

EPC INDUSTRIÉ LIMITED



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**19TH ANNUAL REPORT
2000-2001**

BOARD OF DIRECTORS

Krishen Lal Khanna, Chairman & Managing Director
Indrani K. Khanna
Prashanto Kumar Mukherjee
Vinayak Patil - Alternate to Indrani K. Khanna w.e.f. 13th September 2001
S.K. Dasgupta (Nominee - Unit Trust of India)

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
Tel.: (0253) 381081
Fax: (0253) 381385
Email: epcorp@vsnl.com

REGISTERED OFFICE

201. Delta
Hiranandani Gardens,
Powai, Mumbai - 400 076
Tel.: (022) 570 6654 (6 lines)
Fax: (022) 570 6653
Email: epcind@vsnl.com

BRANCHES

Ahmedabad, Bhopal, Coimbatore, Hubli, Jaipur, Jalgaon, Sangli, Secunderabad

REGISTRARS & TRANSFER AGENTS

IIT Corporate Services Limited
Protoprima Chambers,
Suren Road,
Andheri (East), Mumbai - 400 093
Tel : (022) 830 6790
Fax : (022) 834 9976
Email: iitsta@123india.com



NOTICE

NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of the members of **EPC INDUSTRIE LIMITED** will be held on Thursday, the 29th November, 2001 at 4.00 p.m. at 305 - A, Galleria, Hiranandani Gardens, Powai, Mumbai 400076 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 2001, 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 K. 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(s), the following resolution as Special Resolution:
 "RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, and the rules framed thereunder, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such conditions as may be prescribed or imposed by any authority while granting such permissions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board"), the consent of the Company be and is hereby accorded to the Board to delist the Equity Shares of the Company from the Ahmedabad and Vadodara Stock Exchanges".

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 no.4 is annexed hereto.
3. The Register of Members and Transfer Books of the Company will remain closed from 19th November, 2001 to 21st November 2001, both days inclusive.
4. The Equity Shares of the Company are listed at the following Stock Exchanges:

Name	Address	Code No.
The Stock Exchange, Mumbai	P.J. Towers, Dalal Street, Mumbai 400001	23754
Vadodara Stock Exchange	Fortune Towers, P.B. NO. 2547, Sayajigunj, Vadodara 390005	23754
The Stock Exchange Ahmedabad	Kamdhenu Complex, Opp. Sahajanand College, Panjare Pole, Ahmedabad - 380015	16350/EPCIRRGITN

By order of the Board

K. M. MEHTA

President (Finance) & Company Secretary

Nashik, 29th September 2001



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

Item no. 4

Presently, the Company's shares are listed at the following three Stock Exchanges:

- i. The Stock Exchange, Mumbai
- ii. The Stock Exchange, Ahmedabad
- iii. Vadodara Stock Exchange, Vadodara

The trading of the Company's shares have been negligible in the Stock Exchange Mumbai and NIL at other Stock Exchanges in the recent past. With the extensive networking of the Stock Exchange, Mumbai (BSE) and the extension of the BSE terminals to other cities as well, investors have access to online dealings in the Company's shares across the country.

It is also observed that the listing fees paid to the Stock Exchanges at Ahmedabad and Vadodara is disproportionately higher and the trading volumes and liquidity is NIL.

In line with the SEBI regulations and approval, if any, required member's approval is being sought by a Special Resolution for enabling voluntary delisting of its shares from Ahmedabad and Vadodara Stock Exchanges.

The Company is also separately giving Special Notice of the proposed enabling resolution for the said delisting in one national newspaper on all India basis. The proposed delisting of the Company's shares from Ahmedabad and Vadodara Stock Exchanges as and when the same takes place, will not adversely affect the investors. The Company's shares will continue to be listed on the Stock Exchange, Mumbai. The delisting will take effect after all approvals, permissions and sanctions are received. The exact date on which delisting will take effect will be suitably notified at that time.

Your Directors recommend the Special Resolution for approval of members.

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

By Order of the Board

K. M. MEHTA

President (Finance) & Company Secretary

Nashik, 29th September, 2001

19th Annual Report 2000-2001

DIRECTORS' REPORT

Your Directors present the Nineteenth Annual Report and Statement of Accounts for the year ended 31st July, 2001.

FINANCIAL RESULTS

		(Rs. in lakhs)
	2000-2001	1999-2000
Turnover	2269.08	4250.12
Other Income	91.36	60.69
	2260.44	4310.81
Profit/(Loss) Before Depreciation and Interest	(531.28)	22.56
Depreciation	171.36	162.60
Interest	567.97	1001.72
(Loss) Before Tax	(1270.61)	(1141.76)
Tax	0.52	10.38
(Loss) After Tax	(1271.13)	(1152.14)
Add : (Deficit) carried from the last year	(1287.65)	(312.00)
Prior Period Adjustments	(30.59)	(1.01)
Transferred from General Reserve	—	177.50
(Deficit) carried to Balance Sheet	(2589.37)	(1287.65)

During the year under review, your company continued to face adverse business conditions which is reflected in the financial results.

Despite excellent market demand and product acceptability enjoyed by your company, the production level remained lower due to shortage in working capital and labour unrest from August 2000 till restoration of normalcy in May 2001. The capacity remained grossly under utilised. The turnover achieved during the year under review was 46.61% lower compared to previous year.

IRRIGATION DIVISION

The Irrigation faced industry's inherent problem persists and the delays in receipt of subsidy allowed by the Government to the endusers marred its prospects. The blockage of substantial funds in the Receivables has resulted in acute shortage in the Working Capital. Your Directors continue to promote cash sales aggressively to avoid further blockage of funds in subsidies.

INFRASTRUCTURE AND INDUSTRIAL PIPING DIVISION

With the advantages of quality products the demand for the Products continues to rise. Your company could not take the full benefit thereof due to liquidity crunch and the labour unrest. Under Business Rationalisation Plan put into effect during the current year, your Company will discontinue direct marketing and effect savings in standing costs by outsourcing the marketing function from a Distributor firm.

RESTRUCTURING OF DEBTS

In view of losses and liquidity strain, your Company was unable to service the debts to Debenture holders. The Debenture Trustees have initiated legal proceedings which is pending in the court.

REFERENCE TO BIFR

Consequent to filing of Reference to the Board for Industrial & Financial Reconstruction (BIFR) under the provision of Sick Industrial Companies (Special Provisions) Act, 1985, your Company is declared sick. State Bank of India is appointed as Operating Agency (OA). As directed by BIFR, arrangements are being made to carry out Techno and Economic Viability Study (TEVS) of the Operations of the Company by an Independent firm of Consultants. Based on the TEVS report, the Revival plan will be made and submitted for approval.

DIRECTORS

Mrs. Indrani Khanna is liable to retire by rotation and being eligible, offers herself for reappointment.

AUDITORS

M/s. Mukadam & Associates, Chartered Accountants retire in the forthcoming Annual General Meeting. The Directors recommend their reappointment as Auditors of the Company for the year 2001-2002. The observation made by the Auditors are self-explanatory and have been dealt with in the Notes in the Schedule 'Q' forming part of the accounts and need no further clarifications.

INDUSTRIAL RELATIONS

The Company has had a record of cordial Industrial relations. After the earlier wage settlement expired in March 2000 Charters of Demands were received from the recognised and an unrecognised Union. The latter demanded an exorbitant increase in wages. Subsequently incited by the unrecognised union the workmen resorted to various unfair labour practices and go slow from August 2000 onwards to coerce the Management in accepting their demands. They went on strike from 8th January 2001. The strike was declared illegal by Hon. Industrial Court, Nashik.

Batches of workmen started reporting for work on their own from 5th March 2001 and were allowed to do so after signing an undertaking to work as directed by Company. Normalcy was completely restored by 2nd May 2001 and the new Wage Settlement was signed with the recognised union in the presence of Asst. Commissioner of Labour and Conciliation Officer, Nashik on 30th July 2001 for a period of 4 years from 1st April 2000 to 31st March 2004.

Your Directors sincerely appreciate the staff for their best efforts in the times when the Company was passing through a bad Industrial weather.

There is no employee getting remuneration as prescribed under 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act 1956, the Directors would like to state that -

- (a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments 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 loss of the Company of the year under review.
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) the Directors have prepared the annual accounts on a going concern basis.

19th Annual Report 2000-2001

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO.

The statement of particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2(A), 2(B) and 2(C) of the Companies (Disclosures of particulars in the report of the Board of Directors) Rule 1988 is Annexed hereto and forms part of this report.

ACKNOWLEDGEMENT

The Board places on record its sincere thanks and gratitude for the assistance and continued cooperation that the Company has been receiving from the Banks and financial institutions, shareholders, employees and Central as well as State Government in resolving the subsidy related issues.

For and on behalf of the Board

K. L. KHANNA

Chairman and Managing Director

Nashik, 29th September, 2001

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956 (READ WITH THE COMPANIES DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES 1988.

CONSERVATION OF ENERGY

The Company has been giving high priority to conservation of energy on a continuous basis by close monitoring of energy consuming equipment. Accordingly, energy conservations is an ongoing process. Your Company has been declared "Continuous Industry" which help in conservation of energy and improvement of technology.

TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT

Continuous vigil on the quality of the product at each stage of production and Quality control is kept. Your Company keeps a track on the latest development on the production process, quality check and the benefits arising from the upgraded material/design used in the products. This helps the Company in keeping pace with the demand of the product globe over.

FOREIGN EXCHANGE EARNINGS/OUTGO

Your Company has earned a foreign exchange of Rs. 12.86 lakhs (Previous Year: Rs. 36.95 lakhs) at F.O.B. price of exports against the outgo of Rs. 89.83 lakhs (Previous Year: Rs. 450.31 lakhs). The efforts to earn the foreign exchange by promoting exports is continuous.

For and on behalf of the Board

K. L. KHANNA

Chairman & Managing Director

Nashik, 29th September, 2001

EPC

AUDITORS' REPORT

To,
The Members
EPC INDUSTRIE LIMITED

1. We report that we have audited the Balance Sheet of EPC Industrie Limited as at 31st July 2001 and the relative Profit and Loss Account for the year ended on that date both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.
2. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 dated 7th September 1988, issued by the Central Government of India and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us during the course of our audit, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report as under :
 - (a) (i) *The Company has been declared sick Company by BIFR and SBI has been appointed as Operating Agency to conduct techno economic study and to prepare revival scheme. Pending the revival scheme the accounts are being prepared on going concern basis. (Refer Note 1 of Schedule O).*
 - (ii) *The Company has not made provision for interest on Non Convertible Debentures issued privately of Rs. 10,25,98,000. (Refer Note 16 of Schedule O);*
 - (iii) *Balances of Sundry Debtors and various other debit/credit balances are subject to confirmation and adjustments necessary upon reconciliation (Refer Note No. 6 of Schedule O). Further, amounts due from dealers/Customer are generally considered good by the management notwithstanding the age of the outstanding dues/legal suit (Refer Note No. 7 of Schedule O). We are unable to express our opinion about the realisability of such dues and the impact thereof on the accounts and the loss for the year.*
 - (iv) *The company has not made provision of Rs. 1,02,94,940 in respect of Custom Duty and interest payable on account of shortfall in the fulfillment of export obligation undertaken under EPCG Scheme. (Refer Notes 19 of Schedule O);*
 - (v) *The company has taken in the profit & loss account the credit of sales tax deferment for the year amounting to Rs. 83,52,482 instead of carry forwarding as liabilities. The aggregate amount of liabilities to be carrying forward under the said scheme is Rs. 4,81,95,931. (Refer Note 13 of Schedule O);*
- (b) *Had the observations made by us in paragraphs (a) (ii) (a) (iv) and (a) (v) above been considered, without considering our remarks in paragraphs (a) (iii), the loss for the year would have been Rs. 24,83,58,774 (As against the reported figure of Rs. 12,71,13,352), Current liabilities would have been Rs. 9,87,05,596 (As against the reported figure of Rs. 8,84,10,656), Loan Fund would have been Rs. 81,03,07,115 (As against the reported figure of Rs. 65,95,13,264) and profit and loss account (debit balance) would have been Rs. 42,00,26,018 (As against the reported figure of Rs. 25,89,37,147);*
- (c) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (d) In our opinion, subject to our remarks in paragraphs (a) (ii) to (a) (v) above, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (e) In our opinion, these accounts have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Act;