

GUJARAT BOROSIL

GUJARAT BOROSIL LIMITED

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***FIFTEENTH ANNUAL REPORT
2003-2004***

BOARD OF DIRECTORS

Mr. B. L. Kheruka - Chairman

Mr. P. K. Kheruka - Vice Chairman

Mr. V. A. Gore

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

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 Fifteenth 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 Monday, 20th September, 2004 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, 2004 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. B. L. Kheruka who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. H. Khaitan who retires by rotation and, being eligible, offers himself for re-appointment.
4. 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

5. 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. V. A. Gore, 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.”

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 Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of the other statutes as applicable, the Articles of Association of the Company be and are hereby amended or altered in the manner following:

- a. In Article 135, the following sentence in lines 4 to 7 be deleted.

“Provided that no quorum shall be formed or constituted at a Meeting of the Board of Directors unless one Director nominated or appointed by BGWL or an Alternate of such Director is present”.

- b. In Article 138, the following sentences in lines 2 to 9 be deleted.

“BGWL shall by a written communication addressed to the Company by the Chairman, any Vice-Chairman, Director or Secretary of BGWL have the right to appoint one of the Directors of the Company to be the Chairman of the Board of Directors and the Director so appointed, shall be the Chairman of the Board of Directors. On each vacancy occurring in such office from any cause whether by death, removal, retirement or otherwise, BGWL shall have the right by a similar written

communication to appoint another Director in the vacancy and the Director so appointed shall then be the Chairman".

- c. In Article 139, the following sentence in lines 3 to 6 be deleted:

"Provided, however, that no resolution shall be deemed to be passed by the Board or a Committee unless a Director appointed by BGWL or his Alternate Director shall have voted in favour of such resolution".

- d. In Article 141, the following sentence in lines 10 to 12 be deleted.

"All committees constituted under this Article shall invariably have as one of its members the Director designated by BGWL or his alternate".

- e. In Article 143, the following sentence in lines 9 to 12 be deleted.

"Provided that such approval shall include the approval of atleast one non-retiring Director appointed under Article 111 hereof or of his Alternate Director or the Managing Director appointed under Article 130 hereof".

Date : 30th July, 2004

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. 5 & 6 as set out above, and the relevant details in respect of Item Nos. 2, 3 and 5 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 14th September, 2004 to 20th September, 2004 (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.

GUJARAT BOROSIL

(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. B.L. Kheruka	Mr. Haigreave Khaitan	Mr. V. A. Gore
Date of birth	7th November, 1930	13th July, 1970	18th September, 1938
Date of appointment	22nd December, 1988	30th January, 2002	31st May, 2004
Expertise in specific Professional areas	Industrialist having rich business experience particularly of 40 years in glass industry	Advocate with special expertise in commercial & corporate laws, tax laws, mergers & acquisitions, restructuring foreign collaboration, licensing, etc	holding Masters Degree in Financial Management with vast experience in financial related matters
Qualifications	B. Com	L.L.B.	B.Com, MFM
List of other Indian Public Limited Companies in which Directorship held	<ul style="list-style-type: none"> * Window Glass Ltd. * Gujarat Fusion Glass Ltd * General Magnets Ltd. * Borosil Glass Works Ltd * Croton Trading Ltd. 	<ul style="list-style-type: none"> * Cheviot Company Ltd. * Ceat Limited * Dhunseri Tea & Industries Ltd. * Dovebuilt-Birla VXL Limited - (Alternate Director) * Harrisons Malayalam Ltd. * India Foils Ltd. * J.L. Morison(India) Ltd. * Khaitan Consultants Ltd. - (Alternate Director) * Kothari Industries Ltd. * Kothari Plantations & Industries Ltd. * National Engineering Industries Ltd * Rama Newsprint & Papers Ltd. * Ritspin Synthetics Ltd. * RPG Cables Ltd. * Sterlite Optical Technologies Ltd. * Xpro-India Ltd. 	<ul style="list-style-type: none"> * Apar Industries Ltd. * Ipca Laboratories Ltd.
Chairman/Member of the Committee of Board of other Public Limited Companies	Audit Committee: - Share Transfer/ Investor Grievance Committee: <ul style="list-style-type: none"> * Borosil Glass Works Ltd - Chairman Remuneration Committee	Audit Committee: <ul style="list-style-type: none"> * Sterlite Optical Technologies Ltd. - Member Share Transfer and Investor Grievance Committee <ul style="list-style-type: none"> * Cheviot Company Ltd. - Member * J. L. Morison (India) Ltd. - Member * National Engineering Industries Ltd. - Member * Xpro India Ltd. - Member Remuneration Committee <ul style="list-style-type: none"> * Harrisons Malayalam Ltd. - Member * J. L. Morison (India) Ltd. - Member 	Audit Committee: <ul style="list-style-type: none"> * Apar Industries Ltd - Chairman * Ipca Laboratories Ltd. - Member Share Transfer and Investor Grievance Committee <ul style="list-style-type: none"> * Apar Industries Ltd. - Chairman Remuneration Committee <ul style="list-style-type: none"> * Ipca Laboratories Ltd. - Member

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 5**

The Board of Directors of the Company appointed Mr. V. A. Gore, as an Additional Director of the Company with effect from 31st May, 2004 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. Gore will hold office of Additional Director upto the date of the forthcoming Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. Gore for the office of Director under the provisions of Section 257 of the Act.

Mr. Gore holds Masters Degree in Financial Management and has retired as a Dy. General Manager of ICICI Bank Ltd. He has been visiting faculty for number of reputed institutions. He has vast experience in financial matters.

Your Directors recommend the resolution for your approval.

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

Item No. 6

A number of specific provisions were made in Articles of association of the Company, to safeguard the interest of Borosil Glass Works Ltd., when they were holding company of the Company. Since your Company has now ceased to be a subsidiary of that company, it would be desirable to delete some of such provisions. Hence, the proposed amendments in the Articles of Association for the approval of the members.

Mr. B. L. Kheruka and Mr. P. K. Kheruka, Directors of the Company are also directors of Borosil Glass Works Ltd. No other director of the Company is concerned or interested in the Resolution.

Date : 30th July, 2004

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 Fifteenth Report and Audited Statement of Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2004 are given below :

	(Rupees in Lacs)	
	Year Ended 31.03.2004	Year Ended 31.03.2003
Gross Sales (including Excise Duty)	7561.35	7402.36
Profit before interest and depreciation	917.32	814.25
Interest	36.43	33.72
Depreciation	453.85	453.20
Profit / (Loss) for the year	427.04	327.33
Profit on sale of Investments	—	1.49
Previous Year Expenses (Net)	(0.10)	0.62
Net Profit / (Loss)	426.94	329.44
Add: Balance brought forward from last year	329.44	(11788.43)
Total	756.38	(11458.99)
Effect of BIFR order and settlement of loan	77.00	13707.84
Amount transferred to Capital Reserve	77.00	1919.41
Carried to the Balance Sheet	756.38	329.44

Your Directors do not recommend any dividend in order to conserve resources.

CESSATION AS SICK INDUSTRIAL COMPANY- BIFR ORDER

Your Directors are pleased to inform that BIFR has passed an order on 20th May, 2004 declaring that the Company is now out of purview of Sick Industrial Companies (Special Provisions) Act, 1985, in view of the Company's net worth becoming positive.

Government of Gujarat has finally conveyed their inability to grant extension of time for utilization of Sales Tax benefits. However, they have announced certain reliefs for sick units which may not be applicable to the Company since the net worth is already positive. Except this, all concerned parties have fulfilled their financial obligations under the Modified Rehabilitation Scheme passed by BIFR in December, 2002.

PERFORMANCE

The Company has been able to contain the quality problems. The technical problems faced by the Company for quite sometime leading to production of inferior quality material have been overcome after implementation of suggestions given by another foreign technical expert who visited the plant in November, 2003 and the Company does not have to go in for cold repairs of furnace immediately. This has led to gradual improvement in the sales realization.

The Company succeeded in increasing sales in the domestic market in view of growth in the demand despite continuing imports.

Higher volumes of production and domestic sales enabled the Company to maintain the profit before interest and depreciation inspite of increase in input costs. The working is expected to be better in future as sales realizations are likely to be better on account of good quality product.

The Company has made prepayment of term loans of ICICI Bank Ltd. During the current year, the term loans of State Bank of India and The Federal Bank Limited have also been prepaid.

VOLUNTARY DELISTING OF SHARES

In terms of resolution passed by the members at the last Annual General Meeting, the Company made application to the Stock Exchanges at Ahmedabad, Kolkata and Vadodara for voluntary delisting of its shares.

The Stock Exchange, Ahmedabad has delisted the equity shares of the Company w.e.f. 31st March, 2004. Response from other Stock Exchanges is awaited.

DIRECTORS

ICICI Bank Ltd. withdrew nomination of Mr. V. A. Gore as its Nominee Director with effect from 6th February, 2004. However, Mr. Gore has been appointed as an Additional Director w.e.f. 31st May, 2004. He vacates his office as an Additional Director at the ensuing Annual General Meeting. The Company has received a notice in writing from a Member signifying his intention to propose the appointment of Mr. V.A. Gore as a director of the Company.

Mr. C. D. Tripathi ceased to be a Special Director of BIFR on the Board of the Company w.e.f. 20th May, 2004, in terms of Order of BIFR of even date. The Board placed on record its sincere appreciation of the valuable guidance received from Mr. C. D. Tripathi during his tenure as a director of the Company.

Mr. B. L. Kheruka and Mr. Haigreave Khaitan retire by rotation and being eligible offer themselves 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 as well as processed glass like tempered glass, mirrors etc. 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 in spite of large new float capacities having been added in last ten years and imports, sheet glass continues to find market in the country. The domestic demand has been growing steadily over the years due to high growth in Housing and Automobile sectors and the gap between demand and supply is narrowing down. This will lead to setting up of further capacities in the country.

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 at the time of cut-throat competition.
- > Based on comparison of cost ascertainable from annual reports of float / sheet glass manufacturers, it is evident that the Company is cost effective and compares favourably with others.
- > The Company has reduced debt to very low level as explained earlier. The net worth of Company is positive and debt equity ratio is very comfortable.

THREATS

- > Over the years, share of Sheet Glass in the overall market will be going down as the growth is entirely in float segment.
- > Cheaper imports of float glass and expansion proposed by some of the manufacturers may distort the demand supply equation and lead to destabilization in selling prices.
- > Constraints of Product mix and value added items.
- > Discontinuation of Sales Tax benefits available until recently leading to lower profits and competition against units which continue to have tax benefits.
- > Increase in fuel cost due to deregulation of prices of natural gas and linkage to international prices.

GUJARAT BOROSIL**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.

D. OUTLOOK

The cold repair of sheet furnace is now postponed. The Company's product continues to be in demand and we do not foresee any difficulties in selling.

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

The Industry has been asking the Government to popularise production of solar energy which will require huge quantity of Glass. The energy produced will be cheaper and more dependable by this non-conventional route.

The absence of mandatory Building Code regarding uses of glass is an area of concern, where Government intervention is required to ensure better quality of construction with higher safety.

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. Production increased further and touched all time high. The sales value also increased marginally due to higher domestic sales. The profit before interest and depreciation was higher at Rs.917.32 lacs compared to Rs. 814.25 lacs in the previous year. The operating costs increased to some extent due to general all around increase in input prices / freight and power & fuel.

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 1341 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.
- > Continued the documentation of various operating systems wherein the critical process parameters have been identified and bench marked. 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. Daily monitoring of norms which has led to improvement in Quality, productivity, maintenance of equipment at optimum cost.

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

Staff	:	158
Workers	:	317 (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.

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.

AUDITORS' REPORT

The notes to the Accounts referred to in the Auditors Report are self explanatory and therefore do not call for any further explanation.

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 : 30th July, 2004

B.L. Kheruka
Chairman