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Welcast Steels Limited

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26th

Annual Report 1997 - 98





WELCAST STEELS LIMITED

DIRECTORS

Vinod Narain - Chairman
D.P. Dhanuka
R.P. Agarwal
Balakrishna F. Shah
A. S. Mehta
Bahram N. Vakil
Paryank R. Shah
Pradip R. Shah

AUDITORS

DAGLIYA & Co.
Chartered Accountants
Bangalore - 560 002

BANKERS

Canara Bank

REGISTERED OFFICE & FACTORY

Plot No.15, Phase 1
Peenya Industrial Area
Bangalore - 560 058



NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of Welcast Steels Limited will be held at Hotel The Capitol, No.3, Rajbhavan Road, Bangalore - 560 001 at 16.30 hours on the 23rd day of September 1998 to transact the following business :

- (1) To receive, consider and adopt the Directors' Report and audited Balance Sheet of the Company as at 31st March 1998 and Profit and Loss Account for the year ended that date together with the report of the Auditors thereon.
- (2) To declare dividend
- (3) To appoint Directors in place of Mr. Vinod Narain, R.P. Agarwal, D.P. Dhanuka and A.S. Mehta, who retire by rotation and who, being eligible, offer themselves for reappointment.
- (4) To appoint Auditors in place of retiring Auditors and to fix their remuneration.

NOTES

- (a) Every Member who is entitled to attend and vote may appoint a proxy to attend and vote instead of himself and, the proxy need not be a Member.
- (b) The Register of Members and the Share Transfer Books of the Company will remain closed from 8th September 1998 to 23rd September 1998 (both days inclusive).
- (c) The Dividend, when declared, will be paid on or before 2nd November 1998 to those members whose names appear in the Register of Members as on 23rd September 1998.
- (d) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year 1993-94 have been transferred to the Central Government Account. Members who have not encashed the dividend warrant/(s) for and before the aforesaid year, are requested to claim the same from the Registrar of Companies, Bangalore, Karnataka.
- (e) Members are requested to notify changes, if any, in their registered addresses at an early date.

By Order of the
Board of Directors

Bangalore
25th June 1998

Vinod Narain
Chairman



DIRECTORS' REPORT

Your Directors present the twenty sixth Annual Report together with Audited Accounts of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS

PARTICULARS	1997-98 Rs.lacs	1996-97 Rs.lacs
Gross Revenue	1,567.38	1,106.99
Gross Profit	129.25	155.93
Less:		
Interest	43.04	44.68
Depreciation for the year (Net of withdrawal from Revaluation reserve)	58.25	51.32
Profit after interest & depreciation	27.96	59.93
Provision for taxation	10.50	7.73
Post-Tax-Profit	17.46	52.20
Add-carried over credit balance in P&L Account	47.64	0.72
Resultant Profit against which the following adjustments are made/recommended :	65.11	52.92
Dividend on Equity Shares @15%	7.19	4.80
Tax on Dividend	0.72	0.48
Balance to be carried forward a sum of	57.19	47.64

REVIEW OF PERFORMANCE

PRODUCTION

During the year under review, the Company produced 5,756 tonnes of Grinding Media, which is higher by 33.98% over the previous years' production of 4,296 tonnes. As reported in the previous year, the Company has become self sufficient in its requirement of power supply with the installation of 1500 KVA DG Set in addition to 800 KVA DG Set in operation earlier. However, there were some teething problems in the operation of 1500 KVA DG Set due to which the full production capacity could not be utilised.

DIVIDEND

Your Directors are pleased to recommend Dividend @ 15%, both on Equity held prior to Rights issue and on prorata basis on the Rights share allotted during the year under review. The quantum of dividend recommended is same as in the previous year inspite of comparatively lower profits.

RIGHTS ISSUE

As reported in our previous Annual report, the Rights issue opened on 16th June 1997 and closed on 14th August 1997. The Company has received 552 valid applications for 3,18,586 shares as against the offer of 3,20,000 shares. The issue is subscribed to an extent of 99.5%. The Company has made full allotment against all the valid applications with a dividend entitlement on prorata basis.

SALES & PROSPECTS

The sales have considerably improved over the previous year. The Company sold 5,578 tonnes of Grinding Media during the year as compared to 4,203 Tonnes during the previous year, higher by 32.71%. Also the sales revenue during the year was higher at 1,567.38 lacs as against 1,106.99 lacs during the previous year.

The sales prospects for the current year do not appear to be encouraging. The demand from the Cement Industry segment has been going down due to recession in the economy, affecting the Company's order book position adversely.

The Company is hopeful of making up the shortfall in domestic demand by higher exports.

EXPORT

The Company has made good thrust on the export front during the year under review. It exported 715 tonnes of Grinding Media as compared to NIL during the previous year and earned a foreign exchange equivalent to Rs.240.25 lacs. The new foreign markets were explored and the results were encouraging. With further efforts in this direction, the Company is hopeful of making its presence felt internationally.



DIRECTORS' REPORT (Contd..)

FINANCE

The liquidity position of the Company remained satisfactory. Canara Bank extended its full co-operation to the Company.

SCIENTIFIC RESEARCH

The new grades of Grinding Media developed with the state-of-the-art Oil Quenching Technology have proved to be of International Quality and have been very well received in the market. The Company is proud of having given to the Cement and Mining Industry products which have resulted in considerable reduction of their manufacturing cost. The Company's R&D section continues to be active in making further developments.

EMPLOYEE RELATIONS

The Relationship with the employees remained cordial.

DIRECTORS

Messrs Vinod Narain, R.P. Agarwal, D.P. Dhanuka and Mr. A.S.Mehta, retire by rotation and are eligible for re-appointment.

GENERAL

The particulars required under Section 217(2A) of the Companies Act, 1956 are furnished as Annexure-I & II to this report and form a part thereof. The particulars required under Listing Agreement Clause 43 & 49 are furnished as Annexure - III to this report and form a part thereof.

The relevant notes on the accounts and accounting policy contained elsewhere in this Annual Report are self explanatory with regard to the observations of the Auditors.

ANNEXTURE - I TO DIRECTORS' REPORT

Particulars as per The Companies (Disclosure of particulars in the report of the board of Directors) rules, 1988 and forming part of the Directors' Report for the year ended 31.3.1998

I CONSERVATION OF ENERGY

Efforts to conserve energy have been continued with strict monitoring of energy consumption at every stage. The specific power consumption has been brought down to 1,410 Units per ton as against 1,630 per ton in the previous year, a reduction of 13.5%.

A) POWER AND FUEL CONSUMPTION

	1997-98	1996-97
1) Electricity		
a) Units Purchased	26,43,700	16,19,520
Total amount Rs.	1,06,63,996	54,94,441
Rate/Unit (Rs.)	4.03	3.39
b) Own generation		
i) through Diesel Generator		
Units generated	54,74,958	53,82,124
Units generated per litre of Diesel	3.17	2.78
Rate/Unit (Rs.)	3.41	2.86

B) CONSUMPTION PER UNIT OF PRODUCTION (PRODUCT-GRINDING MEDIA)

1) ELECTRICITY UNITS	1,410	1,630
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II RESEARCH AND DEVELOPMENT

1) SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY

- Modification in methoding of patterns for improvement of yield and reduction of cost.
- Development of special grades of Grinding Media for Wet grinding of Ores.



ANNEXTURE - I TO DIRECTORS' REPORT (Contd..)

2) BENEFITS DERIVED

- a) Reduction in input costs
- b) Higher business from the Mineral Processing Industry.

3) FUTURE PLAN OF ACTION

- a) Development of process to monitor internal structure of Grinding Media Balls to achieve Zero defects.
- b) Development in heat treatment Technology for achieving higher wear resistance.

III. TECHNOLOGY ABSORPTION AND INNOVATION

1. EFFORTS MADE

- a) Methoding of patterns reviewed and improvements carried out.
- b) OIL QUENCHING technology standardised.

2. BENEFITS

- a) Improvement in yield of castings and reduction in cost.
- b) Higher Customer satisfaction with better quality of product.

3. PARTICULARS OF TECHNOLOGY IMPORTED DURING THE LAST 5 YEARS

- a) Technology Import Upgradation of methoding and heat treatment technology in technical collaboration with Magotteaux International, Belgium.
- b) Year of Import 1996
- c) Has Technology been fully absorbed Under absorption

4. EXPENDITURE ON R&D

	Rs.in Lacs
a) Capital	—
b) Revenue	2.89
c) Total	2.89
d) Total R&D Expenditure as a percentage of total turnover (%)	0.18

IV FOREIGN EXCHANGE EARNINGS AND OUTGO

	Rs.In Lacs
a) CIF value of imports	NIL
b) Expenditure in Foreign Currency	
on Foreign travel	Rs 3.01
on Royalty	Rs 55.64
on Books	Rs 0.44
on Commission	Rs 11.63
c) Foreign exchange earned	Rs.240.25



ANNEXTURE - II TO DIRECTORS' REPORT

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, and forming part of the Directors' Report for the year ended 31st March 1998.

Sl. No.	Name & Designation	Age	Gross Remuneration	Date of Commencement of employment	Last Employed with	Qualification
1	Mr. Vinod Narain, Chairman	68	3,79,721	01-11-1972	New Central Jute Mills Co. Ltd.	Indentured Engineering Apprenticeship course with Austin Motor Co. Ltd. Birmingham National Certificate Course of Mechanical Engineers, Birmingham; Diploma in Automobile Eng., of UEI (England); Fellow of the Institution of Valuers

- Employee mentioned above is not a relative
- Gross remuneration includes Salary, Leave Travel Concession, Medical Benefits, Company's Contribution to Provident Fund, Superannuation Fund, Leave Encashment Benefits and Taxable Value of Perquisite.

ANNEXTURE - III TO DIRECTORS' REPORT

Particulars in compliance with the listing agreement under .

- Clause 43**
Performance Vs. Projections as per the letter of offer dated 9.5.1997 for the financial year 1997-98.

	Projections	(Rs in Crores) Actuals
a) Net Sales	12.00	15.67
b) PBIDT	1.80	1.30
c) INTEREST	0.50	0.43
d) DEPRECIATION	0.55	0.58
e) INCOME TAX	0.10	0.11
f) PAT	0.65	0.17

- Clause 49**

- The security of the Company is not suspended from trading in any of the Stock Exchanges where it is listed.
- Name and address of the Stock Exchanges where the securities are listed:
 - Bangalore Stock Exchange**
Stock Exchange Towers,
No.51, 1st Cross, J.C. Road
BANGALORE - 560 002
 - The Stock Exchange - Mumbai**
Phiroze Jeejeebhay Towers
25th Floor, Dallal Street
MUMBAI - 400 001

The Company has paid the listing fees for the financial year 1998-99 to all the Stock Exchanges wherever its Securities are listed.