



Gujarat Setco Clutch Limited

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Annual Report

2002-2003



Board of Directors

Shri D. Rajagopalan
Shri G.R.Aloria , IAS
Shri A.C.Patel
Shri Pratap Merchant
Shri K.B.Patel
Shri Bhupinder Singh, Special Director (BIFR)
Shri M.L.Rathi, Bank's Nominee Director
Shri Harish Sheth , Managing Director

Auditors

C.C.Chokshi & Co.
Chartered Accountants
Baroda

Bankers

Bank of Baroda
Kalol – 389 330, (Panchmahals)

**Registered Office
& Factory**

Baroda – Godhra Highway ,
Kalol – 389 330
District Panchmahals, Gujarat

Mumbai Office

54-A, Tardeo Road
Nr. Film Center
Mumbai – 400 034.

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that 20th **Annual General Meeting** of the members of **Gujarat Setco Clutch Limited** will be held on Saturday, the 15th November 2003 at 3.00 pm at the Registered Office of the Company at Baroda - Godhara Highway, Kalol 389 330, District Panchmahals, Gujarat to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Company's Audited Balance Sheet as at 31st March 2003 and the Profit and Loss Account for the year ending on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri G.R.Aloria, IAS who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri A.C.Patel who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Shri D.Rajagopalan, IAS as a Director who was co-opted as an additional Director by the Board of Directors on 16.06.2003 and hold office under Section 260 of the Companies Act 1956 until the date of ensuing Annual General Meeting of the Company and is eligible for reappointment and in respect of whom the Company has received a notice in writing from a member under the provision of Section 257 of the Companies Act 1956 proposing the candidature of Shri D. Rajagopalan for the office of a Director.
5. To appoint Auditors of the Company to hold office up to conclusion of the next Annual General Meeting and, if thought fit to pass with or without modification, the following resolution as **ORDINARY RESOLUTION**:

“ RESOLVED THAT Messrs. C C Chokshi & Co. Vadodara, Chartered Accountants, retiring auditors, be and are hereby reappointed as Auditors to the Company, to hold office till conclusion of the next Annual general Meeting on such remuneration as may be fixed by the Board of Directors. “

By the Order of the Board of Directors,
For Gujarat Setco Clutch Limited,

Place: KALOL (PMS)
Date: 30.09.2003

Harish Sheth
Managing Director

**NOTES:**

- 1 The explanatory statement pursuant to Section 173 (2) of the companies Act 1956, in respect of item No. 4 is annexed hereto.
- 2 A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER. AN INSTRUMENT APPOINTING PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 3 The Register of Members and Share Transfer Book of the Company will remain closed from Saturday, the 1st November 2003 to Saturday , 15th, November 2003 (both days inclusive).

Annexure to the Notice

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

Item No. 4

Shri D.Rajagopalan, IAS was co-opted as an additional Director of the Company with effect from 16.06.2003. Pursuant to Section 260 of the Companies Act 1956, Shri D. Rajagopalan, IAS holds office of the Director up to the date of ensuing Annual General Meeting. The Company has received a notice from a member proposing the candidature of Shri D. Rajagopalan, IAS for the office of Director under the provision of Section 257 of the Companies Act 1956. Your Director consider it desirable and in interest of the Company to avail the services of Shri D. Rajagopalan, IAS as Director and accordingly recommend reappointment of Shri D. Rajagopalan, IAS as Director on your Company's Board as per item No. 4 of the Notice.

Shri D Rajagopalan, IAS jointly Shri G.R.Aloria, IAS and Shri A C Patel representing GIIC on the Company's Board are interested in the agenda item 4 to the extent they together represent GIIC. No other directors of the Company is interested in the resolution at item No.4.

As required per Listing Agreement, particulars of the Directors proposed to be appointed / re-appointed are as under :

Name	Age	Qualification Experience
Shri D. Rajagopalan IAS	54	Shri D. Rajagopalan, M.Sc.(Physics), IAS is senior IAS officer of 1974 cadre, of the Government of Gujarat and presently Principal Secretary, Industries and Mines. He has to his credit of three decade's experience of administrative service holding various positions in the Government. He has been Government Nominee directors on various companies and Chairman / members of various Committees on behalf of the Government.
Shri G. R. Aloria, IAS	47	Shri Aloria is senior IAS officer of 1981 batch of the Government of Gujarat and presently Municipal Commissioner, Surat Municipal Corporation, Surat. He has to his credit over two decades experience of administrative service holding various positions in the Government.
Shri A. C. Patel	59	Shri A.C.Patel B.Sc. (Chem.), BE (Metallurgy), is Deputy General Manager, Gujarat Industrial Investment Corporation . He has to his credit of about – 33- years experience with GMDC / GIIC . He has attended / participated in various Committees on behalf of GIIC and has acted as GIIC nominee Director on Board of various Companies.

By the Order of the Board of Directors,
For Gujarat Setco Clutch Limited,

Place: KALOL (PMS)
Date: 30.09.2003

Harish Sheth
Managing Director



DIRECTORS REPORT

Your directors have pleasure in placing before you this 20th Annual Report of your Company along with Audited Statement of Accounts for the year ending 31st March 2003.

01 FINANCIAL RESULTS :

You will be pleased to read from the following abridged performance data for the year 2002.2003 that your Company has posted commendable working results during the period under report. The turnover has increased by 75 % at Rs 44.28 Crs over the previous year level. The net profit has doubled at Rs 2.49 Crs from that of Rs 1.18 Crs in the past year.

	(Rs Crs)	
	31.03.2003	31.03.2002
i Turnover	44.28	25.31
ii Operating Profit for the Year (PBIDT)	5.49	3.82
iii Profit Before Depreciation	2.82	1.45
iv Net Profit for the Year	2.49	1.18

02 DIVIDEND :

In view of the carry over losses and with a view to conserve the resources, your directors do not consider any dividend for the year.

03 OPERATION & FINANCE :

The action initiated by the Company from 2000.2001 for switching over to the production of clutches under foreign technical collaboration suitable for engines meeting global standards has yielded the desired results. The production and market for these new products have stabilized. This is evidenced from the performance results of the last two years. The per unit sales realization has increased. The cost control measures and ongoing vigil for improving process engineering and operating systems have helped us in posting the impressive results. The export has increased by 78 % compared to 38 % export growth registered by auto component industry during the year.

Your Company is Sick Industrial Undertaking in terms of Section 3 (1) (0) of Sick Industrial Companies (Special Provisions) Act, 1985, (SICA, 1985). The Modified Scheme approved by the Board for Industrial and Financial Reconstruction (BIFR) is in operation. The Company is meeting its commitments as per the Scheme provision.

04 MANAGEMENT DISCUSSION AND ANALYSIS

The Government policy plan of infrastructure development, golden quadrilateral of national trunk roads and judiciary ban on commercial vehicles of over 15 years' age are together expected to spur growth in the industry. The Commercial Vehicles majors are looking forward for compounded growth rate of 10 – 15 % for the next few years. Indian Auto Component industry is becoming crucial cog in out sourcing by the international auto majors in their hunt for quality component on cost effectiveness. With global majors courting auto ancillary producers, business opportunity for Indian Companies in export segment is emerging fast.



Your Company has, as it may be noticed from the business data for last two years, gained due share of the market growth. The year 2002.2003 remained the first full year of our operation in heavy and medium commercial vehicle segment. The Company is now in process of augmenting its customer base and market area. As stated in the previous year report, the export will continue to be our thrust area to reap the benefit of the global sourcing in components and also by entering the market with the main product.

The continuous action on cost control and improving process engineering and operating systems has helped to achieve the desired goal. The margins have remained under pressure with effect of steep increase in euro / exchange rates and steel price. The Company has taken covering actions during the year so far to hedge the adverse effect sustained in these areas. The measures initiated are expected to give results in the current year.

Your Directors are consciously taking all the possible steps to improve overall operation, cost reduction and control, improving efficiency of capital and men power employed in our business and thereby delivering the better results. We are aware that Companies making components based on technology, cost competitiveness, quality and scalability are the best placed to gain from the global sourcing theme. Your Directors assure you that all actions are being taken to march in that direction.

05 FIXED DEPOSITS / DEBENTURES :

During the year under review, your Company repaid the fixed deposits fully and had not accepted any fresh deposit. Redemption of the debentures is being met as per the rehabilitation scheme.

06 DIRECTORS :

Shri L Mansingh, IAS, has resigned from the post of director w.e.f. 20.02.2002. Your Company has received valuable services from Shri Mansingh during the tenor of his office with the Company. Your Directors put on record their appreciation for the services rendered by Shri Mansingh during his office of the Director.

Shri D Rajagopalan, IAS, was co-opted as an additional Director of the Company with effect from 16.06.2003 vice Shri L Mansingh, IAS. Pursuant to Section 260 of the Companies Act 1956, Shri D Rajagopalan, IAS, holds office of the director up to the date of this Annual General Meeting. Considering the varied and enriched experience of Shri D Rajagopalan, IAS, your Directors recommend reappointment of Shri D Rajagopalan as Director on the Company's Board.

Shri G R Aloria, IAS, and Shri A C Patel in accordance with Section 256 of the Companies Act, 1956, retire by rotation and being eligible, offer themselves for reappointment.

07 AUDITORS :

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

08 COMMENTS ON AUDITORS REMARKS :

Notes contained in Schedules 5, 18 and 19 of the Accounts together with Directors Responsibility Statement hereafter are self explanatory as to the comments made by the Auditors in their Report.



and do not need further explanations. The policy for deferment of product development / export development expenditure is now revised so as to amortize these expenditures in reasonable period in accordance with the Accounting Standards on Intangible Assets issued by the Institute of Chartered Accountants of India. This may be treated as adequate compliance of Section 217 (3) of the Companies Act, 1956.

09 DIRECTORS RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company would like to state that :

- i) In preparation of the annual accounts, the applicable accounting standards have been followed save the following exceptions which are consistently followed by the Company as stated in the Significant Accounting Policies and Notes to the Accounts (Schedule 18 & 19):
 - (a) Accounting Standard -1- provides for accounting selling expenses on accrual basis, whereas the Company provides certain selling expenses like Warranty, Commission and Discount on Sales, Insurance Claims on cash basis. Royalty is provided for the calendar year as per the agreement. (refer Notes 10, 11 and 13 of Schedule 18 and Notes 9 and 10 of Schedule 19);
 - (b) Accounting Standard -2- provides for exclusion of cenvat element in inventories and exclusion of administrative / financial overheads in valuation of Work-in-Progress and Finished Goods; whereas the Company includes above stated elements in valuation of inventories. (refer Note 5 of Schedule 18);
 - (c) Accounting Standard -15- provides for accounting gratuity and leave encashment on accrual basis, whereas the Company accounts the same on cash basis (See Note 13 of Schedule 18).
- ii) That selected accounting policies were applied consistently and the Directors made judgment and estimates that are 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 profit or loss of the Company for the period;
- iii) That proper and sufficient care has 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 preventing and detecting fraud and other irregularities;
- iv) That annual account has been prepared on a going concern basis.

10 CORPORATE GOVERNANCE :

Provisions relating to the Corporate Governance pursuant to Clause 49 of the Listing Agreement with Stock Exchange are applicable to your Company form FY 2003.2004. However, Gujarat Setco Clutch Limited (GSCL) is committed to observe the best practices in the area of corporate governance. In keeping with the core belief, your directors have implemented the measures as required in this area from the year under report. Accordingly the Management Discussion and Analysis and Corporate Governance Report are incorporated / annexed to this report.

**11 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 Companies Act, 1956 read together with the Companies (Particulars of Employees) Rules, 1975 as amended.

12 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 (Disclosures of particulars in the Report of Board of Directors) Rules, 1988 is detailed below :

A Conservation of Energy :

Ours being automobile engineering industry, cost of energy being comparatively very low, overall impact of energy on cost of production is not significant. However general energy conservation measures are considered and implemented at different points in the factory and office and the same are reviewed from time to time to save energy, besides developing consciousness amongst the personnel. This has bearing on total energy charge to be absorbed. No major investment is considered necessary.

B Technology Absorption :

Company has been producing clutches for heavy / medium / light commercial vehicles under Foreign Technology Collaboration. Almost all components are indigenized so as to reduce dependence on import element. However as per the collaborators specifications and also with a view to have the benefit of better global quality and international price competitiveness, few components will continue to be imported.

C Foreign Exchange Earnings and Out-Go :

Details are as per Notes 17 and 18 (II-c) of Schedule 19 of the Annual Accounts.

13 INDUSTRIAL RELATION :

The industrial relations through out the year has remained very cordial. The dedicated hard teamwork with due diligence of the men-power at all the level is instrumental for your Company scaling new heights. Your Directors express their deep appreciation for the commitment and contribution of all the staff members.

14 ACKNOWLEDGEMENT:

Your Directors place on record their deep appreciation for the assistance received from the Government of Gujarat. The Directors takes on record their appreciation for the continued support of the Company's Bankers, Bank of Baroda and Financial Institutions who are associated with us. The continued patronage received from the customers, OEMs, STUs, Distributors, Dealers and Mechanics is greatly valued. The Directors also take on record their sincere thanks to the members of the Company, Debenture holders and Fixed Deposit Holders for their continuing confidence and look forward for their continued support.

For and on behalf of the
Board of Directors

Place : Vadodara
Date . 30.09.2003

Bhupinder Singh
Chairman.



REPORT ON CORPORATE GOVERNANCE

01.00 Company's philosophy on code of Corporate Governance:

Gujarat Setco Clutch Limited (GSCL) is committed to observe the best practices in the area of Corporate Governance It has been a core belief and practice with the Company to consider itself the custodian and trustee of all those associated with Company in different capacities like share holders, bankers, business associates, customers, employees and society. Your Company strives to achieve utmost customer satisfaction by delivering world class quality products with preservation of environment and through these meet stakeholders' aspirations.

Your Company is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and ethical values of its management and employees. In addition to compliance with the regulatory requirements, the Company endeavors to ensure that the highest standards of ethical conduct are met throughout the organization. And thus the fundamentals of real practice of Corporate Governances viz. transparency, full disclosure, independent monitoring and equal justice to all, are truly followed in each and every phase of business policies. GSCL has always endeavored and will continue to practice Corporate Governance and wealth creation through ethics, passion and perseverance. GSCL is committed to benchmarking itself with global standards in all areas including Corporate Governance.

Though the provisions of Corporate Governance is applicable to GSCL from the FY 2003.2004, the Company has in keeping with the principles of the Corporate Governance, has implemented the system as applicable from the year under Report.

02.00 Board of Directors:

The Company has Managing Director and Whole time Director as executive directors; all other directors are non-executive directors. The Chairman of the Company is non-executive director. The Non-Executive Directors bring wide ranging experience and independent judgment to the Board's deliberations and decision.

The Board meetings at regular intervals, in addition to review the operations of the company, formulate corporate policies and sets up goals. The Board has constituted following committees:

- i. Audit Committee
- ii. Share Holders / Investors Grievance Committee



The members of the Board of Directors of your Company during FY 2002.2003 are:

Name with category of Directors :						
Number of Board Meetings During FY 2002-2003		Whether AGM Held on 30-09-2002 Attended	Number of Domestic Public Companies where Associated			
Meetings Held During his Tenor	Meetings Attended		Board of Director		Number of Committeess of Board	
			As Chairman	As Director	As Chairman	As Director
Shri. L Mansingh, IAS as Non Executive / Independent Member till 20-2-2003#						
1	1	No				
Shri. Bhupinder Singh Independent / Non Executive BIFR Special Director #						
5	4	No	----	2	1	1
Shri g G. R. Aloria, I.A.S. Independent / Non Executive						
5	3	No	----	1	----	----
Shri. A. C. Patel, Dependent / Non Executive						
5	5	Yes	----	5	1	----
Shri. Pratap Merchant, Independent / Non Executive						
5	5	No	----	3	1	3
Shri. M. L. Rathi, Independent / Non Executive / Bank's Nominee						
5	5	No	----	1	----	1
Shri. K. B. Patel, Dependent / Executive						
5	5	Yes	----	1	----	----
Shri. Harish Sheth, Dependent / Executive / Promoter /Managing Director						
5	5	No	----	1	----	2

- # Shri. Bhupinder Singh acted as Chairman of the Board during 20.02.2002 till 16.06.2003 on appointment of Shri. D Rajagopalan, IAS as Chairman / Director of the Board vice Shri. L Mansingh.
- >> None of the Directors are related to any other Director.
- >> There are no pecuniary relationship or transactions of the non executive Directors vis-à-vis the Company.
- >> None of the Directors hold membership in more than 10 Committees or act as Chairman of more than 5 Committees across all companies in which he is a Director.