

33rd ANNUAL REPORT 1996-97

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COMPOSITES

HINDUSTAN COMPOSITES LTD.

HINDUSTAN COMPOSITES LTD.

BOARD OF DIRECTORS

Raghu Mody	Chairman
P. Choudhury	Managing Director
P.K. Choudhary	Executive Director-Finance
Kantikumar R. Podar	
S.G. Guhagarkar	
V.B. Haribhakti	
Keith M. Robinson	
D.Lawson Lyon	
P.K. Khaitan (Alternate Director to Mr. K.M. Robinson)	

COMPANY SECRETARY

Krishna Mony. B

AUDITORS

Lodha & Co.
Chartered Accountants

SOLICITORS

Khaitan & Co.

BANKERS

Bank of Baroda
Union Bank of India
Syndicate Bank

REGISTERED OFFICE

"Crystal"
79, Dr. A.B. Road, Worli
Mumbai - 400 018.

REGISTRARS

IIT Corporate Services Ltd.
IIT House, Opp. Vazir Glass Works
J.B. Nagar, M. Vasanji Road
Andheri (East), Mumbai - 400 059.

WORKS

Mumbai : L.B.S. Marg, Ghatkopar, Mumbai 400 086.
Paithan : D-2/1, MIDC Industrial Area.
Bhandara : C-10/1, Bhandara Industrial Area, Gadegaon.
Jalna : C-11, Addl. Jalna Industrial Area.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Third Annual General Meeting of the Company will be held at Y.B. Chavan Centre, Gen. Jagannath Bhosale Marg, Nariman Point, Mumbai - 400 021 at 4 p.m. on Monday, the 11th August, 1997 to transact the following business:

- 1) To consider, approve and adopt the audited Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended 31st March, 1997 together with the Directors' and Auditors' Report thereon;
- 2) To declare a dividend on equity shares for the year ended 31st March 1997;
- 3) To appoint a Director in place of Mr. S.G. Guhagarkar who retires by rotation and being eligible, offers himself for reappointment;
- 4) To appoint a Director in place of Mr. D.Lawson Lyon who retires by rotation and being eligible, offers himself for reappointment;
- 5) To appoint Auditors and to fix their remuneration;

6) SPECIAL BUSINESS

- a) To consider and if thought fit to pass with or without modifications the following resolution as special resolution.
"RESOLVED THAT subject to the provisions of Sec.198, 309 and other applicable provisions of the Companies Act, 1956, consent of the Company be and is hereby accorded to pay commission by way of annual payment to the Directors not in whole time employment of the Company such sums not exceeding in aggregate (to all such Directors together) 1% of the net profit of the Company as computed under Sec. 309 of the Companies Act, 1956.
- b) To consider and if thought fit to pass with or without modifications the following resolution as an ordinary resolution.
"RESOLVED THAT, pursuant to Sec.198, 269, 309, 310 & 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, the Company hereby approves the reappointment of Mr. Raghu Mody as a Wholetime Director of the Company effective from 1st March, 1997 for a period of 5 years on the following terms and conditions :
 1. Salary : Not exceeding Rs.50,000/- per month as may be decided by the Board from time to time.
 2. Commission : To be determined by the Board of Directors annually but not exceeding fifty percent of annual salary.
 3. Accommodation : Free furnished accommodation with reimbursement of the cost of electricity, water and gas consumed in the premises and reimbursement of the cost of servants not exceeding Rs.1,000 per month. In case no accommodation is provided by the Company, the payment of House Rent Allowance subject to the ceiling of Sixty percent of the salary.
 4. Motor Car : Provision of motor car and driver
 5. Medical : Reimbursement of medical expenses for self, spouse and dependant children
 6. Leave Travel Concession : As per rules of the Company's Scheme
 7. Provident and other funds : As per rules of the Company's Scheme
 8. Gratuity : As per rules of the Company's Scheme
 9. Personal Accident Insurance : Premium not to exceed Rs.4,000/- p.a.
 10. Club Subscription : Reimbursement of club subscription fees to two clubs.

The above remuneration to be paid as minimum remuneration in the absence or inadequacy of profits, subject to the provisions of Part II of Schedule XIII to the Companies Act, 1956.

"FURTHER RESOLVED THAT the above remuneration shall be paid as minimum remuneration in the absence or inadequacy of profits, subject to the provisions of part II of schedule XIII to the Companies Act, 1956".

- c) To consider and if thought fit to pass with or without modifications following resolution as a special resolution.
"RESOLVED THAT pursuant to the provisions of Sec.370 of the Companies Act, 1956, and other applicable provisions if any, of the Companies Act, 1956, and any amendments or substitutions thereof, the Board of Directors of the Company be and are hereby authorised to give on behalf of the Company any guarantee or provide any security in connection with the loans made by any other person to or to any other person by any body corporate so that the aggregate amount of all such guarantees given or securities provided in respect of any loan or loans outstanding at any time shall not exceed Rupees Ten Crores."

2nd May, 1997.

By order of the Board,

Regd Office:

"Crystal", 79,
Dr. A.B. Road,
Worli, Mumbai - 400 018.

KRISHNA MONY B.
Company Secretary



HINDUSTAN COMPOSITES LTD.

NOTES:

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special business under Item No.6 is annexed hereto and forms a part of this Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ONLY ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
3. A proxy 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.
4. To check the ever increasing trend of fraudulent encashment/misappropriation of dividend warrants posted by the companies to their Shareholders, we request you to kindly inform our Registrars & Share Transfer Agents, IIT Corporate Services Ltd., your Account Number with Name and Branch details of the Bank which will be printed in the dividend warrant along with your name.
5. The Register of members and Share Transfer Books of the Company will remain closed from Monday, the 14th July, 1997 to Saturday, the 9th August, 1997 (both days inclusive).
6. The Dividend on Shares as recommended by the Board of Directors of the Company, if declared at the meeting will be made payable to those shareholders whose names stand on the Register of Members as on 11th August, 1997.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

Item 6 (a)

In consideration of and in due appreciation of the services rendered by the Directors of your Company who are not in its whole time employment, an annual payment to them by way of commission is proposed, subject to the limits of 1% of net profit as provided under Sec 309 (4) of the Companies Act, 1956. Your approval is required for the above.

None of the Wholetime Directors are interested in the resolution.

Item 6 (b)

Mr. Raghu Mody was appointed as a Wholetime Director of

the Company effective from 1st March 1994 for a period of 3 years. His term of office as Wholetime Director has expired on 28th February 1997. Considering his experience and usefulness to the Company, he has been reappointed by the Board of Directors as Wholetime Director of the Company for a further period of 5 years effective from 1st March 1997 subject to necessary approval(s).

Considering his competence, experience and contribution towards the Company's performance and progress and compared to the remuneration payable to other comparable personnel in the country, the terms of his remuneration as set out in the resolution are considered to be quite just, fair and reasonable.

Full details of the remuneration payable to Mr. Raghu Mody are set out in the Resolution.

None of the Directors, except Mr. Raghu Mody, is in any way, concerned or interested in the above Resolution.

Item 6 (c)

In the course of its business, your Company is, from time to time, required to give loans or provide securities and to give guarantees in connection with loans made by any persons to or to any persons by bodies corporate.

Section 370 of the Companies Act, 1956, requires a Special Resolution to be passed at a General Meeting authorising the Board of Directors in this regard. To obviate the need for the Company to obtain permission of Shareholders as and when such transactions take place, it is proposed to obtain a general sanction from the Shareholders by a special resolution.

Your Directors, therefore, recommend the resolution for your approval.

None of the Directors of the Company, is in any way concerned or interested in the resolution.

2nd May, 1997

By order of the Board of Directors

Regd. Office:

"Crystal",
79, Dr. A.B. Road, Worli,
Mumbai - 400 018.

KRISHNA MONY B.
Company Secretary

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DIRECTORS' REPORT

Your Directors have pleasure in presenting their Thirty third Annual Report together with the Audited Accounts for the year ended 31st March, 1997.

1. FINANCIAL RESULTS

	31st March, '97 Rs. Lakhs	Year ended 31st March, '96 Rs. Lakhs
Net Sales	6,281	6,087
Profit before interest and Depreciation	663	580
Interest (Net)	(188)	(154)
Depreciation	(124)	(105)
Profit before Taxation	351	321
Taxation	(125)	(130)
Profit after Taxation	226	191
Taxation adjustment relating to prior years	9	21
Transfer from Investment Allowance Reserve	-	3
Surplus brought forward from previous year	24	22
Profit available for appropriation	259	237
APPROPRIATIONS		
Debenture Redemption Reserve	34	33
Proposed Dividend	110	110
Corporate Dividend Tax	11	-
Transfer to General Reserve	80	70
Surplus carried to Balance Sheet	24	24
	259	237

2. DIVIDEND

Your Directors have pleasure in recommending payment of a dividend at the rate of 20% for the year ended 31st March, 1997 (previous year 20%). With the provision of recently introduced corporate dividend tax of 10% to be borne by the company, the effective dividend pay out may be considered to be 22%.

3. PERFORMANCE

The performance of the Company during the year under review was satisfactory despite work stoppage resulting from a strike by workmen at Paithan factory for 3 months. The management has taken all necessary steps to ensure that the loss of productivity on account of the strike does

not cripple the operations significantly and as a result have posted consistent results. The sales turnover of the Company during the year has marginally increased from Rs. 60.87 crores to Rs. 62.81 crores. Gross profit rose by 14% from Rs.5.80 crores to Rs.6.63 crores and the net profit before tax stood at Rs.3.51 crores as against Rs.3.21 crores of last year. The net profit after tax rose by 18% from Rs.1.91 crores to Rs.2.26 crores. Improvement in profitability was mainly due to better product mix and cost control measures.

The management is continuing its efforts to improve operational efficiency at the Ghatkopar factory by experimenting with process refinements and developing cost effective methods to compensate for low labour productivity.



HINDUSTAN COMPOSITES LTD.

The normalcy of operations at Paithan factory which were adversely affected for 3 months owing to the strike by workmen, have been quickly restored as a result of an amicable settlement arrived at between the management and the union. Significantly better results are expected during the year and in expression of its commitment to Paithan operations, the management have, during the year, augmented the capacity at the plant for manufacturing the products by using Dry mix method.

Performance at Bhandara factory was satisfactory. In line with its corporate strategies, the capacity for manufacture of Random-wound clutch-facings have been augmented during the year, so as to cater to the needs of the changing market profile, particularly in Original Equipment segments.

The Company is actively exploring technical collaborations with several wellknown international manufacturers to enable expansion with the latest technology. At the same time a high powered technical cell has been constituted to strengthen and upgrade the in-house R&D facility.

4. EXPORTS

The exports turnover of the Company has increased from Rs. 3.77 crores during the previous year to Rs.4.21 crores this year, posting an improvement of 12 %.

5. PUBLIC DEPOSITS

There were no deposits at the end of the year and the Company did not accept any deposits from the public during the year.

6. AUDITORS' REPORT

The observation made by the Auditors in their Report is self-explanatory and has also been further amplified in the Notes to the Accounts.

7. PERSONNEL

The information required under Section 217 (2A) of the Companies Act, 1956 is given in an Annexure to this Report.

8. CONSERVATION OF ENERGY

8.1 The Company continues to take steps to conserve energy. A new high efficient boiler has been installed at Ghatkopar during the year.

8.2 A new efficient thermic fluid heated ovens are being installed to replace electrically heated ovens.

8.3 Shift rationalisation and staggering of maximum demand has been effected to reduce electricity cost.

8.4 Optimisation of space in existing driers/ovens alongwith new burner designs have been executed to increase batch size and hence reduce fuel costs.

9. TECHNOLOGY ABSORPTION

Particulars required under Section 217 (1) of the Companies Act, 1956 relating to technology absorption are given in an Annexure to this Report.

10. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earning from exports amounted to Rs.421 Lakhs, whilst the outgo for raw materials, components, spares and capital goods amounted to Rs.553 Lakhs. Further expenditure in Foreign Exchange for dividend and miscellaneous items amounting to Rs.60 Lakhs.

11. DIRECTORS

Mr. S.G. Guhagarkar and Mr. D.Lawson Lyon Directors retire by rotation and being eligible offer themselves for reappointment.

12. AUDITORS

The shareholders will be requested to appoint Auditors and fix their remuneration.

13. ACKNOWLEDGEMENT

Your Directors take this opportunity to thank Bank of Baroda, Union Bank of India, Syndicate Bank, Unit Trust of India and the Industrial Development Bank of India for their support and Co-operation during the year.

Your Directors also thank all employees of the Company for their continuous support.

By order of the Board of Directors

RAGHU MODY
Chairman

Mumbai, 2nd May, 1997.

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Additional information as required under Section 217 (1)(e) of the Companies Act, 1956, read with the Rules framed thereunder forming part of the Directors' Report for the year ended 31st March, 1997.

ANNEXURE TO THE DIRECTORS' REPORT

A. Research & Development (R&D)

1. Specific areas where R&D is being carried out by the Company.
 - 1.1 New qualities of Friction Materials for specialised applications.
 - 1.2 Cost effective process development.
 - 1.3 Development of Asbestos free Brake Linings for Light and Heavy commercial vehicles.
 - 1.4 New qualities of sealing material for Industrial and Automotive use.
 - 1.5 Import substitution.
 - 1.6 Development of special quality of Resins for the manufacture of Asbestos free Random Wound Clutch Facings.
 - 1.7 Asbestos free 'L' type Brake Blocks for Passenger Coach and Wagon application
2. Benefits as a result of the above R&D:
Better performance characteristics of our products and import substitution.
3. Future plan of Action:
High performance Friction materials for Industrial and off highway vehicles.
4. Expenditure on R&D:

	Rs.
4.1 Capital	15,52,940
4.2 Recurring	38,81,726
4.3 Total	<u>54,34,666</u>
4.4 Total as percentage of turnover	0.87%

B. Technical Absorption, Adaptation & Innovation

1. Efforts:
Quality upgradation adaptation & innovation.
2. Benefits:
Optimal use of raw materials leading to substantial savings.
3. Imported Technology : Nil

Statement required under Section 217 (2A) of the Companies Act, 1956 referred to in paragraph 7 of Directors' Report for the period ended 31st March, 1997 and forming part thereof showing names & particulars of employees of the Company:

Sl. No.	Name and qualification	Age	Designation & nature of duties	Date of Commencement of employment	Experience in years	Remuneration received (Rs.)	Last Employment Designation
1.	Mody Raghu, Senior Cambridge	58	Chairman & Executive Director	1.3.1994	40	6,54,243	Chairman Whole time Director Rasoi Ltd.
2.	Choudhury P, B.E.F.I.E	51	Managing Director	1.3.1995	32	6,49,904	Executive- Director Ceat Ltd.
3.	Choudhary P.K. ACA,ACS	41	Executive Director- Finance	1.7.1991	16	3,45,984	President - Corporate Affairs Rasoi Ltd.
4.	Ramaswamy S., B.Sc	61	Director - R&D	12.3.1956	40	3,23,017	First Employment
5.	Sarin Vinay, B.Com (Hon.), Master in Mktg. Management	48	Sr. V.P.-Mktg.	23.6.1986	28	3,14,528	Sales Manager, GKW Ltd.

Notes:

1. The nature of employment of the aforesaid employees relating to those at Sl.Nos. 1,2 & 3 was contractual and terminable by notice on either side.
2. None of the employees were related to any of the Directors or held by himself or along with his spouse and dependent children not more than 2% of the equity shares of the Company.
3. Remuneration includes salary, Commissions, bonus, allowances, contributions to Provident and other Funds and pension fund and value of perquisites calculated in accordance with the Income-Tax Act/Rules.



HINDUSTAN COMPOSITES LTD.

AUDITORS' REPORT

To the Members of Hindustan Composites Limited

We have audited the attached Balance Sheet of **Hindustan Composites Limited** as at 31st March, 1997 together with the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. 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, (hereinafter referred to as the "Act") we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
 - (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 and Profit and Loss Account dealt with by this report are in agreement with the Books of Account;

(d) in our opinion and to the best of our information and explanations given to us, the said accounts subject to Note No.2 regarding non-provision of actuarially evaluated gratuity liability relating to earlier years of Rs.92,18,715 and non-provision /non ascertainment of accrued leave encashment liability on retirement/separation of employees; and Note No.9 regarding inter corporate deposits given in excess of the limits prescribed under Section 370 of the Act, for a short time during the year, in Schedule 18 and read together with other notes thereon and elsewhere in the accounts give the information required by the Act, in the manner so required and give a true and fair view:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997 and
- (ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

For **LODHA & COMPANY**
Chartered Accountants

(**N. KISHORE BAFNA**)
Partner

Mumbai, 2nd May, 1997

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our report of even date to the Members of **Hindustan Composites Limited** on the accounts for the year ended 31st March, 1997.

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

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets have been physically verified by the management at reasonable intervals during the year. According to the information and explanations given to us, no material discrepancies were noticed on such physical verification and the same have been properly dealt with in the books of account.

- (ii) None of the fixed assets have been revalued during the year.
- (iii) The stocks of finished goods, raw materials, stores and spare parts have been physically verified by the management at reasonable intervals during the year and/or at close of the year. Stocks in possession and custody of third parties and in transit, have been verified with reference to confirmations or statements of account or correspondence of third parties and subsequent receipt of the goods.
- (iv) In our opinion, the procedures of physical verification of the above referred stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.