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GUJARAT SETCO CLUTCH LIMITED

Annual Report

1998 - 1999

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Board of Directors	Shri K.V.Bhanujan, IAS, Chairman Shri Vishnu Varshney Shri H.T.Chauhan Shri Suresh M. Mehta Shri Bhupinder Singh, Special Director (BIFR) Shri B. L. Naik , 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, Near Film Centre, Mumbai-400 034.

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Notice of Annual General Meeting

NOTICE is hereby given that the **17th Annual General Meeting** of the Members of **Gujarat Setco Clutch Limited** will be held on Friday, the 29th December, 2000 at 3.30 P.M. at the Registered Office of the Company at Baroda-Godhra Highway, Kalol 389 330, Dist. Panchmahals, 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, 2000 and the Profit and 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 Vishnu Varshney who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri H.T.Chauhan who retires by rotation and being eligible, offers himself for reappointment.
4. To reappoint 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 a SPECIAL RESOLUTION.

   " RESOLVED THAT Messrs. C. C. Chokshi & Company, 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 : Gandhinagar
Date : 24-11-2000

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 Friday, the 15th December, 2000 to Friday, the 29th December, 2000 (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 at item No. 4 for reappointment of auditors of the Company under Section 224-A of the Companies Act, 1956, is required.

None of the Directors are interested in the said Resolution.

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

Place : Gandhinagar
Date : 24-11-2000

Harish Sheth
Managing Director

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Directors Report

Your Directors are pleased to submit this 17th Annual Report with Audited Statements of Accounts of your Company for the year ending 31st March, 2000.

01. FINANCIAL RESULTS :

Working result for the year under report is :

(Rs. Lacs)

		31.03.2000	31.03.1999
i)	Turnover	1320.16	1221.31
ii)	Operating Profit / Loss for the Year (PBIDT)	63.73	52.17
iii)	Interest	133.46	197.20
iv)	Loss before Depreciation	(69.73)	(145.03)
v)	Depreciation	36.36	34.78
vi)	Loss for the Year	(106.09)	(179.81)

02. OPERATION :

During the year turnover has increased by 8% to Rs. 13.20 Crs. from that of Rs 12.21 Crs. in the previous year. The Operating Profit has improved at 5.78% of the sales at Rs 63.73 lacs from Rs 52.17 lacs at 5.11% in the previous year.

03. FINANCE :

The working results of the financial year has shown improvement as stated above. As advised in the previous report, your Company has continued it efforts for pursuing better, in the direction of consolidating and strengthening the operating plus achieved in cost control, product and segment mix, productivity gains and higher value additions. This has yielded the desired results as evidenced in improvement in the Operating Profit as stated. Other income is largely from the export incentives. The incidence of interest which has been the cause of concern, is addressed with relief in interest cost by the institutions as per the Scheme.

Your Company is Sick Industrial Undertaking in terms of Section 3 (1) (0) of Sick Industrial Companies (Special Provisions) Act, 1985, (SICA, 1985). The Modification proposal to the Rehabilitation Scheme as submitted by the Operating Agency is approved by the Board for Industrial and Financial Reconstruction (BIFR) during the year under review. The implementation of this modified Scheme sanctioned by the Hon. BIFR will help to meet the revised projections to attain revival of the Company as proposed. The modified Scheme incorporates measures amongst the others, to take care of the higher incidence of interest cost.

04. PROSPECTS :

Your Directors had advised in their previous report that understanding and servicing the needs of the customers, improving the manufacturing process for better efficiency and continuous quality improvement will be the focus points of action plan of your Company. In pursuance to this, your Company is entering into foreign collaboration to manufacture Heavy Duty clutches to cater the demands of the changing markets. Booking position in export as also execution of orders have remained very satisfactory. Your Directors are taking all the possible steps to improve overall operation with cost control and reduction, improving efficiency of capital and men power employed in our business and thereby delivering the better results.

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05. FIXED DEPOSITS / DEBENTURES :

During the year under review, your Company has not accepted any fresh deposits. As at the year end, fixed deposits with accured interest aggregating Rs. 8,56,498 has remained outstanding. Current interest due for the year has been paid as at date. Repayment of deposits and redemption of debenture alongwith accrued Interest will be met in phased manner as provided in the modified rehabilitation scheme approved by the BIFR.

06. DIRECTORS :

S/Shri Vishnu Varshney and H.T. Chauhan in accordance with Section 256 of the Companies Act, 1956, retire by rotation and being eligible, offer themselves for reappointment. Considering the varied and enriched experience of S/Shri Vishnu Varshney and H.T.Chauhan also their long association with the Company on its Board, your Directors recommend their reappointment as Directors of the Company.

Shri B L Naik has been appointed as Bank's Nominee Director on the Board w.e.f. 14.07.2000 vice Shri S N Amin.

Your directors deeply regrets to report sad demise of the founder Director, Shri K B Sheth on 23-08-2000. Shri K B Sheth till his last breath serviced the Company as Vice Chairman. Shri Sheth had been a visionary industrialist with unparallel acumen in business administration. Company will find it difficult to compensate the loss of assets like late Shri Kiritbhai Sheth. Your Directors place on record their sincere appreciation for the services extended by Shri K B Sheth during tenor of his office of the Director of your Company.

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 and 18 of the Accounts are self explanatory as to the comments made by the Auditors in their Report and do not need further explanations and may be treated as adequate compliance of Section 217 (3) of the Companies Act, 1956.

09. 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.

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

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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 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 :

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

C. Foreign Exchange Earnings and Out-Go :

Details are as per Note 23 of Schedule 18 of the Annual Accounts.

11. INDUSTRIAL RELATION :

During the year under review, industrial relations have remained very cordial. Company's human resources are recognized as an important off balance sheet asset. Company's mission is to convert every employee into knowledge worker and prepare them to handle the customers increasing quality expectations. Board would like to express its sincere thanks and appreciation to all the staff members for their dedication, teamwork and contribution to the Company.

12. ACKNOWLEDGEMENT :

Your Directors place on record their sense of gratitudes for the support and assistance received from the Government of Gujarat. The Board acknowledges with gratitude, the continued partnership and support of the Company's Bankers, Bank of Baroda and Financial Institutions. The Company has received continued support and patronage form its customers, OEMs, STUs, Distributors, Dealers and Mechanics for which the Board of Directors places on record their sincere appreciation. The Directors also take on record their sincere thanks to the members of the Company, Debenture holders and Fixed Deposit Holders for their continued confidence.

For and on behalf of the
Board of Directors.

Place : Gandhinagar
Date : 24-11-2000

K. V. Bhanujan
Chairman

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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 31st March, 2000 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 we report that :
   (a) 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;
   (b) 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;
   (c) The Balance Sheet and Profit and Loss Account dealt with in this report are in agreement with the books of account;
   (d) The Balance Sheet and Profit and Loss Account generally comply with the applicable Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956, except :
      i) For Accounting Standard-1, which provides for accounting on accrual basis, where as the Company has accounted Warranty Claims, Insurance Claims, Commission and Discount on Sales on cash basis (See Notes 13 and 16 of Schedule 17 and Note 18 of Schedule 18).
      ii) For Accounting Standard-2, which provides for exclusion of Excise Duty element in inventories other than finished goods and exclusion of unallocable portion of fixed administration overheads in the valuation of Work-in-Process and Finished goods, whereas the Company has included the above stated in the valuation of inventories (Refer Note 14 of Schedule 18).
      iii) For Accounting Standard-15, which provides for accounting of Gratuity and Leave Encashment on accrual basis, whereas the Company has accounted the same on cash basis (Refer Note 17 of Schedule 18).
3. We further report that :

   No provision has been made in the accounts in respect of :

   i) Extra shift depreciation for the year of Rs.10,37,430 (Cumulative Rs. 1,03,92,321) 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. 39,55,201 (See Note 12 of Schedule 18) ;
   iii) Doubtful Loans and Advances Rs.11,60,513 (See Note 13 of Schedule 18) ;

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