



# NHN CORPORATION LIMITED



10<sup>th</sup> Annual Report 2003

## BOARD OF DIRECTORS

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### **SHARAD A. DOSHI**

Chairman Cum Managing Director

### **CHIRAG GANDHI**

Director

### **OMPRAKASH TALREJA**

Director

### **ASHWIN VORA**

Director

### **HITENDRA SHAH**

Director

### **BHAVIK DESAI**

Company Secretary

### **BANKERS**

ICICI Banking Corporation Limited

HDFC Bank Limited

### **REGISTERED OFFICE**

Plot No. 2, Kurla Industrial Estate,  
L.B.S.Marg, Nari Seva Sadan Road,  
Ghatkopar (West), Mumbai - 400 086  
Maharashtra.

### **WORKS**

Daman Industrial Estate,  
Airport Road, S.No. 74/13,  
Village Kadaiya, Daman - 396210.

### **SHARE TRANSFER AGENT**

Bigshare Services Pvt. Ltd.  
E-2, Ansa Industrial Estate,  
Saki Vihar Road, Sakinaka,  
Andheri ( East ), Mumbai - 4000 72  
Tel. : 2 852 34 74, 2 856 06 52 / 53  
Fax : 2 852 52 07  
E.mail : [bigshare@bom7.vsnl.net.in](mailto:bigshare@bom7.vsnl.net.in)

### **AUDITORS**

Sharma Vora & Associates

Chartered Accountants

For further information, log on to  
[www.brilliantwater.com](http://www.brilliantwater.com)

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**10TH ANNUAL GENERAL MEETING****Date** : January 15, 2004**Day** : Thursday**Time** : 4.00 P.M

**Place** : Plot No. 2, Kurla Industrial Estate,  
 Nari Sava sadan Road, Narayan Nagar,  
 Off. L.B.S. Marg, Ghatkopar(W).  
 Mumbai- 400 086. Maharashtra.

## NOTICE

NOTICE is hereby given that the 10th Annual General Meeting of the Company will be held on the 15th day of January, 2004, at 4.00 p.m. at the Registered Office of the Company, situated at Plot No.2, Kurla Industrial Estate, Nari Seva Sadan Road, Narayan Nagar, Off. L.B.S. Marg, Ghatkopar (W), Mumbai - 400 086 to transact the following Business:

### ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 30th September, 2003, profit and loss Account for the year ended as on that date and the Report of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Chirag S Gandhi, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a director in place of Mr. Omprakash Talreja, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors.

For and on behalf of the Board of Directors

Place : Mumbai  
Date : 22<sup>nd</sup> November, 2003

**Sharad Doshi**  
Chairman and Managing Director

### Registered Office:

Plot No.2 Kurla Industrial Estate,  
Nari Seva Sadan Road, Off. L.B.S Marg,  
Ghatkopar (W), Mumbai - 400 086.

## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ONLY ON POLL AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHTY HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members / Proxies should fill the Attendance Slip for attending the meeting.
3. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
4. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturdays and holidays between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
5. The Company has already notified closure of Register of Members and the Transfer Books from 24th December, 2003 to 27th December, 2003 (both days inclusive).
6. Shareholders are requested to bring their copy of Annual Report to the Meeting.
7. Members desirous of obtaining information in respect of the Accounts of the Company are requested to send their queries in writing to the Company at the Registered Office so as to reach at least seven days before the date of the Meeting.

For and on behalf of the Board of Directors

Place: Mumbai  
Date: 22<sup>nd</sup> November, 2003

**Sharad Doshi**  
Chairman and Managing Director

**DIRECTOR'S REPORT**

Your Directors have pleasure in presenting the 10<sup>th</sup> Annual Report of **NHN CORPORATION LIMITED** with the Audited Statement of Accounts for the year ended September 30, 2003.

**FINANCIAL RESULTS:**

Particulars	For the year ended 30.09.2003 (12 Months)  (Rs. in lacs)	For the period ended 30.09.2002 (18 Months)  (Rs. in lacs)
Sales & Other Income	443.70	4237.21
Profit / (Loss) before Depreciation and Taxation	(1648.18)	(501.37)
Less: Depreciation	(92.76)	(200.00)
Profit / (Loss) before tax	(1740.94)	(701.37)
Less: Provision for Deferred Tax	----	196.18
Profit / (Loss) after tax	(1740.79)	(505.19)
Provision for Income Tax	(4.25)	---
Less: Prior period expenses	1.73	1.36
Add: Surplus brought forward from previous year	(732.79)	(226.24)
Balance carried to Balance Sheet	(2479.56)	(732.79)

**BUSINESS OPERATIONS:**

The overall performance of the company during the year is reflected in the financial results. Your Company has incurred loss of Rs. 1741 lacs in comparison of Rs. 505 lacs in previous year. The main reasons for the losses are operational losses and write off of amount incurred on the various incomplete projects etc, as detailed below:

As you are aware that the Company, to establish a National presence had undertaken 8 Projects at various places throughout India way back in 1998. The entire Project was fully appraised and sanctioned by one of the leading Financial Institution. After the Appraisal and the Sanction of the Term Loans, the Company started its Project work at various locations. The Company also started building its "Brilliant" Brand to have a National Presence and to attain scale of economy. The Company's efforts were jeopardized because of non-disbursement of Sanctioned Loan and Company's Projects at all the eight locations were held-up. The Company could manage to commence production at two places only, with the help of GIC Term Loan. The Company has pumped-in all possible resources to keep the remaining project alive and maintain its Brand. But in view of continued losses of the Company and vast changes witnessed in the Packaged Water Industry, the Company, based on the Committee Recommendation has decided to write off such amounts relating to the remaining incomplete project, as there are no enduring benefits foreseen from such projects.

It needs to be mentioned here that, in the past few years Packaged Drinking Water industry has witnessed sea changes and stiff competition has emerged. Now, basically there are two types of players in the package drinking water industry.

The first category of players are multinationals and big corporate houses with their established and popular brand at National / International Level. These Companies are cash rich companies and normally operate through job workers and franchisee. It is just the Brand value, which drives the market in this segment. The franchisees / job workers are always comfortable in associating with such companies.

The company could not establish itself in the first category because of incomplete projects due to specific reasons as briefed above. This is the reason, the company has no choice but to abandon its incomplete project and refocus its attention in the revised business scenario and exploring the possibility for co-packaging / job works.

The Second category is local unorganised manufactures catering to local small market. These manufacturers are not quality conscious and also do not spend heavily on advertisement and Brand building and therefore are able to keep the cost at the lowest.

The Bureau of Indian Standard (BIS) has recently set up the stricter and more clearer norms related to quality of the product and therefore such unorganised sector manufacturer will cease to exist due to their non ability to adhere such quality standards.

As NHN Corporation Ltd. adhered to very high quality standards and meets all BIS and other Standard, it has got an edge over all the local manufacturers giving an advantage to increase the business.

As the Packaged Drinking Water Industry is poised for growth in future, the Company shall re-establish itself with a shift in its focus based on the current scenario and proper restructuring. Considering the above the Company had written off certain expenses during the year which are explained as below:

**Capitalisation of Expenses on Project:** The Company was in the process of setting up of Water Treatment Plant at Chandigarh & Noida. Out of various advances and expenses aggregating to Rs. 202.78 lacs have been attributed to setting up of such plants. The nature of expenditure being employee cost, working on the project advertisement expenses, general administration and office expenditure on preparation of project report, conducting location studies, land surveys, etc. Accordingly they have been treated as pre-operative expenses and have been disclosed as a part of Capital Work in Progress to be capitalised in future. However the management, based on the Committee Recommendation, feels that it is no longer feasible to establish these plants and run them profitably and decided not to incur further expenses and accordingly decided to write off of Rs.202.78 lacs being the expenses incurred till 30th Sept 2002.

**Loans and advances** includes Rs. 497.11 lacs receivable from Vaibhav Acqua Fresh Pvt. Ltd. payable as per the agreement towards minimum guarantee which was recoverable against the procurement in excess of minimum agreed quantity. However as the said agreement has expired during the year and could not be renewed on mutually acceptable terms, the management, based on the Committee Recommendation, decided to write off the said amount shown under the head Minimum Guarantee account to reflect the correct position of the assets

**Brand Write Off:** The project appraised and undertaken was to set up Packaged Drinking Water Plants nationwide at eight different locations and accordingly the company had Capitalised during 1997-98 Rs. 306.68 Lacs towards Brilliant Brand under the head of Fixed Assets based on the valuation done by an expert and to be written off over the period of 10 years commencing from FY 1999-2000. As the management has decided to abandon its incomplete plants and the lease of one more plant has expired, it has reviewed the position and has decided, based on the Committee Recommendation, to write off balance amount of Rs. 168.63 lacs as at 30th Sept 2003 fully, as no substantial benefit is expected to be derived in future.

Similarly, the Deferred Revenue Expenses were incurred on product launches, brand imaging, establishment of marketing set up and amalgamation expenses, which were to be written off over a period of 10 years. However, in order to present accounts in a more appropriate manner so as to make the exact representation of the capital to the available assets, such expenditures, which are no more giving any endure nature of benefits have been written off amounting to Rs 239.13 lacs as at 30.09.2002.

**Deferred Tax:** As per the accounting policy of the Company, the Board has at the end of the current financial year reviewed the carrying amount of deferred tax assets recognized in earlier years and has decided to write off the said assets amounting to Rs. 196.18 lacs considering the uncertainty as to the realisability of the said assets observed due to continuous losses incurred by the Company.

#### **DIVIDEND:**

Due to losses in the period under review, the Board is unable to recommend any dividend for this year.

#### **FIXED DEPOSITS:**

The Company has not received any Fixed Deposits during the year under review.

#### **DIRECTORS:**

Mr. Chirag S Gandhi and Mr. Omprakash Talreja retire by rotation and eligible himself for the reappointment.

#### **SICK INDUSTRIAL COMPANIES (SPECIAL PROVISION) ACT, 1985:**

As the net worth of the Company has been completely eroded, the Company has become a sick industrial company as per the provisions of The Sick Industrial Companies (Special Provision) Act, 1985 (SICA).

As required under the provisions of SICA, the Company is taking necessary steps to file the necessary reference with the Board for Industrial and Financial Reconstruction for determination of the measures to be adopted with respect to the Company.



10<sup>th</sup> Annual Report 2003**AUDITORS:**

The observations made in Auditor's Report have been extensively dealt with in the Notes to Accounts and since they are self-explanatory and also commented under the head of Business Operation as mentioned above as required under Section 217(3) of the Companies Act, 1956.

M/s.Sharma Vora & Associates, Chartered Accountant, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They are eligible for re-appointment and have furnished a certificate, certifying that their re-appointment shall be within the limits of Section 224(1)(B) of the Companies Act, 1956. Your Directors recommend their re-appointment as Auditors for the year 2003-2004.

**CORPORATE GOVERNANCE:**

The Current economic downturn and recent business failures of big business houses in the USA have resulted focus on Corporate Governance. As required by Clause 49 of the listing agreement with Stock Exchanges, the report on Management Discussion and Analysis, Corporate Governance as well as the Auditor's Certificate regarding Compliance of conditions of Corporate Governance, form part of this Director's Report.

**RELATED PARTY TRANSACTION:**

Appropriate disclosures have been made under the head 'Notes to the accounts relating to Related Party Transactions' as required under Accounting Standard AS- 18 issued by the Institute of Chartered Accountants of India.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors subscribe to the Directors' Responsibility Statement as under:

- i. That in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. That the directors had selected such accounting policies and applied them consistently and made judgements 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 loss of the Company for that period;
- iii. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. That the directors had prepared the annual accounts on a going concern basis.

**EMPLOYEES:**

The Directors acknowledge with thanks the contribution made by employees towards the growth of the Company and appreciate their cooperation and support to the Management. As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, none of the employees of the Company attracts the provision of the section, during the year under report.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The information required under section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in Report of the Board of Directors) Rules, 1988 with respect to conservation of energy, technology absorption and foreign exchange earnings / outgo, stipulated, is appended hereto as Annexure and forms part of this report.

**ACKNOWLEDGMENT:**

Your Directors would like to express their grateful appreciation for the assistance and cooperation received from the Employees, Central and State Governments, Financial Institutions, Banks and Shareholders during the year under review.

For and on behalf of the Board of Directors

Date : 22<sup>nd</sup> November, 2003  
Place : Mumbai

(Sharad A. Doshi)  
Chairman and Managing Director

## ANNEXURE TO DIRECTOR'S REPORT

Particulars required under Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988.

**A CONSERVATION OF ENERGY****(a) Energy Conservation measures taken:**

- Reduction as maximum Demand controlled by stopping simultaneous operations of bottling lines of 1 Ltr. and 20 Ltrs.
- Reduction in energy consumption by conserving the softened water rejected from Reverse osmosis unit and utilising the same for factory cleaning, washing, domestic applications for staff use and gardening purpose. This measure has significantly reduced the wastewater discharge and pumping requirement of water from well.
- Effective use of voltage stabilizer for labeling machine.
- Reduction in energy consumption due to elimination of frequent startup and shut down of plant operation.
- Regular preventive maintenance of energy consuming equipments.
- Optimization of process parameters with planned and orderly startup operations of equipment as per process guidelines to avoid their unnecessary running without any output.

**(b) Additional Investments, if any:**

- Installed voltage stabilizer for blowing machine to avoid voltage fluctuations and eventualities.

**(c) Impact of the above measures on conservation of energy:**

- Reduction in energy consumption.
- Stabilized revenue expenditure for maintenance of illumination and electrical power supply system.
- Reduction in stoppages/ breakdowns due to sudden voltage fluctuations.
- Reduction in water pumping & consumption due to recycling of process water reject. This measure is effectively utilised for water conservation.

**(d) Total energy consumption and energy consumption per unit of production as prescribed:**

Not given, as the Company is not covered under the list of specified industries.

**(B) TECHNOLOGY ABSORPTION****Research and Development****Specific areas in which Research and Development is carried on by the Company:**

- Upgradation of QC-laboratory to meet requirements of BIS for ISI mark and international Quality standards.
- Bottle design for 0.5 litres Pet Bottle developed In-house.
- Complete Project and process standardisation for "pouch filling" done by the technical team In-house.
- Equipment for both the above products were procured, installed and commissioned by our Technical experts.

**Benefits derived as a result of the above R & D:**

- Company has received ISI mark and certificate of accomplishment from International Bottled Water Association (IBWA).

**Future Plan Of Action:**

- Technology up gradation and review on regular basis to improve process parameters & product quality.

**Expenditure on R & D:**

- Since the research and development is in the design of the product, specific expenditure for R & D has not been ascertained.

**Technology absorption, adaptation and innovation:**

- The company intends to improve the plant innovation, capacity & efficiency and manufacturing new products through in-house technical developments.

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:**

	Rs. in Lacs	
Foreign Exchange	2002 - 2003	2001 - 2002
Earnings	Nil	Nil
Outgo	Nil	0.34

Place: Mumbai

Date: 22nd November, 2003

For and on behalf of the Board of Directors



## CORPORATE GOVERNANCE

**Introduction:**

Corporate Governance means voluntary compliances of the provisions of the Companies Act 1956, Listing Agreement with the Stock Exchanges and other relevant rules and regulations in order to ensure transparency in the operations of the company and leading to effective control and management of the organization. It requires the company to take a combination of methods and measures which ensures that the affairs of the company are conducted with certain standards by which the interest of various stakeholders are protected and shareholders value are constantly sub served and enhanced.

**The Principal Characteristics of Corporate Governance are:**

- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Social Responsibility

**Company's Philosophy on Corporate Governance:**

Your Company is committed to manage its affair in a fair and transparent manner with great diligence, responsibility and accountability. It is with this belief that the Company has, proactively, initiated the process of making substantial disclosures on the Company and its Board of Directors in the Annual Report for 2002-2003. We feel a deep sense of pleasure while informing you that your Company's existing policies and practices, speaking generally, are in conformity with the requirements stipulated under Clause 49 of the Listing Agreement.

**Board of Directors:****Composition of the Board of Directors:**

The Board of Directors of the Company has an optimum combination of Executive and Non-executive Directors with 80% of the Directors being Non-executive Directors. All Directors including Non-executive Directors are professionally competent. The Board as on date consists of five members out of which four are Non-executive Directors and 80% of the Board are "Independent Directors", i.e. Directors who apart from receiving Director's remuneration, do not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which in the judgment of the Board may affect his judgment.

The details of the Directorships in other Companies (excluding Private Limited Companies, Foreign Companies and Section 25 Companies), Chairmanships and Committee memberships held by the Directors:-

Name of Director	Category	No of Directorships in other Public Limited Companies	No of Memberships of Board Committees	No. of Board Committees of which the Director is a Chairperson
Mr. Sharad Doshi	Executive Director	3	1	Nil
Mr. Chirag Gandhi	Non- Executive Independent	3	3	3
Mr. Omprakash Talreja	Non- Executive Independent	2	3	Nil
Mr. Ashwin M. Vora	Non- Executive Independent	Nil	1	Nil
Mr. Hitendra V. Shah	Non- Executive Independent	Nil	-	Nil

None of the Directors are members of more than ten committees nor are they chairman of more than five committees. "Committees" for this purpose include the Audit Committee, Remuneration Committee and Shareholder's Grievance Committee.

**Attendance Record of the Board Meetings and General Meetings: -**

The Board of Directors had met five times during the financial year 2002-2003 with complete agenda. The Board considered among other business, the quarterly performance of the Company, financial results, future plan of action, etc. with detailed reports/charts. All the Directors actively participated in the deliberations at these meetings.

Sr.No.	Date of the Board Meeting	For the Quarter
1	31 October 2002	October to December 2002
2	29 January 2003	January to March 2003
3	26 February 2003	January to March 2003
4	30 April 2003	April to June 2003
5	31 July 2003	July to September 2003

**Details of Attendance of each Director at the Board Meetings / General Meetings: -**

Names	Board Meetings during respective Tenures	Board Meetings Attended	Attendance at the last AGM held on March 15, 2004
Mr. Sharad Doshi	5	5	Yes
Mr. Chirag Gandhi	5	5	Yes
Mr. Om Prakash Talreja	5	5	Yes
Mr. Ashwin M. Vora	5	5	Yes
Mr. Hitendra V. Shah	5	5	Yes

**Committees of the Board of Directors:-****Mandatory Committees:-****Audit Committee:**

The Board of Director has constituted an Audit Committee of Directors to exercise powers and discharge functions as stipulated in Section 292A of the Companies Act, 1956, Clause 49 of the Listing Agreements with Stock Exchanges and other relevant Statutory/regulatory provisions. The Audit Committee consist of three Directors:

1. Mr. Chirag S. Gandhi- Chairman (Non executive, Independent Director)
2. Mr. Omprakash Talreja- Member (Non-executive, Independent Director)
3. Mr. Hitendra V. Shah- Member (Non Executive, Independent Director)

During the year, the committee met 4 times. All the members of the audit committees took part in the deliberations. Mr. Bhavik Desai, Company Secretary of the Company acted as Secretary of these meetings.

The members of the Audit Committee possess sound accounting & finance knowledge.

**Investor Grievance Committee:**

The Company's Registrar and Share transfer Agent "Bigshare Services Private Limited" is a reputed registrar and share transfer agent and are fully equipped to carry out transfer and redress investors' grievances/complaints. The board has delegated the authority to resolve any complaints of the investors to the "Investors Grievance Committee".

A Shareholders/Investors Grievance Committee has been constituted by the Board to monitor the redressal of the Shareholders/Investors Grievance. The Committee consist of three Directors:

1. Mr. Chirag S. Gandhi- Chairman (Non executive, Independent Director)
2. Mr. Omprakash Talreja- Member (Non-executive, Independent Director)
3. Mr. Sharad A. Doshi- Member (Executive Director)