



19<sup>TH</sup> ANNUAL REPORT  
**2003 – 2004**  
UBE INDUSTRIES LIMITED

## UBE INDUSTRIES LIMITED

Regd Office & Works: Nemarigomla Village  
Bibinagar Mandal, Nalgonda District  
Andhra Pradesh

### NOTICE OF THE 19<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of the members of UBE Industries Limited will be held on Thursday, 30 September, 2004 at 9.30 a.m. at the Registered Office and works of the Company at UBE Estates, Nemarigomla Village, Bibinagar Mandal, Nalgonda District, Andhra Pradesh to transact the following business:

#### ORDINARY BUSINESS:

1. To consider and adopt the Annual Accounts for the Financial year ended on 31.03.2004
2. To appoint a Director in the place Mr. S. Rahmatullah who retires by rotation as a Director at this Meeting and being eligible offers him self for reappointment.
3. To appoint a Director in the place of Mr. Chandramouli who retires by rotation as a Director at this meeting and being eligible offers him self for reappointment.
4. To appoint Auditors and fix their remuneration, M/s. C.V.S Balachandra Rao & Co, the statutory auditors retire at this meeting and are eligible for reappointment.

Place: Nemarigomla Village  
Date: 31 July 2004

S. Rajaneesh Chandra  
Joint. Managing Director

#### NOTES:

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

1. Proxy Form is enclosed which should be deposited at the Registered Office of the Company duly completed and signed not later than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer books of the Company will remain closed from Monday; the 27 September 2004 to Friday, the 1 October 2004 (both days inclusive)
3. The members are requested to notify the change in their address to the Company's Share Department quoting their registered folio nos.
4. Members are advised to consolidate their Ledger folios where they are holding shares in different folios in the same order of name(s).
5. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company at least seven days before the date of the meeting, so that the information required by the members may be made available at the meeting.
6. Members attending the meeting are requested to bring with them the Attendance Slip and hand over the same at the entrance of the hall, duly signed.
7. The company does not distribute copies of the Annual Report at the meeting. Members may, therefore, bring their copy along with them.

## DIRECTORS'S REPORT

### To Members

Your Directors have pleasure in presenting their Annual Report together with the Audited Accounts of your company for the year ended 31<sup>st</sup> March 2004.

### REVIEW OF OPERATIONS

During the financial year 1995-96 the company has got an approval from the shareholders for the diversification into Automobiles and executed a preliminary technical collaboration with Matra Automobiles of France a subsidiary of Renault of France As per the regulations in force the company has filed an application of IEM to the Central Government and obtained the IEM vide No.1744/SIA/IMA/97 dated 05.06.97 (enclosed a copy of the same) and the company was progressing satisfactorily.

Mr. Raja Reddy, the Additional director of Industries, office of the Commissioner of Industries, Hyderabad has written a letter to the Central Government vide his letter No.1547/1645/1645/FD dated 08.08.1997 making a recommendation for the cancellation of the IEM. As the general practice, the Commissioner of Industries has to discuss with the promoter and if the problem is beyond the resolution, then, they have to make a recommendation to the Central Government with a copy to the concerned General Manager, District Industries Center. However, the Assistant Director has not sent a copy of the letter to the General Manager, District Industries Center, Nalgonda, who is the concerned General Manager but he has sent a copy to the General Manager, DIC, Rangareddy District, who is not concerned at all. It has given a feeling to the management that there was a reason of suppression, however, all the efforts put by the management were proven to be in vain. As a result of this letter the Central Government has sent a letter No.1877/SIA/IMO/97 dated 5th December 1997 (enclosed a copy of the same) asking the company to file a fresh application for an industrial license and IEM has been cancelled.

As the cancellation of the IEM is based on the locational reasons, stating that it is less than 25 kms for urban area, therefore, the management felt that the previous IEMs, though not been asked to cancel, it was understood to be cancelled, to avoid legal implications, the company has stopped all the operations.

The company has been trying to revive the operations, by putting all its efforts and taken the advises by the various reputed "Chartered Accountants" and "Company Secretaries" on the advice proposed to restart the production in each division into an Independent Company under Small Scale Sector where the locational regulation does not attract.

However, certain other obligations have cropped out, such as, under the Company Law, if the assets are to be transferred to another company, which are to be made on the fair market value and the value is assessed by the registered and approved Valuer and the same is transferred to another company, over and above the book value, then it attracts capital gains Further, even if the plant and machinery which are transferred to another company amount to sales and attracts sales tax. For which, the fixed assets of the company to be transferred is above Rs.6.00 crores and taxes are to be in the tune of one crore under capital gain and sales tax. To resolve the above situation, the management has been taking the opinion of the experts of Company Law, who have expressed and advised that under Section 394 of the Company Law, to demerge is the only solution. The management has been proceeding on the process of the formalities like incorporation of new companies, valuation of the assets, scheme of arrangement of shareholding ratio for the demerger and others are under progress.

However, at this stage the Hon'ble District Collector of Nalgonda District, where the factory is located has convened a meeting to interact between the promoters and the Government departments. The Chief Promoter of the company has represented the case to the Hon'ble District Collector. On the intervention of the Hon'ble District Collector, and his letter to the Commissioner of Industries, Commissioner of Industries has called the management for the discussions. The management has detailed discussions with the Commissioner of Industries, and the Commissioner of Industries has agreed to obtain a fresh "Industrial License" for the automobile line and agreed to extend the subsidy under the Pipeline Industries scheme of Government of Andhra Pradesh and conveyed by him vide his letter No.15-4-01-0625-0625-FD dated 12.03.2001.

On the assurance given by the Commissioner of Industries, the company has been putting all its efforts to obtain the technical collaboration, and the Chief Promoter of the company has visited various companies from whom the technical cooperation can be obtained for automobiles.

Further, in anticipation of the revival of the company for the market penetration for the existing lines, such as Engineering, SPMs and Welding Consulabmles, the company has been talking to an Australian company.

As the follow-up meeting of the Hon'ble District Collector at Nalgonda, the State Investment Promotion board headed by the Hon'ble Chief Minister of the State has conveyed a meeting on 20th August, 2001 to review the major projects. The Chief Promoter of the company has attended the review meeting and explained the cancellation of the IEM by the Department of Industries and also expression companies investments has become non-productive assts, hence, a committee to be constituted and inspect the factory premises, for which the Hon'ble Minister for Major Industries and the Chief Secretary for Industries to review of the companies activities by a committee.

The chief promoter of the company has represented to the State Investment Promotion Board about the situation of the company and Automobile diversification. The State Investment Promotion Board has constituted a committee to study the affairs of the company. The committee consisting of the Commissioner of Industries and the Member Secretary of Pollution control Board along with their other executive officers. The committee has visited the factory premises on 23rd of August 2002. After the inspection is completed and on the satisfaction of the committee, the commissioner of Industries has sent a letter to the Central Government of India for the renewal of the IEM which was issued in 1997 specifying that the project is not a new one, it is only diversification and expansion in continuation to the IEM issued in 1991 vide their letter No.15-3-1-0625-ID dated 21.09.2001.

However, the Secretariat for Industrial Assistance, Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Government of India, Udyog Bhavan, New Delhi have negative the recommendations made by the Commissioner of Industries, Government of Andhra Pradesh vide their letter No 15-3-1-0625-ID, dated 21-09-2002, vide their letter No 1744/SIA/IMO/97 dated 10 October.

As the Result of the negative decision by the Secretariat for Industrial Assistance, Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Government of India, Udyog Bhavan, New Delhi vide their letter No 1744/SIA/IMO/97 dated 10 October 2002 on the recommendations made by the Commissioner of Industries, Government of Andhra Pradesh vide their letter No 15-3-1-0625-ID, dated 21-09-2002, your company has taken the decision to spin-off the Divisions in to independent companies.

Further, your company to utilize the existing infrastructure has proposed to demerge the company into 4 separate Companies by converting the 4 major Divisions of the Company. The necessary formalities, valuation and scheme of arrangement have been under progress and waiting for the filing to Hon'ble High Court of Andhra Pradesh for convening the special meeting and approval, under section 391 and 394 of Companies Act 1956.

#### FINANCIAL RESULTS:

	For the year ended 31 March 2004	for the year ended 31 March 2003
Income	2,43,717	2,02,255
Expenditure	2,31,789	1,92,280
Net Profit	11,928	9,975
Provision for Tax	4,200	3,500
Profit after tax	7,728	6,475
Reserves & Surplus	9,79,63,023	9,79,55,295

## FUTURE OUTLOOK

Your Company which is proposing to demerge by spinning off its four major division viz., Automobile Division, Projects Division, Engineering Division and Welding Division into independent companies, the necessary formalities have taken considerable progress and the same will be filed with the Hon'ble High Court of Andhra Pradesh for the approval of the scheme at the earliest.

**Projects Division:** This Division will be functioned as a Small Scale Industry at the Nemarigomla Village under the name as UBE Projects India Limited or any other name approved by the Registrar of Companies, Hyderabad as a subsidiary to your company, with main activities as EPC and Turnkey Projects.

**Engineering Division:** This Division will be functioned as a Small Scale Industry at the Nemarigomla Village under the name as UBE Tools India Limited or any other name approved by the Registrar of Companies, Hyderabad as a subsidiary to your company, with main activities as manufacturing the Special Purpose Machines, Tooling Systems and other light Engineering activities.

**Welding Division:** This Division will be functioned as a Medium Scale Industry at Peddakandukuru Village under the name as UBE Weldproducts India Limited or any other name approved by the Registrar of Companies, Hyderabad as a subsidiary to your company, with main activities as Manufacture of EPC and Turnkey Projects.

**Automotive Division:** This Division will be functioned as a Medium Scale Industry at Bhongir Village under the name as UBE Mythry India Limited or any other name approved by the Registrar of Companies, Hyderabad as a subsidiary to your company, with main activities as assembly of Low Cost People Car.

On completion of the Demerger Scheme, your company will become as a Holding Company for the four companies and continue to be an Integrated Consultancy including software development and Research and Technical Development Company.

## DIVIDEND

Considering the long term interest of the Members and as a matter of prudence it is proposed to plough back profits to build up own resources, your Directors, therefore, have not recommended payment of cash dividend for the period ended 31<sup>st</sup> March, 2004.

## SOCIAL DEVELOPMENT

Your company continues to record high priority in its contribution to socio economic development particularly in the areas of Rural Health, education etc., among the villages in the vicinity of the plant.

## ENERGY TECHNOLOGY AND FOREIGN EXCHANGE

Information on conservation of energy, technology absorption and foreign exchange earning/out go, as required to be disclosed in terms of Section 217(1) (e) of the companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988, is annexed hereto and forms part of this report.

## RESEARCH AND DEVELOPMENT

Your company is proposing to establish a Central Research Center in the areas of Material Sciences and Engineering.

## AUDITORS

Auditors of your Company M/s. C V S Balachandra Rao & Co. Who are retiring at the Fourteenth Annual General Meeting and being eligible offer themselves for reappointment. Your Directors recommend the appointment of M/s. C V S Balachandra Rao & Co, Chartered Accountants as Auditors of the company and recommend that authority be given to the Board of Directors to fix up the remuneration.

## AUDIT COMMITTEE

Your company has constituted an Audit Committee to meet the requirements under the provisions of Sections 292A of the Companies Act, 1956 and the listing agreement with the stock exchanges. The committee is chaired by Ms.N Swarupa Rani, a postgraduate in commerce (M.Com) with over 15 years of experience in the finance and accounting profession. On her resignation, Mr S Rahmatullah, has taken over as the Chairperson of the committee, who has 43 years of wide experience in the field of Secretarial Services, teaching and fiscal.

## CORPORATE GOVERNANCE

A report on Corporate Governance is annexed separately as part of the report.

## CASH FLOW STATEMENT

A cash flow statement for the year's operation is appended.

## FIXED DEPOSITS

Your company has not accepted any fixed deposits and the provisions of Section 58(a) of the Companies Act, 1956 are not applicable to the company.

## INSURANCE

All properties are insurable in the interest of the company including buildings, plant and machinery and stocks have been adequately insured. As required under Public Liability Insurance Act. 1991, your company has taken necessary insurance coverage.

## DIRECTORS

Mr. M Chandramouli and Mr. S Rahmatullah retire by rotation and being eligible offer themselves for reappointment.

During the Mr. S Vijaya Bhaskar, Ms. N Swarupa Rani and Ms.S Udaya Lakshmi have rendered their resignation due to personal reasons and Mr. N V S Lakshmana Charyulu has been ceased to the Director. Your company takes on record of their outstanding contribution to the company and express grateful appreciation for their excellent assistance and co-operation.

## ANCILLARY DEVELOPMENT

Your company has planned to develop ancillary companies wherein the products of ancillary companies will be used in the products of your company.

## HUMAN RESOURCES

Employee relations remained cordial at your company. Your Directors take this opportunity to record their appreciation for the out standing contribution of all employees of your company.



Particulars of employees is required to be furnished in terms of the rules framed under Section 217 (2A) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1988. During the period, there were no employees drawing remuneration of more than Rs.12, 00,000/- or more per annum or Rs 1,00,000/- per month, therefore, no particulars of employees.

Towards the foreign travel by the executives if any during the year are reimbursed in INR as equivalent to the exchange rate prevailing the time of travel.

#### **CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION ETC.**

In accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956, the required information relating to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo is annexed.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors further report that

- 1.in the preparation of the annual accounts, the applicable accounting standards have been followed and that there were no material departures,
2. the accounting policies selected have been applied on the basis of 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 as at 31 March 2004 and of the profit of the Company for the year ended 31 March 2004.
- 3.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 for preventing detecting fraud and other irregularities,
- 4.The annual accounts have been prepared on a going concern basis.

#### **ACKNOWLEDGEMENTS**

Your Directors wish to thank the Central Government, Government of Andhra Pradesh, Financial Institutions and the Company's Bankers for a variety of help and regular encouragement to the company. Your Directors gratefully acknowledge the trust and confidence you as esteemed shareholders have placed in the company at all times.

Your Directors also wish to place on record their appreciation of the dedicated services rendered by all the officers, staff and workers of the company at all levels and for their unfailing loyalty and sense of belonging which constituted the hall mark of your company.

For and on behalf of the Board

Place: Nemarigomula Village  
Date: 31 July 2004.

**S. Rajaneesh Chandra**  
Joint Managing Director