



HINDUSTAN WIRES LIMITED

ANNUAL REPORT

For the year ended 31st March, 2002

HINDUSTAN WIRES LIMITED

BOARD OF DIRECTORS

Shri M.L. Bhartia - Chairman

Shri U.S. Bhartia

Dr. S.S. Sidhu

Shri M.L. Saraf

Shri Bodhishwar Rai (SBI Nominee)

BANKERS

State Bank of India

AUDITORS

Messrs. K.N. Gutgutia & Co.

REGISTERED OFFICE

3A, Shakespeare Sarani

Kolkata – 700 071

FACTORIES

Barrackpore Trunk Road, Sukchar

24 Parganas (N), West Bengal

267-268, Sector – 24, Faridabad
(Haryana)

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NOTICE

NOTICE is hereby given that the Forty Second Annual General Meeting of the Members of the Company will be held at the Auditorium of Bharatiya Bhasha Parishad at 36A, Shakespeare Sarani, Kolkata 700 071 on Wednesday the 25th September, 2002 at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2002 and Balance Sheet as on 31st March, 2002 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri U S Bhartia, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri S. S. Sidhu, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration.

By Order of the Board of Directors

New Delhi
26th June 2002

U. S. Bhartia
Director

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/herself and proxy need not be a member of the company. Proxies should be received by the company not less than 48 hours before the meeting.
2. The Register of Members and the Transfer Books of the Company will be closed from 24th September, 2002 to 25th September, 2002, both days inclusive.
3. "Pursuant to Section 205A(5) of the Companies Act, 1956 (as amended) any money transferred to the unpaid dividend account of a Company remaining unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred to Investor Education and Protection Fund set up by the Government of India and thereafter no claims shall lie against the Fund or the Company. Members who have not yet encashed their dividend warrant(s) for the financial year 1994-95 and 1995-96 are requested to claim the amount forthwith from the Company".

The due dates of transfer of the following dividends to the Fund are as follows :

| <u>Dividend for the Year</u> | <u>Date of declaration of dividend</u> | <u>Due date of transfer to the Fund</u> |
|----------------------------------|--|---|
| 1994-95 | 26.09.1995 | 13.11.2002 |
| 1995-96 | 25.09.1996 | 12.11.2003 |

HINDUSTAN WIRES LIMITED**DIRECTORS' REPORT****TO THE SHAREHOLDERS**

Your Directors present their Annual Report together with Audited Accounts of the Company for the year ended on 31st March, 2002

FINANCIAL RESULTS

The Results are summarised below:

| | Year ended On 31.03.2002 | (Rs. in Lacs) Year ended On 31.03.2001 |
|--|--------------------------------|---|
| Sales & Other Income (Including Provision of Liabilities no longer required written back) | 1,729.56 | 4,810.63 |
| Expenses | 2,204.28 | 4,568.74 |
| Gross Profit/(Loss) | (474.72) | 241.89 |
| Gratuity & Retirement Benefits to outgoing employees | 148.26 | 117.63 |
| Profit/(Loss) before Interest, Depreciation & Tax | (622.98) | 124.26 |
| Interest | 656.27 | 367.89 |
| Profit/(Loss) before Depreciation & Tax | (1,279.25) | (243.63) |
| Depreciation | 126.92 | 174.11 |
| Net Profit/(Loss) | (1,406.17) | (417.74) |
| Less : Transfer from Debenture Redemption Reserve | 252.00 | - |
| Net Loss Carried to Balance Sheet | (1,154.17) | (417.74) |

OPERATIONS & GENERAL REVIEW

The turnover for the year ended on 31st March, 2002 is Rs 13.67Crores as against turnover of Rs 48 Crores for the previous year. The decline in turnover is on account of (a) Orders for lesser quantity from public sector Oil Companies due to delay in finalisation of Tenders. (b) Sale prices of Cylinders came down by 30% and margins were substantially eroded. (c) Lay off and strike by workmen at its Faridabad unit from 1st September, 2001 to 10th December, 2001 (d) Stoppage of manufacturing activities in Wire Unit at Faridabad due to adverse market conditions, from 1st September, 2001.

The main area of business during the year was in LPG Equipment division at Faridabad. The Company is making constant efforts to develop new related products without incurring any substantial capital expenditure. As reported earlier the company has also developed Pressure Regulators and Adaptors for use in LPG Cylinder for commercial applications particularly for Automobile industry. This product has been well accepted in the market, but the off take has not picked up since use of LPG in automobiles is in its early stage. The company is also in advanced stage of developing LPG Auto Tank (Fixed Cylinder) for use of LPG in Automobiles. The company expect good demand for these products as the use of LPG in Automobiles has been recently permitted by the Government.

The company's Sodepur unit continued to remain under suspension of work since 12.12.1998. The company has already settled the full and final accounts of all the workers of this unit except a few workers. The company in consultation with the trade unions and workers is also trying to settle the accounts of the remaining workers so that the assets of this unit can be disposed off for liquidating the debts of secured creditors. The Hon'ble AAIFR has already given directions for sale of assets of this unit.

In order to be competitive in the market and to reduce losses, the company is making its sincere efforts to reduce the costs at all levels including rationalisation of manpower. For rationalisation of manpower, the Company has incurred Rs. 148.26 lacs during the year towards payment of gratuity and other benefits to the outgoing employees.



REFERENCE TO B.I.F.R.

The Company made reference to the Board for Industrial and Financial Reconstruction (BIFR) as per the provisions of Section 15 of the Sick Industrial Companies (Special Provision) Act (SICA), 1985 and the reference was admitted by BIFR on 14th September, 1999. The Industrial Investment Bank of India (IIBI) was appointed as the operating agency under Section 17 (3) of SICA for formulating rehabilitation scheme. The Company has arrived at a one time settlement with Debenture holders in respect of their dues. The company has also offered to State Bank of India (SBI) for one time settlement of their entire dues which is under their consideration. During the year the Hon'ble AAIFR directed for the sale of assets of Kolkata unit which is lying closed for the last more than three years and has constituted a Asset Sale Committee (ASC) consisting of SBI as convenor and Industrial Investment Bank Of India (IIBI) and the company as members of ASC. The work on sale of assets is in progress as per the directions of the Hon'ble AAIFR. The company has also submitted a Draft Rehabilitation Scheme (DRS) to the Hon'ble AAIFR and the same has been circulated to all the concerned parties. The company expects that SBI will approve our OTS offer shortly and thereafter a fully tied up Rehabilitation Scheme can be finalised under aegis of the Hon'ble AAIFR.

DIVIDEND

In view of losses, your Directors are not in a position to recommend any dividend for the year ended 31st March, 2002.

PUBLIC DEPOSITS

At the end of the year, there is no outstanding Public Fixed Deposit except unclaimed deposits amounting to Rs. 3.83 Lacs.

DIRECTORS

Shri U.S. Bhartia and Shri S. S. Sidhu Directors of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment..

During the year Shri K. Varugis and Shri N R Chakravarty Directors of the company resigned from the Board of Directors of the company and your Directors wish to place on record their deep sense of appreciation of the valuable contributions made by them during their association with the company.

DIRECTORS' RESPONSIBILITY STATEMENT :

That in the preparation of annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.

That the Directors have selected such accounting policies and applied them 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 that year.

That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

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That the Directors have prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE

For better Corporate Governance, the setting up of an Audit Committee of the Board has been made mandatory by introduction of a new Section 292 (A) in the Companies Act, 1956. In compliance with the said provision and in terms of the SEBI requirement, your Directors have constituted an Audit Committee comprising of Directors viz. Shri U.S. Bhartia, Shri B.Rai and Dr. S.S. Sidhu.

PARTICULARS OF EMPLOYEES

None of the Company's employee has drawn salary more than Rs. 24 Lacs per annum, if employed through out the year and more than Rs. 2 Lacs per month if employed for part of the year. Hence Information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees)(Amendment) Rules, 2000 is not applicable to your Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

AUDITORS' REPORT

The Notes referred to in the Auditors' Report are self-explanatory and it is clarified in Notes to Accounts.

AUDITORS

The term of Office of Messrs. K.N. Gutgutia & Co., Chartered Accountants as Auditors of the Company expires at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the assistance and co-operation received from State Bank of India, Debenture holders, Share holders, Suppliers and Customers and look forward to their continued support.

Your Directors also wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers in the current difficult phase of the Company.

For and on behalf of the Board of Directors

New Delhi
the 26th June, 2002

U.S. Bhartia
Director



ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended on 31st March, 2002.

ENERGY CONSERVATION

- (a) The following energy conservation measures were taken:
- (i) Shutting down all electrical machineries and appliances when not in use to avoid unnecessary waste of energy.
 - (ii) The Company's Engineers are continuously trying to find out ways and means to conserve energy by combination of operations, elimination of unnecessary process and various wasteful practices.
 - (iii) Providing automatic shut off twilight switch for lighting in and around factory premises and use of more transparent sheets for daytime lighting.
 - (iv) Providing automatic load and unload device on compressors.
 - (v) Providing soft starters at electrical control panels which give a saving in power consumption.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
No additional major investment is proposed in view of losses and shortage of funds.
- (c) Impact of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
It has resulted in awareness at all levels to use the energy with best possible manner and reduce the wastage during the period when the load is not required.
- (d) Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the schedule thereto:
This is not applicable in case of your Company.

TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B are given below:

- (i) Research and Development -
No specific research and development work has so far been taken up. However, there have been on going efforts to improve productivity and carry out cost effective operations with better value added products.
- (ii) Technology absorption, Adaptation and Innovation.
Particulars of technologies imported during the last 5 years: NIL

FOREIGN EXCHANGE EARNINGS & OUTGO

During the year, the Company's export earnings are NIL. The total foreign exchange earned/utilised are given in Schedule-I to the Accounts

For and on behalf of the Board of Directors

New Delhi
the 26th June, 2002

U.S. Bhartia
Director

HINDUSTAN WIRES LIMITED**AUDITORS' REPORT****TO THE SHAREHOLDERS**

We have audited the attached Balance Sheet of HINDUSTAN WIRES LIMITED as at 31st March, 2002 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that : These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further to above, we report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. 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 the books.
3. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion the Balance Sheet and Profit & Loss Account complies with the mandatory Accounting Standards (AS) referred in section 211(3c) of the Companies Act, 1956.
5. On the basis of written representation received from the Directors of the Company as on 31st March, 2002, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2002 from being appointed as Director under section 274(1)(g) of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with accounting policies and notes thereon and together with Schedules annexed thereto and **subject to**
 - i) **Non-provision towards adjustments made by Oil Companies for reduction in price of cylinders, amounting to Rs. 99,73,599/- in view of the reason explained in Note No 4 of Schedule-I.**
 - ii) **Non provision of interest on certain unsecured Loans in view of the reasons given in Note No. 6 Schedule-I.**
 - iii) **The accounts of the Company have been prepared on the basis that the Company as a going concern which is dependent on acceptance and implementation of the proposed Rehabilitation scheme submitted before BIFR/AAIFR.**

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iv) And resulting in understatement of loss of the year by Rs. 99,73,599/- and overstatement of Debtors by the similar amount, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002 and
- b) In the case of Profit & Loss Account, of the Loss for the year ended on that date.

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 and on the basis of such checks as we considered appropriate, we further state that:

- i. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Fixed Assets except of *its Sodepur Unit (which could not be verified due to suspension of work w.e.f. 12.12.98)* have been physically verified by the management during the year and discrepancies noticed on such verification have been properly dealt with in the accounts.
- ii. None of the fixed assets have been revalued during the year.
- iii. The stock of finished goods, stores and spare parts and raw materials lying in Factories and Branches have been physically verified during the year by the management except materials in transit and lying with third parties for which confirmation are awaited and *its Sodepur Unit which is under suspension of Work w.e.f. 12.12.1998*. In our opinion, the frequency of verification is reasonable.
- iv. The procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- v. The discrepancies noticed between the physical stocks and the book records which were not material, have been properly dealt with in the books of account except of *its Sodepur Unit where Book Balance were taken and discrepancies, if any, will be adjusted in the year of ascertainment*.
- vi. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year *except that in case of stock of Raw Materials lying at sodepur unit, has been valued at or below cost as against cost in the previous year, to resulting with loss of the year higher by Rs. 27,26,358/- . This has been done to arrive at estimated realisable value to reflect on more reliable estimation of value of such stocks.*
- vii. In our opinion, the rate of interest wherever applicable and other terms and conditions on which unsecured loans have been taken from companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956 are not, prima facie prejudicial to the interest of the Company.
- viii. The Company has not granted unsecured Loans to the Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- ix. The Company has given loans, free of interest or advances in the nature of loans only to its employees who are generally repaying the amount as stipulated.

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- x. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials including components plant & machinery, equipment and other assets and with regard to the sale of goods.
- xi. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and services made in pursuance of contracts or arrangement entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
- xii. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged raw materials, stores and spares and finished goods. On the basis of this procedure the Company has determined such items during the year and accordingly provision for estimated loss in respect of such items have been made in the accounts.
- xiii. In our opinion and according to the information and explanations, given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the Public.
- xiv. In our opinion, reasonable records have been maintained by the Company for the disposal of realisable scrap. We are informed that the Company has no by- products.
- xv. In our opinion, the Company has an Internal Audit System commensurate with the size and nature of its business.
- xvi. The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for any of the products of the Company.
- xvii. According to the records of the Company, it has generally been regular in depositing Provident Fund and Employees' State Insurance dues with appropriate authorities except for delay on few occasions.
- xviii. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, customs duty and excise duty were outstanding as at 31st March, 2002 for a period of more than six months from the date they became payable. ***However, undisputed sales tax amounting to Rs. 41,15,843/- is due for more than six months from the date they became due as a consequence of suspension of activities at its Sodepur Works and we have been informed by the management that steps are being taken to regularise the same.***
- xix. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- xx. In our opinion, the Company is a Sick Industrial Company within the meaning of clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provision) Act (SICA), 1985 and necessary reference as required under the said Act, had been made to The Board for Industrial and Financial Reconstruction.

New Delhi
the 26th June, 2002

For K.N. Gutgutia & Co.
B.R. Goyal
Partner
Chartered Accountants