

REPORT AND ACCOUNTS 2000 - 2001

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GKW

GKW Limited

GKW LIMITED**CHAIRMAN**

Kaisar Ahmad

MANAGING DIRECTOR

J D Curravala

WHOLETIME DIRECTOR

G Srinivasan

DIRECTOR

S K Mukerji

*Nominee of LIC***ASSISTANT SECRETARY**

R K Bahl

AUDITORS

Lodha & Co

REGISTERED OFFICE

3A Shakespeare Sarani

Kolkata 700 071

Phone : 282 2385/2386

Fax : 282 9747

E-mail : gkw@cal2.vsnl.net.in

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 Limited

REGISTRAR & SHARE TRANSFER AGENT

(For Equity Shares physical portion)

Robson, Black & Ghosh

(Management Consultants) Private Ltd.

11, Russell Street

Kolkata 700 071

Phone : 229 9668

Fax : 229 9650

E-mail : robson.black@gems.vsnl.net.in

REGISTRAR FOR DEPOSIT SCHEMES

ABC Computers Private Limited

National Council of Education, Bengal

Jadavpur University Campus, Jadavpur

Kolkata 700 032

Phone : 473 1163

Fax : 474 6548

E-mail : abccal@cal.vsnl.net.in

DEMATERIALISATION OF SHARES*Depository :*

National Securities Depository Limited, Mumbai

Central Depository Services (India) Limited, Mumbai

Depository Registrar :

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GKW LIMITED

During the year under review, the Shareholders have approved the demerger of the said ARW divisions and Wheels division into separate companies to facilitate revival through infusion of a joint venture partner who may like to participate in the specific business of ARW instead of investing in GKW as a conglomerate. Steps are being taken to achieve this objective.

13. Powmex Steels Division experienced steady demand during the year under review. Exports have been identified as a thrust area for this division and markets in various countries are being explored. All out efforts at cost reduction are being implemented to improve operating margins.
14. Screws & Fasteners Division's operations faced price and competitive pressures in a lacklustre market. Productivity improvements and cost control are being vigorously adopted to maintain the division's profitability.

RESTRUCTURING

15. Substantial progress has been made towards implementation of the restructuring plan referred to in last year's report. During the year under review, your Company has :
 - achieved a major breakthrough in debt reduction by swapping the dues of IDBI and IFCI to the tune of Rs. 7837 lakhs by way of one time settlement by sale and transfer of land admeasuring 88,300 sq. metres situated at Bhandup, Mumbai to the said institutions. This transaction has also resulted in substantial reduction of interest costs during the year under review.
 - Initiated similar actions to swap the dues of a financial institution/bank, as also amounts owed to Unit Trust of India and Army Group Insurance Fund towards redemption of 19% Debentures. On completion of these transactions, your Company will have settled almost all its long term debts, thus reducing interest burden further.

- terminated the lease of wind electric generators and handed over possession to the lessor in full and final settlement of all their outstanding dues.

EROSION OF NET WORTH

16. The Company's reference under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 is under investigation by the Board for Industrial & Financial Reconstruction.

PROPERTY DEVELOPMENT

17. The property development planned at Mumbai did not pick up due to the extremely sluggish real estate market during the past several years. Your Directors therefore decided that it would be in the best interest of the Company to withdraw from the developmental agreement, and instead utilise the property for settling the heavy debt burden of the Company as stated in para 15 above.

EXPORTS

18. Products exported during the year amounted to Rs. 848 lakhs (1999/2000 - Rs. 1446 lakhs). Powmex Steels Division accounted for bulk of the exports.
19. Earnings in foreign exchange during the year amounted to Rs. 848 lakhs (1999/2000 - Rs. 1283 lakhs) and outgo was Rs. 856 lakhs (1999/2000 - Rs. 1347 lakhs).

CONSERVATION OF ENERGY

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

The increase in consumption of electricity for Black Bar in the current year was mainly due to smaller batch quantities, rolling of new sizes of rolled product and product-mix/lower throughput, which in turn also contributed to increase in consumption of electricity for Heat Treatment.

TECHNOLOGY AND RESEARCH & DEVELOPMENT

GKW LIMITED

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GKW LIMITED

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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, 2001.
2. The results for the year under review are given below :

	Rs.Crores	
	2000/2001	1999/2000
Sales	<u>76.59</u>	<u>128.41</u>
Profit/(Loss) before interest, depreciation and extra-ordinary items	(18.39)	3.75
Interest	<u>(23.67)</u>	<u>(34.95)</u>
Gross Profit/(Loss)	<u>(42.06)</u>	<u>(31.20)</u>
Depreciation	<u>(9.09)</u>	<u>(9.82)</u>
Profit/(Loss) before Tax	<u>(51.15)</u>	<u>(41.02)</u>
Taxation	<u>(0.02)</u>	<u>(0.07)</u>
Profit/(Loss) after Taxation	<u>(51.17)</u>	<u>(41.09)</u>
Prior year Income/(Expenses) (net)	(0.43)	0.18
Extra-ordinary Items	60.99	—
Profit/(Loss) after Taxation and Extra-ordinary Items	<u>9.39</u>	<u>(40.91)</u>

3. In view of the carried forward loss, your Directors regret their inability to recommend any dividend in respect of equity and preference shares for the year ended 31st March, 2001.

ACCOUNTS & FINANCE

4. Out of the amounts no longer required to be kept in the Property Revaluation Reserve an amount of Rs. 24 lakhs (1999/2000 - Rs. 39 lakhs) has been transferred to Profit & Loss Account and Rs. 217 lakhs transferred to extra-ordinary items (1999/2000 - NIL). Investment Allowance Reserve amounting to Rs. 24 lakhs (1999/2000 - Rs. 3 lakhs) has also been transferred to Profit & Loss Account.
5. Capital expenditure during the year under review amounted to Rs. 38 lakhs (1999/2000 - Rs. 35 lakhs) and the value of new assets put into use was Rs. 48 lakhs (1999/2000 - Rs. 44 lakhs). As in the last year no assets were given on lease during the year.

6. The total borrowings as at 31st March, 2001 amounted to Rs.12690 lakhs (1999/2000 - Rs.18318 lakhs) out of which bank borrowing was Rs. 7628 lakhs (1999/2000 - Rs. 6171 lakhs). The significant reduction in borrowings was on account of one time settlement of term loans with IDBI and IFCI.
7. As regards non-availability of vouchers, related documents and physical verification of assets in units under suspension of operation etc. referred to in the Auditors' Report, Note No. 29(c) to the accounts is self-explanatory. As regards investments and loans and advances in subsidiary referred to in Auditors' Report, Note No. 29(g) is self-explanatory.

OPERATIONS

8. The Company passed through another difficult year, during which operations suffered due to slack demand for the Company's products, compounded by severe liquidity constraints. However, the redeeming feature of the year under review was the major restructuring of debt and the reduction in interest cost as compared to the previous year.
9. Based on a settlement arrived at the Mumbai High Court, lockout at the Bhandup plant of Sankey Electrical Stampings Division was lifted with effect from November 2000 in a phased manner. The Company is taking steps to revive the business of electrical laminations with its erstwhile customers. This unit is also endeavouring to convert its tool room facilities into a profit centre by leveraging the expertise in this area. The division's Bangalore unit continues to remain closed pursuant to the strike which was declared illegal by the State Government.
10. The Metal Pressings unit near Pune, continued to improve capacity utilisation, but was constrained by the slowdown in the growth of the car segment serviced by it. Efforts are under way to expand the customer base of this unit to improve volumes.
11. Wheels Division experienced slack demand from the heavy, medium and light commercial vehicles industry. In addition the passenger car wheel business suffered as the division's only customer in Eastern India reduced car production during the year.
12. The Andul Road Works (ARW) divisions, comprising Steel, Bolt & Nut, Engineering and Machinery and Sankey Unit of SESD were under suspension of work from mid November 2000 due to labour violence, the suspension of work continues.

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 - Initiated similar actions to swap the dues of a financial institution/bank, as also amounts owed to Unit Trust of India and Army Group Insurance Fund towards redemption of 19% Debentures. On completion of these transactions, your Company will have settled almost all its long term debts, thus reducing interest burden further.
 - filed a Scheme of Arrangement in the Hon'ble High Court at Calcutta for hiving off the divisions at Andul Road Works, Kolkata and Wheels Division at Durgapur to two separate Companies, the scheme has been duly approved by the Shareholders at the Court Convened meeting, and is awaiting final orders from the said Court.

- terminated the lease of wind electric generators and handed over possession to the lessor in full and final settlement of all their outstanding dues.

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TECHNOLOGY AND RESEARCH & DEVELOPMENT

21. During the year under review Powmex Steels Division :
 - successfully manufactured and supplied new grades of high speed steels viz. MM2.
 - developed zero defect Roll Forge quality steel which is an import substitute.

- developed and implemented annealing cycles to :
 - (i) reduce decarb level of square section and improve product quality.
 - (ii) significantly improve yield in Cobalt bearing grades.

SUBSIDIARY COMPANIES

22. During the year under review, the Company sold its entire shareholding in Uttam Fiscal Services Limited and Tandem Fiscal Services Limited with the twin objectives of creating liquidity and exiting from non-core investments which were no longer of strategic importance to your Company. Accounts and annual reports of the other subsidiary companies have been appended hereto.

PARTICULARS OF EMPLOYEES

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

DIRECTORS

24. Mr. K K Bangur, Mr. R P Goyal, Mr. A L A Mudaliar, Mr. Y F Lombard, Directors, Mr. P K Khaitan and Mr. N N Kampani, Alternate Directors resigned from the Board during the year. IFCI withdrew the nomination of Mr. N D Auddy from the Board of Company with effect from 4th June, 2001. The Directors record their deep appreciation of the valuable services rendered by them during their association with the Company.

Directors retiring by rotation at the forthcoming Annual General Meeting are Mr. J D Curravala and Mr. S K Mukerji and both being eligible, offer themselves for re-election.

AUDITORS

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

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA) OF THE COMPANIES ACT, 1956

26. The Directors hereby confirm :

- i) that in the preparation of the annual accounts, the applicable accounting standards had been

followed along with proper explanation relating to material departures;

- ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) that the Directors had taken proper and sufficient care 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;
- iv) that the Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

27. Although all the requirements of Corporate Governance Code are not applicable immediately, your Company, recognizing the importance of good governance had already in place an Audit Committee and Shareholders/Investors Grievance Committee. The Company has also taken adequate steps to comply with other requirements of the Corporate Governance Code.

ACKNOWLEDGEMENT

28. 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

Kolkata,
28th June, 2001

J D Curravala
Managing Director

G Srinivasan
Director

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 31.3.2001	Previous Year Ended 31.3.2000
		Powmex Steels Divn.	Powmex Steels Divn.
1. Electricity :			
a) Purchased			
Unit (KWh million)		8.41	9.02
Total Amount (Rs. Crores)		3.19	3.24
Rate/Unit (Rs.)		3.79	3.59
b) Own Generation (Diesel Generator)			
Unit (KWh)		Nil	Nil
Unit/Litre of Diesel Oil		Nil	Nil
Cost/Unit — Variable (Rs.)		Nil	Nil
2. HSD/Furnace Oil			
Quantity (Kilo Litre)		1,658	1,816
Total Amount (Rs. Crores)		2.51	2.28
Average Rate/Kilo Litre (Rs.)		15,159	12,522
(B) CONSUMPTION PER UNIT OF PRODUCTION (M.T.)			
Electricity (KWh/tonne)	Melting	949	944
	Black Bar	1144	903
	Bright Bar	221	193
	Heat Treatment	219	148
HSD/Furnace Oil			
(Litre/tonne)	Rolled Product	381	362

GKW LIMITED

Particulars of employees forming part of the Directors' Report for the year ended 31st March, 2001

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	61	B.Com., A.C.A., LL.B.	36	Managing Director	01.04.70	1,266,599	Stewart & Lloyds Ltd.	Financial Accountant	2
Srinivasan G	57	B.E. Mech., D.I.M.	34	Wholetime Director	13.09.97	1,218,000	Zuari Industries Ltd.	Executive President	3

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 contractuals.
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.



For and on behalf of the Board

Kolkata,
28th June, 2001J D Curavala
Managing DirectorG Srinivasan
Director