivasan G	56	B.E. Mech., D.I.M.	33	Wholetime Director	13.09.97	1,115,332	Zuari Industries Ltd.	Executive President	3
Venkataramani N	55	B.Sc., B.E., M.Tech.	32	President - Bolt & Nut Division	03.10.95	812,758	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 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,
23rd June, 2000

K K Bangur
Vice-Chairman

J D Curavala
Managing Director