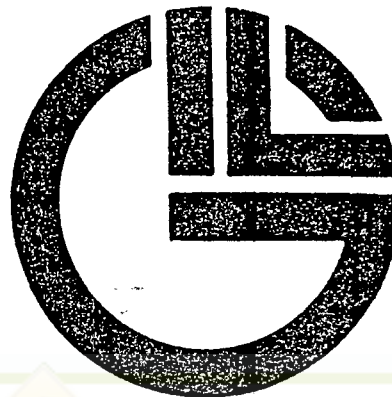


MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓		SHI	✓
VE	✓			

GUMMADI INDUSTRIES LIMITED



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THIRD ANNUAL REPORT 1996-1997



GUMMADI INDUSTRIES LIMITED

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DIRECTORS	:	Mr.K.B.Srinivasan Mr.Johan F Aasen Mr.M.V.Kumar Ms.Rama S Gummadi Mr.T.M.Narasimhan
MANAGING DIRECTOR	:	Mr.Gummadi J Satyanarayana
AUDITORS	:	M/s.Subramanian & Swaminathan
BANKERS	:	Bank of Madura Limited
COMPANY SECRETARY	:	Ms.Priya.K
REGISTERED OFFICE	:	27 A, IV Main Road Raja Annamalaipuram Chennai - 600024.
FACTORY	:	Plot Nos. A 71, B 87, 88, 96 & 97, Sedarapet Industrial Estate Sedarapet, Pondicherry - 605101.

GUMMADI INDUSTRIES LIMITED**NOTICE**

Notice is hereby given that the Third Annual General Meeting of the company will be held on the 31st day of December, 1997 at 11 a.m. at K.C.T. Mahal, No.22 & 23 Kannakkammal Colony, Nanganallur, Chennai 600 061 to transact the following ordinary and special business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the company as at 31st March, 1997 and the Profit and Loss Account for the period ended 31/3/97 and the Report of the Auditors thereon and the Report of the Directors attached thereto.
2. To appoint a Director in place of Smt Rama S Gummadi, Director, who retires by rotation and being eligible offers herself for reappointment.
3. To appoint Auditors to hold office from the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Subramanian & Swaminathan are the retiring Auditors and being eligible offer themselves for reappointment.

SPECIAL BUSINESS

4. To consider, and if thought fit, to pass with or without modification, the following as an ordinary resolution.

RESOLVED that subject to the provisions of the relevant laws as applicable from time to time and subject to such consents, permissions and sanctions as may be required from appropriate authorities, the consent of the company be and is hereby accorded for the acquiring and holding of equity shares of the company by FIIs, OCBs and NRIs upto an aggregate limit of 30% of the paid up equity share capital of the company or upto such other limit as maybe permitted by law and approved by the Board of Directors of the company provided, however, that equity shareholding of a single FII or a sub account of a FII, in the company shall not at any time exceed 10% of the paid up equity share

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capital of the company or such other limit as maybe permitted by law and approved by the Board of Directors.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things and execute all such documents, deeds and writings as may be required for the aforesaid purpose and which it may deem fit in the interest of the company.

5. To consider, and if thought fit, to pass with or without modification the following resolution as a special resolution.

a) Insertion of new Article 9 (9) (a):

The Board may refuse any application for subdivision / split / consolidation of a number of shares or of certificate (s) for shares of the company into denominations other than those fixed for market lots of trading at the Stock Exchange (s) except where subdivision / split / consolidation is required to be made for compliance with any law or decree of court or listing requirements of a stock exchange where the company's shares are or maybe listed, provided nevertheless that the Board may at its discretion and in exceptional circumstances and for avoiding any hardship or for any just and sufficient cause (on each of which the Board's decision shall be final and conclusive) accept any application for subdivision /split/ consolidation of a number of shares or certificate(s) into denomination other than those fixed for market lots of trading at the Stock Exchange(s).

BY ORDER OF THE BOARD

Place : Chennai
Date : 15th November, 1997

Priya.K
Company Secretary

GUMMADI INDUSTRIES LIMITED

NOTES

1. In accordance with section 173 (2) of the Companies Act, 1956 the explanatory statement in respect of special business set out in item nos 5 and 6 is annexed herewith.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend the Meeting and to vote on a poll in his behalf. Such proxy need not be a member of the Company.
3. The Register of Member (s) and Share Transfer Books of the company will be closed from 30th December to 31st December, 1997 (both days inclusive).
4. The proxy form should be deposited at the Registered Office of the company duly completed and signed not later than 48 hours before the commencement of the meeting.
5. Members/ Proxies should bring the attendance slip sent herewith duly filled in for attending the meeting. Only Members/ Proxies will be admitted into the auditorium for the meeting.
6. Members desirous of obtaining any information concerning the accounts or operations of the company are requested to send in their queries atleast 10 days before the date of the meeting, so that the information required by the members may be readily available at the meeting.
7. Members are requested to bring their copies of the Annual Report while attending the Annual General Meeting.

BY ORDER OF THE BOARD
for Gummadi Industries Limited

Place : Chennai
Date : 15th November, 1997

Priya.K
Company Secretary

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EXPLANATORY STATEMENT

(Pursuant to section 173 (2) of the Companies Act, 1956)

The following explanatory statements set out all the material facts relating to the special business under items 4 and 5 mentioned in the accompanying notice dated 15th November, 1997.

ITEM NO 4

There has been considerable relaxation in respect of investments by NRIs / OCBs / FIIs in the Indian equity market. The maximum ceiling for investment by the three categories mentioned above is 30%. In order to take advantage of the foreign exchange inflow, it is thought expedient to pass a resolution as set out in this item of notice.

The Directors recommend this resolution for your acceptance. None of the Directors are interested in the resolution.

ITEM NO 5

Considering the cost of servicing the shareholders, the Board proposes through this new Article to restrict the sub division or consolidation of shares of the company into denominations of less than marketable lots of 100, other than in exceptional cases.

The Directors recommend this resolution for your acceptance. None of Directors are interested in the resolution.

GUMMADI INDUSTRIES LIMITED**DIRECTORS REPORT**

To the Members,

The Directors hereby present the Third Annual Report of the Company together with the audited statement of accounts for the financial year ended 31st March, 1997.

FINANCIAL RESULTS

The highlights of the financial results for the year ended 1996 - 1997 are as under.

	(Rupees in lacs)
Income	223.07
Profit before depreciation and taxation	(32.56)
Less: Depreciation	13.96
Loss before tax	46.53
Less: Provision for taxation	NIL
Loss	46.53

DIVIDEND

In view of the loss incurred by the company, no dividend is proposed to be declared.

REVIEW OF OPERATIONS

The turnover of Rupees 2.04 crores achieved by the company did not match upto the expected level. The reduced turnover was mainly due to lower offtake by user industries. Production was also affected due to power cut at Pondicherry for one month during February - March, 1997. The general slowdown in the industrial sector was the chief contributing factor for the lower turnover. As a result various statutory payments such as ESI and Provident Fund contributions were also delayed.

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FUTURE PROSPECTS

The factors stated above has greatly reduced the cash flow in the company. Consequently the company was forced to lay off its workforce in the factory since mid June, 1997. The company hopes to reschedule its liabilities with the bank and other creditors and to restart operations by February 1998. The turnover achieved by the company in the two months for which production was carried out in the current year is about 25 lakhs. The turnover for the whole of the current financial year is expected to be Rs 64 lakhs.

DEPOSITS

The company has no deposits which are overdue.

STATUTORY INFORMATION

1. Foreign Collaboration / Technology absorption

The company has received the technology from the foreign collaborator and also training of the Company's personnel at Norway has been completed. The technology has been tried out at the factory. However, the purchase of moulds from the Collaborator has been delayed due to financial constraints.

2. Conservation of energy

a) Electricity:

Units consumed (kwh)	:	254852
Amount (Rs)	:	496962
Quantity produced (Kgs)	:	323501
Consumption per kilo of output	:	0.788

b) Diesel:

Consumed (litrs)	:	98000
Amt (Rs)	:	757272

No captive power was generated during the year.