



HINDUSTAN WIRES LIMITED ANNUAL REPORT

For the year ended 31st March, 2003



BOARD OF DIRECTORS

Shri U.S. Bhartia
Dr. S.S. Sidhu
Shri G.R. Goenka
Shri Bodhishwar Rai (SBI Nominee)
Shri K.M. Lal (BIFR Nominee)
Shri R.K. Gupta (Executive Director)

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 Paraganas (N), West Bengal

267-268, Sector – 24, Faridabad
(Haryana) – 121 005

CONTENTS

PAGES

Notice	1 - 3
Directors' Report	4 - 7
Annexure to the Directors' Report	- 8
Corporate Governance	9 - 12
Auditors' Report	13 - 15
Balance Sheet	16 - 17
Profit and Loss Account	18 - 21
Schedules to Accounts	22 - 35
Cash Flow Statement	- 36
Proxy/Attendance Slip	- 37

HINDUSTAN WIRES LIMITED

NOTICE

NOTICE is hereby given that the Forty Third Annual General Meeting of the Members of the Company will be held at the Auditorium of Bharatiya Bhasha Parishad at 36A, Shakespeare Sarani, Kolkata 700017 on Wednesday the 24th September, 2003 at 11:00 AM, to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2003 and Balance Sheet as on 31st March, 2003 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 Dr. 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.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification(s) the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Shri G.R. Goenka, who was appointed an Additional Director of the Company pursuant to Section 260 of Companies Act, 1956 and Article 110 of the Articles of Association of the Company, and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice Under Section 257 of the Companies Act, 1956 from a member, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company"

6. To consider and if thought fit, to pass, with or without modification(s) the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Shri R.K. Gupta, who was appointed an Additional Director of the Company pursuant to Section 260 of Companies Act, 1956 and Article 110 of the Articles of Association of the Company, and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice Under Section 257 of the Companies Act, 1956 from a member, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company not liable to retire by rotation"

7. To consider and if thought fit, to pass, with or without modification(s) the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Sections 269, 309, 310 & 311 and Schedule XIII of the Companies Act, 1956 and subject to the approval of Central Government, the Company hereby approves the appointment of Shri R.K. Gupta as whole time Director, designated as Executive Director of the Company w.e.f. 1st November, 2002 for the period of five years on the terms and conditions as per agreement, a copy whereof is submitted to this meeting.

Regd. Office:
3A Shakespeare Sarani,
Kolkata.
the 28th June, 2003

By Order of the Board of Directors

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. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto.
3. The Register of members and the transfer books of the Company will remain closed from 23rd September, 2003 to 24th September, 2003 (both days inclusive).
4. Pursuant to Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st march, 1996 and thereafter which remain unclaimed for a period of seven years will be transferred by the Company to the Investor Education and Protection Fund (IEP Fund) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below

Financial Year ended	Date of Declaration of Dividend	Due date for transfer to IEP Fund
31.03.1996	25.09.1996	12.11.2003

Members who have till date not encashed their dividend warrants for the financial year 1995-96 are advised to claim the dividend from the Share Department at the Registered Office of the Company at the earliest.

ANNEXURE TO THE NOTICE

Directors being proposed for re-appointment

Mr. U.S. Bharti is one of the promoters and has been a Director of the Company for several years. He has diverse and extensive experience in different industries and is also on the Board of several Public Limited Companies.

Dr. S.S. Sidhu is one of the Directors of the Company for the last several years. He is a retired IAS Officer and held various senior positions in different Government Departments.

Explanatory Statement Under Section 173(2) of the Companies Act, 1956

Item No. 5

Pursuant to Article 110 of the Articles of Association of the Company, the Board of Directors appointed Shri G.R. Goenka as an Additional Director of the Company w.e.f. 31st October, 2002. Pursuant to Section 260 of the Companies Act, 1956, Shri G.R. Goenka, will hold office as Additional Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a Member alongwith a deposit of Rs. 500/- proposing the candidature of Shri G.R. Goenka for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Shri G.R. Goenka is associated with the Company since its incorporation and has held position of Chief Executive of the Company for many years. He is also a director in several other Companies. It will be in the interest of the Company that Shri G.R. Goenka is appointed as a Director of the Company

Your Directors, therefore, recommend the Resolution for your approval.

Save and except Shri G.R. Goenka, none of the Directors of the Company, in any way, concerned or interested in this resolution.

HINDUSTAN WIRES LIMITED**Item No. 6 & 7**

Pursuant to Article 110 of the Articles of Association of the Company, the Board of Directors appointed Shri R.K. Gupta as an Additional Director of the Company w.e.f. 1st November, 2002. Pursuant to Section 260 of the Companies Act, 1956, Shri R.K. Gupta, will hold office as Additional Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a Member alongwith a deposit of Rs. 500/- proposing the candidature of Shri R.K. Gupta for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Shri R.K. Gupta is a Chartered Accountant having more than 23 years of experience in Financial, Commercial and Operational areas of the industry. He is having more than 20 years long association with the Company and was working as General Manager (Commercial) before being taken on the Board of Directors as whole time Director, designated as Executive Director. The Remuneration Committee of the Board in its meeting dated 31.01.2003 has approved the following remuneration and terms of his appointment.

- | | | |
|----|---|---|
| A) | Basic Salary | Rs. 35,500/- per month with suitable increases as may be determined by the Board from time to time. |
| B) | Perquisites | Following perquisites shall be allowed in addition to salary with suitable increases as may be determined by the Board from time to time. |
| | House Rent Allowance | 50% of Basic Salary. |
| | Medical reimbursement | Expenses incurred for self and family subject to a ceiling of 10 % of basic salary per year. |
| | Leave Travel Assistance | For self and family to and from any place in India once in a year, subject to 12.5% of the basic salary. |
| | Personal Accident Insurance | Shall be covered under the Group Personal Accident Insurance Policy arranged by the Company for its employees. |
| | Leave | Leave with full salary and allowances or encashment thereof of basic salary as per Rules of the Company. |
| | Car | Free use of Company's car with Driver for Company's business subject however to deduction of charges for personal use, if any. |
| | Telephone | Free telephone facility at residence subject to deduction of personal long distance calls. |
| | Provident Fund | Company's contribution towards Employees Provident Fund at such rate as may be prescribed under the EPF and Misc. Provisions Act, 1952 from time to time. |
| | Gratuity | Payment of gratuity shall be allowed at the rate of 15 days last drawn basic Salary calculated as per explanation in Section - 4 of the payment of Gratuity Act, 1972 notwithstanding any ceiling imposed in the said section and shall be in continuity of his earlier service with the Company. |
| C) | The Executive Director shall also be entitled to reimbursement of entertainment expenses actually incurred in the course of legitimate business of the Company. | |
| D) | The terms and conditions of appointment and remuneration given herein may be altered and/or varied from time to time by the Board as it may, at its discretion deem fit, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments made thereto from time to time. | |
| E) | The Executive Director will not be entitled to receive any sitting fees for attending meeting of the Board of Directors of the Company or any committee thereof. | |

The above stated remuneration shall be paid to Shri R.K. Gupta, Executive Director, as minimum remuneration notwithstanding no profits or inadequate profits in any financial year.

Your Directors, therefore, recommend the Resolution for your approval.

Save and except Shri R. K. Gupta, none of the Directors of the Company, in any way, concerned or interested in this resolution.

Regd. Office:
3A, Shakespeare Sarani,
Kolkata.
the 28th June, 2003

By order of the Board of Directors

U.S. Bhartia
Director



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, 2003

FINANCIAL RESULTS

The Results are summarised below:

	(Rs. in Lacs)	
	Year ended On <u>31.03.2003</u>	Year ended On <u>31.03.2002</u>
Gross Sales (including excise duty)	1,522.07	1,367.48
Other income	198.75	19.87
Liabilities no longer required written back	1,496.88	342.21
Expenses	2,148.13	2,352.54
Profit/(Loss) before Interest, Depreciation & Tax	1,069.57	(622.98)
Interest	10.75	656.27
Profit/(Loss) before Depreciation & Tax	1,058.82	(1,279.25)
Depreciation	42.28	126.92
Net Profit/(Loss)	1,016.54	(1,406.17)
Add : Transfer from Debenture Redemption Reserve	24.50	252.00
Net Profit/(Loss) Carried to Balance Sheet	1,041.04	(1,154.17)

OPERATIONS & GENERAL REVIEW

Turnover for the year ended on 31st March, 2003 is Rs. 15.22 Crores as against the turnover of Rs. 13.67 Crores for the previous year. The main area of business during the year was in LPG Equipment Division at Faridabad. During the year the Company could not get sufficient orders from Public Sector Oil Companies due to fierce competition in the tenders floated by Oil Companies for LPG Cylinders, Valves and Regulators. In addition to the lesser quantity of orders received, the selling prices have also been reduced substantially due to severe competition in tenders. However, in order to remain competitive in supplies to Public Sector Oil Companies, the Company is making all out efforts to reduce the costs at various levels, including rationalisation of manpower. During the year the Company has incurred Rs. 176.79 lacs towards payment and provision of gratuity and other benefits to the out going employees.

The Faridabad Unit of the Company is under lockout since 7th February, 2003 due to illegal activities of the workmen including work stoppage.

The Company has declared a permanent closure of its Sodepur Unit (West Bengal) w.e.f. 1st August, 2002 and during the year the Company has also settled the full & final accounts of the remaining workmen of this unit.

HINDUSTAN WIRES LIMITED**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. During the year the Company has arrived at One Time Settlement (OTS) of the dues of State Bank Of India. The Company submitted a Draft Rehabilitation Scheme (DRS) to the Hon'ble Appellate Authority for Industrial and Financial Reconstruction (AAIFR) and the same was sanctioned by the said authority on 8th November, 2002 which is under implementation.

The Hon'ble AAIFR has also directed for the sale of assets of Company's Sodepur Unit and the assets of Wire Division of Faridabad Unit as a part of rehabilitation scheme. The process of sale of assets is in progress.

DIVIDEND

In view of losses, your Directors are not in a position to recommend any dividend for the year ended 31st March, 2003.

RESERVES

During the year the Company has transferred a sum of Rs. 24.50 lacs to profit and loss appropriation account from debenture redemption reserve account for the excess provision compared to the minimum requirement for keeping the reserves in respect of outstanding debentures.

The revaluation reserves amounting to Rs. 3.89 crores has been adjusted to the cost of fixed assets since assets of wire units of the Company are on sale as per the directions of AAIFR.

PUBLIC DEPOSITS

At the end of the year, there is no outstanding Public Fixed Deposit except unclaimed deposits amounting to Rs. 1.38 Lacs.

DIRECTORS

During the year Shri R.K. Gupta who was working with the Company as General Manager (Commercial) for the last 20 years was appointed as Whole Time Director of the Company, designated as Executive Director w.e.f. 1st November, 2002 for a period of 5 years. His appointment is subject to approval of Shareholders as well as of the Central Government. The Company has already made necessary application for getting the approval of Central Government and their approval is awaited.

During the year Shri G.R. Goenka who was associated with the Company since its incorporation and held position of Chief Executive of the Company for many years was appointed as Additional Director to hold office till conclusion of the forthcoming Annual General Meeting.

During the year 'The Board for Industrial and Financial Reconstruction' (BIFR) has appointed Shri K.M. Lal as Special Director on the Board of the Company.

Shri U.S. Bhartia and Dr. 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 M.L. Bhartia and Shri M.L. Saraf, 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 along with 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.

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

MANAGEMENT DISCUSSIONS AND ANALYSIS

Financial Performance

During the year the Company did not have sufficient orders for its products i.e. LPG Cylinders, Valves and Regulators as compared to the installed capacity and other infrastructure facilities available with the Company due to competition in the tenders of Oil Companies. The present policy of Oil Companies to procure these items through tenders has put pressure on selling prices resulting in lower margins.

Business/ Industry Outlook

The main customers of the Company's products i.e. LPG Cylinder, Valves & Regulators are Public Sector Oil Companies and parallel marketers of LPG. Recently the oil companies have started procuring these items through open tenders. Hence there cannot be an assured business for these items. In case of parallel marketers the demand is very poor. Your Company is making all efforts to cut down the costs at all levels to make it competitive in the tenders of oil companies for procurement of these items. The Company is also exploring the Export Market for these products. The Company has closed both its wire units since these units were no more viable.

Internal Control System

The internal audit of the Company is periodically conducted by a firm of Chartered Accountants and the Audit Committee reviews the reports and internal control systems.

Human Resource

The Company considers the quality of its human resources to be its most important asset. It places emphasis on training and development of employees at all levels. The number of employees as on 31st March, 2003 were 330.

HINDUSTAN WIRES LIMITED**CORPORATE GOVERNANCE**

A separate report on Corporate Governance is annexed. Auditors' certificate on compliance of conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is also annexed.

REMUNERATION COMMITTEE

During the year the Company has constituted a committee of the Board consisting of Shri U.S. Bhartia, Dr.S.S. Sidhu, Shri B. Rai and Shri G.R. Goenka as members of the Committee for deciding the terms and conditions of the appointment of Whole Time Director.

PARTICULARS OF EMPLOYEES

None of the Company's employees has drawn salary more than Rs. 24 Lacs per annum, if employed through out the year and more than Rs. two 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 appreciation for the devoted services of the employees of the Company.

For and on behalf of the Board of Directors

New Delhi
the 28th June, 2003

R. K. Gupta
Executive Director

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, 2003.

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

Place : New Delhi
the 28th June, 2003.

R.K. Gupta
Executive Director

U. S. Bharti
Director