

40th ANNUAL REPORT 2002 - 2003

 *"Achieve Excellence Through Values"*

SWIL LIMITED

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40TH ANNUAL GENERAL MEETING

Date : December 12, 2003
 Day : Friday
 Time : 10.30 AM
 Venue : 747, GIDC Industrial Estate,
 P.O. Box No.14, Jhagadia-393 110
 Dist : Bharuch, Gujarat, INDIA.

BOARD OF DIRECTORS

K. Narasimha Murthy	- Chairman
A.K. Ahuja	- Nominee Director of IFCI Limited
N.P. Bali	- Nominee Director of LIC
Sujit Chakravorti	- Nominee Director of IIBI
R.K. Kapoor	- Nominee Director of IDBI
P. Parvathisem	- Director
Dr. Anand Patkar	- Director
N.D. Pinge	- Nominee Director of ICICI Bank Limited
B.K. Sarkar	- Director
D.R. Shah	- Nominee Director of GIIC Limited
R.K. Sukhdevsinhji	- Director
Rajendra K. Mittal	- Whole Time Director & Chief Executive Officer

COMPANY SECRETARY

Surendra U. Tamboli

BANKERS

ICICI Bank Limited

AUDITORS

N.M. Rajji & Company
Chartered Accountants
Mumbai.

REGISTRAR & TRANSFER AGENT

Intime Spectrum Registry Limited
C/13, Pannalal Silk Mills Compound,
L:B.S. Marg,
Bhandup (West),
MUMBAI 400 078.

REGISTERED OFFICE

747, GIDC Industrial Estate,
P.O. Box No.14, Jhagadia-393 110
Dist : Bharuch, Gujarat, INDIA.

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NOTICE

Notice is hereby given that **40th Annual General Meeting** of the Company will be held at 747, G.I.D.C, Industrial Estate, Jhagadia - 393 110, District: Bharuch, Gujarat, on Friday, 12th December, 2003 at 10.30 a.m. to transact the following Business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report and audited Profit and Loss Account for the financial year ended 31st March 2003 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri R.K. Sukhdevsinhji, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Anand Patkar, who retires by rotation, and being eligible, offers himself for re-appointment.
4. **Appointment of Auditors.**

To consider and, if thought fit, to pass, with or without modification, the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. N.M Raiji & Co., Chartered Accountants, Mumbai, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company, for the financial year 2003-2004 on such remuneration plus reimbursement of service tax, out of pocket expenses, travelling and other expenses as may be mutually agreed upon between the Board of Directors and the Auditors in connection with the work of audit to be carried out by them."

SPECIAL BUSINESS :

5. **Appointment of Shri B.K.Sarkar as a Director.**

To consider and, if thought fit, to pass, with or without modification, the following Resolution as **Ordinary Resolution**:

"RESOLVED that Shri B.K. Sarkar, who was appointed as additional Director and in respect of whom the Company has received notice from a member under the provisions of Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- proposing him as a candidate for the office of Director, be and is hereby appointed as Director of the Company.

RESOLVED further that Shri B.K. Sarkar shall be liable to retire by rotation."

6. **Authority for de-listing of shares with Stock Exchanges.**

To consider and, if thought fit, to pass, with or without modification, the following Resolution as a **Special Resolution**.

"RESOLVED that the Equity Shares of the Company be de-listed from The Stock Exchange, Ahmedabad, The Calcutta Stock Exchange Association Limited, The Delhi Stock Exchange Association Limited, Madras Stock Exchange Limited, The Uttar Pradesh Stock Exchange Limited and The Jaipur Stock Exchange Limited, in accordance with the relevant laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions as may be necessary for this purpose.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to seek voluntary de-listing and to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may be in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in regard to de-listing of the Equity Shares and to execute all such deeds, documents, writings as may be necessary, desirable or expedient as may be deemed fit and for this purpose and to delegate the authority duly vested in it by virtue hereof to the Whole Time Director & Chief Executive Officer or the Company Secretary or any other person whom the Whole Time Director & Chief Executive Officer may consider suitable to do the various acts, deeds and things required to be done in this behalf."

REGISTERED OFFICE :

747, G.I.D.C Industrial Estate,
P.O.Box No 14, Jhagadia-393110
Distt: Bharuch, Gujarat, INDIA.
Dated : November 8, 2003

By Order of the Board of Directors

Surendra U. Tamboli
Company Secretary

NOTES :

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of 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. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies of Annual Report to the Meeting.
4. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.
5. The Register of Transfer will remain closed from 8th December 2003 to 12th December 2003 (both days inclusive).
6. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.
7. For the convenience of shareholders, transportation from Bharuch Railway Station, Shital Guest House, Bharuch to the place of the meeting will be available upto 9.30 a.m.

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ANNEXURE TO THE NOTICE - EXPLANATORY STATEMENT UNDER SECTION 173(2)**Item No. 4**

In terms of Section 224A of the Companies Act, 1956, if not less than 25% of the subscribed capital of a company is held by either singly or in combination by public financial institutions, government companies, insurance companies, nationalized Banks etc. then the appointment or re-appointment of the auditors of that company has to be made by a special resolution.

Financial Institutions hold more than 25% of the equity share capital of the Company and accordingly company is required to pass special resolution for appointment of Auditors.

Auditors have confirmed that, if appointed, their appointment would be within the limits specified under Section 224 (1-B) of the Companies Act, 1956.

None of the directors is concerned or interested in the above resolution.

Item No. 5

The Board of Directors of the Company appointed Shri B.K. Sarkar as an Additional Director on 23rd December 2002. Under Section 260 of the Companies Act, 1956, Shri B.K. Sarkar holds office of Director upto the date of the forthcoming Annual General Meeting. Shri B.K. Sarkar is B.E. (Chem.), having more than 30 years of experience at various positions in the fields of project evaluation, merchant banking and finance.

A Notice under Section 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose appointment of Shri B.K. Sarkar as a Director. The Board of Directors commends appointment of Shri B.K. Sarkar as a Director of the Company.

No other Directors of the Company except Shri B.K. Sarkar is said to be concerned or interested in the above Resolution.

Item No. 6**Voluntary De-listing of Shares.**

Presently, the Equity Shares of the Company are listed on the Stock Exchanges at Mumbai, Ahmedabad, Kolkata, Delhi, Chennai, Uttar Pradesh and Jaipur.

Consequent to the rapid changes in the capital market in relation to the manner of dealing in shares / securities of companies, the volume of trading in the Company's equity shares at the Stock Exchanges at Ahmedabad, Kolkata, Delhi, Chennai, Uttar Pradesh and Jaipur is negligible, which does not justify listing fees and other related expenses being incurred in this regard.

The Securities and Exchange Board of India (De-listing of Securities) Guidelines – 2003 allow companies to seek voluntary de-listing of their securities from all stock exchanges, by giving an exit opportunity to the shareholders. When voluntary de-listing is sought only from some of the exchanges, no exit opportunity is required to be given to the shareholders, so long as the securities continue to be listed on stock exchange having nationwide trading terminals. However, the approval of the Board of Directors and members of the company is required for de-listing of equity shares from any stock exchange. There is no compulsion for companies to remain listed on any stock exchange merely because it is a regional stock exchange.

In view of the above, the Board of Directors of the company has approved the proposal for de-listing of equity shares of the Company from Ahmedabad, Kolkata, Delhi, Chennai, Uttar Pradesh and Jaipur stock exchanges, subject to the approval of the members and such other approvals as may be required.

The Board of Directors at its meeting held on 8th November, 2003 also decided to get listing of equity shares of the Company at National Stock Exchange, Mumbai and necessary steps are being taken for the same.

Your approval for the above proposal is sought by way of a Special Resolution.

None of the Directors of the Company is concerned or interested in the resolution.

REGISTERED OFFICE :

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P.O.Box No 14, Jhagadia-393110
Distt: Bharuch, Gujarat, INDIA.
Dated : November 8, 2003

By Order of the Board of Directors

Surendra U. Tamboli
Company Secretary

**Details of the Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)**

Name of Director	Shri R.K. Sukhdevsinhji	Dr. Anand Patkar	Shri B.K. Sarkar
Date of Birth	06-08-1936	07-09-1952	18-10-1947
Date of Appointment	29-09-2001	29-09-2001	23-12-2002
Expertise in specific functional areas	General Administration, Marketing, Industrial Relations & HRD.	Business Strategy, Control Systems & Motivational Training.	Project Evaluation, Merchant Banking and Finance.
Qualifications	B.A. (Economics)	M.M.S. Ph.D. (Management)	B.E. (Chem.)
Directorship in other public limited companies	s Vadinar Power Co. Ltd. s Asahi Songwon Colors Ltd.	Bharat Heavy Electricals Ltd.	Nil
Other Positions	Resident Director - Gujarat Essar Group	NIL	President - Group Finance in Shalimar Wires Ind. Ltd., Kolkata
Membership of Committees in other public limited companies	Nil.	Bharat Heavy Electricals Ltd. - Audit Committee.	Nil

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DIRECTORS' REPORT

Your Directors have pleasure in placing before you the 40th Annual Report together with Audited Statement of Accounts for the year ended March 31, 2003.

1. PROGRESS OF PROJECT IMPLEMENTATION:

Your Directors are happy to inform you that during the year under review, the plant has been made ready for regular production. The Financial Institutions have agreed to sanction additional funds to enable the Company to get into regular production and in this regard, sanction from ICICI Bank Limited and State Bank of India for Rs 20.79 Crores and Rs 2.34 Crores respectively have already been received. We understand that Industrial Development Bank of India and Life Insurance Corporation of India have already sanctioned Rs.16.48 crores and Rs.2.39 crores respectively and formal sanctions are expected to be received in due course. The Financial Institutions have also rationalized interest rates and have refixed repayment schedule of existing Financial Assistance for the Company.

The Copper prices have shown upward trend and it has recently crossed benchmarking of US \$ 2100 per MT at London Metal Exchange. This improves viability of your Company and reinforces your Directors' confidence that once successfully into regular production, the project will add value to all stakeholders in long run.

2. DIVIDEND:

Since the commercial production is yet to start and in absence of operational profits, your Directors are unable to recommend dividend on Preference and Equity Shares for the year under review.

3. CORPORATE GOVERNANCE:

As per clause 49 of Listing Agreements with Stock Exchanges, Management Discussion and Analysis Report have been incorporated in Directors' Report and Corporate Governance Report is annexed and forms part of the Directors Report.

4. CONVERTIBLE INSTRUMENTS:

Interest due to certain Financial Institutions and Banks were converted into Cumulative Optionally Convertible Redeemable Participating Preference Shares (COCRPPS). It did not carry any dividend upto March 2002, after that it carried dividend @ 12 % per annum plus additional participating dividend based on profits of the Company. The nomenclature of COCRPPS has been changed as OCCRPS (Optionally Convertible Cumulative Redeemable Preference Shares) and the rate of dividend has been reduced to 6 % per annum w.e.f. 1st October 2002. The said OCCRPS would be redeemed in 36 equal monthly installments commencing from 1st April 2019. OCCRPS holders at their option have right to convert 100 % of the OCCRPS along with the dividend upto the date of conversion into fully paid up equity shares of the Company at par as per the applicable statute. During the year 3,14,578 Nos. COCRPPS of Rs. 100/- each aggregating to Rs.314.58 Lacs were allotted.

During the year, your company has allotted 27,40,000 Nos. Optionally Fully Convertible Debentures (OFCDs) of Rs. 100/- each aggregating to Rs. 2,740.00 Lacs through private placement to Financial Institutions. The holders of OFCDs carry option to convert whole or part of the outstanding principal along with premium into fully paid equity shares at any time after seventeen months from the date of allotment. In absence of any conversion, same shall be made redeemable on 1st April 2018 along with a premium of Rs. 587.20 per debenture of Rs.100/- each.

5. CONSERVATION OF ENERGY:

Since there is no commercial production during the year under review, information pursuant to section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 is not required to be annexed.

6. HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

Your company believes in retaining and maintaining high quality of its manpower. In view of this, your company continues its commitment by acquiring, developing and enhancing its human resources potential. In line of this,

your company has taken several initiatives in the field of human resources development during the year 2002-03 for developing quality of its manpower.

7. FOREIGN EXCHANGE EARNINGS / OUTGO:

	2002-03 (Rs.in Lacs)	2001-02 (Rs.in Lacs)
(a) Profit on hedging	Nil	12.67
(b) Outgo :		
Remuneration to Foreign Technicians	5.56	525.77
Travelling	7.77	0.00
Others	4.34	11.04
Total	17.67	536.81

8. DIRECTORS:

Shri B.K. Sarkar has been appointed as an Additional Director on the Board with effect from 23rd December, 2002. He holds office till the ensuing Annual General Meeting. Pursuant to Section 257(1) of the Companies Act, 1956, a notice has been received for appointment of Shri B.K. Sarkar as rotational Director of the company.

Unit Trust of India has withdrawn their Nominee Director Shri D.C. Sanghi with effect from 26th December, 2002. Shri D.C. Sanghi was appointed as UTI Nominee-Director on Board of the Company with effect from 26th September, 1997. The Board places on record its deep appreciation for the guidance and valuable contribution during his long association with the Company.

In terms of Section 255 of the Companies Act, 1956, read with article 106 of Memorandum and Article of Association, Shri R.K. Sukhdevsinhji and Dr. Anand Patkar, Directors on Board are due for retirement by rotation and being eligible offer themselves for re-appointment.

9. AUDITORS:

M/s N. M. Raiji & Co., Chartered Accountants retire in the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

10. PARTICULARS OF EMPLOYEES:

Particulars of employees as required to be furnished pursuant to Section 217(2A) of Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are attached hereto and form part of the Report.

11. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions contained in Section 217(2AA) of the Companies Act, 1956, the Directors of your Company confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- they have, in the selection of the accounting policies, consulted the statutory auditors and have applied them consistently and made judgments 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 i.e. 31st March, 2003 and of the loss of the Company for the year ended on that date;
- they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company for preventing and detecting fraud and other irregularities;
- they have prepared the accounts on a going concern basis.

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12. AUDITORS' REPORT:

It will be observed that at Clause 2(f) of Auditors' Report, Statutory Auditors have invited attention to note number 4 (a) of Schedule 'K' in respect of recognising interest reduction of Rs. 160.22 million, awaiting receipt of formal sanctions from respective lenders. The Directors are of the opinion that, since sanction letters have already been received from the lead Institution, ICICI Bank Ltd. and also from State Bank of India, in addition, in-principle decision has been taken by other lending Institutions to rationalize interest rates and refixation of repayment schedule in respect of various credit facilities granted by them; the process of formal sanctions is procedural. The Company is expecting formal sanction letters from the remaining lending Institutions shortly.

13. ACKNOWLEDGMENTS:

Your Directors would like to take this opportunity to express their deep sense of gratitude to the Financial Institutions, Bankers, Central and State Government Departments and local authorities for their continued guidance and support. Further, they would also like to place on record their sincere appreciation for the total commitment, dedication and hard work put in by every member of SWIL family.

For and on behalf of Board

Place : Mumbai
Dated : November 08, 2003

K Narasimha Murthy
Chairman

Annexure to the Directors' Report

Particulars of Employees u/s 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2003

Sr. No.	Name	Age yrs.	Qualifications	Exp. Yrs.	Designation / Nature of Duties	Date of Joining	Remuneration received / receivable (Rs.in Lack)	Particulars of last employment held
1	Rajendra K Mittal	53	M.Sc., PGDIT (IIFT)	29	Whole Time Director & CEO	14-Oct-96	3,988	Shalimar Industries Ltd. President

Notes:-

- 1 Shri Rajendra K Mittal was appointed as Whole Time Director & Chief Executive Officer with effect from November 22, 2002 for a period of three years.
- 2 This appointment is contractual in nature.
- 3 Remuneration comprises of salary, allowances, monetary value of perquisites as per Income Tax Act, Company's contribution to Provident Fund and Superannuation Fund.

For and on behalf of Board

Place : Mumbai
Dated : November 08, 2003

K Narasimha Murthy
Chairman