

GUJARAT BOROSIL

GUJARAT BOROSIL LIMITED



***SIXTEENTH ANNUAL REPORT
2004-2005***

BOARD OF DIRECTORS

B. L. Kheruka - Chairman
P. K. Kheruka - Vice Chairman
V. A. Gore
H. Khaitan
S. K. Mehra
Ashok Jain - Whole-time Director

COMPANY SECRETARY

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

Bank of Baroda

REGISTRAR & 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 Sixteenth 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, the 28th July, 2005 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, 2005 and Profit and Loss Account for the year ended on that date and the reports of the Directors and the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. S.K. Mehra who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P.K.Kheruka who retires by rotation and, being eligible, offers himself for re-appointment.
5. 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

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 provisions of Section 314(1B) of the Companies Act, 1956, consent of the Company be and is hereby accorded to the appointment of Mr.B.L.Kheruka (a relative of Mr.P.K.Kheruka, Vice Chairman) as Chairman and Managing Director of the Company on a total salary, allowances and perquisites not exceeding Rs. 48,00,000/- per annum for a period of three years commencing from 1st August, 2005”.

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

“RESOLVED THAT in accordance with the provisions of Sections 198,269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (hereinafter referred to as the “Act” which includes any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the appointment of Mr. B.L Kheruka, as Chairman and Managing Director of the Company, for a period of 3(three) years with effect from 1st August,2005 on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Mr.B.L. Kheruka, a draft whereof is placed before this meeting with a liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement, subject to the same not exceeding the limits specified in Schedule XIII to the Act, or otherwise permissible at law for the time being in force.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year(s) during the tenure of his service as Managing Director, Mr. B.L. Kheruka shall be paid the remuneration as set out in the Explanatory Statement as minimum remuneration subject to limits laid down in Schedule XIII of the Companies Act, 1956, or as may be approved by the Central Government.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.”

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (hereinafter referred to as the "Act" which includes any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the re-appointment of Mr. Ashok Jain, as Whole Time Director of the Company, for a period of 3(three) years with effect from 3rd January, 2006 on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Mr. Ashok Jain, a draft whereof is placed before this meeting with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956, or otherwise as permissible at law for the time being in force.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year(s) during the tenure of his service as Whole-Time Director, Mr. Ashok Jain shall be paid the remuneration as set out in the Explanatory Statement as minimum remuneration subject to limits laid down in Schedule XIII of the Companies Act, 1956, or as may be approved by the Central Government.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

9. 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 provisions of Clause 49 of the Listing Agreement with the Stock Exchange, the consent of the Company be and is hereby accorded for payment of Rs. 5,000/- (Rupees Five Thousand Only) or such other amount as may be approved by the Board of Directors subject to the ceiling prescribed under the Companies Act, 1956 (including any statutory modifications or re-enactment for the time being in force) or under Rules framed thereunder, as amended from time to time, as sitting fees for each meeting of the Board of Directors and/or any Committee(s) thereof, attended by the Non-Executive Directors of the Company."

Date : 13th June, 2005

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 Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business under item nos. 6 to 9 as set out above, and the relevant details in respect of Item nos. 3, 4, 7 & 8 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 Thursday, 21st July, 2005 to Thursday, 28th July, 2005 (both days inclusive).

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- (4) The Dividend as recommended by the Board of Directors, if declared at the Annual General Meeting; will be paid on or after 28th July, 2005:
- to those Members whose names appear in the Register of Members after giving effect to all valid share transfers in physical form lodged with the Company on or before 20th July, 2005
 - in respect of shares held in electronic form, to those "deemed Members" whose names appear on the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) at the end of business hours on 20th July, 2005.
- (5) 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).
- (6) The 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. S.K Mehra | Mr. P.K.Kheruka | Mr. B.L.Kheruka | Mr. Ashok Jain |
|--|--|---|---|------------------------------|
| Date of birth | 19th December, 1952 | 23rd July, 1951 | 7th November, 1930 | 21st February, 1958 |
| Date of appointment: | 29th June, 2002 | 22nd December, 1988 | 22nd December, 1988 | 3rd January, 2003 |
| Expertise in specific Professional areas | Chartered Accountant having vast experience in accounting, auditing & taxation | Industrialist having rich business experience of about 32 years particularly in glass industry | Industrialist having rich Industrial experience of about 43 years particularly in glass industry | 24 years in Corporate Sector |
| Qualifications : | B. Com, FCA | B.Com | B.Com | B.Com, FCA, FCS |
| List of other Indian Public Limited Companies in which Directorships held. | Nil | Borosil Glass Works Limited General Magnets Limited Gujarat Fusion Glass Limited Window Glass Limited | Window Glass Limited Gujarat Fusion Glass Limited General Magnets Ltd. Borosil Glass Works Limited Croton Trading Limited | Nil |
| Chairman/Member of the Committee of Board of other Public Limited Companies. | None | <u>Audit Committee:</u> Borosil Glass Works Limited – Member <u>Share Transfer and Investor Grievance Committee</u> Borosil Glass Works Limited - Member | <u>Share Transfer and Investor Grievance Committee</u> Borosil Glass Works Limited - Chairman | None |

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item Nos. 6 & 7**

The Company has ambitious plans of expansion. Although the Company has a Whole-Time Director at present, it has been felt that one more seasoned managerial personnel is required to achieve Company's growth plans. It is therefore, proposed to appoint Mr.B.L.Kheruka, presently Non- Executive Chairman, having vast experience in glass industry of over four decades, as Chairman and Managing Director of the Company.

However, since Mr.B.L.Kheruka is relative of Mr.P.K.Kheruka, Vice- Chairman, prior approval of the shareholders in terms of Section 314(1B) of the Companies Act, 1956 (hereinafter referred to as "the Act") is sought for holding of office of Managing Director by him vide Resolution contained at item No. 6 of the accompanying Notice for a period of 3 years with effect from 1st August, 2005. As per clarification issued by the Department of Company Affairs vide their Letter No. 3/36/87/CL-V dated 29.5.1989, approval of the Central Government is not necessary as the appointment is in accordance with Schedule XIII to the Act.

The appointment of Mr .Kheruka is subject to the provisions of Sections 198,269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Act. Since Mr.Kheruka is over 70 years, his appointment is required to be approved by a Special Resolution passed by the Company in General Meeting.

The terms and conditions of Mr.Kheruka's appointment and remuneration payable to him, as approved by the Remuneration Committee are as follows:

I. Remuneration**a) Salary :**

Rs. 2,15,000/- p.m. in the scale of Rs. 2,15,000/- p.m. to Rs. 3,00,000/- p.m. with such increments as may be decided by the Board of Directors (which includes any Committee thereof) from time to time.

b) Commission :

Such percentage of the net profits of the Company or such amount as may be decided by the Board of Directors (which includes any Committee thereof) for each Financial Year or part thereof within overall ceiling of 5% of the net profits of the Company.

c) Perquisites :**i) Housing**

- 1) Residential accommodation or house rent allowance not exceeding 60% of the salary.
- 2) Expenses pertaining to electricity will be borne/ reimbursed by the Company.

ii) Medical Expenses

Domiciliary Treatment - At actuals subject to a ceiling of Rs. 15,000/- p.a. for Mr.Kheruka and his family.

Hospitalisation - Mr.Kheruka and his dependents will be covered by the Company's medical insurance scheme.

iii) Club Fees

Reimbursement of membership fee for upto 2 clubs in India including admission and life membership fee.

iv) Personal Accident Insurance

Personal Accident Insurance Policy of such amount, the premium of which shall not exceed Rs.10,000/- per annum.

v) Mr.Kheruka will be provided with a Company maintained car with Driver.**vi) Phone rental and call charges will be paid by the Company at actuals for telephone at the residence/mobile phone. Charges for personal STD/Trunk Calls would be borne by Mr.Kheruka.****vii) Company's contribution to Provident Fund, Gratuity and encashment of leave at the end of his tenure, payable as per rules of the Company. These shall not be included in the computation of limits for the remuneration or perquisites aforesaid.**

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viii) Leave

Leave with full pay or encashment thereof as per the Rules of the Company.

- ix) Mr.Kheruka will further be entitled to reimbursement of actual entertainment and travelling expenses incurred by him for business purposes.

II. In case of inadequacy or absence of profits in any financial year(s) during the tenure of Mr.Kheruka as a Managing Director, the remuneration payable to him in that financial year shall be calculated in a manner so that it does not exceed the limits laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956 or as may be approved by the Central Government.

III. Other terms and conditions:

- a) The Agreement may be terminated by either party by giving three months' notice in writing.
- b) Mr.Kheruka, as long as he functions as Managing Director shall not become interested or otherwise concerned directly or through his wife in any selling agency of the Company without prior approval of the Central Government.

The Directors recommend passing of the Resolution contained at item no.7 of the accompanying Notice.

Except Mr.B.L.Kheruka and Mr.P.K.Kheruka who is his relative, no other Director is concerned or interested in the Resolution.

A copy of the draft Agreement to be entered into between the Company and Mr.Kheruka will be open for inspection by members at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on any working day of the Company upto and including the date of Annual General Meeting.

Abstract of Terms and Conditions of Appointment and Memorandum of Interest Under Section 302

The contents of item 7 of the Explanatory Statement set out above shall be deemed to be an abstract of the terms and conditions of appointment of Mr. B.L.Kheruka under Section 302 of the Companies Act, 1956 and the Memorandum of interest in that behalf.

Item No. 8

The Board of Directors had appointed Mr.Ashok Jain as Whole Time Director for a period of 3 years with effect from 3rd January 2003, on the terms and conditions as set out in the Agreement to be entered into between the Company and Mr.Ashok Jain (hereinafter referred to as "Mr.Jain") for a period of 3 years. The Board of Directors has at its meeting held on 13th June 2005 decided to re-appoint Mr.Jain for a further period of 3 years on the terms and conditions set out in the draft Agreement to be entered into between the Company and Mr.Ashok Jain.

The re-appointment of Mr.Jain is subject to the provisions of Sections 198,269,309 and 310 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act.

The broad particulars of remuneration payable to and the terms of appointment of Mr. Jain are as under:-

I. Remuneration

a) Salary :

Rs.75,000/- p.m. in the scale of Rs.70,000/- p.m. to Rs.1,10,000/- p.m. with such increments as may be decided by the Board of Directors (which includes any Committee thereof) from time to time.

b) Perquisites & allowances:

- i) Housing – Provision for hired/leased furnished accommodation or House Rent- subject to a ceiling of 60% of salary

- ii) Medical Expenses

Domiciliary Treatment - At actuals subject to a ceiling of Rs. 15,000/- p.a. for Mr.Jain and his family.

Hospitalisation – Mr.Jain and his dependents will be covered by the Company's medical insurance scheme.

- iii) Premium- Personal Accident Insurance

- iv) Leave Travel Assistance – For Mr.Jain and his family, once-a year, incurred in accordance with the rules of the Company.
- v) Mr. Jain will be provided with a Company maintained car with Driver.
- vi) Phone rental and call charges will be paid by the Company at actuals for telephone at the residence/mobile phone. Charges for personal STD/Trunk Calls would be borne by Mr.Jain.
- vii) Company's contribution to Provident Fund, Gratuity and encashment of leave at the end of his tenure, payable as per rules of the Company. These shall not be included in the computation of limits for the remuneration or perquisites aforesaid.
- viii) Leave
Leave with full pay or encashment thereof as per the Rules of the Company.
- ix) Mr.Jain will further be entitled to reimbursement of actual entertainment and travelling expenses incurred by him for business purposes.

II. In case of inadequacy or absence of profits in any financial year(s) during the tenure of Mr.Jain as a Whole Time Director, the remuneration payable to him in that financial year shall be calculated in a manner so that it does not exceed the limits laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956 or as may be approved by the Central Government.

III. Other terms and conditions:

- a. The Agreement may be terminated by either party by giving three months' notice in writing.
- b. Mr.Jain, as long as he functions as Whole Time Director shall not become interested or otherwise concerned directly or through his wife or minor children in any selling agency of the Company without prior approval of the Central Government.

The Directors recommend passing of the Resolution contained at item no.8 of the accompanying Notice.

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

A copy of the draft Agreement to be entered into between the Company and Mr.Jain will be open for inspection by members at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on any working day of the Company upto and including the date of Annual General Meeting.

Abstract of Terms and Conditions of Appointment and Memorandum of Interest Under Section 302

The contents of item 8 of the Explanatory Statement set out above shall be deemed to be an abstract of the terms and conditions of re-appointment of Mr. Jain under Section 302 of the Companies Act, 1956 and the Memorandum of interest in that behalf.

Item No.9

One of the requirements of the revised Clause 49 of the Listing Agreement with the Stock Exchanges on Corporate Governance is that all fees/compensation paid to the Non-Executive Directors shall be fixed by the Board of Directors and require prior approval of Shareholders at the general meeting.

Presently, the Company is paying Rs. 3000/- as Sitting Fees to the Non- Executive Directors for each Board/ Committee Meeting attended by them. It has been proposed to increase the Sitting Fees to Rs.5000/-. The increase is within the limits prescribed by the Rules framed under Section 309 of the Companies Act, 1956.

The approval of the Members is therefore sought for the payment of increased sitting fees to the Non- Executive Directors of the Company. The Board recommends passing of the Resolution as set out at Item No.9 of the accompanying Notice.

All the Non- Executive Directors are considered to be interested in the aforesaid Resolution.

Date : 13th June, 2005

By Order of the Board

Registered Office:

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

ARUN KUMAR
Sr. General Manager (Legal)
& Company Secretary

DIRECTORS' REPORT

To:
The Members of
Gujarat Borosil Limited

Your Directors are pleased to present their Sixteenth Report and Audited Statement of Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2005 are given below :

(Rupees in Lacs)

| | Year Ended 31.03.2005 | Year Ended 31.03.2004 |
|--|-----------------------|-----------------------|
| Gross Sales (including Excise Duty) | 8720.24 | 7561.35 |
| Profit before interest, depreciation and tax | 1519.62 | 917.32 |
| Interest | 23.00 | 36.43 |
| Depreciation | 457.95 | 453.85 |
| Profit for the year | 1038.67 | 427.04 |
| Previous Year Adjustments (Net) | — | (0.10) |
| Net Profit before tax | 1038.67 | 426.94 |
| Provision for Tax (MAT) | 81.45 | — |
| Provision for deferred tax liability | 204.45 | — |
| Profit after tax | 752.77 | 426.94 |
| Effect of BIFR order and settlement of loan | — | 77.00 |
| Amount transferred to Capital Reserve | — | 77.00 |
| Add: Balance brought forward from last year | 756.38 | 329.44 |
| Available for appropriation | 1509.15 | 756.38 |
| Appropriations : | | |
| Transferred to General Reserve | 100.00 | — |
| Proposed Dividend | 341.04 | — |
| Tax on Proposed Dividend | 44.57 | — |
| Balance carried to the Balance Sheet | 1023.54 | 756.38 |

DIVIDEND

Looking to the considerable improvement in the working of the Company, your Directors are pleased to recommend a maiden dividend of 10 % for the year.

PERFORMANCE

Your Company has achieved 15 % growth in sales this year which was largely due to better sales realization after August 2004 consequent upon improvement in quality. The Company does not have to go in for cold repairs of furnace for now and the plant is running at full capacity. The Profit before tax has increased by 143% over last year in view of better sales realisation on stabilisation of quality despite increase in input costs.

The domestic demand for flat glass is expected to continue to rise at a faster pace in view of high growth in the Construction and Automobile sectors which augurs well for the working in the ensuing year.

The term loans of State Bank of India and The Federal Bank Limited have been prepaid during the year. The Company has offered to prepay the term loan of Bank of Baroda also.

The Company is implementing mySAP ERP system which will help in improving efficiency of business operations.

FLOAT GLASS PROJECT

Your Company is in the process of setting up a float glass plant at the existing site. Necessary technical arrangements are in the process of finalisation and the project will be undertaken on attaining financial closure. The project will be financed by a mix of Equity, Term loans and Internal Accruals and will be capable of producing both clear and tinted glass for Construction, Automobile and Mirror applications.

VOLUNTARY DELISTING OF SHARES

In response to the Company's application, Vadodara Stock Exchange Ltd. and The Calcutta Stock Exchange Association Ltd have delisted the Equity shares of the Company effective 24.11.2004 and 7.6.2005 respectively.

DIRECTORS

Mr.U.K.Mukhopadhyay was appointed as an Additional Director w.e.f. 21st September, 2004. However, because of his pre-occupation, he resigned w.e.f. 20th May,2005. The Board placed on record its appreciation for the guidance received from Mr. Mukhopadhyay during his brief stint with the Company.

In view of the expansion plans of the Company , it has been proposed to appoint Mr. B. L. Kheruka, presently Chairman of the Company as Managing Director also at the forthcoming Annual General Meeting. Mr. B.L.Kheruka has wide experience of over 43 years particularly in the glass industry. Mr. Ashok Jain's term as Whole-time Director expires on 2nd January, 2006 and the Board has decided to renew his term for a further period of 3 years. The necessary resolutions in these regards are included in the Notice convening the ensuing Annual General Meeting.

Mr. P. K. Kheruka and Mr. S.K.Mehra 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 inspite of large new float capacities having been added in last ten years and imports, sheet glass continues to find market in the country though in recent times preference for float glass is becoming evident. Of late due to demographical changes, growth of middle class and higher disposable income levels, there has been significantly higher growth in Housing and Automobile sectors and the demand and supply of flat glass are almost matching. This will lead to setting up of further capacities in the country.