



**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	

**MEMBER – MANAGEMENT TEAM**

Varunn Mody

**COMPANY SECRETARY**

Renuka Daga

**AUDITORS**

Lodha & Co.

**SOLICITORS**

Khaitan & Co.

**BANKERS**

Bank of Baroda  
Union Bank of India

**REGISTERED OFFICE**

B-11, Paragon Condominium,  
Pandurang Budhkar Marg, Worli,  
Mumbai - 400 013

**REGISTRARS**

Intime Spectrum Registry Limited,  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (W),  
Mumbai-400 078.

**WORKS**

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

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fortieth 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, 6<sup>th</sup> September, 2004 to transact the following business:

- 1) To consider, approve and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2004 and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2004 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, 2004.
- 3) To appoint a Director in place of Mr. T. Akiyama who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. V. B. Haribhakti 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 a **Special Resolution**:

**"RESOLVED THAT** in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with Stock Exchanges and provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, or any amendment

or modification thereof, and subject to such other approvals, permissions and sanctions as may be necessary, and such conditions and modification(s) as may be prescribed or imposed by any other Authority while granting such approvals, permissions or sanctions which may be agreed to by the Board of Directors of the Company or any Committee/person(s) authorised by the Board, consent is hereby accorded to the Board to delist the equity shares of the Company from The Calcutta Stock Exchange Association Ltd., Kolkata without giving an exit option to the shareholders of the region where the said Stock Exchange is situated.

**RESOLVED FURTHER THAT** authority be and is hereby accorded to the Board or any Committee/person(s) authorised by the Board to settle all the questions, difficulties or doubts that may arise in this regard and 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 **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."

**By Order of the Board**

Registered Office :

B-11, Paragon Condominium,

P. B. Marg, Worli, Mumbai - 400 013

Date : April 23, 2004

**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 which remained unpaid or unclaimed for a period of 7 years has been, and thereafter, dividend which remains 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 16<sup>th</sup> August to 6<sup>th</sup> September 2004 (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. T. Akiyama**, aged 57 years, is a Mechanical Engineer by profession, presently he is the President - M/s. Fuji Brakes Limited, Japan. He is associated with the Company for last 4 years as Independent Non-Executive Director.

**Mr. V. B. Haribhakti**, aged 74 years, is a leading Chartered Accountant and Senior Partner of the Chartered Accountants firm, Haribhakti & Co., with several years of in-depth proficiency in Corporate Affairs, Accounts & Finance. He has been an Independent Non-Executive Director of the Company since 1994. He is the Chairman of the Audit Committee.

Mr. V. B. Haribhakti is a Director and Chairman of Audit Committee of - Bajaj Electricals Ltd., Ester Industries Ltd., Simplex Mills Co. Ltd. and Tilaknagar Industries Ltd. and Director of - Rohit Pulp and Paper Mills Ltd., The Anglo French Drug Co. (Eastern) Ltd., Lakshmi Automatic Loom Works Ltd., Prudential ICICI Trust Ltd., and Mutual Mecaplast Ltd.

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

#### Item no. 6

Presently, the Company's securities are listed on The Stock Exchange, Mumbai (BSE), National Stock Exchange of India Ltd. (NSE) and The Calcutta Stock Exchange Association Ltd. (CSE).

With the wide and extensive networking of trading terminals of BSE and NSE, and compulsory trading of shares in dematerialised form, the investors have access to online dealing in the Company's equity shares across the Country.

The trading volumes of the Company's equity shares on CSE are abysmally low and hence, continued listing on the said exchange

is not considered necessary. Further, this would result in savings of annual listing fees as well reduction in administrative costs/efforts of the Company. Therefore, the Board of Directors has proposed to apply for voluntary delisting of the Company's equity shares from CSE.

The proposed voluntary delisting of the Company's equity shares from CSE will not adversely affect the investors including the members located in Kolkata region. Pursuant to the SEBI (Delisting of Securities) Guidelines 2003, it is now proposed to seek the Member's approval by way of Special Resolution for the voluntary delisting of the Company's equity shares from CSE. In terms of the aforesaid guidelines the Company's equity shares will continue to remain listed on BSE and NSE, no Exit option is required to be offered to the shareholders as they will continue to have benefit of trading on BSE and NSE with ease because of all India connectivity of these exchanges.

The proposed delisting is in the interest of the Company and the Board recommends the resolution for acceptance by the Members. None of the Directors are concerned or interested in this Resolution.

#### Item no. 7

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 Whole-Time Directors are interested in this resolution.

**By order of the Board of Directors**

Regd. Office :

B-11, Paragon Condominium,

P. B. Marg, Worli,

Mumbai – 400 013

Date : April 23, 2004

**RENUKA DAGA**

**Company Secretary**

## DIRECTORS' REPORT

Your Directors present their Fortieth Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2004.

### 1. FINANCIAL RESULTS

	In Rs. Lacs	
	Year ended 31 <sup>st</sup> March, 2004	31 <sup>st</sup> March, 2003
<b>Net Sales</b>	<b>5559</b>	<b>6245</b>
Operating Profit before interest & depreciation	758	627
Interest	(196)	(246)
Gross Profit	562	581
Depreciation	(235)	(214)
Profit before extraordinary item and tax	327	367
Employees separation cost	(108)	(155)
<b>Profit before tax</b>	<b>219</b>	<b>212</b>
Provision for taxation		
- Current	(45)	(17)
- Deferred	(34)	(74)
- Prior period adjustment	5	(3)
<b>Profit after taxation</b>	<b>155</b>	<b>118</b>
Profit available for appropriation after adjustments	196	329
<b>Appropriations</b>		
Proposed Dividend	55	55
Corporate Dividend Tax	7	7
Transfer to General Reserve	100	225
Surplus carried to Balance Sheet	34	42
	<u>196</u>	<u>329</u>

### 2. DIVIDEND

The Directors are happy to recommend a dividend of Rs.55 Lacs, being 10% of the paid up equity capital of the Company, out of the profits for the year (previous year : 10%).

### 3. PERFORMANCE

During the first half of the financial year 2003-04, the Company accelerated both in terms of turnover and profitability. However, performance of the second half was affected due to adverse industrial relations arisen at the Ghatkopar plant. Despite a lower turnover for the year, the profit before tax was higher

at Rs.219 Lacs, as against Rs.212 Lacs in the previous year, and profit after tax was much higher at Rs.155 Lacs as against Rs.118 Lacs.

The Company's Paithan plant continued to perform well with 100% capacity utilisation. The Company has made substantial investments in capacity augmentation for Railway Brake Blocks and Heavy Commercial Vehicle Brake Linings to meet the increased demand, both in rail and auto segments.

Performance of Bhandara Plant also has improved with higher capacity utilisation. During the year, several new productlines, mostly in Asbestos-free range, have been added, which was possible with the induction of fresh investments and technology.

The Ghatkopar Plant continued to be unviable with poor productivity of the workmen and high operational costs. The Management tried to prevail upon the workmen, from time to time, to improve the productivity levels, but it did not yield any positive response and on the contrary, the workmen started resorting to unfair labour practices. As a result, the Management was left with no option but to declare a lock-out at the Ghatkopar Plant in September 2003. After a series of negotiations with the workmen, Management has now reached an amicable settlement whereby lock-out would be lifted from April 26, 2004 and normal operations would be resumed with reduced manpower and better operational efficiency.

#### TECHNOLOGY CENTRE

Efforts of the Company, over the years, have finally crystallised with the formal inauguration of the Company's Technology Centre at Paithan, during the year. This Centre is now equipped with all the latest R&D and testing facilities under one roof, in line with the global trend of technology developments. A Training Centre is also attached to the Technology Centre, dedicated to imparting upgraded technical training to the employees. These facilities will augment development of newer quality products to the changing technological requirements of both the domestic and export customers.

#### JALNA - NEW FACILITY

The management has taken a decision to put up a new facility for Sealing and Textile products at Jalna, where a factory building and basic infrastructure were already available. Steps have already been taken to obtain various Approvals / Licenses / Registrations, etc., in this respect. The Plant is expected to be in operation soon.

#### PARTICIPATION IN EXHIBITION

The Company participated in the AUTO EXPO 2004, which is rated the largest Exhibition of its kind in Asia. The exhibition



was held at Pragati Maidan, New Delhi, from 15 - 20 January, 2004. The Company's Stall attracted a large number of visitors and have elicited lot of trade enquiries, from both domestic and overseas parties.

#### BUSINESS OUTLOOK

The auto component market is buoyant and the Company is hopeful of achieving much better results in the coming years with continuous investment in modern equipments, process technology and focus on R&D.

#### **4. 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.246 Lacs in the previous year to Rs.196 Lacs this year.

#### **5. 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.

#### **6. PERSONNEL**

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

#### **7. 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.

#### **8. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange earning from exports and others amounted to Rs.526 Lacs, whilst the outgo for raw materials, components, spares and others amounted to Rs.732 Lacs.

#### **9. DIRECTORS**

The Board records its appreciation for the valuable services rendered by Col. S. P. Wahi, who resigned as Director of the Company owing to ill-health, during the year. Col. S. P. Wahi was associated with the Company as Director for the first time in 1994. During his tenure as Director, the Company immensely benefited from his varied experience.

Mr. T Akiyama, and Mr. V. B. Haribhakti Directors retire by rotation and being eligible offer themselves for re-appointment.

#### **10. AUDITORS**

The shareholders will be requested to re-appoint retiring Auditors, Lodha & Co, at the Annual general meeting.

#### **11. CORPORATE GOVERNANCE**

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

#### **12. DIRECTORS' RESPONSIBILITY STATEMENT**

On the basis of 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 or loss 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.

#### **13. CHANGE OF REGISTERED OFFICE**

The Registered Office of the Company has been shifted from 79, 'CRYSTAL', Dr. A. B. Road, Worli, Mumbai- 400 018 to Company's own premises at B-11, Paragon Condominium, Pandurang Budhkar Marg, Worli, Mumbai - 400 013 with effect from April 23, 2004.

#### **14. ACKNOWLEDGEMENT**

The Directors gratefully acknowledges the support and co-operation given by all dealers, distributors, employees, shareholders and bankers and look forward to their continued support.

By order of the Board of Directors

Mumbai,  
Date : April 23, 2004

**RAGHU MODY**  
Chairman

## ANNEXURE TO THE DIRECTORS' REPORT

### (A) CONSERVATION OF ENERGY:

1. Improvement in power factor at all the Plants through distribution of capacitors, particularly for high kW motors and transformers. Energy Audit was conducted by a third party in one plant and the recommendations were implemented.
2. Change in the layout of Plant and Machinery to yield the replacement of high HP motors of dust collection systems.

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

#### 1. Specific area where R&D being carried out by the Company.

- 1.1 Asbestos-Free moulded and random woven clutch facings for utility and HCV segments.
- 1.2 Asbestos-Free semi-metallic type Disc Brake Pads for Export and two-wheeler application.
- 1.3. Asbestos-Free Composition Railway Brake Blocks 'L' type for Freight Wagon and Passenger Coaches.
- 1.4. Asbestos-Free Sealing material for Gaskets and Gland Packings.

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

Wide range of Asbestos-Free products for new opportunities, in OEMs, Railways and Export segments.

### 3. Future Plan of Action:

- 3.1 Asbestos-Free Drum Brake Linings for Utility Vehicles.
- 3.2 Asbestos-Free High Performance Drum Brake Linings for Commercial Vehicles.
- 3.3 Asbestos-Free Disc Brake Pads for Export references.

### 4. Expenditure on R&D:

	Rs. Lacs
4.1 Capital	69.77
4.2 Recurring	<u>27.11</u>
4.3 Total	<u>96.88</u>

4.4. Total as a Percentage of Turnover = 1.74%

### (C) Technical Absorption, Adaptation and Innovation:

Joint development work with different manufacturers of Resin and Man made Mineral Fibres, Organic and High Performance Fibres in Europe, Japan and North America for entire range of products, is continuing more vigorously.





## CORPORATE GOVERNANCE REPORT

### 1. A brief statement on Company's philosophy on code of governance

The Company believes in transparency, professionalism and accountability, which are basic principles of corporate governance and would constantly endeavour to improve on these aspects.

### 2. Board of Directors

• *Composition:*

The Board of Directors consists of nine Directors. The composition of the Board, attendance at Board Meetings held during the year and at the last Annual General Meeting, number of directorships in other companies and committees are given below:

Name of Director	Category	Attendance particulars		No. of other Directorship / Committee Positions		
		Board Meetings	Last AGM	No. of	Committee Positions	
				Directorships	Member	Chairman
Mr. Raghu Mody	Non-Executive, Chairman, Promoter	4	Yes	10	2	3
Mr. V. B. Haribhakti	Non-Executive, Independent	4	Yes	9	2	5
Mr. D.Lawson Lyon	Non-Executive, Promoter	1	Yes	-	-	-
Mr. Keith M Robinson	Non-Executive, Independent	-	No	-	-	-
Mr. T. Akiyama	Non-Executive, Independent	-	No	-	-	-
Mr. A. B. Vaidya	Non-Executive, Nominee	5	Yes	-	-	-
Mr. P. K. Choudhary	Executive Director	5	Yes	1	-	-
Mr. V. D. Ingle	Executive Director	5	Yes	-	-	-
Mr. Vinay Sarin	Executive Director	3	Yes	-	-	-
Col. S. P. Wahi *	Non-Executive Independent	1	No	-	-	-

\* Col. S. P. Wahi resigned w.e.f July 29, 2003, owing to ill health.

• *Number and dates of Board Meetings held:*

There were five Board Meetings held during the year as against minimum requirement of four meetings. The dates on which the meetings were held are as follows:

May 5, 2003; July 29, 2003; August 18, 2003; October 29, 2003 and January 27, 2004.

### 3. Audit Committee

• *Composition:*

The Audit Committee of Directors is constituted by the Board of Directors consists of three non-executive directors - Mr. V. B. Haribhakti, the Chairman, is a leading Chartered Accountant, Mr. Raghu Mody, Member, is a prominent industrialist and Mr. A. B. Vaidya, Member, is a Nominee of the financial institutions.

• *Brief description of terms of reference:*

The terms of reference of this committee are wide enough covering the matters specified for Audit Committees under Clause 49 of the Listing Agreement as well as under Section 292A of the Companies Act, 1956.

• *Meetings and attendance during the year:*

There were three meetings of the Audit Committee during the year on May 5, 2003, October 29, 2003 and January 27, 2004 and all the members were present for all the meetings.

### 4. Remuneration Committee

Remuneration Committee being non-mandatory requirement, has not been formed by the Company. However, the Board of Directors, reviews the remuneration and performance of the Executive Directors from time to time.

• *Remuneration policy:*

The remuneration policy is directed towards rewarding performance based on review of achievements on a periodical basis.

• *Details of remuneration/fee to the Directors are as under:*

Directors	Salary & Perquisites	Sitting fees
Raghu Mody	-	29,500
Keith M. Robinson	-	-
D.Lawson Lyon	-	2,500
V.B. Haribhakti	-	25,500
A.B. Vaidya	-	32,000
Col. S.P. Wahi	-	2,500
T. Akiyama	-	-
P. K. Choudhary	8,09,852	-
Vinay Sarin	5,25,160	-
V. D. Ingle	5,25,160	-

### 5. Shareholders' Committee

The Shareholders' Committee comprises of Mr. Raghu Mody, Chairman and Mr. A.B. Vaidya. Mrs. Renuka Daga, Company Secretary, is the Secretary to the Committee and the Compliance Officer.