

14th Annual Report 2003-2004



MODIGUARD

GUJARAT GUARDIAN LIMITED

GUJARAT GUARDIAN LIMITED**BOARD OF DIRECTORS**

Mr. Vinay Kumar Modi - Chairman
Mr. Peter S. Walters - Vice Chairman
Mr. Charles G. Croskey - Director
Mr. David L. Rose - Managing Director
Mr. Alok K. Modi - Jt. Managing Director
Mr. P.K. Taneja - Nominee Director of GACL
Mr. B.K. Sinha - Nominee Director of GMDC
Mr. Ajit Vashi - Director
Mr. O.P. Bhardwaj - Director
Mr. A.M. Surana - Finance Director

ALTERNATE DIRECTORS

Mr. Sanjiv Gupta
Mr. P.S. Dasgupta
Mr. O.P. Gulati

COMPANY SECRETARY

Mr. R.B. Dadu

AUDITORS

M/s. Price Waterhouse & Co.
Chartered Accountants
P-1, Aditya Vihar, Saidulajab
Opp. D-Block, Saket
Mehrauli Badarpur Road,
New Delhi - 110030

BANKERS

State Bank of India
Hongkong & Shanghai Banking Corp. Ltd.
ICICI Bank Ltd.
State Bank of Travancore
Bank of Baroda

REGISTERED OFFICE

State Highway No. 13, Taluka - Valia,
Vilage, Kondh, District - Bharuch,
Gujarat - 393 001

CORPORATE OFFICE

4/7C, DDA Shopping Centre,
New Friends Colony, New Delhi-110065.

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GUJARAT GUARDIAN LIMITED



DIRECTORS' REPORT

To the Shareholders,

Your Directors have pleasure in presenting the fourteenth Annual Report together with the audited accounts for the accounting year ended March 31, 2004.

FINANCIAL RESULTS

(Rs. in Lacs)

| | Year ended 31.03.2004 | Year ended 31.03.2003 |
|--|--------------------------|--------------------------|
| Turnover | 38,459.06 | 39,421.69 |
| Gross Profit before interest and depreciation | 9,979.32 | 10,470.23 |
| Interest | 115.87 | 778.18 |
| Depreciation | 2,661.36 | 3,098.60 |
| Profit before tax | 7,202.09 | 6,593.45 |
| Provision for Taxation | 2,691.80 | 2,803.34 |
| Net Profit after Tax | 4,510.29 | 3,790.11 |
| Add : Balance brought forward from previous Year | 4,557.60 | 1,340.58 |
| Less: Transferred to net Deferred Tax liability | - | 573.08 |
| Less: Transferred to Cold Tank Repairs Reserve | 4,500.00 | - |
| Balance to be carried forward | 4,567.89 | 4,557.60 |

One of the important sections of float glass manufacturing line is the melting furnace. The potential life of a float glass furnace is in the range of 12-15 years depending upon pull rate, maintenance practice and operational diligence. Thereafter it becomes necessary to shut down the plant, rebuild the furnace and replace worn out components in furnace as well as other sections of the plant. Such major repairs to the plant, is termed as "Cold Tank Repair" in float glass industry. It requires a plant shut down of 3-4 months and the cost of such repairs is internationally estimated to be around 40 Million US Dollars.

The float glass plant of the company has been running continuously for 11 years and is now in its 12th year of operation. The plant is also operating at its optimum pull rate. It is therefore prudent for the company to prepare itself for the Cold Tank Repair in near future and build cash reserve for the same. Accordingly, it is proposed to transfer a sum of Rs. 4500.00 Lacs out of Profit & Loss Account to Cold Tank Repair Reserve for this year and make suitable additional reserves in subsequent years so as to build adequate reserves to take care such major repairs.

GUJARAT GUARDIAN LIMITED**PRODUCTION**

During the year ended March 31, 2004 the company produced 1,94,688 MT of float glass as compared to 1,82,238 MT during the previous year. This represents 130% capacity utilisation.

MARKETING

The company achieved a turnover of Rs.384.46 crores during the year against Rs. 394.22 crores in 2002-03. While domestic sales volume increased, the exports sales volume came down. On account of competitive market conditions the prices remained under pressure.

Your company continues to maintain its leadership position in the domestic market. The company is having a strong network of dealers and authorised retailers and MODIGUARD name enjoys strong brand image. The company is making continuing efforts to strengthen its brand image further through product publicity. The Company continues to maintain its focus on increased sale of value added products and providing better customer service.

NATURAL GAS SITUATION

The company is using natural gas as fuel. On account of depleting gas reserves in South Gujarat and consequent fall in availability of gas, Gas Authority of India Ltd (GAIL) had imposed certain restrictions on supply of gas. The company had to incur higher expenditure on fuel by meeting the shortfall in supply of gas from GAIL by getting part of the supply from Gujarat Gas Company Ltd at open market prices and meeting balance shortfall by using Liquid Petroleum Gas (LPG).

Since March 2004, the company has started getting Re-gasified Liquid Natural (RLNG) from GAIL to meet the shortfall in supply of natural gas. Though RLNG is costlier than Natural Gas, it is economical as compared to LPG. The company is continuing its efforts to get maximum quantity of natural gas from GAIL.

WIND POWER

In view of high electricity tariff in the state of Gujarat and favorable Wind Power Generation Policy of the State Government, the company decided to go for wind power generation for captive use. The first phase of Wind Power Project became operational from September 2003. It is providing significant savings in electricity cost. The second phase of the project is expected to be operational in the current year. The combined wind power generation from both 1st and 2nd phase put together, would cover about 90% of the electricity requirement of the company.

FUTURE OUTLOOK

The flat glass industry has been facing the problem of dumping of glass from some countries. All India Flat Glass Manufacturers Association (AIFGMA) had taken up the matter with Government of India for imposition of anti-dumping duty on imports from China and Indonesia. The Government of India had first imposed provisional anti-dumping duty on imports from these countries, which has since been converted to regular anti-dumping duty. This has helped in curbing the dumping, though some quantity of low priced dumping continues from other countries.

GUJARAT GUARDIAN LIMITED

There are positive indicators about growth in housing and construction sectors. The rate of interest on housing loans has come down over the years, giving boost to housing sector. In commercial construction, newer buildings are using more glass. The automobile industry is also showing strong growth. Hence, the demand of flat glass is expected to grow at healthy pace in coming years.

The industry may also see new capacities being added in coming years and hence the market may remain competitive.

The plant has been performing satisfactorily. The company is offering a wide product range. With its strong distribution network and brand image for "MODIGUARD" products, the company is well placed to meet the competition.

Barring unforeseen circumstances the company hopes to achieve satisfactory results during the year 2004-05.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Information required under 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 is given in Annexure-I and forms part of this report.

BOARD OF DIRECTORS

Mr B. K. Sinha joined the Board as Director vice Mr G. C. Murmu (consequent to change in nomination by GMDC) and Mr D. R. Gangopadhyay resigned from the Board as director (consequent to the withdrawal of nomination by IDBI). Your Directors place on record their appreciation for the valuable association the company had with Mr G. C. Murmu and Mr D.R.Gangopadhyay, as Directors of the company.

Mr David L Rose, Mr Alok K Modi and Mr. B K Sinha, Directors, retire by rotation and being eligible offer themselves for re-appointment.

None of the Directors of your company is disqualified being appointed as Director under newly inserted Clause (g) of Sub Section (1) of Section 274 of Companies Act 1956.

DIRECTOR'S RESPONSIBILITY STATEMENT

In compliance with the provisions of Section 217A(2AA) of the Companies Act 1956, The Board of Directors of your Company hereby submit that;

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure, if any;
- b) 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 true and fair view of the state of affairs of the company as on 31st March 2004 and its profits for the year ended on that date;

GUJARAT GUARDIAN LIMITED

c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

d) the Directors have prepared the annual accounts on a "going concern" basis.

AUDITORS

M/s Price Waterhouse & Co., Chartered Accountants, New Delhi shall retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have confirmed to the company that, if re-appointed, their appointment will be in accordance with the relevant provisions of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

As required by Section 217(2A) of the Companies Act, 1956 read with Companies (Particular of Employees) Rules, 1975 a statement of information relating to employees forming part of this report is attached as per Annexure-II.

PERSONNEL

Your Directors place on record their appreciation of the valuable efforts put in by all the employees to bring continuous improvement in the operations of the company.

ACKNOWLEDGMENTS

Your Directors take this opportunity to offer their sincere thanks to various departments of Central and State Governments, Financial Institutions and Banks for their valuable support. Your Directors also place on record their sincere gratitude to the collaborators M/s Guardian Industries Corp, USA for the valuable assistance extended to your Company. Thanks are also due to the dealers and customers for their unstinted support.

**For and on behalf of the
Board of Directors,**

**[V K Modi]
Chairman**

Place : New Delhi

Date : September 16, 2004.



ANNEXURE TO DIRECTORS' REPORT

Particulars required under the Companies [Disclosure of particulars in the report of the Board of Directors] Rules, 1988.

A. Conservation of Energy

The Company has installed adequate equipments for conservation of energy in various areas of the plant. The consumption of energy is being monitored regularly.

Information on total energy consumption and energy consumption per unit of production as per Form "A" is enclosed.

B. Technology Absorption, Adoption and Innovation

The Company has obtained technical know-how for the manufacture of float glass from Guardian Industries Corp., USA, who had deputed a team of technicians to assist in the operation of the plant and training of the Indian staff in the initial years. The technology has already been fully absorbed successfully except taking occasional assistance from overseas experts.

The Company had also obtained technology from Hepworth Minerals and Chemicals Ltd., UK for its Sand Benefication Plant. This technology has also been successfully absorbed and the plant is operating smoothly. It has helped in reducing the cost of sand, which is a major raw material.

C. Foreign Exchange Earnings and Outgo

Rs./Lakhs

| | | |
|-----|---|----------|
| i] | Foreign exchange earnings | 4,784.16 |
| ii] | Foreign exchange outgo on import of capital goods, stores and spare parts and expenditure in foreign currency | 1,845.54 |


GUJARAT GUARDIAN LIMITED
FORM A
[See Rule 2]
Disclosure of particulars with respect to Conservation of Energy

| | | Current Year | Previous Year |
|----------|---|--------------|---------------|
| A | <u>Power and Fuel consumption</u> | | |
| 1 | Electricity | | |
| a] | Purchased | | |
| | Unit (Kwh) | 40,362,637 | 43,002,800 |
| | Total Amount (Rs) | 224,977,350 | 240,630,189 |
| | Rate/Unit (Rs) | 5.57 | 5.60 |
| b] | Own Generation (Emergency standby only) Through Diesel Generator | | |
| | Unit (Kwh) | 5600 | 8605 |
| | Unit Per Ltr of Oil | 3.66 | 3.65 |
| | Cost/Unit (Rs) | 6.26 | 5.72 |
| c] | Own Generation Through Wind Power | | |
| | Unit (Kwh) | 4,468,163 | |
| | Total Cost (Rs) | 905,200 | |
| | Average Rate (Rs) | 0.20 | |
| 2 | LPG | | |
| | Quantity (MT) | 276.020 | 2986.515 |
| | Total Cost (Rs) | 5,498,142 | 60,043,243 |
| | Average Rate (Rs) | 19,919 | 20,105 |
| 3 | Natural Gas | | |
| | Quantity (Cubic Meter) | 42,880,711 | 38,760,620 |
| | Total Cost (Rs) | 229,831,241 | 124,121,152 |
| | Average Rate (Rs) | 5.36 | 3.20 |
| B | <u>Consumption per Unit of Production</u> | | |
| | <u>Consumption per MT of Float Glass</u> | | |
| | Electricity (Kwh) | 207.32 | 235.64 |
| | Natural Gas (Cum) | 220.25 | 212.40 |



ANNEXURE TO DIRECTORS REPORT

Statement of particulars under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 for the year ended March 31, 2004 and forming part of the Director's Report.

(A) Employed throughout the Financial Year.

| Name of Employee | Age | Designation | Gross Remuneration (Rs.) | Qualifications | Experience (Years) | Date of Commencement of Employment | Previous Employment/ Position Held |
|---------------------|-----|-------------------------|--------------------------|--------------------|--------------------|------------------------------------|---|
| Alok Kumar Modi | 38 | Joint Managing Director | 5,541,077 | B.E (Ind. & Prod.) | 14 | 25.05.92 | |
| Capt. Dinesh Mukati | 46 | Head of Operations | 2,536,396 | B.Com | 25 | 13.05.92 | Asian Paints (I) Ltd Plant Admn. Executive |

(B) Employed for part of the financial year : None

Note :

1. Gross Remuneration include salaries, allowances, bonus, encashment of leave, taxable value of perquisites and Company's contribution to Provident Fund & Superannuation.
2. Nature of employment is contractual. In case of Mr Alok Modi the contract is for a period of 5 years, where as in case of other persons, the terms and conditions are subject to the rules and regulations of the company as in force from time to time.
3. Mr Alok Kumar Modi is son of Mr V K Modi, Chairman of the company.

**AUDITORS' REPORT****TO THE MEMBERS OF GUJARAT GUARDIAN LIMITED**

1. We have audited the attached Balance Sheet of Gujarat Guardian Limited, as at March 31, 2004, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 of India (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of section 211 of the Act;
 - (e) On the basis of the written representations received from the directors, as on March 31, 2004 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give in the pre-