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Century Laminating Co. Ltd.

Annual Report 2003 - 2004



CENTURY LAMINATING COMPANY LIMITED

BOARD OF DIRECTORS : M. K. LOHIA — *Chairman*
C. L. LOHIA — *Executive Vice-Chairman*
R. C. LOHIA — *Director (Technical)*
P. LOHIA — *Managing Director*
R. LOHIA — *Whole-time Director*
N. K. DUGAR — *Whole-time Director*
Dr. G. BHATTACHARJEE
A. N. ROY
S. BANERJEE
Dr. H. P. MITRA

**SECRETARY & CHIEF
EXECUTIVE (FINANCE)** : A. K. PARUI

REGISTERED AND HEAD OFFICE : 5, ALEXANDRA COURT,
60/1, CHOWRINGHEE ROAD,
KOLKATA - 700 020

LAMINATES & OTHER PLANTS : DELHI HAPUR ROAD,
VILL. : ACHHEJA
P.O. : HAPUR - 245 101
DIST. : GHAZIABAD (U.P.)

BRANCHES : AHMEDABAD, BANGALORE, BHUBANESWAR,
CHENNAI, COIMBATORE, DELHI, ERNAKULAM,
HYDERABAD, JAIPUR, MUMBAI, NAGPUR,
PUNE and TINSUKIA

AUDITORS : PRICE WATERHOUSE
Chartered Accountants

BANKERS : STATE BANK OF INDIA
UTI BANK LIMITED

**REGISTRAR & SHARE
TRANSFER AGENT** : MCS LIMITED
77/2A, Hazra Road,
Kolkata - 700 029

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For Century Laminating Co. Ltd.

A. K. PARUI
Chief Executive
(Finance) &
Company Secretary

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 For Century Laminating Co. Ltd.

A. K. PARUI
 Chief Executive
 (Finance) &
 Company Secretary



&

Directors' Report & Management Discussion and Analysis

Dear Members,

Your Directors have pleasure in presenting their thirty-ninth Annual Report together with the audited accounts of your Company for the year ended 31st March, 2004.

1. FINANCIAL RESULTS

	(Rupees in '000)	
	Current Year	Previous Year
Sales (net of excise duty)	112 90 26	110 26 60
Other Income	4 87 89	3 68 48
	<u>117 78 15</u>	<u>113 95 08</u>
Profit before Interest, Depreciation and Tax	9 58 94	14 80 21
Less : Interest	2 27 87	3 14 06
Depreciation	<u>3 48 59</u>	<u>3 24 63</u>
Profit before Tax	3 82 48	8 41 52
Less : Provision for Tax (including Deferred Tax of Rs.53 49 thousand in the current year and previous year Rs.65 01 thousand)	<u>1 38 49</u>	<u>3 00 01</u>
Profit after Tax	2 43 99	5 41 51
Add : Balance brought forward from previous year	<u>9 14 99</u>	<u>4 27 63</u>
	<u>11 58 98</u>	<u>9 69 14</u>
Appropriations		
Transfer to general reserve	24 40	54 15
Balance carried to Balance Sheet	<u>11 34 58</u>	<u>9 14 99</u>
	<u>11 58 98</u>	<u>9 69 14</u>

2. FINANCIAL PERFORMANCE VIS-À-VIS OPERATIONAL PERFORMANCE

The year under review has seen a fall of more than 50% in profit after tax (current year Rs.2.43 99 thousand, previous year Rs.5 41 51 thousand). This sharp fall has been due to the phenomenal increase in the average prices of raw materials like base paper, phenol etc. Prices of Base paper have on an average increased by more than Rs.24.50 per kg. as compared to the prices in the previous year. Similarly the prices of Phenol have on an average increased by approximately Rs.7 per kg. as compared to the prices in the previous year. The cumulative impact of this increase in raw material prices works out to a staggering Rs.5 00 thousand. These increases have affected the operations of your company as well as affected the operating margins and your Company was under strain to pass on the whole of this impact of increase to the customers. Though the overall scenario looks dispiriting, your Directors feel that through better management, streamlining operational process and bringing about synergies in production process, your company will be able to reverse this trend.

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For Century Laminating Co. Ltd

A. K. PARUI
Chief Executive
(Finance) &
Company Secretary

Directors' Report (Contd.)**3. SEGMENT-WISE BUSINESS PERFORMANCE**

Your Directors are pleased to inform the members that decorative laminates continue to be the dominant business segment contributing about 86% of the total revenue for the year ended 31st March, 2004 while panel products and furniture components contributed about 5%. The major proportion of the operating profit for the year has been contributed by decorative laminates segment. This segment has again emerged as the focal point of the business segments of your company and your company continues to be the industry leader in this segment.

4. FUTURE OUTLOOK

The cornerstone of all operations of your Company continues to be the Corporate Philosophy of *Economy, Excellence and Ethics*. The philosophy continues to fulfil the cherished ideals of increasing shareholder value, protecting the environment and meeting societal obligations. It is our bounden duty to all stakeholders and the society at large that we acknowledge the due Ethics has been one of the cornerstones of success for your Company and it has been our constant endeavour to maintain ethical corporate practices and transparent dealings both within and without.

Considering all these facts and its inherent potential, the future prospects of your Company are expected to be encouraging. Your Company is seeking to consolidate its position in the laminates markets both domestic and overseas through aggressive marketing and consolidation of its present market share.

5. IDENTIFICATION OF RISKS AND AREAS OF CONCERN

The Company's operations are subject to foreign currency fluctuations and this forms a major area of concern for your Company. A substantial portion of raw materials input is imported thereby leaving the operations exposed to fluctuations in the world currency market. Your Directors wish to point out that this risk of exchange fluctuations is partially offset by exports earnings. The Company's performance is also dependent on the outlook of the construction industry.

6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has an adequate system of internal control commensurate with the size of the Company and the nature of its business, which ensures that transactions are recorded, authorised and reported correctly apart from safeguarding its assets against loss from wastage and unauthorised use and removal.

The internal control system is supplemented by documented policies, guidelines and procedures and an extensive program of review is carried out by the Company's Internal Auditors who submit detailed reports periodically to the management and the Audit Committee.

Your Company's Statutory Auditors have, in their report, confirmed the adequacy of the internal control procedures.

A. K. PARUI
Chief Executive
(Finance) &
Company Secretary



Directors' Report (Contd.)

7. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

Your Company considers human resource to be the most important contributing element of the organisation. A dedicated and silent workforce has always led your Company to the pinnacle of success with an untiring effort for betterment. The relations continue to be cordial.

8. SAFETY, HEALTH AND ENVIRONMENT MEASURES

Your Company is committed to providing a safe and healthy environment for its employees, customers, shareholders, visitors and managing the organisation in an environmentally sensitive and responsible manner. Your Company further recognises an obligation to demonstrate safety and environmental leadership by maintaining the highest standards and serving as an example to our interested parties as well as the community at large. Your Company will strive to improve continually its safety and environmental performance by adhering to the following policy objectives :

- (i) Developing and improving programs and procedures to assure compliance with all applicable laws and regulations ;
- (ii) Ensuring that personnel are properly trained and provided with appropriate safety and emergency equipment and fully comprehend environmental issues ;
- (iii) Taking appropriate action to correct hazards or conditions that endanger health, safety and the environment on proactive basis ;
- (iv) Engaging in sound re-use and recycling practices and exploring feasible opportunities to minimise the amount of, and toxicity of, waste generated ;
- (v) Using energy efficiently throughout its operations ;
- (vi) Communicating its desire to continuously improve its performance and fostering the expectation that every employee, in the organisation's premises will follow this policy and report any environmental, health or safety concern to the designated person ;
- (vii) Monitoring its progress through periodic evaluations.

9. EXPORT EARNINGS

Your Company's export earnings of your Company's during the year increased by 13% over those of the previous year (Current year Rs.36 55 24 thousand calculated on F.O.B value, previous year Rs.32 48 75 thousand) and these earnings are once again a new high. Your Directors are hopeful that your Company shall once again achieve the award for the highest exporter of decorative laminates. Your Directors are particularly gratified to have fulfilled one of the avowed objectives of the group management of serving national interest by contributing to the country's foreign exchange earnings.

10. FUTURE PROSPECTS

High Pressure Decorative Laminates

Your Company embarked upon production of higher sized laminates mainly for exports. There exists potential market for the products overseas and your Company is confident that it will be in a position to utilise the capacity by tapping these markets.

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For Century

A. K. PARUI
Chief Executive
(Finance) &
Company Secretary

Directors' Report (Contd.)

Export market of standard sized laminates is encouraging. Your Directors feel that a reasonable growth of sales will be achieved in the years ahead.

Furniture and Furniture Components

Your Company's furniture division has witnessed wide acceptance of certain items launched. Your Directors are hopeful that in course of time this furniture division will contribute a substantial portion of revenue to your Company. The outlook is encouraging.

11. CAPITAL EXPENDITURE

A sum of Rs.3 34 68 thousand (previous year Rs.9 73 35 thousand) has been incurred towards capital expenditure for the acquisition of various assets put to use during the year. During the year some fixed assets (original cost of Rs.3 71 31 thousand) have been disposed of.

12. DIVIDEND

Your Directors propose to plough back the profits earned during the year and regret their inability to recommend any dividend for the year.

However, the Board of Directors has declared an interim dividend @ Rs.1.25 per equity share of Rs.10/- for the year 2004-2005.

13. DELISTING OF SHARES

The securities of your Company stand de-listed from the Stock Exchanges of Calcutta, Mumbai, Delhi and Madras with effect from 8th April, 2004. Your Directors wish to place on record for the information of the members that as a condition precedent to such de-listing, a Final Exit Option to purchase the shares @ Rs.20/- per share commenced from 19th April 2004. This option shall remain open for a period of one year till 18th April 2005. The details of this option have been sent separately to all the members at their addresses recorded with the Company.

14. SUBSIDIARY COMPANY

Your Company's subsidiary, Merino Panel Products Limited (MPPL) completed eight full years of commercial production since inception. During the year under review total turnover (net of excise duty) of MPPL was Rs.64 18 30 thousand (previous year Rs. 50 02 47 thousand) which represents an increase of Rs.14 15 83 thousand. MPPL has earned a net profit (post tax) of Rs.1 33 00 thousand (previous year Rs.2 25 29 thousand) during the year under review. The Company's holding in the subsidiary's equity continues to be 14 93 thousand equity shares out of the total paid-up equity capital consisting of 20 00 thousand shares. The subsidiary's audited Accounts and Directors' and Auditors' Reports are annexed herewith. The statement required under section 212(1)(e) of the Companies Act, 1956 is also enclosed.

15. OTHER FINANCIAL STATEMENTS

Pursuant to the accounting standards issued by the Institute of Chartered Accountants of India, segment-wise financial statements, transactions with related parties, computation of earnings per share, provision of deferred tax liability, consolidated financial statements presented by the Company including financial information of its subsidiary and Cash Flow Statement duly verified by your Auditors form part of the annual report and accounts.

A. R. PANDIT
Chief Executive
(Finance) &
Company Secretary



Directors' Report (Contd.)

16. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri Man Kumar Lohia and Shri Shyamal Banerjee, Directors, retire by rotation at the ensuing annual general meeting and, being eligible, offer themselves for re-appointment.

At the Extra-ordinary general meeting held on 30th January 2004, Shri Champalal Lohia was re-appointed Executive Vice-Chairman with effect from 1st March 2004 for a further period of 3 years. There have been no other changes in the composition of the Board of Directors.

17. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 with respect to Directors responsibility statement, it is hereby confirmed that :

- in the preparation of the annual accounts for the financial year ended 31st March, 2004 the applicable accounting standards had been followed along with proper explanation relating to material departures ;
- the Directors had 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 of the Company for the year under review ;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- the Directors had prepared the accounts for the financial year ended 31st March, 2004 on a going concern basis.

18. STATUTORY AUDITORS

Messrs. Price Waterhouse, Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing annual general meeting and have expressed their willingness to offer themselves for re-appointment. The Company has received a letter from Messrs. Price Waterhouse to the effect that their appointment as Auditors, if made, would be within the permissible limits under section 224(1B) of the Companies Act, 1956.

19. AUDITORS' REPORT

Vide observations made by the Statutory Auditors' in point 7 of Annexure to Auditors' Report, your directors have decided to take adequate steps to extend the coverage of period of internal audit in order to make the related system commensurate with the nature and size of business.

20. CORPORATE GOVERNANCE

A separate Report on Corporate Governance along with the certificate of the Auditors, Messrs. Price Waterhouse, Chartered Accountants, confirming compliance of the conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreements entered into with Stock Exchanges is annexed.

CERTIFIED TRUE COPY

For Century Laminating Co. Ltd.

Handwritten signature

A. K. PARUI
Chief Executive
(Finance) &
Company Secretary

Directors' Report — (Contd.)**21. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information in accordance with the provisions of 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 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the annexure to this report.

22. PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2)(A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, the particulars of the employees are set out in the annexure to this Report.

23. ACKNOWLEDGEMENTS

The Directors would like to express their sincere thanks for the continued assistance and co-operation received from State Bank of India, UTI Bank Limited, ICICI Bank Limited, Export-Import Bank of India and customers.

Right from its inception, the Directors and management have followed a policy of developing excellent team spirit among the management, officers, employees and workers. Sustaining this policy over the years has resulted in a dedicated team of management personnel, officers, employees and workers with whom your Directors and management have the best of relations.

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Kolkata,
The 29th day of June, 2004

For and on behalf of the Board
MAN KUMAR LOHIA
Chairman

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For Century Laminating Co. Ltd.

A. K. PARUI
Chief Executive
(Finance) &
Company Secretary



ANNEXURE — A

ANNEXURE TO DIRECTORS' REPORT

Particulars for conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of the Directors' Report for the year ended 31st March, 2004.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken :

- i) Installation of Biomass Gasifier during the year, which will replace the diesel quantity to the extent of 2/3rds of total quantity, consumed earlier.
- ii) Higher capacity saw dust dryer installed to reduce moisture content in saw dust.
- iii) Construction of modified furnace for better utilization of heat for drying saw dust.
- iv) Replacement of 30 H.P. motors by 20 H.P. motor in formaldehyde plant resulting in lower power consumption.
- v) Replacement of installed tube lights by Asian Electronic retrofit fittings for reduction of power consumption.
- vi) Monitoring schedule of generator running to bring better capacity utilization of Generator sets.

(b) Additional investments and proposals for reduction of consumption of energy :

Additional investment is proposed for undertaking energy audit and replacement by energy efficient Asian Electronic retrofit fittings.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

- i) The electricity cost, which was earlier Rs.7.50 per unit, will now cost Rs.5.50 per unit after installation of Biomass Gasifier. This will impact the cost of production of printing paper by Rs.50 thousand p.m. say Rs.6 00 thousand p.a.
- ii) Automatic Boiler alongwith provision of accumulator has helped in ease of operations as well as savings in energy.
- iii) Saving of electric power as a result of replacement of motor in formaldehyde plant.
- iv) Saw dust consumption by dryer is lower resulting in significant savings in cost of fuel used in boiler.
- v) Because of enhanced capacity of boiler coal use has been eliminated altogether.

(d) Total energy consumption and energy consumption per unit of production :

The particulars are given as per Form 'A' enclosed to the extent applicable relating to cold storage unit.