

REPORT AND ACCOUNTS 2011-2012



GKW Limited

MANAGING DIRECTOR
J D Curravala

WHOLETIME DIRECTOR
G Srinivasan

DIRECTORS
M L Lahoti
N K Navalakha
P S Lodha

VICE PRESIDENT & SECRETARY
J N Ghosh

AUDITORS
Lodha & Co.

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Kolkata - 700 071
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BANKERS
State Bank of India
Corporation Bank
AXIS Bank Limited

REGISTRAR & SHARE TRANSFER AGENT
(For Physical & Demat)
C. B. Management Services Pvt. Ltd.
P-22, Bondel Road
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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, 2012.
2. The results for the year under review are given below :

	₹ Lakhs	
	2011-2012	2010-2011
Total Revenue	4837.30	5029.75
Profit before depreciation	1506.29	2259.94
Depreciation	101.79	84.72
Profit before Tax	1404.50	2175.22
Taxation (including MAT credit) (30.50)		192.94
Profit after taxation	1374.00	2368.16

During the period under review, profit before tax amounted to ₹ 1404.50 lakhs and profit after tax amounted to ₹ 1374.00 lakhs as compared to ₹ 2175.22 lakhs and ₹ 2368.16 lakhs respectively during the previous year, mainly due to a gain of ₹ 500 lakhs on sale of tenancy rights in 2010-11.

DIVIDEND

3. The Company continues to be in consolidation mode, hence no dividend has been considered for the year under review.

FINANCE & ACCOUNTS

4. It is proposed to transfer a sum of ₹ 2000 lakhs (2010-11 ₹ 3000 lakhs) to General Reserve.
5. As in the previous year, there were no borrowings during the year ended 31st March 2012.
6. Capital Expenditure for the year amounted to ₹ 18.92 Lakhs (2010-11 - ₹ 8.54 Lakhs) and value of assets put into use during the year amounted to ₹ 18.92 Lakhs (2010-11 - ₹ 8.54 Lakhs)

CONSOLIDATED ACCOUNTS

7. In compliance with Accounting Standard 21 of The Institute of Chartered Accountants of India, consolidated accounts are annexed hereto.

MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS

OPERATIONS

8. Total revenue was marginally lower as the decrease in operating revenue was offset by an increase in other income.
9. Metal Pressings Division at Pune experienced improvement in demand for its products in the second half of the year under review and was able to take advantage of this situation by fully meeting its customers' requirement.

The Division succeeded in broadening the customer base by bringing in its fold two major automobile component manufacturers during the year under review.

The automobile and tractor segments serviced by the division achieved significant growth during the year under review, however sustainability of such growth in the future will largely depend on the domestic economic performance in particular and the global economic scenario in general.

As in earlier years, the division faced considerable pressure for price reduction and had to make price adjustments in certain cases to retain volumes. Hence the need for continuous cost reduction and productivity improvement efforts to remain competitive in a highly price sensitive market.

10. Screws and Fasteners Division at Pune was able to increase production and sale of steel wood screws during the year under review, but was unable to reach full potential due to teething problems faced by it during the start up phase. These problems have now been overcome and efforts are on to improve the division's performance in the near future.

The division was able to manufacture a small quantity of Safety Pins during the year under review. This product line will also be under focus to achieve higher volumes and improved pricing.

11. During the year under review, the Business Service Centre Agreement to provide business, administrative, communication and internet services from the Company's offices at Koikata and Mumbai was renewed for a period of one year with effect from 1st April, 2011. Income from this activity has been reflected in the accounts for the year under review.

OUTLOOK

12. You would have observed a steady improvement in the net worth and the increase in Shareholders Funds. The business of the company is still at consolidation stage. This process of business consolidation adopted by your Company is being pursued vigorously, so that at an appropriate time the Company can take advantage of emerging business opportunities and also provide a strong base for utilization/development of its assets for significant future growth.

RISKS AND CONCERNS

13. Your Directors recognize that there are uncertainties and risks attached to any business. The risks could be external, internal, or a combination of both. External risks can be intensification of competition, product substitution, technological obsolescence, changes in Government policy with regard to taxes and levies or economic slowdown adversely impacting demand and profitability. Such risks will be continuously monitored and appropriate action taken by the Company to minimize the same. Internal risks

comprise operating risks, financial risks and business risk. The company will take effective steps to deal with such risks.

An operating Division of the Company would identify any risks as perceived by them and take immediate steps to minimize the impact and at the same time submit a report to the next higher level of reporting.

Both the divisions face market risks, while the Metal Pressings Division is dependent on the growth in the automobile and tractor businesses of its customers on the one hand, it has got to contend with the resultant pressure on prices on the other. Screws and Fasteners Division has to rebuild its position in the market place and compete with low cost manufacturers. Your Company is trying to mitigate these risks by endeavouring to increase the customer base in the case of Metal Pressings Division and improving market penetration in the case of Screws and Fasteners Division.

INTERNAL CONTROL

14. 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 as also the annual financial statements with particular reference to major accounting entries, involving estimates based on the exercise of judgement by the management. Apart from this, audit

reports and follow-up actions are periodically reviewed by the Divisional heads at the unit levels.

HUMAN RESOURCES

15. During the year under review industrial relations in the Metal Pressings and Screws and Fasteners Divisions at Pune were stable.

The total number of employees was 75 as on 31st March, 2012.

PARTICULARS OF EMPLOYEES

16. Information as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975, as amended, is not applicable as no employee is covered under the said Rules.

SUBSIDIARY COMPANY

17. Accounts and annual report of GKW (Overseas Trading) Limited, a subsidiary company, has been appended hereto.

INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

18. Particulars as prescribed under sub-section (1) (e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given below:

A CONSERVATION OF ENERGY

Measures undertaken for conservation of energy during the period under review included overhaul of air compressor, plugging of leakages in compressed air supply lines and in presses. Capacitor banks were maintained for improvement in power factor.

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION AND INNOVATION

The nature of business activity carried on by the Company does not have much scope for any Research, Development, Technology Absorption and Innovation. However new product development and process improvement is an on-going activity.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings in foreign exchange during the year amounted to ₹ NIL (2010/ 2011 – ₹ Nil) and outgo was ₹ Nil lakhs (2010/ 2011 – ₹ 4.70 lakhs).

DIRECTORS

19. Mr. J. D. Curravala, Director of the Company, retires by rotation and being eligible, offers himself for re-appointment.
20. Mr. P. S. Lodha, Director of the Company, retires by rotation and being eligible, offers himself for re-appointment.
21. Mr. J. D. Curravala, Managing Director was re-appointed as Managing Director of the Company for a period of one year from 11th August, 2011 and has been further reappointed as Managing Director of the Company for a period of one year from 11th August 2012, subject to approval of the Shareholders in General Meeting.
22. Mr. G. Srinivasan, Director was re-appointed as Wholetime Director of the Company for a period of one year from 13th September, 2011 and has been further reappointed as Wholetime Director of the Company for a period of one year from 13th September 2012, subject to approval of the Shareholders in General Meeting.

AUDITORS

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

COST AUDITORS

24. Pursuant to the Ministry of Corporate Affairs, Cost Audit Branch Order No. F.No.52/26/CAB-2010 dated 30th June, 2011 the Company has appointed Cost Auditors for the audit of Cost Accounting Records of the Screws & Fasteners Division for the financial years 2011-12 and 2012-13. The due date for filing the Cost Audit Report for the financial year ended 31.3.2012 for Screws & Fasteners Division is 27th September 2012. Further pursuant to the Ministry of Corporate Affairs, Cost Audit Branch Order No. 52/26/CAB-2010 dated 24th January, 2012 the Company has appointed Cost Auditors for the Audit of Cost Accounting Records of the Metal Pressings Division for the financial year 2012-13.

INFORMATION PERTAINING TO LISTING

25. The Company's equity shares are listed with National Stock Exchange of India Limited. The Annual Listing Fees have been paid to National Stock Exchange of India Limited for the year 2012-13.

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. The Company has taken adequate steps to ensure compliance of the mandatory provisions of Corporate Governance as issued by Securities and Exchange Board of India vide Circular No. SEBI/CFD/DIL/CG/1/2004/12/10 dated 29.10.2004. A report on Corporate Governance is appended hereto.

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 700 071
23rd May, 2012

J D Curavala G. Srinivasan
Managing Director Director

REPORT ON CORPORATE GOVERNANCE

The following is a report on the Code of Corporate Governance practiced 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. J. D. Curravala	Executive	Graphite India Limited	–	1
Mr. G. Srinivasan	Executive	–	–	–
Mr. M.L. Lahoti	Non-Executive*	GKW (Overseas Trading) Limited	–	–
Mr. N.K. Navalakha	Non-Executive*	–	–	–
Mr. P.S. Lodha	Non-Executive*	–	–	–

* also independent

Board, Annual General Meeting and Attendance

Board Meetings were held on 10th May '11, 26th July'11, 14th November'11 and 13th February'12. The Annual General Meeting was held on 26th July, 2011.

<u>Director</u>	<u>No. of Board Meetings</u>		<u>Attended last AGM</u>
	<u>Held</u>	<u>Attended</u>	
Mr. J. D. Curravala	4	4	Yes
Mr. G. Srinivasan	4	4	Yes
Mr. M.L. Lahoti	4	4	Yes
Mr. N.K. Navalakha	4	3	Yes
Mr. P. S. Lodha	4	4	Yes

3. Code of Conduct

The Company has laid down a code of conduct for all its Board Members and Senior Management Personnel. In terms of the revised Clause 49 of the Listing Agreement (Corporate Governance), the Company has received the necessary declarations affirming compliance with it during the year ended 31st March, 2012. All the Directors and Senior Management Personnel have affirmed to fulfill their responsibilities and uphold the high standards of behaviour laid down in the Code and further confirm that they will avoid any conflict of interest in the dealings with the Company.

4. Audit Committee

The terms of reference of the Audit Committee have been specified as per the revised Clause 49 of the Listing Agreement with the Stock Exchange. The terms of reference also fully conform to the requirement of Section 292(A) of the Companies Act, 1956. Broadly the following terms are specified for the Audit Committee:

- Appointment and terms thereof of Statutory Auditor and Cost Auditor.
- The statutory annual, half-yearly and quarterly financial reporting by the Company including Management discussion and analysis of financial conditions and results of operation.
- Approval of Cost Audit and also Performance Appraisal Report for Cost Accounting Records of the Divisions of 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.
- Undertaking special tasks assigned by the Board and recommend corrective actions.
- Reviewing the adequacies of the Internal Audit function, if any, including the structure of the Internal Audit Department with reporting coverage and frequency of Internal Audit.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Compositions, Name of Members and Chairperson

Audit Committee meetings were held on 10th May'11, 26th July'11, 14th November'11 and 13th February, 2012.

<u>Member</u>	<u>Category</u>	<u>Meetings Held</u>	<u>Meetings Attended</u>
Mr. M.L. Lahoti, Chairman	Non Executive/ Independent	4	4
Mr. N.K. Navalakha	- do -	4	3
Mr. P. S. Lodha	-do -	4	4

Mr. J.D. Curravala and Mr. G. Srinivasan attended all the meetings by invitation.

5. Remuneration Committee

The Remuneration Committee has been constituted with Mr. M.L. Lahoti, as its Chairman, Mr. N.K. Navalakha and Mr. P. S. Lodha as its members.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/ Wholetime Directors. The Remuneration Committee met once on 26th July, 2011 during the year.

Remuneration Policy : The remuneration of non executive directors is decided by the Board within the limits set out in the Companies Act, 1956. The remuneration of executive directors is approved by the Remuneration Committee, the Board of Directors and the Shareholders in the General Meeting.

Details of Remuneration to Directors for the year ended 31st March 2012.

Sl.No.	Name	Salary	Commission	Perquisites / Allowances, Others	Sitting fees	Total
		₹	₹	₹	₹	₹
1.	Mr. J.D.Curravala	3983333	-	1277423	-	5260756
2.	Mr. G.Srinivasan	2865000	-	1517781	-	4382781
3.	Mr. M.L.Lahoti	-	-	-	72500	72500
4.	Mr. N.K.Navalakha	-	-	-	57500	57500
5.	Mr. P.S.Lodha	-	-	-	72500	72500

Service Contracts, Severance Fees and Notice Period

Period of contract of Managing Director : 1 year from 11-08-2011. The Agreement may be terminated by either party giving the other three month's notice in writing or the Company paying three month's salary in lieu thereof.

There is no separate provision for payment of severance fees.

Period of contract of Wholetime Director : 1 year from 13-09-2011. The Agreement may be terminated by either party giving the other three month's notice in writing or the Company paying three month's salary in lieu thereof.

There is no separate provision for payment of severance fees.

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

6. Share Transfers and Investors' Grievance Committee

The Share Transfer and Investors' Grievance Committee of the Company approves transfer and transmission, duplicate, sub-division, consolidation, replacement, rematerialization and other matters related to shares, debentures, fixed deposits 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. N. K. Navalakha and Company Secretary is the Compliance Officer. There was no complaint of the shareholders during the year.

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

<u>Financial Year</u>	<u>Date of AGM</u>	<u>Venue</u>	<u>Time</u>
31 st March, 2011	26 th July, 2011	Kala Kunj, Kolkata	11.00 a.m.
31 st March, 2010	30 th July, 2010	Kala Kunj, Kolkata	11.00 a.m.
31 st March, 2009	3 rd September, 2009	Kala Kunj, Kolkata	11.00 a.m.

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

i) At the Seventy-ninth Annual General Meeting held on 3rd September, 2009.

- NIL

ii) At the Eightieth Annual General Meeting held on 30th July, 2010.

- NIL

iii) At the Eightyfirst Annual General Meeting held on 26th July, 2011.

– Re-appointment and revision of remuneration of Managing Director.

– Re-appointment and revision of remuneration of Wholetime Director.

No Resolution was passed through Postal Ballot.

8. Disclosures

i) 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.

Disclosure of related parties transactions as per Accounting Standard 18 have been set out in Note No. 26 (10) of financial statement The transactions have no potential conflict with the interest of the Company.

ii) 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.

iii) Details of compliance with mandatory requirements and adoption of non mandatory requirements.

All mandatory requirements with respect to Corporate Governance have duly been complied with.

iv) Adoption of non-mandatory requirements of Clause 49 of the Listing Agreement are reviewed by the Board from time to time.

9. 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 45 days of the close of the relevant quarter. The approved results are notified forthwith to the concerned Stock Exchange. As the Company publishes the audited financial results within the stipulated period of sixty days 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 Exchange.

- Which Newspaper

normally published in

: Financial Express (English newspaper – (Kolkata & normally published in Mumbai)

Aajkal (Bengali newspaper – local edition)

- Any Website, where displayed. : Yes

- Whether it displays official

news releases

: No

- Whether presentation made to Institutional investors or to analyst. : No
- Whether Management discussions and Analysis report is a part of Annual Report or not. : Yes

10. General Shareholders Information

AGM	Date 1 st August, 2012	Time 11.00 a.m.	Venue Kala Kunj
Financial Calendar (tentative) 2012-2013			
i) Financial Year	:	April-March	
ii) First Quarter Results	:	August, 2012	
iii) Second Quarter Results	:	November, 2012	
iv) Third Quarter Results	:	February, 2013	
v) Audited results for the year ending 31 st March, 2013	:	May, 2013	
Date of Book Closure	:	23 rd July, 2012 to 1 st August, 2012 (both days inclusive)	
Dividend payment Date	:	Not applicable	
Listing on Stock Exchanges	:	National Stock Exchange of India Limited, Exchange Plaza, Bandra – Kurla Complex, Bandra (E), Mumbai 400 051.	
<u>Stock Code</u>	<u>Physical</u>	<u>Demat</u>	
National Stock Exchange	GKW		
Demat ISIN Number	INE 528A 01020		

Annual listing fees have been paid to National Stock Exchange for the year 2012-2013.

11. Unclaimed Shares

The Company has since sent third reminder to comply with the Clause 5A(h) of the Listing Agreement for the shares which remained unclaimed by the Shareholders due to insufficient/incorrect information or for any other reason, before transferring in demat mode to one folio in the name of Unclaimed Suspense Account with one of the Depository participants.

12. Stock Market Data

Stock Market Price for the year Month	N S E		NSE NIFTY	
	High(₹)	Low(₹)	High(₹)	Low(₹)
April 2011	585.00	526.50	5944.45	5693.25
May 2011	580.00	417.00	5775.25	5328.70
June 2011	524.80	450.05	5657.90	5195.90
July 2011	530.00	470.00	5740.40	5453.95
August 2011	580.00	451.00	5551.90	4720.00
September 2011	539.00	450.00	5169.25	4758.85
October 2011	480.00	450.00	5399.70	4728.30
November 2011	474.00	423.00	5326.45	4639.10
December 2011	454.00	419.00	5099.25	4531.15
January 2012	444.00	400.00	5217.00	4588.05
February 2012	446.00	390.00	5629.95	5159.00
March 2012	444.00	384.00	5499.40	5135.95