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**HINDUSTAN
COMPOSITES
LIMITED**

ANNUAL REPORT 1999-2000

BOARD OF DIRECTORS

Raghu Mody Chairman
Dr. V. R. Rajani Managing Director
P. K. Choudhary Executive Director - Finance
D. Lawson Lyon
Keith M. Robinson
A. B. Vaidya
Kantikumar R. Podar
V. B. Haribhakti
T. Akiyama
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 & TRANSFER AGENTS

IIT Corporate Services Ltd.,
IIT House, Opp. Vazir Glass,
J. B. Nagar, M. VasANJI Road,
Andheri (E), 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 Sixth Annual General Meeting of the Company will be held at The Convention Hall, 4th Floor, Y.B. Chavan Centre, Gen. Jagannath Bhosale Marg, Nariman Point, Mumbai - 400 021 at 4.00 p.m on Friday, the 4th August, 2000 to transact the following business:

- 1) To consider, approve and adopt the audited Balance Sheet as at 31st March, 2000 and Profit and Loss Account for the year ended 31st March, 2000 together with the Report of the Directors and Auditors thereon.
- 2) To declare a dividend on equity shares for the year ended 31st March, 2000.
- 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 Mr. Takeshi Akiyama who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 3rd May, 2000, and whose term expires at the Annual General Meeting of the Company scheduled to be held on 4th August, 2000, and for the appointment of whom the company has received a notice under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company whose period of office will be liable to determination by retirement by rotation."

3rd May, 2000

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 17th July 2000 to Friday, the 4th August 2000, (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 Friday, the 4th August, 2000.

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

Item 6 :

The entry of several Japanese and Korean Automobiles into Indian market necessitated customisation of our product range for catering to such new generation vehicle applications. As a result, we have been discussing with several renowned overseas suppliers of Equipments / Technology including M/s.Fuji Brake Industry Co.Ltd., Japan (FBL) manufacturers of Disc Brake Pads, Brake Linings and Clutch Facing for providing us necessary technical assistance from time to time, by way of supply of Technology / Capital Equipments etc.

In view of the cordial relations that we have had with them over the past several months and with their considerable technological support potential, the Board of Directors of the company deemed it expedient to establish a formal connection with M/s.FBL by inducting Mr.TAKESHI AKIYAMA, its President as an Additional Director of the Company at its meeting held on 3rd May, 2000 with immediate effect. In accordance with the provisions of section 260 the Companies Act, 1956 the Additional Director so appointed shall hold office only upto the date of the next Annual General Meeting of the Company.

The Company has received a notice signifying his candidature for the Directorship in accordance with the provisions contained in Section 257 of the Companies Act, 1956 and also the consent of Mr.Takeshi Akiyama to act as a Director as per section 264 of the said Act.

Mr. Takeshi Akiyama, is the President of M/s.Fuji Brake Industry Co.Ltd., Japan and has over 30 years of Technical and Managerial experience in the field of Automotive Friction Materials to his credit. He is a Graduate Mechanical Engineer from Musashi Institute of Technology, Japan and under his leadership M/s.FBL has grown from strength to strength.

Subject to approval by shareholders at this meeting, Mr.Takeshi Akiyama shall be appointed as an ordinary Director of the Company.

None of the Directors other than Mr.Takeshi Akiyama, is concerned or interested in the resolution.

3rd May, 2000.

By Order of the Board

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 sixth Annual Report together with the Audited Accounts for the year ended 31st March, 2000.

1. FINANCIAL RESULTS

| | Year ended | |
|---|-----------------------------|----------------------------|
| | 31st March, 2000 Rs.Lacs | 31st March,1999 Rs.Lacs |
| Net Sales | 5,900 | 5,556 |
| Profit before interest & Depreciation | 582 | 455 |
| Interest (Net) | (264) | (213) |
| Depreciation | (205) | (157) |
| Profit before Taxation | 113 | 85 |
| Taxation | (11) | (6) |
| Profit after Taxation | 102 | 79 |
| Taxation adjustment relating to prior years | - | 59 |
| Transfer from Investment Allowance Reserve | - | 48 |
| Surplus brought forward from previous year | 54 | 29 |
| Profit available for appropriation | 156 | 215 |
| APPROPRIATIONS | | |
| Debenture Redemption Reserve | 33 | 33 |
| Proposed Dividend | 55 | 66 |
| Corporate Dividend Tax | 12 | 7 |
| Transfer to General Reserve | 20 | 55 |
| Surplus carried to Balance Sheet | 36 | 54 |
| | 156 | 215 |

2. DIVIDEND

Considering the working for the year and the need to conserve the resources, your Directors have recommended payment of a dividend at the rate of 10 % for the year ended 31st March, 2000, which shall be tax free in the hands of shareholders. With the provision of corporate dividend tax of 20% to be borne by the Company, the effective dividend payout may be considered to be 12%.

3. PERFORMANCE

The performance of the Company during the year under review was generally satisfactory. In particular, our order book position had improved in line with the overall buoyancy in the Automotive segment. The sales turnover of the Company during the year has increased by 6% from Rs.55.56 crores to Rs.59 crores. Gross profit rose by 27% from Rs.4.55 crores to Rs.5.82 crores and the net profit before tax stood at Rs.1.13 crores as against Rs.0.85 crores of last year. The net profit after tax also rose by about 29% from Rs.0.79 crores to Rs.1.02 crores. Improvement in profitability

was mainly due to better product mix and effective cost control measures.

During the year, ISO : 9002 Certification awarded to our Paithan unit has been successfully renewed by the DNV of the Netherlands for manufacture and marketing of Friction Materials. The performance at this unit has considerably improved. During the year, the Company has made some significant capital investment in the said plant by way of installation of an imported Japanese Extruder.

The performance at the Bhandara plant was not upto expectations mainly on account of stiff competition from unorganised sector. The ISO : 9002 Certification awarded to this unit by M/s.DNV of the Netherlands for manufacture and marketing of Friction Materials has been successfully maintained. The Company has made some significant capital investments in this unit during the year including installation of a Clutch inertia Dynamometer to further strengthen its in-house R & D facility.

The attitude of the workmen at Ghatkopar however,



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have been quiet indifferent, thereby preventing the productivity from reaching the budgeted levels. The overall performance of the company was adversely affected and had their cooperation been forthcoming, your company could have closed the year with significantly better results. Added to this, the escalation in cost of fuel and petroleum products also had an adverse impact on profitability.

However, the management has continued its capital investment program despite all odds and have installed a modern Calendar (Sheeter) imported from M/s.PAUL TROESTER MASCHINENFABRIK of Germany at its Ghatkopar Factory for the manufacture of both Asbestos and Asbestos free jointings, to cater to various O.E. and Export markets. With the additional capital investments so made coupled with improved industrial performance, the Company expects to post better results in the coming years.

4. EXPORTS

Despite the stiff competitive situation, the Company has achieved an Export turnover of Rs.566 Lacs which is about 9% of total turnover. The Export shall continue to be a thrust area for the Company with improved product mix and by adoption of effective overseas marketing efforts.

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 has entered into a contract with Mahanagar Gas for the supply of Natural Gas as fuel to the boilers as a substitute for costly Furnace Oil. The efficiency of the boiler will increase resulting in saving of precious fuel. Usage of Natural Gas will not only be economical but will considerably reduce pollution also.

8.2 Lagging work on L.T. Vats has been undertaken to reduce heat losses.

8.3 Installation of Steam Drum was completed in boiler which has resulted in conservation of fuel.

8.4 Condensate Recovery System has been installed on calenders thereby reducing steam consumption.

8.5 Temperature Controller has been fitted on one of the machines for optimum utilisation of steam.

8.6 Installation of Capacitor Bank on individual high power motors for reduced energy consumption.

8.7 Smaller capacity compressors have been installed so that during times of lean loads high capacity compressors can be switched off thereby reducing 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.546 lacs, on FOB value basis whilst the outgo for raw materials, components, spares and capital goods amounted Rs.1155 lacs. Further expenditure in Foreign Exchange for dividend and miscellaneous items amounting to Rs. 58 lacs.

11. DIRECTORS

Mr.K.M.Robinson and Mr. K. R. Podar, Directors shall be retiring by rotation and being eligible, offer themselves for reappointment.

The Board of Directors of the Company at its meeting held on 3rd May, 2000 appointed Mr. Takeshi Akiyama as an Additional Director in accordance with the provisions of Section 260 of the Companies Act, 1956. He shall hold office upto the date of ensuing Annual General Meeting wherein his appointment as an ordinary Director shall be sought to be approved by the Shareholders. The company has also received a notice from a shareholder u/s. 257 of the Act signifying his candidature.

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,
3rd May, 2000.

(RAGHU MODY)
Chairman

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'ANNEXURE TO DIRECTORS' REPORT (refer para 9 of the Directors' Report.)

A. Research & Development (R&D)

1. Specific areas where R&D is being carried out by the Company

- 1.1 Asbestos Free Disc Brake Pads for Passenger Cars and multi utility vehicles.
- 1.2 Asbestos Free Railway Brake Blocks
- 1.3 Asbestos Free Freight Wagon Blocks.
- 1.4 Random Wound Clutch Facings for Tractor, Jeeps And Passenger Car. The Company has successfully Installed and commissioned the Clutch Dynamometer Imported from Japan.
- 1.5 High Life, Asbestos based Commercial Vehicle Brake Linings.
- 1.6 Asbestos Free Speciality Jointings.

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

Improved product performance, Cost effective formulations, a wider range and speciality products. A special focus on Export and Railway business.

3. Future plan of action:

- 3.1 Commercialisation of Bendix Mintex Technology.
- 3.2 Asbestos Free Industrial Roll Linings.

4. Expenditure on R&D:

| | Rs. |
|--------------------------------------|-----------|
| 4.1 Capital | 8,32,103 |
| 4.2 Recurring | 32,80,352 |
| 4.3 Total | 41,12,455 |
| 4.4 Total as percentage of Turnover. | 0.70 |

B. Technical Absorption, Adaptation and Innovation

Efforts:

1. Absorption of State of Art technology from Fuji Brake Linings, Japan, for Asbestos-free Disc Brake Pads and Flexible Roll Linings.
2. Technical co-operation from world renowned mineral fibre manufacturers based in Netherlands for implementing the non-asbestos fibre based friction products in our entire product range by 2001.

Statement required under Section 217(2A) of the Companies Act, 1956 referred to in paragraph 7 of the Directors' Report for the year ended 31st March, 2000 and forming part thereof showing names and particulars of employees of the Company.

| Name, Age and Qualification | Designation and nature of duties | Date of Commencement of employment | Exp.in years (Rs.) | Remuneration Received | Last Employment |
|--|----------------------------------|------------------------------------|--------------------|-----------------------|---|
| Dr.V.R.Rajan, 50, B.E.(Hons.), PGDBA (IIM-A), Ph.D | Managing Director | 1.6.1998 | 26 | 9,39,885 | Executive Director Solarson Industries Ltd. |

Notes:

The nature of employment of the aforesaid employee was contractual and the remuneration relates to that earned by him for the year.

None of the employees were related to any of the Directors or have held more than 2% of the equity shares of the Company either by himself or alongwith his spouse and dependent children.

Remuneration includes salary, allowances, contributions to provident and other funds including pension fund and value of perquisites calculated in accordance with the Income-Tax Act / Rules.