



**Hindustan Hardy Spicer Ltd.**



**Twentysecond Annual Report  
2003 - 2004**

**Hindustan Hardy Spicer Limited****BOARD OF DIRECTORS**

Mr. S. C. Saran	Chairman
Mr. A. R. Rajwade	Managing Director
Mr. D. S. Mulla	Director
Mr. K. H. Captain	Director
Mr. Shiamak Marshall	Director
Mr. Luis Ruperto Jimenez Vargas	Director
Mr. Robert Pollock	Director

**Bankers**

State Bank of India

**Auditors**

S. B. Billimoria & Company

**Solicitors**

Bachubhai Munim & Company  
Kanga & Company

**Registered Office**

Dhanawtay Building,  
Wing I, Plot no. 80,  
Dr. Annie Besant Road  
Worli, Mumbai 400 018

**Plant**

C-12, Additional Nasik Industrial Area,  
Ambad, Nasik-422 010.

**Registrars and share****Transfer Agents**

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

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## NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the members of HINDUSTAN HARDY SPICER LIMITED will be held at Sunville Deluxe Pavillion, Dr. Annie Besant Road, Worli, Mumbai 400 018 on Tuesday on 10th August, 2004 at 11.30 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Reports thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. S. C. Saran who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. D. S. Mulla who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration

### SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act"), the Company in general meeting hereby approves the re-appointment of Mr. Ashok R. Rajwade as Managing Director of the Company for a period of three years with effect from May 17, 2004 upon the terms and conditions including the terms as to remuneration set out in the Agreement dated May 31, 2004 (the "Agreement"), and approved by the remuneration committee which Agreement placed before this Meeting be and is hereby specifically sanctioned with liberty to the Board of Directors of the Company (the "Board") to alter, vary and modify the terms and conditions of the said appointment and the Agreement in such manner as may be agreed to between the Board and Mr. Ashok R. Rajwade.

"RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year of the Company during Mr. Ashok R. Rajwade's term of office as Managing Director the remuneration payable to him shall be as per the minimum remuneration prescribed in Schedule XIII of the Act and that he shall be entitled to all other benefits and perquisites set out in the Agreement as the minimum remuneration.

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"RESOLVED FURTHER THAT in the event of any statutory amendment or relaxation by the Central Government to Schedule XIII of the Act the Board be and is hereby authorised to vary or increase the remuneration including the perquisites within such prescribed limits or ceiling and the Agreement between the Company and Mr. Ashok R. Rajwade be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, matters, deeds and things and to take such steps as expedient or desirable to give effect to this Resolution".

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

"RESOLVED THAT the consent of the Company be and is hereby accorded under Section 293(1)(d) of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount upto which moneys may be borrowed by the Board of Directors shall not, at any time, exceed the sum of Rs. 100,00,00,000/- (Rupees Hundred crores only) exclusive of interest."

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

"RESOLVED THAT the consent of the Company, be and is hereby accorded under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to mortgage and/ or charge and/ or hypothecate, on such terms and conditions and at such time or times, and in such form or manner, as it may think fit, the whole or substantially the whole of any one or more of the undertakings of the Company including the present and/ or future properties whether movable or immovable, comprised in any existing undertaking or undertakings of the Company, as the case may be for the purpose of securing financial assistance not exceeding Rs. 100,00,00,000/- (Rupees Hundred crores only) at any point of time by the way of Term Loans/ Asset Credit Scheme/ Equipment Credit Scheme/ Leasing Credit Facilities from the Financial Institutions and/ or Bankers and/ or any other parties together with interest thereon, commitment charges, liquidated damages, costs, charges, expenses and other moneys payable by the Company to the respective Financial Institutions and/ or Bankers in terms of their respective Loan Agreements/ Deeds of Agreements/ Hypothecation Agreements/ Letters of Sanction/ Memorandum of terms and conditions entered into or to be entered into by the Company in respect of the said financial assistance, such security to rank pari passu





with or second or subservient to the mortgages and/ or charges and/ or hypothecation already created or to be created in future by the Company or in such other manner as may be agreed to between the concerned parties and as may be thought expedient by the Board of Directors."

**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 INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Item nos 6, 7 & 8 is annexed hereto
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, August 3, 2004 to Tuesday, August 10, 2004, (both days inclusive).
5. Dividend if declared will be payable to those members whose names appear in the Register of Members on August 10, 2004. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership of shares as at the end of business hours on August 2, 2004 as per details furnished by the Depositories for this purpose.
6. Pursuant to the provisions of Section 205A of the Companies Act, 1956 as amended, dividend for the financial year 1996-97 and thereafter which remain unpaid / unclaimed for a period of 7 (seven) years will be transferred to Investor Education and Protection Fund constituted by the Central Government under Section 205C of the Companies Act, 1956.  
  
It may be noted that no claim shall lie against the Company or the Investor Education and Protection Fund in respect of the said dividend amount transferred to the Fund.
7. Members are requested to notify promptly any change in their addresses to the Company's Registrar and Share Transfer Agents.
8. Any query which the member proposes to raise at the time of the Annual General Meeting should be forwarded to the Company atleast seven (7) days in advance of the Annual General Meeting.

By order of the Board

Registered Office:

Dhanawtay Building,  
Wing I, Plot no. 80,  
Dr. Annie Besant Road  
Worli, Mumbai 400 018

Date: June 28, 2004

A.R. RAJWADE  
MANAGING DIRECTOR



**Hindustan Hardy Spicer Limited****ANNEXURE TO NOTICE**

**Explanatory Statement as required by Section 173 of the Companies Act, 1956**

**Item No. 6**

The Board of Directors of the Company (the "Board") had by a resolution dated May 14, 2004 re-appointed Mr. Ashok R. Rajwade as Managing Director of the Company for a further period of three years with effect from May 17, 2004. The re-appointment of Mr. Ashok R. Rajwade and the remuneration payable to him on his re-appointment is subject to the approval of the Members of the Company. The material terms of the Agreement dated May 31, 2004 referred to in the Resolution at Item No. 6 of the accompanying Notice inter alia are as follows:-

1. **SALARY:** Rs.1,00,000/- per month with an annual increment of Rs. 8,000/- per month
2. **PERQUISITES:** In addition to the aforesaid salary and commission, the Managing Director shall be entitled to the following perquisites:-
  - i) Incentive on the performance of the Company, as may be decided by the Board.
  - ii) House rent allowance at the rate of 10% of the salary. The expenditure incurred by the Company on gas, electricity and water shall be valued as per the Income tax Rules, 1962. This shall, however, be subject to a ceiling of twenty percent of the salary of the Managing Director.
  - iii) **MEDICAL REIMBURSEMENT**  
Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
  - iv) **LEAVE TRAVEL CONCESSION**  
for self and family once in a year in accordance with any rules specified by the Company subject to a ceiling of One and half month's salary.
  - v) **CLUB FEES:**  
Fees of clubs subject to a maximum of two clubs, but shall not include admission and life membership fee.
  - vi) **PERSONAL ACCIDENT INSURANCE**  
Of an amount the annual premium of which not to exceed Rs. 5,000/- per annum.
  - vii) **PROVIDENT FUND**  
Contribution to Provident Fund as per the Scheme of the Company.
  - viii) **SUPERANNUATION/ ANNUITY FUND:**  
Company's contribution to Superannuation/ Annuity fund in accordance with the Scheme of the Company. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the income tax Act.

ix) **GRATUITY**

As per the rules of the Company, payable in accordance with the approved fund which shall not exceed half a month's salary for each completed year of service.

x) **CAR:**

Provision of car for use on Company's business (not to be treated as perquisite). Use of car for private purpose shall be billed by the Company to the Managing Director by Rs. 600/- per month. Reimbursement of driver's salary not exceeding Rs. 4,000/- per month.

xi) **TELEPHONE:**

Telephone at the residence of Managing Director (Not to be treated as perquisite). Personal long distance calls on telephone shall be billed by the Company to the Managing Director.

3. (a) In the event of loss or inadequacy of profits, in any financial year of the Company during the term of office of Mr. A. R. Rajwade, Managing Director, the Company shall pay the above salary and perquisites as minimum remuneration subject to the ceiling limits prescribed in Section II 1 (B) of Part II of Schedule XIII of the Companies Act, 1956.
- (b) Mr. A. R. Rajwade shall be entitled to earned/ privilege leave: On full pay and allowances, as per the rules of the Company but not more than one month's leave for every eleven months of service shall be allowed. However, leave accumulated but not availed of, will be allowed to be encashed at the end of his tenure as Managing Director.
4. Either Party shall be entitled to terminate the Agreement by giving other Party 180 days notice in writing without showing any cause.

Additional information required to be given alongwith a Notice calling General Meeting as per sub para (B) of para 1 of Section II of Part II of Schedule XIII of the Companies Act 1956 is given hereunder:

I. **General Information:**

- |  |   |
|--|---|
| (1) Nature of industry   | Engineering Industry                                |
| (2) Date or expected date of commencement of commercial production   | The Company has been in the business for many years |
| (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. | Not Applicable                                      |



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(4) Financial performance based on given indicators (Rs. in lacs)	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004
Turnover	2476.64	2258.27	1994.37	2041.62	2529.02
Net profit (as computed under section 198)	151.40	35.87	32.57	64.96	115.89
Net profit/ (Loss) as per profit and loss account	97.27	21.03	19.26	30.82	62.41
Amount of Dividend paid	30.00	15.00	7.50	10.50	30.00
Rate of Dividend declared	20%	10%	5%	7%	20%
Earning before interest, depreciation & taxes	232.59	92.06	78.91	105.08	155.16
% of EBIDT to turnover	9.39	4.08	3.96	5.15	6.13

(5) Export performance and net foreign exchange collaborations	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004
	25.00	23.58	123.75	215.34	302.93

- (6) Foreign investments or collaborators, if any. Spicer Gelenkwellenbau GmbH & Co. KG., Germany the foreign collaborators of the Company holds 26% of the equity share capital in the Company.

**II. Information about the appointee:****(1) Background details**

Name : Mr. Ashok R. Rajwade  
 Designation : Managing Director  
 Father's name : Ramchandra Rajwade  
 Nationality : Indian  
 Date of Birth : 15. 07. 1945  
 Qualifications : B.Sc., B.E. (Mechanical), MMS.  
 Experience : Over 36 years in Engineering Industry

**(2) Past remuneration**

The gross remuneration paid to him in the year 2003-04 was Rs. 14,36,034/-.

**(3) Recognition or awards**

The Institute of Engineers (India) awarded Fellowship to him in 2002 and authorized to use title as 'Chartered Engineer'.



**(4) Job profile and his suitability**

The Managing Director shall be responsible for the management of the whole of the affairs of the Company and to do all acts and things, which, in the ordinary course of business, he considers necessary or proper or in the interest of the Company. Considering the above and having regard to age, qualifications, ability and experience and looking to the business requirement the proposed remuneration is in the interest of the Company.

**(5) Remuneration proposed**

A gross remuneration of Rs. 21,27,000/- per annum based on monetary value of perquisites plus yearly increments.

**(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin)**

Compared to the remuneration with respect to the industry, size of the Company etc. the remuneration proposed to be paid to Mr. A. R. Rajwade is very low.

**(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.**

The Managing Director has no other pecuniary relationship with the Company or with the managerial personnel except the remuneration being paid to him as Managing Director of the Company.

**III. Other information:****(1) Reasons of loss or inadequate profits**

The inadequate profit during the year 2003-04 was due to :

- a) Continuous increase in steel cost resulted into significant increase in the input cost of raw material. Most of the OE Customers have not given the price increase completely. They have given partial increase, that too, after 3 to 6 months from the date of actual increase. Because of severe competition and inadequate business, we had to continue the supplies.
- b) Market situation improved only in January 2004. Because of the recessionary trend in the market, the business was not adequate during first 9 months of the financial year.

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- (2) Steps taken or proposed to be taken for improvement

Various steps have been taken during last year to establish the products of the Company in the Overseas Market. The products have been approved now and we expect substantial increase in the export during the current financial year, thereby increasing the profitability of the Company.

- (3) Expected increase in productivity and profits in measurable terms.

- a) Expected increase in export market by 50% over the previous year.
- b) Expected increase in productivity by 10%.
- c) Expected increase in profit by 10% over the previous year (before interest, depreciation and tax), barring unforeseen circumstances.

#### IV. Disclosures :

The remuneration package of Mr. A.R. Rajwade and other details such as remuneration, service contract, notice period etc. have been disclosed above. The Company does not have any scheme for grant of stock options.

The Board commends the approval by the members of the re-appointment of Managing Director and payment of remuneration to him.

Mr. Ashok R. Rajwade is concerned or interested in the said Special Resolution at item no. 6 of the accompanying notice as it relates to his own re-appointment.

The Agreement dated 31st May, 2004 referred to in the Resolution at Item no. 6 of the accompanying Notice is open for inspection by the members at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company except Saturday and Sunday.

#### Item No. 7 & 8

For the purpose of business of the Company, the Company will have to borrow from bankers and financial institutions and also other parties. It is therefore proposed to authorise the Board of Directors to borrow in excess of the paid-up capital and free reserves of the Company subject to a maximum of Rs. 100,00,00,000/- (Rupees Hundred crores only).

An Ordinary resolution under Section 293(1)(d) of the Companies Act, 1956 is therefore proposed at item no. 7 for approval by the members.

The proposed loans from the Banks/ financial institutions might be secured by mortgaging or charging the moveable and/or immovable assets of the Company.

Section 293(1)(a) of the Companies Act, 1956 provides that the Board of Directors of the Public Company shall not except with the consent of such Public Company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the