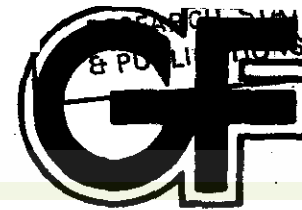


ANNUAL REPORT & ACCOUNTS



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GRAND FOUNDRY LIMITED

1998-99

Annual Report 1998-99

GRAND FOUNDRY LTD.

BOARD OF DIRECTORS	: Shri Dhirajlal B. Jangla (Chairman) Shri Madan G. Kikla Shri Mahesh K. Shroff Shri Nitin B. Jangla Shri Mukul B. Jangla Shri Shriram A. Gogate Shri Hiten D. Jangla (Jt. Managing Director) Shri Kiran D. Jangla (Managing Director)
COMPANY SECRETARY	: Shri F. A. Menezes
AUDITORS	: Thacker Butala Desai Chartered Accountants Ismail Bldg., 2nd Floor, 381, Dr. Dadabhai Naoroji Road, Mumbai - 400 001.
REGISTERED OFFICE	: C-40 TTC Industrial Area Thane Belapur Road, Navi Mumbai - 400 705.
SALES OFFICE	: Dhirajlal House 31, Sindhi Lane, Nanubhai Desai Road, Mumbai - 400 004.
BANKERS	: Bank of India C. P. Tank, Branch, Mumbai 400 004. Allahabad Bank International Branch, World Trade Centre, Cuffe Parade, Mumbai - 400 005.

Grand Foundry Ltd.

NOTICE

NOTICE is hereby given that the Annual General Meeting of the members of Grand Foundry Limited will be held at the Registered Office, C-40 TTC Industrial Area, Thane-Belapur Road, Navi Mumbai 400 705 on Friday the 24th September, 1999 at 10.30 a. m. to transact the following business :

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 1999, the Balance Sheet as at that date and the Reports of the Directors and Auditors.
2. To appoint a Director in place of Shri Hiten D. Jangla who retires by rotation under Article 161 of the Articles of Association and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Mahesh K. Shroff who retires by rotation under Article 151 of the Articles of Association and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

RESOLVED THAT pursuant to the provision of Section 269, 309, 314 and any other applicable provisions of the Companies Act, 1956 the reappointment of Shri Kiran D. Jangla as Managing Director of the Company for a period of five years from 1st April, 1999 on the terms and conditions and remuneration as are set out in the Agreement entered into by the Company with Shri Kiran D. Jangla be and is hereby approved.

FURTHER RESOLVED THAT the agreement entered into by the Company with Shri Kiran D. Jangla is hereby approved with liberty to the Directors to vary the terms and conditions of his appointment or agreement so as not to exceed the limits specified in Schedule XIII of the Act or any amendments to the agreement as may be agreed to by the Board of Directors and Shri Kiran D. Jangla or as may be varied by the members in general meeting.

6. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

RESOLVED THAT pursuant to the provision of Section 269, 309, 314 and any other applicable provisions of the Companies Act, 1956 the reappointment of Shri Hiten D. Jangla as Joint Managing Director of the Company for a period of five years from 1st April, 1999 on the terms and conditions and remuneration as are set out in the Agreement entered into by the Company with Shri Hiten D. Jangla be and is hereby approved.

FURTHER RESOLVED THAT the agreement entered into by the Company with Shri Hiten D. Jangla is hereby approved with liberty to the Directors to vary the terms and conditions of his appointment or agreement so as not to exceed the limits specified in Schedule XIII of the Act or any amendments to the agreement as may be agreed to by the Board of Directors and Shri Hiten D. Jangla or as may be varied by the members in general meeting.

7. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution :

RESOLVED THAT the Articles of Association of the Company be and are hereby amended/alterd as follows :

- i) Article 129 shall be altered to read as follows :
The following are the present Directors of the Company viz.
Shri Dhirajlal B. Jangla, Shri Kiran D. Jangla, Shri Hiten D. Jangla, **Present**
Shri Mahesh K. Shroff, Shri Madan G. Kikla, Shri Nitin B. Jangla, **Directors**
Shri Mukul B. Jangla and Shri Shriram A. Gogate.
- ii) In Article 137, the last sentence beginning with the words "such nominated directors" shall be preceded by the words "Subject to Article 161"
- iii) In Article 151, the words and number "and Article 161" shall be added after the words "Subject to the provisions of Article 156."
- iv) In Article 161, the numbers 148 and 149 shall each be replaced by the number 151.

By Order of the Board

Mumbai
27th August, 1999

F. A. MENEZES
Company Secretary

Registered Office :
C-40 TTC Industrial Area
Thane Belapur Road,
Navi Mumbai - 400 705.

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NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Transfer Books will remain closed from 24th September, 1999 to 25th September, 1999 in connection with the Annual General Meeting.
3. Shareholders desiring any information on the accounts are requested to write to the Company well before the meeting to enable the management to keep the requisite information ready.

EXPLANATORY STATEMENTS

pursuant to Section 173(2) of the Companies Act, 1956 annexed to and forming part of the notice dated 27th August, 1999.

ITEMS 5 & 6 :

The Board of Directors of the Company at its meeting held on 25th June, 1999 approved the reappointments of Shri Kiran D. Jangla as Managing Director and Shri Hiten D. Jangla as Joint Managing Director of the Company for a period of five years from 1st April, 1999. Pursuant to the resolution of the Board identical agreements were executed with them setting out the terms and conditions and the remuneration payable to them. The reappointments of the Managing Director and Joint Managing Director and their remuneration are subject to the approval of the members.

The salient features of the agreements, are set out below :

1. The Managing Director and the Joint Managing Director shall have substantial powers of management jointly and severally with each other and as such shall substantially manage the business affairs of the Company and execute all such acts deeds and things for carrying out such duties as may from time to time be assigned to them by the Board or as may be vested in them as Managing Director or Joint Managing Director under the Articles of Association or under the Agreements entered into by them with the Company.
2. The Managing Director and the Joint Managing Director shall each receive during the continuance of their Agreements the following remuneration which will be within the limits prescribed by Schedule XIII of the Act.
 - (i) Salary Rs.12,000/- per month (as against the salary of Rs.35,000/- per month for the year 1997-98) with such increments as may be decided by the Board from time to time; provided that the Board make up the deficit in the salary as and when it deems fit and expedient. And provided further that the Board shall review the remuneration payable as and when the Company has profits in line with Section I of Part II of Schedule XIII.
 - (ii) Perquisites together with the salary and other allowances shall not exceed the maximum remuneration payable by companies having no profits or inadequate profits specified in Section II of Part II of Schedule XIII. Unless the context otherwise requires, perquisites are classified into three categories 'A' 'B' and 'C' as follows :

CATEGORY 'A' :

- (i) Housing I : The expenditure by the Company on hiring furnished accommodation for him subject to the following ceilings viz. 60% of the salary, over and above 10% payable by the appointee.

Housing II : In case the accommodation is owned by the Company, 10% of the salary of appointee shall be deducted by the Company.

Housing III : In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance subject to the ceiling laid down in Housing I.

The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.

- (ii) Medical Reimbursement : Expenses incurred for the appointee and his family.
- (iii) Leave Travel Concession : For the appointee and his family once in a year for travel anywhere in India or abroad.
- (iv) Club Fees
- (v) Personal Accident Insurance : Premium not to exceed Rs.4,000/- per annum.

Grand Foundry Ltd.**CATEGORY ' B ' :**

- (i) Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity payable shall not exceed half a month's salary for each completed year of service.
- (ii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY ' C ' :

Provision of car on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the Company to the appointee.

Shri Kiran D. Jangla and Shri Hiten D. Jangla, Managing Director and Joint Managing Director respectively may be deemed to be concerned or interested in the resolutions to the extent of the remuneration payable to each of them. They may also be deemed to be concerned or interested in each other's remuneration being related to each other. Shri Dhirajlal B. Jangla, Director, may also be deemed to be concerned or interested in the resolutions as he is related to both the Managing Director and the Joint Managing Director. No other director may be deemed to be concerned or interested in the resolution. The Directors recommend the resolutions for approval of the members.

ITEM 7 :

It is considered more useful to give in Article 129 the names of the present Directors rather than those of the first Directors who were the subscribers to the Memorandum.

Article 137 provides that certain nominated directors shall not be liable to retire by rotation, whilst Article 161 provides for retirement by rotation of non-retiring directors if their number shall exceed one third of the total number of directors. The amendment seeks to make the aforesaid provision in Article 137 subject to Article 161.

The proposed amendment to Article 161 seeks to rectify the typographical errors which had inadvertently crept into the Article.

No Director may be deemed to be concerned or interested in the resolution.

The details of the agreements given hereinabove should be treated as abstracts of the terms of the agreements for reappointment of the Managing Director and Joint Managing Director required to be sent to the members of the Company pursuant to Section 302 of the Act. The copies of the agreements with Shri Kiran D. Jangla and Shri Hiten D. Jangla for their reappointment as Managing Director and Joint Managing Director of the Company shall be available for inspection at the Registered Office on all working days except Fridays and Sundays between 10.30 a.m. and 12.30 p.m. prior to the date of the Annual General Meeting.

By Order of the Board

F. A. MENEZES
Company Secretary

Mumbai
27th August, 1999

Registered Office :
C-40 TTC Industrial Area,
Thane-Belapur Road,
Navi Mumbai - 400 705.

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REPORT OF THE DIRECTORS

Your Directors submit herein the Annual Report and the Audited Statement of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS :

	(Rs. in Lacs)	
	1998-99	1997-98
Loss before Interest, Depreciation & Tax	(500.97)	(1151.11)
Add : Interest & Finance Charges	569.48	581.52
Loss before Depreciation	(1070.45)	(1732.65)
Add : Depreciation	51.13	55.48
Loss before Extraordinary Items	(1121.59)	(1788.11)
Add : Extraordinary Items	—	109.47
Loss for the year	(1121.59)	(1897.59)
Less/Add : Prior Period Adjustments	77.39	338.82
	(1044.20)	(2236.41)
Less/Add : Excess/Short Provision for Taxation of earlier years	0.02	2.40
	(1044.18)	(2238.81)
Add : Public Share Issue Expenses written off	4.66	4.66
	(1048.84)	(2243.47)
Debit/Credit Balance brought forward	(1845.63)	145.68
	(2894.47)	(2097.79)
Add : Provision for Subsidiary's Losses	27.21	246.86
	(2921.68)	(2344.65)
Less : Transfer from General Reserve	—	500
	(2921.68)	(1844.65)
Debenture Redemption Reserve	0.98	0.98
	(2922.66)	(1845.63)

OPERATIONS :

The total sales tonnage of Bright Bars business for the year amounted to 3362 tonnes (export 494 tonnes, domestic 2868 tonnes) against the previous year's sales tonnage of 3772 tonnes (export 1974 tonnes, domestic 1041 tonnes). Job work production amounted to 2708 tonnes (previous year 2790 tonnes).

COMPANY'S CASE BEFORE BIFR :

The Company has been registered as a sick industrial unit by the Board for Industrial & Financial Reconstruction, which has appointed the Industrial Development Bank of India (IDBI) as the operating agency in terms of Section 17(3) of the Sick Industrial Companies (Special Provisions) Act, 1985 to examine the viability of the Company. As directed by BIFR the Company has given its comprehensive and fully tied up proposal to the operating agency to enable it to prepare a viability study report, circulate it to the concerned parties and hold a joint meeting with them and report to BIFR.

Y2K COMPLIANCE :

The application software and hardware in use in the Company is generally Y2K compliant. The balance software is expected to be Y2 K compliant well before the end of the year. The cost of the replacement and upgradation is insignificant.

FOREIGN EXCHANGE EARNINGS & OUTGO :

The Company's FOB value of exports amounted to Rs.389.06 lacs (previous year Rs.1239.75 lacs) Expenditure in foreign currency on account of import of raw material, travelling, bank charges etc. amounted to Rs.34.02 lacs (previous year Rs.823.89 lacs). The Company continues to be a net earner of foreign exchange; foreign exchange earnings during the year amounted to Rs.355.04 lacs (previous year Rs.415.86 lacs).

Grand Foundry Ltd.

AUDITORS' QUALIFICATIONS :

- The change in the method of valuation of stocks has been made to reflect the realistic transactions made during the year.
- In regard to information on dues of SSI units, the relevant note in the accounts is self-explanatory.
- The Company has not been able to make timely deposits of Provident Fund and State Insurance dues due to the continuous liquidity crunch being faced by the Company.
- In regard to the claim of Rs. 2.00 crores against foreign suppliers, the Company is pursuing the matter with them.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION :

POWER & FUEL OIL CONSUMPTION

1. Electricity Consumption

	1998-99	1997-98
Purchased units 100 kwh	1230.328	1458.367
Total amount Rs. lacs	59.15	65.44
Rate/unit Rs.kwh	4.81	4.49

2. LDO

	1998-99	1997-98
Quantity (KL)	175.280	338.000
Total amount Rs. lacs	16.27	31.34
Rate Rs/KL	9284.22	9266.29

Production (including job work) during the year decreased by 27.04 per cent. Electricity consumption and fuel oil consumption decreased by 15.64 per cent and 48.14 per cent respectively.

DIRECTORS :

Shri Deepak Parikh resigned as Director for personal reasons. The Directors place on record their appreciation of the valuable services rendered by Shri Deepak Parikh during his tenure as a Director of the Company.

Shri Hiten D. Jangla and Shri Mahesh K. Shroff retire by rotation and being eligible offer themselves for re-election.

AUDITORS :

The Company Auditors, Messrs Thacker Butala Desai, retire as auditors and are eligible for reappointment.

THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 :

None of the Company's employees were covered by the disclosure requirement of Section 217 (2A) of the Act read with the relevant rules.

SUBSIDIARY COMPANY :

The Balance Sheet and other documents of the 100% subsidiary, Grand Bright Bars Ltd. are attached in accordance with Section 212 of the Companies Act, 1956.

ACKNOWLEDGEMENTS :

The Directors wish to place on record their appreciation of the support given to the Company by the Company's employees in these difficult times. They would also like to thank the customers, suppliers, institutions and government authorities for the assistance and support given by them to the Company.

For and on behalf of the Board

Mumbai
27th August, 1999

DHIRAJLAL B. JANGLA
Chairman

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STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

1. Name of the subsidiary company Grand Bright Bars Limited
2. Financial Year of the company ended on 31st March 1999
3. Shares held in the subsidiary company on the above date :
 - i) Number 70,000 Equity Shares
of Rs. 10 each
 - ii) Extent of holding 100%
4. The net aggregate of profits less of the subsidiary company as far as it concerns the members of the holding company.
 - i) Non dealt with in the holding company's accounts :
 - a) For the financial year of the Subsidiary --
 - b) For the previous financial year since it became the holding company's subsidiary --
 - ii) Dealt with in the holding company's account :
 - a) For the financial year of the subsidiary (Rs. 27,21,475)
 - b) For the previous financial year since it became the holding company's subsidiary (Rs. 2,46,85,786)

Mumbai
27th August, 1999

On behalf of the board
Dhirajlal B. Jangla *Chairman*
Maresh K. Shroff *Director*
Kiran D. Jangla *Managing Director*
F. A. Menezes *Company Secretary*

Chronology of Awards for Export Performance in Iron & Steel Based Products

- 1988-89 Certificate of Export Excellence for highest exports at the Regional Level from the Export Promotion Council of India (EEPC)
- 1989-90 Certificate of Export Excellence for highest exports at the Regional Level (EEPC)
- 1990-91 Regional Special Shield (EEPC)
- 1991-92 Certificate of Excellence for highest exports at the Regional Level (EEPC)
- 1992-93 Award for outstanding Achievements in Indo-German Relations for the year 1992 (Indo-German Chamber of Commerce)
Certificate of Export Excellence for highest exports at the All India Level (EEPC)
- 1993-94 Certificate of Export Excellence for highest exports at the All India Level (EEPC)
- 1994-95 Regional Special Shield (EEPC)
National Export Award (Certificate of Merit) from Ministry of Commerce, Government of India.
- 1995-96 All India Special Shield (EEPC)
National Export Award (Certificate of Merit) from Ministry of Commerce, Government of India.

Grand Foundry Ltd.

AUDITORS' REPORT

TO THE MEMBERS OF
MESSRS. GRAND FOUNDRY LIMITED.

We have audited the attached Balance sheet of M/S GRAND FOUNDRY LIMITED as at 31st March 1999 and the Profit and Loss account for the year ended 31st March, 1999 annexed thereto and report that :

1. As required by the Manufacturing and other Companies (Auditors' Report) Order 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) Proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books.
 - (c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of accounts.
 - (d) In our opinion, Profit and Loss Account and Balance Sheet comply with the accounting standards referred to in section 211(3c) of the Companies Act, 1956.
 - (e) Read with clause 17 & 20 of the attached Annexure (MAOCARO) & subject to clause 6, 7(a) & clause 10 to Notes to Accounts for claim of Rs.2,00,20,368 ~~arises~~ against the foreign supplier which are in dispute, for change in method of valuation of stock resulting in the loss being lower at Rs. 36,91,458/-, for non information on liability to Small Scale industrial Units, in our opinion and to the best of our information and according to the explanations given to us the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - (i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 1999 and
 - (ii) In the case of Profit and Loss Account of the loss for the year ended on that date.

For THACKER BUTALA DESAI,
CHARTERED ACCOUNTANTS.

MUMBAI,
DATED : 27th August 1999

(K. N. GANDHI)
PARTNER

ANNEXURE TO AUDITORS' REPORT

(Referred to in Paragraph (1) of our report of even date).

1. The Company has maintained records showing full particulars including quantitative details situation of fixed assets after 1.4.1991. For details prior to 1.4.1991, we are informed that the particulars are being compiled. The Fixed Assets have been physically verified by the Management. To the best of our knowledge, no serious discrepancies have been noticed between the book records and physical verification carried out by the Management.
2. None of the Fixed Assets have been revalued during the year.
3. As explained to us, physical verification of finished goods, stores, spare parts and raw materials excluding materials lying with outside parties for conversion etc. has been conducted by the management during the year at reasonable intervals.
4. According to the information and explanations given to us, in our opinion, the procedures for physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book records were not material having regard to the size of the operations of the company.
6. In our opinion and on the basis of our checks, the valuation of stock is fair and proper and in accordance with the normally accepted accounting principles. The company has changed the method of valuation as referred in clause 7(a) to notes to accounts.

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7. The company has taken unsecured loans from parties listed in the Register maintained under section 301 of the Companies Act 1956, but the rate of interest and other terms and conditions of such loans are not prima-facie prejudicial to the interest of the company.
8. The Company has given interest free unsecured advances/deposits to associated companies and other bodies listed in the register under section 301 of the Companies Act 1956, and/or to the Companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956. These advances are repayable on demand and they have been given as advance for purchase of goods and services and hence in the opinion of the Management, are not prejudicial to the interest of the Company.
9. In respect of loans and advances in the nature of loans given by the Company to employees, the employees are repaying principal amounts as stipulated and the interest is charged by the Company.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures for purchase of stores, raw materials including components, Plant & Machinery, equipment and other assets and for sale of goods commensurate with the size of the company and nature of its business.
11. The transactions of purchase of goods and materials and sale of goods, materials and services made pursuant to contracts or arrangements entered in the Register under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties wherever such parties are available with the Company.
12. As explained to us, unserviceable or damaged stores, raw-materials and finished goods are determined by the Management and adequate provisions have been made in the accounts for the loss so determined.
13. In our opinion and according to the information and explanations given to us, the Company has accepted deposits within the prescribed limit of Section 58A of the Companies Act, 1956.
14. In our opinion, reasonable records have been maintained by the company for sale of scrap. We are informed that no realisable by-products are generated by the company's operation.
15. In our opinion, the company has an adequate internal audit system commensurate with the size and nature of its business.
16. We have been explained that the maintenance of cost records have not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act 1956.
17. According to the records of the company, Provident fund and Employees' State Insurance dues have not been regularly deposited during the year with the appropriate authority.
18. We have been informed that there are no undisputable amounts payable in respect of income-tax, wealth-tax, sales-tax, custom duty and excise duty as at the last day of the financial year concerned.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company has been declared a sick industrial company within the meaning of clause (o) of Sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act 1985.

For THACKER BUTALA DESAI,
CHARTERED ACCOUNTANTS

(K.N.GANDHI)
PARTNER.

MUMBAI,
DATED : 27th August 1999