

# COASTAL ROADWAYS LIMITED



## ANNUAL REPORT 2003–2004

**BOARD OF DIRECTORS**

Shri Madan Gopal Todi — Chairman  
 Dr. V. C. Shah  
 Shri B. K. Saha  
 Shri Dipak Dey  
 Shri Krishna Kumar Todi  
 Shri Lallan Kumar Todi  
 Shri Sushil Kumar Todi  
 Shri Ashok Kumar Todi  
 Shri Kanhaiya Kumar Todi — Managing Director

**EXECUTIVES**

Shri Dushyant Todi—Jt. President  
 Shri Piyush Todi Vice President  
 Shri Raja Saraogi—Secretary

**AUDITORS**

Agarwal Maheswari & Co.  
 Chartered Accountants  
 2B, Grant Lane  
 Kolkata – 700 012

**SOLICITORS & ADVOCATES**

Dey & Associates  
 Temple Chambers  
 6, Old Post Office Street  
 Kolkata – 700 001

**SHARE TRANSFER AGENTS**

**S. K. Computers**  
 34/1A, Sudhir Chatterjee Street  
 Kolkata – 700 006  
 Tel : 2219-4815

**REGISTERED OFFICE**

4, Black Burn Lane  
 Kolkata – 700 012

**CORPORATE OFFICE**

1/1, Camac Street  
 Kolkata – 700 016  
 Tel No. 2217-2222/23/24

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**NOTICE**

Notice is hereby given that the thirty-sixth Annual general meeting of **COASTAL ROADWAYS LTD.** will be held at :

<b>Venue</b>	<b>Calcutta Chamber of Commerce Stephen Court 18H, Park Street Kolkata-700 071</b>
<b>Day</b>	<b>Friday</b>
<b>Date</b>	<b>3rd, September 2004</b>
<b>Time</b>	<b>11:00 A.M.</b>

To transact the following business :

**Ordinary Business :**

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2004 together with the Balance Sheet as at that date, the Reports of the Directors and Auditors thereon.
2. To appoint Directors in place of Sri Sushil Kumar Todi and Dr V C Shah who retires by rotation and being eligible, offer themselves for re-appointment.
3. To appoint Auditors for the current year and to authorise the Board of Directors to fix their remuneration.

Report Junction.com

Regd. Office :  
4, Black Burn Lane  
Kolkata – 700 012

The 22nd day of June, 2004.

By Order of the Board of Directors

(Raja Saraogi)

**Secretary**

## NOTES :

- a) A member entitle to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
- b) The Register of Members and Share Transfer Books in respect of the Equity Shares of the Company will remain closed from Monday, 30th August to 3rd September 2004 (both days inclusive).
- c) Information Under Section 205A read with the Companies unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 as amended is given below :
  - I. Pursuant to section 205A of the Companies Act, 1956 all Unclaimed/Unpaid Dividends upto the Financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their Dividend Warrants for the said period are requested to claim the amount from the Registrar of Companies, West Bengal, 234/ 4 A. J. C. Bose Road, Kolkata-700 020 by submitting an application in the prescribed Form.
  - II. Consequent upon 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 subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the **Investor Education and Protection Fund** set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.
- d) Brief resum of Directors proposed to be re-appointed at the 36th Annual General Meeting :
  1. Mr Sushil Kumar Todi, B. Com (Hons.) ACA, aged about 47 years has been associated with the Company since last 9 years, He has over 22 years of experience in Road Transport Industry and the Company has immensely benefited from his expertise in Financial Management, Business Administration, Express Logistics and Resource Development and Planning. The Board recommends there-appointment of Mr Sushil Kumar Todi as a Director of the Company.
  2. Dr. V C Shah, a renowned economist aged about 76 years has been associated with the Company since last 11 years. He is also on the board of following companies :
    1. Ambala Sarabhai Enterprises Ltd.
    2. Sarabhai Electronics Ltd.
    3. Shriyam Securities & Finance Ltd.
    4. Essem Coated Steel (J & K) Ltd.
    5. Binani Lead Ltd
    6. Binani Industries Ltd.

Dr Shah would function as Non-Executive Director on the Board of the Company, if re-appointed.
- e) Members desiring any information about accounts or otherwise, are requested to write to the company, at least 10 days in advance of the Annual General Meeting, to facilitate compilation thereof.

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 36th Annual Report together with the Audited statement of Accounts for the year ended 31st March, 2004.

**OPERATING RESULTS**

	<b>2003-2004</b> (Rs./Lacs)	<b>2002-2003</b> (Rs./Lacs)
Working during the year shows a surplus of	195.20	161.80
From which is deducted		
Finance Charges	41.17	34.98
Depreciation	118.76	94.00
Provision for Taxation	3.44	7.56
	<u>163.37</u>	<u>136.54</u>
Leaving a Net Profit of	31.83	25.26
To which is added Balance brought forward from previous year	1.37	1.11
Which is appropriated as under :		
Transfer to General Reserve	25.00	25.00
Balance carried forward to next year	8.20	1.37

**PERFORMANCE :**

The year 2003-04 was once again not very smooth sailing for the Road Transport Industry, though your company reported satisfactory performance. Despite stressful conditions, the Freight Earnings of the company were recorded at Rs. 3820 lacs as against Rs. 3301 lacs in the previous year. The business as such has become very competitive and most of the customers have gone into the system of reverse auctions for their logistic activities, thereby offering very small operational margin to the transporters. Increase in road taxes, national permits and imposition of Sales tax and octroi checkpoints have made the things more cumbersome. Delayed realisation of outstandings from the customers have become a routine practice because the customers always prefer to avail supplier's credit which is free of interest. Special efforts were initiated towards improving efficiency at all levels and as a result the business volumes showed an improvement of more than 15% over the previous year. As reported last year your Directors took timely action and reorganised its business process in line with changing needs of market. Functional specialisation was developed to enhance service levels offered to customers by responding to their increasing expectations and demand levels. Frequent Oil Price increase have entailed additional costs, which in a depressed and highly competitive market could not be passed on to the customers. There is very possibility that Government will increase the prices of Petroleum products specially diesel oil by at least Rs. 3/- to Rs. 5/- per litre by end of September, 2004 in order to meet deficit for abnormal rise in International prices of Petroleum products and it will adversely affect the operational margins during the current year.

The continuous dedicated efforts of the management to ensure growth by offering value-added services e.g. Third Party Logistics, Supply Chain Management and Dedicated Containerised Vehicles have however helped the company to give an adequate boost to its turnover and business volumes. Negotiations have reached final stage of conclusion for introducing refrigerated

containers and low bed articulated PVC body containers for movement of fruits, vegetable and flowers which will also give new fillip to exports and agro-based industries, thereby giving a further boost to the Company's Turnover.

The company has continued with its policy of acquiring sizeable number of container body heavy vehicles in order to reduce the dependence on hired vehicles and to have advantage of offering personalised services to various FMCG and Engineering Industries. The Board reasonably foresees that the company will certainly achieve higher targets by enhancing its service levels further.

#### **DIVIDEND :**

In order to plough back profits for ongoing expansion programmes and resulting constant requirement of funds emerging out of late payments by clients, the cash liquidity crunch always exists and has become insurmountable. Because of low profitability due to serious competition in transport trade and by the entry of some large cash rich overseas operators specially from Far East countries, the situation has become more alarming for the availability of funds. The Directors therefore express their inability of recommend any dividend for the year ended 31st March, 2004.

#### **FINANCE AND ACCOUNTS :**

Financial Institutions are not very helpful for providing short term financial accommodation. Long-term financial accommodation could be made available by banks against the collateral and security of immovable properties. The arrangement of funds from external sources will put extra burden on operational cost by way of interest and in the acute competitive market conditions prevailing in the road transport industry, the quantum of interest burden shall have to be borne by the company thereby further reducing the profitability. The Directors are glad to mention that by way of close monitoring of realisation of outstanding and by offering some cash/trade discounts, the interest burden on the company is very negligible in relation to the Turnover. Though the company is enjoying very good reputation and confidence amongst its customers, but to render services to the new clients, it needs additional funds to meet working capital requirements which will be interest bearing thereby putting additional pressure on the profitability. Heavy vehicles worth Rs. 391 lacs were purchased during year to further strengthen the fleet of the company to reduce to dependence on the market vehicles. In spite of all these odds, the profit after tax has resulted in an internal cash generation of Rs. 149 lacs as against Rs. 119 lacs in the previous year. The shareholders fund recorded for Rs. 1105 lacs.

#### **DEPOSIT :**

No Public Deposits were invited or accepted during the year under report.

#### **AUDITORS :**

M/s. Agarwal Maheswari & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

#### **AUDITORS' REPORT :**

The report of the Auditors' is self-explanatory and does not call for any further comments from the Directors.

#### **INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULE 1988**

##### **A. Conservation of Energy :**

The Company's operation involve no energy consumption



**B. Form of Disclosure of particulars with respect to absorption of Technology and Development of R & D :**

- i) Research and Development – The Company do not have any R & D Division and Company's Operations do not require this type of establishment.
- ii) Technology absorption, adoption and innovation – The Company has not imported any technology due to its nature of operation.

**DIRECTORS :**

Sri Sushil Kumar Todi and Dr. V C Shah, Directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

**PERSONNEL :**

The true index to a Company's success is not only its turnover and quantum of profits but its ultimate resource. The Directors sincerely thank the employees at all levels for their dedicated services and co-operation which enabled the Company to perform satisfactorily. There are no employees drawing remuneration of Rs. 2,00,000/- a month or Rs. 24,00,000/- a year and therefore, no particulars in terms of Section 217(2A) of the Companies Act, 1956 are attached to this report.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

Statement under sub-section (2AA) of Section 217 of the Companies Act, 1956 :

In the preparation of the Annual Accounts :

- i) the applicable accounting standards have been followed and wherever required, proper explanations relating to material departures have been given.
- ii) the Directors have 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) proper and sufficient care has 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.
- iv) the Accounts have been prepared on a going concern basis.

**CORPORATE GOVERNANCE :**

Corporate Governance Report and Management analysis and Discussion Report pursuant to Clause 49 of the Listing Agreement with Stock Exchanges are provided in separate annexures to this report.

**ACKNOWLEDGEMENT :**

The Board acknowledges the support given by its employees, shareholders customers and bankers and looks forward for their continued support.

On behalf of the Board of Directors

Place : Kolkata



(M. G. Todi)  
(Chairman)

Date : the 22nd day of June, 2004

## MANAGEMENT DISCUSSION AND ANALYSIS

### ECONOMIC PERSPECTIVE

The global economy has yet to come out of the difficult phase and the Indian economy is no exception. The Agriculture Sector, however, has shown positive growth, thereby contributing to the GDP. A rising trend in global crude oil prices has also compounded the pressure. The severe draught has posed a very serious challenge and in many states the agricultural growth is likely to be worst affected during current year.

### ROAD FREIGHT TRANSPORT SECTOR

The Indian Logistics Industry and Road freight sector continues to remain unorganised and fragmented. It is largely unregulated since it does not require any specific licenses from any authority and neither does it face any regulatory controls. The poor road infrastructure conditions, multiple check post for octroi and sales tax and unnecessary barriers in various states, delays, bureaucratic hurdles and other numerous problems make the freight industry unproductive and outmoded.

The year 2003-04 has been the worst for the Indian Road Freight Industry. The freight rates in the country were severely affected by the political disturbances in various states, threat of war and above average production of certain agricultural products and frequent increase in the prices of diesel and other petroleum products. Intense competition from unorganised players, the growing trend of reverse auctions, high operating costs and poor Industrial growth had an adverse impact on the working of the road transport segments.

The road freight sector is poised for major changes in the coming years. With steady progress on the Government of India's plans to construct a National Highway network, the road density and quality are on the rise. The two major sections-the Golden Quadrilateral and the North-South-East-West corridors are expected to be completed by 2004 and 2007 respectively provided funds planned by the Government are available and utilised as per schedule and they are fairly expected to bring about sweeping changes to the overall productivity and efficiency of this sector.

### BUSINESS STRATEGY & OPPORTUNITIES

The process of economic reforms has brought the global markets closer to the Indian economy. The customers now have access to better quality products & services at competitive rates. Globalisation and competition have given emphasis to better supply chain management, which in turn has created a market for third party logistics (3PL) service providers. A growing number of customers are out sourcing showing outstanding their Logistics to 3PL providers in order to concentrate on their core competencies. Your company offers integrated logistics solutions using multi-modal transportation including state of the art warehousing facilities, customised customer services and other value added services. Your company's advanced internet based consignment tracking and enterprise wide on-line computerised systems gives it a superior edge over its rivals.

Logistics solutions have emerged as a new growth opportunity for the express cargo Industry. Manufacturing companies are increasingly outsourcing their logistics requirements from third party logistics providers. Express companies world-wide, with their inherent know-how and distribution management skill coupled with warehousing facilities and technology leanings, are in the best position to offer such value added services.

On the other hand the unorganised/semi-organised segment of the express cargo industry will face pressure on margins because of unfavorable pricing environment. The unorganised sector is mostly into the documents business, where the margins are already squeezed. This segment is heavily populated with a number of players. The entry barriers in the documents business is low and coupled with the internet revolution, the importance of quick delivery of documents has lost its significance.



**Logistics** - The cargo and logistics companies have identified opportunities to take up integrated logistics solutions for clients. This outsourcing would enable manufacturing companies to concentrate on their primary activities, VIZ, production and marketing. Outsourcing inventory management will help the customers to have lower capital tie-up, thus reducing the associated risks.

**Value added services** - In an industry where differentiation is easily replicated, the cargo companies need to innovate new techniques to attract customers. In this endeavor, they add value to the core product to differentiate themselves from their competitors.

### **RISKS AND CONCERNS**

1. All India cargo companies face threat from local players who act as niche players at state and zonal level. Because of lack of regulations, the industry is crowded with too many players, which has led to unhealthy price cutting, discounts, etc. On the other hand, the entry of MNCs has added another dimension. They enjoy the patronage of MNC customers, better equipped as they are with the latest technology and skilled and trained manpower.

There is always the threat of the industry being affected by the economic slowdown. However, with the expected revival of the economy, implementation of WTO guidelines, the industry is expected to show better performance.

2. Entry of large multinationals, by way of joint ventures and/or through 100% subsidiaries.
3. Large share of unorganised and semi-organised segment.
4. Sensitivity to economy-this industry is highly dependent on the overall economic scenario. In the mid 80's, the industry grew at a rapid pace at 30-35%. This growth rate was sustained in the 90's. But due to the general slowdown of the world economy and of the Asian economy in particular, there had been a slowdown in this industry as well, and the growth rate was sluggish around 10%.
5. These factors potentially expose the Company to any significant fluctuations in the state of the Indian economy. The Company's operations have historically shown significant resilience to the normal ups & downs of the economic and industry cycles, with demand for its services continuing to grow at healthy rates even at times of an overall economic slowdown.
6. All the revenues from the existing operations are derived from services rendered in the Indian markets. The Company has also been making and contemplating investments in attractive segments.
7. Your Company's highly integrated, and competitive operations, leading positions in domestic markets, and thrust on value addition have proved to be an effective way to mitigate the impact of generic industry factors.

Your Company continue to follow suitable strategies to positively modify its risk profile by eliminating and significantly reducing key business risks and developing and implementing strategies to achieve that maximum possible degree of insulation from broad macroeconomics risks.

### **OUTLOOK**

Your Company has drawn plans to

Consolidate its activities relating to logistics and to create a strong base of operations.

Divise strategies to bring operational efficiency, cost effective services and to face economic slowdown and competition.

Fine tune the operating structure, and improve the customer focus and increase the Company's competitive advantage. The new structure usher an era of efficiency and growth.

Your company will continue to focus on its key business by exploiting its core competence. In order to be a leading edge Company, a well-crafted strategy has been adopted entailing capitalising on the strong brand equity, optimising costs and improving operational efficiencies at all the levels. These endeavors should facilitate superior margins, despite the forecast of a challenging business environment in the immediate future.

Your Company is in advance process of introducing cold chain supply management i.e. cold storage moving on wheels. It is also exploring the carriage of fruits and flowers from the place of growth/cultivation to ultimate market of consumption by introducing specialised refrigerated vehicles. According to published data of the Ministry of Agriculture, about 40-50% of the fruits go waste because of inadequate and improper handling and transportation system. It is fairly expected to make a good break through in this area.

### **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The Company has an internal control system commensurate with its size and nature of business and to meet the following objectives :

Efficient utilisation and protection of resources.

Compliance of statutory and internal policies and procedures.

Completeness, accuracy, promptness of the reports generated for all the transactions in the Company.

### **HUMAN RESOURCE MANAGEMENT**

Your Company believes that constant training and development, and continuous learning, is necessary for ensuring retention of the best talent besides providing the Company a sustainable platform for growth in the business environment.

Training programmes have been devised to develop cross-functional skills. The objective is to provide Your Company's people with an opportunity to address areas, not only relevant to their job profile, but also for their all round development. The Company is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and ethical values of its management and employees.

### **OVERVIEW**

Large number of players, international as well as local, are setting up their shops in Logistics and hope to get a share of this emerging new economy business.

Your company has an edge over other players, by virtue of having strong information technology back-up and better understanding of Indian roads, local laws, customer needs etc. Your Company, being a pioneer and trendsetter in express cargo industry, will always play a vital role in this industry.

### **SOCIAL RESPONSIBILITIES**

Your company always believes that organisational growth objective is always linked with the overall development of the society and the community at large.

Your Company is in the process to introduce a Drivers Group Accident Policy (Rashta apatti Kavach policy) to Cover all the drivers of vehicles attached to the Company. This is a goodwill gesture to insure them in case of any unforeseen event, is being undertaken as part of the corporate social responsibility.