



18th			
ANNUAL			
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PRADEEP METALS LIMITED

PRADEEP METALS LIMITED



BOARD OF DIRECTORS

V. P. Goyal

Chairman

Pradeep Goyal

Managing Director

M.G. Damani

R.D. Shroff

O.P. Agarwal

Executive 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

18th ANNUAL REPORT 2001**NOTICE**

NOTICE IS HEREBY GIVEN THAT THE EIGHTEENTH 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, 28th September, 2001, at 3 p.m. to transact the following business :

Ordinary Business

1. To receive and adopt the Directors' Report, Auditors' Report and Audited Profit and Loss Account for the year ended 31st March, 2001 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri R.D. Shroff who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Pradeep Goyal who retires by rotation but, being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration :

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

"RESOLVED THAT M/s. S.R. Rege & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company for the financial year 2001-2002 to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration as may be fixed by the Board of Directors and that they be entitled to fees as agreed upon for any other consultation or certification work as may be required plus out of pocket expenses at actuals and service tax, if applicable."

Special Business :

5. To appoint a Director in place of Shri Omprakash Agarwal, who was appointed as an Additional Director and ceases to be a Director as per Section 260 of the Companies Act, 1956 and being eligible, offers himself for reappointment.
6. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310, Schedule XIII and other applicable provisions (if any) of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the appointment of Shri Omprakash Agarwal as Executive Director of the Company for a period of 3 years, with effect from 10th May, 2001 on the terms and conditions set out in the Explanatory Statement annexed hereto and that he be paid by way of salary and perquisites as set out in the explanatory statement".

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to enhance, enlarge, alter or vary the scope and quantum of remuneration and perquisites to Shri Omprakash Agarwal as it may deem proper from time to time, considering the nature

and scope of his activities, as shall be permissible and in conformity with Schedule XIII and other applicable provisions of the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to enter into an Agreement between the Company and Shri Omprakash Agarwal."

By Order of the Board
For PRADEEP METALS LTD

Mumbai
July 30, 2001

V. P. GOYAL
CHAIRMAN

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 relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under items 4 to 6 as set out above is annexed hereto.
- (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 and Explanatory Statement, 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.
- (h) Registrar and Transfer Agents of the Company are Intime Spectrum Registry Pvt. Ltd., 260A, Shanti Industrial Estate, Mulund (West), Mumbai 400 080.
- (i) The Company's Equity Shares are the scripts which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by all investors.

Explanatory Statement Under Section 173(2) of the Companies Act, 1956 forming part of the Notice dated July 30, 2001.

Item No. 4

Section 224 of the Companies Act, 1956, provides that in the case of a company in which not less than 25% of the subscribed share capital is held either singly or jointly by Public Financial Institutions, Government Companies, etc;

PRADEEP METALS LIMITED

the appointment or re-appointment of an auditor of that company has to be made by a Special Resolution.

In the case of the Company, the current shareholding of the aforesaid bodies is more than 25% of the subscribed share capital and hence special resolution is required for the appointment of Company's auditors.

The Board of Directors recommends the acceptance of the resolution. None of the Directors of the Company is concerned or interested in the resolution.

Item No. 5 & 6

Shri Omprakash Agarwal was appointed as an additional Director of the Company on 10th May, 2001 by the Board of Directors.

Shri Omprakash Agarwal is an Engineer from Birla College of Engineering, Pilani (1963). He has got wide experience in the forging and engineering industry including in the field of marketing.

It is in the interest of the Company to continue to have the benefit of his immense experience and valuable advice as a member of the Board.

The Company has received notice from members of the Company under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director.

Resolution under item No. 6 of the Notice relates to the appointment of Shri Omprakash Agarwal as Executive Director of the Company for the period of 3 years with effect from 10th May, 2001 and approval of his remuneration and terms of appointment.

Schedule XIII of Companies Act, 1956 permits the Company to pay remuneration upto 5% of the net profits of the Company to one of the managerial persons and 10% of the net profits of the Company to all managerial persons together. Within the overall ceiling, there would be no restriction on the nature and quantum of remuneration payable by the Company.

In case of absence or inadequacy of profits, the Company can pay monthly remuneration as per specified limit based on the effective capital.

The salary and the perquisites payable to Shri Omprakash Agarwal is as mentioned herebelow with an authority to the Board of Directors to enhance, enlarge, alter or vary the quantum of the remuneration and perquisites in conformity with Schedule XIII and relevant provisions of the Companies Act, 1956.

The material terms of remuneration payable to Shri Omprakash Agarwal in accordance with Para II of the Schedule are as under:

Salary - Rs. 22,500/- per month.

Perquisites - He shall be entitled to the following perquisites in addition to the Salary.

- i) Housing
House Rent Allowance at 50% of the salary i.e. Rs. 11,250/- per month.
- ii) Leave Travel Concession
Leave Travel Allowance of one salary per annum i.e. Rs. 22,500/- per annum.
- iii) Medical Reimbursement
Medical Reimbursement of one salary per annum i.e. upto Rs. 22,500/- per annum.

Shri Omprakash Agarwal shall also be eligible for the following perquisites, which shall not be included in the computation of the ceiling on remuneration:

- i) Company's contribution towards Provident Fund as per rules.
- ii) Gratuity not exceeding half month's salary for each completed year of service as per law.
- iii) Privilege Leave on full pay and allowances as per Company's rules, not more than one month's leave for every eleven months' service. He shall be entitled to encash unavailed leave at the end of his tenure.

In the event of loss or inadequacy of the profits in any year, Shri Omprakash Agarwal shall be entitled to remuneration by way of salary and perquisites mentioned above as minimum remuneration subject to the condition that it shall not exceed the limits prescribed in Schedule XIII of the Companies Act, 1956.

No sitting fees will be payable to the Executive Director for any meeting of the Board of Directors or any Committee thereof.

Shri Omprakash Agarwal is concerned or interested in the resolution. None of the other Directors is concerned or interested in the resolution.

The Board recommends the passing of the resolution.

The above explanatory statement may be treated as an abstract of material terms and conditions of the contract with the Executive Director and memorandum of interest of the Companies Act, 1956.

By Order of the Board
For PRADEEP METALS LTD

Mumbai
July 30, 2001

V. P. GOYAL
CHAIRMAN

18th ANNUAL REPORT 2001**DIRECTORS' REPORT**

To

The Shareholders :

Your Directors present the 18th Annual Report together with the audited accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS:

	Rs.	Rs.
Loss before interest, depreciation and tax		18,791,693
Add :		
a) Interest	57,207,027	
b) Depreciation	10,786,878	
c) Preliminary expenses written off	788,113	
d) Deferred Revenue expenses written off	587,913	69,369,931
Loss		(88,161,894)
Loss brought forward		(95,022,697)
Balance carried forward		(183,184,591)

DIVIDEND

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

BUSINESS ACTIVITIES

The general recession continued during the year under review. Industrial growth declined from 6.7% in 1999-2000 to 4.9% in 2000-01 with the automobile industry being affected the most with a 2% decline in production. Further, the fall in agricultural production has resulted in a steep fall in the demand for tractors and commercial vehicles which has adversely affected the domestic demand for forgings produced by your Company.

Production of medium and heavy commercial vehicles has fallen by about 22% from 1,12,000 vehicles in 1999-2000 to 88,000 vehicles in 2000-01. Similarly, tractor production also declined by 8.7% from 2,66,000 tractors in 1999-2000 to 2,53,000 tractors in 2000-01. The selling prices of automobiles and spare parts were also under pressure during the year leading to lower offtake of forgings at reduced prices.

The Company has incurred loss mainly due to higher cost of raw material, depressed selling prices, provision of interest on Term Loan and Funded Interest Term Loan from Industrial Development Bank of India (including Rs. 1.63 crores for the year 1999-2000 which was not provided last year), non cooperation by the workmen at the Rabale plant and payment to the employees of the Dombivli plant on termination of services consequent to its' closure.

During the year, there was a change in the employees' Union at the Rabale plant which repeatedly indulged in go-slow and non cooperation tactics to pressurize the management to break the legally-binding and valid productivity linked agreement. This caused loss of production, lower efficiency and productivity and higher wastages and rejections leading to increased losses.

In view of the huge loss incurred by the Company, the accumulated losses as at 31st March, 2001 exceed the net worth as on that date which has resulted in the total erosion of the net worth of the Company. Therefore, the Company has become a Sick Industrial Company within the meaning of Section 3(i)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and pursuant to the proviso to Section 15(1) of the SICA, a reference will be made to the Board for Industrial and Financial Reconstruction.

Due to the prevailing recessionary conditions in the market, it is no longer viable to commission the project to manufacture Ring Rolled forgings.

EXPORTS

During the year, the exports of the Company have increased from Rs. 4.30 crores in the previous year to Rs. 5.34 crores due to the focused efforts to penetrate the U.S. market. The thrust on increasing exports is continuing during the year.

QUALITY SYSTEMS

Your Company has initiated steps to set up QS 9000 approved quality system. The Company is also in the process of implementing Enterprise Resource Planning (ERP) system for effective management control and production planning. The system is under trials and will be operational by December 2001.

ISSUE OF PREFERENCE SHARES TO ICICI LTD.

During the year, the Company issued 19,800 10% Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100 each aggregating Rs. 19,80,000 to ICICI Ltd. as a part of One Time Settlement.

FUTURE OUTLOOK

The current year scenario is not encouraging and recessionary conditions are expected to continue with further fall in automobile production. In order to offset the lower domestic demand and to get better value and volume production, your Company is aggressively marketing its products in the international markets. The Company is confident that the export thrust coupled with the targeted cost savings and efficiency improvement will help your Company to reduce the losses during the current year.

DIRECTORS

During the year, Shri K.K. Nohria and Shri Piyush Goyal, Directors of the Company, resigned from the Board. The Directors place on record their sincere appreciation of the services offered and the very useful contributions made by Shri K.K. Nohria and Shri Piyush Goyal during their association with the Company.

Shri Omprakash Agarwal has been appointed on the Board with effect from 10th May, 2001, as an additional Director to hold office till the ensuing Annual General Meeting. A notice proposing appointment of Shri Omprakash Agarwal as Director has been received. The matter is included in the Notice for the ensuing Annual General Meeting.

PRADEEP METALS LIMITED

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Pradeep Goyal and Shri R.D. Shroff, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment.

The Audit Committee of the Directors was formed by the Board consisting of four Directors including two independent Directors. The Committee has the authority to study any matter relating to finance and accounts, Auditors' Report, performance statements, etc. The Audit Committee will regularly interact with the Accounts Department to review audit plans, observations and implementation of corrective actions.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- i) That in the preparation of the accounts for the financial year ended 31st March, 2001, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 loss of the Company for the year under review.
- iii) 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.

- iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2001 on a 'going concern' basis.

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

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

Observations made in the Auditors' Report are to be read with the Notes to Accounts and, therefore, do not require any further comments under section 217(3) of the Companies Act, 1956.

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.

For and on behalf of the Board of Directors

Mumbai
July 16, 2001

V. P. Goyal
Chairman

ANNEXURE**A. CONSERVATION OF ENERGY**

The power and fuel consumption is regularly monitored. Temperature Controllers and recorders have been provided on furnaces for energy efficiency. Wastages are controlled.

The power factor and Maximum Demand is controlled.

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

	31/03/2001	31/03/2000
1. Electricity		
a) Purchased :		
Units (Nos)	2,294,521	3,743,734
Total amount (Rs.)	13,502,143	16,674,374
Average rate/unit (Rs.)	4.62	4.45

b) Own generation

Diesel generated		
Units (Nos)	Nil	Nil
Units per liter of diesel oil	N.A.	N.A.
Cost per unit	N.A.	N.A.

2. Furnace Oil

Quantity (K. ltrs)	862	1,346
Total amount (Rs.)	11,089,167	12,778,996
Average rate (Rs.)	12.86	9.49

3. Light Diesel Oil

Quantity (K. ltrs)	156	221
Total amount (Rs.)	2,373,868	2,414,345
Average rate (Rs.)	15.20	10.92

18th ANNUAL REPORT 2001**B. Consumption per unit Production**

Product :	Steel forgings (machined & unmachined)	
Quantity (MT)	4,039	5,562
Electricity Units/MT	724	673
Furnace Oil ltrs/MT	213	242
Light Diesel Oil ltrs/MT	39	40

B. TECHNOLOGY ABSORPTION

1. Research & Development
 - a) The Company is improving the die designs to optimize steel consumption.
 - b) The Company is continuously working on improvements in heat treatment of steel forgings.
2. Benefits derived :

Improvement in quality.

3. Future plan of action.

The Company plans to install induction heating furnace to reduce material consumption and improve the quality of products.

4. Expenditure on Research & Development

Since the Research & Development work is carried out in-house, the expenditure is not separately accounted for and the same 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 :

Total foreign exchange used and earned

Used : Rs. 1,539,986

Earned : Rs. 53,393,930

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