

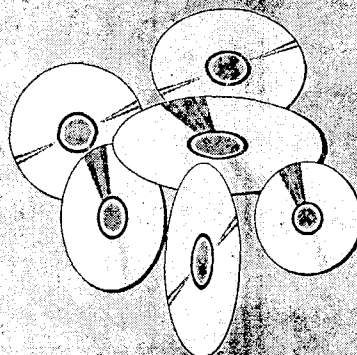
Xydan

TEAM
MOSER BAER



ANNUAL REPORT
1997-98

MD	✓	BKC	✓
CS	✓	DPY	✓
FO	✓	DIV	✓
TRA	✓	W	✓
AGM	✓	SH	✓
YE	✓		



MBA

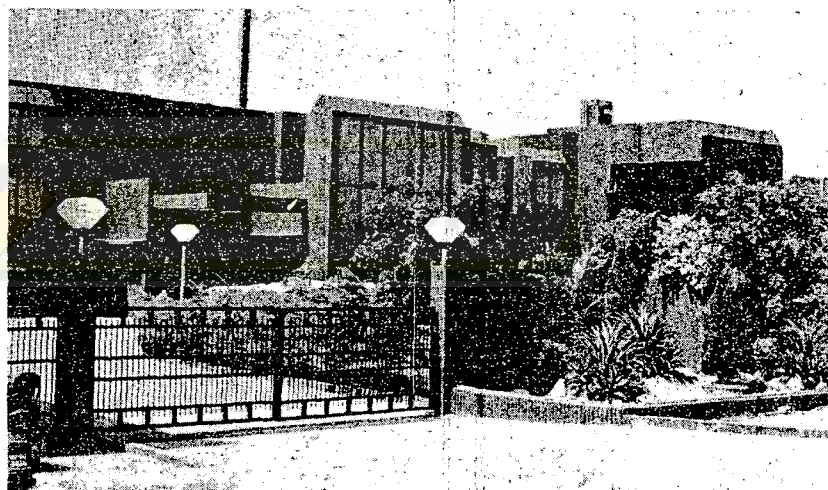
MOSER BAER INDIA LTD.

MOSER BAER INDIA LIMITED



*Hot Runner Moulding Systems Using
Guiderail Moulding Technology.*

*Exterior view of the manufacturing
facility for 3.5" Diskettes*



*View of the finishing line for
3.5" M.F.D.*

MOSER BAER INDIA LIMITED



MOSER BAER INDIA LIMITED

15TH ANNUAL REPORT

1997-98

BOARD OF DIRECTORS

Mr. Deepak Puri
Managing Director

Mrs. Nita Puri
Whole Time Director

Mr. A.K. Choudhary
Director (Nominee-IFCI)

Mr. Harnam D. Wahi
Director

Mr. Bernard Gallus
Director

Mr. Robert O'Donnell
Director

SENIOR EXECUTIVES

Mrs. Minni Katariya
Company Secretary

Mr. Ratul Puri
Manager Business Development

Mr. D.P. Nanda
General Manager (Exports)

Mr. P. Sanat Kumar
General Manager (Sales & Coordination)

Mr. S. Rajalingam
General Manager (Projects)

Mr. Satish Garg
Asst. General Manager (Finance)

Mr. K.K. Khosla
Sr. Manager (Accounts)

Mr. Naresh Kumar
Sr. Manager (Accounts)

Col. R.K. Luthra
Manager (HRD)

Mr. B.B. Arora
Manager (Works)

Mr. M.G. Mohana Kumar
Manager (Quality Control)

Mr. C.A. Krishna Kumar
Manager (Materials)

Mr. Naresh Bhardwaj
Manager (Finance)

REGISTERED & HEAD OFFICE

63, Ring Road, Lajpat Nagar-III
New Delhi - 110 024.

PRINCIPAL AUDITORS

K.C. KHANNA & CO.
H-96, Connaught Circus,
New Delhi - 110 001

CALCUTTA BRANCH AUDITORS

B.M. CHATRATH & CO.
21, Old Court House Street,
Calcutta - 700 001

BANKERS

STATE BANK OF BIKANER & JAIPUR
G-72, Connaught Circus,
New Delhi - 110 001

STATE BANK OF TRAVANCORE
Travancore House, K.G. Marg
New Delhi - 110 001

STATE BANK OF SAURASHTRA
C-37, Connaught Circus
New Delhi - 110 001

INDIAN BANK
P-45/90, Connaught Circus,
New Delhi - 110 001

STATE BANK OF PATIALA
Overseas Branch
'Chandralok',
IInd Floor, 36, Janpath
New Delhi - 110 001

MOSER BAER INDIA LIMITED**BRANCH OFFICES**

ROTTERDAM

Varesweg, 85 3047 at
Rotterdam, The Netherlands

MUMBAI

Union Co-operative
Insurance Building, 1st Floor,
23, Sir P.M. Road,
Mumbai - 400 001

CALCUTTA

16, British India Street,
Calcutta - 700 001

BANGALORE

224, 1st Block,
4A Cross Hall III Stage,
Thippasandra
Bangalore - 560 075

Report

WORKS

junction.com

FLOPPY DISKETTES

WORKS I

DOMESTIC

B-17, Sector 9, Noida,
Distt. Gautam Buddha Nagar (U.P.)

WORKS II

EXPORTS

B-4, Noida Export Processing Zone,
Noida, Distt. Gautam Buddha Nagar, (U.P.)

WORKS III

EXPORTS

66, Noida Export Processing Zone,
Noida, Distt. Gautam Buddha Nagar (U.P.)

TIME RECORDERS

63, Ring Road, Lajpat Nagar -III
New Delhi - 110 024

ACSR/AAC CONDUCTOR

- (i) 82/1, Sarsuna Main Road,
Calcutta - 700 034
- (ii) 166, Jessore Road,
Calcutta - 700 055.



MOSER BAER INDIA LIMITED

NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Company will be held on Wednesday, 30th September, 1998 at 10:00 A.M. at Centaur Hotel, New Delhi - 110037 to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1998, Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Bernard Gallus, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Robert O' Donnell, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS :

To consider and, if thought fit to pass with or without modifications, the following resolution :-

6. AS AN ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, consent of the Company be and is hereby accorded to increase the remuneration of Mr. Deepak Puri, Managing Director of the Company, to the following :

- a) (i) Basic Salary : Rs.50,000 per month
- (ii) House Rent Allowance : Rs.25,000 per month
- b) Commission on Net Profits:
2% (two percent) of the Net Profits of the Company for a particular year subject to the overall ceiling of 5% of its net profits for one such managerial personnel and 10% of the net profits for the all the managerial personnel in case there are more than one such managerial personnel.
- c) Perquisites :-
 - (i) The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be valued as per the Income Tax Rules, 1962.
 - (ii) Medical Reimbursement
Expenses incurred for self and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
 - (iii) Leave Travel Concession :
For self and family once in a year in accordance with the rules of the Company.
 - (iv) Fees of clubs, subject to a maximum of two clubs, excluding admission and life membership fees.
 - (v) Benefit of any personal accident insurance scheme but premium not to exceed Rs.15,000 p.a..
 - (vi) Company's contribution towards Provident Fund, Superannuation Fund as per rules of the Company.
 - (vii) Gratuity as per the rules of the Company, but not exceeding half a months' salary for each completed year of service. Contributions to Provident Fund, Superannuation Fund, Annuity will not be considered or included for the computation of ceiling.
 - (viii) Encashment of leave at the end of tenure.
 - (ix) Provision of car for use on Company's business.
 - (x) Free telephone facility at residence; long distance personal calls to be recovered by the Company.
 - (xi) The Managing Director shall also be entitled to reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company.

RESOLVED FURTHER THAT where in any financial year during the currency of tenure of Mr. Deepak Puri as a Managing Director, the Company has no profits or its profits are inadequate, remuneration may be paid to him on the basis of effective capital of the Company calculated in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956 at that time.



MOSER BAER INDIA LIMITED

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion it may consider necessary, expedient or desirable and to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution and to amend, alter or otherwise vary the terms and conditions of appointment of Mr. Deepak Puri including his remuneration provided such remuneration does not exceed the limits prescribed under Schedule XIII to the Companies Act, 1956 and any statutory modifications or re-enactment thereof or any other guidelines relating to managerial remuneration as may be notified by the Government of India from time to time as considered by it to be in the best interest of the Company."

7. AS A SPECIAL RESOLUTION :

"RESOLVED that pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval from Central Government, consent of the Company be and is hereby accorded to increase the remuneration of Mr. Ratul Puri, Manager (Business Development) from Rs. 19,900 per month to Rs.40,000 per month."

8. AS A SPECIAL RESOLUTION

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 consent of the Company be and is hereby given to substitute the existing Article 94 in the Articles of the Association of the Company with the following Article :

"Each Director shall be entitled to receive out of the funds of the Company for his services in attending meetings of the Board or a Committee of the Board a fee of Rs.2,000 (Rupees Two Thousand only) per meeting of the Board or a Committee of the Board, attended by him. All other remuneration, if any payable by the Company to each Director, whether in respect of his services as a Managing Director or a Director in the whole or part time employment of the Company or otherwise shall be determined in accordance with and subject to the provisions of these Articles and of the Act. The Directors shall be entitled to be paid their reasonable travelling, hotel and other expenses incurred in consequence of their attending the Board and Committee meetings or otherwise incurred in the execution of their duties as Directors. The Company in General Meeting may sanction remuneration to the Directors in accordance with the provisions of the Act."

9. AS A SPECIAL RESOLUTION

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, guidelines laid down by SEBI in this regard and such other permissions as may be required to be obtained in this regard, consent of the members of the Company be and is hereby accorded to the Board of Directors to issue and allot upto a maximum of 2,666,667 Equity shares of Rs. 10/- each at a premium of Rs. 20/- per share to Deepak Puri and associates on preferential basis so that the total investment by them does not exceed Rs. 80,000,000.

FURTHER RESOLVED THAT the Equity Shares so issued shall rank pari passu in all respects with the then existing Equity Shares of the Company except that they shall be locked – in for a period of five years from the date of allotment by the Board of Directors and shall be entitled to dividend, if any, which may be declared or paid by the Company in proportion to the amount paid - up on these Equity Shares on pro-rata basis for the period commencing from the date of issue till the end of the financial year of the Company.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be required to be done for issue and allotment of Equity Shares to Deepak Puri and associates.

By order of the Board of Directors
for MOSER BAER INDIA LTD.

Regd. Office : 63, Ring Road,
Lajpat Nagar-III,
New Delhi 110 024.

Date : 4th September, 1998

DEEPAK PURI
Managing Director

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL ON HIS BEHALF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
2. The Explanatory Statement under Section 173 (2) of the Companies Act, 1956 is annexed hereto.

MOSER BAER INDIA LIMITED

3. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 16th September, 1998 to Wednesday, 30th September, 1998 (both days inclusive).
4. The dividend for the year 1997-98 as recommended by the Directors, if approved, at the Annual General Meeting will be paid on or before 10th November, 1998 to those members whose names appear on the Register of Members of the Company on 30th September, 1998.
5. The Articles of Association of the Company referred to under item no.8 of the Notice is open for inspection by the members of the Company at the Registered office of the Company between 11.00 A.M. and 1.00 P.M. on any working day.
6. Members are requested to communicate their change of address/ residential status, if any, quoting respective folio nos. to the Company at its registered office on or before Friday, 25th September, 1998.
7. Members / Proxies should bring the Attendance Slips duly filled in for attending the meeting.
8. Members desirous of getting any information about the Accounts and operations of the Company are requested to submit their queries addressed to the Company Secretary at least 7 days in advance of the meeting so that the information called for can be made available at the meeting.
9. Please bring your copies of the Annual Report to the meeting.

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.**ITEM 6.**

Mr. Deepak Puri was appointed as Managing Director by the Board of Directors for a period of five years w.e.f. 01.09.96. The approval of shareholders for the same was obtained at the Annual General Meeting held on 30 Sept.'96. The Board has, in its meeting held on 11th August, 1998, approved the increase in remuneration of Mr. Deepak Puri as set out in the resolution for this item for the remaining term w.e.f. 01.09.1998. All other terms and conditions are as per the details given in the notice. The increase in remuneration was considered desirable on the basis of performance of the Company and the present market scenario. Since the increase in remuneration payable to Managing Director requires shareholders' approval, the said resolution is placed for your approval.

Mr. Deepak Puri and Mrs. Nita Puri are interested in this resolution. Mrs. Nita Puri is interested in this resolution because she is related to Mr. Deepak Puri. This alongwith relevant resolution may also be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

ITEM NO.7

The remuneration of Mr. Ratul Puri, Business Development Manager was approved by the shareholders in the Annual General Meeting of the Company held on 29th September'97. The Board at its meeting held on 11th August'98 approved an increase in remuneration from Rs.19,900/- to Rs.40,000/- per month. The approval of shareholders is now sought for the same pursuant to proviso to section 314 (1) (b) of the Companies Act, 1956. The Company is also required to obtain approval from Central Govt. for increasing his remuneration. This increase in remuneration will be effective from the date of Central Govt. approval. Mr. Deepak Puri and Mrs. Nita Puri are interested in this resolution.

ITEM NO.8

It is proposed to amend the existing Article 94 of Articles of the Association of the Company which lays down the rule relating to Sitting Fees payable to the Directors. The proposed change has already been approved by the Board of Directors in its meeting held on 28th July'98 subject to approval of the shareholders. Now the same is recommended for your approval. The Directors are interested only to the extent of receiving Sitting Fees for attending Board meetings.

ITEM NO.9

The Company is proposing to set up a new project for manufacturing Optical Media Recordable (CD-R). The promoters, i.e., Deepak Puri and associates, who promoted the Company in 1983 and have been instrumental in running the Company successfully during the last 15 years, wish to contribute Rs. 8 Crores to part finance the project. It is proposed to issue Equity Shares to Deepak Puri and Associates for the said amount @ Rs. 10/- per share at a premium of Rs. 20/- per share on preferential basis.



MOSER BAER INDIA LIMITED

The Board of Directors has, in its meeting held on 4th September, 1998, given its approval for issue of Equity Shares on preferential basis to Deepak Puri and Associates subject to approval of the shareholders and to such other permissions, if any, as may be required to be obtained in this regard. Consequent to the aforesaid issue of Equity Shares, the shareholding pattern will change as follows:-

Categories	Pre-Preferential Issue	Post Preferential Issue
1. Promoters and Associates	46.28%	30.28%
2. Individuals	40.97%	19.50%
3. Corporate Bodies	6.24%	2.97%
4. Foreign Institutional Investors	0.07%	37.21%
5. Foreign Development Corporation	6.43%	10.04%
	<u>100%</u>	<u>100%</u>

The Board recommends the resolution for approval by the shareholders.

Except for Mr. Deepak Puri and Mrs. Nita Puri, none of the Directors is concerned or interested in the resolution.

By order of the Board of Directors
for MOSER BAER INDIA LTD.

Regd. Office : 63, Ring Road,
Lajpat Nagar-III,
New Delhi 110 024.

Date : 4th September, 1998

DEEPAK PURI
Managing Director

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MOSER BAER INDIA LIMITED

DIRECTORS' REPORT

To,
The Members,

The Directors are pleased to present the 15th Annual Report and audited Accounts for the year ended 31st March, 1998.

OPERATIONAL RESULTS

	(Rs. in Lacs)	
	<u>1997-98</u>	<u>1996-97</u>
Sales & Other Income	7245.24	6107.53
Gross Profit before Interest, Depreciation & Misc. Expenditure	2369.53	1663.08
Interest	514.35	286.52
Depreciation	520.03	299.03
Misc. Expenditure Written off	13.88	13.88
Provision for taxation of earlier year (Short provided)	1.30	1.18
Net Profit	1319.97	1062.47

From the Sales and Other Income of Rs.6107.53 lacs during the year 1996-97, the Sales and Other Income have increased to Rs.7245.24 lacs resulting in an increase of 19% and from Net Profit of Rs.1062.47 lacs during the year 1996-97, Net Profit has increased to Rs.1319.97 lacs, i.e., an increase of 24% for the year.

EXPANSION AND VERTICAL INTEGRATION

With the completion of the expansion project in the financial year 1996-97, resulting in expansion of Micro Floppy Diskettes' (MFD) capacity to 84 million units per annum, your Company became one of the largest producers of MFDs in the world. In the current year, the Company also successfully completed the Vertical Integration Programme to produce the base components of the MFD in - house. This has resulted in substantial savings with a reduction in material costs by more than 20%. The full impact of this will be seen in the financial performance for the year 1998-99.

DIVIDEND

Your Directors are pleased to recommend dividend @ 15% on pro-rata basis on the paid up equity share capital of the Company for the year ended 31st March, 1998 absorbing Rs.2.41 crores inclusive of 10% dividend tax. Unlike in the past, the dividend will be free of tax in the hands of the Shareholders. This dividend is an increase of 50% over last year's rate.

FUTURE PROSPECTS OF CURRENT OPERATIONS

In the current year, the Company is working towards stabilising the expansion undertaken in the last financial year, further developing its overseas markets through the establishment of overseas offices and warehouses and targetting utilization level of its existing capacity increase of 100%. The Company has received extremely good response to its overseas operations as it has been able to provide just in time deliveries to its customers. This has resulted in greatly increasing the Company's Working Capital requirements specially with regard to finished goods' inventories as a large portion of these inventories are on the sea and in overseas warehouses. However, higher realisations on account of channel deliveries have more than compensated towards enhanced working capital costs.

OPTICAL MEDIA (RECORDABLE) PROJECT

With a view to become one of the largest integrated providers of data storage products in the world market, the Company is setting up an expansion project of Rs.200 Crores to produce recordable and erasable compact disks (CD) and digital versatile disks (DVD). The project will be implemented in phases over the next two years and will result in greatly enhanced revenues and earnings for the Company.

MOSER BAER INDIA LIMITED

In order to part finance the Optical Media (Recordable) project, the Company is planning on issuing Fully Convertible Debentures carrying a coupon rate of 5% to overseas private equity investors. These debentures will carry maturity of 18 months and will be converted into equity shares at a price of Rs.30/- per share (Rs.10 Par value+Rs.20 Premium).

DIRECTORS

In terms of the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Robert O' Donnell and Mr. Bernard Gallús, Directors of the Company, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

AUDITORS

M/s. K.C. Khanna & Co. Chartered Accountants, New Delhi, Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, have offered themselves for reappointment. A Certificate has been received from Auditors to the effect that the reappointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act 1956.

AUDITORS' REPORT

With reference to the qualifications contained in the Auditors' Report, the Directors wish to state as follows:

1. *Regarding non confirmation of balances due from/to debtors and creditors.*

Debtors and Creditors were approached for the confirmation of their balances. The balance confirmation in all the cases could not be received till the completion of Audit. However, the management has strict control over the receivables/payables since the same are being continuously monitored in the due course of business.

2. *Regarding non-receipt of formal confirmation in respect of term loan due to The Industrial Finance Corporation of India Limited.*

Formal confirmation of Term Loan due to Industrial Finance Corporation of India Limited was not received inspite of repeated reminders, hence could not be produced for Auditors' verification. However, amount due to them was duly reconciled on the basis of various information available on record.

3. *Regarding non-receipt of Return of Deposits by the Company to the Registrar of Companies after authentication by the Company's Auditors.*

The requisite steps have been initiated to rectify the deficiency in the document.

4. *Regarding the need to maintain detailed records with regard to wastage arising out of production/processing*

The wastages arising during the process of manufacturing have no significant realisable value. However, procedures are being further fine-tuned to display more clarity.

5. *Regarding Internal Audit*

The management is considering to have a full fledged Internal Audit department in the organisation. The system of reporting and its periodicity will improve automatically thereafter.

6. *Regarding non production of records to the Auditors providing information about man-hours utilised for jobs involving Software development.*

The software activities are being carried out by the Company as a small part of its business by the engineers employed by the Company for its main activity of manufacturing i.e., Floppy Diskettes. However, if the business develops further, the management will take steps to maintain separate records for man-hours utilized in its development.

Other points have been clarified, wherever necessary, in the schedule "NOTES FORMING PART OF ACCOUNTS".

PARTICULARS OF EMPLOYEES

The information regarding the employees drawing remuneration above the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is given as per an Annexure and forms part of the Directors' Report.