

GEE GEE GRANITES LIMITED



Report  junction.com

Ninth Annual Report 1998 - 99



GEE GEE GRANITES LIMITED

REGISTERED OFFICE & FACTORY

23, Nochimedu Village
Nemam, Poonamallee Taluk
Tiruvallur District - 602 107

ADMINISTRATIVE OFFICE

'GEE GEE MINAR'
23, College Road,
Nungambakkam,
Chennai - 600 006.

ANNUAL GENERAL MEETING

Date : 19th May 1999
Day : Wednesday
Time : 4.30 P.M.
Venue : 23, Nochimedu Village
Nemam, Poonamallee Taluk
Tiruvallur District
Pin Code : 602 107.

| CONTENTS | PAGE |
|-------------------------|------|
| Notice | 2 |
| Director's Report | 5 |
| Auditor's Report | 9 |
| Balance Sheet | 11 |
| Profit and Loss Account | 12 |
| Schedules | 13 |
| Notes on Accounts | 18 |
| Cash Flow Statement | 21 |
| Part IV of Schedule VI | 23 |

DIRECTORS

G. HARESH CHAND
Managing Director

SUNIL G. DUSEJA
Wholetime Director

SHYAM G. DUSEJA

GOPICHAND IDANDAS

GORDHANDAS IDANDAS

T. SHANMUGAM

S.R. KUMAR

AUDITORS

M/s. B.P. JAIN & CO.
Chartered Accountants
23, College Road
Chennai - 600 006.

BANKERS

STATE BANK OF INDIA
Overseas Branch
Chennai - 600 001

PROJECT FINANCE

INDUSTRIAL DEVELOPMENT
BANK OF INDIA
115, Anna Salai
Saidapet,
Chennai - 600 015.

FOR THE ATTENTION OF MEMBERS

Members are requested to quote Folio Number in all correspondence and also to bring with them the Attendance Slip which may be surrendered at the entrance duly signed.

**NOTICE**

NOTICE is hereby given that the Ninth Annual General Meeting of the Company will be held on Wednesday, the 19th May 1999 at the Registered Office of the Company at 23, Nochimedu Village, Nemam, Poonamalee Taluk, Tiruvallur Dist., 602 107 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March 1999 and the Profit and Loss Account for the year ended on that date and the reports of Directors and Auditors.
2. To appoint a Director in place of Mr. Gordhandas Idandas who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Sunil G. Duseja who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration. The retiring Auditors M/s. B.P. Jain & Co., Chartered Accountants, Chennai are eligible for reappointment.

SPECIAL BUSINESS:

5. To consider and if deemed fit to pass the following resolutions with or without modification as ordinary resolutions.
 - a. "RESOLVED that Mr. G. Haresh Chand, be and is hereby reappointed as the Managing Director of the Company for a period of five years with effect from 17.7.1997 on the existing terms and conditions and remuneration as approved by the members at their meeting held on 26.9.1994."
 - b. "RESOLVED that Mr. Sunil G. Duseja, be and is hereby reappointed as the Wholetime Director of the Company for a period of five years effective from 4.8.1999 on the existing terms and conditions and remuneration as approved by the members at their meeting held on 26.9.1994."

By Order of the Board
For GEE GEE GRANITES LIMITED

Place : Chennai.
Date : 15.4.1999.

G. HARESH CHAND
Managing Director

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies to be effective should be deposited at the Administrative Office of the Company at 23, College Road, Nungambakkam, Chennai. 600006 not less than 48 hours before the meeting.
2. The Register of the Members and the share transfer books of the Company will remain closed from 18.5.1999 to 19.5.1999 both days inclusive.
3. Members desirous of obtaining any information on the Annual Accounts to be considered at the meeting are requested to write to the Company at an early date to facilitate compilation of information.
4. Members are requested to intimate change in their address, if any, immediately to the Company at its Administrative Office quoting their folio numbers.
5. THE EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

Item 5. a. Mr. G. Haresh Chand was appointed as Managing Director on 17th July 1992 for a period of five years and the remuneration fixed therein was revised effective from 1st April 1994 at the Annual General Meeting of the Company held on 26th September 1994 as follows:

**I. SALARY :**

Rs.25,000/- (Rupees Twentyfive thousand only) per month which may be increased by such amount as Board may determine from time to time as it deems fit.

II. PERQUISITES AND AMENITIES :

Perquisites to be restricted to an amount equal to annual salary.

1. Housing:

Expenditure by the Company on hiring unfurnished accommodation in Madras subject to a ceiling of 60% of salary over and above 10% payable by the appointee.

If the Company does not provide accommodation to the Managing Director, house rent allowance will be payable by the Company to the Managing Director as above.

The expenditure on Gas, Electricity, Water and Furnishings shall be valued as per the Income Tax Rules, subject to a ceiling of 10% of salary.

2. Medical Reimbursement :

Reimbursement of actual expenses incurred for self and family, the total cost of which shall not exceed one month salary in a year or 5 months salary over a period of five years.

3. Leave :

On full pay and allowances as per the rules of the Company subject to a ceiling of 6 week's leave for every year of service.

4. Passage Benefits:

First class air passage once a year and freight for personal effect, for self and family, all payable in rupees in India.

5. Club fees :

Fees of clubs, subject to a maximum of two clubs, provided that no life membership fee or admission fee is paid.

6. Personal Accident Insurance :

Of an amount, the annual premium of which shall not exceed Rs.4,000/- (Four thousand only).

7. Company's contribution towards Provident fund, Superannuation fund or Annuity fund as and when statutory rules become applicable to the Company.

Contribution to Provident fund, Superannuation fund or Annuity fund to be in accordance with the prescribed rules and regulations in force from time to time.

Contribution to the Provident fund, Superannuation fund or Annuity fund shall not be included in the computation of the ceiling on perquisites to the extent, since, these either singly or put together are not taxable under the Income Tax Act.

8. Gratuity :

As per the rules of the Company as and when it becomes applicable, subject to a ceiling of rupees one lakh.

9. Car and Telephone - Free use of car for company's business and free telephone facility at residence, these will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Managing Director.

GEE GEE GRANITES LIMITED



In case of loss or inadequacy of profits in any financial year, the above remuneration be restricted to prescribed limits under part II of schedule XIII of the Companies Act, 1956.

Mr. G.Haresh Chand was reappointed as Managing Director on the existing terms and conditions including remuneration at the Board meeting held on 29.9.1997 for a further period of five years from 17.7.1997. Hence the above resolution is placed for your consideration.

In addition to Mr. G.Haresh Chand, Mr.Gordhandas Idandas and Mr.Shyam G.Duseja, Directors are interested in the above resolution.

Item 5. b. Mr.Sunil G.Duseja was appointed as Wholetime Director with effect from 4th August 1994 for a period of five years on the following remuneration.

I. SALARY :

Rs.10,000/- (Rupees Ten thousand only) per month which may be increased by such amount as Board may determine from time to time subject to the provisions of the Companies Act, 1956.

II. PERQUISITES :

1. Housing:

Expenditure by the Company on hiring unfurnished accommodation in Madras subject to a ceiling of 60% of salary and in any other place 50% of salary over and above 10% payable by the appointee.

If the Company does not provide accommodation, house rent allowance will be payable by the Company as above.

2. Conveyance :

For official use, car will be provided. Use of car for private purpose shall be billed by the Company to Mr.Sunil G.Duseja.

3. Telephone will be provided at the residence. Personal long distance calls shall be billed by the Company to Mr.Sunil G.Duseja.

Other benefits like, provident fund, travel concession, personal group insurance and other retirement benefits will be as per the rules of the Company.

His term comes to an end on 3rd August 1999. The Board of Directors considered it beneficial to the Company to reappoint him on the existing terms and remuneration for a further period of five years with effect from 4th August 1999 and have reappointed him at their meeting held on 15th April 1999 subject to the consent of the members at their meeting. Hence the above resolution is placed for your consideration.

In addition to Mr.Sunil G.Duseja, Mr.Gopichand Idandas, Director is interested in the above resolution.

Report Junction.com By Order of the Board
For GEE GEE GRANITES LIMITED

Place : Chennai.
Date : 15.4.1999.

G. HARESH CHAND
Managing Director

GEE GEE GRANITES LIMITED

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Ninth Annual Report together with the Audited Accounts for the year ended 31.3.1999.

FINANCIAL RESULTS

| | Year ended 31.3.99 | Year ended 31.3.98 |
|---------------------------------------------------------------|-----------------------|-----------------------|
| | (Rs. in Lakhs) | |
| Sales - Export | 185.51 | 267.91 |
| - Local | 21.62 | 34.48 |
| Other Income | 7.18 | 14.86 |
| Total Income | 214.31 | 317.25 |
| Profit/(Loss) before depreciation and tax | (169.15) | (53.64) |
| Less : Depreciation | (32.62) | (32.50) |
| Net Profit / (Loss) | (201.77) | (86.14) |
| Provision for taxation | Nil | Nil |
| Profit / (Loss) | (201.77) | (86.14) |
| Add : Carried forward surplus / (deficit) from previous year. | (305.25) | (219.11) |
| Net Profit / (Loss) taken to Balance Sheet | (507.02) | (305.62) |

In view of the loss, your Directors do not recommend any dividend for the current year.

The interest which is Rs.121.09 lakhs is one of the major factors contributing to the loss. The depreciation of Rs.32.62 lakhs and the prior period adjustment of Rs.43.43 lakhs have increased the total loss to Rs.201.77 lakhs as against Rs.86.14 lakhs in the previous year.

The general slow down of the industrial activity and the continued political uncertainty have added to the negative growth in many of the industries. The export market particularly, for our industry has been affected for the last three years.

FUTURE PROSPECTS

The Company has been in the look out for new markets. With the scheduled Olympics in 2000, Australia proves to be a growing market for granites. The Government which has also realised the problems faced by the industry is contemplating to which restrict the export of rough blocks and also to grant leases for the quarries which when implemented would provide the necessary impetus for the growth of the industry.

THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985.

During the financial year ended 31.3.1998 your Company had become potentially sick as per the Sick Industrial Companies (Special Provisions) Act, 1985.

The necessary report on the erosion and causes for such erosion of net worth was placed before you at the Extra-Ordinary general meeting held on 12.1.1999. With the loss suffered for the year ended 31.3.1999 your Company has become Sick Industrial Company in terms of Section 3 (1) (o) of the said Act.

As per the provisions of Section 15 of the said Act your Company is required to make necessary reference to the Board for Industrial and Financial Reconstruction. Based on the audited statements your Directors are submitting the necessary reference to the honourable Board. The major causes that have contributed to the sickness of your Company were as follows:



1. Worldwide recessionary trend

The worldwide recessionary trends have hit the Indian granite industry hard. The loss of the Southeast Asian market and a drop in other parts of the world have affected the growth of granite substantially. Together with the lack of incentives as being offered in China, the absence of a uniform national policy and the burden of local taxes have put the industry in a difficult mode.

The fall in international prices has been attributed to increasing competition from Taiwan, Korea, Spain, South Africa, China, Thailand, Ireland, Turkey which have huge capacities for processed granites. Southeast Asian countries were a promising market for Indian granite, but this is now lost due to the currency crisis in that region and subsequent loss of India's competitiveness.

With international prices falling by 20% to 25% and repayment of foreign currency loans getting inflated due to depreciation of the rupee, the industry is witnessing an increasing level of sickness.

The industry has reported drop in sales of nearly 40 percent. In 1996-97 the exports were Rs.1350 crores, and these were projected at Rs.2000 crores for 1997-98; but the performance was only Rs.1200 crores. The situation has deteriorated further this year. The export figure projected for the Financial year 1998-99 was Rs.1600 crores but the performance upto January 1999 was only Rs.842 crores. Considered a rich man's product the demand pattern for the finished granites is reflective of an economy's health.

2. Shortage of raw material and the Government policies

The Policies of Government of Tamilnadu in respect of mining leases kept varying from time to time. Eventhough we have taken granite quarries in auction from the Government of Tamilnadu as early as 22nd October, 1990 after paying huge sums, the Government of Tamilnadu executed the Lease Deeds only on 10th April, 1995 after a delay of nearly 4 1/2 years.

The various changes in the Govt. policies with regard to mining lease lead to non-availability of sufficient quantities of raw materials. Hence with great difficulty we were able to procure raw materials from the neighbouring States like Andhra Pradesh and Karnataka besides Tamilnadu.

Even though we had taken quarries on lease basis/raising contract basis those quarries did not yield good quality blocks which forced us to procure the raw material from the neighbouring States like Andhra Pradesh and Karnataka. Substantial sums running to several lakhs have to be spent on developing a quarry scientifically to get good production. No entrepreneur is interested in making huge investments on development of quarries by using sophisticated equipment since they are not assured of getting renewal of quarry leases.

Most of the quarry owners are also not willing to supply good quality blocks which they export directly to the overseas buyers. The quarry owners get benefit under Sec. 80HHC of the IT Act only when they export blocks to overseas buyers directly. The Government has not given the benefit of deemed exports to the blocks supplied by them to the 100% EOUs which is available to other industries. Hence the quarry owners prefer to wait even for two or three months to export blocks directly and they are not willing to supply us eventhough prices offered by us are equivalent to export prices.

Granite being a natural product, it is very difficult even for an experienced person to confirm whether the rough block is defect free or not. Since it is not visible before processing, and it can be visible only after the blocks are cut and polished, we have accumulated huge stocks of polished slabs which cannot be exported and hence are fit for DTA Sales only. Steps have been taken to gradually sell the slabs in the Domestic Tariff Area to the extent permissible.

3. Financial Problems

a. Heavy interest burden

The Company has been facing lot of Financial Problems particularly due to heavy interest burden on deferred payment guarantee payments and term loans from Financial Institution. The total amount debited by the Bank/ Financial institution on account of interest was a sum of Rs.548.67 lakhs from the date of commencement of commercial production until 31st March 1999. Though the rate of interest payable on DPG was 8.1% p.a. the actual interest paid by the company amounted to approx 30% p.a. due to delayed payments to the bank.