



WELSPUN GUJARAT STAHL ROHREN LIMITED

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6TH
ANNUAL REPORT
2000-01

**WELSPUN GUJARAT STAHL ROHREN LTD.****INDEX**

1. Directors' Report	4
2. Auditors' Report	8
3. Balance Sheet	10
4. Profit & Loss Account	11
5. Schedules	12
6. Balance Sheet Abstract	22
7. Cash Flow	23

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WELSPUN GUJARAT STAHL ROHREN LTD.
COMPANY INFORMATION
BOARD OF DIRECTORS

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

AUDITORS

M/s. MGB & Co.,
Chartered Accountants

COMPANY SECRETARY

R. Ganesh

BANKERS

Bank of Baroda
Punjab National Bank
Canara 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

B - Trade World, 9th Floor,
Kamala Mills Compound, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013.
Tel. 490 8000 to 4 Fax : 490 8020/4908021
E-mail: welspun@bom2.vsnl.net.in
Website : <http://www.welspunpipes.com>

FACTORY

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


WELSPUN GUJARAT STAHL ROHREN LTD.
DIRECTORS' REPORT

To,

The Members,

WELSPUN GUJARAT STAHL ROHREN LIMITED

Your Directors have pleasure in presenting the Sixth Annual Report together with Audited Statement of Accounts of the Company for the 12 months ended 31st March, 2001.

FINANCIAL RESULTS :

	(Rs. in lacs)	
	FOR THE PERIOD	
	01.04.2000 to 31.03.2001	01.09.1999 to 31.03.2000
Income from operations	25637.85	5779.17
Profit before interest, depreciation & tax	4612.44	607.46
Less : Interest/Finance Costs	3311.88	427.21
Gross Profit(Loss)	1300.56	180.25
Less : Depreciation	1213.14	148.18
Profit for the year	87.42	32.07
Less : Provisions for taxation for earlier years.	7.70	Nil
Prior Year Adjustment	0.72	4.13
Add : Balance brought		
Forward from previous Year	(32.89)	(60.84)
Balance carried forward to next year.	46.11	(32.90)

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

PERFORMANCE

During the year under report, Sales and Gross Profit Before Interest, Depreciation and Tax were Rs.25629.79 lacs and Rs. 4612.44 lacs respectively as compared to Rs. 5756.53 lacs (annualised Rs. 9868.34 lacs) and Rs.607.46 lacs (annualised Rs.1041.36 lacs) respectively in the previous period, registering 2½ times growth of Sales and 3½ times in PBDIT. Net profit after interest and depreciation and tax was Rs.79.72 lacs as compared to net profit of Rs.32.07 lacs (annualised Rs. 54.98 lacs) in the previous period. The production during the year was 80,408 MT compared to 25,532 MT(annualised 43769 MT) in the previous period. During the first two months of the current year the Company registered production of 16405 mts and the amount of sales was Rs. 5888 lacs.

Your Directors are pleased to report that, as envisaged in the last report, the significant growth witnessed, was the effect of commencement of commercial production from LSAW mill and stabilisation of production. In testimony thereof the Company has executed prestigious orders in both the domestic and international market, to name a few – Dodsai, GSPL, Lonestar, CNPC and also has received accreditation from major consumers like IOCL, EIL, GAIL, BECHTEL etc. With this, the Company has established prime position in executing mega pipeline projects. This is viewed as a milestone achievement directed to the path of progress.

OUTLOOK

Oil and Gas industry a major consumer of pipes is poised for a stupendous growth with a large number of cross country pipelines on the anvil and their implementation is seen in the offing. In the domestic arena the growth potential of the industry lies in the fact that only 40% of the petro products are transported through pipelines leaving a great scope vis a vis other developed countries. Also the thrust laid on infrastructural facilities in India, one of them being pipe line sector, shall enure the industry prospects. The Salaya Mathura Pipe line project by IOCL and HBJ Pipe line upgradation by GAIL bears evidence of the infrastructural thrust and promise better fortune for the industry. Also the commissioning of various LNG terminals at Dahej, Cochin, Hazira etc. should result in the substantial demand for SAW pipes. This coupled with the resurgence of the Middle East market for SAW pipes specially in Iraq, Iran and Egypt will help revive generation of substantial business volume.

After so much of deliberations finally IRAN INDIA Pipe line looks to be a reality and a pipe dream. Transportation of gas from Bangladesh to India looks even one step ahead. All these things can only boost the buoyancy of the pipe demand.

Your Directors are glad to mention that your Company's strategic tie up in USA has already started yielding dividends and simultaneously registered the Company's presence in the US as well. The tie-up also benefitted the Company in securing a prestigious contract for the supply of about 8000 mts of pipes. Further, many pipe line projects being underway in North America for which efforts are undertaken for securing our share in the projects. Thus your management strategy of "global presence", coupled with excellent quality and potentials reflects an optimistic business scenario.



WELSPUN GUJARAT STAHL ROHREN LTD.

PLANT UPGRADATION & QUALITY CONTROL

In quest for excellent performance and to produce quality product, your Company is continuously engaged in the upgradation of the Plant facilities such as enhancing speed of the JCO Mill, Crimping press, Installation of new Brushing station, new Washing station, Additional Ultrasonic Testing, Additional – FUT, Tack Welder upgradation and commissioning of fully equipped NACE lab etc.

Your company has conceived implementation of ERP which will ensure effective intra and inter departmental communication, eliminating impediment of distance and time, to faster dissemination of information and knowledge. In addition, all offices, factory and branches are inter-connected through a wide area network with the latest technology.

Your Company looks forward to develop e-commerce strategy to exploit opportunities in the world of internet.

STATUS OF JOINT VENTURE COMPANY

Your, Joint Venture company – Eupec Welspun PipeCoatings India Private Limited commenced commercial production in February, 2001 and has been following the same growth pattern as your Company. The company has successfully completed providing coating applications for over 250 kms of pipelines.

The Joint Venture has proved to be quite beneficial in terms of achieving synergy between the facilities and has been instrumental in clinching orders.

About the outlook, the demand for coating applications is in direct proportion to the demand of pipes. The business prospects for next several years looks very good. In fact considering that your Joint Venture Company is capable of providing coating applications for sizes even beyond your Company's size range and has higher coating capacity than your pipe manufacturing capacity, its prospects are more promising.

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.

DIRECTORS

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

During the year under report, Shri Hasmukh Adhia has been nominated by Gujarat Industrial Investment Corporation of India Limited on the Board.

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. MGB & 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

With reference to note no. 12(b) your Directors wish to explain that the Longitudinal Saw Pipe manufacturing Unit commenced commercial production on 30th June, 2000 and interest on borrowings for the said project has been capitalised till that date. If the Company were to follow the Accounting standard AS16 made mandatory with effect from 1st April, 2000, it would have resulted in unjustified allocation of unrelated costs to the Spiral Division. Hence your board considers it appropriate to capitalize the said costs amounting to Rs. 869.73 lacs to the Longitudinal Pipe Project.

Apart from the above, 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 which forms part of the Directors' Report.

PARTICULARS OF EMPLOYEES

None of the employees has drawn remuneration exceeding the limit prescribed u/s. 217(2-A) of the Companies Act, 1956 read with the Company's (Particulars of Employees) Rules, 1975.

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 2000-2001.

WELSPUN GUJARAT STAHL ROHREN LTD.

The Company has completed delisting formalities with Calcutta Stock Exchange, however the permission to delist is awaited.

CORPORATE GOVERNANCE

The code of corporate governance stipulated by the Stock Exchanges is applicable to the company latest by 31st March, 2002. However, as a prudent practice your company has adopted the spirit of corporate governance and carried out suitable changes which are briefly spelt as under :

- Composition of Board of Directors.

The Company has an optimum combination of executive and non executive directors with not less than 50% of the Board of Directors comprising of non executive directors.

- Audit Committee

The audit committee comprises minimum three members all being non executive and independent directors.

- Investor Grievance Committee

The Investor Grievance Committee has been constituted with a non executive director being Chairman of the committee.

In keeping with the changing trend towards transparency, fairness and accountability in the business for enhancing the shareholders' value, the management assures strict adherence to the code of corporate governance.

Directors Responsibility Statement

The Directors confirm that they had :

- a. followed in the preparation of annual accounts, the applicable accounting standards and given proper explanation relating to material departures, if any;
- b. 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 profit and loss of the company for that period;
- c. taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act so as to safeguard the assets of the company and to prevent and detect fraud and other irregularities; and
- d. prepared the accounts on a going concern basis.

PERSONNEL

Industrial relations at your Company's plant remained cordial during the period under review. Your Directors wish to place on record their sincere appreciation of the valued contribution, unstinted efforts and spirit of dedication shown by the employees at all levels.

APPRECIATION

Your directors take this opportunity to express gratitude for **valuable assistance** and co-operation extended to the Company by Financial institutions, Mutual Funds, Banks, Government, Semi-Government Bodies and Other Authorities.

Report

For and on behalf of the Board.

B.K. GOENKA
VICE CHAIRMAN

RAJESH R. MANDAWEWALA
DIRECTOR

Mumbai

Date : 29th June, 2001.

WELSPUN GUJARAT STAHL ROHREN LTD.



ANNEXURE

FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current Year 2000-2001	Previous Period 1999-2000 (upto 31.03.00)
A. Power and Fuel Consumption		
1. Electricity		
A. Purchased		
Units (In '000s)	653.63	799.08
Total Amount (Rs.in Lacs)	37.44	33.83
Rate/Unit (Rs.)	5.73	4.23
B. Own Generation		
(I) Through Diesel/ Gas Generator		
Units (In '000s)	8374.19	2268.11
Units Generated per Unit of Fuel	The generating is dual fuel operated and the consumption ratio varies according to load. Therefore, individual output fuelwise can not be worked out.	
Cost/Unit (Rs)	2.12	1.75
(II) Through Steam Turbine /Generator	Nil	Nil
2. Coal (Specify quality and where used)	Nil	Nil
3. Furnace oil		
Quantity (K.Ltrs) Unit (in '000s)	Nil	Nil
Total Amount (Rs.in Lacs)	Nil	Nil
Average rate cost/unit (Rs.)	Nil	Nil
4. Others/Internal Generation	Nil	Nil

B. Consumption per unit of Production

	Standards	Current Period	Previous Period
Products (with details) unit	Tons	Tons	Tons
Electricity—	112.27	94.71	
Furnace Oil	—	—	—
Coal (Specify Quality)	—	—	—
Others (Specify)	—	—	—

FORM -B

(SEE RULE 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

Research and Development (R & D)

1. *Specific areas in which R&D is carried out by the Company:*
The Company will review the scope for setting up of R&D activities in due course.
2. *Benefits derived as a result of the above R&D:*
Not Applicable
3. *Future plan of action:*
Not Applicable
4. *Expenditure on R&D:*

(a) Capital	Nil
(b) Recurring	Nil
(c) Total	Nil
(d) Total R&D expenditure as a percentage of total turnover	Nil

Technology absorption, adaptation and innovation

1. *Efforts in brief, made towards technology absorption, adaptation and innovation:*
 - A. Installation of online brushing facility for cleaning plate's surface
 - B. Installation of online facility for washing of pipes
2. *Benefits derived as a result of the above efforts:*
Product improvement cost reduction, product development Import substitution etc.

Corresponding benefits of the efforts taken are as under:

1. Improvement in welding quality
2. Dust free atmosphere and reduction in air/water pollution
3. Improvement in overall environment
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.
 - (a) *Technology imported:*
Basic engineering consultancy. Process engineering and Technical knowhow from INTERTEC GmbH, Germany
 - (b) *Year of import :* Commenced in 1996-97
 - (c) *Has technology been fully absorbed?*
Technology for Spiral unit fully absorbed. During the year the technology for the Longitudinal pipe mill unit has also been absorbed.
 - (d) *If not fully absorbed areas where this has not taken place. Reasons therefore and future plans of action*
Not applicable

Foreign Exchange earning and outgo :

- (1) *Activities relating to exports: initiative taken to increase exports: development of new export markets for products and services and export plans:*
The Company has got itself registered with a reputed EPC contractors particularly BECHTEL which is a global entity with presence in several countries.
The Company has already executed orders for China & USA and it is currently participating in several international bids that has come up in other areas like Middle East and Far East countries and Europe.
- (2) *Total foreign exchange used and earned:*
Used : Rs. 2250.38 lacs Earned : Rs. 2058.84 lacs