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ANNUAL REPORT 2000-2001

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HINDUSTAN
COMPOSITES
LIMITED

BOARD OF DIRECTORS

Raghu Mody

Chairman

P. K. Choudhary

Managing Director

D. Lawson Lyon

Keith M. Robinson

A. B. Vaidya

Kantikumar R. Podar

V. B. Haribhakti

T. Akiyama

Col. S. P. Wahi

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, Off. M. Vasanji Road,

Opp. Vazir Glass, J. B. Nagar,

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 TO THE SHAREHOLDERS

Notice is hereby given that the Thirty Seventh 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, on FRIDAY, the 10th August, 2001 at 4.00 p.m to transact the following business:

ORDINARY BUSINESS :

- 1) To receive, consider, and adopt the Audited Accounts of the Company for the year ended 31st March, 2001 together with Directors' Report and the Auditors' Report thereon.
- 2) To appoint a Director in place of Mr. D. L. Lyon who retires by rotation and being eligible, offers himself for reappointment.
- 3) To appoint a Director in place of Mr. A. B. Vaidya who retires by rotation and being eligible, offers himself for reappointment.
- 4) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

- 5) To consider and if thought fit to pass with or without modification, the following resolution as an ordinary resolution;

"RESOLVED THAT Col. S. P. Wahi who was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956 and hold such office until the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company, whose period of office will be liable to determination by retirement of Directors by rotation".

12th May, 2001

By Order of the Board

Regd. Office :

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

(P. K. CHOUDHARY)
MANAGING DIRECTOR



HINDUSTAN COMPOSITES LTD.

NOTES :

1. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
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 OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. Equity shares of the Company have been activated by dematerialisation with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), with effect from 03.11.2000 vide ISIN INE310C01011
4. The Register of Members and Share Transfer Books of the Company will remain closed from 23rd July, 2001 to 10th August, 2001 (both days inclusive).
5. The Equity Share of the Company are listed at The Stock Exchange, Mumbai, National Stock Exchange of India Ltd., and The Calcutta Stock Exchange Association Ltd. The Company has paid the Annual Listing Fees to each of the above Stock Exchanges as per the Listing Agreement.

EXPLANATORY STATEMENT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item 5 :

The Board of Directors had appointed Col. S.P. Wahi as an additional Director of the Company with effect from 31.10.2000, under Section 260 of the Companies Act read with Article 112 of the Company's Articles of Association. He holds office till date of ensuing Annual General Meeting but is eligible for re-appointment. The Company has received a notice in writing along with requisite deposit from a Member pursuant to Section 257 of the Companies Act, 1956 proposing the candidature of Col. Wahi for the office of Director. Col. Wahi is a leading Management Consultant and the Board consider that the Company should avail of the benefit of advice, guidance and experience of Col. Wahi. It is recommended that Col. Wahi be appointed as a Director of the Company.

Except Col. S.P. Wahi, none of the other Directors of the Company is concerned or interested in the said resolution.

12th May, 2001.

By Order of the Board

Regd. Office :

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

(P. K. CHOUDHARY)
Managing Director

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DIRECTORS' REPORT

Your Directors present their Thirty seventh Annual Report together with the Audited Accounts for the year ended 31st March, 2001.

1. FINANCIAL RESULTS

	Year ended	
	31st March, 2001	31st March, 2000
	Rs.Lacs	Rs.Lacs
Net Sales	5,406	5,901
Other Income	25	48
Operating Profit before interest & Depreciation	606	611
Interest	(302)	(264)
Gross Profit	304	347
Depreciation	(230)	(205)
Profit before extraordinary item and tax	74	142
Employees separation cost	(172)	(29)
Provision for Taxation	-	(11)
Profit / (Loss) after taxation	(98)	102

2. DIVIDEND

Although your Company has made an operating profit, after considering the exceptional item of employees separation cost, a position of net loss has emerged. The Directors do not, therefore, recommend any dividend for the year ended 31st March, 2001.

3. PERFORMANCE

From the beginning of financial year 2000-01, due to slow-down in the economy, Indian industries has been passing through a severe recessionary phase. Automotive industry, in particular, was the worst hit and the major burnt of it was borne by the Heavy Commercial Vehicles and the Farm Tractor segments. Consequent to this, demand from OE/OES segments was drastically reduced. The situation had further worsened with supplies exceeding demand, due to capacity expansion by the major auto component manufacturers in the recent past. This has resulted in selling price reduction in most segments of the Company's products. The liquidity crunch prevailing at the market place also resulted in poor cash flow and order book.

The above factors affected the sales turnover of the Company and there was a drop of 8% in sales, to Rs.54 crores as against Rs.59 crores in the previous year.

To overcome the situation, the Company had implemented various operational efficiencies, with improvement in product quality, proper utilisation of manpower, change in product mix and severe cost

control measures at all levels. Focussed attention was given to Export / Railway business to partially offset the slackness in domestic demand. To cut costs further, the Company had also introduced an Early Voluntary Retirement Scheme at Ghatkopar Plant and 192 employees have opted for the same.

As a result of the benefits derived out of the various steps initiated, the Company was able to improve its operating profit level to 11.2%, as compared to 10.3% in the previous year. The operating profit achieved, before interest and depreciation, was Rs.606 lacs. After providing for higher interest of Rs.302 lacs and depreciation of Rs.230 lacs, profit before the extraordinary item was Rs.74 lacs. However, there was a net loss of Rs.98 lacs after considering the employees separation cost of Rs.172 lacs.

Performance of the Company's Paithan Unit was satisfactory. The Company has made capital investments in balancing equipments to achieve maximum capacity utilisation.

Performance at the Bhandara Plant was not upto expectation mainly due to stiff competition from the unorganised sector.

The ISO 9002 certification awarded to Paithan and Bhandara Units by DNV of the Netherlands, has been successfully maintained.

At the Ghatkopar Plant, the management has entered into a productivity-linked agreement whereby surplus manpower was identified and most of them separated under the Voluntary Retirement Scheme.



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The Company has also installed piped Natural Gas at its Ghatkopar Plant to reduce fuel costs.

The Company's in-house R&D Unit has been accorded renewal of recognition upto 31.3.2004 by the Govt. of India, Ministry of Science & Technology, Department of Science & Industrial Research, New Delhi.

Though conditions in the current year continue to be competitive, the Company expects to post better results in the coming years with upgradation of process technology, improvement in product quality, rationalisation of manpower and severe cost control measures. The Company is also positioning itself to enhance sales in overseas markets and in the Railway segment. The Company has also identified further growth potential in areas like Disc Pads for 2/4-wheelers, Random Wound Clutch Facing, Asbestos-free Jointings, etc.

4. EXPORTS

With major thrust on export marketing, the Company was able to achieve an Export turnover of Rs.580 lacs, registering a 6% growth over the previous year. Exports shall continue to be a focus 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. DEMATERIALISATION OF SHARES

During the year under review, the Company signed an agreement with Central Depository Services (India) Limited and IIT Corporate Services Limited for joining the Depository System. With this, the members have the option to hold their demat shares in the Company through the National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL).

8. PERSONNEL

The information required under Section 217 (2A) of the Companies Act, 1956 is not given as no employee has drawn the salary prescribed thereunder.

9. CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The details regarding Conservation of Energy and Technology Absorption are given in an Annexure to

this Report.

10. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earning from exports amounted to Rs.580 lacs, on FOB value basis whilst the outgo for raw materials, components, spares and capital goods amounted Rs.398 lacs. Further expenditure in Foreign Exchange for dividend and miscellaneous items amounting to Rs.24 lacs.

11. DIRECTORS

Mr. D.L. Lyon and Mr. A.B. Vaidya, 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 31.10.2000 appointed Col. S.P. Wahi 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.

Mr. P.K. Khaitan, Alternate Director to Mr. K.M. Robinson, resigned from the Board of Directors.

During the year, Dr. V.R. Rajan, Managing Director, resigned and Mr. P.K. Choudhary was elevated as the Managing Director with effect from 1st July, 2000.

Your Directors have placed on record their appreciation of the services rendered by Mr. P.K. Khaitan and Dr. V.R. Rajan during their tenure as Directors of the Company.

During the year, an Audit Committee of Directors comprising of Mr. R.N. Mody, Mr. V.B. Haribhakti and Mr. A.B. Vaidya was constituted in line with the amendments in the Companies Act, 1956.

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,
12th May, 2001.

(RAGHU MODY)
Chairman

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

CONSERVATION OF ENERGY

The Company has installed and commissioned necessary infrastructure at Ghatkopar Plant to use Natural Gas, supplied by Mahanagar Gas, as an alternate to conventional fuel for the Boilers. This has resulted in improved efficiency of Boilers, thereby reducing the fuel consumption, and considerable reduction in pollution levels.

Condensate recovery system has been extended to all Calenders to route the hot water back into the system. This has also resulted in saving fuel consumption in Boilers.

Electrical energy to Press Platens has been controlled through PLCs and Thermostats to conserve electrical energy. Indigenous modification has been carried out to the Bendix Mintex impregnation tower. This has resulted in higher output at the same steam consumption.

TECHNOLOGY ABSORPTION

A. Research & Development (R&D)

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

- 1.1 Asbestos-free Railway Brake Block, in both L & K Type.
- 1.2 High performance Asbestos-free Jointings.
- 1.3 Asbestos-free Random Woven Facings.
- 1.4 Asbestos-free Friction Sheets.
- 1.5 Asbestos-free ceiling materials for Railways.

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

Wider range of product with Cost-effective formulations, enabling the Company to enter into additional business opportunities in Railways, OEM and Export segments.

3. Future plan of action:

- 3.1 Asbestos-free Industrial roll linings, Friction materials for off-highway vehicles.
- 3.2 Asbestos-free Disc Brake Pads for 2/4 wheeler applications.

4. Expenditure on R&D:

	Rs.
4.1 Capital	1,44,130
4.2 Recurring	20,41,596
4.3 Total	<u>21,85,726</u>
4.4 Total as percentage of Turnover.	0.40

B. Technical Absorption, Adaptation and Innovation efforts:

Continue the joint development work with a Europe based mineral wool manufacturer for the entire range of Asbestos-free products.



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, 2001 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 (Auditors' 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, to the extent applicable.
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, the Balance Sheet and Profit and Loss Account of the Company dealt with by this report have been prepared in compliance with the Accounting Standards referred to in Section 211 (3C) of the Act, to the extent applicable;

- e) on the basis of the written representations received from the directors as on 31-03-2001, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31-03-2001 from being appointed as a Director of the Company under Section 274(1) (g) of the Act.
- f) 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. 6 in Schedule '18' regarding overdue inter-corporate deposits aggregating to Rs. 122 Lacs and consequential provisioning, as may be required - presently not determinable and therefore cannot be commented upon by us*, and read together with Significant Accounting Policies and other Notes in the said Schedule, particularly Note No. 7 regarding diminution in the market value of quoted investments, 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, 2001 and;
 - (ii) in the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

For **LODHA & COMPANY**
Chartered Accountants

(N.KISHORE BAFNA)
Partner

Mumbai,
Dated : 12th May, 2001

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, 2001.

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. There is a phased programme of physical verification of all fixed assets over a period of three years, based on which physical verification of certain fixed assets was carried out during the year, which in our opinion is reasonable

considering the size of the Company and nature of its fixed assets. The discrepancies noticed in respect of the assets physically verified were not material 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, stores, spare parts and raw materials 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