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**SEVENTEENTH
ANNUAL REPORT**

2002-2003

NATIONAL GENERAL INDUSTRIES LIMITED

NATIONAL GENERAL INDUSTRIES LTD.**BOARD OF DIRECTORS**

Shri Ashok Kumar Modi	-	Chairman & Managing Director
Shri Pawan Kumar Modi	-	Joint Managing Director
Shri Pankaj Kumar Agarwal	-	Director
Shri Brij Bhushan Gupta	-	Additional Director
Shri Vasu Modi	-	Director
Shri Anshuman Goenka	-	Additional Director

Shri Vineet Bansal	-	Company Secretary
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AUDITORS	-	R.K. Govil & Co. Chartered Accountants 4, Kiran Enclave, Behind Hotel Samrat, G.T. Road, Ghaziabad.
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REGISTERED OFFICE	-	3RD Floor, Surya Plaza, K-185/1, Sarai Julena, New Friends Colony, New Delhi – 110 025.
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WORKS/DIVISIONS	-	9th Mile Stone, G.T. Road, Mohan Nagar, Ghaziabad- 201 007
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BANKERS	-	State Bank of Patiala Standard Chartered Bank
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STOCK EXCHANGES	-	Ahmedabad, Delhi, Jaipur and Mumbai
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NATIONAL GENERAL INDUSTRIES LTD.

NOTICE

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of the Members of National General Industries Limited will be held at Nawal Vihar, Farm 7, Dera Gaon, New Delhi - 110 030, on Thursday, the 25th day of September, 2003 at 11.30 a.m. for the transaction of the following business:

ORDINARY BUSINESS

1. To consider and adopt the Accounts of the Company for the financial year ended 31st March, 2003, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Pawan Kumar Modi who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration. In this connection, to consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:-

"RESOLVED THAT Messrs. R.K. Govil & Company, Chartered Accountants, the retiring auditors be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of Sixteenth Annual General Meeting until the conclusion of next Annual General Meeting of the Company and the Board of Directors be and is hereby authorized to fix their remuneration for the said period."

SPECIAL BUSINESS

4. To appoint a Director in place of Mr. Brij Bhushan Gupta, who was appointed an Additional Director of the Company on 20th March, 2003 by the Board of Directors and who holds office up to the date of the forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a member proposing his candidature for the office of Director and in that behalf, to consider and if thought fit to pass the following Resolution, which will be proposed as an **Ordinary Resolution**:

"RESOLVED that pursuant to the provisions of the Articles of Association of the Company and of the Companies Act, 1956 including Section 257, Mr. Brij Bhushan Gupta be and is hereby re-appointed a Director of the Company, liable to retire by rotation."

5. To appoint a Director in place of Mr. Anshuman Goenka, who was appointed an Additional Director of the Company on 20th March, 2003 by the Board of Directors and who holds office up to the date of the forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a member proposing his candidature for the office of Director and in that behalf, to consider and if thought fit to pass the following Resolution, which will be proposed as an **Ordinary Resolution**:

"RESOLVED that pursuant to the provisions of the Articles of Association of the Company and of the Companies Act, 1956 including Section 257, Mr. Anshuman Goenka be and is hereby re-appointed a Director of the Company, liable to retire by rotation."

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6. Voluntary De-listing of the Company's Equity Shares from certain Stock Exchange, in this respect to consider and if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED that, in suppression of the resolution passed by the shareholders of the Company at their fifteenth meeting held on 26th May 2001 in respect of voluntary de listing of the securities of the Company from certain Stock Exchanges, subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter), the Securities and exchange Board of India (de-listing of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to de-list the Company's equity shares from all or any of the Stock Exchanges viz. The Stock Exchange, Ahmedabad, The Delhi Stock Exchange Association Limited, Jaipur Stock Exchange Association Ltd."

For NATIONAL GENERAL INDUSTRIES LTD.

Place: New Delhi
Date: 31st July, 2003

Vineet Bansal
Company Secretary

NOTES

- 1) A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a Member of the Company.

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.

- 2) Members/Proxies are requested to bring their attendance slip along with their copies of Report and Accounts to the Meeting.
- 3) The Register of Members and Share transfer Books of the Company will remain closed from 16th September, 2003 to 19th September, 2003 (both days inclusive).

The Securities of the Company are listed at the Ahmedabad, Delhi, Jaipur and Mumbai Stock Exchanges and the Company has paid the annual listing fees for the financial year 2002-2003.

By order of the Board,
For NATIONAL GENERAL INDUSTRIES LTD.

Place : New Delhi
Date : 31st July, 2003

Vineet Bansal
Company Secretary

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Explanatory Statement

Item No.4

Mr. Brij Bhushan Gupta was appointed as an Additional Director of the Company by the Board of Directors as per their resolution passed on 20th March 2003. Pursuant to the provisions contained in Article 92 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, he holds Office till the date of Annual General Meeting of the Company. The Company has received a notice from a member of the Company under section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- signifying his intention to propose Mr. Brij Bhushan Gupta as a candidate for the Office of Director of the Company liable to retire by rotation. The Resolution for his re-appointment is accordingly commended to your acceptance.

Mr. Brij Bhushan Gupta has held various important positions in manufacturing, factory management and general management functions.

Except for Mr. Brij Bhushan Gupta, none of the Directors are concerned or interested in the Resolution.

Item No.5

Mr. Anshuman Goenka was appointed as an Additional Director of the Company by the Board of Directors as per their resolution passed on 20th March 2003. Pursuant to the provisions contained in Article 92 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, he holds Office till the date of Annual General Meeting of the Company. The Company has received a notice from a member of the Company under section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- signifying his intention to propose Mr. Anshuman Goenka as a candidate for the Office of Director of the Company liable to retire by rotation. The Resolution for his re-appointment is accordingly commended to your acceptance.

Mr. Anshuman Goenka Gupta has held various important positions in manufacturing, factory management and general management functions.

Except for Mr. Anshuman Goenka, none of the Directors are concerned or interested in the Resolution.

Item No.6

Presently the Equity Shares of the Company are listed at Ahmedabad, Delhi, Jaipur and Mumbai Stock Exchanges. The shareholders of the Company had vide their resolution passed at their fifteenth meeting held on 26th May 2001, decided to delist the Equity Shares of the Company From Ahmedabad, Jaipur and Mumbai Stock Exchanges.

The Company has been paying annual listing fees to the stock exchanges where the equity shares of the Company are listed, which do not offer commensurate benefits to the Company/its investors. The has been nil trading observed at any of the aforesaid stock exchanges for the last six (6) years.

As per Securities and Exchange Board of India (De-listing of Securities) Guidelines -2003 dated 17th February, 2003 has permitted Companies to voluntarily de-list its shares from a Stock exchange where the shares are listed for a period of more than 3 years provided, inter-alia, the Company is authorized by the shareholders for making such an application for de-listing through special resolution. The Board of Directors has decided to take steps to have the equity shares of the Company de-listed from Ahmedabad, Delhi and Jaipur Stock Exchange. The Company's shares will continue to be listed at Mumbai Stock Exchanges which has got nation-wide trading terminals and the de-listing from Ahmedabad, Delhi and Jaipur Stock Exchanges will not affect the trading of the shares by members located in any part of the Country.

The Board of Directors of your Company recommend passing of the resolution set out under item no.6 as a Special Resolution. None of the Directors of the Company are interested or concerned in the Resolution.

By order of the Board,

For NATIONAL GENERAL INDUSTRIES LTD.

Place : New Delhi
Date : 31st July, 2003

Vineet Bansal
Company Secretary

NATIONAL GENERAL INDUSTRIES LTD.**DIRECTORS' REPORT**

To,

The Members,

Your Directors have the pleasure in presenting herewith the Seventeenth Annual Report together with Audited Statement of Accounts for the year ended on 31st march, 2003.

FINANCIAL RESULTS

	Rs. in lacs	
Year Ended March 31	2003	2002
Total Income	<u>1760.73</u>	<u>1870.82</u>
Profit/(loss) before interest, depreciation, tax and Extra-ordinary Item	97.18	81.83
Extra-ordinary Item	<u>60.67</u>	-
	36.51	-
Less:		
Interest	19.16	26.14
Depreciation	<u>13.69</u>	<u>32.85</u>
Profit before tax	3.66	<u>7.19</u>
Add:		<u>33.33</u>
Surplus brought forward from previous year	46.70	48.50
Transfer from reserve	-	23.72
Excess provision written back	1.75	0.68
Deferred tax Assets	<u>12.09</u>	-
	64.20	<u>72.90</u>
Less:		
Provision for tax	<u>24.00</u>	<u>10.68</u>
Profit available for appropriation	40.19	62.22
Transfer to General Reserve	-	<u>10.00</u>
Balance carried to Balance Sheet	<u>40.19</u>	<u>52.22</u>

EXTRAORDINARY EXPENSES

The Forging Project of your Company at the Greater Noida- Distt. Gautam Buddha Nagar was disposed-off during the year, as it became unviable to implement the project due to marketing factors. Total proceeds were Rs.102 lacs against the total cost of Rs.162.57 lacs. Your Company has therefore booked extraordinary item to the tune of Rs.60.67 lacs.

DIRECTORS

Mr Pawan Kumar Modi retires by rotation and being eligible, offers him-self for re-appointment. During the year Mr. Brij Bhushan Gupta and Mr. Anshuman Goenka were appointed as Additional Directors on the Board of the Company, shall hold office upto the date of the forthcoming Annual General meeting and the Company has received notice under section 257 of the Companies Act, 1956, proposing their candidature for appointment as Director on the Board of the Company liable to retire by rotation

AUDITORS AND THEIR REPORT

M/s R.K. Govil & Company, Chartered Accountants, the auditors of the Company retires at the forthcoming Annual General Meeting and eligible offers themselves for re-appointment. The Company has received a certificate from them to the effect that their appointment if made will be within the prescribed limits as mentioned under section 224(1B) of the Companies Act, 1956. The comments in the Auditors Report read with notes on accounts in Schedule 17 are self explanatory and do not call for further explanation.

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PARTICULARS OF EMPLOYEES, CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company does not have any employee whose remuneration falls under the limits prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975. The information under section 217(1)(e) of the said act read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is set out in annexure "A" and forms part of this report.

DIRECTORS' RESPONSIBILITY

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors' give statement that :

- I) in preparation of the annual accounts for the Financial year 2002-2003, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- II) the Directors' had selected such accounting policies and 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 for the financial year ended on March 31, 2003 and of the losses of the Company for that period;
- III) proper and sufficient care had been taken 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;
- IV) annual accounts had been prepared on a going concern basis.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance is separately attached together with a report on Management Discussion and Analysis.

PERSONNEL

The directors wish to place on records their deep appreciation for the services rendered by all the employees of the Company. It is gratifying to note that the industrial relations remained cordial and peaceful.

ACKNOWLEDGEMENT

Yours directors also wish to thank and deeply acknowledge the continued valuable assistance, co-operation and support extended by the central and state government authorities and banks. The Board also gratefully acknowledges the support and the goodwill extended by the dealers, customers, suppliers and shareholders of the Company.

For and on behalf of the Board

Place : New Delhi
Date : 31st July, 2003

(Ashok Kumar Modi)
Chairman & Managing Director

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ANNEXURE "A" TO DIRECTORS' REPORT

Particulars as required under the Companies (Disclosure of the particulars in the report of Board of Directors) Rules 1988, and forming part of the Directors' Report for the year ended 31st March, 2003.

I. CONSERVATION OF ENERGY

During the year under review, wherever possible, energy conservation measures have been taken and there are no major areas where further energy conservation can be taken. However, efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

II. RESEARCH AND DEVELOPMENT (R & D)

a) Specific areas in which R & D carried out by Company

The Company has been continuously carrying on Research & Development activities for improving the quality, production process and development of new products.

b) Benefits derived as a result of above R & D

The R & D has helped the Company to achieve raw material efficiency, better quality consistency and develop new products.

c) Further plan of action

Product up gradation, identification and development of new products to meet Company's requirement of growth and sustenance.

d) Expenditure on R & D

Expenditure charged under respective primary heads of accounts.

III. TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

a) Efforts made towards technology absorption adaptation & innovation

The Company is using latest techniques for production.

b) Benefits derived as a result of the above efforts.

Improved productivity, better quality and yield resulting into cost savings.

c) Particulars relating to imported technology.

Nil

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Earnings

Nil

b) Outgo by way of other expenditure

1.04 Lacs
(1.55) Lacs

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MANAGEMENT DISCUSSION AND ANALYSIS

(a) Industry Structure and Development

The financial year 2002-03 was a challenging one for most economies globally, Indian GDP growth declined from 5.5% to 4.4% mainly due to large decline in agriculture crop output on account of poor monsoon in the most part of the Country. This affected rural demand while lackluster economic activity impacted urban demand. Amidst intensified competition and rising power prices, business growth of Steel Re-rolling suffered. Further depressed Stock Market conditions caused loss in the investment activities. On the other hand Government has launched several schemes for the development of infrastructure in the Country. Under these schemes various project for laying of drinking water/sewage disposal pipelines have been undertaken. Under these projects Company procured various orders for supply of Ductile Iron and Cast Iron Pipes on behalf of its principal – M/s Electrosteel Castings Ltd.

The Iron & Steel Rolling Industry plays an important roll in the growth of Iron & Steel Industry in the developing economy like India. The Iron & Steel rolling industry has gone sea changes over a period of time and now it has become an organized one.

The key development in the domestic Iron & Steel Re-rolling industry is the use of latest technology. Rising demand of the rolled products from the manufacturing industry and launch of various sizes of rolled product is the major growth driver for the Industry.

(b) Opportunities, Threats & Risks

The increased demand of rolled products by the manufacturing Industry is likely to provide an opportunity to grow the Company in the years to come. The Company has, with long years of experience in running Iron & Steel rolling business, developed strengths and expertise in Rolling of Iron & Steel.

Governments' thrust on providing safe drinking water and proper discharge of sewage disposal is likely to accelerate the demand of Pipes. The Company has an ambitious marketing strategy to develop the Ductile Iron and Cast Iron Pipes for the various projects the Government likely to undertake to the aforesaid purpose. With the turnaround of the economy the Stock Market of the Country have started looking up.

The Iron & Steel Rolling Industry in India has become extremely competitive. Better margins have encouraged a large number of new entrants onto the Market, most of them have been setting integrated plant thus they can offer better products at lower prices. Similarly Pipe market is also very highly competitive and because of the lower prices of MS/AC/PVC Pipes some of the Projects may shift to these Pipes.

(c) Segment-wise Financial Performance

The Company is engaged in the business of Iron & Steel Re-rolling and having its works at Sahibabad- Distt. Ghaziabad (U.P.). Apart from this the Company is the Sales and Marketing Agent of Electrosteel Castings Ltd. to Market and sale the Ductile Iron, Cast Iron and their Fittings in the Northern India. The Company also has investment activities through secondary market operations. The surplus funds of the Company are invested in the Mutual Funds and Equity shares of other Companies by purchase/sale through the Stock Market operations.

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For the year under review, the rolling business contributed about Rs.10 lacs to the profits of the Company while Sales & Marketing and Investment activities incurred a loss of Rs.6.35 Lacs. The Sales & marketing and Investment segment suffered a loss of Rs.60.67 lacs on account of sale of Forging Project undertaken by the Company.

(d) Outlook

The Company is well positioned in the emerging business scenario with a clear objective to enhance market share. Our focus is on realizing our vision, which will create long-term value for our shareholders.

(e) Internal Control Systems and Adequacy

The Company maintains a system of well-established policies and procedures for internal control of operations and activities of the Company. The internal audit function is being further strengthened in consultation with statutory auditors for monitoring statutory and operational issues. Any significant issues are brought to the attention of the Audit Committee of the Board. Audit Committee reviews it periodically and suggestions and recommendations made by it are carried out.

(f) Human Resources Interventions in 2002-03

Considering Human Resources as most important resource, the major thrust was on recruiting highly qualified executives in various departments and also recruiting highly skilled workers to strengthen the production. Training and development of employees continues to be an important focus area for increasing the competency levels in the organization.