

GUJARAT BOROSIL

GUJARAT BOROSIL LIMITED

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FOURTEENTH ANNUAL REPORT
2002-2003

BOARD OF DIRECTORS

Mr. B. L. Kheruka - Chairman

Mr. P. K. Kheruka - Vice Chairman

Mr. V. A. Gore - Nominee of ICICI

Mr. C. D. Tripathi - Special Director - BIFR

Mr. H. Khaitan

Mr. S. K. Mehra

Mr. Ashok Jain - Whole-time Director

COMPANY SECRETARY

Mr. Arun Kumar

REGISTERED OFFICE & PLANT

Village - Govali, Taluka - Jhagadia,
District - Bharuch - 393 001 (Gujarat).

HEAD OFFICE

Khanna Construction House,
44, Dr. R. G. Thadani Marg,
Worli, Mumbai - 400 018.

AUDITORS

Singhi & Co.
Chartered Accountants

BANKERS

State Bank of India
Bank of Baroda
The Federal Bank Limited

REGISTRARS & TRANSFER AGENTS

Mondkar Computers Pvt. Ltd.
Unit : Gujarat Borosil Limited
21, Shakil Niwas,
Mahakali Caves Road,
Andheri (East),
Mumbai - 400 093.

GUJARAT BOROSIL**NOTICE**

Notice is hereby given that the Fourteenth Annual General Meeting of **Gujarat Borosil Ltd.** will be held at the Registered Office of the Company at Village – Govali, Taluka – Jhagadia, District – Bharuch 393 001, Gujarat State on Thursday, 18th September, 2003 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31st March, 2003 and Profit and Loss Account for the year ended on that date and the reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. P.K. Kheruka who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

“RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Ashok Jain, who was appointed by the Board of Directors as an Additional Director of the Company and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded to the Company, for commencing and undertaking all or any of the business specified in Sub-clause 1 of Part C of Clause III of the Memorandum of Association of the Company and in particular the business related to appliances, equipment and things required for or being used for or in connection with generation of heat.”

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the “Delisting Guidelines”) and subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder, Listing Agreements, and all other applicable rules, regulations, and guidelines and subject to the approval, consent, permission or sanction of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and any other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, if any, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board”), the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from all or any of the Stock Exchanges at Vadodara, Ahmedabad and Kolkata at such time or times as the Board may decide.”

Date : 31st July, 2003

By Order of the Board

Registered Office:

Village - Govali
Taluka - Jhagadia
District – Bharuch 393 001
Gujarat

ARUN KUMAR

Sr. General Manager (Legal)
& Company Secretary

NOTES

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (2) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business under item Nos. 4 to 6 as set out above, and the relevant details in respect of Item Nos.2 and 4 set out above pursuant to Clause 49 of the Listing Agreement are annexed hereto and form part of this Notice.
- (3) The Register of Members and Share Transfer Books of the Company will remain closed from 12th September, 2003 to 18th September, 2003 (both days inclusive).
- (4) The Members are requested to notify immediately the change of address, if any, to the Company's Share Transfer Agents i.e. Mondkar Computers Pvt. Ltd., Unit : Gujarat Borosil Ltd., 21, Shakil Niwas, Mahakali Caves Road, Andheri (East), Mumbai 400 093, quoting their folio number(s).
- (5) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.
- (6) Appointment/Reappointment of Directors:

Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

| | | |
|--|---|---|
| Name of Director | : Mr. P.K. Kheruka | Mr. Ashok Jain |
| Date of birth | : 23rd July, 1951 | 21st February, 1958 |
| Date of appointment | : 22nd December, 1988 | 3rd January, 2003 |
| Expertise in specific Professional areas | : Industrialist having rich business experience of about 30 years particularly in glass industry | Mr. Jain has over 22 years experience in industry. He has been holding position of Vice President-Finance in the Company for over 8 years and has relevant experience in Finance, Commercial and General Management |
| Qualifications | : B.Com. | B.Com., A.C.A., A.C.S. |
| List of other Indian Public Limited companies in which Directorship held. | * Borosil Glass Works Ltd. * General Magnets Ltd. * Gujarat Fusion Glass Ltd. * National General Industries Ltd. * Window Glass Ltd. | N.A. |
| Chairman/Member of the Committee of Board of other Public Companies of which he is a Director. | Audit Committee: * Borosil Glass Works Ltd. -Member Share Transfer and Shareholders/ Investors Grievance Committee: * Borosil Glass Works Ltd. - Member | N.A |

GUJARAT BOROSIL**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 4**

The Board of Directors of the Company appointed Mr. Ashok Jain, as an Additional Director of the Company with effect from 3rd January, 2003 in accordance with the Article 114(a) of the Articles of Association of the Company. Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act"), Mr. Jain will hold office of Additional Director upto the date of the forthcoming Annual General Meeting. The Company has received a notice in writing (alongwith deposit of five hundred rupees) from a member proposing the candidature of Mr. Jain for the office of Director under the provisions of Section 257 of the Act. Consent in writing has been received from Mr. Jain to act as Director, if appointed.

Mr. Jain is also holding position of Whole-time Director of the Company on the terms approved by shareholders at the General Meeting of the Company held on 14th February, 2003. He will continue to hold the said office if appointed as Director at the Annual General Meeting.

Except Mr. Jain, no other Director is concerned or interested in the resolution.

Your Directors recommend the resolution for your approval.

Item No. 5

As the Members are aware, the Company is primarily engaged in the business of manufacturing and sale of Sheet Glass. However, in the fast changing business and economic environments, the Company is exploring some new opportunities. The Company is exploring possibility of manufacture of Solar Heating System. The said activity is covered by Sub clause 1 of Part C of Clause III of the Company's Memorandum of Association i.e. under 'other objects'. Hence, for commencement of such business a Special Resolution is required to be passed under Section 149 (2A) of the Companies Act, 1956.

Your Directors, therefore, recommend the resolution for your approval.

None of the Directors of the Company are, in any way, concerned or interested in this said Resolution.

Item No. 6

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") incorporating, among others, provisions for delisting of securities of a body corporate voluntarily by a promoter or an acquirer or any person other than the Stock Exchanges. The said guidelines allows even delisting from the Regional Stock Exchange.

The Equity Shares of the Company are currently listed on the following four Stock Exchanges in India:

- (i) The Stock Exchange, Mumbai
- (ii) The Vadodara Stock Exchange Ltd. (The regional Stock Exchange)
- (iii) The Stock Exchange, Ahmedabad
- (iv) The Calcutta Stock Exchange Association Limited

With the extensive networking of The Stock Exchange, Mumbai (BSE) as also the extension of BSE terminals to other cities as well, investors have access to online dealings in Equity Shares of the Company across the country. The bulk of the trading in the Company's Equity Shares in any case takes place on the BSE and the volume of trading in the Company's Equity Shares on all the other Stock Exchanges is not significant.

The Company's Equity Shares are one of the scrips which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by all investors, since 30th October, 2000.

It is also observed that the listing fee paid to the other Stock Exchanges (other than BSE) is disproportionately higher, compared to the extremely low trading volumes of the Company's securities on those Stock Exchanges.

The Company has proposed this Resolution, as part of its cost reduction measures, which will enable it to delist its Equity Shares from all or any of the following Stock Exchanges: The Vadodara Stock Exchange Ltd., The Stock Exchange, Ahmedabad and The Calcutta Stock Exchange Association Limited at an appropriate time in future.

Accordingly, Member's approval is being sought by a Special Resolution for enabling voluntary delisting of its securities from the said Stock Exchanges.

The proposed delisting of the Company's Equity Shares from the said Stock Exchanges, as and when it takes place, is not expected to affect the investors adversely. The Company's Equity Shares will continue to remain listed on BSE. The delisting will take effect after all necessary/requisite approvals, permissions and sanctions are received. The exact date on which delisting will take effect will be suitably notified at that time.

Your Directors, therefore, recommend the resolution for your approval.

None of the Directors of the Company are, in any way, concerned or interested in the said Resolution.

Date : 31st July, 2003

By Order of the Board

Registered Office:

Village - Govali
Taluka - Jhagadia
District - Bharuch 393 001
Gujarat

ARUN KUMAR

*Sr. General Manager (Legal)
& Company Secretary*

GUJARAT BOROSIL**DIRECTORS' REPORT**

To:
The Members of
Gujarat Borosil Limited

Your Directors are pleased to present their Fourteenth Report and Audited Statement of Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2003 are given below :

(Rupees in Lacs)

| | Year Ended 31.03.2003 | Year Ended 31.03.2002 |
|---|-----------------------|-----------------------|
| Gross Sales (including Excise Duty) | 7402.36 | 7447.44 |
| Profit before interest and depreciation | 814.25 | 767.31 |
| Interest | 33.72 | 2774.07 |
| Depreciation | 453.20 | 447.46 |
| Profit / (Loss) for the year | 327.33 | (2454.22) |
| Profit on sale of Investments | 1.49 | - |
| Previous Year adjustments (Net) | 0.62 | (0.04) |
| Net Profit / (Loss) | 329.44 | (2454.26) |
| Add: Loss brought forward from last year | (11788.43) | (9334.17) |
| Total | (11458.99) | (11788.43) |
| Less: Effect of BIFR order and settlement of loan | 13707.84 | - |
| Amount transferred to Capital Reserve | 1919.41 | - |
| Carried to the Balance Sheet | 329.44 | (11788.43) |

Your Directors do not recommend any dividend.

IMPLEMENTATION OF REHABILITATION SCHEME APPROVED BY BIFR

BIFR has approved a Modified Rehabilitation Scheme for the Company in December, 2002 revising the Sanctioned Scheme. The Scheme is now approved by all the Financial Institutions (FIs) and Banks and has been implemented. Modified Scheme has been given effect to in the accounts for the year ended 31st March, 2003. Accordingly, a sum of Rs 13707.84 lacs has been credited to the Profit & Loss Account comprising of waiver of arrear interest, Non Convertible Debentures and Funded Interest by Financial Institutions, part of hire charges by Borosil Glass Works Ltd., refund of excess interest recovered by Banks and discount received on settlement with one FI and also reduction in paid up Equity Share Capital. The reduction in Capital has been effected by reducing the face value and paid up value of Equity Shares from Rs. 10/- per Share to Rs. 5/- per Share. The Company has issued 3,39,40,000 Equity Shares of Rs. 5/- each amounting to Rs. 16.97 crores to Promoter/Associates. As a result of above, the net worth of the Company has become positive.

PERFORMANCE

The technical problems which started in an earlier year leading to production of inferior quality material are still unresolved and the Company could not go for cold repair of furnace in the absence of delivery of a critical item although purchased from a reputed manufacturer due to intricate nature of the item. In the mean time, due to various technical adjustments in the plant and process, the Company has been able to increase quantity of production and also contain the quality problems.

The Company succeeded in increasing its exports as it was extremely difficult to sell the entire quantity into domestic market particularly in view of increased availability from Imports as well as domestic manufacturers.

Higher volumes of production and sales enabled the Company to maintain the profit before interest and depreciation inspite of lower selling prices. Interest charges were drastically lower in view of the BIFR package. The Company has for the first time since inception reported a net profit.

DIRECTORS

Mr Ashok Jain was appointed as an Additional and Whole time Director of the Company effective from 3rd January, 2003. The terms of his appointment as Whole time Director of the Company has been approved by the shareholders at the Extra Ordinary General Meeting held on 14th February, 2003. However, Mr. Jain will be vacating his office as an Additional Director at the ensuing Annual General Meeting and is eligible for appointment as a Director. Mr. P. K. Kheruka has been appointed Vice-Chairman with effect from 31st July, 2003.

Mr. P. K. Kheruka retires by rotation and being eligible offers himself for re-appointment.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A. INDUSTRY STRUCTURE AND DEVELOPMENTS

The Flat Glass Industry consists of float glass, sheet glass and figured glass. In view of global technological changes taking place, the growth in the flat glass market has been taken by float glass. The Indian market where rural population is very high continues to be cost conscious and inspite of large new float capacities having been added in last ten years together with imports, sheet glass continues to have a niche market in the country. The domestic demand has been growing steadily over the years. There is a huge over-capacity and the producers have resorted to exports in a large way.

B. OPPORTUNITIES & THREATS

OPPORTUNITIES

- The Company is a major player in the sheet glass market and has a good brand image.
- The Company has a large and established network of dealers and has successively shown its ability to market its products in the time of cut-throat competition.
- Based on annual reports of float / sheet glass manufacturers, it is evident that the Company is cost effective and compares favourably with others.
- A total financial restructuring of the Company has taken place on implementation of the modified scheme approved by BIFR and the net worth has become positive.

THREATS

- Over the years, share of Sheet Glass in the overall market will be going down as the growth is entirely in float segment.
- Huge over-capacity in the flat glass and possibility of expansion by some of the manufacturers may further distort the demand supply equation and lead to destabilization in selling prices.
- Constraints of Product mix and value added items.
- Expected deregulation of prices of natural gas, linkage to international prices and likely increase in fuel cost.

C. SEGMENTWISE OR PRODUCTWISE PERFORMANCE

The Company's business activity falls within a single primary business segment viz. Manufacture of sheet glass. As such, there are no separate reportable segments as per Accounting Standard 17.

GUJARAT BOROSIL

D. OUTLOOK

The Company is planning to undertake cold repair of furnace and is confident of producing good quality material once again. The Company's product continues to be in good demand.

As far as the industry is concerned, the outlook appears to be good in view of measures undertaken by the Government to give a boost to the housing sector, gradual increase in the size of middle class, increase in glass requirement per square feet of construction in housing and industrial construction and the growth in rural economy.

E. RISK AND CONCERNS

There have been persistent cheaper imports and dumping of Flat Glass into the country which is adversely affecting the prices and volumes.

F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate Internal Control System commensurate with its size and nature of business. The Internal Control Systems are designed to ensure that the financial statements are prepared based on reliable information. The Internal Audit is continuously conducted by in-house Internal Audit department of the Company and Internal Audit Reports are reviewed by the Audit Committee.

G. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The operating performance during the year was better compared to the previous year. Both production and sales volume increased further. However, the sales value declined marginally due to inferior quality production, higher exports and increased competition from cheaper imports. The profit before interest and depreciation was higher at Rs. 814.25 lacs compared to Rs. 767.31 lacs in the previous year. The operating costs were kept under control except in the case of power & fuel. The interest cost has reduced drastically in view of reliefs under BIFR package.

H. MATERIAL DEVELOPMENT IN HUMAN RESOURCES INDUSTRIAL RELATION FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

The industrial relations continued to be cordial. In terms of development in Human Resources the Company has undertaken certain measures for example :-

- Employees were imparted 1306 manhours of training on varied topics ranging from Technical, Commercial and Soft Skill. Compared to last year, it has increased by 85.8%. The employees who attend external training, hold in-house workshop on the subject to share newly acquired knowledge. This practice is initiated to improve work culture.
- Employee productivity has risen by 3.8% i.e. from 53 to 55 sq.m. (2mm equivalent) per employee per day during the year.
- Initiated documentation of various operating systems wherein the critical process parameters have been identified and frozen. We are in process of preparing Work Instructions for critical process parameters which will be followed by rigorous training to operators. This will help us to reduce deviations, trouble-shootings and in turn the bottlenecks.
- Maintained close monitoring of already established systems like Check Chart System, Maintenance System, Systems Audit, critical productivity parameters etc. with a view to make their gain irreversible.

Number of people employed at the end of year were as under:

| | | |
|---------|---|----------------------------------|
| Staff | : | 165 |
| Workers | : | 325 (Excluding contract labour) |

CORPORATE GOVERNANCE REPORT

A separate section on Corporate Governance is included in the Annual Report and the Certificate from Company's Auditors confirming the compliance with the code of Corporate Governance as enumerated in Clause 49 of the listing agreement with the Stock Exchanges is annexed hereto.

DEPOSITS

Your Company has not accepted any deposits from Public till date.

SUBSIDIARY COMPANY

Swapan Properties Limited has ceased to be a subsidiary of your Company w.e.f. 17th January, 2003. Accordingly, Annual Accounts of the said company are not required to be annexed.

CONSOLIDATED ACCOUNTS

As there are no Subsidiary companies after cessation of Swapan Properties Ltd. as a subsidiary, there is no requirement to prepare consolidated accounts in accordance with Accounting Standard – AS 21.

POLLUTION CONTROL

The Company's plant does not generate any effluent except flue gas, the chemical composition of which is within permissible limits.

AUDITORS

M/s. Singhi & Company, Chartered Accountants, will retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and being eligible have expressed their willingness for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Subject to disclosures in the Annual Accounts and also on the basis of the discussion with the Statutory Auditors of the Company from time to time, the Board of Directors state as under :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there were no material departures.
- ii) that we have selected such accounting policies and applied them consistently and made judgements 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 we have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) that we have prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

There was no employee drawing remuneration to the extent which requires disclosure under Section 217 (2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars prescribed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished in the Annexure to the Report.

ACKNOWLEDGMENT

Your Directors would like to express their deep appreciation for the assistance/various facilities and co-operation received from the Financial Institutions, Banks, Government of Gujarat, Board for Industrial and Financial Reconstruction (BIFR) and employees during the year under review.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 31st July, 2003

B.L. Kheruka
Chairman