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58th ANNUAL REPORT 2003-2004

DIRECTORS

M.P. MUNOT	Chairman
N.L. DALMIA	Vice Chairman
R. BALASUBRAMANIAN	Managing Director
D. THOMPSON	
G. MANCUSO	(Alternate: D.K. WADIA)
S.A. GANDHI	
R.K. KULKARNI	
S.B. ZAVERI	
D.N. MUNGALE	

SECRETARY

K.R. VISWANATHAN

BANKERS

BANK OF MAHARASHTRA
HDFC BANK LTD.
STATE BANK OF INDIA

AUDITORS

M.P. CHITALE & CO.,
Chartered Accountants

REGISTERED OFFICE

BLOCK-D, SHIVSAGAR ESTATE,
DR. ANNIE BESANT ROAD,
WORLI, MUMBAI 400 018.
Tel.: 2492 1900-05
Email: capriact@bom7.vsnl.net.in

FACTORIES

PLOT NOS. C-13/16, ROAD NO. 16/T, WAGLE INDUSTRIAL ESTATE, THANE 400 604.
PLOT NOS. 76/77, MIDC INDUSTRIAL ESTATE, TRIMBAK ROAD, SATPUR, NASIK 422 007.

Notice of Annual General Meeting

NOTICE is hereby given that the Fifty-eighth Annual General Meeting of the Shareholders of **CAPRIHANS INDIA LIMITED** will be held on **THURSDAY, the 2ND SEPTEMBER, 2004** at 3.00 p.m. at the **JAI HIND COLLEGE AUDITORIUM**, Jai Hind College Building, A Road, Churchgate, Mumbai - 400 020, to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March 2004 and the Profit and Loss Account for the period ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M.P. Munot who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. S.A. Gandhi who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. D. Thompson who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. Messrs. M.P. Chitale & Company, Chartered Accountants, the retiring Auditors are eligible for re-appointment.

By Order of the Board of Directors

K.R. VISWANATHAN
Secretary

Registered Office:

Block D, Shivsagar Estate
Dr. Annie Besant Road
Worli, Mumbai 400 018.

Dated: 4th June, 2004.

NOTES:

- (a) Pursuant to Clause 49 of the Listing Agreement, the relevant details in respect of Item Nos. 2, 3 and 4 is annexed herewith (Annexure I).
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT A MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- (c) Proxies in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- (d) The Register of Members and Share Transfer Books of the Company will be closed from THURSDAY, 19TH AUGUST, 2004 to THURSDAY, 2ND SEPTEMBER, 2004 (both days inclusive).
- (e) Pursuant to Section 205A of the Companies Act, 1956 Unclaimed Dividends for the financial year ended upto 31ST MARCH, 1995 have been transferred within the prescribed time to the General Revenue Account of the Central Government. Members who have not encashed the Dividend Warrants for any financial year ended upto 31ST MARCH, 1995 are requested to claim the amount from the Registrar of Companies, Maharashtra, C G O Complex, 2nd Floor, "A" Wing, CBD Belapur, Navi Mumbai-400 614.
- (f) Consequent to amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Act, 1999, the amount of dividend for the year 1995-96 remained unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company was transferred to the Investor Education and Protection fund of the Central Government on 24th October, 2003.
- (g) The equity shares of the Company are available for trading in dematerialised form (scrip less trading in electronic form) through Depository Participants. The ISIN code is INE 479A01018.
- (h) Shareholders are requested to bring their copy of the Annual Report to the meeting as the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing.

Annexure (I) to the Notice dated 4th June, 2004

Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting
(in pursuance of Clause 49 of the Listing Agreement)

Name of the Director	Mr. M.P. Munot	Mr. S.A. Gandhi	Mr. D. Thompson
Date of Birth	4th October, 1944	25th September, 1950	24th September, 1958
Date of first appointment	28th May, 1986	1st August, 1983	19th November, 2001
Qualifications	Matriculate	Chartered Accountant	MA 1st Class Chemistry MBA, Diploma in Marketing C Chem, MRSC and MCIM
Expertise in specific functional areas and experience	Mr. Munot, Chairman of the Company became a Director in 1986 and was Managing Director from 1992 to 1997. An eminent industrialist with 38 years of business experience, he is the guiding force behind the Kalpataru Group of companies engaged in real estate and construction activities, Power Transmission Towers and Pharmaceuticals.	Mr. Gandhi became a Director in 1983 and was Managing/Jt. Managing Director from 1984-1997. Since 1973 he is a Director in the Kalpataru Group of Companies. Mr. Gandhi has vast experience and knowledge in the field of plastics. He is an active member of various committees related to plastic industry.	Mr. D. Thompson is Commercial Director, EVC International NV since July, 2001. During 1981-1994 he worked in BP Chemicals Ltd. in various capacities. During 1994-2001 he was Managing Director of James Robinson Ltd./James Robinson GmbH/James Robinson India Pvt. Ltd.
Directorships held in other Companies (Excluding Private Companies)	Kalpataru Homes Ltd. Sharyans Resources Ltd. Rajratan Gustav Wolf Ltd. Kalpataru Power Transmission Ltd. BOB Housing Finance Ltd. Associated Luggage Co. Ltd.	Kalpataru Homes Ltd. Kalpataru Power Transmission Ltd. Associated Luggage Co. Ltd.	Nil
Committee positions held in other companies	Nil	Nil	Nil

By Order of the Board of Directors

K.R. VISWANATHAN
Secretary

Registered Office:
Block D, Shivsagar Estate
Dr. Annie Besant Road
Worli, Mumbai 400 018.

Dated: 4th June, 2004.

Directors' Report

TO THE MEMBERS

Your Directors present their Fifty-eighth Annual Report on the business and operations of the Company together with the audited accounts for the 15 months period ended 31st March, 2004.

1. FINANCIAL RESULTS:

	15 months period ended 31st March 2004	Year ended 31st December 2002
	(Rs. in Lakhs)	
Profit before extraordinary items, interest and finance charges, depreciation and provision for tax	1063.98	797.30
Extraordinary Items	99.14	20.33
Interest and Finance Charges	3.08	4.01
Depreciation	454.67	364.54
Profit before Tax	507.09	408.42
Provision for Wealth Tax	2.60	2.60
Profit after Tax	504.49	405.82
Balance from last year	(1292.92)	(1698.74)
Balance carried to Balance Sheet	(788.43)	(1292.92)

2. DIVIDEND:

The Directors do not recommend any dividend for the 15 months period in view of brought forward loss.

3. PERFORMANCE:

The Board of Directors at its meeting held on 29th April, 2003 approved the change in financial year of the Company from January-December to April-March. Hence the current financial year of the Company is for a period of 15 months viz., 1st January, 2003 to 31st March, 2004.

The turnover of the Company is Rs. 148.8 crores (for 15 months) as compared to Rs. 104.5 crores in the previous year (12 months). The Company earned a profit (before extraordinary items and tax) of Rs. 606 lakhs as compared to corresponding previous year's figure of Rs. 429 lakhs showing a significant improvement. The other relevant details are mentioned in the Management Discussion and Analysis Report annexed to this report.

PVDC Coating Project:

During the year, the Company decided to set up in-house facility for PVDC Coating on PVC Film at Nasik. This process improves the barrier properties of the film. The market for PVDC Coated film is growing and offers a good opportunity to increase sales. Erection of Plant and Machinery is in progress.

4. DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed.
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2004 and of the Profit of the Company for the period ended 31st March, 2004.

- (c) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) the annual accounts have been prepared on a going concern basis.

5. DIRECTORS:

The Board of Directors at its Meeting held on 29th April, 2003 appointed Mr. R. Balasubramanian as Managing Director for a period of five years effective 29th April, 2003, which was duly approved at the 57th Annual General Meeting of the Shareholders held on 11th June, 2003.

Mr. M.P. Munot, Mr. S.A. Gandhi and Mr. D. Thompson retire by rotation and being eligible, offer themselves for re-appointment.

6. ASSETS OF NON-CORE ACTIVITIES:

There was substantial progress in the realisation of assets of non-core activities during the 15 months period ended 31st March, 2004.

7. CONSERVATION OF ENERGY:

Details relating to the Conservation of Energy and Technology absorption and foreign exchange earnings and outgoings are given in Annexure-I forming part of the Directors' Report as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

8. INDUSTRIAL RELATIONS:

The industrial relations remained cordial during the year.

9. CORPORATE GOVERNANCE:

In terms of Clause 49 of the Listing Agreement, a report on the Corporate Governance along with a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance and Management Discussion and Analysis Report are given in Annexure III and IV respectively, to this report.

10. AUDITORS:

Messrs. M.P. Chitale and Company, Chartered Accountants, retire at the forthcoming Annual General Meeting in accordance with the provisions of the Companies Act, 1956 and being eligible, offer themselves for re-appointment. Note Nos. 6, 8, 12 and 18 of Schedule 6 to the Accounts as referred in the Auditor's report are self explanatory.

11. PARTICULARS OF EMPLOYEES:

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 are given under Annexure II to this Report.

12. ACKNOWLEDGEMENT:

The Board wishes to place on record its appreciation of the services rendered by the employees of the Company. The Board also wishes to thank the Bankers for the co-operation and assistance extended by them.

On behalf of the Board of Directors

Nasik:
Dated: 4th June, 2004.

R. BALASUBRAMANIAN Managing Director
D. THOMPSON Director

Annexure I to the Directors' Report

A. CONSERVATION OF ENERGY

- (a) Energy conservation measures : 1. Improvement of boiler efficiency.
2. Design upgradation and preventive maintenance measures to reduce idle running of equipment and breakdown.
3. Power factor improvement measures.
- (b) Additional investment : No major additional investment has been planned during the coming year.
- (c) Impact of measures at (a) and (b) above for reduction of energy consumption and the consequent cost impact on the cost of production. : Energy conservation measures have resulted in savings in energy costs of the Company.

B. TECHNOLOGY ABSORPTION

Form B for disclosure of particulars with respect to Technology Absorption, Research and Development (R & D):

1. Specific areas in which R & D carried out by the Company : (a) Efforts to reduce/substitute the costly Raw Materials are continued during the year.
(b) Formulations have been upgraded to reduce costs and improve performance.
(c) Development of Calendered & Extruded products for new applications like tag application in readymade garments, visual packaging, smart card lamination and PP sheets for opaque door.
(d) Technical services to the customers.
2. Benefits derived as a result of the above R & D : (a) Scrap generation has been reduced.
(b) Saving in raw material cost.
(c) Foam board sheet cost has been reduced by upgradation of formulation.
(d) Improvement in film characteristics for visual packaging.
3. Future Plan of Action : Continuation of the above mentioned actions to reduce costs and improve quality and productivity.

4. Expenditure on R & D

	15 months period ended 31st March 2004	Year ended 31st December 2002
	(Rs. in lakhs)	
(a) Capital	1.20	0.48
(b) Recurring	28.50	22.00
(c) Total	29.70	22.48
(d) Total R & D Expenditure as a percentage of total turnover	0.20	0.22

Technology Absorption, Adaptation and Innovation:

1. Efforts in brief, made towards technology adaptation and innovation. : Establishing ISO 9001 and Q9001-2000, bringing higher quality situation in all production lines which is in agreement with customers requirements especially in the area of GMP.
2. Benefits derived as a result of the above efforts : The result out of the improvements are better quality, less scrap and higher line efficiency. Also a reduction in the areas of raw material cost and energy cost.
3. In case of imported technology following information may be furnished:
 - (a) Technology imported : Technical information relating to manufacture and quality control of PVC film.
 - (b) Year of Import : 1997.
 - (c) Has technology been fully absorbed : Most areas of technology transfer have been implemented.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. Activities relating to Exports : The exports during the year amounted to Rs. 1245 lakhs. The Company has started exporting to new markets.
2. Total foreign exchange
 - (a) Used :
 - (i) CIF value of imports — Rs. 1132 lakhs
 - (ii) Expenditure in foreign currency — Rs. 19 lakhs
(For details refer Schedule 5 to the Profit and Loss Account)
 - (b) Earned : FOB value of exports — Rs. 1245 lakhs

Annexure II to the Directors' Report

Particulars of Employees of the Company who were in receipt of remuneration of not less than Rs. 24,00,000 per annum or Rs. 2,00,000 per month and forming part of Director's Report.

(a) Age (Years) (b) Designation/nature of duties (c) Gross Remuneration (Rs.) (d) Experience (Years)
(e) Qualification (f) Date of commencement of employment (g) Last employment held and Designation

EMPLOYED THROUGHOUT THE YEAR:

(1) R. BALASUBRAMANIAN (a) 52 (b) Managing Director (c) 46,33,777 (d) 28 (e) B.Com., A.I.C.W.A., A.C.A., A.C.S. (f) 23/11/83 (g) W. G. Forge & Allied Industries Ltd. - Chief Accountant

Notes:

1. Nature of Employment of Mr. R. Balasubramanian is on contractual basis.
2. Mr. R. Balasubramanian is not a relative of any Director of the Company.
3. The above remuneration of Mr. R. Balasubramanian is for 15 months period ended 31/03/2004 and comprises in his capacity as Executive Vice President (Finance & Materials) upto 28/04/2003 and as Managing Director effective 29/04/2003.
4. Remuneration includes Salary, House Rent Allowance, Bonus, Leave Travel Allowance, Medical, Value of perquisites and Company's contribution to Provident Fund.

Annexure III to the Directors' Report - Corporate Governance

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance envisages the attainment of high level of transparency and accountability across all facets of its operations and in all its interactions with its stakeholders, including shareholders, employees, customers, suppliers and statutory authorities.

2. Board of Directors

(a) Composition

The total number of Directors is nine and the composition of the Board is as follows :

Name and Designation of the Director	Category	No. of Directorships* and Committee Membership/Chairmanship (other than Caprihans India Limited)		
		Other Directorships	Committee Membership	Committee Chairmanship
Mr. M.P. Munot (Chairman)	Promoter Non-Executive	6	—	—
Mr. N.L. Dalmia (Vice-Chairman)	Promoter Non-Executive	1	—	—
Mr. S.A. Gandhi	Promoter Non-Executive	3	—	—
Mr. R. Balasubramanian (A) (Managing Director)	Executive	—	—	—
Mr. D. Thompson	Promoter Non-Executive	—	—	—
Mr. G. Mancuso	Promoter Non-Executive	—	—	—
Mr. R.K. Kulkarni	Independent Non-Executive	4	3	1
Mr. S.B. Zaveri	Independent Non-Executive	2	—	—
Mr. D.N Mungale	Independent Non-Executive	9	2	3
Alternate Director Ms. D.K. Wadia	Independent Non-Executive	—	—	—
Alternate to Mr. G. Mancuso				

Notes: (A) Appointed as Managing Director on 29th April, 2003 for a period of five years, which was duly approved at the 57th Annual General Meeting of the Shareholders held on 11th June, 2003.

* Directorships in private companies, foreign companies and associations are excluded.

Out of nine Directors, three are independent which are in line with the requirements of the Listing Agreement relating to the composition of the Board.

(b) Number of Board Meetings, attendance at Board Meetings and Previous Annual General Meeting

During the period 01/01/2003 to 31/03/2004, seven Board Meetings were held on 04/02/2003, 25/03/2003, 29/04/2003, 10/06/2003, 25/07/2003, 28/10/2003 and 28/01/2004.

Attendance at Board Meetings and at last Annual General Meeting (AGM) held on 11th June, 2003.

Name of the Director	No. of Board Meetings attended	Attendance at last AGM
Mr. M.P. Munot	5	Yes
Mr. N.L. Dalmia	—	—
Mr. S.A. Gandhi	5	Yes
Mr. R. Balasubramanian (A)	5	Yes
Mr. R.K. Kulkarni	6	Yes
Mr. D. Thompson	3	Yes
Mr. G. Mancuso	—	—
Mr. S.B. Zaveri	7	—
Mr. D.N. Mungale	5	Yes
Alternate Director		
Ms. D.K. Wadia	2	Yes

Notes: (A) Appointed as Managing Director on 29th April, 2003 for a period of five years, which was duly approved at the 57th Annual General Meeting of the Shareholders held on 11th June, 2003.

3. Committees of the Board
A. Audit Committee:

During the period 01/01/2003 to 31/03/2004, four Audit Committee Meetings were held on 25/03/2003, 25/07/2003, 28/10/2003 and 28/01/2004. The details of the Committee are as under:

Name of the Director	Designation	Category	Date of		No. of Meetings attended
			Appointment	Resignation	
Mr. R.K. Kulkarni	Chairman	Independent Non-Executive	17.03.2001	—	3
Mr. D. Thompson	Member	Promoter Non-Executive	19.11.2001	—	2
Mr. S.B. Zaveri	Member	Independent Non-Executive	27.03.2002	—	4

The terms of reference, role and scope are in line with those prescribed by Clause 49 of the Listing Agreement with Stock Exchanges and Section 292(A) of the Companies Act, 1956.

Mr. K.R. Viswanathan, the Company Secretary, acts as the Secretary to the Committee.