

WELSPUN-GUJARAT STAHL ROHREN LIMITED



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**FIFTH ANNUAL REPORT
1999-2000**



WELSPUN GUJARAT STAHL ROHREN LIMITED

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WELSPUN GUJARAT STAHL ROHREN LIMITED

NOTICE is hereby given that the 5th Annual General Meeting of Welspun Gujarat Stahl Rohren Limited will be held on Wednesday, 30th August, 2000 at 12.30 p.m. at the Registered Office of the Company at Village Vadadla, Near Dahej, Tal. Vagra, Dist. Bharuch, Gujarat to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2000 and Profit and Loss account for the period ended on that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. B.K. Goenka, who retires by rotation, and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

3. To Consider and, if thought fit, to pass with or without modification(s) the following as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of section 224A of the Companies Act, 1956, M/s. M. G. Bhandari & Co., Chartered Accountants be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting of the Company on a remuneration as may be agreed upon between the Board of Directors and M/s. M. G. Bhandari & Co."

4. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to Section 198, 269, 309 and other applicable provisions of and Schedule XIII to, the Companies Act, 1956, Shri B.S. Jhuj be and is hereby appointed as Director (Operations) of the Company liable to retire by rotation on a remuneration of such amount as agreed by the Board of Directors of the Company subject to a limit of Rs. 8 lacs p.a. as remuneration including salary, perquisites and allowances in accordance with the rules of the Company and in addition the Company may provide furnished/unfurnished accommodation and car facility for personal use, as may be agreed by the Board of Directors and Shri B.S. Jhuj.

RESOLVED FURTHER THAT Mr. B.S. Jhuj shall be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified in paragraph 1 of this section :

a. contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.

b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and

c. Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT the Board be and is hereby authorised to increase the aforesaid ceiling of remuneration on 1st April, 2001 and thereafter, after every 12 months by any amount being not more than 20% of the ceiling of remuneration.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary, alter, increase, enhance or widen the scope of the remuneration and perquisites, to the extent specified in Schedule XIII to the Companies Act, 1956, as amended from time to time.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to enter into agreement/issue letter of appointment and do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution".

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT the Articles of Association of the Company be altered as under :

a. After paragraph "Auditors" of Article 2(a), the following paragraph be inserted.

"Beneficial Owner" shall mean the beneficial owner as defined in clause (a) of Sub Section (1) of Section 2 of the Depositories Act, 1996.

b. After paragraph "Debentures" of Articles 2(a), the following paragraphs be inserted.

"Depositories Act, 1996" shall include any statutory modification of re-enactment thereof.

"Depository" shall mean a Depository as defined under clause (e) of Sub-Section (1) of Section 2 of the Depositories Act, 1996.

c. After Article 19, the following paragraph be inserted

"Provided however that the provision relating to progressive numbering shall not apply to

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the shares/debentures of the Company which have been dematerialised".

d. After Article 26, the following paragraphs be inserted.

"Further, the Company shall also be entitled to treat the person as the holder of any share(s) whose name appears as the beneficial owner of the shares in records of the depository, as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or as required by law) be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such shares on the part of any other person whether or not it shall have express or implied notice thereof".

"The Company shall further be entitled to maintain a Register of Members with the details of Members holding shares both in material and dematerialised form in any media as permitted by law including any form of electronic media".

e. After Article 29 (c), the following clause be inserted as clause (d).

d "Notwithstanding anything stated in this Article, no share certificate(s) shall be issued for shares held in a depository".

f. After Article 59, the following paragraph be inserted "

"Notwithstanding anything contained herein, in the case of transfer of shares/debentures or other marketable securities where the Company has not issued any Certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply".

By Order of the Board

B. K. Goenka
Vice Chairman

Mumbai, 30th June 2000.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Corporate Office of the Company not less than 48 hours before the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 23rd August, 2000 to Wednesday, 30th August, 2000 (both days inclusive).
3. Members are requested to immediately inform about their change of address or consolidation of folios, if any, to the Company's Corporate Office at Mumbai.
4. All the correspondence pertaining to shareholding, transfer of shares, transmission etc. should be lodged at the Company's Share Transfer Agent.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 3.

Since the Company's capital of more than 25% is held by Institutions/Banks/Insurance Companies etc. as specified under section 224A of the Companies Act, 1956, the re-appointment of Auditors require members' approval by a special resolution. Hence the resolution under this item is proposed for the approval of members as a special resolution.

None of the directors of the Company is any way concerned or interested in the said resolution.

ITEM NO. 4

Appointment of Mr. B.S. Jhuj was made vide a resolution passed in the 3rd Annual General Meeting held on 29.09.98 w.e.f. 01.04.98. Mr. Jhuj's appointment is subject to retirement by rotation. In the forthcoming Annual General Meeting, Mr. Jhuj is liable to retire by rotation. Mr. Jhuj is the Director (Operations) and has been in-charge of factory operations. Board in its meeting held on 30th June, 2000 has recommended Mr. Jhuj's appointment for a further period till his retirement by rotation at a remuneration upto Rs. 8 lacs p.a. with ceiling for

WELSPUN GUJARAT STAHL ROHREN LIMITED

annual increase of 20% on 1st April, every year. In the proposed resolution, board has sought authorisation by General Meeting to fix remuneration and annual increments subject to limits specified therein.

Letter of appointment of Mr. B.S. Jhuj as the Director (Operations) dated 30.06.2000 is made available at the Registered Office for inspection of their members during working days (Tuesday to Saturday) between 2 to 5 p.m.

None of the Directors except Mr. Jhuj is in any way concerned or interested in the said resolution.

ITEM NO. 5

Consequent to the passing of the Depositories Act, 1996 and introduction of Depository System, the Board of Directors have decided to seek admission of the company's equity shares to the Depository system with National Securities and Depository Limited. A few Articles in the Articles of Association of the Company pertaining to issue, holding, transfer and dealing in shares and securities, which were in line with the provision

of the Companies Act, 1956 are conflicting with the provisions of the Depositories Act, 1996 and therefore the relevant Articles need to be amended.

None of the directors except Mr. B.K. Goenka, Mr. G.R. Goenka and Mr. R.R. Mandawewala being part of the promoters group is interested in the said resolution.

By Order of the Board

B. K. Goenka
Vice Chairman

Mumbai, 30th June 2000.

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Company Information

BOARD OF DIRECTORS

- | | |
|--------------------|----------------------------------|
| G.R. Goenka | - Chairman |
| B.K. Goenka | - Vice - Chairman |
| A. K. Joti | - Nominee Director GIIC |
| J. S. Pal | - Nominee Director SICOM |
| J. Schuett | - Nominee Director INTERTEC GmbH |
| V. V. Desai | - Nominee Director - IFCI |
| R. R. Mandawewala | - Director |
| M. L. Mittal | - Director |
| B. S. Jhuji | - Director (Operations) |
| K. H. Vishwanathan | - Alternate to J. Schuett |

AUDITORS

- : M/s. M. G. Bhandari & Co.
Chartered Accountants

COMPANY SECRETARY

- : R. Ganesh

BANKERS

- : Bank of Baroda
Punjab National Bank
Development Credit Bank Limited
Syndicate Bank
UTI Bank Limited

REGISTERED OFFICE

- : Village Vadadla,
Near Dahej, Taluka Vagra
District Bharuch,
Gujarat - 392 130

CORPORATE OFFICE

- : Rehem Mansion No. 1, 1st Floor,
36/42, Shahid Bhagat Singhi Road,
Colaba, Mumbai-400 001.

FACTORY

- : Village Vadadla,
Near Dahej, Taluka Vagra
District Bharuch,
Gujarat - 392 130

MARKETING OFFICE

- : Anjani Complex, 4th Floor,
Opp. Guru Nanak Petrol Pump,
Off. Andheri Kurla Road,
Andheri (East), Mumbai 400 099.

WELSPUN GUJARAT STAHL ROHREN LIMITED

DIRECTORS' REPORT

To,

The Members,

WELSPUN GUJARAT STAHL ROHREN LIMITED

Your Directors have pleasure in presenting the Fifth Annual Report together with Audited Statement of Accounts of the Company for the 7 month period ended 31st March, 2000.

FINANCIAL RESULTS :

(Rs. in lacs)

	7 month period ended on 31.03.2000	17 month period ended 31.08.99
Gross Profit before Depreciation & Finance Expenses	607.42	338.70
Less: Finance Expenses	427.16	367.97
Depreciation	148.18	352.28
Net Profit /(Loss)	32.08	(381.55)
Profit/(loss) after prior year adjustment	27.95	149.62

As the company does not have adequate profit, your Directors do not recommend any dividend.

PERFORMANCE

During the period under report, the sales and gross profit before interest and depreciation were Rs.5756.53 lacs (annualised Rs.9868.34 lacs) and Rs. 607.42 lacs (annualised Rs.1041.29 lacs) respectively as compared to Rs. 4143.06 lacs (annualised Rs.2924.51 lacs) and Rs.338.70 lacs (annualised Rs.239.08 lacs) respectively in the previous period. Net profit after interest and depreciation was Rs.32.08 lacs (annualised Rs.54.99 lacs) as compared to net loss of Rs. 381.55 lacs (annualised Rs. 269.33 lacs) in the previous period. The production during the period was 25613 MT (annualised- 43908 MT) compared to 17413 MT(annualised 12291 MT) in the previous period. During the first two months of the current year the production and sales are 13062 MT & 12608 MT respectively and the amount of sales is Rs. 2847 lacs.

Your Company has stabilised production of various sizes of diameter and wall thickness of SAW pipes and established itself a reliable source of SAW Pipes as well. The commercial production from the said plant has commenced w.e.f. 30th June, 2000. (production of SPIRAL pipes had commenced on 1st July, 1997). Your Directors expect substantial positive effect of this on the financial performance of the Company in the current financial year.

MARKET PERCEPTION & OUTLOOK

The requirement of M.S.Pipes of dia varying from 16 to 40 for oil and gas is quite encouraging as large number of cross-country pipelines planned earlier

are now being implemented by companies like Petronet, Enron, Reliance, GSPCL, Dodsai and other oil & gas majors etc. The present trend indicates demand in the vicinity of one million tonnes in the next 3 years. LNG Jetties at Dahej & Cochin in addition to various ports development shall increase the demands of high wall thickness pipes for piling/ structural work. Various States like Gujarat, Maharashtra, Rajasthan, Tamil Nadu, Karnataka, Andhra Pradesh have taken on priority the water distribution system which has generated into large requirements of M.S.Pipes and the expected requirements shall be approximately 0.25 million tonnes in the next 3 years. The Company with its enhanced plant capacity of 2 lac tonnes per annum is geared to take up the challenge of the increased requirements. The present order book is very healthy and the plant capacity utilisation is encouraging.

The strategic locational nearness of the pipe mill to the steel giants like Essar and Ispat has a definite advantage both in terms of availability and transportation. Although the steel prices have firmed up in the last 2 quarters, however, the same is also reflected in the increased realisation/prices on the end product i.e. pipes. Envisaged imports of raw materials shall be easy and economical, as the pipe mill is located near Port of Dahej.

The Company has already tied up M/s. Lonestar Steel Co., a reputed firm in the USA for a multi year agreement for marketing the Company's large dia Submerged Arc Welded pipes in the North America, South America and U.K., and others in Middle East/ Far East for thrust on the exports.



No major impact is envisaged on account of the changed Government policies.

PROGRESS OF THE JOINT VENTURE COMPANY'S PROJECT

In the last report, we had reported about the signing of Shareholders' Agreement with the pipecoating major viz. Eupec PipeCoatings GmbH with the Company for a 50:50 joint venture. The Implementation of coating facility project of Eupec-Welspun PipeCoatings India Pvt. Ltd, (the Joint Venture Company) is underway. The project cost is estimated to be Rs. 4000 lacs and the same is being financed by Equity and Debts in the ratio of 1:1. Considering the progress of the project, the commencement of coating facility is slated for October-November, 2000. Initially the Joint Venture Company shall be doing coating business for the Company. However, the Joint Venture Company will also do coating for other parties at appropriate time. The coating of pipe will be complementary for the Company's pipes and will have substantial value addition to its products.

QUALITY CONTROL

Your Company has always been in the forefront for providing the best quality in its products and services and in keeping with this target it has set stringent quality control measures ensuring the qualitative supplies to its consumers.

PUBLIC DEPOSITS

The Company does not accept any deposit from public within the meaning of Section 58A of the Companies Act, 1956 read with The Companies (Acceptance of Deposit) Rules, 1975.

Y2K COMPLIANCE

The Company has made a smooth transition into this millenium.

APPOINTMENT OF ALTERNATE DIRECTOR

In view of the infrequency of attendance to Board meetings of Mr. Joachim Schuett - a non-resident nominee director of Intertec. GmbH, the Board has, on the request of Intertec, appointed Mr.K.H.Viswanathan as an alternate Director to Mr.Schuett. Mr. Viswanathan is a Cost Accountant and was associated with reputed Companies having over 17 years of experience in the industry. The Board welcomes his appointment.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Shri B.K.Goenka and Shri B.S.Jhuj retire by rotation at the forthcoming Annual General Meeting. They are eligible for re-appointment.

Save and except as mentioned above, since the last report, the Company has not appointed any other Director in the Company.

AUDITORS

Your Company's Auditors M/s. M.G. Bhandari & Co, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, have given their consent to act as Auditors of the Company. Members are requested to consider their reappointment as the Auditors of the Company for the current year and to fix their remuneration by passing a special resolution u/s. 224A of the Companies Act, 1956.

AUDITORS' REPORT

The notes on accounts referred to in Auditors Report are self-explanatory and therefore, do not call for any further comments.

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

In terms of the above Rules, your Directors are pleased to give the particulars as prescribed therein in the Annexure 'A' which forms part of the Directors' Report.

PARTICULARS OF EMPLOYEES

The information in accordance with sub-section (2A) of section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. (Refer Annexure 'B' for the particulars)

LISTING WITH STOCK EXCHANGES

The Company's equity shares are listed on the Stock Exchanges at Ahmedabad (Regional), Mumbai and Calcutta. The Company has paid Annual Listing Fees to all the Stock Exchanges upto the financial year 1999-2000.

In view of the infrequent and thin trading of the Company's equity shares in the Calcutta Stock Exchange, your Company's Board has decided and taken steps for delisting of the Company's shares in