



GUJARAT FLUOROCHEMICALS LIMITED

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15TH

ANNUAL REPORT

2001 - 2002



GUJARAT FLUOROCHEMICALS LIMITED

FIFTEENTH ANNUAL GENERAL MEETING

On Wednesday, the 21st August, 2002

at 11.30 a.m.

at

S/No. 16/3, 26 & 27

Ranjitnagar 389 380

Taluka Goghamba

Dist. Panchmahals

Gujarat

Request to Shareholders

- Shareholders are requested to bring their copy of the Annual Report alongwith them at the Annual General Meeting as copies of the Report will not be distributed at the Meeting.
- Kindly send all your transfer deeds together with Share Certificates for transfer of Shares to our Registrar and Share Transfer Agents at the following address :

MCS Limited
Neelam Apartment,
88, Sampatrao Colony,
Behind Federation Building
R. C. Dutt Road, Vadodara - 390 005.
- Kindly notify change of your address and write only to the Registrar and Share Transfer Agents in respect of any matter connected with your Shares.

BOARD OF DIRECTORS

Shri L. K. Jain

Chairman

Shri D. K. Jain

Shri Shailendra Swarup

Shri V. P. Mittal

Shri V. K. Jain

Managing Director

Shri D. K. Sachdeva

Whole-Time Director

AUDIT COMMITTEE

Shri D. K. Jain

Shri L. K. Jain

Shri V. P. Mittal

COMPANY SECRETARY

Shri B. V. Desai

AUDITORS

M/s. Patankar & Associates

Chartered Accountants

BANKERS

Canara Bank

State Bank of Saurashtra

Bank of Maharashtra

REGISTERED OFFICE & PLANT

S/No. 16/3, 26 & 27,

Ranjitnagar 389 380

Taluka Goghamba,

Dist. Panchmahals,

Gujarat.

CORPORATE OFFICE

ABS Towers, 2nd floor,

Old Padra Road, Vadodara 390 007.

Gujarat.



NOTICE

NOTICE is hereby given to the Members of **Gujarat Fluorochemicals Limited** that the **Fifteenth Annual General Meeting** of the Company will be held at the Registered Office of the Company at S/No. 16/3, 26 & 27, Ranjitnagar 389 380, Taluka Goghamba, District Panchmahals, Gujarat, on **Wednesday, the 21st day of August, 2002, at 11:30 am**, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2002, the Balance Sheet as at that date, the report of the Auditors thereon and the report of the Board of Directors for the said year.
2. To declare dividend for the year ended 31st March, 2002.
3. To appoint a Director in place of Shri DK Jain who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Shailendra Swarup 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 and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if, thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, Shri VK Jain be and is hereby re-appointed, as a Managing Director of the Company, for the period from 01st January, 2003 to 31st December, 2007 on the following terms :

I. SALARY

Basic Pay Rs 1,50,000 per month in the grade of 1,50,000-10,000-2,00,000.

II. PERQUISITES

Perquisites are classified into three categories A, B and C as follows :

CATEGORY A

1. Housing I :

The expenditure incurred by the Company on hiring furnished accommodation for the Managing Director will be subject to a ceiling of sixty per cent of the basic pay.

Housing II :

In case no accommodation is provided by the Company, the Managing Director shall be entitled to House Rent Allowance subject to the ceiling laid down in Housing I.

Explanation :

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. These shall, however, be subject to a ceiling of ten per cent of the basic pay of the Managing Director.

2. Medical Reimbursement :

Expenses incurred for the Managing Director and his family subject to a ceiling of one month basic pay in a year or three months basic pay over a period of three years.

3. Leave Travel Concession :

For the Managing Director and his family, once in a year incurred in accordance with the rules specified by the Company.

CATEGORY B

The Managing Director shall also be eligible to the following perquisites :

- 1) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961.
- 2) Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
- 3) Encashment of leave is at the end of the tenure.
- 4) Club Fees : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
- 5) Personal Accident Insurance : Premium not to exceed Rs 4,000 per annum.

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CATEGORY C

Provision of Car for use on Company's business and telephone at residence will not be considered as perquisites.

III. COMMISSION

Equivalent to two per cent of the net profits of the Company per annum, or pro-rata for a part of the year.

Notwithstanding anything contained hereinabove where in any financial year, during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, it will pay him above remuneration by way of salary and perquisites."

By Order of the Board of Directors

New Delhi
29th June, 2002

LK JAIN
Chairman

Registered Office :
S/No. 16/3, 26 & 27,
Ranjitnagar 389 380
Taluka Goghamba,
District Panchmahals, Gujarat

Note :

- A) A MEMBER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER. DULY EXECUTED PROXIES MUST BE REGISTERED WITH THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
- b) The Register of Members and the Share Transfer Books of the Company will be closed from 12th August, 2002 to 19th August, 2002 (both days inclusive).
- c) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business as set out above is annexed hereto.
- d) Those Members who have not received interim dividend and / or final dividend for 1994-95 and / or 1995-96 and / or 1996-97 and / or 1997-98 and / or 1998-99, and / or 1999-2000 or 2000-2001 declared and paid by the Company, are requested to write to our Registrar & Share Transfer Agents at the following address :

MCS Limited
Neelam Apartment
88, Sampatrao Colony
Behind Federation Building
R.C. Dutt Road
VADODARA 390 005

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 6

At the Tenth Annual General Meeting of the Company, the Members had appointed Shri VK Jain as a Managing Director of the Company for a period of five years from 01st January, 1998 to 31st December, 2002. It is desirable that the Company should continue to avail his services as a Managing Director of the Company, on the terms as contained in the Resolution.

The Directors commend that the proposed Resolution be approved.

None of the Directors of the Company is concerned or interested in the proposed Resolution except Shri VK Jain for himself, and Shri LK Jain and Shri DK Jain, being relatives of Shri VK Jain, to the extent of his re-appointment as a Managing Director of the Company.

By Order of the Board of Directors

New Delhi
29th June, 2002

LK JAIN
Chairman

Registered Office :
S/No. 16/3, 26 & 27, Ranjitnagar 389 380
Taluka Goghamba,
District Panchmahals, Gujarat



DIRECTORS' REPORT

To the Members of
GUJARAT FLUORO CHEMICALS LIMITED

Your Directors take pleasure in presenting to you their Fifteenth Annual Report for the year ended 31st March, 2002.

1. FINANCIAL RESULTS

Following are the working results for the year 2001-2002:

| | 2001-2002 | (Rs in lacs) 2000-2001 |
|---|----------------|---------------------------|
| Turnover | 11991.42 | 12009.33 |
| Gross Profit before Interest and Depreciation | 4284.78 | 4288.94 |
| Less: Interest | 22.80 | 38.17 |
| Profit before Depreciation | 4261.98 | 4250.77 |
| Less: Depreciation for the year | 251.03 | 276.25 |
| Less: Write off of amortised expenditure | 2.16 | 2.16 |
| Less: Provision for diminution in value of investments | 129.75 | 641.54 |
| Profit before Taxation | 3879.04 | 3330.82 |
| Provision for Taxation | 772.11 | 759.71 |
| Profit for the year | 3106.93 | 2571.11 |
| Add: Profit brought forward from previous year | 87.53 | 99.19 |
| | <u>3194.46</u> | <u>2670.30</u> |
| Appropriations | | |
| Transferred to General Reserve | 2802.60 | 2200.00 |
| Proposed Dividend subject to approval of the shareholders | 347.34 | 347.34 |
| Tax on Dividend | 0.00 | 35.43 |
| Balance carried to Balance Sheet | 44.52 | 87.53 |
| | <u>3194.46</u> | <u>2670.30</u> |

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a) Industry structure and developments

Your company is primarily engaged in the business of manufacture and sale of refrigerant gases. There are around 4 manufacturers of refrigerant gases in India, of which your company is amongst the largest. The refrigerant gas market in India comprises of two distinct customer categories - distributors, who cater to the replacement demand, and OEs, who represent requirements for new equipment. Internationally, the market is serviced predominantly by a network of distributors.

b) Opportunities and threats

Your company manufactures primarily two grades of refrigerant gases - CFCs and HCFCs. Consequent on the implementation of the Montreal Protocol by developing countries, your company has started phasing out CFC production in terms of its obligations under the Protocol. It is also noticed that the domestic market for CFCs is shrinking faster than the production cut-backs mandated by the Montreal Protocol. Your company is trying to mitigate the impact of these factors by looking at new markets / customers for CFCs, as well as shifting focus to HCFC production and exports. However, with HCFC margins under pressure due to idle capacity created by CFC phase-outs all over the world, your company is trying to meet these challenges by improving production efficiencies and rigorous cost control.

c) Segment-wise and product-wise performance

Since the company is primarily engaged in the business of manufacture and sale of refrigerant gases, it is considered to be operating in a single business segment. The products of the company are sold both in the domestic and export markets, which are considered to be different geographical segments. Appropriate segment-wise disclosures have been made in Accounts.

d) Outlook

With Montreal Protocol mandated phase-outs in force, CFC production will keep falling as per the mandated phase-out schedule. Hence, the performance of the company will largely depend on its ability to shift focus to HCFC production and markets, as well as cost control.

e) Internal control system and their adequacy

The company has an adequate internal audit system commensurate with its size and the nature of its business. The internal audit is carried out by an independent firm of Chartered Accountants, who interact with the Audit Committee on a regular basis, with respect to the scope of audit, significant audit observations, and remedial action required, if any.

f) Discussion on financial performance with respect to operational performance

Your company has been able to maintain its level of operating profitability, despite a fall in CFC production, as well as a shrinking of domestic markets. Treasury operations of the company did better than last year.

g) Material developments in human resources / industrial relations front, including number of people employed

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Your company continued to have cordial and harmonious relations with all its employees.

3. DIVERSIFICATION

INOX Leisure Limited, a wholly-owned subsidiary of your Company, which is setting up a national chain of Family Entertainment Centres, with Multiplex Cinema Theatres being the key element, has launched its First Family Entertainment Centre at Pune in May 2002. It is presently working on five other projects in different parts of India, and is negotiating further sites for implementation. Your Company has already invested Rs 34.20 crores in the equity of that company.

4. RESPONSIBILITY STATEMENT

Your Directors would like to confirm that

- I. in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
- II. the Directors 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. the Directors 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. the Directors have prepared the Annual Accounts on a going concern basis.

5. DIVIDEND

Your Directors recommend a dividend of Rs 3.00 per share (30%) subject to approval of the shareholders. The dividend payout for the year will be Rs 347.34 lacs.

6. DIRECTORS

Shri DK Jain and Shri Shailendra Swarup retire by rotation and being eligible, offer themselves for re-appointment.

7. SUBSIDIARY COMPANY

The Balance Sheet, Profit and Loss Account, Auditors' Report and Directors' Report and a Statement of your Company's interest in Inox Leisure Limited, as required under Section 212 of the Companies Act, 1956, for the year 31st March 2002 are annexed hereto.

8. AUDITORS' REPORT

The notes forming part of the accounts are self-explanatory and do not call for any further clarifications under Section 217(3) of the Companies Act, 1956.

9. AUDITORS

Members are requested to appoint Auditors for the current year and to fix, or authorise the Board to fix,

their remuneration. The Auditors, M/s. Patankar & Associates, retire and offer themselves for re-appointment. Due notice has been received from them that their appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

10. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

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

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to the matters contained therein is given by way of an Annexure to this Report.

12. PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration in excess of the limits prescribed under the amended Section 217(2A) of the Companies Act, 1956, read with the Company's (Particulars of Employees) Rules, 1975.

13. RURAL DEVELOPMENT ACTIVITIES

The Company undertakes rural development work as part of its ongoing efforts to improve the quality of life of the people in the areas surrounding its plant. Diligent and sincere efforts in this direction have had a positive impact on the neighbouring community.

14. SAFETY, HEALTH AND ENVIRONMENT

Safety, health and environment have been of prime concern to the Company and necessary efforts were made in this direction in line with the safety, health and environment policy laid down by the Company. Health of employees is being regularly monitored and environment has been maintained as per statutory requirements.

15. INSURANCE

The Company's property and assets have been adequately insured.

16. ACKNOWLEDGEMENT

Your Directors express their gratitude to all other external agencies for the assistance, co-operation and guidance received. Your Directors place on record their deep sense of appreciation for the dedicated services rendered by the workforce of the Company.

By Order of the Board of Directors

New Delhi
29th June, 2002

LK JAIN
Chairman



ANNEXURE

To The Directors' Report

Information as required under Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

(A) CONSERVATION OF ENERGY

(a) Energy conservation measures taken :

1. Trimming of impellers of 3 cooling tower circulating water pumps has resulted in saving of power.
2. Installation of Auto Power Factor panel has improved the power factor and recurring energy saving is being obtained.
3. Installation of Auto Power Transformer provided in lighting circuit for better Management of Power and improved life of light fittings.
4. Demolition of concentrated brine saturator leading to the reduction in consumption of salt and better softener unit operation.
5. Replacement of 11 KW vertical sub-mersible pump with 7.5 KW Horizontal Monoblock Pump in raw water survive has resulted in power saving.
6. Liquid circulation in AHF plant scrubbing section with single higher capacity pump instead of two pumps resulted in energy saving.
7. Reduction in refrigeration load in AHF plant achieved through improvement in distillation operation.
8. Modification of Bag filter resulted in better utilization of waste heat and has reduced air consumption.
9. Fuel saving is continued to be achieved by utilizing waste heat of fuel gases for Fluorspar drying.
10. Installation of Auto Purge System in Refrigerant Section has helped in continuous purging of non-condensable gases from Refrigerant, circulated in Refrigeration Plant to maintain lower power requirement per ton of Refrigeration.
11. Electrical Energy Audit was carried out by Envy Consultants, Vadodara.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy ;

1. Further utilisation of waste heat in Boiler and process.
2. Replacement of old rewound motors with energy efficient motors.
3. Replacement of Boiler Feed Water Pump with Higher Efficiency Pump.
4. Hooking of Electrical Power Management Systems with PCS.
5. Thermal as well as total Energy Audit.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods ;

1. The impact of the measures indicated in (a) and (b) above are expected to be favourable i.e., reduced energy consumption and its consequential effect on cost of production.

(d) Total energy consumption and energy consumption per unit of production as per Form A;

| | Current Year | Previous Year |
|---|-----------------|------------------|
| A Power and Fuel Consumption | | |
| 1 Electricity | | |
| A Purchased | | |
| Units (in lacs) | 92.60 | 98.03 |
| Total Amount (Rs in lacs) | 495.24 | 524.81 |
| Rate/Unit (Rs.) | 5.35 | 5.35 |
| B Own Generation | | |
| Units (in lacs) | 0.23 | 0.23 |
| 2 Coal | 0 | 0 |
| 3 Furnace Oil | | |
| Quantity (k. ltrs.) | 2047.21 | 2165.84 |
| Total Amount (Rs. in lacs) | 210.50 | 241.06 |
| Average Rate (Rs.) | 10.28 | 11.13 |
| B Consumption per unit of production | | |
| 1 Electricity KWH/MT | 539 | 567 |
| 2 Fuel Oil LTR/MT | 119 | 125 |
| 3 Coal | 0 | 0 |
| 4 Others | 0 | 0 |

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(B) TECHNOLOGY ABSORPTION

- (e) efforts made in technology absorption as per Form B ;

Research and Development

1. Specific areas in which R & D carried out by the Company
 - i. Close study of the plant to improve the plant throughput, to improve efficiency and product quality.
 - ii. Study on plant corrosion to improve technique to reduce downtime and to study use of better material of construction.
 - iii. Study to reduce slippage of HF in by-product HCl to improve Raw Material Consumption.
 - iv. Study the utilization of by-products for various value added products.
 - v. More efficient system to remove impurities in product gases.
 - vi. Development of alternative and quicker methods of analysis to save time and cost.

2. Benefits derived as a result of the above R & D

- i. Improved throughput improved efficiency, better quality, better capacity utilisation, and consistency in product quality and improved profitability.

3. Future plan of action

- i. The Company proposes to develop various value-added products based on Hydrofluoric Acid and other grades of gases.

Technology absorption, adaptation and innovation :

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.
 - i. Plant personnel were given exclusive training for better technology absorption and innovation.
 - ii. Technological information is up-dated by discussions with the collaborators, Engineers, Consultants and through technical literature.

2. Benefits derived as a result of the above efforts.

- i. Improvements carried out in AHF plant have

resulted in lowering of corrosion, increasing throughput and efficiency and in increasing the continuity of operations.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- (f) Foreign exchange used - Refer to Note No. 13 of Annual Accounts

Foreign exchange earned - Refer to Note No. 14 of Annual Accounts

By Order of the Board of Directors

New Delhi
29th June, 2002

LK JAIN
Chairman

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

1. Name of the Company : Inox Leisure Limited
2. Financial year ended : 31st March, 2002
3. Shares held by the Holding Company in the Subsidiary Company : 3,42,00,000 Equity Shares of Rs 10 each (2,49,99,300 Equity Shares of Rs 10 each)
4. Holding Company's Interest : 100.00 %
5. The net aggregate of Profits or Losses for the current and previous financial periods of the Subsidiary so far as it concerns the Members of the Holding Company : The Company has not commenced business activity and hence, has prepared a Statement of Pre-operative Expenditure pending Allocation.
- a) dealt with or provided for in the accounts of the Holding Company
- b) not dealt with or provided for in the accounts of the Holding Company :

By Order of the Board of Directors

New Delhi
29th June, 2002

LK JAIN
Chairman



CORPORATE GOVERNANCE REPORT

In compliance with clause 49 of the Listing Agreement with Stock Exchanges, the Company is pleased to submit this report on the matters mentioned in the said clause and the practices followed the Company in this regard.

1. Company's philosophy on Code of Governance

Corporate Governance is the system by which companies are directed and controlled by the management in the best interest of the shareholders and others ensuing greater transferability and better and timely financial reporting. Corporate Governance therefore generates long term economic value for its shareholders.

Gujarat Fluorochemicals Limited believes that the implementation of Corporate Governance principles generates public confidence in the corporate system. With this belief, the Company has initiated significant measures for compliance with corporate governance.

2. Board of Directors

The Board of Directors consists of six directors of which one is Managing Director and one is Whole-Time Director. The Whole-Time Director is in-charge of technical affairs of the Company. There are four non-executive Directors.

During the year, 2001-2002, the Board met four times on following dates, namely, 10th May, 2001, 28th July, 2001, 30th October, 2001 and 29th January, 2002.

The following table gives details of Directors, details of attendance of Directors of Board Meetings, at the Annual General Meeting, number of memberships held by Directors in the Board / Committees of various Companies :

| Name | Category | Attendance Particulars | | Number of other directorship and Committee Member / Chairmanships | | |
|--------------------------|---------------------|------------------------|----------|---|----------------------|-------------------------|
| | | Board Meeting | Last AGM | Other Directorship | Committee Membership | Committee Chairmanships |
| Shri LK Jain | Chairman | 4 | NO | 8 | 2 | 1 |
| Shri DK Jain | Director | 4 | NO | 12 | 2 | 1 |
| Shri MRB Punja | Director | 1 | NO | 22 | 5 | 4 |
| Retired on 30.06.2001 | | | | | | |
| Shri VP Mittal | Director | 3 | NO | 5 | 1 | |
| Appointed wef 30.06.2001 | | | | | | |
| Shri Shailendra Swarup | Director | 2 | NO | 13 | 8 | 1 |
| Shri VK Jain | Managing Director | 4 | NO | 18 | 7 | 1 |
| Shri DK Sachdeva | Whole-time Director | 1 | NO | - | - | - |

Directors seeking re-appointment

Shri D K Jain and Shri Shailendra Swarup retire by rotation and, being eligible offer themselves for re-appointment. Shri V K Jain's terms of office expires on 31st December, 2002 and the Board proposes to consider his re-appointment as a Managing Director of the Company.

Shri D K Jain

Shri D K Jain is a graduate from St. Stephens College, Delhi, possesses over 48 years of rich experience in Business Management and International Trade. In recognition of his successful efforts to increase bilateral trade with commonwealth countries he was granted a Dignity of an Honorary Member of the Civil Division in the Order of the British Empire by Her Majesty, of the Queen of England. Mr. D.K. Jain has been a member of the Indian National Committee of the International Chamber of Commerce and has been an Associate Member of the World Economic Forum, Geneva, Switzerland. In addition, he has been a member of the Indian delegation to the Davos symposium on several occasions.

Shri V K Jain

Shri V K Jain is a graduate of Commerce from St. Stephens College, Delhi. He also has a post graduate degree in Business Administration from the Indian Institute of Management, Ahmedabad. He has 23 years of business experience.

Shri Shailendra Swarup

Shri Shailendra Swarup is a law graduate and a Senior Advocate. He is practicing in the High court and Supreme Court at New Delhi. He is having around 38 years of experience in handling various legal matters. He is also on the Board

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of several professionally managed companies. Mr. Swarup was a member of the Task Force on Corporate Governance constituted by the confederation of Indian Industry under the Chairmanship of Mr. Rahul Bajaj. He was also a member of Consultative Group Constituted by the Reserve Bank of India under the Chairmanship of Dr. A.S. Ganguly.

3. Audit Committee

The Audit Committee originally constituted by the Board of Directors consisted of three Directors namely, Shri LK Jain, Chairman, Shri DK Jain, Director and Shri VK Jain, Managing Director. The same was reconstituted with effect from 29th January, 2002, to comply with the requirements of the Listing Agreement. Shri VK Jain, Managing Director, stepped down from the Audit Committee, and Shri VP Mittal, Director was inducted therein. Also, Shri DK Jain was appointed Chairman, in place of Shri LK Jain.

The terms of reference specified by the Board for the Audit Committee are as follows:

- Recommend the appointment of Statutory Auditors, fixation of audit fees and approval for payment of fees for any other services.
- Appointment of Internal Auditors, determine the scope of internal audit and fixation of internal audit fees.
- Review of internal control systems through discussions with Statutory and Internal Auditors, and key employees, if necessary,
- Implementing measures to strengthen internal control systems, and ensuring compliance to the internal control systems.
- Selection of accounting policies to be adopted by the Company after due deliberations and compliance with accounting standards and generally accepted accounting principles.
- Compliance with listing and other legal requirements concerning financial statements.
- Reviewing periodic financial statements before submission to the Board.
- Discussion with Statutory and Internal Auditors about major findings and observations during the course of audit.

The following table gives details of Directors / attendance of Directors of Audit Committee Meeting:

| Name | Category | Attendance | | |
|----------------|-------------------|----------------|-------------------|-------------------|
| | | 28th July 2001 | 30th October 2001 | 29th January 2002 |
| Shri LK Jain | Chairman | Yes | Yes | Yes |
| Shri DK Jain | Director | Yes | Yes | Yes |
| Shri VP Mittal | Director | — | — | Yes |
| Shri VK Jain | Managing Director | Yes | Yes | Yes |

4. Directors Remuneration

The Board of Directors recommends remuneration of Directors to the Shareholders for their approval. The following are the details of remuneration drawn by Directors:

Remuneration paid during 2001-2002

| Name of Director | Relationship With other Directors | Business Relationship with the Company, if any | All elements of Remuneration package i.e. salary, benefits, bonuses, pension, etc. | Service Contracts, Notice Period, Severance Fee |
|------------------|---|--|--|--|
| Mr. VK Jain | Relative of Shri LK Jain and Shri DK Jain | Managing Director | As per note 9(b) of Annual Report | Service Contract 01.01.1998 to 31.12.2002 |
| Mr DK Sachdeva | None | Whole-Time Director | As per note 9(a) of Annual Report | Service Contract 29.11.2001 to 28.11.2006 |