



**BOARD OF DIRECTORS**

Raghu Mody	Chairman
P. K. Choudhary	Managing Director
Vinay Sarin	Executive Director
V. D. Ingle	Executive Director
Keith M. Robinson	
D. Lawson Lyon	
T. Akiyama	
V.B. Haribhakti	
A. B. Vaidya	
Col. S.P. Wahi	

**COMPANY SECRETARY**

Renuka Daga

**AUDITORS**

Lodha &amp; Co.

**SOLICITORS**

Khaitan &amp; 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 Limited,  
 Protoprima Chambers  
 II Floor, Suren Road,  
 Andheri (East), Mumbai-400 093.

**WORKS**

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

**Website** : [www.hindcompo.com](http://www.hindcompo.com)

<b>CONTENTS</b>	<b>Page</b>
Notice .....	1
Directors Report .....	3
Corporate Governance Report .....	6
Management Discussion And Analysis Report .....	9
Auditors Report .....	10
Balance Sheet .....	12
Profit and Loss Account .....	13
Cash flow statement .....	19
Notes to the Financial Statements .....	19

## HINDUSTAN COMPOSITES LTD.

"Crystal", 79, Dr. Annie Besant Road, Worli, Mumbai - 400 018

### ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the hall.

I hereby record my presence at the Thirty Ninth Annual General meeting of the Company to be held at The Convention Hall, 4<sup>th</sup> Floor, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai 400 021 at 4.00 p.m. on Monday, the 18<sup>th</sup> August, 2003.

I am a shareholder of the Company

I am a Proxy / Authorised Representative of the above shareholder(s)\*

My Name is : \_\_\_\_\_

Folio No. : \_\_\_\_\_

Address : \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature

\*Please Strike off any one which is not applicable



### ATTENDANCE SLIP

I /we \_\_\_\_\_ Folio No. \_\_\_\_\_ of \_\_\_\_\_ being a member/members of HINDUSTAN COMPOSITES LTD.

hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_

as my/our proxy to attend and vote for me/us and on my/our behalf at the Thirty Ninth Annual General Meeting of the Company to be held at The Convention Hall 4<sup>th</sup> Floor, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai 400 021 at 4.00 p.m. on Monday, the 18<sup>th</sup> August, 2003 or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2003.

Member's Folio Number \_\_\_\_\_

Affix a  
Re. 1.00  
Revenue  
Stamp

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty-ninth Annual General Meeting of the Company will be held at The Convention Hall, 4<sup>th</sup> Floor, Y.B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai-400 021 at 4.00 p.m. on Monday the 18<sup>th</sup> August, 2003 to transact the following business.

- 1) To consider, approve and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2003 and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2003 together with the Report of the Directors and Auditors thereon.
- 2) To declare a dividend on equity shares for the year ended 31<sup>st</sup> March, 2003.
- 3) To appoint a Director in place of Mr. D. Lawson Lyon who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. Keith M. Robinson who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint auditors and to fix their remuneration.

### SPECIAL BUSINESS

- 6) To consider and, if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**:  
**"RESOLVED THAT** pursuant to Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approval, if any, as may be necessary, consent of the Company be and is hereby accorded to the

appointment of Mr. Vinay Sarin as Executive Director - Marketing of the Company for a period of 3 years w.e.f. 9<sup>th</sup> August, 2002 on the terms and conditions as set out in the Explanatory Statement attached to this Notice be and is hereby approved, with the authority to the Board of Directors to revise his remuneration, from time to time, within the limits provided for in the said Schedule XIII or any amendment thereof for the time being in force.

**RESOLVED FURTHER** that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."

- 7) To consider and, if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approval, if any, as may be necessary, consent of the Company be and is hereby accorded to the appointment of Mr. V. D. Ingle as Executive Director - Manufacturing of the Company for a period of 3 years w.e.f. 9<sup>th</sup> August, 2002, on the terms and conditions as set out in the Explanatory Statement attached to this Notice be and is hereby approved, with the authority to the Board of Directors to revise his remuneration, from time to time, within the limits provided for in the said Schedule XIII or any amendment thereof for the time being in force.

**RESOLVED FURTHER** that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."

Registered Office :  
 "Crystal",  
 79, Dr. Annie Besant Road  
 Worli, Mumbai - 400 018  
 Date : 5<sup>th</sup> May, 2003

By Order of the Board of Directors

**RENUKA DAGA**  
 Company Secretary

### 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 THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE TIME OF COMMENCEMENT OF THE MEETING.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No. 6 and 7 of the notice set out above is annexed hereto.
3. Pursuant to the provision of Section 205A of the Companies Act, 1956 as amended, dividend for the financial year ended 31<sup>st</sup> March, 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund (IEPF). *It may be noted that no claims will lie against the Company or the Investor Education and Protection Fund in respect of the said unclaimed dividend amount transferred to the fund.*
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 7<sup>th</sup> Aug 2003 to 18<sup>th</sup> Aug 2003 (both days inclusive).
5. The Company has listed its shares at The Stock Exchange, Mumbai, National Stock Exchange of India Ltd., and Calcutta Stock Exchange. Upto date listing fees of these exchanges have been paid.
6. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the answers may be made available at the Meeting.



## ANNEXURE TO THE NOTICE

## Directors being proposed for re-appointment

**Mr. D. Lawson Lyon**, aged 56 years, is the Managing Director of Pearsalls Limited, England, with rich and varied management experience. He has been Director of the Company since 1994.

**Keith M Robinson**, aged 55 years, is a leading Solicitor based in United Kingdom, with several years of in-depth proficiency in Corporate Affairs. He has been Director of the Company since 1994.

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

## Item no. 6 &amp; 7

Mr. Vinay Sarin, aged 55 years, a post-graduate in Management from Jamnalal Bajaj Institute of Management studies, Mumbai, is associated with the Company for the last 16 years having a total business experience of 34 years in the Automobile Industry.

Mr. V. D. Ingle, aged 56 years, is a Science graduate, associated with the Company for 30 years and has considerable experience in the manufacturing function of the Company.

In August 2002, Mr. Vinay Sarin and Mr. V. D. Ingle were appointed as Additional Directors in terms of Section 260 of the Companies Act, 1956, and, concurrently as the Executive Director - Marketing and Executive Director - Manufacturing, respectively, in terms with Section 198, 269 and 309 of the Companies Act, 1956, for a period of 3 years, subject to the approval of the forthcoming General body meeting. The terms and conditions of the appointment of Mr. Vinay Sarin and Mr. Vijay D. Ingle are as under:

1. Salary : Rs. 24,000 per month, with an increase which may be decided by the Board of Directors from time to time within the limits, specified in Schedule XIII of the Companies Act, 1956
2. Accommodation : Free furnished accommodation with reimbursement of the cost of electricity, water, gas and maintenance in the premises and reimbursement of the cost of servants, etc not exceeding Rs. 2,000 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.

3. Motor Car : Provision of motor car with driver.
4. Medical : Reimbursement of medical expenses and insurance premium for self, spouse and dependant children, not exceeding Rs.15,000 per annum.
5. Leave Travel Concession : As per the rules of the Company's Scheme not exceeding Rs.70,000 per annum.
6. Provident and other funds including Superannuation and Gratuity : As per the rules of the Company's Scheme.
7. Personal Accident Insurance : As per the rules of the Company's Scheme.
8. Club Subscription : Reimbursement of club subscription fees to one club whenever, applicable.
9. Leave Encashment : Encashment of leave accumulation as per the rules of the Company.

The above remuneration 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.

In view of considerable gain to the Company by the appointment of Mr. Vinay Sarin and Mr. V. D. Ingle, through their expertise and experience, the Directors recommend the Ordinary Resolutions for approval of the members.

Except Mr. Vinay Sarin and Mr. V. D. Ingle, in the respective resolutions, none of the other Directors are interested in the said resolutions.

Date : 5<sup>th</sup> May, 2003  
Regd. Office : "Crystal"  
Mumbai - 400 018  
79, Dr. A. B. Road, Worli,

By order of the Board of Directors

**RENUKA DAGA**  
Company Secretary



## ANNUAL REPORT 2002-03

### DIRECTORS' REPORT

Your Directors present their Thirty-ninth Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2003.

#### 1. FINANCIAL RESULTS

Rs. Lacs

	Year ended	
	31 <sup>st</sup> March, 2003	31 <sup>st</sup> March, 2002
<b>Net Sales</b>	<b>6245</b>	5615
Operating Profit before interest & depreciation	<b>827</b>	765
Interest	<b>(246)</b>	(350)
Gross Profit	<b>581</b>	415
Depreciation	<b>(214)</b>	(225)
Profit before extraordinary item and tax	<b>367</b>	190
Employees' separation cost	<b>(155)</b>	(110)
Profit before tax	<b>212</b>	80
Provision for taxation - Current	<b>(17)</b>	(6)
- Deferred	<b>(74)</b>	(29)
Profit after taxation	<b>121</b>	45
Profit available for appropriation after adjustments	<b>329</b>	113
<b>APPROPRIATIONS</b>		
Proposed Dividend	<b>55</b>	33
Corporate Dividend Tax	<b>7</b>	Nil
Transfer to General Reserve	<b>225</b>	Nil
Surplus carried to Balance Sheet	<b>42</b>	80
	<b>329</b>	113

#### 2. DIVIDEND

The Directors are happy to recommend a higher dividend of Rs. 55 lacs, being 10% of the paid up equity capital of the Company, as against 6% in the previous year.

#### 3. PERFORMANCE

The Company's performance in the year 2002-03 was marked with good sales, overall higher production and improved profitability.

The turnover of the Company has increased by 11%, to Rs.62.45 crores from the previous year's Rs.56.15 crores. The performance could have been still better but for the VAT confusion which prevailed throughout the last quarter of the year and apprehensions on account of the war in the Middle-East. The gross profit has gone up from Rs.765 lacs to Rs.827 lacs and the net profit was significantly higher at Rs.367 lacs (Rs.190 lacs) – an increase of 93%, after providing for interest of Rs.246 lacs (Rs.350 lacs) and depreciation of Rs.214

lacs (Rs.225 lacs). After considering the extraordinary item, on account of employees separation cost, of Rs.155 lacs (Rs.110 lacs), profit before tax was much higher at Rs.212 lacs as against Rs.80 lacs in the previous year. The growth in bottom line outstrips the topline and this was achieved mainly with better product mix and innovative manufacturing methods. Although business conditions remained challenging throughout the year, especially on account of major cost escalations in petroleum products, steel and other inputs, the Company could improve its performance with focussed attention on Railway business and O.E. segments.

With the achievement of planned production, performance at the Company's Paithan Unit was satisfactory. The Management has entered into a productivity-linked agreement with the Union, for a period of 3 years, during the year under review, without disruption in the working of the Unit. In line with its operating strategy, capacity augmentation for Asbestos-free Disc Brake Pads and Railway Brake Blocks has been implemented during the year so as to adapt to changing customer preferences, particularly in the O. E. segment.

Performance of the Bhandara Unit, though passable, was not upto expectations mainly due to stiff competition from the unorganised sector. To combat the situation, the Company is in the process of putting in additional investments for upgrading its facility for Random Wound Clutch Facings to cater to the high-end of the market, both in domestic and export segments.

At the Ghatkopar Unit, although the Management has entered into an M.O.U. with the Union, during the year, whereby surplus manpower was identified and some of them separated under a VRS, the situation is still not satisfactory. With the supply/ demand ratio turning adverse for most of the products manufactured at Ghatkopar, price realisation continues to be poor. The Ghatkopar Unit has become unviable since all the efforts of the Management to bring in various efficiencies in terms of vigorous cost control measures, with saving on raw materials, power & fuel and other overheads, are negated due to the extremely high labour cost and poor productivity level.

Two Units alongwith the Head Office of the Company have now been accredited with QS 9000 : 1998, by the world-renowned DNV of Netherlands, for Design, Development, Manufacturing and Marketing of Friction Materials.

In view of the visible improvement in the working of auto and other industry majors, the Company is confident of posting better results in the coming years with continuous improvement in process technology, rationalisation of manpower and cost cutting measures.

The Company will continue to focus on Railway business and, accordingly, a Rail Dynamometer with all modern features has been acquired and installed.





#### 4. EXPORTS

Despite a stiff competitive and poor demand situation, the Company has achieved an Export turnover of Rs.706 lacs, which is marginally higher than the previous year. The planned export sale could not be achieved due to the war situation in Iraq, which has disrupted the entire Middle-East market in the last quarter of the year. Export shall continue to be a thrust area for the Company and a wide range of Asbestos-free products are being developed to cater to this segment. The Company has again received the CAPEXIL AWARD in recognition of its export achievement.

#### 5. EXPORT HOUSE STATUS

The Company was awarded a Certificate of Recognition as Export House in accordance with the provisions of the Exim Policy, by DGFT - Ministry of Commerce & Industry, Govt. of India. This Certificate is valid for a period of five years, upto 31<sup>st</sup> March, 2007. Accordingly, the concessions enjoyed by an Export House are available to the Company.

#### 6. FINANCE

The Company's conscious efforts to control the finance costs have yielded good results and, accordingly, the interest charges came down substantially from Rs.350 lacs in the previous year to Rs.246 lacs this year.

#### 7. PUBLIC DEPOSITS

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

#### 8. PERSONNEL

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

#### 9. CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Particulars required under Section 217 (1) of the Companies Act, 1956 relating to 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 and others amounted to Rs.743 lacs, whilst the outgo for raw materials, components, spares capital goods and others amounted to Rs. 633 lacs.

#### 11. DIRECTORS

The Board of Directors was pleased to appoint Mr. Vinay Sarin and Mr. V.D. Ingle as Additional Directors and concurrently as Executive

Director – Marketing and Executive Director – Manufacturing, respectively, for a period of 3 years w.e.f. August 9, 2002, subject to approval at the forthcoming Annual General Meeting.

Mr. D. Lawson Lyon and Mr. K.M. Robinson, Directors, retire by rotation and, being eligible, offer themselves for reappointment.

#### 12. AUDITORS

The shareholders will be requested to appoint Auditors at the Annual General Meeting.

#### 13. CORPORATE GOVERNANCE

As required by the Listing Agreement, the Corporate Governance Report, including Management Discussion and Analysis Report and a Certificate of Compliance from the Auditors, is attached and forms part of this Report.

#### 14. DIRECTORS' RESPONSIBILITY STATEMENT

On the basis of the information placed before them, the Directors state that -

- i) in the preparation of the annual accounts, the applicable Accounting Standards had been followed alongwith proper explanation relating to material departures;
- ii) appropriate accounting policies have been selected and applied consistently and made judgements and estimates that 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 profit of the Company for that period;
- iii) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

#### 15. ACKNOWLEDGEMENT

Your Directors take this opportunity to thank Bank of Baroda, Union Bank of India, Syndicate Bank 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

Mumbai,  
Dated: 5<sup>th</sup> May, 2003

**RAGHU MODY**  
Chairman

### ANNEXURE TO THE DIRECTORS' REPORT

#### A) CONSERVATION OF ENERGY

- 1 Natural Gas fuel based Boilers were modified installing Gas Modulator, to increase the efficiency of Boilers by 8 percent.
- 2 Replacement of high HP Motors in machinery by modification at various Plants.
- 3 Improvement of power factor at all the Plants through proper distribution of capacitors, particularly for Transformers and high KW Motors.

#### B) RESEARCH AND DEVELOPMENT (R & D)

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

- 1.1 Asbestos-free Composition Railway Brake Blocks 'K' and 'L' type for Coaching, Locomotive and Freight Wagon stock of Indian Railways. The Company has put up a Rail Dynamometer with all modern features, in consultation with the Indian Railways' Research Design & Standards Organisation (RDSO), Lucknow, and also formed a Special Cell to carryout extensive development work in this respect.
- 1.2 Asbestos-free semi-metallic and metallic type Disc Brake Pads for passenger car and utility vehicles.
- 1.3 Asbestos-free Industrial Woven Roll Lining.
- 1.4 High Performance Brake Linings for heavy applications.
- 1.5 Asbestos-free Random Wound Clutch Facings.

1.6 High Performance Asbestos-free Jointings and Gland Packings.

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

Wide range of Asbestos-free products enabling the Company to enter into additional business opportunities in Railways, OEM's and Export segments.

##### 3. Future Plan of Action :

- 3.1 Disc Brake Pads for Motor-cycle segment.
- 3.2 Asbestos-free friction material for 'off highway' vehicles.
- 3.3 Asbestos-free Textile-related products.

##### 4. Expenditure on R & D :

	(Rs. Lacs)
4.1 Capital	229
4.2 Recurring	29
4.3 Total	258
4.4 Total as a percentage of Turnover - 4.1%.	

#### C) TECHNICAL ABSORPTION, ADAPTATION AND INNOVATION

Joint development work with different manufacturers of Asbestos-free Fibres in Europe, Japan and Canada for the entire range of products, is continuing more vigorously.