

GUJARAT BOROSIL

GUJARAT BOROSIL LIMITED

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***EIGHTEENTH ANNUAL REPORT
2006-2007***

BOARD OF DIRECTORS

B. L. Kheruka - Chairman & Managing Director

P. K. Kheruka - Vice Chairman

V. A. Gore

H. Khaitan

S. K. Mehra

Jagdish Joshi

Ashok Jain - Whole-time Director

COMPANY SECRETARY

Arun Kumar

REGISTERED OFFICE & PLANT

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

☎ : 02645-220300 (8 Lines)

HEAD OFFICE

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

☎ : 2493 0362/66

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.
☎ : 2826 2920 / 2820 7201

GUJARAT BOROSIL**NOTICE**

Notice is hereby given that the Eighteenth Annual General Meeting of members 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 Tuesday, the 14th August, 2007 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, 2007 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. H. Khaitan, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. V. A. Gore, 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 the special resolution passed by the members at the Annual General Meeting of the Company held on 28th July, 2005, pursuant to the provisions of Section 314(1B) of the Companies Act, 1956, be and is hereby amended or altered in the following manner:

'the words/figures 'Rs.48,00,000/- p.a.' be deleted and replaced with the words 'limit, as approved by the shareholders in terms of Sections 198, 269, 309 and Schedule XIII of the Companies Act, 1956' "

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

"RESOLVED THAT pursuant to the provisions of Section 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, and of the Articles of Association of the Company and subject to such approvals, as may be necessary, the Directors of the Company (other than Managing and Whole-time Directors) be paid a commission of such an aggregate amount, as may be determined by the Board of Directors, not exceeding 1% of the net profits of the Company, of the relevant accounting year as computed in the manner prescribed under Section 198 of the Companies Act, 1956, and the said sum be distributed amongst them in such proportion and in such manner as may be decided by the Board of Directors in that behalf.

AND RESOLVED FURTHER THAT the commission as aforesaid, be payable to the Directors for a period of Five accounting years of the Company, commencing with the accounting year beginning from 1st April, 2007."

8. 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 22 of Part C of Clause III of the Memorandum of Association of the Company and in particular the business related to manufacture and dealing in bricks, pottery and refectories."

Date: 27th June, 2007

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) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business under item Nos. 6 to 8 as set out above, and the relevant details in respect of item Nos. 3 & 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 7th August, 2007 to 14th August, 2007 (both days inclusive).
- (4) The Dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 14th August, 2007:
- 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 6th August, 2007.
 - 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 at the end of business hours on 6th August, 2007.
- (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) are furnished below:-

Name of Director	Mr. Haigreve Khaitan	Mr. V. A. Gore
Date of birth	13th July, 1970	18th September, 1938
Date of appointment:	30th January, 2002	31st May, 2004
Expertise in specific Professional areas	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:	L.L.B	B.Com, MFM
List of other Indian Public Limited Companies in which Directorship held.	<ul style="list-style-type: none"> • Ceat Limited • Dhunseri Tea & Industries Ltd. • Great Eastern Energy Corporation Ltd. • Harrisons Malayalam Ltd. • Hindustan Composites Ltd. - Alternate Director • I.G.E. (India) Ltd. - Alternate Director • International Conveyors Ltd. • NRC Ltd. • National Engineering Industries Ltd. • Rama Newsprint & Papers Ltd. • Sterlite Optical Technologies Ltd. • The Madras Aluminum Company Ltd. • The Oudh Sugar Mills Ltd. • Xpro India Ltd. • AVTEC Ltd. • Khaitan Consultants Ltd. - Alternate Director 	<ul style="list-style-type: none"> • Apar Industries Ltd. • Ipca Laboratories Ltd.

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Name of Director	Mr. Haigreave Khaitan	Mr. V. A. Gore
Chairman/Member of the Committee of Board of other Public Limited Companies	Audit Committee: <ul style="list-style-type: none"> • Harrisons Malayalam Ltd. - Member • National Engineering Industries Ltd. - Member • Sterlite Optical Technologies Ltd. - Member • AVTEC Ltd. - Member Share Transfer and Investor Grievance Committee: <ul style="list-style-type: none"> • National Engineering Industries Ltd. - Member • Rama Newsprint & Papers Ltd. - Member • Xpro 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
Equity Shares held in the Company as on date 27.06. 2007	NIL	NIL

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 6**

The members vide Special Resolution passed at the Annual General Meeting held on 28th July 2005, had approved, inter-alia, remuneration payable to Mr. B. L. Kheruka as Chairman and Managing Director for a period of three years with effect from 1st August, 2005, in terms of Sections 198, 269, 309 and Schedule XIII to the Companies Act, 1956. At the same Annual General Meeting, the members had also approved a Special Resolution under Section 314(1B), wherein an overall limit of Rs.48,00,000/- was fixed. Since then the net profit of the Company has gone up substantially.

The Special Resolution at Item No.6 of the accompanying Notice is, therefore, intended to ensure that while the remuneration payable to Mr. B. L. Kheruka remains within the limit(s) prescribed under Schedule XIII of the Companies Act, 1956, the ceiling of Rs.48,00,000/-aforesaid is removed.

The Board recommends passing of Resolution at Item No.6 as a Special Resolution

Except Mr. B. L. Kheruka and Mr. P. K. Kheruka, being a relative of Mr. B. L. Kheruka, no other Director is concerned or interested in the resolution.

Item No. 7

At present, the Non-Executive Directors (NEDs) are paid sitting fees only.

With the growing emergence of corporate governance concept in India, onerous responsibility devolving on them and considerable contributions made by the non-executive Directors in the affairs of the Company, Resolution at item no.7 of the accompanying notice is intended to make enabling provision to make payment of a Commission at the rate not exceeding 1% of the net profits per annum, as may be decided by the Board of Directors from time to time, for the five accounting years commencing from 1st April, 2007 to all Directors (except Managing and Whole-time Directors) in terms of Sections 309(4), 310 and other applicable provisions of the Companies Act, 1956 and of the Articles of Association of the Company.

All Directors (except the Managing / Whole-time Directors) may be deemed to be concerned or interested in this Resolution.

Item No. 8

As the Members are aware, the Company is primarily engaged in the business of manufacturing and sale of Sheet Glass. The Company uses silica sand as one of its major raw material, which after processing has fines as waste and it is now proposed to use it in making bricks. The Company intends to manufacture/sell such bricks as its other business. The said activity is covered by Sub clause 22 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.

DIRECTORS' REPORT

To:
The Members of
Gujarat Borosil Limited

Your Directors are pleased to present their Eighteenth Report and Audited Statement of Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2007 are given below :

(Rupees in Lacs)

	Year Ended 31.03.2007	Year Ended 31.03.2006
Gross Sales (including Excise Duty)	10597.06	9013.12
Profit before interest, depreciation and tax	1924.50	1321.79
Interest	11.45	19.06
Depreciation	480.91	470.30
Net Profit before tax	1432.14	832.43
Provision for Tax	169.92	65.64
MAT credit entitlement	Nil	62.43
Provision for fringe benefit tax	8.02	10.60
Provision for deferred tax liability	297.73	271.07
Profit after tax	956.11	547.55
Add: Balance brought forward from last year	1118.96	1023.54
Available for appropriation	2075.07	1571.09
Appropriation:		
Transferred to General Reserve	100.00	60.00
Proposed Dividend	341.04	341.04
Dividend distribution tax	57.96	51.09
Balance carried to the Balance Sheet	1576.07	1118.96

DIVIDEND

Your Directors are pleased to recommend a dividend of 10 % for the year.

PERFORMANCE

Your Company has achieved sales of over Rs 100 crores for the first time. This milestone was achieved with better selling prices in the second half of the year. The prices have subsequently come under pressure after a new plant of one of the competitors came into production in the last quarter of the year and increased competition from imports. The results were better despite all round increase in costs of inputs.

GUJARAT BOROSIL

The domestic demand for flat glass registered lower growth after witnessing high growth rates in the previous two years due to boom in Construction and Automobile sectors. The moderation in demand was largely on account of high property rates and continuously rising interest rates on housing loans.

NEW PROJECT

The plans to set up a float glass plant at the existing site have been put on hold till further review of market developments and the project will be undertaken at a later date after attaining financial closure.

In the meantime, the Company has decided to take up a project to manufacture figured & wired glass which has good export potential. Necessary preliminary work on the same has been done and the project will be undertaken during the current financial year which will be financed by internal accruals and debt.

DIRECTORS

Mr.V.A.Gore and Mr Haigreve 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 the recent past due to demographical changes, growth of middle class and higher disposable income levels, there has been increase in demand in view of significantly higher growth in Housing and Automobile sectors. This has led to setting up of further capacities in the country. However, as of now the supply is in excess of demand. In view of Global technological changes taking place, capacity growth in the transparent flat glass market has occurred only in the float glass sector because this is the only glass available. However, a significant portion of the Indian market continues to be cost conscious, and there is adequate demand for the Company's production of sheet glass.

B. OPPORTUNITIES & THREATS

OPPORTUNITIES

- The Company is a major player in the sheet glass market and has a good brand image. As of now, the Company is in the process of finalizing the setting up a facility to manufacture figured & wired glass.
- The Industry has been asking the Government to popularise use 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 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 is free of term debts. This would provide an opportunity to raise resources for expansion.

THREATS

- Cheaper imports of float/sheet glass and recent expansion by some of the manufacturers has already disturbed the demand supply equation and lead to temporarily destabilization in selling prices. Besides, there are fresh capacities expected from new entrants.
- Constraints of Product mix and value added items.
- Increase in fuel cost due to gradual deregulation of prices of natural gas/furnace oil and linkage to international prices.

C. SEGMENTWISE OR PRODUCTWISE PERFORMANCE

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

D. OUTLOOK

The Company's product continues to be in demand and we do not foresee any difficulties in selling.

The outlook for Industry appears to be reasonable in view of robust growth in housing sector provided the interest rates on housing loans come back to more affordable levels as there is tremendous increase in the size of middle class aspiring to own houses both in urban and rural areas.

E. RISK AND CONCERNS

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. Capacity utilisation was over 100% in the fourth consecutive year. The sales value increased due to better selling prices. The profit before interest, depreciation and tax was higher at Rs.1924.50 lacs compared to Rs.1321.79 lacs in the previous year due to better selling prices in the second half despite increase in input/energy prices.

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

The industrial relations continued to be cordial. During the year, the Company has entered into a long term memorandum of settlement with the Workmen.

Number of people employed as on 31st March, 2007 were as under:

Staff	:	134
Workers	:	298 (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.

The Board of Directors of the Company has evolved and adopted a Code of Conduct and posted the same on the Company's website www.gujaratborosil.com. The Directors and Senior Management personnel have affirmed their compliance with the code for the year ended 31st March, 2007.

GUJARAT BOROSIL**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.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 are annexed hereto and form part of the Report.

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 co-operation received from employees during the year under review. Directors also place on record its appreciation for the confidence reposed by the shareholders.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 27th June, 2007

B.L. Kheruka
Chairman & Managing Director

INFORMATION UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2007

FORM A

	01.4.2006 to 31.3.2007	01.4.2005 to 31.3.2006
CONSERVATION OF ENERGY		
Power and Fuel Consumption		
1. Electricity		
a. Purchased		
Unit (Kwh)	5997424	5682144
Total Amount (Rs. in lacs)	319.32	286.35
Rate/Unit	5.32	5.04
b. Own Generation		
i. Through Diesel Generator		
Unit (Kwh)	77184	42560
Kwh/Ltrs of Diesel Oil	3.29	3.20
Cost/Unit	11.33	9.90
ii. Through Steam Turbine		
Unit	—	—
Cost/Unit	—	—
2. Furnace Oil/LSHS		
Quantity (KL)	2342	864
Total Cost (Rs. in lacs)	409	115
Average Rate/KL	17452	13282
3. L.P.G		
Quantity (MT)	—	1.44
Total Cost (Rs. in lacs)	—	.24
Average Rate/MT	—	16886
4. Natural Gas/RLNG		
Quantity (SCM)	15439275	16542665
Total Cost (Rs. in lacs)	802.89	874.09
Average Rate/SCM	5.20	5.28
5. Consumption per Sq.mtr. of Production of Company's Products on 2 mm basis		
Natural Gas/RLNG (SCM)	1.18	1.27
L.P.G (Gms)	—	0.11
Furnace Oil/LSHS(Ltrs.)	0.18	0.07
Electricity (Kwh)	0.46	0.44