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EPC INDUSTRIÉ LIMITED



18TH ANNUAL REPORT
1999-2000

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BOARD OF DIRECTORS	Krishen Lal Khanna, Chairman & Managing Director — Appointed on 30th Dec. 2000 Indrani K. Khanna Prashanto Kumar Mukherjee — Appointed on 30th Dec. 2000 S. K. Dasgupta (Nominee — Unit Trust of India) Dilip J. Thakkar — upto 30th Dec. 2000 Ravindra K. Kulkarni — upto 30th Dec. 2000 Jugal Kishore Tandon — upto 30th Dec. 2000 Deepanjali R. Chhapwale — upto 30th Dec. 2000 Satish K. Arora — upto 30th Dec. 2000 Vinayak V. Shembekar (Alternate to Satish K. Arora vacated office on 30th Dec. 2000)
MANAGEMENT TEAM	*Vinayak V. Shembekar, Sr. President* Vilas V. Shembekar, President (Business Operations) Kirit M. Mehta, President (Finance) & Company Secretary
AUDITORS	Mukadam and Associates, Chartered Accountants
BANKERS	State Bank of India SBI Commercial & International Bank Ltd. Bank of India
CORPORATE OFFICE & WORKS	H-109, MIDC, Ambad, Nashik - 422 010
REGISTERED OFFICE	201, Delta Hiranandani Gardens Powai, Mumbai - 400 076
BRANCHES	Ahmedabad, Bhopal, Chennai, Coimbatore, Hubli, Jaipur, Mysore, New Delhi, Sangli, Secunderabad, Thrissur
REGISTRARS & TRANSFER AGENTS	IIT Corporate Services Limited IIT House, M. Vasanji Road, Andheri (East), Mumbai - 400 093

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NOTICE

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of the members of EPC INDUSTRIÉ LIMITED will be held on Friday, the 23rd day of February, 2001 at 4.00 p.m. at 305 - A, Galleria, Hiranandani Gardens, Powai, Mumbai-400 076 to transact the following business :

1 To consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st July 2000, together with the Balance Sheet as at that date and the Report of the Auditors thereon.

2 To appoint a Director in place of Mrs. Indrani Khanna who retires by rotation and being eligible offers herself for re-election.

3 To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Krishen Lal Khanna be and is hereby appointed as a Director of the Company liable to retire by rotation".

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Dr. Prashanto Kumar Mukherjee be and is hereby appointed as a Director of the Company liable to retire by rotation".

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Special Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and 314 and other applicable provisions, if any, of the Companies Act, 1956, the approval of Members be and is hereby accorded to the appointment of Mr. Krishen Lal Khanna as Managing Director of the Company for a period of five years with effect from 30th December, 2000.

RESOLVED THAT Mr Khanna shall be paid a nominal remuneration of Re 1 (Rupee One only) per month.

RESOLVED FURTHER THAT the Company be authorised to incur and reimburse Mr. Khanna the sums expended by him for the purpose of Company's business including but not limited to the following :

a. Travelling (Inland and Foreign) including lodging and boarding.

b. Conveyance. For this purpose Company's car with Driver will be provided for use for Company's business purpose.

c. Telephone / Fax / Internet Communication expenses at residence.

d. Credit Cards (including annual / joining fees)

e. Club Fees (except admission / joining fees).

f. Expenditure incurred on Entertainment of Company's Guests.

RESOLVED FURTHER THAT the appointee shall be paid remuneration by way of salary specified above notwithstanding that in any financial year during the currency of his tenure, the Company has no profits".

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7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as may be applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby altered and/or substituted in the manner and to the extent as is set out hereinbelow:

A. In Article 2, the existing definition of "Member' be deleted and the same be substituted by the following new definition:

"Member" means the duly registered holder from time to time of the shares of the Company and includes the subscribers to the Memorandum and Articles of Association of the Company and Person(s) whose name(s) is/are entered as beneficial owner in the records of the Depository.

B. In Article 2, after the definition of the word "Year" under the heading "Interpretation" insert the following new clauses:

"Beneficial Owner" means a person whose name is recorded as such with a depository.

"SEBI" means the Securities and Exchange Board of India.

"Bye-laws" means bye-laws made by a depository under Section 26 of the Depositories Act, 1996.

"Depositories Act" means the Depositories Act, 1996, including any statutory modification or re-enactment thereof for the time being in force.

"Depository" means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992.

"Record" includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by Regulations.

"Register and Index of beneficial owners" maintained by a depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Members for the purposes of the Act and these Articles.

"Security" means share, debentures and such other security as may be specified by the SEBI from time to time.

"Participant" means a person registered as such under sub-section (1A) of section 12 of the Securities & Exchange Board of India Act, 1992 (15 of 1992).

C. The following Article be inserted after Article 9 and be numbered as Article 9A:

"9A. The Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any Shares or other securities or whose name appear as the beneficial owner of shares or other securities in the records of Depository, as the absolute owner thereof."

D. The following Articles be inserted after Article 21 and be numbered as Article 21A(a) to 21A(m):

"21A(a) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to Depositories Act and the rules framed thereunder.

21A(b) All securities held by a depository shall be dematerialised and shall be in fungible form.

21A(c) Nothing contained in sections 153, 153A, 153B, 187B and 187C of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

21A(d) Section 83 of the Act shall not apply to securities held with a depository.

21A(e) Nothing contained in the Act or these Articles regarding the necessity of having distinctive number for securities issued by the Company shall apply to securities held in a depository.

21A(f) Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or hold securities with a depository.

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21A(g) Where a person opts to hold a security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of such information the depository shall enter in its record the name of the allottee as the beneficial owner of that security.

21A(h) Notwithstanding anything to the contrary contained in the Articles, a depository shall be deemed to be registered owner for the purposes of effecting transfer of ownership of security on behalf of a beneficial owner.

21A(i) Save as otherwise provided in clause 21A(h) above, the depository as registered owner shall not have any voting rights or any other rights in respect of securities held by it.

21A(j) Every person holding securities of the Company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities held by a depository.

21A(k) Every depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owners at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

21A(l) Notwithstanding anything to the contrary contained in the Articles, where securities are held in a depository, the records of beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

21A(m) If a beneficial owner seeks to opt out of a depository in respect of any security, he shall inform the depository accordingly. The depository shall on receipt of such intimation make appropriate entries in its records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from a depository and on fulfillment of such conditions and on payment of such fees as may be specified by the Regulations, issue the certificate of securities to the beneficial owner of the transferee, as the case may be."

E. The following Articles be inserted after Article 24 and be numbered as Article 24A and 24B(a) to 24B(g)

"24A Nothing contained in section 108 of the Act, shall apply to transfer of securities effected by the transferor and the transferee both of whom are entered as beneficial owner in the record of the Company.

24B(a) every shareholder of the Company, may at any time, nominate, in the prescribed manner, a person to whom his shares in the Company, shall vest in the event of his death.

24B(b) Where the shares in the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares in the Company, shall vest in the event of death of all the joint holder.

24B(c) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in the Company, the nominee shall, on the death of the shareholder or as the case may be, on the death of the joint holders become entitled to all the rights in such shares, to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

24B(d) Where the nominee is a minor, it shall be lawful for the holder of the shares, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in the Company, in the event of his death, during the minority.

24B(e) A nominee may upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either to be registered himself as holder of the share or to make such transfer of the share as the deceased shareholder, could have made.

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24B(f) If the nominee elects to be registered as holder of the share himself, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder.

24B(g) A nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the share except that he shall not, before being registered as a member in respect of his share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company/Provided further that the board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within ninety days, the board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the share, until the requirements of the notice have been complied with."

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 INSTRUMENT OF PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement setting out the material facts pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item nos. 4 to 7 is annexed hereto.
3. The Register of Members and Transfer Books of the Company will remain closed from 15th February, 2001 to 1st March, 2001, both days inclusive.
4. Members are requested to advise the Company/Registrar immediately of changes in their addresses, if any.
5. *Shareholders seeking any information with regard to accounts are requested to write to the Company atleast* fifteen days in advance so as to enable the Company to keep the information ready.
6. The shares of the Company are listed on Mumbai, Ahmedabad and Vadodara Stock Exchanges. The Company has paid listing fees for the year 1999-2000 to the above Stock Exchanges.
7. The Members are requested to avail the Nomination facility and arrange to return the attached Nomination form duly filled in and signed.

BY ORDER OF THE BOARD

K. M. MEHTA
President (Finance) & Company Secretary

Date: 30th December, 2000

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

Item Nos. 4 & 5

Mr. Krishen Lal Khanna and Dr. Prashanto Kumar Mukherjee were appointed as Additional Directors of the Company by the Board of Directors of the Company with effect from 30th December, 2000 and hold office upto the date of the ensuing Annual General Meeting.

Notices under Section 257 of the Act have been received from certain members proposing the candidature of Mr. Krishen Lal Khanna and Mr. Prashanto Kumar Mukherjee for the office of Directors and to move the resolutions as set out in the items No. 4 & 5 of the notice.

The Board commends their appointment.

Mr. Krishen Lal Khanna and Mr. Prashanto Kumar Mukherjee and Mrs. Indrani Khanna who is relative of Mr. Krishen Lal Khanna are deemed to be concerned or interested in the respective resolution.

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Item No. 6

Your Directors inducted Mr. Khanna in the Board on 30th December, 2000 as Additional Director and appointed him Managing Director for a period of five years from 30th December, 2000 at a token remuneration by way of salary of Re 1 (Rupee one only) per month and entitlement of reimbursement of the expenses incurred for the purpose of Company's business.

Mr. Khanna has been associated with the Company right from the inception and had been Chairman and Managing Director of the Company from 1st April, 1994 to 9th October, 1995. He continued to be associated with the Company as Chairman Emeritus.

As the company is going through the most critical phase, your Directors deem it necessary that Mr. Khanna is at the helm of the affairs of the Company and control the operations of your company under the guidance and supervision of the Board.

Your Directors recommend the resolution.

Mrs. Indrani Khanna, being relative of Mr. Khanna, may be deemed to be concerned or interested in the resolution.

The explanatory statement read with the proposed resolution may be treated as Memorandum of Interest under section 302(7) of the Companies Act, 1956.

Item No. 7

Consequent to the passing of the Depositories Act, 1996 a facility has been provided to the investor shareholders for holding securities in the form of electronic entries instead of paper scrips. The Company proposes to sign agreements with National Securities Depository Ltd. and Central Depository Services (India) Ltd. for joining the said Depositories.

The new automated system of holding and trading in the scripless securities of the Company alongwith the physical form system has necessitated certain alterations in the Articles of Association of the Company, especially in matters such as the Register of Members to cover the Beneficial Owners as per the records of the Depository, fungibility of the shares held in depository, transfer of shares held in depository etc.

Further, by the Companies (Amendment) Act, 1999, the holders of security of the Company have been given an option to nominate a person to whom the rights of security holders of the Company shall vest in the event of his death. Hence, it would be beneficial if such nomination clause is included in the Articles of Association of the Company.

Appropriate alterations as set out in the Special Resolution in the Notice are accordingly proposed for the approval of the Members.

None of the Directors of the Company is in any way concerned or interested in the said Special resolution, except to the extent of their respective shareholding, if any.

The documents referred to in the notice and a copy of the Memorandum and Articles of Association of the Company together with the proposed amendments is available for inspection by the Members of the Company at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day.

BY ORDER OF THE BOARD

K. M. MEHTA
President (Finance) & Company Secretary

Date: 30th December, 2000

Registered Office:
201, Delta,
Hiranandani Gardens,
Powai, Mumbai 400076.

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DIRECTORS' REPORT

Your Directors present their Eighteenth Annual Report on the business and operations of the Company and the Financial Statement for the year ended 31st July, 2000.

1. FINANCIAL RESULTS

	1999-2000	Rs. in lacs 1998-99
Turnover	**4250.12**	4919.58
Other Income	**60.69**	114.78
	4310.81	5034.36
Profit Before Depreciation and Interest	**22.56**	852.63
Depreciation	**162.60**	191.61
Interest	**1001.72**	833.44
Loss Before Tax	**1141.76**	172.42
Taxes (Incl Rs. 9.86 Lakhs for earlier years)	**10.38**	0.50
Loss After Tax	**1152.14**	172.92
Deficit Brought forward from Previous Year	**312.00**	116.79
Prior period Expenses	**1.01**	22.29
Transferred from General Reserve	**177.50**	-
Deficit carried to Balance Sheet	**1287.65**	312.00

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2. REVIEW

• Irrigation

During the year under review, the situation was abnormally adverse as the anticipated reduction in subsidy for Microirrigation Systems from 90% to 50% did not take place till April 2000 i.e. after the main business season. This step was welcome as any change in Subsidy entitlement rates affect upfront collection of farmer's contribution which is higher if subsidy is decreased. Since any increase subsequent to sales in the farmer's contribution due to reduction in the subsidy is impossible to realize, the Sales were restrained and effected judiciously in those areas where the subsidy was available and collectable in a short time. This adversely affected the turnover. Efforts were also directed in increasing proportion of non subsidy sales.

There are backlog of outstanding cases for which the allocations are long awaited. The States of Gujarat suffered drought while Andhra Pradesh faced a severe cyclone. This resulted in abnormal delay in disbursements in these States.

• Industrial & Infrastructure Plastic Piping Systems

Your Company is amongst the five companies in the world, and the only one in Asia to have the BG Technology Phase II certification from British Gas International for the pipes produced by it for gas distribution. This has made your Company eligible to participate in global tender

Your Company started manufacture and marketing of Infrastructure/Industry Pipes in 1995-96. In our country where only organic growth is possible, your Company with its strong market development oriented emphasis has identified and created markets for above applications in Gas and Water distribution systems and in the process established a significant presence in the market. It enjoys the advantage of being the first entrant and a near monopolistic position.

The volumes are expected to pick up as Infrastructure Projects are now being implemented.

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3. **BUSINESS AND FINANCIAL RESTRUCTURING**

The Major factor affecting the performance was the lower contribution towards Fixed Expenses with fall in Sales. The Company is trapped in a vicious cycle of low liquidity, low capacity utilization, high incidence of interest, low recovery of fixed / period costs and low profitability. Serious liquidity crunch affected operations severely with repeated disruption in working capital cycle. Coupled with the losses and resultant liquidity crisis, substantial funds remained blocked in Debtors recoverable from the Subsidy disbursements.

Your Company needs to restructure its finances and efforts are continuing to arrive at an acceptable package to the Institutions holding Non-convertible Debentures. Your Directors are exploring ways and means to raise funds needed for the proposed package.

4. **REFERENCE UNDER 'SICA'**

On approving the Statement of Accounts for the year ended 31st July, 2000, your Directors have formed an opinion that a reference is required to be made to the Board for Industrial and Financial Reconstruction under Sick Industrial Companies (Special Provisions) Act, 1985 to seek determination of the measures to be adopted.

5. **INSURANCE**

Your Company's properties are fully insured against fire, strike, riots, earthquake and malicious damage risk.

6. **FIXED DEPOSITS**

The Company has not accepted any deposit from the public during the year

7. **INDUSTRIAL RELATIONS**

Since June 2000, your Company has been facing unrest from a group of workmen who have resorted to practices like insubordination and "go slow" etc. Appropriate measures are taken to combat the situation. The overall situation is peaceful.

8. **COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975.**

Particulars pursuant to Section 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in Annexure form part of this report.

None of the Employees draw salary more than Rs.6,00,000 per annum, where employed for full year or Rs. 50,000 per month where employed for a part of the year.

9. **DIRECTORS**

In accordance with the Companies Act, 1956 and the Articles of Association, Mrs. Indrani K Khanna retire by rotation at the ensuing General Meeting. She is eligible for reappointment.

The Board accepted with regret, the resignation from Mr R. K. Kulkarni, Mr. D. J. Thakkar, Mr. S. K. Arora, Mr. J. K. Tandon and Mrs Deepanjali R. Chhapwale as non - executive Directors in the meetings held on 30th December, 2000. Mr. Vinayak V. Shembekar (Alternate to Mr. Satish K. Arora) vacated office as a Director consequent to the resignation of Mr. Satish K. Arora. The Board wishes to place on record its sincere appreciation for the valuable services rendered during their tenure as non-executive Directors of the Company.

Mr. K. L. Khanna and Dr. P. K Mukherjee were appointed as Additional Directors on 30th December, 2000. They hold office upto the date of the ensuing Annual General Meeting of the Company. Notices have been received from members of the Company proposing Mr. Khanna and Dr. Mukherjee as candidates for the office of Director of the Company. The Directors recommend their appointment.

Mr. K. L. Khanna is appointed as Managing Director w.e.f. 30th December, 2000 for a period of five years. A resolution is proposed to be passed for approval of terms of remuneration payable to him.

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