

**WALCHANDNAGAR**

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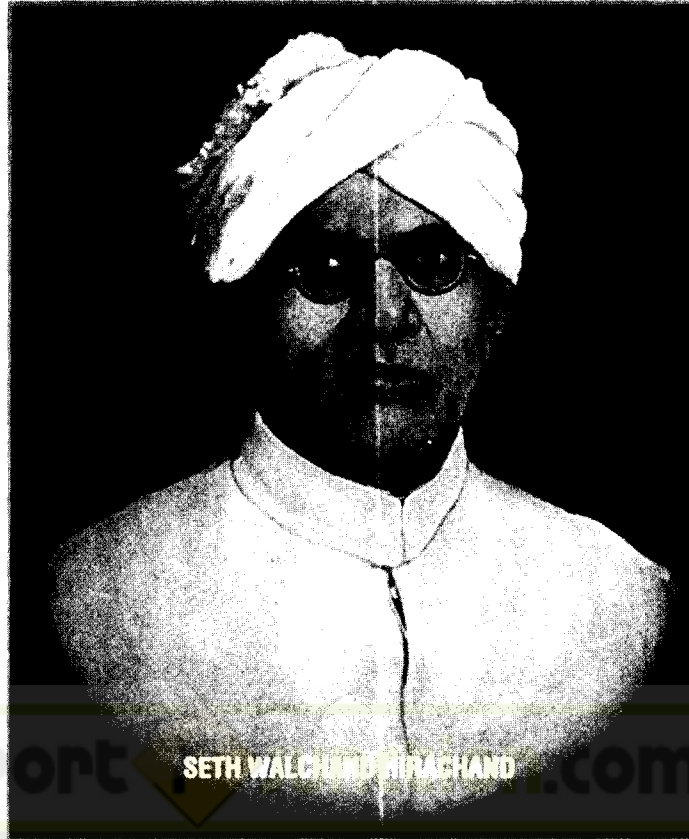
**94th ANNUAL REPORT 2001-2002**

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OU BUSINESSMAN OF THE MILLENNIUM

and

FOUNDER OF WALCHAND GROUP



SETH WALCHAND HIRACHAND

(23-11-1882 to 8-4-1953)

**“His life was truly a triumph of persistence over adversity”**

Sardar Vallabhbhai Patel

**“निराशा पर आशा, अविश्वास पर विश्वास और दुर्भाग्य पर सौभाग्य की विजय के प्रतीक.”**

सरदार वल्लभभाई पटेल

# Annual Reports Librarian

BOARD OF DIRECTORS



CHAKOR L. DOSHI  
Chairman



A. R. GANDHI



P. K. BASU



SHARAYU DAFTARY



R. M. PANDE



A. U. RIJHSINGHANI  
Managing Director

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## OPERATING MANAGEMENT TEAM

### PRESIDENTS

Mr. S. S. Gangavati (BG-I)  
Mr. T. S. Sakethan (BG-II)  
Mr. A. R. Sood (E&F Divn.)  
Mr. U. K. Limaye (Finance)  
Mr. G. S. Prakash (BG-III)  
Mr. A. Verma (Contracts)  
Mr. Rammathan Shankar  
(CEO - Walchand Infotech)

### VICE PRESIDENTS

Mr. J. N. Nandurkar  
(P. & W.)  
Mr. V. M. Parthasarthy  
(S.P.D.)  
Mr. M. H. Purwat  
(Finance)  
Mr. C. L. Suri  
(Int. Audit)

### GENERAL MANAGERS

Mr. P. K. Mahadevan  
Materials  
Mr. R. P. Mondkar  
Special Executive (CO)  
Mr. A. G. Pradhan  
Special Assignments  
Mr. V. G. Ratnaparakhi  
General Engg. Products  
Mr. A. K. Sood  
Gear

Mr. P. Suryanarayan  
Boiler  
Dr. R. K. Tiwari  
Research & Development & P.M.  
Mr. J. D. Jadhav  
E & F Divn.  
Mr. A. B. Kamalapur  
Tiware

DY. G. M. (FINANCE) &  
DY. COMPANY SECRETARY  
Mr. S. C. Bhagwat

**REGISTERED OFFICE**  
WALCHANDNAGAR INDUSTRIES LTD.  
3, Walchand Terraces  
Tardeo Road, Mumbai - 400 034  
Tel No. 24938866/24939498

**REGISTRAR & SHARE TRANSFER AGENTS**  
Intime Spectrum Registry Ltd.  
260 A Shanti Industrial Estate  
Sarojini Naidu Road  
Mulund (W), Mumbai - 400 080  
Tel. 25647731/25672716

**MARKETING DIVISION**  
16, Mahatma Gandhi Road  
Pune 411 001

**FACTORIES**  
Walchandnagar, Dist. Pune,  
Maharashtra  
Satara Road, Dist. Satara,  
Maharashtra  
Attikola, Dharwad, Karnataka

**AUDITORS**  
M/s. K. S. Aiyar & Co.

**SOLICITORS**  
M/s. Kanga & Co.

**PRINCIPAL BANKERS**  
Bank of India  
Syndicate Bank  
United Bank of India  
Global Trust Bank Ltd.

## CHAIRMAN'S STATEMENT



Dear Members,

It is my pleasure to welcome you all to this 94th Annual General Meeting of the Company.

During the year, due to continued demand recession, financial stringency with the customers, projects in our conventional product sectors such as Sugar and Cement moved very sluggishly and some of them were even put on indefinite hold by our Customers. This coupled with inability of some of the Customers of ongoing projects to arrange funds and release timely payments adversely affected the turnover and the bottom line of the Company. In the present conditions no immediate improvement in respect of such projects is expected. Therefore, special thrust is being given to booking orders for, Exports; Cogeneration & Bio-mass Power Plants and material handling projects for which opportunities available are relatively better. The Company has also entered into a strategic understanding with an International Defence and Aero Space Company to bid for execution on turnkey basis of certain Defence Projects for the Ordnance Factories under Ministry of Defence, in keeping with the decision of the Government of India for opening up this sector to the Private Industry. However, on account of sensitive nature of these projects, the decision on prequalification and thereafter selection of the final successful bidder is likely to take some time.

The Company has taken steps towards revamping the Organisation structure and systems, slimming down to the extent possible, eliminating avoidable expenses, controlling costs and effective contract and project management, for improving the performance.

With your continued support and with the devotion and determination of the operating team, we are optimistic in tiding over the current situation.



**Chakor L. Doshi**  
Chairman

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## NOTICE

Notice is hereby given that the 94th Annual General Meeting of Walchandnagar Industries Ltd will be held as scheduled below:

Day : Monday  
Date : 10<sup>th</sup> March, 2003  
Time : 11.00 a.m.  
Place : Walchand Hirachand Hall  
Indian Merchants' Chambers Building,  
Churchgate  
MUMBAI 400 020

The Agenda for the meeting will be as under:

### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 30<sup>th</sup> September, 2002 and the Profit & Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended 30th September, 2002.
3. To appoint a Director in place of Mr. A.R. Gandhi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. P.K. Basu, who retires by rotation and being eligible, offers himself for reappointment.
5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution as required under Section 224 of the Companies Act, 1956, for appointment of Auditors:

"RESOLVED that M/s. K.S. Aiyar & Co., Chartered Accountants, Mumbai, be and they are hereby appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs. 3,00,000/- (Rupees Three lakhs only) and they be paid, in addition service tax, the out of pocket and/or travelling expenses they may incur while carrying out their duties as such auditors."

### Special Business

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

"RESOLVED that Mr. R.M. Pande whose term of Office as an Additional Director pursuant to Section 260 of the Companies Act, 1956 expires at this Annual General Meeting and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be

and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company is hereby accorded to Mr. Chakor L. Doshi, the Chairman of the Company and a relative of Smt. Sharayu Daftary (and of Mr. Vinod L Doshi – ex-Director) being appointed as the Advisor / Consultant to the Company for a period of 2 years from 1<sup>st</sup> May 2002 to 30<sup>th</sup> April 2004 on payment of Rs. 40,000/- per month as Retainership Fees and Rs. 25,000/- per day of consultancy as Consultancy Fees plus expenses on travelling, lodging and boarding & reimbursement of incidental and out of pocket expenses, reimbursement of Service Tax, as applicable and permitted foreign exchange allowance in case of any assignments abroad. "

8. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :

"RESOLVED that in accordance with Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the re-appointment of Mr. A. U. Rijhsinghani, as Managing Director of the Company not liable to retire by rotation w.e.f. 19th April 2003 for a period of 3 years on the terms and conditions including remuneration as set out in the draft Agreement to be entered into between the Company and Mr. A.U. Rijhsinghani, a copy whereof initialled by the Chairman for the purpose of identification is placed before the meeting with liberty to the Board of Directors to alter and vary such remuneration subject to the overall ceiling as specified in Schedule XIII to the Companies Act, 1956 read with Sections 198, 309 and other applicable provisions of the Act or any amendments thereof or re-enactments thereof as may be agreed to by the Board and Mr. A.U. Rijhsinghani without any further reference in General Meetings."

9. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :

"RESOLVED that pursuant to provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of Central Government and such modifications and variations as the Central Government may suggest, which the Managing Director of the Company is authorised to accept, consent of the Company be and is hereby accorded to Mr. Chirag C. Doshi, who is the son of Mr. Chakor L. Doshi, Chairman of the Company, to hold and continue to



hold an office or place of profit under the Company with the designation of Vice President (Corporate Affairs) or such other designation as the Managing Director may from time to time decide in M-O cadre, at a monthly remuneration as mentioned in the explanatory statement together with other benefits and perquisites applicable to other employees occupying similar posts plus Club Membership (maximum upto 2 clubs) facility, with authority to Managing Director at his discretion increment as he may deem fit and proper and to sanction at his discretion and in due course promotion to next higher grade together with usual benefits & perquisites as applicable to such grade and to give increments within that grade as he may deem fit and proper, subject to the maximum amount of consolidated salary as stated in the explanatory statement and such appointment will be effective from the date as decided by the Managing Director upon getting the approval from the Central Government."

10. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :

"RESOLVED that pursuant to Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded for commencing and undertaking effective from current financial year all or any of the activities of Hospitality and Horticulture businesses specified in sub-clause Nos. 38 and 39 respectively of Clause III of the Memorandum of Association of the Company."

By order of the Board

**S.C. Bhagwat**

*DGM(Finance) & Dy. Company Secretary*

Registered Office:  
3, Walchand Terraces  
Tardeo Road  
Mumbai 400 034

*Date: 27<sup>th</sup> December, 2002*

## NOTES :

- Explanatory Statement under Section 173(2) of the Companies Act, 1956 in respect of special business item Nos. 6, 7, 8, 9 & 10 mentioned above is annexed hereto.
- A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time for holding this Annual General Meeting.
- The Register of Members and Share Transfer Books of the Company will remain closed from 4<sup>th</sup> March, 2003 to 10<sup>th</sup> March, 2003 (both days inclusive).

- The Dividend, if sanctioned, will be payable to Members within the stipulated period to those members whose names stand on the Company's Register as on 10<sup>th</sup> March, 2003. In respect of Shares held in Electronic Form, the dividend will be paid to the beneficial owners as per details furnished by the Depositories for this purpose. Members who are likely to receive dividend of more than Rs. 2,500/- and who estimate their total income during the financial year ending on 31-3-2003 is likely to be less than minimum amount liable to Income Tax may file Tax Exemption Certificate under Section 197A of the Income Tax Act, 1961 or Declaration in Form 15G in duplicate at the Registered Office of the Company on or before 28<sup>th</sup> February, 2003 to receive the dividend payment without deduction of Tax at source. The Company is also extending the facility of Electronic Clearing Service (ECS) for the receipt of Dividend. In case the member wishes to avail this facility, he is requested to send ECS Mandate Form (available on Company's website @ [www.walchand.com](http://www.walchand.com)) to Registrar & Share Transfer Agents of the Company by 28<sup>th</sup> February, 2003.
- Members who hold shares in physical form are requested to notify immediately change in their address, if any, to the Company's Registrar & Share Transfer Agents, M/s. Intime Spectrum Registry Ltd, specifying Registered Folio Number and other relevant details. Members, who hold shares in Electronic Form are requested to notify change in their address to Depository Participants with whom they are maintaining their Beneficial Owner Account.
- Members who have not encashed their dividend warrants for the financial years ended 30<sup>th</sup> September, 1995 and thereafter may immediately approach the Company for revalidation of unclaimed warrants as the amount of dividend remaining for a period of 7 years shall be transferred to Investors Education & Protection Fund as per provisions of Section 205A of the Companies Act, 1956. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.
- Members, who hold shares in de-materialised form, are requested to bring their Client ID and DP ID Numbers for easy identification of attendance at the meeting.
- Members are requested to get the Shares transferred in joint names, if shares held in a single name to avoid the inconvenience and also to send nomination form (available on request), if not sent earlier.
- Members are requested to bring the copies of the Annual Report at the time of attending Annual General Meeting.
- Members / Proxy Holders are requested to produce at the entrance of the hall admission slips forwarded to them duly completed and signed, in accordance with the specimen signature registered with the Company for admission to the Meeting Hall.



## EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

### Item No. 6

The Board of Directors appointed Mr. R. M. Pande, Retired Executive Director of Life Insurance Corporation of India w.e.f. 11th June, 2002. Pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 133 of Articles of Association of the Company, Mr. Pande holds the office only upto the date of this Annual General Meeting. Notice as required under Section 257 of the Companies Act, 1956 together with deposit of Rs. 500/- has been received from a Member proposing his candidature for the office of a Director of the Company. Mr. R.M. Pande is eligible for appointment as a Director of the Company.

Considering the vast experience of Mr. Pande, the Board considers it desirable that the Company should continue to avail itself of his services and accordingly recommends the resolution as set out in Item No. 6 of the Notice appointing him as a Director liable to retire by rotation for the approval of the Shareholders. None of the Directors except Mr. R.M. Pande is concerned/interested in the Resolution.

### Item No. 7

Mr. Chakor L. Doshi, the Chairman of the Company had been associated with the Company for almost 3 decades and considering his vast experience in the Engineering Industry in general and the Company in particular, the Board desired that the Company do avail of advice/services to be rendered by Mr. Chakor L. Doshi on Corporate matters relating to Company's business including Finance, Marketing, Organization Structure, Industrial Relations, New Projects, Corporate Planning, Exports, Foreign Collaborations, etc. The Board accordingly appointed him as an Advisor/Consultant with effect from 1<sup>st</sup> May 2002 on Retainership & Consultancy basis for a period of 2 years, subject to consent of the Company to be obtained in Annual General Meeting. The Central Government has already expressed the opinion under Section 309(1) of Companies Act, 1956 stating that Mr. Chakor L. Doshi has the requisite qualifications for functioning as Advisor/Consultant of the Company.

Mr. Chakor L Doshi is related to Smt. Sharayu Daftary, Director of the Company (and is also related to Mr Vinod L. Doshi – ex-Director). In terms of Section 314 of the Companies Act, 1956, the Company is required to pass appropriate Special Resolution for Mr. Chakor L Doshi to hold such office or place of profit under the Company.

The Board therefore recommends passing the resolution as set out in Item No.7 of the accompanying Notice. None of the Directors except Mr. Chakor L. Doshi and Smt. Sharayu Daftary as his sister is concerned/interested in the Resolution.

### Item No. 8

Mr. A.U. Rijhsinghani, Managing Director aged 70 years is an Engineering Graduate with Post Graduate from Illinois Institute of Technology, USA and is also a Fellow of Economic Development Institute of Washington, USA. He has a vast

experience of over 48 years to his credit in General Management, Project Engineering & Project Consultancy.

Mr. Rijhsinghani initially joined the Company in 1990 as Corporate Advisor and subsequently held the positions of President and Executive Director followed by his appointment as Managing Director for a period of 5 years w.e.f. 19th April, 1998. Accordingly the tenure of the appointment will expire on 18th April 2003.

Taking into consideration the diverse and complex activities, plans for expansion and diversification of the Company and in recognition of his accomplishment and his contribution in the progress made by the Company, the Board recommends his re-appointment as Managing Director for a period of 3 years w.e.f. 19<sup>th</sup> April, 2003 by revising salary & perquisites as set out in the draft Agreement subject to consent of the Company in the ensuing 94<sup>th</sup> Annual General Meeting.

The draft Agreement to be entered into between the Company and Mr. Rijhsinghani in respect of his appointment inter alia contains the following main terms and conditions :

#### Salary :

Rs.1,25,000/- (Rupees one lakh twenty five thousand only) per month in the grade of 1,25,000 - 8,000 - 1,41,000.

#### Commission:

1 (One) per cent on the net profits computed in the manner laid down in Sections 198 and 309 of the Companies Act, 1956.

#### Perquisites:

Perquisites shall be payable in addition to the salary and commission as follows :

##### i) House Rent :

House rent allowance @ 60% of monthly salary.

##### ii) Leave Travel Concession:

One month's salary once in a year as per Company's Rules

##### iii) Encashment of leave:

As per Company's Rules.

##### iv) Medical reimbursement:

Reimbursement of expenses incurred by the Managing Director for self and his family (spouse, dependant children and dependant parents) subject to the ceiling of one month's salary in a year or three months' salary over a period of three years.

##### v) Contribution towards Provident Fund, as per Company's Rules to the extent this is not taxable under the Income Tax Act.

##### vi) Gratuity payable shall be half a month's salary for each completed year of service inclusive of earlier service rendered in the Company.

- vii) The Company shall provide car with Driver to the Managing Director for use of Company's business.
- viii) The Company shall also provide telephone at his residence or reimburse him with the own telephone charges at residence. The same, however, shall not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.
- ix) The Company will reimburse expenses or pay allowance for utilisation of Gas, Electricity, Water, Furnishing, Repairs, Personal accident Insurance premium, Club fees, Membership of Professional Bodies and such other perquisites and/or allowances with over all ceiling of one month's salary per year. The said perquisites and allowances shall be calculated wherever applicable as per Income Tax Act, 1961, and any Rules thereunder. In the absence of any rules, such perquisites shall be evaluated at actual cost.

**Minimum Remuneration** – In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Managing Director, the payment of Salary, Perquisites and other Allowances shall be restricted in terms of Section II of Part II of Schedule XIII to the Companies Act, 1956 as Minimum Remuneration.

The draft Agreement intended between the Company and Mr. Rijhsinghani is available for inspection at the Registered Office of the Company on any working days excluding Saturdays, Sundays and Public Holidays between 11.00 a.m. and 3.00 p.m.

The terms and conditions as set out in the Agreement and Remuneration therein may be altered and varied from time to time by the Board of Directors as it may at its discretion deem fit so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including any Statutory modifications or enactments thereof for the time being in force) or any amendments made thereto without any further reference to the Company in General Meeting.

Mr. A.U. Rijhsinghani is deemed to be considered or interested in the Resolution pertaining to his appointment and remuneration payable to him. The Agreement on the above terms will be entered into as soon as the Shareholders approve the same. This may therefore be treated as an abstract of the terms and conditions of Contract with Managing Director as envisaged by Section 302 of the Companies Act, 1956.

As per the requirement of Schedule XIII to the Companies Act, 1956, Mr. A. U. Rijhsinghani being of 70 years; the Company is required to pass a Special Resolution.

The Directors recommends the Special Resolution as set out at item No.8 of the Notice for the approval of the shareholders. None of the Directors except Mr. A.U. Rijhsinghani is concerned/interested in the Resolution.

#### Item No. 9

Mr. Chirag C. Doshi has been associated with the Company for over last 5 years and has gained considerable experience in the business interest on Corporate matters. He has taken active

initiation and has been instrumental in setting up the Restaurant Division. Considering the future diversification plans of the Company, the services of Mr. Chirag C. Doshi will be of immense help in achieving the Corporate Goals. Presently, Mr. Chirag C. Doshi is designated as Special Executive (Corporate Affairs) and his appointment was made as per consent of the Company given in AGM held on 10<sup>th</sup> January 1997.

Mr. Chirag C. Doshi is related to Mr. Chakor L. Doshi, Chairman of the Company and therefore approval of the members by way of Special Resolution and consent of the Central Government under Section 314 of the Companies Act, 1956 is necessary for him to hold and continue to hold office of profit in the Company on the increased remuneration and benefits as stated below :

- a) Consolidated Salary : Rs. 25,000/- per month with annual increments as the Managing Director may decide from year to year subject to such consolidated salary not to exceed Rs. 50,000/- per month.
- b) Other benefits and perquisites : As applicable to other employees holding similar post.
- c) Club Membership : Maximum upto 2 Clubs.

Mr. Chirag C Doshi is Bachelor of Arts (Economics) from University of Michigan, USA.

The Directors recommends the Special Resolution as set out at item No.9 of the Notice for the approval of the shareholders. None of the Directors except Mr. Chakor L. Doshi as his father is concerned/interested in the Resolution.

#### Item No. 10

As per the provisions of Section 149(2A) of the Companies Act, 1956, the approval of the shareholders in General Meeting is required for the commencement and undertaking of the new business. The consent of the Company was given in Annual General Meeting held on 12<sup>th</sup> February, 1999 for inserting Clause No. 38 and 39 relating to Hospitality & Horticulture sectors respectively in the Objects Clause of Memorandum of Association. The Company has already taken the initial steps in this direction and it is now proposed to undertake such business activity on regular basis.

The Directors recommends the special resolution as set out at item No.10 of the Notice for the approval of the shareholders. None of the Directors is concerned/interested in the Resolution.

By order of the Board

**S.C. Bhagwat**  
DGM(Finance) & Dy. Company Secretary

Registered Office:  
3, Walchand Terraces  
Tardeo Road  
Mumbai 400 034

Date: 27<sup>th</sup> December, 2002



# Annual Reports Library

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## DIRECTORS' REPORT

To:  
The Members of  
**Walchandnagar Industries Limited.**

Your Directors have pleasure in presenting the Ninety-fourth Annual Report with Audited Statement of Accounts for the year ended 30<sup>th</sup> September, 2002.

### 1. YEAR IN RETROSPECT PERFORMANCE:

	30.09.2002 Rs.in Lakhs	30.09.2001 Rs.in Lakhs
<b>Income :</b>	<b>18426.14</b>	23000.21
Profit before Depreciation and Interest	889.36	1343.44
Less: - Interest	195.62	213.63
- Depreciation	326.30	317.03
<b>Profit before exceptional item</b>	<b>367.44</b>	812.78
Less: Provision for Diminution in value of Investments	NIL	1231.56
<b>Profit/(Loss) before Tax</b>	<b>367.44</b>	(418.78)
Less: Provision for Taxation	117.71	304.51
<b>Profit/(Loss) after Tax</b>	<b>249.73</b>	(723.29)
- Surplus brought forward from the previous year	60.12	898.49
- Transferred from Investment Allowance (Utilised) Reserve	NIL	13.00
- Transferred from Foreign Project Reserve	59.76	NIL
	<b>369.61</b>	188.20
<b>Appropriations :</b>		
- General Reserve	25.00	18.82
- Proposed Dividend	75.11	99.15
- Income Tax on Dividend	—	10.11
<b>Surplus carried to Balance Sheet</b>	<b>269.50</b>	60.12

The turnover achieved during the year was Rs. 179.51 Crores as compared to Rs. 228.84 Crores in the previous year.

The shortfall in sales, was mainly due to inability of our customers to arrange timely finances. Also on account of demand recession in some of our conventional product segments such as Sugar & Cement, the expected orders planned for execution during the year did not materialise.

The bottom line was affected, both by shortfall in turnover and lower margins due to continuous decline in the prices of Machinery for Sugar, Cement and Gears as a result of dearth of orders.

As informed in the last year's Directors' Report – on closing down the overseas hospitality and Infotech business, the Company had sought permission of Reserve Bank of India (RBI) for dis-investment. RBI has since given the permission for dis-investment and accordingly the necessary formalities for the same has been completed during the current year.

### 2. CURRENT YEAR

The order book at the beginning of the current year is at Rs. 267 Crores, but out of these orders worth Rs. 54 Crores are either non-moving or slow-moving due to funds constraints with the customers. Fresh investments in Sugar & Cement industries have become scarce due to their glut in the Country. We are, however, giving special thrust on booking Export orders for these segments. The order book position is reasonably satisfactory for steam generating plants and EPC projects for Biomass power generation plants, but the turnover will depend upon arrangement of finance by customers.

For improving competitiveness, continued efforts are being made by reducing costs, improving productivity and making procurement more economical.

### 3. EXPORTS :

The foreign exchange earning for the year was Rs. 111 Lakhs as against Rs.890 Lakhs in the previous year. Efforts are being made for increasing the export business by exploring all possible opportunities for Sugar & Cement Machinery.

### 4. DIVIDEND :

Your Directors are pleased to recommend Dividend for the financial year 2001-2002 on Equity Shares of Rs.10/- each at Rs.2.50 per share equivalent to 25% (33% in the previous year) aggregating to Rs.75.11 lakhs.

### 5. MANAGEMENT DISCUSSION & ANALYSIS :

#### 5.1 Overview :

The year ended 30<sup>th</sup> September, 2002 was challenging for the entire engineering industry engaged in manufacture of Capital Goods. The demand for sugar & cement machinery in indigenous market is continuously declining due to saturation in capacity. This coupled with financial stringency faced by the customers, had impact on our turnover and bottom line.

The Company has taken steps towards revamping the organisation structure and systems, sliming down to the extent of possible, eliminating wasteful expenses, controlling costs and effective contract and project management.

#### 5.2 Segment Analysis and Review :

##### 5.2.1 Heavy Engineering Product Segment :

This segment is engaged in manufacturing and supply of machinery required for sugar plants, cement plants, steam generating plants, EPC projects in power generation, heavy duty gear boxes, Special Products in fabrication of equipment's for atomic energy, space & defense and General Engineering Products for petrochemical, fertilizers and steel plants.

This segment has achieved the turnover of Rs.16346 lakhs accounting for 91 percent of Company's revenue. Except for sugar & cement machinery for which the business out look is not encouraging in indigenous market, Company does not perceive major threats in the other products under heavy engineering.

#### **Outlook :**

To overcome the situation of low demand for Sugar & Cement machinery, the Company is trying for technical tie-up for entering into manufacturing of ethanol plant as a diversification plan and concentrating on booking export orders. The Company is optimistic about future business opportunities in Steam Generating Plants, EPC projects in Bio-mass Power Generation, Equipment's for Special Products, Nuclear Power, Energy, Space, Defense and General Engineering and Heavy Duty Gear Boxes. While consolidating its competitive position in its existing areas of business, the Company is preparing its plans to avail new opportunities.

#### **5.2.2 Foundry & Machine Shop :**

This unit is engaged in manufacturing of C.I. Castings, SGI Castings, Castings required for automobile industry and machining of components for Nuclear Power & Space Programme.

This segment has achieved revenue of Rs.1495 lakhs accounting for 8 percent of the Company's revenue.

Indigenous demand for automobile castings has been fluctuating and the order book position is not satisfactory. However, the demand for SGI castings and export is promising.

#### **Outlook :**

Eventhough the results of the year 2001-2002 were not satisfactory, efforts are being made for improving performance, by special thrust in marketing including export and cutting down costs.

#### **5.3 Other Non-Reportable Segment :**

These include a unit at Dharwad for manufacturing pressure and temperature guages; an infotech services division and hospitality business.

The income from these segments was Rs.223 lakhs accounting for 1 percent of the Company's revenue.

#### **Outlook :**

##### **i) Tiwac Division at Dharwad:**

The business of pressure / temperature guages is picking up and profitable.

##### **ii) Hospitality Business :**

As regards hospitality business, it was confined to providing expert services and know-how, during the year 2001-2002.

It is now proposed to enter directly in hospitality business by running Restaurants, Banqueting halls/party rooms and cafes, considering the business potential for fast food in the country.

##### **iii) Infotech Services Division :**

This division has been restructured based on the current I.T. business scenario and it is hoped that its performance will improve with the global recovery in I.T. business.

#### **5.4 Internal Control Systems :**

The Company has introduced adequate risk management and control system, commensurate with the scale and nature of its operations.

Broadly these internal control procedures ensure the following :

- i) Efficient, effective use and protection of Company's resources.
- ii) Compliance with stipulated policies, procedures, statutes, accounting records and adequacy of internal control system and procedures.
- iii) In respect of the working capital and cash flow management, the Company has been able to contain cost of working capital inspite of the prevailing liquidity crunch. However, further efforts towards reducing debtors and liquidating non-moving inventory are being continuously undertaken to improve the cash flows.

These control systems are periodically reviewed and updated on an ongoing basis. The Company is having in-house Internal Audit Department for reviewing the internal control systems regularly.

#### **5.5 Human Resources :**

Human Resources are the most valuable asset of this Company which is engaged in high tech design and manufacturing of heavy engineering equipments. Then continuous development, training and the recognising as well as rewarding talent has been an ongoing exercise within the Company. Emphasis on goal setting and team working are encouraged. The culture of accountability and responsibility has been incorporated for performance optimisation. For effective project execution and satisfied customer, 'own the project' concept is being developed.

#### **6. FINANCE & ACCOUNTS :**

##### **6.1. Fixed Deposits :**

There are no fixed deposits outstanding with the Company.

##### **6.2 Income Tax Assessments :**

The Company's Income Tax and Wealth Tax Assessments are completed up to the Assessment Year 1999-2000. Assessment for the years 2000-2001 and 2001-2002 is in progress. Various appeals before Appellate Authorities are being pursued.

##### **6.3 Auditors' Report :**

Observations made by the Auditors in Part 4(e) of their report are suitably clarified under Note No. D-5(iv)-d, forming part of the Accounts.