



PRADEEP METALS LIMITED

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16th
ANNUAL REPORT
1999

PRADEEP METALS LIMITED



BOARD OF DIRECTORS

V. P. Goyal

Chairman & Managing Director

Pradeep Goyal

Jt. Managing Director

M. G. Damani

K. K. Nohria

R. D. Shroff

S. W. Patwardhan

Nominee of IDBI

Piyush Goyal

Whole Time Director

BANKERS

Union Bank of India

AUDITORS

S. R. Rege & Co.

Chartered Accountants

REGISTERED OFFICE

R-205, TTC Indl. Area, MIDC, Rabale,

Navi Mumbai 400 701

Maharashtra

WORKS

D-3, Phase II, M.I.D.C.

Dombivli (East) - 421 203

Maharashtra

R-205, TTC Indl. Area, MIDC Rabale,

Navi Mumbai 400 701

Maharashtra

16th ANNUAL REPORT 1999



NOTICE

NOTICE IS HEREBY GIVEN THAT THE SIXTEENTH ANNUAL GENERAL MEETING OF PRADEEP METALS LIMITED will be held at the Registered Office at R-205, TTC Industrial Area, MIDC, Rabale, Navi Mumbai 400 701 on Friday, 17th September, 1999 at 3.00 p.m. to transact the following business:

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri R.D. Shroff who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri K.K. Nohria who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

By order of the Board
for Pradeep Metals Limited

V. P. Goyal
Chairman and Managing Director

Mumbai
29th July, 1999

Notes :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. THE PROXY NEED NOT BE A MEMBER. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- (b) The Register of Members and Transfer Books of the Company will remain closed from 10th September, 1999 to 17th September, 1999, both days inclusive.
- (c) Members are requested to intimate any change in their address to the Company immediately.
- (d) Members who hold shares in identical order of names in more than one Folio are requested to write to the Company to enable consolidation of their holdings in one Folio.
- (e) Members are requested to intimate to the Company details, if any, required in relation to this Annual Report atleast 7 (seven) days before the meeting to enable the Management to keep the information ready at the meeting.
- (f) All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m to 1.00 p.m upto the date of the Annual General Meeting except on Sundays and other holidays.
- (g) Members/Proxies are requested to bring their copies of the Annual Report to the meeting and the attendance slip duly filled in for attending the meeting.
- (h) Members are requested to note that Intime Spectrum Registry Pvt. Ltd, 260A, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (W), Mumbai 400 080 are the Registrars & Share Transfer Agents of the Company with effect from 8th May, 1999.

PRADEEP METALS LIMITED**DIRECTORS' REPORT**

To

The Shareholders :

Your Directors present the 16th Annual Report together with the audited accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS :

| | Rs. | Rs. |
|--|--------------|------------|
| Profit before interest, depreciation and tax | | 12,205,209 |
| Less | | |
| a) Interest | 45,344,921 | |
| b) Depreciation | 11,169,229 | |
| c) Preliminary expenses written off | 818,783 | |
| d) Deferred Revenue expenses written off | 1,164,210 | 58,497,143 |
| Loss | (46,291,934) | |
| Loss brought forward | (34,654,636) | |
| Balance carried forward | (80,946,570) | |

DIVIDEND

In view of the loss, your Directors are unable to recommend payment of any dividend.

BUSINESS ACTIVITIES

Your Company is catering mainly to the automobile, petrochemical and engineering industry. The slowdown of the economy continued during the previous year adversely affecting the Company's performance.

During the year, the Company's production increased in volume by 12%. However, due to lower sales realisation and unfavourable product mix, sales decreased by 9%. The loss for the year was higher due to the following reasons :

1. In the domestic market, the Company mainly supplies to the commercial vehicles segment which has suffered a major setback due to demand recession. The production of commercial vehicles has steeply dropped from 2,40,551 during 1996-97 to 1,60,894 during 1997-98 and to 1,35,891 during 1998-99 registering a fall of 33% during 1997-98 and a further fall of 16% during the year under review. This resulted in lower offtake of the Company's products and also lower unit price realisation by about 9%.
2. Due to lower order input from the automobile companies as explained above, the Company resorted to getting more business on job-work basis, although the contribution was lower, in order to utilise idle plant capacity.
3. The interest burden was higher due to accumulated losses, the excise payout got affected due to restriction of modvat credit and there was an increase in export freight also.

Due to the prevailing market condition, the commissioning of the project to manufacture Ring Rolled forgings has been further deferred. Your Directors hope that it will get commissioned during the current year.

EXPORTS

Devaluation of the currencies of certain South East Asian and East European countries impacted the price realisation from exports. While the drop in quantity exported was only 7%, the value fell by 14%.

The Company is increasing its export of machined components to add value to exports and sustain export volumes in the competitive world market.

QUALITY SYSTEMS

The ISO 9002 accreditation from TUV Bayern, Germany has been renewed for 3 years. Your Company is recognised by the Government of India as a "Well Known Forge Shop" for supply of boiler grade forgings. The Company is also approved for supply of forgings for boiler application in Canada.

Your Company has received the prestigious AD-WO approval from R-TUV, Germany which is an essential prerequisite for export of forgings to Germany.

Y2K PREPAREDNESS

All the hardware/software used in critical operational processes are compatible with Y2K requirements. The remaining hardware/software are expected to be compatible by October 1999. The cost of Y2K preparedness is not expected to be significant.

FUTURE OUTLOOK

The economy has started showing signs of recovery after several initiatives to boost demand were announced by the Government in the Union Budget. Current indications are that the economy is likely to pick up in the coming months and your Directors feel that the Company will do better in the current year.

Your Company has also been actively developing new products for the non-automobile sector which has expanded the customer profile and will help the Company increase capacity utilisation. A number of new orders have been finalised which are under development and volume supplies will start during the second half of the current year.

Your Management continues their efforts to reduce material and operational costs which will enable the Company to withstand competition and forge ahead in the future.

DIRECTORS

Shri K. K. Nohria and Shri R. D. Shroff retire by rotation and being eligible offer themselves for reappointment.

16th ANNUAL REPORT 1999**CONSERVATION OF ENERGY**

The additional information pertaining to conservation of energy, absorption of technology and foreign exchange earnings and outgo as required under Sec. 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in Report of Board of Directors) Rules 1988 are given in the Annexure and form an integral part of this Report.

AUDITORS

M/s S. R. Rege & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from them to the effect that the reappointment, if made, would be in accordance with Sec. 224 (1B) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors wish to express their gratitude for the assistance and co-operation received from IDBI, ICICI Ltd, Union Bank of India, Dombivli Nagari Sahakari Bank Ltd, The Thane Janata Sahakari Bank Ltd, MSEB, MIDC, Navi Mumbai Municipal Corporation, Kalyan Municipal Corporation and other government and semi-government authorities, corporations and institutions. Your Directors also wish to place on record their deep sense of appreciation for the devoted services of all the employees of the Company and their unstinted efforts for the progress of the Company.

For and on behalf of the Board of Directors

V. P. Goyal

Chairman & Managing Director

Mumbai
28th May, 1999

ANNEXURE**A. CONSERVATION OF ENERGY**

The power and fuel consumption is regularly monitored. Temperature Controllers have been provided on furnaces for energy efficiency. Rotary furnace has been made operational for energy optimisation.

The power factor is regularly monitored and Maximum Demand is controlled to ensure there are no penalties.

TOTAL ENERGY CONSUMPTION & ENERGY CONSUMPTION PER UNIT OF PRODUCTION**A. Power & Fuel Consumption :**

| | 31/3/99 | 31/3/98 |
|-----------------------------|------------|------------|
| 1. Electricity | | |
| (a) Purchased : | | |
| Units (Nos) | 4,246,394 | 3,572,888 |
| Total amount (Rs) | 16,172,474 | 14,354,795 |
| Average rate/unit (Rs) | 3.81 | 4.02 |
| (b) Own generation | | |
| Diesel generated | | |
| Units(Nos) | 4,236 | 5,566 |
| Units per ltr.of diesel oil | 2.39 | 2.59 |
| Cost/Unit | 3.90 | 3.70 |
| 2. Furnace Oil | | |
| Quantity (k.ltrs) | 1,122 | 915 |
| Total amount (Rs) | 7,572,988 | 6,248,766 |
| Average rate (Rs) | 6.20 | 6.83 |
| 3. Light Diesel Oil | | |
| Quantity (k.ltrs) | 189 | 440 |
| Total amount (Rs) | 1,710,418 | 4,002,900 |
| Average rate (Rs) | 9.05 | 9.10 |

B. Consumption per unit of production :

| Product : | Steel forgings (machined and unmachined) | | |
|------------------|--|-------|-----|
| Quantity (M.T.) | 5,065 | 4,527 | |
| Electricity | Units/MT | 838 | 789 |
| Furnace oil | ltrs/MT | 222 | 202 |
| Light Diesel Oil | ltrs/MT | 37 | 97 |

B. TECHNOLOGY ABSORPTION

1. Research & Development :

The Company has successfully developed in-house technology for isothermal annealing of steel forgings.

2. Benefits derived :

Vendor costs have reduced.

3. Future plan of action :

The Company plans to instal induction heating furnace to reduce material consumption and quality of products.

4. Expenditure on Research & Development :

Since the Research & Development work is carried out in-house, the expenditure is not separately accounted and is debited to the respective accounts.

5. Technology absorption, adoption and innovation

Continuous process improvements and development of more intricate precision forgings are undertaken.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

The ISO 9002 accreditation from TUV Bayern, Germany has been renewed for 3 years. The Company received AD-WO approval which is an essential prerequisite for export of forgings to Germany.

Total foreign exchange used and earned :

| | |
|--------|------------------|
| Used | : Rs. 7,361,114 |
| Earned | : Rs. 66,015,049 |

PRADEEP METALS LIMITED**AUDITOR'S REPORT**

TO

THE SHAREHOLDERS OF PRADEEP METALS LIMITED

We have audited the attached Balance Sheet of **PRADEEP METALS LIMITED** as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date annexed thereto and 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 such books.
3. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
4. The Company is accounting for the payment of gratuity and leave encashment on cash basis and accordingly no provisions for the same is made in the books of account. In the absence of actuarial valuation, the amount of provision for the above cannot be ascertained. This is in violation of Accounting Standard 15 prescribed by the Institute of Chartered Accountants of India. Subject to above, in our opinion, the profit and loss account and the balance sheet comply with the accounting standards referred to in sub section 3(C) of Section 211 of the Companies Act, 1956.
5. The compound interest and liquidated damages levied by a Financial Institution amounting to Rs. 13,250,717/- are not provided for by the Company in the books of account.
6. Subject to 4 and 5 above, in our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- i) In so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 1999 and
- ii) In so far as it relates to the Profit and Loss Account, of the loss of the Company for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we further report that :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As per the information and explanations given to us, the Company has a system of physical verification of all its fixed assets from time to time. Accordingly, most of the assets have been physically verified by the management during the year under audit in accordance with the programme of verification. In our opinion, the frequency of verification of fixed assets by the management is at reasonable intervals, having regard to the size of the Company and the nature of the assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified.
2. Fixed Assets have not been revalued during the year under audit.
3. The stocks of finished goods, stores, spare parts and Raw materials have been physically verified by the management during the year under audit. In respect of stock lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the company and nature of its business.
5. The discrepancies noticed on verification between the physical stock and book records were not material in relation to the operations