

56th
Annual Report
2001-2002



**HARDCASTLE
& WAUD
MANUFACTURING
COMPANY LIMITED**



HARDCASTLE & WAUD MANUFACTURING COMPANY LIMITED

BOARD OF DIRECTORS

B. L. JATIA, Chairman & Managing Director
O. P. ADUKIA, Executive Director
N. M. BHANDARI
N. S. KARNAVAT
A. JATIA

COMPANY SECRETARY

P.F. FERNANDES

BANKERS

THE UNITED WESTERN BANK LIMITED
BANK OF INDIA
UTI BANK LTD

AUDITORS

MESSRS KHARE & CO.

LEGAL ADVISORS

KANGA & COMPANY
ADVOCATES, SOLICITORS & NOTARIES

REGISTERED OFFICE & WORKS

NETIVALI BAUG, KALYAN - 421 306

HEAD OFFICE

BRABOURNE STADIUM,
87, VEER NARIMAN ROAD,
MUMBAI-400 020.

REGISTRARS & TRANSFER AGENT

SHAREPRO SERVICES
912, RAHEJA CENTRE,
FREE PRESS JOURNAL ROAD,
NARIMAN POINT,
MUMBAI-400 021.



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NOTICE

Notice is hereby given that the 56th Annual General Meeting of Hardcastle & Waud Mfg Co. Ltd will be held at the registered office of the Company at Netivali Baug, Kalyan (East) - 421 306 on Monday, the 30th September, 2002 at 11 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2002 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and the Auditors.
2. To appoint a Director in place of Mr A. Jatia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT in partial modification of the relevant resolution passed at the 52nd Annual General Meeting held on 30th September, 1998, the company hereby approves payment of increased monthly remuneration of Rs 1,00,000 (Rupees One Lac) to Mr B.L. Jatia, Managing Director for the period from 1st February, 2002 till 31st March, 2002 with other terms and conditions remaining unchanged except that he shall not be entitled to any house rent allowance during that period.

"RESOLVED FURTHER THAT subject to the requisite approvals under the Companies Act, 1956, with effect from 1st April 2002, Mr B.L. Jatia, Managing Director, shall draw a monthly salary of Rs 50,000 (Rupees Fifty Thousand) and house rent allowance @ 50% of the monthly salary and continue to be entitled to other perks and perquisites in accordance with the aforesaid resolution dated 30th September, 1998."

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

"RESOLVED THAT in partial modification of the relevant Resolution passed at the 51st Annual General Meeting held on 29th September, 1997, the company hereby approves an increased monthly remuneration of Rs 45,000 (Rupees forty five thousand) payable to Mr O.P. Adukia, Executive Director, with effect from 1st February, 2002 with other terms and conditions remaining unchanged."

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 of the Company. Proxies, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the items of Special Business is annexed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 27th September, 2002 to Monday 30th September, 2002 (both days inclusive).
4. Pursuant to Section 205A of the Companies Act, 1956, as it stood prior to its amendment by the Companies (Amendment) Act, 1999, all unclaimed dividends upto the year ended 31st March, 1994, have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend

warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai.

5. Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividends which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund. Once unclaimed dividend is so transferred no claim shall lie in respect thereof.
6. Members who have not collected their new share certificates so far are advised to do so by surrendering their old share certificates for shares in the Company either in person or by sending through post to the Registrars & Transfer Agent of the Company, in their own interest.
7. The Company has entered into agreements with National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CSDL) for enabling members to hold and trade in the shares of the Company in dematerialised form. Members are advised to send shares of the Company held in physical form through their Depository Participant for demat purpose to the Company's Registrars and avail the benefits of paperless trading.

Registered Office : By Order of the Board of Directors
Netivali Baug,
Kalyan - 421 306

P.F. Fernandes

Date : 12th August, 2002

Company Secretary

ANNEXURE TO THE NOTICE

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

Items No.4 & 5

Members had approved the re-appointments of Mr B.L. Jatia, Managing Director and Mr O.P. Adukia, Executive Director at their meetings held on 30th September, 1998 and 29th September, 1997 respectively with liberty to the Board of Directors to alter/vary the terms of appointment at any time so as not to exceed the limits specified in the Companies Act, 1956.

The Remuneration Committee of the Board had at its meeting held on 29th January, 2002 revised the remuneration of the Company's aforesaid management personnel with effect from 1.2.2002 which was within the limits prescribed under Schedule XIII to the Companies Act, 1956. However, the Remuneration Committee at its meeting held on 9th August, 2002 reviewed the remuneration of the managerial personnel in the light of the accounts as at 31st March 2002 and decided that in compliance with the said Schedule XIII, Mr B.L. Jatia will be eligible to draw a monthly remuneration of Rs 50,000 (Rupees Fifty Thousand) and 50% thereof as house rent allowance for the financial year beginning 1st April, 2002. Since Government of India's Circular No.2/94 dated 10th February, 1994 stipulates that specific approval of members should be obtained for a revision in the terms and conditions of appointment and remuneration of Company's managerial personnel, the resolutions as set out under items No.4 & 5 of this notice are put forth for your approval.

The variation in the remuneration as detailed in the resolution may be regarded as an abstract of terms of remuneration and memorandum of interest under section 302 of the Companies Act, 1956.

Mr B.L. Jatia and Mr A. Jatia, being a relative of Mr B.L. Jatia, are interested in the resolution at item No.4 while Mr O.P. Adukia is interested in the resolution at item No.5. No other director is concerned or interested in the said resolutions.

Registered Office : By Order of the Board of Directors
Netivali Baug,
Kalyan - 421 306

P.F. Fernandes

Date : 12th August, 2002

Company Secretary



HARDCASTLE & WAUD MANUFACTURING COMPANY LIMITED

DIRECTORS' REPORT

Your Directors present the 56th Annual Report of the Company, together with the audited Statements of Accounts for the year ended 31st March, 2002.

1. FINANCIAL RESULTS AND APPROPRIATIONS

	Year ended 31 st March, 2002	(Rs Lacs) Year ended 31 st March, 2001
Profit/(Loss) before interest and depreciation	(1282.03)	95.97
Interest	83.83	58.57
Depreciation	38.37	46.81
	122.20	105.38
Prior year Adjustments	3.05	10.11
Profit/(Loss) Before Taxation	(1401.18)	0.70
Provision for Taxation	—	0.06
Deferred Tax	581.20	—
Net Profit/(Loss) after taxation	(819.98)	0.64
Transfer from General Reserve	819.34	—
Balance brought forward from previous year	0.64	—
Carried forward	—	0.64

The loss is after provision of Rs 1513.73 lacs treated as ascertained liabilities against certain demands against the Company for earlier years arising out of decisions in first appeals. Provision for deferred tax benefit on account of time-difference as required by Accounting Standard 22, which has been made mandatory for all listed companies, has resulted in reduction of the after-tax loss.

2. OPERATIONS

The year saw continued sluggishness in the economy particularly the manufacturing sector. The downturn in world economies following the terrorist activities in the USA accentuated the travails of industries in India with your Company not being immune from the same, resulting in discouraging working results.

The Company had been working as agent for selling Epoxide Resins manufactured by another Company for last few years. In the wake of sale of its business by the said Company, your Company also surrendered its selling rights. The Company has also undertaken to refrain from engaging in any activity related with the manufacture and/or marketing of Epoxide Resins till October 2006.

Consequently, effective 1st November, 2001, the Company assigned its inventories, receivables, etc., connected

with its Epoxide Resins business to the said acquirer. It has also sold its trade mark for Epoxide Resins. This has impacted the turnover which has registered a fall of over 18% as compared to the previous year.

The current financial year has started on a promising note. Your directors are hopeful that barring unforeseen events, the working during the current year should turn out to be better.

3. PROPOSED SCHEME OF ARRANGEMENT

Pursuant to the decision taken in the Extraordinary General Meeting of members held on 30th May, 2002 an application has been made to the Bombay High Court for sanctioning the Scheme of Arrangement between the Company and a class of resident shareholders holding less than 100 shares in physical form. The application is pending disposal before the Hon'ble Court.

4. PUBLIC DEPOSITS

No deposits were accepted during the year.

5. DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mr. A. Jatia retires by rotation but being eligible, offers himself for reappointment.

6. AUDITORS

Members are requested to appoint auditors to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

7. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Details of energy conservation, technology absorption and foreign exchange earnings and outgo as required by 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 appear in the Annexure to this Report.

8. PARTICULARS OF EMPLOYEES

No employee of the Company is covered under the provisions of Section 217 (2 A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

9. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 your Directors state that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- the accounting policies selected and applied are consistent and the judgements and estimates made 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 loss of the Company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records



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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;

- d. the annual accounts have been prepared on a going concern basis.

10. EMPLOYEE RELATIONS

Relations with employees during the year were cordial.

11. ACKNOWLEDGEMENTS

The Board sincerely thanks the Government, banks, valued customers and the employees for their continued support.

On Behalf of the Board

Mumbai, **B. L. JATIA**
12th August, 2002 **CHAIRMAN & MANAGING DIRECTOR**

ANNEXURE TO THE DIRECTORS' REPORT

Information 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 and forming part of the Directors' Report for the year ended 31st March, 2002.

A. CONSERVATION OF ENERGY

- a. The Company continued to adopt appropriate measures to derive maximum benefit of energy-saving equipment and energy-efficient technology for the production processes.

2001-2002 2000-2001

b. Power & Fuel Consumption**i) Electricity****(a) Purchased –**

Units (000s)	330	549
Total Amount (Lac Rs)	20.22	30.80
Average Rate (Rs per Unit)	6.12	5.61

(b) Own generation**(i) Through Diesel****Generator**

Units(000s)	NIL	NIL
Units per litre of diesel oil	NIL	NIL
Cost/Unit (Rs)	NIL	NIL

(ii) Through Steam**Turbine/Generator**

	NIL	NIL
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ii) Coal**iii) Furnace Oil**

Quantity (Kilolitres)	71	85
Total Amount (Lac Rs)	7.05	9.32
Average Rate (Rs per kilolitre)	9940	10993

iv) Others

Quantity (Kilolitres)	1.47	1.26
Total Amount (Lac Rs)	0.70	0.64
Average Rate (Rs per kilolitre)	47631	50698

c. Consumption per unit of production

Since the Company has different product lines with several formulations, it is not feasible to compute this figure.

B. TECHNOLOGY ABSORPTION**Research & Development (R & D)**

1. Specific areas in which R & D is carried on by the Company:

The Company's R & D activities are targeted for new products/process development, product upgradation and cost reduction.

2. Benefits derived as result of R & D

The R & D activities have helped the Company in streamlining and improving its manufacturing processes and product quality, development of products for wider and newer applications, diversification, optimisation of product costs, rendering of technical services to customers and adoption and absorption of technology.

3. Future Plan of Action

*The existing R & D activities will continue to be strengthened so as to be able to compete in the emerging market realities.

4. Expenditure on R & D

2001-2002 - 2000-2001
Rs Lacs Rs Lacs

a. Capital	1.67	6.47
b. Recurring	3.02	3.27
Total	4.69	9.74
c. Total R & D Expenditure as percentage of Turnover	0.22%	0.36%

Technology Absorption, Adaptation & Innovation**Efforts made and benefits derived**

1. The company has through technological tie-up with a foreign party been successful in pioneering pre-colour (powder) coating of metal coils in the country.
2. No new technology was imported during the last five years.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earned and utilised was Rs 6.98 lacs and Rs 78.18 lacs respectively.

On Behalf of the Board

B. L. JATIA
CHAIRMAN & MANAGING DIRECTOR

Mumbai,
12th August, 2002



HARDCASTLE & WAUD MANUFACTURING COMPANY LIMITED

AUDITORS' REPORT

To :

The Members,

HARDCASTLE & WAUD MFG CO. LTD

1. We have examined the attached Balance Sheet of Hardcastle & Waud Mfg Co. Ltd as at 31st March, 2002 and the Profit & Loss Account annexed thereto for the year ended on that date wherein are incorporated the audited returns of Chennai, Kolkata, Faridabad, Mazgaon and Delhi branches not visited by us and Bhilad branch visited by us. 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the aforesaid Annexure, 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 purpose of our audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet and the Profit & Loss account are in agreement with the books of accounts;
 - d) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

- e) On the basis of our review of the confirmations made available to us from the companies in which the directors of the Company are directors and the information and explanations given to us, none of the directors of the Company is prima facie as at 31st March 2002 disqualified from being appointed as director of the Company under Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
- f) In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements read together with the notes thereon give the information required by law in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of the affairs Company as at 31st March, 2002 and
 - ii) In the case of the Profit & Loss Account of the Loss for the year ended on that date.

For KHARE & CO.
Chartered Accountants

Place : Mumbai

Date : 12th August 2002

Y.P. Shukla

Proprietor

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT TO THE MEMBERS OF HARDCASTLE & WAUD MFG CO. LTD ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2002.

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that :-

1. The Company has maintained a register showing particulars including quantitative details and situation of land, buildings and other fixed assets acquired subsequent to 1st January, 1973. Records prior to that date are reported to be destroyed by fire. The management reports that during the year, it had carried out physical verification of assets acquired after 1st January, 1973 and no material discrepancies have been noticed on such verification;
2. During the year the Company has revalued some of its Trademarks (Refer Note no - 23 to Schedule N);
3. It is reported that the stocks of finished goods, stores, spare parts and raw and packing materials have been physically verified by the management at the end of the year. In our opinion the frequency of the verification is reasonable;



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4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;
5. The discrepancies noticed on physical verification of stocks were not material as compared to book records.
6. In our opinion, the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year;
7. The Company has obtained unsecured loans from companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or companies under the same management within the meaning of Section 370 (1B) of the said Act and the rates of interest and other terms and conditions are not prima facie prejudicial to the interest of the Company;
8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or to companies under the same management under section 370(1B) of the said Act. However, the company has given security deposit to such a company and the terms and conditions of such deposit are not prima facie prejudicial to the interest of the Company;
9. The parties to whom loans and advances have been given by the Company are repaying the principal amounts wherever stipulated and interest thereon wherever applicable regularly;
10. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, including components, plant and machinery, equipment and other assets and for the sale of goods;
11. According to the information and explanations given to us the transactions of purchase and sale of goods and materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, aggregating during the year to Rs 50000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials and services or prices at which transactions for similar goods have been made with other parties;
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw and packing materials and finished goods and adequate provision has been made in the accounts for the loss arising on items so determined;
13. The Company has not accepted any deposits from the public;
14. In our opinion reasonable records have been maintained by the Company for sale and disposal of realisable scrap, wherever significant. The Company has no by products;
15. The Company has appointed independent internal auditors and in our opinion the internal audit system is commensurate with the size and nature of the business of the Company;
16. We have broadly reviewed the books of accounts and other records maintained by the Company in respect of resins where pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under section 209 (1)(d) of the Companies Act, 1956. We are of the opinion that prima facie prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete;
17. According to the records of the Company, Provident Fund and Employees' State Insurance dues have been regularly deposited during the year with the appropriate authorities;
18. According to the information and explanations given to us there were no undisputed amounts payable in respect of income-tax, sales-tax, customs duty and excise duty which have remained outstanding as at 31st March, 2002 for a period of more than six months from the date they became payable;
19. During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses which have been charged to Profit & Loss Account;
20. The Company is not a sick industrial company within the meaning of section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985;
21. As explained to us, in respect of trading activity of the Company, the Company has determined damaged goods and adequate provision has been made in the accounts for the loss arising on items so determined during the year.

For KHARE & CO.
Chartered Accountants

Place : Mumbai
Date : 12th August 2002

Y.P. Shukla
Proprietor