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EMCO LIMITED
36th Annual Report 2001

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NOTICE

NOTICE is hereby given that the Thirty Sixth Annual General Meeting of the Members of the Company will be held on Saturday, the 29th day of September, 2001 at N-104, M. I. D. C. Area, Jalgaon – 425 003 at 3.00 p.m. to transact the following business :

ORDINARY BUSINESS :

- 1) To receive, consider and adopt the Balance Sheet as at 31st March, 2001, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- 2) To declare Dividend.
- 3) To appoint a Director in place of Mr. Shailesh S. Jain who retires by rotation and being eligible, offers himself for reappointment.
- 4) To appoint a Director in place of Mr. M. A. Pandit who retires by rotation and being eligible, offers himself for reappointment.
- 5) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

- 6) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as “the said Act” including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the approval of the Company, be and is hereby accorded to the re-appointment of Mr. R. S. Shah as a Whole-time Director designated as Director – Technical, for a period of one year with effect from 19th April, 2001 upon terms and conditions set out in the Agreement dated 18th April, 2001;

RESOLVED FURTHER THAT the Board be and is hereby authorised to alter, vary, and modify the said remuneration including salary, allowances and perquisites in such manner as may be agreed to between the Board and Mr. R. S. Shah within and in accordance with and subject to the limits prescribed in Schedule XIII of the said Act or any amendment(s) and/or any statutory modification(s) thereto, and if necessary, as may be stipulated by the Central Government and as may be agreed to accordingly between the Board and Mr. R. S. Shah ;

AND THAT notwithstanding anything hereinabove stated, where, in any financial year during the currency of the term of Mr. R. S. Shah as a Whole-time Director, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. R. S. Shah, remuneration by way of salary, allowances and perquisites within the limits specified in Part II of Schedule XIII of the said Act or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.”

- 7) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

“RESOLVED THAT in supersession of all earlier resolutions in this regard, the consent of the Company be and is hereby accorded in terms of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies which together with monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company’s bankers in the ordinary course of business) may exceed the aggregate of paid-up capital and its free reserves (that is to say, reserves not set apart for any specific purpose) provided that the maximum amount of monies so borrowed by the Company shall not at any time exceed the sum of Rs. 500 Crores (Rupees Five Hundred Crores).”



- 8) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

“RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 the consent of the Company be and is hereby granted to the Board of Directors of the Company to create mortgage(s)/charge(s) on any one or more of the undertaking(s) of the Company, including the moveable and/ or immoveable properties and assets of all kinds, present and future, in the form of first and/or second and/or subservient mortgage/charge and/or floating charge to secure by one or more documents, and from time to time, in favour of the debenture trustees, who may be appointed by the Board of Directors of the Company towards issue of secured non-convertible debentures, in one or more tranche(s) on rights basis and/or private placement basis on the date(s) for issue thereof, as may be decided by the Board of Directors and/or in favour of financial institutions/banks/other lenders providing/extending term loans/financial assistance, to secure repayment of such debentures/term loans/working capital assistance/financial assistance obtained together with interest thereon, further interest, if any, remuneration of the trustees for the holders of the said debentures payable to the trustees/financial institutions/banks/other lenders and incurred in terms of the issue of the said debentures and/or terms and conditions of the term loan/working capital assistance/financial assistance obtained as aforesaid ;

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary and/or alter the terms and conditions of the securities aforesaid in consultation with debenture trustees, financial institutions/banks/other lenders and mortgages as may be necessary ;

AND THAT the Board of Directors of the Company be and is hereby authorised to prepare, finalise and execute in favour of the said trustees for the holders of the said debentures/lenders of the working capital assistance/financial institutions/banks/other lenders the documents, writings and such other payments as may be necessary for creating mortgages and/or charges as aforesaid and to do all such acts, deeds, matters and things as may be necessary and/or expedient in that behalf.”

For and on behalf of Board of Directors

Place : Thane.

Date : 30th June, 2001.

Shallesh Jain

Jt. Managing Director



**NOTES :**

- 1) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY, IN ORDER TO BE VALID, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- 2) The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 6 to 8 as set out above, is annexed hereto.
- 3) All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days (except Saturdays) upto the date of the Meeting.
- 4) Members are requested to notify the change in their address, if any, quoting their Folio Number.
- 5) The Register of Members and Share Transfer Register of the Company will remain closed from Friday, the 14th day of September, 2001 to Saturday, the 29th day of September, 2001 (both days inclusive).
- 6) Members/Proxies should bring the Attendance Slip enclosed herewith duly filled in, for attending the Meeting.
- 7) The Company has already transferred, all unclaimed dividend declared upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Maharashtra, Hakoba Mills Compound, 2nd Floor, Kala Chowki, Mumbai – 400 033, in the prescribed manner.
- 8) Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March, 1995 and thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1995 or any subsequent financial years are requested to make their claim to the Head Office of the Company. It may also be noted that once unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6

The Board of Directors of the Company at its meeting held on 29th March, 2001 decided to re-appoint Mr. R. S. Shah, Whole-time Director of the Company designated as a Director (Technical) for further period of 1 year with effect from 19th April, 2001.

Details of remuneration payable to Mr. R. S. Shah :

1) Salary :

- (a) Basic Salary at the rate of Rs.33,208/- per month.
- (b) House Rent Allowance at the rate of Rs.16,604/- per month.
- (c) Education Allowance at the rate of Rs.500/- per month.
- (d) Soft Furnishing Allowance at the rate of Rs. 4,152/- per month.
- (e) Conveyance Allowance at the rate of Rs. 8,000/- per month.



- (f) Books and Periodicals Allowance at the rate of Rs. 2,000/- per month.
- (g) Medical Allowance at the rate of Rs. 2,767/- per month.
- (h) Mr. R. S. Shah shall also be entitled to Ex-Gratia of Rs.93,800/- per annum.

2) Perquisites :

- (i) Mr. R. S. Shah shall also be entitled to Leave Travel Concession for self and family once in year in accordance with the rules of the Company.
- (ii) Mr. R. S. Shah shall be covered under personal accident insurance policy as per rules of the Company.
- (iii) Mr. R. S. Shah and his family shall be covered under Mediclaim Insurance policy as per rules of the Company.
- (iv) The Company's contribution towards Superannuation Fund, Provident Fund : Such contribution shall not be included in the computation of the ceiling on remuneration to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
- (v) Gratuity payable should not exceed half a month's salary for such completed year of service.
- (vi) The Company shall pay fee of club(s) as per rules of the Company, subject to a maximum of two clubs. This will, however, not include admission and life membership fee.
- (vii) Telephone at Residence (not to be considered as perquisite). However, personal long distance telephone calls shall be billed by the Company to Mr. R. S. Shah.

The perquisites, wherever applicable, shall be valued as per the Income Tax Rules, 1962.

Where in any financial year during the currency of the terms of Mr. R. S. Shah as Whole-time Director, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. R. S. Shah, remuneration by way of salary, allowances and perquisites within limits specified in Part II of Schedule XIII of the said Act or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

The Board recommends the resolution for approval of the Members.

None of the Directors of the Company, except Mr. R. S. Shah is, in any way, concerned or interested in re-appointment of Mr. R. S. Shah as a Whole-time Director of the Company.

ITEM NO. 7

Under Section 293 (1) (d) of the Companies Act, 1956, the Board of Directors of a Company cannot, except with the consent of the Company in general meeting, borrow monies, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose. The Shareholders at the Thirty Second Annual General Meeting of the Company held on 27th September, 1997, had accorded their consent to the Board of Directors borrowing upto Rs. 100 Crores.

Taking into consideration the requirements of additional funds to meet the cost of the Company's Capital Expenditure Programmes and also additional working capital requirements of the Company. It is expected that the limit of Rs.100 Crores sanctioned by the Shareholders is likely to be exceeded.

The consent of the Shareholders is, therefore, sought in accordance with the provisions of Section 293 (1) (d) of the Act, to enable the Directors to borrow monies to the extent of Rs. 500 Crores.

The Board recommends the resolution for approval of the Members.

None of the Directors of the Company are concerned or interested in the resolution.

**ITEM NO. 8**

Your Company would require funds to implement its various expansion programmes and working capital requirements. For this purpose, the Company may resort to borrowings inter alia by way of issue of Debentures, Term loans and other modes of Financial Assistance from Financial Institutions, Banks and other Lenders. The proposed Resolution is to authorise the Board of Directors to create in favour of the Lenders charge or charges from time to time over all or any of the fixed assets of the Company, both present and future as may be agreed by the Board to secure the aforesaid facilities.

In view of the provisions of Section 293(1)(a) of the Companies Act, 1956, it is necessary for the Members to pass a resolution before creation of a charge on any undertaking of the Company.

The resolution under Item No.8 requires consent of shareholders through postal ballot under Section 192A of the Companies Act, 1956 read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001. Ballot paper is annexed hereto. Shareholders are requested to send reply by 25th September, 2001 for which we are enclosing herewith pre-paid envelope.

The Board recommends the resolution for approval of the Members.

None of the Directors of the Company are concerned or interested in the resolution.

For and on behalf of Board of Directors

Shallesh Jain
Jt. Managing Director

Place : Thane.

Date : 30th June, 2001.

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DIRECTORS' REPORT

The Members,

The Directors have pleasure in presenting their 36th Annual Report and Audited Statement of Accounts for the year ended 31st March, 2001.

1. Financial Results :

	Current Year 2000-2001	(Rs. In Lacs) Previous Year 1999-2000
GROSS REVENUE	12711.76	9226.10
Profit Before Taxation	193.79	179.11
Add: Balance brought forward from previous year	623.86	561.52
	817.65	740.63
Less: Provision for Income Tax	23.00	20.69
Excess Provision written back	--	1.50
Add Transfer from Debenture Redemption Reserve	428.62	180.00
	1223.27	901.44
Appropriations:		
General Reserve	5.00	20.00
Debenture Redemption Reserve	175.00	129.06
Proposed Dividend	26.46	105.35
Tax on Dividend	2.70	23.18
Balance carried forward to Profit & Loss Account	1014.11	623.85
	1223.27	901.44

Dividend :

Your Directors recommend dividend, subject to your approval, @ 5% (Rs. 0.50/- per share) for the year ended 31st March, 2001. The total outlay on dividend payment will be Rs. 26.46 lacs. The dividend tax on the proposed dividend will be Rs.2.70 Lacs.

Increase In Equity Capital :

Your Directors had made First Call of Rs.25/- per share (appropriated as Re.3/- per share towards Share Capital Account and Rs.22/- per share towards Share Premium Account) on 9,00,000 Equity Shares allotted to promoters on preferential basis. Hence the paid up share capital has increased from 526.74 Lacs to 553.74 Lacs.

Review of Operations :

The electrical industry in general is going through a deep recession and your company being a part of this industry has also been affected by this. Despite this the Company has grown in Sales by 38%, but the profit has not grown proportionately due to severe competition and pressure on margins. With the State Electricity Boards restructuring still going slow, the overall scenario has not changed.

The silver-lining in the overall scenario is the positive growth of our new businesses namely, Meter, Projects and SCADA. With the overall emphasis of the Government on the T&D Sector to reduce losses and ensure 100% metering, we expect things to improve in the years to come for your Company.



Awards & Achievements :

Mr. Rajesh S. Jain – Chairman & Managing Director of the Company, has been appointed as the President of Indian Electrical and Electronics Manufacturers Association (IEEMA), the apex body and Chamber of Commerce of Electrical and Electronics Companies in India.

Subsidiaries :

During the year under review, verticalbiz.com (India) Ltd has become Wholly Owned Subsidiary to expand its business operations to e-commerce and information technology. The first financial year of the subsidiary did not end upto 31st March, 2001 and therefore, the Statement of Accounts and the Directors' Report of the company have not been attached to this Report.

Fixed Deposits :

The Company has not accepted any deposits during the year.

Directors :

In accordance with the Articles of Association of the Company, Mr. Shailesh S. Jain and Mr. M. A. Pandit retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for reappointment.

Mr. R.S. Shah was also re-appointed as whole time Director designated as Director-Technical for period of one year from 19th April, 2001.

Mr. Ashok Chindarkar have relinquished his Directorship. The Board place on record its gratitude and appreciation for his immense contribution and involvement in the Company's operations during his tenure as Director.

Employees Stock Option Scheme :

Your Company has always worked on the idea that its greatest strength is its human resources and it is this resource which makes your Company a force to reckon in the present highly competitive environment. Details of options are as under :

Description	Details
1. Total number of options	41000 options
2. the pricing formula	At the fair market value as on date of grant.
3. options vested	34000 options
4. options exercised	nil
5. options lapsed	7000 options
6. options in force at the end of the year	34000 options
7. Employee-wise details of options granted	
senior managerial personnel	No. of options
R. S. Shah	3000
M L Jain	2500

Personnel :

Particulars of Employees required to be furnished under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of the Employees) Rules, 1975 is annexed to this Report.



Directors' Responsibility Statement :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed :

- (i) That in the preparation of the accounts for the financial year ended on 31st March, 2001, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review ;
- (iii) That the Directors have 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;
- (iv) That the Directors have prepared the accounts for the financial year ended on 31st March, 2001 on a 'going concern' basis.

Conservation of Energy, Technology Absorption And Foreign Exchange Earnings and Outgo :

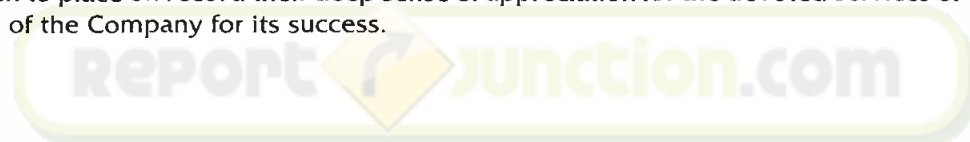
Information as required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to and forms part of this report.

Auditors :

The Company's Auditors, M/s. P. Raj & Co., Chartered Accountants hold office upto the conclusion of the forthcoming Annual General Meeting and, being eligible, are recommended for re-appointment. The Company has received letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

Acknowledgment :

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, Government Authorities and Shareholders during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the Company for its success.



For and on behalf of the Board

R. S. Jain
Chairman & Managing Director

S. S. Jain
Jt. Managing Director

R. S. Shah
Director - Technical

Place : Thane
Dated : 30th June, 2001.