

11th Annual Report 2002-2003

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Gujarat Cypromet Limited



Gujarat Cypromet Limited

Board of Directors

Shri. Narendra P. Mehta
Shri. Mihir T. Choksi
Shri. Balakrishnan Manjeri
Shri. D. R. Shah
Shri. Atanu C. Chakraborty
Shri. Girish Sahastrabuddhe

Managing Director

Executive Director

Nominee of Industrial Development Bank of India

Nominee of Gujarat Industrial Investment Corporation

Nominee of Gujarat Industrial Investment Corporation

Nominee of Gujarat State Financial Corporation

Auditors

M/s. Naimish K. Shah & Co.
Chartered Accountants
Ahmedabad .

Bankers

Union Bank of India
South Indian Bank Ltd.
Development Credit Bank Ltd.

Registered Office & Works

Plot No. 69/70, 74-79 81/82,
Survey No. 196 / 1 ,
Mahalaxmi Industrial Estate ,
Village Iyava , Sanand - Viramgam Highway ,
Sanand , Gujarat - 382 110 .

Corporate Office

7/10 , Botawala Building ,
1st Floor, Horniman Circle ,
Fort, Mumbai - 400 001 .

Share Transfer Agents

Satellite Corporate Services Pvt. Ltd.
A-60/1223, Azad Nagar II, 3rd Floor,
Veera Desai Road, Andheri (West),
Mumbai - 400 053.



Gujarat Cypromet Limited

NOTICE

Notice is hereby given that the Adjourned Eleventh Annual General Meeting of the Members of the Gujarat Cypromet Limited will be held at Plot No. 69/70, 74-79, 81/82, Survey No. 196/1, Mahalaxmi Industrial Estate, Village Iyava, Sanand Viramgam Highway, Sanand, Gujarat 382 110 on Tuesday, 15th June 2004 at 12.30 p.m. to transact the following business left unfinished at the Annual General Meeting held on September 30, 2003:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2003 and the profit & loss Account for the period ended on that date and Directors' and Auditors' Reports thereon.
2. To appoint Auditors and to fix their remuneration.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 10th June 2004 to Tuesday, 15th June 2004 (both days inclusive).
3. Members are requested to notify immediately change in their addresses, if any, or make correspondence to the Registered Office of the Company or to Satellite Corporate Services Private Limited, A/ 60, 1223, Azad Nagar, Veera Desai Road, Andheri (West), Mumbai 400 053 Share Transfer Agents of the Company quoting their Folio No./Client ID.
4. Members are requested to bring their copies of the Annual Report at the time of attending the Adjourned Annual General Meeting.

By order of the Board

Mihir T. Choksi

Executive Director

Registered Office :

Plot No. 69/70, 74-79, 81/82,
Survey No. 196/1,
Mahalaxmi Industrial Estate,
Village Iyava, Sanand Viramgam Highway,
Sanand, Gujarat 382 110.

Dated : May 2, 2004

11th Annual Report

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the Eleventh Annual Report together with the Statement of Accounts for the 9 month period ended March 31, 2003:

OPERATIONS:

The working results of the Company for the period ended on 31st March, 2003 show a net loss of Rs.1656.15 lacs after providing for financial charges of Rs.1038.89 lacs and depreciation of Rs.122.39 lacs.

During the 9 months under review, on an annualized basis when compared to the operational figures for the previous 15 months, the sales have decreased by 4.76% from Rs.5842.61 lacs to Rs.3338.91 lacs, and the operating profit before interest, depreciation and taxes has decreased from Rs.107.88lacs to Rs. (-) 331.60 lacs.

STATUS OF B I F R

The Company has made reference to B.I.F.R., for determining the measures which should be adopted with respect of the Company to make the net worth positive and the same has been registered with them under case no. 371/2003 dt. 5/11/03.

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

In accordance with the requirements of Section 217 (i) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, statement showing particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure.

LISTING

The equity shares of the Company are listed on the Mumbai, Ahmedabad, Chennai, Delhi and National Stock Exchanges.

DIRECTORS:

Shri Narendra P. Mehta who retired by rotation at the Eleventh Annual General Meeting of the Company held on September 30, 2003 and was re-

appointed thereat.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors hereby assure that ;

- i) in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments 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 loss of the Company for that period;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors have prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES:

The Company does not have any employee whose particulars are required to be given pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, Reports on Management Discussion & Analysis and on Corporate Governance along with a certificate from the Auditors forms part of this report.

AUDITORS OBSERVATIONS:

The note nos. 14 and 12 of schedule 14 referred by the Auditors in their report, are self-explanatory. In view of financial constraints, statutory dues have not been deposited on time. The reference made by the Auditors in respect of doubtful debts is self explanatory.



Gujarat Cypromet Limited

AUDITORS:

M/s. Naimish K. Shah & Co., Chartered Accountants, the Auditors of the company would retire at the adjourned Annual General Meeting and they are eligible for re-appointment.

You are requested to appoint Auditors and to fix their remuneration.

ACKNOWLEDGMENT:

The Board would like to thank Industrial Development Bank of India, Union Bank of India, The Development Credit Bank Limited, Gujarat State Financial Corporation and the co-promoters Gujarat Industrial Investment Corporation for their continued support. The contribution and selfless hard work put in by the employees, deserves special mention. The Board would also like to express its appreciation to the shareholders for the confidence reposed by them in the Company.

For and on behalf of the Board,

N. P. Mehta
Managing Director

Mihir T. Choksi
Executive Director

Mumbai
May 2, 2004

ANNEXURE TO DIRECTORS' REPORT

Information pursuant to the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988.

1. CONSERVATION OF ENERGY :

A.	Power and Fuel consumption	
	Units (KWH) :	1824480
	Total Amount (Rs.)	11115906.22
	Rate/Unit (Rs.)	6.09
B.	Generated Power :	
	Diesel Consumption	
	6736 LTS Purchase (Litres)	
	Total Units Generated (KWH)	24269
	Total Amount (Rs.)	161664.00
	Cost per unit (Rs.)	6.66

2. TECHNOLOGY ABSORPTION :

The Company has not imported any technology during the period under report.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO :

A. Earnings :

The Company has earned an amount of Rs.45.89 lacs.

B. Outgo :

Foreign Exchange outgo was Rs. 99.36 lacs.

For and on behalf of Board

N. P. Mehta
Managing Director

Mihir T. Choksi
Executive Director

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Management Report & Analysis

We have pleasure in submitting the management discussion and analysis report on the company's area of activities. We have attempted to include discussion and analysis on all matters to the extent relevant or within such limits that in our opinion are imposed by the companies own competitive position. The company completed the year with adverse financial and operating results in view of the recessionary trends in the Domestic & Global Markets and also the pressure on margins in certain product lines, coupled with substantial increases in raw material prices. On an Annualized basis, during the 9 months under review, when compared to the operational figures for the previous 15 months, the sales have decreased by 4.76% from Rs.5842.61 lacs to Rs.3338.91 lacs, and the operating profit before interest, depreciation and taxes has decreased from Rs.107.88 lacs to Rs.(-) 331.60 lacs.

Industry Structure & Development

The operations of your company are structured into three separate segments.

- (1) Manufacturing Sales
- (2) Reprocessing Sales
- (3) Trading Sales

All these segments relate to the business of Metals & Metals Products, in the form of raw materials, semi finished & finished Goods.

Details of capacity & Turn Over referred to in the notes to the accounts, are summarised as below.

Segments	Quantity in MT	Sales Rs. in Lacs
(1) Manufacturing Sales	903	666.67
(2) Trading/Reprocessing Sales	918	2664.99
Total	1821	3331.66

The figures of manufacturing sales also includes sales on conversion basis of Rs. 82.31 lacs.

The figures of trading sales, includes sale of 491 MT of reprocessed goods amounting to Rs.1429.87 lacs.

The Industry structure in the field of manufacturing of Copper & Copper Alloy products in India is spread wide, from miniscule to fairly large capacities, with products ranging from ingots/billets to semi

finished items like tubes, rolled products, sheets and flats. While there is no direct co-relation in terms of size v/s profitability, all existing manufacturers have worked out their own viable economic and product mix depending upon various factors ranging from the alloys handled to the group of customers it services. In addition, in view of the large number of alloys and the product groups, each manufacturer has established their own speciality and growth areas.

However, there are very few large scale and modern manufacturing capacities in the Country catering to the demand for sophisticated tube products, and your company today, is one of the finest Copper & Copper Alloy facility in the Country. The company today is a major supplier of condenser and Sugar Brass Tubes to power equipment manufacturers, Condenser & Heat Exchanger Manufacturers, Sugar Mills & Sugar Equipment manufacturers in the country.

The company proposes to stabilize its product mix in their specific areas/customers, which can generate medium to high value addition and towards this end, it aims to be the leading producer of products such as condenser tubes, used in areas/applications like power, petrochemicals, refineries and shipbuilding.

On, an overall basis, the operations of the company are substantially capital intensive, with raw material and power, constituting the largest proportion cost and increases in cost of any of these inputs, have a substantial bearing on the profitability of the operations. Access to working capital limits and continuous cash flows, are also an important aspect of the industry and can contribute to efficient procurement of raw materials.

In addition to the quest for higher capacity utilisation, we also firmly recognise that customer satisfaction and relationship earned through good quality products and timely deliveries, is a key to our success. Quality has been built into products through appropriate manufacturing methods and the process adopted and continuous development in areas of quality are systematically followed.

While the company is in process of obtaining certification under the ISO 9000 standards, currently, the manufacturing facility is approved by all the major Government and Domestic Quality Control Agencies.



Gujarat Cypromet Limited

SWOT Analysis

Strengths

Operating in a value added segment with niche products.

State of the Art Plant incorporating latest technology and fully integrated manufacturing facilities.

Successful and rapid penetration in an extremely demanding and sophisticated market.

Easy availability of raw material –

Flexibility of manufacturing within a given product mix and ability to handle a large number of alloys.

Weaknesses

Delay in implementation of Phase II, stagnating production of high value export oriented products.

Fairly large level of borrowings and high cost of these debts.

Working capital constraints leading to low capacity utilisation.

Opportunities

Emerging overseas markets for sophisticated tube products and acceptability of Indian manufactured products in the International Market. Turnaround in the domestic industry with substantial demand from core industries such as power, refineries, petrochemicals etc.

New product lines in non-traditional applications providing marketing opportunities untapped till today.

Emergence of new segments in the domestic market due to change in buying power and increasing quality consciousness, in areas such as Copper Tubes for plumbing.

Threats

The raw material used by the company are commodities in nature and subject to continuous fluctuations in prices. Current prices of raw materials are at their highest in a decade and such levels will affect the demand of products as well as hamper utilization, in view of increased requirement of operating funds.

Reduction of custom duties on metal products imported from SAARC Countries, leading to unremunerative prices for many product lines.

Environment & Safety

We firmly believe that safe and healthy working conditions in factories and other premises are as necessary and important as production, productivity

and quality. Our policy requires conduct of activities in such a way as to take foremost account of health and safety of all concerned, besides conservation of natural resources and protection of the environment to the extent possible.

Human Resources

We recognise that employees represent our greatest asset and potential. It is only through motivated, creative and business-minded employees that we can achieve our aims. Involvement, commitment, teamwork and continuous updating of skills and knowledge are integral to our objectives of advancing a highly professional, productive culture. Permanent employment totals 218 of which officers and staff account for 36, and workmen for the balance (last year 241 and 39 respectively).

Outlook, Risk & Concerns

There are no further or typical areas of risks or concerns outside the usual course of business foreseeable at this time. Internal control systems are improving. Our team is committed to the Board's dictates on standards of conduct as well as good governance and exercise of due diligence. We have taken all care to diligently comply with all applicable laws and regulations. The overall financial performance is in line with and reflective of operational performance. Liquidity constraints with customers still impose cash flow and interest burdens on the businesses. Our outlook continues to remain positive and we face challenges with sincerity. Our sincere thanks to all employees and teammates whose dedicated and hard work allowed level of operations/sales to be achieved. We are grateful to our Bankers and concerned authorities for their continued support, and to all our customers for their faith and confidence. We remain committed to fullest customer satisfaction.

Cautionary Statement

Statements in the Management's Discussion & Analysis Report which seek to describe the Company's objectives, projections, estimates, expectations or predictions may be considered to be "forward-looking statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from any expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's markets, changes in Government regulations, tax regimes economic developments within India and countries with which the Company conducts business besides other factors, such as litigation and labour negotiations.

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REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

1) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy of Corporate Governance is aimed at assisting the top management of the Company in the efficient conduct of its business and in meeting its obligations to the shareholders.

The Company is committed to learn and adopt the best practices of corporate governance.

2) BOARD OF DIRECTORS

The present strength of Board of Directors of your Company is six Directors.

Composition and category of Directors is as follows :

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM	Directorship in other Companies including private companies in India	No. of Committees in which Chairman/ Member (other than GCL)	
					Member	Chairman
Mr. Mihir T. Choksi	Executive Director	3	Yes	—	—	—
Mr. N. P. Mehta	Managing Director	3	Yes	—	—	—
Mr. Balakrishnan Manjeri	Nominee Director	2	No	—	—	—
Mr. D. R. Shah	Nominee Director	2	No	7	1	—
Mr. Girish Sahastrabudhe	Nominee Director	3	No	-	-	-
Mr. Atanu Chakraborti	Nominee Director	Nil	No	-	-	-
Mr. L. P. Mehta (Upto 31.01.2003)	Independent and Non-Executive Director	3	No	-	-	-

No. of Board Meetings held and the dates on which held :

3 (Three) Board Meetings were held during the period July 1, 2002 to March 31, 2003. The dates on which the said meetings were held are as follows :

26.07.2002, 30.10.2002 and on 31.01.2003

Information required under clause 49 VI A of the Listing Agreement :

The particulars of Directors who are proposed to be appointed/re-appointed at this Annual General Meeting, are given below, as required pursuant to clause 49 of the Listing Agreement:

Name : Shri Narendra P. Mehta
Qualifications : B. Com
Expertise : Experience of over 50 years in the metal industries



Gujarat Cypromet Limited

3. AUDIT COMMITTEE

The Audit Committee comprises solely of Independent and Non-Executive Directors. Mr. Balakrishnan Manjeri, Mr. Girish Sahastrabuddhe and Mr. D. R. Shah, are the members of the Committee. Mr. Balakrishnan Manjeri is the Chairman of the Audit Committee.

The terms of reference to the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement as well as in Section 292 A of the Companies Act, 1956. Three meeting of the Committee was held during the financial period.

Attendance at Audit Committee Meetings

Members	No. of meetings attended
Mr. Balakrishnan Manjeri	2
Mr. Girish Sahastrabuddhe	3
Mr. D. R. Shah (w.e.f. 31.01.2003)	Nil
Mr. L. P. Mehta (upto 31.01.2003)	3

4. REMUNERATION COMMITTEE

The remuneration committee comprising Mr. Balakrishnan Manjeri, Mr. Girish Sahastrabuddhe and Mr. D. R. Shah, was constituted to determine/review the remuneration of management personnel.

Details of the remuneration paid to the Directors of the Company during the period ended March 31, 2003 are given below:

Name of Director	Salary	Perquisites	Commission	Others	Sitting fees	Total
Mr. Mihir T. Choksi	67500	22500	—	—	—	90000
Mr. N. P. Mehta	135000	36000	—	—	—	171000
Mr. Balakrishnan Manjeri	—	—	—	—	8000	8000
Mr. D. R. Shah	—	—	—	—	4000	4000
Mr. Girish Sahastrabuddhe	—	—	—	—	12000	12000
Mr. Atanu Chakraborti	—	—	—	—	NIL	NIL
Mr. L. P. Mehta	—	—	—	—	34000	34000

The Company does not have a scheme for grant of stock options.

5) SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The shareholders' / Investors' Grievance Committee comprised of Mr. N. P. Mehta, Mr. Mihir T. Choksi and Mr. Balakrishnan Manjeri. The Chairman of the Committee is Mr. Balakrishnan Manjeri. The Committee looks into redressing of shareholders and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc. Mr. Mihir T. Choksi, Executive Director has been appointed as Compliance Officer of the Company.

The total number of complaints received and replied to the satisfaction of shareholders during the period under review, was 5. Outstanding complaints as on March 31, 2003 were Nil. No requests for transfers were pending for approval as on March 31, 2003.