



19th
ANNUAL
REPORT
2002

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**PRADEEP METALS LIMITED**

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**BOARD OF DIRECTORS**

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**Pradeep Goyal**

*Chairman & Managing Director*

**O. P. Agarwal**

*Executive Director*

**R. D. Shroff**

**R. K. Agarwal**

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**BANKERS**

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Union Bank of India

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**AUDITORS**

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S. R. Rage & Co.

Chartered Accountants

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**REGISTERED OFFICE**

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R-205, TTC Indl. Area, MIDC

Rabale, Navi Mumbai 400 701

Maharashtra

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**WORKS**

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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

**PRADEEP METALS LIMITED****NOTICE**

NOTICE IS HEREBY GIVEN THAT THE NINETEENTH 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, 13<sup>th</sup> September, 2002, 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 31<sup>st</sup> March, 2002 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri O.P. Agarwal who retires by rotation, but being eligible, offers himself for re-appointment.
3. 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 2002 -2003 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 plus out of pocket expenses at actuals and service tax, if applicable

**Special Business :**

4. To appoint a Director in place of Shri Rakesh Kumar 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 re-appointment.

By Order of the Board  
For PRADEEP METALS LTD

PRADEEP GOYAL  
CHAIRMAN & MANAGING DIRECTOR

Mumbai  
July 31, 2002

**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 3 & 4 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 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.

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### **Explanatory Statement Under Section 173(2) of the Companies Act, 1956 forming part of the Notice dated July 31, 2002**

#### **Item No. 3**

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; 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. 4**

Shri Rakesh Kumar Agarwal was appointed as an additional Director of the Company on 31<sup>st</sup> October, 2001 by the Board of Directors. Shri Rakesh Kumar Agarwal is a qualified Engineer with over 10 years experience in import-export business.

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.

By Order of the Board  
For PRADEEP METALS LTD

PRADEEP GOYAL  
CHAIRMAN & MANAGING DIRECTOR

Mumbai  
July 31, 2002

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**PRADEEP METALS LIMITED****DIRECTORS' REPORT**

To  
The Shareholders:

Your Directors present the 19th Annual Report together with the audited accounts for the year ended 31st March, 2002.

**FINANCIAL RESULTS:**

	Rs.	Rs.
Loss before interest, depreciation and tax		3,04,33,909
Add:		
a) Interest	1,65,29,837	
b) Depreciation	1,03,58,117	
c) Preliminary expenses written off	7,88,113	
Loss		5,81,09,976
Loss brought forward		18,31,84,591
Balance Loss carried forward		24,12,94,567

**DIVIDEND**

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

**BUSINESS ACTIVITIES**

The recession witnessed in earlier years continued to persist during the year with further decline in industrial growth and severe liquidity constraints in the manufacturing sector. Most of the businesses reported lower production and sales while agriculture and services sectors performed better.

Your Company's domestic sales also reduced by nearly 50% in view of the conscious effort to change the customer profile and accept only high value added components from customers who are regular in payment.

Negotiations with Industrial Development Bank of India (IDBI) and the two cooperative banks for settlement of their dues by paying off the principal term loans within 3 years are at an advanced stage. They have responded favourably to the Company's proposals in this regard and the same is expected to be finalized shortly. Union Bank of India has converted most of the credit facilities into Foreign Currency Loans which are attracting lower rate of interest and enjoy natural hedge from exchange rate fluctuations in view of the Company's exports.

The restructuring of loans will reduce the debt

servicing burden and coupled with the ongoing initiatives for cost reduction and better realization from higher value added products, the Company is expected to turnaround and make operational profits during the current year.

Your Company has made a reference to the Board for Industrial and Financial Reconstruction (BIFR) pursuant to the proviso to Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) since the Company has become a sick industrial company within the meaning of Section 3(1)(o) of the SICA. The BIFR has not yet held any hearings in the case.

**EXPORTS**

During the year, the Company has exported goods worth Rs. 4.99 crores (previous year Rs. 5.34 crores). There has been a nominal decline in the value of exports due to depressed market conditions in USA after the terrorist attack on 11<sup>th</sup> September, 2001.

However, during the current year, the Company has focussed its marketing efforts on higher value added components for the overseas markets and hopes to double its exports to USA, UK and Germany based on the current order book position.

**QUALITY SYSTEMS**

Your Company continues to be certified as an ISO 9002 unit for the sixth year. It is also implementing Enterprise Resource Planning (ERP) system for effective management control and production planning. The system is being customized and will be operational by March 2003.

**FUTURE OUTLOOK**

The measures for cost reduction and debt restructuring have improved the viability of the Company significantly. The recessionary conditions have started abating and the manufacturing sector has reported higher demand and sales during the first quarter of the current year. Your Company is confident that in view of the higher value-added products being supplied to the international market and the general revival of demand, the Company will be able to breakeven without any operational losses during the current year.

**DIRECTORS**

During the year, Shri Vedprakash Goyal, Founder Chairman of the Company resigned from the Board. The Directors place on record their sincere appreciation of his services and the active role played by Shri

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Goyal in the development of the Company during his long association since inception of the Company.

Shri Madan Gopal Damani, Director of the Company passed away during the year. The sad and sudden demise of Shri Damani has left a void which is difficult to fill. The Directors place on record their sincere appreciation of the tremendous contribution made by Shri Damani during his association with the Company.

Shri Rakesh Kumar Agarwal has been appointed on the Board as an additional director with effect from 31<sup>st</sup> October, 2001 to hold office till the ensuing Annual General Meeting. A notice proposing appointment of Shri Rakesh Kumar Agarwal as Director has been received. The matter is included in the Notice for the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Omprakash Agarwal, Director of the Company, retires by rotation and being eligible offers himself for re-appointment.

The Audit Committee has been reconstituted and now consists of three Directors including two independent Directors. It has the authority to study any matter relating to finance and accounts, Auditors' Report, performance statements, etc. It met three times during the year and has regularly interacted with the Accounts Department to review audit plans and observations. It also oversees the 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 31<sup>st</sup> March, 2002, 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 judgments 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 31<sup>st</sup> March, 2002 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 re-appointment, 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, 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

Mumbai Pradeep Goyal  
June 28, 2002 Chairman and Managing Director

**PRADEEP METALS LIMITED****ANNEXURE****A. CONSERVATION OF ENERGY**

The power and fuel consumption is regularly checked. Temperature Controllers and recorders have been provided on furnaces for better performance.

New tube-lights are being installed which will reduce power consumption.

The power factor is at its peak and Maximum Demand has been reduced by staggering use of production equipment to reduce costs.

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

	31/03/2002	31/03/2001
1. Electricity		
a) Purchased :		
(unit (Nos))	12,62,232	29,22,521
Total amount (Rs)	74,24,258	1,35,02,143
Average rate/unit (Rs)	5.88	4.62
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)	280	862
Total amount (Rs)	29,64,309	1,10,89,167
Average rate (Rs)	10.59	12.86
3. Light Diesel Oil (LDO)		
Quantity (K.ltrs)	215	156
Total amount (Rs)	33,42,728	23,73,868
Average rate (Rs)	15.55	15.20

**B. Consumption per unit Production**

Product :	Steel forgings (machined & unmachined)	
Quantity (MT)	1,747	4,039
Electricity Units/MT	722	724
Furnace Oil ltrs./MT	160	213
LDO ltrs/MT	123	39

**B. TECHNOLOGY ABSORPTION****1. Research & Development**

- The Company is constantly reviewing the design of toolings to reduce raw material wastages.
- The Company is improving the heat treatment cycles to reduce LDO consumption.

**2. Benefits derived:**

Improvement in productivity, quality and cost effectiveness.

**3. Future plan of action**

The Company has invited offers for induction heating furnaces to reduce material consumption and improve quality. Further, modern die sinking equipment is proposed to be installed.

**4. Expenditure on Research & Development**

Since the Research & Development Expenditure 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 improvements in the manufacturing process and focus on development of intricate precision forgings for export.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Total foreign exchange used and earned.

Used	: Rs.	14,89,249
Earned	: Rs.	4,98,90,373