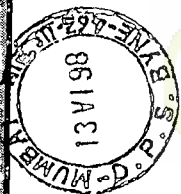
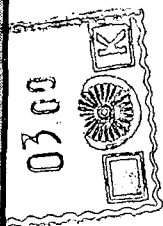


34th ANNUAL REPORT 1997-98

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DEV	✓
TRA	✓		AC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		✓



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COMPOSITES

HINDUSTAN COMPOSITES LTD.

BOARD OF DIRECTORS

Raghu Mody	Chairman
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.

CONTENTS	Page
Notice	1
Directors' Report	3
Auditors' Report	6
Balance Sheet	8
Profit and Loss Account	9
Notes to the Accounts	16
Cash Flow Statement	23

ANNUAL REPORT 1997-98



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Fourth Annual General Meeting of the Company will be held at Y.B.Chavan Centre, Gen. Jagannath Bhosale Marg, Nariman Point, Mumbai - 400 021 at 4.00 p.m on Thursday, the 6th August, 1998 to transact the following business:

- 1) To consider, approve and adopt the audited Balance Sheet as at 31st March, 1998 and Profit and Loss Account for the year ended 31st March, 1998 together with the Report of the Directors and Auditors thereon.
- 2) To declare a dividend on equity shares for the year ended 31st March, 1998.
- 3) To appoint a Director in place of Mr.K.M. Robinson who retires by rotation and being eligible, offers himself for reappointment.
- 4) To appoint a Director in place of Mr.K.R. Podar 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 modification, the following resolution as an ordinary resolution;
 "RESOLVED THAT, pursuant to Section 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 appointment of Dr.V.R. Rajan as Managing Director of the Company effective from 1st June, 1998 for a period of 3 years, on the following terms and conditions:

- | | |
|--------------------------------|---|
| 1. Salary | : Not exceeding Rs. 50,000 per month as may be decided by the Board of Directors from time to time. |
| 2. 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.1000 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. |
| 3. Motor Car | : Provision of motor car and driver. |
| 4. Medical | : Reimbursement of Medical expenses for self, spouse and dependant children. |
| 5. Leave Travel Concession | : As per rules of the Company's scheme. |
| 6. Provident and other funds | : As per rules of the Company's scheme. |
| 7. Gratuity | : As per rules of the Company's scheme. |
| 8. Personal Accident Insurance | : As per rules of the Company's scheme. |
| 9. Club Subscription | : Reimbursement of Club Subscription fees restricted 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.

24th April, 1998.

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 Thursday, the 15th July 1998 to Thursday, the 6th August, 1998 (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 6th August, 1998.

Section 260 of the Companies Act, 1956, at the Meeting of the Board of Directors of the Company held on 24th April, 1998. Dr. Rajan shall continue to hold office as Additional Director till the date of the ensuing Annual General Meeting. Subject to the approval of the Shareholders at the ensuing Annual General Meeting, it is proposed to appoint Dr. V.R. Rajan as the Managing Director of the Company for a period of 3 years with retrospective effect from 1st June, 1998 upon such terms and conditions as specified in the resolution.

Dr. V.R. Rajan, aged 49 years, is a Mechanical Engineer holding a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad and a Ph.D in Strategic Management from M.D. University. He has over 25 years of experience with several Indian and Multinational companies.

The Agreement proposed to be entered into between the Company and Dr. Rajan subject to your approval is available for inspection by the members at the Registered Office of the Company between 11.00 a.m and 1.00 p.m on any working day i.e. from Monday to Friday, upto the date of the Annual General Meeting.

The terms and conditions as specified in the resolution may be considered as an abstract of the terms of appointment of the Managing Director and Memorandum of interest or concern under Section 302 of the Companies Act, 1956.

The Company has received a notice from a shareholder under Section 257 of the Companies Act, 1956, together with a deposit of Rs.500/- proposing the appointment of Dr. V.R. Rajan as Director.

None of the Directors other than Dr. V.R. Rajan, is concerned or interested in the Resolution.

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

Item 6

Dr. V.R. Rajan was appointed as Additional Director with effect from 1st June, 1998 in accordance with the provisions of

24th April, 1998.

By order of the Board of Directors

Regd. Office:

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

(KRISHNA MONY B.)
Company Secretary

ANNUAL REPORT 1997-98**DIRECTORS' REPORT**

Your Directors have pleasure in presenting their Thirty Fourth Annual Report together with the Audited Accounts for the year ended 31st March, 1998.

1. FINANCIAL RESULTS

	31st March, '98 Rs. Lakhs	Year ended 31st March, '97 Rs. Lakhs
Net Sales	5,842	6,281
Profit before interest and Depreciation	562	663
Interest (Net)	(208)	(188)
Depreciation	(126)	(124)
Profit before Taxation	228	351
Taxation	(25)	(125)
Profit after Taxation	203	226
Taxation and other adjustment relating to prior years	46	9
Surplus brought forward from previous year	24	24
Profit available for appropriation	273	259
APPROPRIATIONS		
Debenture Redemption Reserve	33	34
Proposed Dividend	110	110
Corporate Dividend Tax	11	11
Transfer to General Reserve	90	80
Surplus carried to Balance Sheet	29	24
	273	259

2. DIVIDEND

Your Directors have pleasure in recommending payment of a dividend at the rate of 20 % for the year ended 31st March, 1998 (Previous year 20%). With the provision of 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 could have been better, but for the severe recessionary conditions affecting the Indian Industry in general and the Automobile industry in particular. The illegal strike by the workmen at Bhandara unit for about 10 weeks during the year coupled with poor productivity levels at the Ghatkopar unit resulted in lower turnover.

The management has since resolved the Bhandara Industrial Relations issues and an amicable revised productivity linked settlement for 3 years has been arrived at. The liquidity crunch prevailing across the Indian business spectrum has resulted in poor cash flow and order book and as a result, profitability has also been under pressure. Despite lower turnover, the Company could sustain its profitability because of better product mix and rigorous cost control measures. To cut the costs further, the management had introduced the Early Voluntary Retirement Scheme for which 118 employees have opted for.

The performance at Paithan Plant was satisfactory. The management has continued its Capital investment program despite the recessionary conditions and have installed modern machinery which also includes R & D Equipments worth about Rs. 100 lacs which would



HINDUSTAN COMPOSITES LTD.

eventually augment the capacity as well as quality. This unit has now applied for ISO : 9002 certification and the management is confident of obtaining the accreditation shortly.

The Company is in the process of obtaining the latest technology from well known global manufacturers to enable further expansion and modernisation. The in house R & D Cell has also contributed considerably in developing various new references for application in modern vehicles and other utilities. During the year, the recognition granted by the Government of India for the Company's R&D cell has been renewed for a further period of 3 years upto 31.3.2001.

4. EXPORTS

Despite the depressed situation in the domestic market, your Company has performed quite satisfactorily in its Exports with the turnover registering Rs. 517 lacs, recording an improvement of 23 % over the previous year. With the products of your Company finding increased acceptance at the international market, Exports shall continue to be the thrust area for the Company in future.

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. The refractory lining on one of our boilers has been upgraded during the year to improve thermal efficiency.
- 8.2 New efficient thermic fluid / gas heated ovens are being installed to replace electrically heated / oil fired ovens.
- 8.3 Shift rationalisation and staggering of maximum demand has been effected to reduce electricity cost.

- 8.4 Interlocking utility equipment along with production machinery has been effected to eliminate idle running utilities.

- 8.5 Mould heating has been optimised to reduce energy consumption.

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. 537 lacs, whilst the outgo for raw materials, components, spares and capital goods amounted Rs.777 lacs. Further expenditure in Foreign Exchange for dividend and miscellaneous items amounting to Rs. 59 lacs.

11. DIRECTORS

During the year, the term of office of Mr.P. Choudhury, Managing Director has expired on 28th February, 1998 and Dr.V.R.Rajan, Director is proposed to be appointed as Managing Director, effective 1st June, 1998, subject to your approval at the ensuing Annual General Meeting.

Mr. K.M. Robinson and Mr. K.R. Podar, Directors shall be retiring 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 cooperation during the year.

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

By order of the Board of Directors

Mumbai, 24th April, 1998.

RAGHU MODY
Chairman

ANNUAL REPORT 1997-98



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 31st March, 1998.

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 Material blocks for commercial vehicles application
- 1.2 Cost effective process development.
- 1.3 New qualities of sealing material for Industrial and Automotive use.
- 1.4 Import Substitution.
- 1.5 Development of special quality of Resins for the manufacture of Asbestos free Random Wound Clutch Facings.
- 1.6 Asbestos free 'L' type and 'K' type brake Blocks for Passenger Coach Wagon and EMU applications.

2. Benefits as a result of the above R & D:

Better performance characteristics of our products, import substitution and wider range of products.

3. Future plan of Action:

Development of high performance Friction Materials for Industrial and off highway vehicles.

4. Expenditure on R&D:

	Rs.
4.1 Capital	95,42,706
4.2 Recurring	30,90,605
4.3 Total	<u>1,26,33,311</u>
4.4 Total as percentage of turnover	2.16 %

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 year ended 31st March, 1998 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	59	Wholetime Director	1.3.1994	(41)	5,03,676	Chairman Whole-time Director Rasoi Ltd.
2)	Choudhury P. * B.E. F.I.E	52	Ex-employee	1.3.1995	(33)	6,34,174	Executive Director, CEAT Ltd.
3)	Choudhary P.K. ACA, ACS	42	Executive Director - Finance	1.7.1991	(17)	3,17,313	President - Corporate Affairs, Rasoi Limited
4)	Ramaswamy S., B.Sc.	62	Director-R&D	12.3.1956	(41)	3,71,944	First Employment
5)	Sarin, Vinay B.Com (Hon.), Master in Marketing Management	49	Senior Vice President - Marketing	23.6.1986	(29)	3,22,479	Sales Manager, GKW Ltd.

Notes:

1. The nature of employment of the aforesaid employees relating to those at sl. nos. 1, 2 and 3 was contractual
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, commission, allowances, contributions to provident and other funds including pension fund and value of perquisites calculated in accordance with the Income-Tax Act/Rules.

* for part of the year.



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, 1998 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 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 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 according to the 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. 62,85,040 and non-provision/non ascertainment of accrued leave encashment liability on retirement/separation of employees in Schedule 18 and read together with Significant Accounting Policies and 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, 1998 and
- (ii) in the case of the Profit and Loss Account, of the Profit of Company for the year ended on that date.

For **LODHA & COMPANY**
Chartered Accountants

(**N. KISHORE BAFNA**)
Partner

Mumbai, 24th April, 1998.

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, 1998.

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 the close of the year. Stocks in possession and custody of third parties and in transit as at the year end 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.