

GUMMADI INDUSTRIES LIMITED



TENTH ANNUAL REPORT 2003 - 2004

GUMMADI INDUSTRIES LIMITED

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Directors : Mr. K.B. Srinivasan
Mr. John F. Aasen
Mr. T.M. Narasimhan
Mr. V. Srinivas
Mr. Gummadi J. Satyanarayana

Managing Director : Mr. V. Madhava Rao

Auditors : M/s. Subramanian & Swaminathan
Chartered Accountants, Chennai.

Bankers : ICICI Bank Ltd.

Registered Office : No.34 (Old No.72/A),
IV Main Road,
Gandhi Nagar, Adyar,
Chennai - 600 020.

Factory : Plot Nos.A-71, B-87, 88, 96 & 97
Sedarapet Industrial Estate,
Sedarapet, Pondicherry - 605 101.

GUMMADI INDUSTRIES LIMITED

NOTICE

To

The Members

Notice is hereby given that the Tenth Annual General Meeting of the Company will be held on Friday the 30th September 2004 at 10 a.m. at the Registered Office of the Company at No.34 (Old No:72/A) IV Main Road, Gandhinagar, Adyar, Chennai - 600 020 to transact the following business:

As Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2004 and Profit & Loss account for the Year ended 31st March 2004 and the Report of the Auditors and Report of Directors attached thereto.

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and to vote on a Poll in his behalf. Such proxy need not be a member of the company.
2. 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.
3. Member/proxies should bring the attendance slip sent herewith duly filled in for attending the meeting. Only member/proxies will be admitted into the meeting.
4. Member desirous of obtaining any information concerning the accounts or operations of the Company are requested to send in their queries at least 10 days before the date of the meeting so that information required by the members may be made readily available at the meeting.
5. Members are requested to bring their copies of Annual Report while attending Annual General Meeting.

By order of the Board
For **GUMMADI INDUSTRIES LIMITED**

Place : Chennai
Date : 02.09.2004

V. MADHAVA RAO
Managing Director

ANNUAL REPORT 2003-2004**DIRECTORS' REPORT**

To

The Members

The Board of Directors of the Company is pleased to present the Tenth Annual Report of the Company together with audited statement of accounts for the financial year ended 31st March 2004.

FINANCIAL RESULTS

Summarised financial results for the year ended 31st March 2003 are as under:

	2003-2004	2002-2003
	(Rs. in lacs)	(Rs. in lacs)
Income	0.14	85.17
Profit before Depreciation and taxation	(14.96)	(60.54)
Less Depreciation	21.39	22.87
Loss before tax	(36.36)	(83.42)
Provision for tax	-	-
Loss for the year	(36.36)	(83.42)

Your Company has registered a turnover of Rs.0.14 lacs as against Rs.56.25 lacs during 2002-2003. The loss for the year was Rs.36.36 lacs as against Rs.83.42 lacs in the last year.

Your Company is potentially sick within the meaning of subsection (1) of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. However, the company is taking every steps to turnaround in this current financial year.

LAY OFF

For the last few years, our industry have been running with much difficulty in the midst of severe business competition and a considerable dip in the demand for our products due to high Competitive Markets. The company is running under recurring Losses. The Board of Directors of the company is taking all sincere efforts to revive the working of the factory and to make it economically viable. Due to continued depressed market conditions and labour unrest, the company had no other alternative but to opt for lay-off on and from 4th December 2002. Our Management is taking every step in restarting the business after due consultation with our Bankers as well as the Labourers.

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DIVIDEND

In view of the loss during the year under review and the carried forward losses of previous years no dividend is proposed for the year.

DEPOSITS

The Company has no deposits.

DIRECTORS RESPONSIBILITY STATEMENT

Your Directors confirm that :

1. In the preparation of accounts for the period ended March 31, 2004 the applicable Accounting Standards had been followed and there are no material Departments.
2. The selected accounting policies are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the year end of the profit and loss of the Company for the year and these policies are applied consistently.
3. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities.
4. The accounts for the year March 31, 2004 are on a going-concern basis.

AUDITORS

M/s Subramanian and Swaminathan, Chartered Accountants, Chennai retire at the conclusion of ensuing Annual General Meeting and are eligible for reappointment to hold office till the conclusion of the next Annual General Meeting at a remuneration to fixed by the Board.

Regarding Auditors' qualifications [clauses (f) to (j)], in their main audit report and clauses (ix), (xvii) and (xx) in their report under Manufacturing and Other Companies (Auditor's Report) Order 1988, your Directors wish to state that:

- a) The company is very confident of lifting the lay off very soon and the cessation of activities for about a year's time does not necessarily indicate to permanent closure of the factory. The company has been interacting with the representatives of the labour and is hopeful of a meaningful agreement, very shortly.

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- b) No provision has been made in the accounts for interest on term loan from the bankers as the company is in the process of complying with the provisions of one time settlement scheme.
- c) No provision has been made for the loans and advances, for the past few years, as there were some uncertainties about the realisations of these amounts. On a review of the realisability of these loans and advances, during this year, the company has decided to write off these amounts and therefore, providing for interest on these loans during the current year does not arise. However, your Directors wish to state that the company would take all the necessary steps to enforce its claims for these amounts.
- d) The Company will effect payments towards Provident Fund and Employee State Insurance dues, very shortly.
- e) The auditors' comments about your company being a potential sick industrial company is self explanatory.

OTHER INFORMATION**1. Foreign Collaboration and Technology Absorption**

As production level were low for substantial part of the year, the technology received from collaborators M/s Nordic has not been fully absorbed during the year.

2. Conservation Energy**(a) Electricity**

Units Consumed (kwh)	NIL
Amount (Rs)	NIL
Quantity Produced (kgs)	NIL
Consumption per kilo of output	N.A.

(b) Diesel

Consumed (ltrs)	NIL
Amount (Rs)	NIL
No captive power was generated.	

3. Foreign Exchange

The Foreign Exchange inflow and outflow of the company for the financial year 2003-2004 is as given below :

Inflow	:	Nil
Outflow	:	Nil
Raw material Import	:	Nil

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4. Personnel

During the year under review there were no employees drawing remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956.

CORPORATE GOVERNANCE

The Stock Exchange has by an amendment added Clause-49 to the Listing Agreement incorporating a code of corporate governance at the directive of the Securities and Exchange Board of India (SEBI). The features of the code were required to be implemented by all companies in a phased manner. Accordingly, your company was required to implement the guidance by 31st March 2004. Your company has complied with majority of the mandatory requirements of the corporate governance. A report on the corporate governance in the format prescribed in the Listing Agreement is given below:

1. Company's Philosophy on code of Governance :

Your company firmly believes in transparency in its dealings and lays emphasis on the integrity and regulatory compliances. Your company considers good corporate governance, a prerequisite for meeting the needs and aspirations of its shareholders and other shareholders in the company. With this end in view this year's annual report has made substantial disclosures on the Board, the Board Committees as also on the financial and the stock performance.

2. Board of Directors

The Board is headed by a non executive Chairman, Mr. K.B. Srinivasan and is composed of the directors named hereunder:

Director	Status	Board Meetings Held	Board Meetings Attended	Last AGM Attended	Board Membership (Other Companies) Board Committees
Mr.V. Madhava Rao	Managing Director	4	4	YES	3 NONE
Mr.V. Srinivas	Director	4	4	YES	3 NONE
Mr.T.M. Narasimhan	Director	4	4	YES	1 NONE
Mr.K.B. Srinivasan	Chairman	None	None	NO	3 NONE
Mr. Gummadi J. Satyanarayana	Director	None	None	NO	1 NONE
Mr. John F Aasan	Director	None	None	NO	1 NONE

The last AGM was held on 28th November 2003.

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3. Board Committees

(a) Audit Committee

The audit committee consists of following two non-executive directors:

Mr.V.Srinivas

Mr.T.M.Narasimhan

The brief description of the terms of reference of the audit committee is :

To review the Statutory Auditor's report on the financial statements.

To generally interact with Statutory Auditors.

To review weaknesses in the internal control procedures.

To select and establish accounting policies and review the same.

(b) Remuneration Committee

The remuneration committee consists of following two non-executive directors:

Mr.V.Srinivas

Mr.T.M.Narasimhan

The brief description of the terms of reference of the remuneration committee is:

- i) to determine on behalf of the Board the Company's policy on specific remuneration package to MD.
- ii) to avoid conflict of interest and to review and suggest to the Board and to the members the remuneration payable to MD.

One meeting of this committee was held on 10.3.2004 wherein both the members were present.

Company does not have a scheme for grant of stock options either to the Managing Director or to the employees.

(c) Sharetransfer/Investors Grievance Committee

The share transfer function has been delegated to the Mr.V.Srinivas of the Company, who looks after the share transfers. The

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Shareholders/Investors Grievance Committee consists of following two Directors :

Mr.V.Srinivas

Mr.T.M.Narasimhan

The brief description of the terms of reference of the Shareholders/Investors Grievances Committee is to consider the grievances of shareholders/investors, relating to transfers, non-receipt of annual accounts, dividends and other such grievances.

The committee met once on 10.03.2004 where in both the Directors were present.

All complaints received by the Company as on 31.03.2004 have been redressed.

4. General Body Meetings

Location and Time where last three AGM were held :

Accounting Year Ending	AGM Date	AGM Place	AGM Time
31 st March 2003	28.11.2003	No.34, (Old No.72/A), IV Main Road, Gandhi Nagar, Adyar, Chennai - 600 020.	10.00 am
31 st March 2002	30.9.2002	- Do -	11.00 am
31 st March 2001	29.9.2001	- Do -	11.00 am
31 st March 2000	30.9.2000	- Do -	11.00 am

No Special Resolutions were put through postal ballot last year.

Votes are not proposed to be conducted through postal ballot this year.

5. Other disclosures

- (a) Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc that may have potential conflict with the interests of the company at large :

None of the transactions with any of the related parties were in conflict with the interests of the company at large.