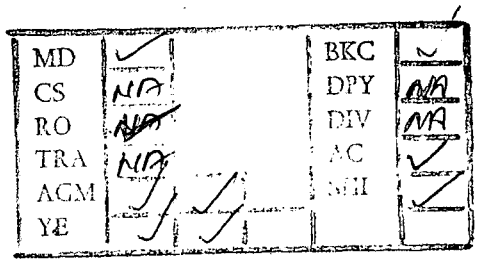
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Gujarat Setco Clutch Limited

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15th Annual Report

1997-98

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Board of Directors	Shri K.V.Bhanujan, IAS, Chairman Shri K.B.Sheth, Vice Chairman Shri Vishnu Varshney Shri H.T.Chauhan Shri Suresh M.Mehta Shri Bhupinder Singh, Special Director (BIFR) Shri S. N. Amin, Bank's Nominee Shri Harish Sheth, Managing Director
Auditors	C.C.Chokshi & Co. Chartered Accountants Baroda
Bankers	Bank of Baroda Kalol(Panchmahals)
Registered Office & Factory	Baroda-Godhra Highway Kalol 389 330 District Panchmahals, Gujarat.
Mumbai Office	54-A, Tardeo Road Near Film Centre Mumbai-400 034.

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Notice of Annual General Meeting

NOTICE is hereby given that the **15th Annual General Meeting** of the Members of **Gujarat Setco Clutch Limited** will be held on Monday, the 30th November, 1998, at 3:30 P.M. at the Registered Office of the Company at Baroda-Godhra highway, Kalol 389 330. Dist. Panchmachals, Gujarat to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March,1998 and the Profit & Loss Account of the Company for the year ending on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri K.B.Sheth who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Vishnu Varshney who retires by rotation and being eligible offers himself for reappointment.
4. To reappoint Auditors of the Company to hold office till the conclusion of the next Annua General Meeting and, if thought fit, to pass with or without modification, the following resolutior as a SPECIAL RESOLUTION.

- "RESOLVED THAT M/s C. C. Chokshi & Co. Chartered Accountants, Baroda retiring auditors be and are hereby reappointed as Auditors to the Company, to hold office till conclusion of th next Annual General Meeting on such remuneration as may be fixed by the Board of Directors'

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By the Order of the Board of Directors
for **Gujarat Setco Clutch Limited**

Place : Ahmedabad
Date : 29th September 1998

Harish Sheth
Managing Director

Notes :

(i) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respe of item No. 4 set out above, is annexed hereto.

(ii) A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED T APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PRO) NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING PROXY SHOULD E DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FOR EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

(iii) The Register of Members and Share Transfer book of the Company will remain closed fr Monday, the 16th November, 1998 to Monday, 30th November, 1998 (both days inclusive)

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Annexure to the Notice

EXPLANATORY STATEMENT pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 4 :

As more than 25% of the subscribed share Capital of the Company is jointly held by the Government Company, Public Financial Institution, Nationalised Bank, a Special Resolution, as set out in item No. 4 is required for re-appointing the auditors of the Company under Section 224-A of the Companies Act, 1956.

None of the Directors is interested in the said Resolution.

By the Order of the Board of Directors
for Gujarat Setco Clutch Limited

Place : Ahmedabad
Date : 29th September 1998

Harish Sheth
Managing Director.

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DIRECTORS REPORT

Your Directors present this 15th Annual Report with Audited Statement of Accounts of your Company for the year ending 31st March,1998.

1. Financial Results :

The Financial results of the period under report are :

(Rs. in lacs)

		31-3-1998	31-3-1997
a)	Sales	730.67	1304.11
b)	Operating Profit / (Loss) for the year (PBIDT)	(77.04)	53.32
c)	Less : Interest	206.41	234.08
d)	Loss (Before depreciation)	(283.45)	(180.76)
e)	Depreciation	34.30	33.81
f)	Loss for the year	(317.75)	(214.57)

2. OPERATION :

Your Company had during 1996-1997 achieved encouraging accleration in turnover and consequently in operating profit. However, the period under report, 1997-1998 has witnessed a general economic recession, down trend in overall market demands and particularly in Automobile industry. This has cast a definite shadow on Company's operation, which is down by 44 % as is evident from the accounts presented. Your Directors are concerned about the decelerated operational performance. Though past months of the year have not seen much noticeable change, it is general expectation that the industry will show improved working in later part of the year. Your Company is fully poised to take advantage of the turnaround in the industry and show improved results. The Company has continued its efforts for reducing costs in various operational areas which has helped to mitigate the effects to an extent. Company will continue to strengthen the action taken in this direction for persuing better results. As reported, real concern for your Company is about the impact of interest incidence.

3. Finance :

The performance in the financial year 1997-1998 for working in the scenario as detailed, has been operational loss. The action to reduce / keep in control the costs has helped controlloing the operational results. In the circumstances, liquidity pressure and constrains have continued. The Company expects improvement in overall market which along with implementation of the modification proposal on its approval by BIFR and concerned agencies will help improving overall working, comparatively easing liquidity pressure.

Your Company is a Sick Industrial Undertaking in terms of Section 3(1)(0) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA,1985). As reported earlier, the Rehabilitation Scheme, as approved by the Board for Industrial and Financial Reconstruction

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(BIFR) needs review / modification. As directed by BIFR, the Company has submitted to BIFR and concerned agencies a revised modified programme within the overall framework of the approved Scheme, for necessary concurrence of the concerned agencies and BIFR. The said modification proposal is under active consideration of the Operative Agency and the other connected agencies. The Company is optimistic to receive due support from all concerned agencies to the Scheme so as to ensure speedy implementation of the revival and rehabilitation and in turn achieve projected performance as a viable unit.

4. Prospects :

Longterm outlook for auto industry having direct leverage to economic developments in general and infrastructure industry in particular, is growth oriented. The present depressed market condition in the industry is relatively taken as short term phenomenon. As naturally expected, the authorities are taking concentrated action for turnaround of the economy which will have its own desired effects giving push to the market for your Company. Your Company has received encouraging export orders during the period under review with satisfactory performance. With expected overall economic growth for which the Government is taking allround steps for kick start of the economy and the infrastructure development, addition to production capacity, overcoming operational constraints, cost control measures and export orders received, your Directors are sanguine about the improved / accelerated rate of production and sales .

5. Fixed Deposits / Debentures :

During the period under review, your Company has not accepted any fresh deposits .As at the end of the financial year, fixed deposits with accrued interest aggregating to Rs.8,19,512 remained outstanding. Interest in arrears paid .Interest on debentures has remained outstanding/in arrear. The Modified proposal submitted to the BIFR contains provisions for repayment schedule on these accounts.

6. Directors :

S/Shri Vishnu Varshney and K B Sheth in accordance with Section 256 of the Companies Act,1956, retire by rotation and being eligible,offer themselves for reappointment. Considering the varied enriched experience of S/Shri Vishnu Varshney and K B Sheth in their respective fields and also their long association with the Company on the Board, your Board recommends their reappointment as Directors of the Company.

Shri A R Hatekar , Bank's Nominee Director, has resigned as Director of your Board w.e.f. 24-02-1998. Your Board takes on record the services provided by Shri Hatekar during the tenor of his office of Director.

Shri S N Amin is appointed as Bank's Nominee Director on Company's Board vice Shri A R Hatekar. The long enriched banking/financial experience of Shri S N Amin will be of great help to your Company particularly in the present days position.

7. Auditors :

The Statutory Auditors, Messrs C.C.Chokshi & Company, Chartered Accountants, Baroda, hold office till conclusion of this Annual General Meeting. It is proposed to reappoint Messrs C.C. Chokshi & Co.Chartered Accountants, as Company's Auditors. Your Directors recommend their reappointment as Auditors till next Annual General Meeting.

8. Comment on Auditors Remarks :

Notes contained in Schedules Nos. 5 & 17 of the Accounts and referred to in the Auditor's Report are self explanatory and do not need further explanations and may be treated as adequate compliance of Section 217(3) of the Companies Act, 1956.

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9. Particulars of Employees :

None of the employees were in receipt of remuneration during the year equal to or in excess of sum prescribed as per Section 217(2A) of the Companiesd Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended on 17-10-1994.

10. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Out-Go :

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is given in the annexure to the Report.

11. Industrial Relations :

During the period under review, Industrial Relations have remained cordial. Employees at all level have put their dedicated and concentrated efforts in discharging their duties.Your Directors place on record their appreciation for the efficient and dedicated work imparted by them.

12. Acknowledgement :

Your Directors place on record their deep sense of gratitude for the support and assistance received from the Government of Gujarat. Companys Bankers, Bank of Baroda, Financial Institutions viz. GIIC,GSFC and UTI. Our thanks are also due to OEMs, STUs, Companys Distributors, Dealers, and Mechanics for their co-operation and patronage.

The Directors also take on record their sincere thanks to the members of the Company, Debenture- holders and Fixed Deposit Holders for their confidence. The Directors are also grateful for the continued help and good wishes of our customers and patrons.

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For and on behalf of the
Board of Directors

Place : Ahmedabad
Date : 29th Septmber, 1998

K V Bhanujan
CHAIRMAN

ANNEXURE TO THE DIRECTORS REPORT :

Additional information given in terms of Notification 1029 of 31-12-1988 issued by the Department of Company Affairs.

DISCLOSURES

A. Conservation of Energy :

The overall impact of energy on cost of production is not significant,as ours being an automobile Engineering Industry,cost of energy is comparatively very low. However, general energy conservation measures are considered at different points in the factory and office to save energy, besides developing consciousness amongst personnel. This has a bearing on tota energy charge to be absorbed. No major investment is required.

B. Technology Absorption :

There is no foreign collaboration and the Company is working fully on indigenous technology

C. Foreign Exchange Earnings and Out-Go :

Information is contained in Note No.22 of the Annual Accounts.

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Auditors Report

To the Members of

Gujarat Setco Clutch Limited,

We have audited the attached Balance Sheet of Gujarat Setco Clutch Limited as at March 31, 1998 and the annexed Profit and Loss Account of the Company for the year ended on that date and report that :

1. 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 give in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph 1 above :
   - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit,
   - ii) 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 the books,
   - iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
3. We further report that :

(a) No provision has been made in the accounts in respect of :

- i) Extra shift depreciation for the year of Rs. 9,79,328 (cumulative Rs. 83,57,900) on Plant and Machinery as required under the Provisions of Schedule XIV to the Companies Act, 1956 (See Note 2 of Schedule 5);
- ii) Doubtful Debts of Rs.19,91,000 (See Note 11 of Schedule 17);
- iii) Loans and Advances Rs.1,49,000 (See Note 12 of Schedule 17)
- iv) Accrued gratuity liability of Rs. 11,65,232 (See Note 15 of Schedule 17);
- v) Commission and discount of Rs. 2,49,826 on Sales (See Note 17 of Schedule 17);
- vi) Sales Tax liability in respect of Sales and Purchases for a certain period estimated at Rs. 14.00 lacs (See Note 18 of Schedule 17).

(b) The Company is a sick unit and modified proposal to the Rehabilitation Scheme is yet to be approved by BIFR (See Note 8 of Schedule 17)

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, drawn following the concept of a going concern, read together with Significant Accounting Policies (Schedule 16) and other Notes thereon (Schedule 17) give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 1998, and
- ii) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

For C.C. Chokshi & Co.
Chartered Accountants

Place : Baroda
Date : 30th September,1998

H.B. Parikh
Partner

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