

# COASTAL ROADWAYS LIMITED



## ANNUAL REPORT

### 2004-2005

**COASTAL ROADWAYS LTD****BOARD OF DIRECTORS****Shri Madan Gopal Todi - Chairman**

Dr. V. C. Shah

Shri B. K. Saha

Shri Dipak Dey

Shri Lallan Kumar Todi

Shri Susil Kumar Todi

Shri Ashok Kumar Todi

Shri Kanhaiya Kumar Todi - Managing Director

**EXECUTIVES**

Shri Dushyant Todi - President

Shri Udit Todi - Vice President

Shri Raja Saraogi - Secretary

**AUDITORS**

Agarwal Maheswari &amp; Co

Chartered Accountants

2B, Grant Lane

Kolkata - 700 012

**SHARE TRANSFER AGENTS**

S. K. Computers

34/1A Sudhir Chatterjee Street

Kolkata - 700 006

Tel : 2219 - 6797

**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 Seven Annual General Meeting of COASTAL ROADWAYS LTD will be held at :

|              |  |
|--------------|--|
| <b>Venue</b> | <b>Calcutta Chamber of Commerce<br/>Stephen Court<br/>18H, Park Street<br/>Kolkata - 700 071</b> |
| <b>Day</b>   | <b>Tuesday</b>   |
| <b>Date</b>  | <b>13th September, 2005</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, 2005 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 Dipak Dey and Sri Birendra Kumar Saha who retire 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.

**Special Business :**

To consider and if thought fit, to pass with or without modifications, the following Resolutions :

4. As a Special Resolution  
"RESOLVED THAT the Company hereby accords its approval to the continuance of the appointments of and increase in the remuneration payable to Sri Kanhaiya Kumar Todi, the Managing Director of the Company, on the terms and conditions set out in an agreement entered into between the Company and the Managing Director in terms of the draft placed before the meeting and initialed by the Chairman for the purpose of identification."
5. As a Special Resolution  
"RESOLVED THAT the Company hereby accords its approval to the continuance of the appointments of and increase in the remuneration payable to Sri Lallan Kumar Todi, Sri Sushil Kr. Todi & Sri Ashok Kr. Todi, whole time Directors of the Company on the terms and conditions set out in an agreement entered into between the Company and whole time Directors of the Company in terms of the draft placed before the meeting and initialed by the Chairman for the purpose of identification."

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

By Order of the Board of Directors

(Raja Saraogi)  
**Secretary**

The 28th day of June, 2005

## Notes :

- a) A member entitled 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 time of the meeting.
- b) The Register of Members and Share Transfer Books in respect of the Equity Shares of the Company will remain closed from Thursday, 8th September 2005 to Tuesday, 13th September 2005 (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 resume of Directors proposed to be re-appointed at the 37th Annual General Meeting :
  1. Sri Dipak Dey, M.A., LLB, Attorney at Law, aged about 52 years is a Practicing Advocate in the Hon'ble High Court at Calcutta and the Hon'ble Supreme Court of India. He has over 25 years of expertise in the legal arena and corporate advisory services. The Board recommends the re-appointment of Sri Dipak Dey as a Director of the Company.
  2. Sri Birendra Kumar Saha, IPS (Retired), aged about 68 years has been associated with the company since last 2 years. He is also associated with various sports, cultural and social organisations. The company has immensely benefited from his administrative capabilities. The Board recommends the re-appointment of Sri Birendra Kumar Saha as a Director of the Company.
- 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.

## Explanatory Statement

Pursuant to Section 173(2) of the Companies Act, 1956

## Item No. 4

The Board of Directors of the Company has subject to the necessary approvals, approved the increase in the remuneration of Sri Kanhaiya Kumar Todi, Managing Director of the Company. The increased remuneration would be Rs. 25000/- p.m. w.e.f. 1st July, 2005 and other facilities and perquisites are as per the existing agreement which remains unaltered.

No Director of the Company except Sri Kanhaiya Kumar Todi in so far as the resolution relates to him individually is concerned or interested in this item of business.

## Item No. 5

Having regard to the time and attention which the Whole Time Directors of the Company are required to give for the business of the Company, it is felt justified that they should be remunerated more and keeping this idea in mind the Board of Directors of the Company has subject to necessary approvals, approved an increase in remuneration of Sri Lallan Kumar Todi, Sri Sushil Kr. Todi & Sri Ashok Kr. Todi. The increased remuneration would be Rs. 20000/- p.m. w.e.f. 1st July, 2005 and other facilities and perquisites are as per the existing agreement which remains unaltered.

No Director of the Company except Sri Lallan Kumar Todi, Sri Sushil Kumar Todi & Sri Ashok Kumar Todi, in so far as the resolution relates to them individually, is concerned or interested in this item of business.

**DIRECTORS' REPORT**

Dear Members,

Yours Directors have pleasure in presenting the 37th Annual Report together with the Audited statement of Accounts for the year ended 31st March, 2005.

**OPERATING RESULTS :**

|  | 2004-2005<br>(Rs. / Lacs) | 2003-2004<br>(Rs. / Lacs) |
|--|---------------------------|---------------------------|
| Working during the year shows a surplus of                   | 216.61                    | 195.20                    |
| From which is deducted                                       |                           |                           |
| Finance Charges  | 34.45                     | 41.17                     |
| Depreciation   | 138.91                    | 118.76                    |
| Provision for Taxation                                       | 6.06                      | 3.44                      |
|  | <u>179.42</u>             | <u>163.37</u>             |
| Leaving a Net Profit of                                      | 37.19                     | 31.83                     |
| To which is added Balance brought forward from previous year | 8.20                      | 1.37                      |
| Which is appropriated as under :                             |                           |                           |
| Transfer to General Reserve                                  | 35.00                     | 25.00                     |
| Balance carried forward to next year                         | 10.39                     | 8.20                      |

**PERFORMANCE :**

During the year under review your company's freight earnings were recorded at Rs. 4492 lacs, as against Rs. 3820 lacs in the previous year, registering a growth of more than 17% , despite the competitive and challenging environment. Frequent Oil Prices hikes which in a depressed and highly competitive market conditions could not always be passed on to the customers have adversely affected the operational margins of the company. However due to constant efforts for reducing non-operational overheads the company has recorded an impressive growth in the Net Margins. Levies of new taxes viz. Service Tax, Value Added Tax admixed with the impact of heavy increase in Diesel Prices seriously affected the further growth of business volumes of the company. This is further compounded by the nationwide slow down in Road Development Work. It is now expected that road development program will continue over a long period and it is estimated that by 2010-12 the Country will be well networked both through National and State highways and inter connecting roads. This will give an impetus to growth of movement by high-tonnage vehicles and reduce the per tonne-km transportation cost. Your company has been adhering to its policy of constant acquisition of container body vehicles and heavy commercial vehicles in order to reduce the dependence on hired vehicles and to have the advantage of offering personalised services to its various customers from FMCG & Engineering Sector. The focus on re-engineering process of personalised and dedicated vehicle placement services are yielding favourable results in increasing the customer base and business volumes. As reported last year your Directors took timely action and reorganised its business process with the changing needs of market. Functional specialisation was strengthened to enhance service levels offered to customers by responding to their increasing expectations and demand levels. The old vehicles beyond life span of 6 years are already in the process of replacement by acquiring new heavy payload capacity vehicles with carriage capacity of 40 MT.

**DIVIDEND :**

Even though the freight earnings have shown 17% growth, 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 to recommend any dividend for the year ended 31st March, 2005.

**FINANCE AND ACCOUNTS :**

The constant and continued efforts of your directors for faster realisation of outstandings by offering trade discounts has suitably worked out to meet the augmented need for working capital finance for increased business volumes. The company also had to borrow funds from external sources for ensuring smooth operations and proper servicing of Hire Purchase Borrowings from institutional lenders. During the year the company made an investment of Rs. 180 lacs for acquisition of new assets to further strengthen its operations. In spite of all odds, the profits after tax have resulted in an internal cash generation of Rs. 173 lacs as against Rs. 149 lacs in the previous year. The shareholders fund recorded for Rs. 1142 lacs. The company is moving ahead to achieve the targeted turnover of Rs. 5000 lacs, if not more, during the current financial year.

**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 Krishna Kumar Todi, Director of the company retired from the Board. The board wishes to place on record its appreciation for the valuable contribution made by him during his tenure in the Company. Sri Dipak Dey and Sri Birendra Kumar Saha retire by rotation at the conclusion of ensuing Annual General Meeting and being eligible offer themselves for reappointment.

**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.

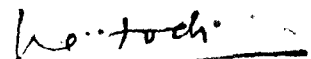
**CORPORATE GOVERNANCE :**

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.

**ACKNOWLEDGMENTS :**

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



(M G Todi)  
(Chairman)

Place : Kolkata

Date : the 28th day of June, 2005



**MANAGEMENT DISCUSSION AND ANALYSIS****ECONOMIC PERSPECTIVE**

Though the global economy has come out of the difficult phase, the performance of Indian Economy has generated considerable optimism about medium-term macro economic prospects. The Central Statistical Organisation has estimated real GDP Growth at 6.9% for the year 2004-2005 as against revised estimate of 8.5% for the year 2003-2004. The year noticed a sharp slowdown in the Agricultural Sector. The industrial growth was as expected however the Services Sector remained the main growth engine of the economy. A regular uptrend in global crude oil prices have severely affected the road transport operations in India.

**ROAD FREIGHT TRANSPORT SECTOR**

The Indian Road freight transport sector continues to remain unorganised and fragmented. The poor road infrastructure conditions, multiple check post for octroi and sales tax and unnecessary barrier in various states, delays, bureaucratic hurdles and other numerous problems make the freight industry unproductive and outmoded. The implementation of Service Tax on goods transport agencies have further compounded the problems.

The year 2004-05 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 and above average production of certain agricultural 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 due to construction of 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 serve as new life line for road transport industry. However during the past financial year there has been a nationwide slowdown in road development work and it is expected now to continue till 2010-2012. As such the benefits of running heavy payload vehicles and better road qualities that could help in reducing per tonne-km transportation cost are still far.

**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 outsourcing 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 skills 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 endeavour, 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 niche players at state and zonal level. Because of lack of regulations, the industry is crowded with too 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 genetic industry factors.

Yours 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.

Devise 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 businesses 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. It is fairly expected to make a good break through in this area. Your company has also moved on its focus from normal payload capacity vehicles to vehicles with payload of 40 MT to reduce the per tonne-km running cost and provide more effective to its clients.

## **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.

## **OVERVIEW**

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