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Gujarat Setco Clutch Limited

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Annual Report

2001-2002

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Board of Directors	Shri L.Mansingh, IAS, Chairman 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, Near Film Centre, Mumbai-400 034.

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Notice of Annual General Meeting

NOTICE is hereby given that **19th Annual General Meeting** of the Members of Gujarat Setco Clutch Limited will be held on Monday, the 30th September 2002 at 3.00 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 Company's Audited Balance Sheet as at 31st March, 2002 and the Profit and Loss Account of the Company 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 Pratap Merchant who retires by rotation and being eligible, offers himself for reappointment.

3. To appoint Shri G.R.Aloria IAS as a Director who was co-opted as an additional Director by the Board of Directors on 20-4-2002 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 Aloria,IAS for the office of a Director.

4. To appoint Shri A.C.Patel as a Director who was co-opted as an additional Director by the Board of Directors on20.04.2002 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 reappintment 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 A.C.Patel 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 throught fit to pass with or without modification, the following resolution as 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."

Special Business

6. To consider and, if thought fit, to pass with or without modification, the following as an ORDINARY RESOLUTION:

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RESOLVED THAT the Authorised Share Capital of the Company be increased from Rs. 5,00,00,000 (Rupees Five Crores) divided into 50,00,000 (Fifty lacs) Equity Shares of Rs.10 each (RupeesTen each) to Rs.10,00,00,000 (RupeesTen Crores) divided into 1,00,00,000 (One Crore) of Rs.10 (Rupees Ten) each.

RESOLVED FURTHER THAT the existing clause V of the Memorandum of Association of the Company be amended with following new lines:

The Share Capital of the Company is Rs.10,00,00,000 (Rupees Ten Crores only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs 10 (Rupees Ten) each.

7. To consider and if thought fit, to pass with or without modification, the following as an SPECIAL RESOLUTION :

RESOLVED THAT the existing Artical -3- of the Articles of Association of the Company be amended with the new lines :

"The Authorised Share Capital of the Company shall be Rs.10,00,00,000 (Rupees Ten Crores only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs.10 (Rupees Ten) each."

8. To Consider and if thought fit, to pass with or without modification , the following as an SPECIAL RESOLUTION :

RESLOVED THAT pursuant to Section 81(1-A) and other applicable provisions, if any, of the Companies Act,1956 and subject to the approval of SEBI and such other approvals, permissions and sanctions as may be necessary, the Board of Directors of the Company be and is hereby authrised to issue Equity Shares for an amout not exceeding Rs.300 Lacs (Rs.Three Hundred Lacs) only by issue of Equity Shares of Rs.10 (Rupees Ten) each for cash at par to private co-promoter Setco Group / their nominees.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to accept such modification to the above proposal as may be suggested/ required by the Government of India, SEBI, Stock Exchange and other concered authorities/ financial Institutions / Bank.

By the order of the Board of Directors
For Gujarat Secto Clutch Limited

Place : KALOL(PMS)
Date : 30.08.2002

Haish Sheth
Managing Director

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Notes:

1. The explanatory statement pursuant to Section 173 (2) of the Companies Act 1956 ,in respect of items Nos.3 to 8 is annexed here to.
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 Monday, the 16th September 2002 to Monday ,30th September 2002 (both days inclusive).

Annexure to the Notice

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

Item No.3

Shri G.R.Aloria,IAS was co-opted as an additional Director of the Compnay with effect from 20- 04- 2002. Pursuant to Section 260 of the Companies Act 1956, Shri Aloria,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 Aloria,IAS for the office of Director under the provision of Section 257 of the Companies Act 1956. Shri Aloria, is senior IAS officer of the Government of Gujarat and presently Municipal Commissioner, Surat Munucipal Corporation, Surat. He has to his credit over two decades experience of administrative service holding various positions in the Governemnt. It is considered desirable that the Company continue to avail the services of Shri Aloria,IAS, and accordingly your Directors recommend the resolution at item No. 3 of the Notise for your approval.

Item No.4

Shri A.C.Patel was co-opted as an additional Director of the Company with effect from 20-04-2002.Pursuant to Section 260 of the Companies Act 1956,Shri A.C.Patel 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 Patel for the office of Director under the provision of Section 257 of the Companies Act 1956. Shri A.C.Patel B Sc.(Chem), BE (Metallurgy), Deputy General Manager, Gujarat Industrial Investment Corporation , a wholly owned Government of Gujarat Undertaking is with GIIC for last 28 years.Shri Patel has attended / participated in various committees on behalf of GIIC and is GIIC nominee Director on Boards of various Companies. His long stretched career-experience with financial institution being in the interest of the Company,it is desirable that the Company continue to avail the services of Shri Patel.Your Directors therefore recommend the resolution at item No.4 of the Notice for your approval.

Shri L.Mansingh,IAS jointly with Shri Aloria, IAS and Shri A.C.Patel representing GIIC on the Company's Board are interested in the agenda items 3 & 4 to the extent they together represent GIIC.No other directors of the Company is interested in the resolutions as items No.3 &4.

Item No.5

As more than 25 % of the subscribed share capital of the Company is jointly held by the Govenment Company,Public Financial Institution, Nationalised Bank, a Special Resolution as set at item No.6 is required for reappointment of auditors of the Company under Section 224-A of the Companies Act,1956.None of the Directors is interested in the said Resolution.

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Item No.6

Company's Authorised Share Capital at present is Rs.5,00,00,000 (Rupees Five Croses) divided into 50,00,000 (Fifty Lacs) Equity Shares of Rs.10 (Rupees Ten) each.To take care of induction of equity by the promoters in terms of the provisions of the BIFR Rehabilitation Scheme in operation and the future requirement, it is proposed to increase Authorised Share Capital of the Company.Your Directors, therefore, recommend for your approval , with or without modificatrions, the Resolution as set out at Item No.6.

Item No.7

Consequent upon increase in Authorised Share Capital as mentioned at Item No.6 above, the Article -3- of the Articles of Association of the Company needs to be amended, The Resolution at Item No.7 seeks approval to amend the Article -3- of the Articles of Association to give effect to the increase in Authorised Share Capital. Your Directors, therefore, recommend for your approval,with or without modification, the Resolution as set out at item No.7.

Item No.8

Resolution at Item No.8 relates to the Company according its consent to the Board of Directors to issue further equity for an amount not exceeding Rs.300 lacs for cash at par to private co-promoter Setco group and / or their nominees.Special Resolution is therefore placed for your approval as required under Section 81(1-A) and other applicable provisions of the Companies Act,1956.

Note for Resolutions at Items No. 6, 7 and 8:

The Directors of the Company may deemed to be interested in the Resolutions at Items No.6.7 and 8 to the extent their equity shareholdings in the Company.

S/Shri L.Mansingh, IAS, G.A.Aloria, IAS and A.C. Patel Directors of the Company representing GIIC on Board may be deemed to be interested in the Resolutions to the extent of equity shareholding presently held by GIIC.

S/Shri Harish Sheth, Pratap Merchant and K.B.Patel Directors of the Company representing Setco Group on Board may be deemed to be interested in the Resolutions to the extent of equity shareholding presently held by and that may be further alloted to Setco Group.

By the order of the Board of Directors,
For Gujarat Setco Clutch Limited.

Place : Vadodara
Date : 30.08.2002

Harish Sheth
Managing Director.

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DIRECTORS REPORT

Your Directors present this 19th Annual Report with Audited Statements of Accounts of your Company for the year ending 31st March, 2002.

01. FINANCIAL RESULTS :

You will be pleased to know that your Company has during the year 2001-2002 shown distinct and commendable performance. The turnover has impressively increased by 114 % at Rs.25.31 Crs from Rs.11.82 Crs attained in the previous year.This is reflected in Company turning around by posting net profit of Rs. 1.18 Crs against net loss Rs.1.99 Crs for the last year.

(Rs Lacs)

		31.03.2002	31.03.2001
i	Turnover	2531.13	1181.83
ii	Operating Profit /(Loss) for the Year(PBIDT)	382.23	39.67
iii	Finance Cost	236.90	201.29
iv	Profit/(Loss) before Depreciation	145.33	(161.62)
v	Depreciation	27.40	37.33
vi	Profit/(Loss) for the Year	117.93	(198.95)
V	Profit/(Loss) after Prior Period Adjustment (Carried to Balance Sheet)	117.93	(149.51)

02. OPERATION & FINANCE:

Your directorshad reported in their last Report that the Commercial Vehicle Industry was undergoing metamorphous changes towards meeting globle standards particularly in the area of euro emission norms and higher load carrying capacity for better economies. Your Compnay switched over to production of HCV clutches under Foreign Technical Collaboration in fag-end of the previous accounting year meeting the requirement in this changed market scenario and geared up fully in year under review resulting in improved results as stated above.The Company has also undertaken under the said arrangement development / production of other clutches during the last quarter of the year under Report. The increased per unit sales realisation, effective cost control and result oriented measures introduced in process engineering and operating systems, have helped us in keeping under control the cost in absolute terms despite doubling the turnover.

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 review of operation under the Scheme including revising repayment within the present Scheme period is on hand with the Operating Agency / BIFR. The Company has been in the meantime meeting its commitments as per the said suggested repayment schedule.

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03 PROSPECTS :

The year 2001-2002 was the first full year of production under foreign technical collaboration. The company has accomplished stabilization of the production process meeting the quality to international standards under technical collaboration in short period. The results are as was planned. The Company has initiated action for expansion of its domestic OEM market with the new products. An opportunity has now also emerged to enter the global market for the Company's finished products which will be in addition to the present component exports. This will help the Company broad basing the maket as well as give a better market stability. Thus expansion of domestic market and export of clutches and components will be Company's thrust area. Our focal point of action plan will encircle better understanding to service the needs of our customers,making manufacturing process more efficient and constant quality improvement.Company has strengthened the manufacturing capacity, quality testing and handling system to cope up the needs. Further investment is planned during the year to ramp-up the same to sufficiently meet the emerging market rquirements. The trend of improved working results is continuing in the current year.The order book position for domestic supply as well as export is satisfactory.

Geneal assessment is that the Commercial Vehical Segment in Auto Industry having direct relation to overall economic growth has comparatively better future. This will further get momentous with the Goverment policy plan of infrastructure development and quadrupling the major national highways. Your Directors are very much conscious in taking all the possible steps to improve overall operation, cost reduction and control, improving effciency of capital and men power employed in our business and thereby delivering the better results.

04. FIXED DEPOSITS / DEBENTURES :

During the year under review, your Company has not accepted any fresh deposits.As at date,the fixed deposits with accured interest aggregating Rs.1,60,274 remaining to be discharged at the year end has been met, Current interest due for the year is paid fully.No Claim for repayment of deposit has remained in arrear. Revising repayment schedule for deposits and redemption of debenture along with accured interest is being considered by the Operating Agency / BIFR. The Company has been in the meantive meeting the payment in this area as per the said schedule being considered for revision.

05. DIRECTORS :

Shri Pratap Merchant in accordance with Section 256 of the Companies Act,1956, retires by rotation and being eligible, offer himself for reappointment. Considering the varied and enriched experience of Shri Pratap Merchant, particularly in area of fininace and banking your Directors recommend his reappointment as Director of the Company.

Shri G.R.Aloria,IAS was co-opted as an additional Director of the Company with effect from 20.04.2002. Pursuant to Section 260 of the Companies Act 1956, Shri G.R.Aloria,IAS holds office of the Director up to the date of this Annual General Meeting. Your Directors recommend appointment of Shri G.R.Alorai, IAS as Director on the Company's Board.

Shri A.C.Patel was co-opted as an additional Director of the Company with effect from 20.04.2002. Pursuant to Section 260 of the Companies Act 1956, Shri A.C.Patel holds office of the Director up to the date of this Annual General Meeting. Your Directors recommend appointment of Shri A.C.Patel as Director on the Company's Board.

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Shri M. L. Rathi has been appointed as Bank's Nominee Director on the Board w.e.f.20.04.2002 vice Shri R.K.Garg.

Shri K .B. Patel has been appointed as Director on the Board w.e.f. 20.04.2002 for a period of -3- years effective from 01-04-2002.

06. *DIRECTORS RETIREMENT :*

During the year under report, Shri Vishnu Varshney, Shri H.T.Chauhan and Shri Suresh Mehta have resigned from the office of the Director of the Company w.e.f.20.04.2002.

Shri R.K.Garg has resigned as Bank's Nominee Director on the Board w.e.f.20.04.2002.

Your Directors put on record their appreciation for the services rendered by S/Shri Vishnu Varshney, H.T.Chauhan,Suresh Mehta and R.K.Garg during tenor of their office as Directors of the Company.

07. AUDITORS :

The Statutory Auditors, Messrs, C.C.Chokshi & Company, Chartered Accountants,Vadodara hold 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 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. This may be treated as adequate companliance of Section 217 (3) of the Companies Act,1956.

09. DIRECTORS RESPOSIBILITY STATEMENT

The Borad of Directors of the Company confirms 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 Significant Accounting Policies and Notes to the Accounts (Schedule 17 & 18);

(a) Accounting Standard-1- provides for accounting selling expenses on accrual basis, whereas the Company provides certain selling expenses like Warrantly, Commission and Discount on Sales, Insurance Claims on cash basis.(refer Note 12 of Schedule 17 and Note 16 of Schedule 18):

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(b) Accounting Standard -2- provides for exclusion of Excise Duty element in inventories other than Finished Goods and for exclusion of fixed 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 10 of Schedule 18):

(c) Accounting Standard-15-provides for accounting gratuity and leave encashment on accrual basis, whereas the Company acccounts the same on cash basis (See Note 14 of Schedule 18).

ii) That selected accounting policies were applied consistently and the Directors made judgments 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 assests 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 :

Company has initiated action to comply with the Corporate Governance as per the Companies Act, 1956 / SEBI which are applicable to your Company from current year.

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, over all 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.

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