

CPEC

CPEC LIMITED
67th Annual Report
2009 - 2010

BOARD OF DIRECTORS

Ryaz Shamji	Chairman
Alim Shamji	Director
Akbar Shamji	Director
Mrs. S. H. Master	Alternate Director to Alim Shamji
Mr. D. D. Deshpande	Alternate Director to Ryaz Shamji

Banker

Bombay Mercantile Co-operative Bank Ltd.

Auditors

Vedula, Vijay & Ramanathan

Chartered Accountants

Registered office

1, Industrial Estate,

Lalbaug, Mumbai - 400 012

Works

Plot No. D-207, TTC Ind. Area,

MIDC, Turbhe, Navi Mumbai - 400 705

CPEC LIMITED

NOTICE

NOTICE is hereby given that the Sixty Seventh Annual General Meeting of the Shareholders of CPEC LIMITED will be held at Umang Banquet Hall, Samrat Restaurant, Prem Court, J. Tata Road, Churchgate, Mumbai 400 020 on Friday, the 30th July, 2010, at 11.00 A.M. to transact the following business.

1. To adopt the Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date.
2. To appoint a Director in place of Mr. Ryaz 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 conclusion of next Annual General Meeting.
4. To pass the following ordinary resolutions :

- (a) "RESOLVED that the Authorised Share Capital of the Company be and is hereby increased from the existing Rs. 3,50,00,000 to Rs. 4,50,00,000/- by the addition thereto of Rs. 1,00,00,000/- divided into 10,00,000 Equity Shares of Rs. 10/- each, ranking pari passu in all respects with the existing 35,00,000 Equity Shares of Rs. 10/- each.

FURTHER RESOLVED that Clause 5 of the Memorandum and Article No.3 of the Articles of Association of the Company shall stand altered accordingly."

- (b) "RESOLVED that the Company do offer to the existing Members of the Company 30,00,000 (Thirty lakhs) Equity Shares of Rs 10/- each, by way of right shares, in the ratio of two new Shares for every one share held by the member on a date to be fixed by the Company.

FURTHER RESOLVED that the Members holding such Shares shall intimate the Company, within thirty days from the date fixed as aforesaid whether or not he/she is willing to accept this offer of right shares, in the relevant form annexed hereto."

- (c) "RESOLVED that the formation of 100% CPEC LIMITED owned Foreign subsidiary company to be involved in agro processing, export and import, power, real estate and development.

Ordinary Resolution :

"RESOLVED that power be and is hereby given to the Board of Directors of the Company to make investment or loan or give guarantee or provide security exceeding the limits specified in Section 372A of the Companies Act, 1956, in this behalf."

On behalf of the Board of Directors
MR. RYAZ SHAMJI
Director

Mumbai, 29th May, 2010.

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 Tuesday, the 27th July, 2010 to Friday, the 30th July, 2010. (both days inclusive).
- (c) An Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956, accompanies.

EXPLANATORY STATEMENT ANNEXURE TO THE NOTICE:

The Company proposes to issue right shares to the existing members. The Authorised Share Capital is required to be increased before the issue. After the passing of this resolution, forms for applying for the right shares; extra shares and for refusal to accept the offer will be posted to the Members.

Your approval to these proposals is hereby sought.

It is also proposed to invest the surplus funds of the Company, within the limits specified in Section 372A of the Companies Act, 1952, in a foreign company.

The Company has proposals to make investments in equity shares of other Company without any limits or restrictions as to the value of such investments. The proposed resolution will enable the Board to do so and thereby earn good dividends.

Your Directors commend this resolution for your approval.

Your approval to these proposals is hereby sought.

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present Sixty-Seventh Annual Report and the Audited Statement of Final Accounts for the year ended 31st March 2010

FINANCIAL RESULTS

	2009-2010 Rupees	2008-2009 Rupees
The Gross Operating Profit / (Loss) for the year	(6,104,887)	(6,212,552)
Deduction therefrom / Addition thereto :		
Interest	9,846,776	1,528,710
Depreciation	475,716	745,380
Operating Profit	(16,429,779)	(8,486,642)
Profit on sale of asset	1,834,847	
Net Profit Before Tax	(18,264,626)	(8,486,642)
Provision for taxation	-	-
Income Tax	-	-
Deferred Tax	-	78,133
Fringe Benefit Tax	-	65,031
		(143,164)
Profit after Tax	(18,264,626)	(8,629,806)
Add : Income Tax Adjustments for prior years	-	32,709
Add : (Less) amount written off.	-	-
	(18,264,626)	(8,662,515)
Balance in Profit & Loss Account brought forward	9,465,300	18,127,815
	<u>(8,799,326)</u>	<u>94,65,300</u>
APPROPRIATIONS		
General Reserves	-	-
Leaving a balance to be carried forward	(8,799,326)	-
	<u>(8,799,326)</u>	<u>94,65,300</u>

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. 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.

SAD DEMISE OF OUR GROUP CHAIRMAN MR ABDUL J. SHAMJI

Your Directors regret very much to inform you about the sad and sudden demise of your Group Chairman, Mr. Abdul J. Shamji on the 15th of March, 2010.

The Company has sold the property at Lalbaug where the Company's factory was situated.

DIRECTORS

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

PARTICULARS OF EMPLOYERS

There is no employee who was in receipt of a remuneration of Rs. 1,00,000/- 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. NA
- 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 an TQM- NA
- C. **Foreign Exchange Earnings/Outgoings**
Our foreign exchange earnings during the year were Rs. 0/- and outgoings Rs. 0/-
- 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. Cpec Engineering Ltd, 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.3.16 lakhs as against Rs. 8.84 lakhs of the pervious year and the loss increased from Rs.37.54 lakhs to Rs.65.98 Lacs. 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 in 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

Mr. Ryaz Shamji
Director

Mumbai, 25th May, 2010.

CPEC LIMITED

AUDITORS' REPORT

To,
The Shareholders of
CPEC LIMITED,
MUMBAI.

1. We have audited the attached Balance Sheet of CPEC LIMITED, as at 31st March 2010 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 2010, 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 2010, 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, 2010;
 - In the case of Profit & Loss account of the loss 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

(S.VEDULA)

Partner

M'S.No.38150

Firm Regd. 106742w

Place : Mumbai
Date : 29th May, 2010

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

- (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) The company has sold part of the fixed assets and given on rent machineries excluding Leasehold factory building at Lihang and vehicles to its subsidiary company CPEC Engineering Pvt. Ltd. which is carrying on the manufacturing activity. On sale of the assets and transfer of business to subsidiary, the company does not have any fixed assets except factory building, office equipment and electrical installations.

- (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.
- (d) The closing inventory is nil due to sale of inventory to its subsidiary company CPEC Engineering Pvt. Ltd.
- (iii) (a) As informed to us, the company has granted advances in the nature of Loans to companies in which Directors are interested as listed in register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding is Rs. 437.88 lakhs and closing outstanding balance is Rs. 267.87 lakhs.
- (b) The company has taken loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301. The maximum amount outstanding is Rs. 1,25.83 lakhs and the closing balance is Rs. 76.11 lakhs.
- (c) 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.
- (d) The payment of principal amount is on demand.
- (e) 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 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 there under.
- (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 but it has incurred cash losses in such financial year and not 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 companies CPEC Eng. Pvt. Ltd. of Rs. 5.37 crores and Cardom (I) in losses and hence in case the term loan is not paid by subsidiaries or assets coverage is not adequate the guarantee liability might crystallize. In view of this the said guarantee is prejudicial to the interest of the company to the extent of banks outstanding liability.
- (xvi) On the basis of records examined by us, we have to state that the company has Prime 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 : 29th May, 2010

S. Vedula
M Sh. NO. 38150
Firm Regd. 106742w

BALANCE SHEET AS AT 31ST MARCH, 2010.

	Schedules	Rupees	2009-2010 Rupees	2008-2009 Rupees
SOURCES OF FUNDS:				
1 SHAREHOLDERS' FUNDS				
Share Capital	1	15,000,000		15,000,000
Reserves and Surplus	2	789,674		19,054,300
			15,789,674	34,054,300
2 LOAN FUNDS	3			
Secured		53,676,781		34,283,275
Unsecured		53,867,000	107,543,781	
3 TOTAL			123,333,455	68,337,575
APPLICATION OF FUNDS:				
1 FIXED ASSETS				
Gross Block	4	4,770,184		38,156,930
Less: Depreciation		2,824,931		29,695,213
			1,945,253	8,461,717
Capital W.L.P./Turbine			54,464,299	50,446,947
2 INVESTMENTS	5		15,994,940	15,994,940
Investments in Shares				
3 DEFERRED TAX ASSET			498,848	498,848
4 CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	6			14,609,262
Sundry Debtors	7	11,018,367		13,214,738
Cash and Bank Balances	8	36,674		144,164
Loans and Advances	9	50,186,720		42,524,287
		61,241,760		70,492,451
5 LESS - CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities and Provisions	10	10,811,644		77,648,804
6 NET CURRENT ASSETS			50,430,115	(7,156,353)
7 MISCELLANEOUS EXPENDITURE				
Deferred Expenses				91,476
To the extent not written off/adjusted				
8 TOTAL			123,333,455	68,337,575
9 NOTES ON ACCOUNTS	18		0.53	
(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

S. VIDULA
Partner
M/S. VV & R
Firm Regd. No. 742

Directors **Ryaz Shamji**
S. H. Master
D. D. Deshpande

Mumbai - 29th May, 2010

Mumbai - 29th May, 2010

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010

	Schedules	Rupees	2009-2010 Rupees	2008-2009 Rupees
INCOME				
Sale of Products and Other Income (Net)	11		9,689,105	26,341,897
			<u>9,745,725</u>	<u>26,341,897</u>
EXPENDITURE				
Material, Manufacturing and Other Operating Expenses	12	3,838,946		19,023,775
Personnel Expenses	13			7,157,036
Sales and Administration Expenses	14	2,765,555		4,017,026
Interest	15	9,849,776		1,528,710
Depreciation		<u>475,716</u>		<u>745,380</u>
			<u>16,929,992</u>	<u>32,471,928</u>
Add(Less):Decrease/(Increase) in Work-in-Progress and Finished Goods	16		(11,023,739)	2,356,661
PROFIT/LOSS FROM OPERATION			<u>(18,264,626)</u>	<u>(8,486,642)</u>
Extra-ordinary Income/expenses				
NET PROFIT BEFORE TAX			<u>(18,264,626)</u>	<u>(8,486,642)</u>
PROVISION FOR TAXATION				
INCOME TAX				
DEFERRED TAX				78,133
FRINGE BENEFIT TAX				65,031
PROFIT AFTER TAX			<u>(18,264,626)</u>	<u>(8,629,806)</u>
ADD(LESS)INCOME TAX ASSESSED YEARS				32,709
			<u>(18,264,626)</u>	<u>(8,662,515)</u>
BALANCE BROUGHT FORWARD			<u>9,465,300</u>	<u>18,127,815</u>
PROFIT AVAILABLE FOR APPROPRIATIONS			<u>(8,799,326)</u>	<u>9,465,300</u>
APPROPRIATIONS				
General Reserve				
Profit and Loss Account Carried forward			<u>(8,799,326)</u>	<u>9,465,300</u>
			<u>(8,799,326)</u>	<u>9,465,300</u>
EARNING PER SHARE				
Before Extra-ordinary income			(12.18)	(0.18)
After Extra-ordinary income			(12.18)	(0.18)

Notes of Accounts

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(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

Ryaz Shamji

S. H. Master

D. D. Deshpande

S. VEDULA

Partner

M/Sh.NO.31/50

Firm Regd. 106742w

Mumbai - 29th May, 2010

Mumbai - 29th May, 2010