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REMI METALS GUJARAT LIMITED

**Twenty-first Annual Report
2002-2003**

BOARD OF DIRECTORS

Shri Kumarpal M. Doshi

Shri Eugene D. Derry

Shri Vishwambhar C. Saraf

Chairman & Whole Time Director

Shri Rajendra C. Saraf

Managing Director

Dr. N. S. Datar

Shri V. Sahasranama Iyer

Shri Shashank Chaturvedi

Executive Director

Shri L. S. Kshatriya

Technical Director

Shri Dipak Shah

Nominee of GLIC

Smt. Shobhana Desai

Nominee of GLIC

Smt. Shaila Jagtap

Nominee of UTI

Shri G. C. Garg

Alternate to Shri Eugene D. Derry

Shri Shankarlal Jain

Alternate to Shri Kumarpal M. Doshi

REGISTERED OFFICE

GIDC Industrial Estate,
Valia Road, Jhagadia,
District Bharuch,
Gujarat.

AUDITORS

M/s Chaturvedi & Shah,
712-715, Tulsiani Chambers,
212, Nariman Point,
Mumbai-400 021

CORPORATE OFFICE

11, Cama Industrial Estate,
Goregaon (East),
Mumbai-400 063.

BANKERS

State Bank of India
State Bank of Hyderabad
State Bank of Saurashtra
State Bank of Travancore
Allahabad Bank
Bank of India
The Federal Bank Ltd.
The Bank of Rajasthan Ltd.
Union Bank of India
Vijaya Bank

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NOTICE

To
The Members
Remi Metals Gujarat Limited

NOTICE is hereby given that the Twentyfirst Annual General Meeting of the Company will be held at its Registered Office, GIDC Industrial Estate, Valia Road, Jhagadia, Dist. Bharuch, Gujarat State on Saturday, the 27th September, 2003 at 12.15 P.M. to transact the following business:

1. To adopt the Balance Sheet as at, 31st March, 2003, and the Profit and Loss Account for the year ended on that date.
2. To re-appoint as Director Shri V.S. Iyer, who retires by rotation.
3. To re-appoint as Director Shri N.S. Datar, who retires by rotation.
4. To re-appoint as Director Shri L.S. Kshatriya, who retires by rotation.
5. To appoint Auditors and to fix their remuneration.
6. (a) To appoint Shri Rajendra C. Saraf as a Director

- (b) To appoint Shri Rajendra C. Saraf as the Managing Director of the Company and to pass the following resolution:

"Resolved that Shri Rajendra C. Saraf be and is hereby appointed as Managing Director of the Company for a term of five years from the 1st May, 2003, to manage the affairs of the Company, on a monthly salary of Rs.75,000/-."

- (c) To appoint Shri Vishwambhar C. Saraf as the Whole-Time Director of the Company and to pass the following resolution:

"Resolved that Shri Vishwambhar C. Saraf be and is hereby appointed as Whole-Time Director of the Company for a term of five years from the 1st May, 2003, without any remuneration."

- (d) To appoint Shri Anupam H. Mittal as a Director.

- (e) To appoint Shri Anupam H. Mittal as the Director Marketing and to pass the following resolution: -

- a) "Resolved that Shri Anupam H. Mittal be and is hereby appointed as Director of the Company, with effect from this date and that he be designated as Director Marketing."

- b) "Resolved that Shri Anupam H. Mittal be and is hereby appointed as Director of the Company for a term of three years from the 16th August, 2003, on a remuneration package listed herebelow:-

- i. Basic Salary : Rs.35,000/- per month.
- ii. Business Development Allowance : Rs.3000/- per month.
- iii. Soft Furnishing Allowance : Rs.1500/- per month.
- iv. Children's Education Allowance : Rs.1200/- per month.
- v. Professional Pursuit : Rs.500/- per month.
- vi. Reimbursement of actual Medical Expenses incurred by him and his family with a limit of one month's basic salary per annum.

- vii. Leave Travel Allowance for self and family with a limit of half month's basic salary per annum.

- viii. Provident Fund contribution according to the rules of the Company.

- ix. Free residential accommodation.

"Further Resolved that the Board of Directors of the Company be and is hereby authorised to grant him annual increments not exceeding fifteen percent of his monthly basic salary for each year, as from the 1st April."

7. To pass the following resolution: -

"Resolved that consent be and is hereby accorded to the Board of Directors of the Company to borrow moneys for the purpose of its business, such that the total sum so borrowed, apart from temporary loans obtained from its bankers in the ordinary course of business, does not exceed at any one time Rs.600 (Rupees Six Hundred) Crores".

8. To pass the following special resolutions: -

- (i) "Resolved that this Meeting hereby accords its consent to the allotment on preferential basis of 331,000 - 12.5% Secured Redeemable Non-Convertible Debentures of Rs.100/- each, of the aggregate nominal value of Rs.33.1 million, to ICICI Bank Limited, Mumbai, on the terms and conditions contained in the Debenture Facility Agreement dated 23rd June, 2003, entered into by the Company with ICICI Bank Limited.

"Further Resolved that the issue and allotment of 1,22,000 Debentures, out of the above, made on the 16th August, 2003, to ICICI Bank Limited, be and is hereby confirmed and ratified.

"Also Resolved that this Meeting hereby authorises the Board to make further allotments to ICICI Bank Limited of the debentures based on further disbursements from time to time before the date of this Meeting."

- (ii) Resolved that Clause V of the Memorandum of Association of the Company be and is hereby replaced by the following:

"The Authorised Share Capital of the Company is Rs.100,00,00,000/- (Rupees One Hundred Crores) divided into 15,00,00,000 (Fifteen Crores) equity shares of Rs.6/- (Rupees Six) each and 10,00,000 (Ten Lakhs) unclassified shares of Rs.10/- (Rupees Ten) each.

"Further Resolved that Article No. 3 in the Articles of Association of the Company shall stand altered accordingly."

- (iii) "Resolved that equity shares to the extent of Rs. 22,06,50,000/- be allotted on a preferential basis, to the promoters of the Company, who have paid to the Company the aforesaid amount as non-refundable, non-interest bearing advance to be adjusted against equity shares to be allotted to them."

- (iv) "Resolved that the holders of the existing 8,92,50,070 equity shares of Rs.10/- each hereby agree to the reduction of the existing paid-up capital by forty percent in such manner as is stipulated by the Order of Board for Industrial And Financial Reconstruction."

Remi Metals Gujarat Limited

- (v) "Resolved that the clause in brackets in Article No.8 of the Articles of Association of the Company reading '(subject to the provisions of Section 78, 80, 100 to 105 inclusive, of the Act)' be and is hereby deleted."

By Order of the Board

V. S. Iyer
Director

16th August, 2003

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING WILL BE ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, the 24th September, 2003 to Monday, the 29th September, 2003, both days inclusive
3. An Explanatory Statement in respect of Items Nos. 6, 7 and 8 is annexed.

Explanatory Statement- Annexure to the Notice

Item No.6.

Shri Rajendra C. Saraf, who was an Alternate Director ceased to be such, upon the nomination being withdrawn by the original Director, Shri Eugene D. Derry. Thereafter, he was appointed as an additional Director on the 29th April, 2003. He, being one of the promoters of the Company, was appointed as the Managing Director of the Company.

Shri Vishwambhar C. Saraf, another Promoter, who is the Chairman of the Board of Directors of the Company, was appointed as its Whole-Time Director.

Shri Anupam H. Mittal is a Metallurgy Engineer from IIT, Mumbai, and has about 23 years of experience in sales of steel products. He has been employed by the Company to be incharge of the sales of the products of the Company. He is now appointed as Director Marketing.

For complying with the provisions of Section 269 of the Companies Act, 1956, approval of the General Meeting is hereby sought by proposing the three resolutions set out in the Notice at Item No.6 (b), (c) and (e).

The Company has received notices, alongwith a deposit of Rs.500/- each, from some of its members signifying their intention to propose Shri Rajendra C. Saraf and Shri Anupam H. Mittal as directors.

Both Shri Vishwambhar C. Saraf and Shri Rajendra C. Saraf are deemed to be interested in the item of business relating to them and Shri Anupam H. Mittal relating to him.

Item No.7.

The Directors of the Company had been empowered, under the provisions of the Section 293(1)(d) of the Companies Act, 1956, to borrow moneys upto Rs.400 (Rupees Four Hundred) Crores, which limit will soon be crossed because of the increased activities of the Company. Hence, the consent given by the general meeting on the 31st March 1998 has to be raised to a higher limit.

Item No. 8

The Company has been declared as a Sick Industrial Company and it had made a reference, under the provisions of Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985, to Board for Industrial and Financial Reconstruction (BIFR), which had approved the rehabilitation scheme, vide its order dated 18th October, 2002. The Scheme contains clauses relating to reduction of the existing equity shares, by forty percent, fresh equity/ interest free funds to be inducted etc.

The Promoters had already advanced funds amounting to Rs.915.5 lacs since some years and brought in Rs.1291 lacs after the passing of the order. These sums are to be converted into equity shares to be allotted to them.

ICICI Bank Limited is one of the members of the Consortium of Bankers/ Financial Institutions named in the Scheme. It has offered to accept allotment of Non-Convertible Secured Redeemable Debentures of Rs.100/- each with interest at 12.5% per annum, as its share of the Revival Scheme Financing. It has already paid an advance of Rs.1.22 Crores for which sum, 1,22,000 debentures were allotted on the 16th August, 2003 and further allotment will be made from time to time by the Board of Directors of the Company as and when ICICI Bank Limited makes further payments.

The Authorised Share Capital of the Company requires alteration to indicate these changes.

All these have been set out in the special resolutions as included in the Notice.

The Company has requested BIFR to clarify certain points and after the receipt of the clarifications, these resolutions will be implemented.

Your Directors commend these resolutions for your approval.

By Order of the Board

16th August, 2003

V. S. Iyer
Director

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DIRECTORS' REPORT TO THE MEMBERS

The Directors present their 21st Annual Report together with Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

	(Rs. in Thousands) Year Ended 31.03.2003	(Rs. in Thousands) Year Ended 31.03.2002
Gross Income	16366	10383
Profit/(Loss) before interest and depreciation	(32388)	(24349)
Interest and Financial Charges	349240	899603
Depreciation and Write-off	126001	138615
Interest waived as per Rehabilitation Scheme	1785994	—
Profit/ (Loss)	1281535	(1062567)
Prior year adjustment	1841	175
Balance brought forward from previous year	(4064669)	(3002277)
Balance carried to Balance Sheet	(2781293)	(4064669)

The Company's Rehabilitation package has been approved by the BIFR and the Company has started implementing the Rehabilitation Scheme. The Company has received all the requisite sanctions from Financial Institutions, Banks and from State Government. The Company has restructured all the secured loans as per the Rehabilitation package and sanction letters and by virtue of that the gross loss has become reduced to Rs.2781293 thousand as against the previous year of Rs.4064669 thousand.

The Company has received the promoters' contribution of Rs. 1291 lacs as envisaged in the Rehabilitation Package. The Company has engaged the Technical services of MECON. The disbursement of Term Loan / Working Capital would begin shortly on completion of necessary formalities.

The Company has recruited required strength of personnel at various levels for refurbishing, modification and installation of envisaged equipments and for start-up of plant operations. The Company has completed trials of all the equipments and the plant is ready for production and will start shortly after the disbursement of Term Loans and Working Capital.

There has been recently a marked recovery in the major markets for steel bars and seamless tubes and pipes like Automobile, Energy (Oil, Gas, refineries, Boilers for power, etc) and Engineering and Capital Goods sectors, resulting in increase in demand since fiscal year 1999-2000 at a CAGR of over 10% p.a. for both Seamless steel tubes and pipes as well as for steel bars. The same can be witnessed from the improved performance of other manufacturers. This has also resulted in price increases from time to time. Prospects for the near future are bright also in view of recent new finds of major oil reserves and increase in exploration efforts.

To exploit this opportunity your Company plans to quickly establish an image of a quality product manufacturer with requisite quality systems to repeatedly and reliably produce excellent quality products. Since operations are going to start shortly the Company has booked trial and

development orders from reputed customers and necessary applications for registration and quality certifications have been made and are at an advanced stage.

AUDITORS' OBSERVATIONS

Note No. (1)(4) in Notes to the Accounts:

The Company has not provided depreciation on the Plant and Machinery not used during the year. This view is taken on the basis of technical appraisal that Plant and Machinery not used during the year are properly maintained and there is no loss of life of the Plant and Machinery.

Note No. (1)(5) in Notes to the Accounts:

Most of the Balance payable to suppliers are more than five years old when the requirement of differentiation of SSI Units from others was not applicable. Hence these records were not maintained. The Company has already taken necessary steps to abide by the provisions of the Act in future.

PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

Sub Section (1)(e):

- A. Conservation of Energy - All efforts are being made to conserve energy.
- B. Technology Absorption - Not applicable
- C. Foreign Exchange Earnings and outgo:

Outgo : Rs.628 Thousands
Earnings : Nil

Sub-Section (2AA):

Your Directors state:

- i. that in the preparation of the annual accounts, all the applicable accounting standards had been followed along with proper explanations relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgments 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 or 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.

ACKNOWLEDGMENT

Your Directors express their sincere appreciation of the support to the Company by various financial institutions and banks. They also thank the Shareholders for the confidence they have reposed in the Company. They also express their appreciation of dedicated service of the Executives and other employees of the Company and expect their continued and sincere co-operation.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 20th August, 2003

V. C. Saraf
Chairman