

# REPORT AND ACCOUNTS 2002-2003



**GKW Limited**

**MANAGING DIRECTOR**

J D Curavala

**WHOLETIME DIRECTOR**

G Srinivasan

**DIRECTORS**

S K Mukerji

*Nominee of LIC**(since resigned)*

P N Biyani

**SECRETARY**

D Sarkar

**AUDITORS**

Lodha &amp; Co.

**REGISTERED OFFICE**

3A Shakespeare Sarani

Kolkata 700 071

Phone : 2282 2385/2386

Fax : 2282 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

**REGISTRAR & SHARE TRANSFER AGENT***(For Physical & Demat)*

C. B. Management Services Pvt. Ltd.

P-22, Bondel Road

Kolkata 700 019

Phone : 2280 6692 – 94

Fax : 2247 0263

E-mail : cbmsl1@cal2.vsnl.net.in

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**GKW LIMITED****DIRECTORS' REPORT  
TO THE SHAREHOLDERS**

1. Your Directors submit their Annual Report together with the audited accounts for the year ended 31st March, 2003.
2. The results for the year under review are given below :

	Rs. Crores	
	2002/2003	2001/2002
Sales	64.56	66.22
Profit/(Loss) before interest, depreciation and extra-ordinary items	(6.07)	(17.03)
Interest	(14.98)	(14.93)
Gross Profit/(Loss)	(21.05)	(31.96)
Depreciation	(9.08)	(9.07)
Profit/(Loss) before Tax	(30.13)	(41.04)
Taxation (Net)	2.42	(0.01)
Profit/(Loss) after Taxation for the year	(27.74)	(51.17)
Prior year Income/ (Expenses)	0.18	0.17
Extra-ordinary Items	—	48.41
Profit/(Loss) after Taxation and Extra-ordinary Items	(27.53)	7.54

As can be seen from the above table, loss for the year ended 31.3.2003 has been substantially reduced by Rs.10.91 crores as compared to the previous year.

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, 2003.

**ACCOUNTS & FINANCE**

4. Out of the amounts no longer required to be kept in the Property Revaluation Reserve an amount of Rs. 37 lakhs (2001/2002 – Rs. 23 lakhs) has been transferred to Profit and Loss Account and Rs. NIL transferred to extra-ordinary items (2001/2002 – Rs.117 lakhs).
5. Capital expenditure during the year under review amounted to Rs. 3 lakhs (2001/2002 – Rs. 6 lakhs) and the value of new assets put into use was Rs. 3 lakhs (2001/2002 – Rs. 6 lakhs).
6. The total borrowings as at 31st March, 2003 amounted to Rs. 10989 lakhs (2001/2002 – Rs. 9614 lakhs) out of which bank borrowing was Rs. 9520 lakhs (2001/2002 – Rs. 8226 lakhs).
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, Auditors' observation pertaining to applicability of the provisions of Section 274(1)(g) of the Companies Act, 1956, regarding disqualification of Directors referred to in their Report, Note 29(d) to the Accounts is self-explanatory.

**CONSOLIDATED ACCOUNTS**

8. In compliance with Accounting Standard No. 21 of The Institute of Chartered Accountants of India, consolidated accounts are annexed hereto. As regards Auditor's comments on non-inclusion of GKW Cement Limited, Note No. 29(f) to the accounts is self-explanatory.

**MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS**

9. Performance of the operating divisions was affected mainly due to severe liquidity problems. Despite this, the restructuring exercise continued during the year.
10. Sankey Electrical Stampings Division at Bhandup was able to reduce its operating losses mainly on account of reduction in costs. Steps are being taken to restructure its operation for long term viability. The division's Bangalore unit continues to remain closed and will be dealt with in the overall restructuring plan of the Company.
11. The Metal Pressings unit near Pune operated under extremely competitive market conditions and had to contend with static product prices on the one hand and increase in plant maintenance costs on the other. It is expected that with the pick-up in the small car segment, the division can look forward to improved volumes in the current year.
12. The Andul Road Works (ARW) divisions, comprising Steel, Bolt & Nut, Engineering and Machinery and Unit of Sankey Electrical Stampings Division continued to remain under suspension of work.
13. Powmex Steels Division's operations were characterised by stagnant domestic demand, working capital constraints, and increase in input costs. However, sustained efforts on the export front have yielded results, with exports registering an increase of Rs. 299 lakhs in the year under review. Your Directors are intensifying efforts to increase the export base, as the division is in a position to compete globally both on quality and pricing fronts.
14. Screws & Fasteners Division's profitability was affected to some extent due to adverse product mix and the division's inability to increase product prices during the year under review. The division is facing severe price competition in the market place, as also intermittent liquidity constraints.
15. The Company has adequate internal control system to ensure protection of assets against loss from unauthorised use or disposal, proper maintenance of accounting records and adherence to Company's policies and procedures. The Company has an Internal Audit system which is commensurate with its size and nature of its business. An Audit Committee of the Board of Directors periodically reviews the internal control systems to ensure their effectiveness and adequacy.
16. The Industrial Relations situation was generally stable with no material developments in human resources/

industrial relations front during the period under review.

The total number of employees was 2965 as on 31st March, 2003.

## RESTRUCTURING

17. As part of the ongoing debt restructuring exercise :
  - a revised proposal for settlement of Banker's dues was submitted to the consortium of Bankers. The Company is awaiting final acceptance of the said proposal by the concerned Bankers.
  - the MOU with Unit Trust of India and Army Group Insurance Fund towards swapping of property against their dues pertaining to 19% non convertible Debentures has been approved by the Board for Industrial and Financial Reconstruction for implementation.

## DELISTING OF THE COMPANY'S EQUITY SHARES

18. The Equity Shares of the Company are at present listed on the Stock Exchanges at Kolkata (CSE), Mumbai (BSE), the National Stock Exchange (NSE) and are compulsorily traded in dematerialized form.

The Board of Directors have decided to apply for the Delisting under the SEBI (Delisting of Securities) – Guidelines – 2003 of the Company's Equity Shares from Stock Exchanges at CSE and BSE. Since the Equity Shares will continue to be listed at NSE, no EXIT option is required to be offered to the Shareholders.

## SCHEME FOR REHABILITATION

19. As reported earlier, the Board for Industrial and Financial Reconstruction (BIFR) declared the Company as a Sick Industrial Company in April 2002 and appointed State Bank of India as Operating Agency (OA) to examine the viability of the Company and formulate a rehabilitation scheme.

Based on the Rehabilitation Scheme (RS) submitted by the Company, and the techno-economic viability study conducted by the OA, a background paper was circulated to all the concerned parties, and the OA held a joint meeting in February 2003.

Subsequently at the BIFR hearing held in March 2003, the Hon'ble Bench directed the Company to obtain consensus on certain issues and submit a revised tied-up rehabilitation proposal to the OA. The Company has since submitted a Revised Rehabilitation Scheme (RRS) incorporating *inter alia* a plan for settlement of secured creditors' dues and rationalization of the Company's operations/workforce. The said RRS was discussed at a Joint Meeting held in June, 2003 and the OA will submit its report to the Hon'ble Bench.

## EXPORTS

20. Products exported during the year amounted to Rs.899 lakhs (2001/2002 Rs.648 lakhs). Powmex Steels Division accounted for total exports.

21. Earnings in foreign exchange during the year amounted to Rs. 880 lakhs (2001/2002 – Rs. 648 lakhs) and outgo was Rs. 847 lakhs ( 2001/2002 – Rs. 708 lakhs).

## CONSERVATION OF ENERGY

22. The prescribed Form 'A' relating to conservation of energy in the Company's Powmex Steels Division at Titilagarh in Orissa is annexed. Energy saving measures adopted during the year have yielded results. There has been a decrease in consumption of electricity in the areas of melting, black bar and bright bar production as compared to the previous year. However, the increase in consumption in the heat treatment area was due to change in product mix necessitating longer annealing cycles. There has also been a significant reduction in the consumption of HSD/Furnace Oil in the Rolling Mill area.

## TECHNOLOGY AND RESEARCH & DEVELOPMENT

23. During the year under review Powmex Steels Division :
  - has developed a special grade of high speed steel viz. Werkstoff 1.3341 for the export market.
  - has productionised squares of small sizes viz. upto 7.2mm in the hot rolling mill for the domestic and export market.
  - redesigned and modified a special batch type annealing furnace, which has contributed towards improvement in quality of cobalt grade high speed steel products of the division.

## SUBSIDIARY COMPANIES

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

## PARTICULARS OF EMPLOYEES

25. There was no employee in receipt of remuneration the particulars of which are required to be given as per Companies (Particulars of Employees) Rules 1975 (as amended).

## DIRECTORS

26. Mr. S. K. Mukerji, Director retires by rotation at the forthcoming Annual General Meeting.

## AUDITORS

27. 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.

28. 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;

**GKW LIMITED**

- 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**

29. The report on Corporate Governance is appended hereto.

**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

Kolkata  
27th June, 2003

J D Curravala  
Managing Director

G Srinivasan  
Director

**FORM – A**

(See Rule 2)

**Form for disclosure of particulars with respect to conservation of energy****(A) POWER & FUEL CONSUMPTION****1. Electricity :****a) Purchased**

Unit (KWh million)  
Total Amount (Rs. Crores)  
Rate/Unit (Rs.)

**Current Year  
Ended  
31.3.2003**

**Powmex  
Steels Division**

**Previous Year  
Ended  
31.3.2002**

**Powmex  
Steels Division**

9.69  
3.96  
4.09

9.74  
3.95  
4.06

**b) Own Generation (Diesel Generator)**

Unit (KWh)  
Unit/Litre of Diesel Oil  
Cost/Unit — Variable (Rs.)

Nil  
Nil  
Nil  
Nil

Nil  
Nil  
Nil  
Nil

**2. HSD/Furnace Oil**

Quantity (Kilo Litre)  
Total Amount (Rs. Crores)  
Average Rate/Kilo Litre (Rs.)

2,301  
3.92  
17,036

2,381  
4.00  
16,801

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

Electricity (KWh/tonne)

Melting  
Black Bar  
Bright Bar  
Heat Treatment

950  
1,076  
139  
153

997  
1,112  
191  
100

HSD/Furnace Oil  
(Litre/tonne)

Rolled Product

371

449

## REPORT ON CORPORATE GOVERNANCE

The following is a report on the ongoing implementation of the Code by your Company.

### 1. Company's Philosophy on Corporate Governance

The Company has always recognised the importance of good Corporate Governance and has strived to practice and improve its focus on it by increasing transparency and accountability to its shareholders and other stakeholders.

### 2. Composition Category and Directorship in other Companies

#### Board of Directors

Director	Executive/ Non-executive Independent	Member of Board of Other Public Cos.	Total No. of other committee membership held	
			As Chairman	As Member
Mr. S. K. Mukerji	Non-Executive*	—	—	—
Mr. J. D. Curravala	Executive	—	—	—
Mr. G. Srinivasan	Executive	—	—	—
* also independent				

#### Board, Annual General Meeting and Attendance

Board Meetings were held on 28th June, 26th September, 28th November, 2002 and 27th March, 2003. The Annual General Meeting was held on 27th September, 2002.

Director	No. of Board Meetings		Attended last AGM
	Held	Attended	
Mr. S. K. Mukerji	4	4	Yes
Mr. J. D. Curravala	4	4	Yes
Mr. G. Srinivasan	4	4	Yes

### 3. Audit Committee

The broad terms of reference of the Audit Committee are to review and interact with the Management and/or Statutory Auditor and/or Internal Auditor in the following areas :

- appointment and terms thereof of Statutory Auditor.
- the statutory annual, half-yearly and quarterly financial reporting by the Company.
- Updation of applicable accounting policies of the Company in terms of the accounting standards.
- The audit approach and methodology of Statutory Auditors and any material issues arising from the audit.
- The adequacy and effectiveness of accounting and financial controls of the Company, Compliance with Company policies and applicable laws and regulations.
- Undertake special tasks assigned by the Board and recommend corrective actions.

#### Compositions, Name of Members and Chairpersons

Audit Committee meetings were held on 28th June, 26th September, 28th November, 2002, and 27th March, 2003.

Member	Meetings Held	Meetings Attended
Mr. S. K. Mukerji	4	4
Mr. G. Srinivasan	4	4
Mr. J. D. Curravala (by invitation)	4	4

**GKW LIMITED****4. Remuneration Committee**

The Company has not yet formed a Remuneration Committee.

Details of Remuneration to Directors for the year ended 31st March, 2003.

Sl. No.	Name	Salary Rs.	Commission Rs.	Perquisites Rs.	Sitting fees Rs.	Total Rs.
1.	Mr. S. K. Mukerji	–	–	–	22000	22000
2.	Mr. J. D. Curravala	780,000	–	362,958	–	1142,958
3.	Mr. G. Srinivasan	600,000	–	487,000	–	1087,000

The above remuneration is within the ceiling prescribed under the applicable provisions of the Companies Act, 1956.

(Company's application for the re-appointment of Shri Gopal Srinivasan as Executive Director is pending before the Department of Company Affairs. However, minimum remuneration as prescribed in Schedule XIII has been considered as managerial remuneration payable to him subject to such approval).

**5. Shareholders'/Investors' Grievance Committee**

The Investors Grievance Committee of the Company, under the nomenclature "Shareholders Grievance and Service Committee" approves transfer and transmission, duplicate, sub-division and replacement of shares, debentures, fixed deposits, other related matters and to deal with complaints regarding transfer of shares, debentures and fixed deposits, non-receipt of balance sheet and non-receipt of dividend.

The Committee is headed by Mr. S. K. Mukerji and Mr. D. Sarkar, Company Secretary is the Compliance Officer. The

Company has received 26 complaints as on 31.3.2003, out of which 19 have been resolved and for the remaining, further information has been asked from the complainants.

**6. General Body Meetings****A. Location and time for last three Annual General Meetings were :**

Financial Year	Date of AGM	Venue	Time
31st March, 2002	27th September, 2002	Kala Kunj, Kolkata	11.00 a.m.
31st March, 2001	26th September, 2001	Kala Kunj, Kolkata	11.00 a.m.
31st March, 2000	21st December, 2000	Kala Kunj, Kolkata	10.30 a.m.

**B. Special Resolutions at the last three Annual General Meetings :**

- i) At the Seventieth Annual General Meeting held on 21st September, 2000.
  - Appointment of Auditors
- ii) At the Seventyfirst Annual General Meeting held on 6th September, 2001.
  - Appointment of Auditors
- iii) At the Seventysecond Annual General Meeting held on 27th September, 2002.
  - None

No resolution was put through postal ballot.

**7. Disclosures**

Disclosures on materially significant related party transactions of the Company of material nature, with its promoters, the directors, the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large :

None

Details of non-compliance by the Company, penalties, strictures on the Company by Stock Exchanges, SEBI or any Statutory Authority, on any matter related to the Capital markets, during the last three years.

No penalties or strictures have been imposed by any regulatory authority on any matter related to Capital markets during the last three years.

**8. Means of Communications**

- Half yearly results sent to each household of shareholders : No
- Quarterly Results : The quarterly results published in the proforma prescribed under the Listing Agreement are approved and taken on record within one month of the close of the relevant quarter. The approved results are notified forthwith to the concerned Stock Exchanges. As the Company publishes the audited financial results within the stipulated period of three months from the close of the financial year, the unaudited financial results for the last quarter of the financial year are not published as per the Listing Agreement with the Stock Exchanges.
- Which Newspaper normally published in : Business Standard (English newspaper – all India edition)  
Aaj Kal (Bengali newspaper – local edition)
- Any Website, where displayed : No
- Whether it displays official news releases : No
- Whether presentation made to Institutional investors or to analyst : No
- Whether Management Discussion and Analysis Report is a part of Annual Report or not : Yes

**9. General Shareholders Information**

	Date	Time	Venue
AGM	26th September, 2003	11.00 a.m.	Kala Kunj 48 Shakespeare Sarani Kolkata 700 017
Financial Calendar (tentative) 2003-2004			
i) Financial Year	:	April – March	
ii) First Quarter Results	:	July 2003	
iii) Second Quarter Results	:	October 2003	
iv) Third Quarter Results	:	January 2004	
v) Audited results for the year ending 31st March, 2004	:	June 2004	
Date of Book Closure	:	15th September, 2003 to 26th September, 2003 (both days inclusive)	
Dividend payment Date	:	Not applicable	
Listing on Stock Exchanges			
a) The Calcutta Stock Exchange Association Limited, 7 Lyons Range, Kolkata 700 001.			
b) The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023.			
c) National Stock Exchange of India Limited, Trade World, Senapati Bapat Marg, Lower Parel, Mumbai 400 013.			
<b>Stock Code</b>	<b>Physical</b>	<b>Demat</b>	
Calcutta Stock Exchange	9	10000009	
The Stock Exchange, Mumbai	504704		
National Stock Exchange	GKW		

Annual listing fees have been paid to all these Stock Exchanges for the year 2003-2004.



**GKW LIMITED****Stock Market Data****Stock Market Price for the year**

Month	High(Rs.)	N S E		NSE NIFTY	
		Low (Rs.)	High	Low	
April 2002	1.80	1.05	1153.50	1073.30	
May 2002	4.90	1.40	1136.55	1024.30	
June 2002	6.35	3.50	1102.05	1029.25	
July 2002	8.90	3.60	1087.40	972.55	
August 2002	4.75	2.80	1012.75	935.55	
September 2002	3.60	2.50	1024.65	960.20	
October 2002	3.60	2.35	983.65	921.65	
November 2002	3.50	2.45	1057.45	946.40	
December 2002	4.10	2.80	1103.95	1034.10	
January 2003	3.10	2.40	1105.60	1026.75	
February 2003	2.85	2.30	1075.50	1034.10	
March 2003	2.80	1.35	1070.85	974.10	

Registrar and Transfer Agents

: C. B. Management Services Pvt. Ltd.  
P-22, Bondel Road  
Kolkata 700 019

Share Transfer Systems

: Share transfers are registered and returned within 30 days of lodgment thereof, if the documents are clear in all respects.

**Distribution of shareholding**

Distribution of share holding as on 31.3.2003

No. of Shares held	No. of Share Holders	%	No. of Shares	%
1 to 500	108656	97.54	4427884	14.92
501 to 1000	1552	1.39	1293151	4.35
1001 to 2000	666	0.59	1024676	3.45
2001 to 3000	196	0.17	502694	1.69
3001 to 4000	83	0.07	301732	1.01
4001 to 5000	75	0.06	358278	1.20
5001 to 10000	89	0.07	635818	2.14
10001 & above	71	0.06	21120775	71.19
<b>TOTAL</b>	<b>111388</b>	<b>100.00</b>	<b>29665008</b>	<b>100.00</b>

Dematerialisation of shares and liquidity

: The shares of the Company are compulsorily traded in dematerialised form and are available for trading under both the depository systems in India.

As on 31.3.2003, a total of 1,42,40,53 ordinary shares of the Company which forms 48% of the share capital stands dematerialised under the Depository system, the International Securities Identification Number (ISIN) allotted to the Company's ordinary shares is INE 528A 01012

Outstanding GDRs/ADRs/Warrants or any  
Convertible, Instruments, Conversion Date and  
likely impact on Equity

: None

**Plant Locations**

Bolt & Nut Division  
97, Andul Road  
Howrah 711 103, West Bengal

Steel Division  
Bolt & Nut Division  
Engineering & Machinery Division  
Sankey Electrical Stampings Division  
97 Andul Road  
Howrah 711 103, West Bengal

Wheels Division  
Feeder Road  
Durgapur 713 201  
District Burdwan, West Bengal

Screws & Fasteners Division  
Lal Bahadur Shastri Marg  
Bhandup  
Mumbai 400 078, Maharashtra

Powmex Steels Division  
Village – Turla  
Taluk – Titilagarh  
District Bolangir, Orissa 767 033

Engineering & Machinery Division  
97, Andul Road  
Howrah 711 103, West Bengal

Sankey Electrical Stampings Division  
Lal Bahadur Shastri Marg  
Bhandup  
Mumbai 400 078  
Maharashtra

Sankey Electrical Stampings Division  
3, Rajajinagar  
Bangalore

Metal Pressings Division  
Village – Pimple, Jagtap  
Taluk – Jagtap  
District – Shinur, Pune 412 208

**Address for Correspondence**

GKW Limited  
3A, Shakespeare Sarani  
Kolkata 700 071

Kolkata  
27th June, 2003

For and on behalf of the Board

J D Curravala      G Srinivasan  
Managing Director      Director

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE****TO THE MEMBERS OF GKW LIMITED**

We have examined the compliance of conditions of Corporate Governance by GKW Limited, for the year ended on 31st March, 2003 as stipulated in Clause 49 of Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of 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 the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned listing agreement, except as given below :

Requirements with respect to optimum combination of executive and non-executive directors, constitution of audit

committee having minimum of three members in audit committee, having of at least one member with financial or accounting background and quorum for such committee meetings were not complied with by the Company, as explained due to constraint in the number of directors.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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.

For LODHA & CO.  
Chartered Accountants

P L Vadera  
Partner

Place : Kolkata

Date : 27th June, 2003