

CPEC



CPEC LIMITED
65th Annual Report
2007-2008

BOARD OF DIRECTORS

Ryaz Shamji	Chairman
A. J. Shamji	Director
Alim Shamji	Director
Akbar Shamji	Director
Mrs. S. H. Master	Alternate Director to Alim Shamji

Banker

Bombay Mercantile Co-operative Bank Ltd.

Auditors

Vedula, Vijay & Ramanathan

Chartered Accountants

Registered office

1, Industrial Estate,
Lalbaug, Mumbai - 400 012.

Works

1, Industrial Estate,
Lalbaug, Mumbai - 400 012.

CPEC LIMITED

NOTICE

NOTICE is hereby given that the Sixty-Fifth Annual General Meeting of the Shareholders of **CPEC LIMITED** will be held at the Registered Office of the Company, 1, Industrial Estate, Lalbaug, Mumbai 400 012, on Tuesday, the 30th September, 2008, at 10.30 A.M. to transact the following business.

- 1 To receive consider and adopt the Balance Sheet as at 31st March, 2008 and the Profit and Loss Account for the year ended on that date as well as the Report of Directors and Auditors thereon.
- 2 To appoint a Director in place of Mr. Akbar Shamji who retires by rotation and being eligible, offers himself for reappointment.
- 3 To appoint retiring Auditors M/s. Vedula, Vijay & Ramanathan, Chartered Accountants to hold office from the conclusion of this Annual General Meeting until the next Annual General Meeting.

On behalf of the Board of Directors

MRS. S. H. MASTER

Director

Mumbai, 28th June, 2008.

NOTES:

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF OF PROXY NEED NOT BE A MEMBER. THE INSTRUMENT OF PROXY SHOULD HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- (b) The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, the 25th September, 2008 to Tuesday, the 30th September, 2008. (both days inclusive).

DIRECTORS' REPORT**TO THE MEMBERS**

Your Directors present Sixty-Fifth Annual Report and the Audited Statement of Final Accounts for the year ended 31st March 2008

FINANCIAL RESULTS

	2007-2008	2006-2007
	Rupees	Rupees
The Gross Operating Profit / (Loss) for the year	5,204,724	5,896,779
Deduction therefrom / Addition thereto :		
Interest	4,487,706	2,632,952
Depreciation	765,890	968,034
Operating Profit	(48,872)	2,295,793
Profit on sale of asset	-	-
Net Profit Before Tax	(48,872)	2,295,793
Provision for taxation	-	642,000
Income Tax	-	322,390
Deferred Tax	100,865	142,925
Fringe Benefit Tax	115,177	195,425
	(216,042)	1,302,740
Profit after Tax	(264,914)	993,053
Add : Income Tax Adjustments for prior years	-	607,185
Add : (Less) amount written off.	-	-
	(264,914)	385,868
Balance in Profit & Loss Account brought forward	18,392,729	18,006,861
	18,127,815	18,392,729
APPROPRIATIONS		
General Reserves	-	-
Leaving a balance to be carried forward	18,127,815	18,392,729
	18,127,815	18,392,729

DIVIDEND

In order to conserve funds for long term working capital, the Directors do not recommend payment of dividend.

OPERATIONS AND FUTURE PROSPECTS

During the year, the production & sales in quantitative revenue terms were lower by around 18% as compared to previous year. Even the exports were lower. The management is taking all possible steps to reduce cost and increase turnover.

The Company has taken steps to shift manufacturing facilities to Turbhe, Navi Mumbai, the shifting is now almost complete and the manufacturing facilities will be streamlined shortly. Barring unforeseen circumstances, your directors are confident of achieving the previous year turnover and increase profitability by reducing cost. To unlock value, the present property at Lalbaug will be sold or developed.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Akbar Shamji, Director of the Company retire by rotation and being eligible, offers himself for reappointment.

PARTICULARS OF EMPLOYERS

There is no employee who was in receipt of a remuneration of Rs. 2,00,000/- per month or Rs. 24,00,000/- per annum during the year.

SECTION 217 (1) (e) OF THE COMPANIES ACT

As required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the relevant information is given below:

A. Conservation of Energy

The Company's operations involve low energy consumptions, wherever possible energy conservation measures have already been implemented. The Company is making all efforts to optimise the use of energy through improved operational methods.

B. Research & Development

The Company has been gearing up its Products Development activities to meet competition and during the year number of application - specific designs were developed. Emphasis is also being laid on value engineering and TQM.

C. Foreign Exchange Earnings/Outgoings

Our foreign exchange earnings during the year were Rs.86,75,399/- and outgoings Rs. 8,262/-

D. Directors' Responsibility Statement :

Your Directors state :

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation 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 and 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.

SUBSIDIARIES

In respect companies subsidiaries, i.e. Cardcom (I) Pvt. Ltd. and Moulik Impex Pvt. Ltd., the audited statements together with particulars required under section 212 of the Companies Act, 1956 are annexed herewith. In case of Cardcom (I) Pvt. Ltd. the company is engaged in manufacturing of plastic cards. The turnover during the year was Rs.33.31 lakhs as against Rs.38.76 lakhs of the previous year and the loss increased to Rs.38.55 lakhs to Rs.39.34 Lakhs. In case of Moulik Impex Pvt. Ltd. the Company is not engaged in any business activity.

AUDITORS

M/s. Vedula, Vijay & Ramanathan, Chartered Accountants, the present Auditors of the company retire at this Annual General Meeting and being eligible offer themselves for re-appointment.

ACKNOWLEDGEMENT

Your Directors would like to thank the customers for their continued support to your Company's quality products. The Directors also thank the employees at all levels for their wholehearted support, co-operation and devotion to duty, as well as to the Bankers, Suppliers and Dealers for their continued patronage.

On behalf of the Board of Directors

Mrs. S.H. Master
Director

Mumbai, 28th June, 2008.

CPEC LIMITED

AUDITORS' REPORT

To,
The Shareholders of
CPECLIMITED,
MUMBAI.

1. We have audited the attached Balance Sheet of **CPEC LIMITED**, as at 31st March 2008 and also the Profit and Loss account and the Cash-Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material statements. An audit includes, examining on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to comments in the Annexure referred to above, we report that:
 - a. We have obtained all the informations and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books of accounts.
 - c. The Balance Sheet and the Profit & Loss Account dealt with by this Report are in agreement with the Books of Accounts.
 - d. In our opinion, the Balance Sheet, the Profit & Loss Account and Cash-Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e. On the basis of written representations received from the directors, as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st march 2008, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - * In the case of the Balance Sheet of the state of affair of the company as at 31st March, 2008;
 - * In the case of Profit & Loss account of the profit for the year ended on that date, and
 - * In the case of cash flow statement of the cash flow for the year ended on that date.

FOR VEDULA VIJAY AND RAMANATHAN
Chartered Accountants

Place : Mumbai
Date : 28th June, 2008

(S.VEDULA)
Partner
M'Sh.NO.38150

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- (i)
 - (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets have been physically verified by the management as per a phased programme of verification. In our opinion the frequency of verification is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) In our opinion, there was no significant disposal of fixed assets during the year to affect the going concern assumption.
- (ii)
 - (a) The inventory has been physically verified during the year by the management at reasonable intervals. In our opinion the frequency of the verification is reasonable.

- (b) In our opinion the procedures of physical verification of inventory follow by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion the company has maintained proper records of its inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed to us, the company has granted advances in the nature of Loans to Directors and companies in which Directors are interested as listed in register maintained under section 301 of the Companies Act, 1956. The closing outstanding balance is Rs.96,262 and maximum amount outstanding was Rs.290.31 Lakhs.
The company has taken advances in the nature of loans from the Directors, companies, firms or other parties covered in the register maintained under section 301 of the act. The maximum amount and the closing outstanding balance is Rs.108.14 lacs.
- (b) There is no stipulation for payment of interest. The other terms and conditions of such loans are in our opinion, prima facie not prejudicial to the interest of the company.
- (c) The payment of principal amount is on demand.
- (d) There is no stipulation of principal repayment. Hence there is no overdue amount.
- (iv) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit no major weakness has been observed in the internal controls.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that all transactions that need to be entered in to the registers in pursuance of section 301 of the Act have been so entered.
- (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of such contractors or arrangement entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of 5 Lacs in respect of such parties during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanation given to us, the Company has not accepted any public deposits with in the meaning of sections 58 and 58AA of the Companies Act, 1956 and the rules framed thereunder.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) As informed to us, the maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act.
- (ix) (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income - tax, Sales - tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities during the year.
- (b) According to the information and explanations given to us, there are no dues payable on account of disputes with regards to sales tax, income tax, custom tax, wealth tax, excise duty, cess.
- (x) The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in such financial year and in the financial year immediately preceding such financial year.
- (xi) According to the information and explanations given to us the company has not defaulted in repayment of dues to a financial institution or bank.
- (xii) According to the information and explanations given to us the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not Chit fund or a Nidhi or Mutual benefit fund or society. Therefore the provisions of any special statutes are not applicable to the company.
- (xiv) According to the information and explanations given to us the company does not deal or trade in shares, securities, debentures and other investments and hence this clause is not applicable.
- (xv) The Company has given guarantee for term loan taken by subsidiary company Cardcom (I) Pvt. Ltd. of Rs.108 Lakhs (Sanctioned Amount 150 Lakhs). The said subsidiary is in losses and hence in case the term loan is not paid by Cardcom (I) Pvt. Ltd. or assets coverage is not adequate. The guarantee liability might crystallize. In such a event the guarantee is prejudicial to the interest of the company. However Cardcom (I) Pvt. Ltd. has advanced Rs.107.72 Lakhs to CPEC Ltd. at the Year end.
- (xvi) On the basis of records examined by us, we have to state that the company has Prima Facie applied the term loans for the purpose for which they were obtained.
- (xvii) In our opinion and overall examination of the Balance Sheet of the company, we report that no funds raised on Short term basis have been used for long term investment.
- (xviii) The company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under section 301 of the Act.
- (xix) The company has not issued any debentures.
- (xx) The company has not raised any money through a public issue during the year.
- (xxi) Based on the audit procedures applied and information and explanations given to us, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For VEDULA VIJAY AND RAMANATHAN
Chartered Accountants

Place : Mumbai
Date : 28th June, 2008

S.Vedula
Partner

BALANCE SHEET AS AT 31ST MARCH, 2008.

	Schedules	Rupees	2007-2008 Rupees	2006-2007 Rupees
SOURCES OF FUNDS				
1 SHAREHOLDER' FUNDS				
Share Capital	1	15,000,000		15,000,000
Reserves and Surplus	2	<u>27,716,815</u>	42,716,815	<u>27,981,729</u>
				42,981,729
2 LOAN FUNDS	3		48,793,754	39,015,467
Secured				
3 TOTAL			<u>91,510,569</u>	<u>81,997,196</u>
APPLICATION OF FUNDS				
1 FIXED ASSETS				
Gross Block	4	37,633,968		37,593,573
Less: Depreciation		<u>28,949,833</u>		<u>28,183,942</u>
			8,684,135	9,409,631
Capital W.I.P. (Turbhe)			56,385,918	-
2 INVESTMENTS	5		15,895,540	15,895,540
(Investments in Shares)				
3 DEFERRED TAX ASSET			576,981	677,846
4 CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	6	20,710,397		21,990,009
Sundry Debtors	7	19,777,230		24,280,083
Cash and Bank Balances	8	398,578		7,801,825
Loans and Advances	9	<u>24,913,529</u>		<u>15,557,903</u>
		65,799,734		69,629,820
5 LESS - CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities and Provisions	10	55,954,544	9,845,190	13,827,903
6 NET CURRENT ASSETS				55,801,917
7 MISCELLANEOUS EXPENDITURE				
Preliminary Expenses			31,330	75,050
Deferred Expenses			91,476	137,212
(To the extent not written off/adjusted)				
8 TOTAL			<u>91,510,569</u>	<u>81,997,196</u>
9 NOTES ON ACCOUNTS	18			
(including significant accounting policies)				
The schedules referred to above form an integral part of the balance sheet.				

As per our Report attached
For **VEDULA VIJAY & RAMANATHAN**
Chartered Accountants

Directors

A. J. Shamji
S. H. Master

S. VEDULA
Partner.

Mumbai -28th June, 2008

Mumbai -28th June, 2008

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2008

	Schedules	Rupees	2007-2008 Rupees	2006-2007 Rupees
INCOME				
Sale of Products and				
Other Income (Net)	11		47,341,109	56,938,763
Sale of Trading Export	12		<u>9,351,903</u>	<u>12,405,712</u>
			56,693,12	69,344,475
EXPENDITURE				
Material, Manufacturing and				
Other Operating Expenses	13	19,641,553		27,394,410
Cost of Purchases Trading Exports		9,320,645		11,900,131
Personnel Expenses	14	13,992,800		18,763,031
Sales and Administration Expenses	15	7,039,225		8,002,324
Interest	16	4,487,706		2,632,952
Depreciation		<u>765,890</u>		<u>968,034</u>
			55,247,819	69,660,882
Add/(Less): Decrease/(Increase) in				
Work-in-Progress and Finished Goods	17		<u>1,494,065</u>	<u>(2,612,200)</u>
			<u>56,741,884</u>	<u>67,048,682</u>
PROFIT ON OPERATIONS			(48,872)	2,295,793
Extra-ordinary Income/expenses			-	-
NET PROFIT BEFORE TAX			(48,872)	2,295,793
PROVISION FOR TAXATION			-	642,000
INCOME TAX			-	322,390
DEFERRED TAX			100,865	142,925
FRINGE BENEFIT TAX			115,177	195,425
PROFIT AFTER TAX			(264,914)	993,053
ADD/(LESS)/INCOME TAX ASSESSED YEARS			-	607,185
			<u>(264,914)</u>	<u>385,868</u>
BALANCE BROUGHT FORWARD			18,392,729	18,006,861
PROFIT AVAILABLE FOR APPROPRIATIONS			18,127,815	18,392,729
APPROPRIATIONS				
General Reserve			-	-
Profit and Loss Account Carried forward			<u>18,127,815</u>	<u>18,392,729</u>
			<u>18,127,815</u>	<u>18,392,729</u>
EARNING PER SHARE				
Before Extra-ordinary income			(0.18)	0.66
After Extra-ordinary income			(0.18)	0.66

Notes of Accounts

18

(including significant accounting policies)

The schedules referred to above form an integral part of the balance sheet.

As per our Report attached
For **VEDULAVIJAY & RAMANATHAN**
Chartered Accountants

Directors

A. J. Shamji**S. H. Master**

S. VEDULA
Partner.

Mumbai -28th June, 2008

Mumbai -28th June, 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees	2007-2008 Rupees	2006-2007 Rupees
SCHEDULE 1			
SHARE CAPITAL			
Authorised Capital:			
35,00,000 Equity Shares of Rs. 10/- each		<u>35,000,000</u>	<u>35,000,000</u>
Issued and Subscribed Capital:			
15,00,000 Equity Shares of Rs. 10/- each		<u>15,000,000</u>	<u>15,000,000</u>
Paid-up Capital:			
15,00,000 Equity Shares of Rs. 10/- each fully paid-up		<u>15,000,000</u>	<u>15,000,000</u>
SCHEDULE 2			
RESERVES AND SURPLUS			
Share Premium Account:			
Balance as per last Balance Sheet		1,150,000	1,150,000
General Reserve:			
Balance as per last Balance Sheet		8,439,000	8,439,000
Balance in Profit and Loss Account		18,127,815	18,392,729
		<u>27,716,815</u>	<u>27,981,729</u>
SCHEDULE 3			
SECURED LOANS			
Cash Credit from Scheduled Bank (Secured by hypothecation of stocks of Raw Materials, Work-in-Progress and Finished Goods and Consumable Spares and Book Debts)		10,491,391	14,819,741
Cash Credit from Scheduled Bank (Secured by hypothecation of Fixed Deposits with bank)		-	3,735,272
Packing Credit from Scheduled Bank (Secured by hypothecation of stocks of Raw Materials, Work-in-Progress and Finished Goods)		-	20,000,000
Term Loan from Scheduled Bank for Machinery Purchased (Secured by hypothecation of machinery installed at Lalbaug, Mumbai.)		-	281,606
ICICI Bank (Purchase of Sonata Motorcar on Hire Purchase Scheme)		-	178,848
Corporate Loan from BMC (Secured by hypothecation of Factory Land & Building situated at Lalbaug, Mumbai)		38,302,363	-
		<u>48,793,754</u>	<u>39,015,467</u>