

EPC INDUSTRIÉ LIMITED



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20TH ANNUAL REPORT 2001-2002

BOARD OF DIRECTORS	Krishen Lal Khanna, Chairman & Managing Director Indrani K. Khanna Prashanto Kumar Mukherjee S. Ganesh (Nominee-Unit Trust of India w.e.f. 8th December, 2001)
MANAGEMENT TEAM	Vinayak V. Shemberkar, Sr. President Vilas V. Shembekar, President (Business Operations) Kirit M. Mehta, President (Finance)
COMPANY SECRETARY	Kedar P. Phadke
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: epccorp@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. Fax: (022) 6836790/91 Email: iitsta@123india.com

20th Annual Report 2001-2002**NOTICE**

NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting of the members of **EPC INDUSTRIE LIMITED** will be held on Monday, the 30th September, 2002 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 Director's Report and Audited Profit and Loss Account for the period ended 31st March, 2002 together with the Balance Sheet as at that date and the report of the Auditors thereon.
2. To appoint a Director in place of Prof. Prashanto Kumar Mukherjee who retires by rotation and being eligible offers himself for re-election.
3. To appoint auditors and fix their remuneration.

By Order of the Board

KEDAR P. PHADKE
Company Secretary

Nashik, 27th May, 2002

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 of the Company. 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 Register of Members and Transfer Books of the Company will remain closed from 26th September, 2002 to 30th September, 2002 , both days inclusive.
3. The members are requested to:
 - a. Consider dematerializing the equity shares held by them;
 - b. Check the address printed, for any discrepancy in the address especially that of pin code number. If the pin code number is missing or it is not correct, members are requested to communicate the correct address including correct pin code number to the Company/Depository Participant (DP);
 - c. Quote ledger folio number/DP Identity and Client Identity Number in all their correspondence;
 - d. Approach the Company for consolidation of folios, if physical shareholdings are under multiple folios;
 - e. Get the shares transferred in joint names, if shares are held in single name to avoid inconvenience;
 - f. Bring their copy of the Annual Report and the Attendance Slip duly filled in with them at the Annual General Meeting;
 - g. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company Secretary, so as to reach at least seven days before the date of the Meeting, to make the information available at the Meeting, to the best extent possible.



DIRECTOR'S REPORT

Your Directors present the twentieth Annual Report and Statement of Accounts for the period ended 31st March, 2002.

FINANCIAL RESULTS

	2001-2002 (8 Months)	(Rs. in lakhs) 2000-2001
Turnover	1853.56	2269.08
Other Income	46.66	91.36
	1900.22	2360.44
Profit Before Interest, Depreciation and Tax	22.18	(-) 531.28
Interest	401.17	567.97
Depreciation	97.56	171.36
Loss Before Tax	476.55	1270.61
Tax	0.50	0.52
Loss After Tax	477.05	1271.13
Deficit carried from the last year	2589.37	1287.65
Prior Period Adjustments	6.27	30.59
Deficit carried to Balance Sheet	3072.69	2589.37

Your Company's financial year ending is changed from 31st July to 31st March from the accounting period under review. Accordingly, the said year is comprised of 8 months from 1st August 2001 to 31st March, 2002.

OPERATIONS

During the accounting period under review, your Company's operations continued to be affected by liquidity crunch. Your Directors have undertaken various measures to control the losses by cost cutting /savings, business rationalization exercises and increasing institutional and retail cash sales.

Your Directors have relentlessly been making effort all through and succeeded in re-engineering the business model to suit the present market situation. Persistent follow up for recovery of the subsidy related receivables has yielded limited results as the financial allocation continued to remain poor in certain states. At an industry association level, representations have been made for alternative fiscal measures to reduce the price of Micro Irrigation Systems to farmers without direct, case-by-case subsidy.

REFERENCE TO BIFR

Your Company was declared 'Sick' by Hon'ble Bench of Board for Industrial and Financial Reconstruction and appointed State Bank of India as 'Operating Agency'. Reputed Firm of Independent consultants was appointed to carry out Technical and Economic Viability Study of Company's operations. The report broadly concludes that the Company suffered due to changes in Government policies and that its operations are viable.

DIRECTORS

Mr. S. Ganesh, General Manager, Department of Investment Monitoring, Unit Trust of India, was nominated on your Board w.e.f. 8th December, 2001 in place of Mr. S. K. Dasgupta. The Board places on record its appreciation for the valuable guidance received from Mr. Dasgupta during his tenure.

Prof. Prashanto Kumar Mukherjee is liable to retire by rotation and being eligible, offers himself for reappointment.

AUDITORS' REPORT

The observations, qualification and adverse remarks 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.

AUDITORS

M/s Mukadam & Associates, Chartered Accountants retire at the forthcoming Annual General Meeting. The Directors recommend their reappointment as Auditors of the Company upto the conclusion of the next Annual General Meeting.

CORPORATE GOVERNANCE

Securities and Exchange Board of India (SEBI) has introduced a comprehensive code on Corporate Governance, by amendment to the Listing Agreement. Your Company falls in the category of companies, which are required to comply with the code by March 2003. Your Company has been observing certain key principles of the code and will work towards achieving full compliance within the stipulated time.

20th Annual Report 2001-2002**TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT**

Particulars pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars of the Report of the Board of Directors) Rules, 1988 are as follows.

CONSERVATION OF ENERGY

The energy requirement for the company's operations are limited but critical. The Unit has acquired "continuous industry" recognition which help in the Conservation of Energy in production operations. Regular plant maintenance and review of energy consumption are some of the measures adopted in this regard.

FORM-A**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****A. POWER AND FUEL CONSUMPTION**

	This Year	Previous Year
1. Electricity Purchased		
(i) Units (Kwh)	14,03,622	14,91,380
(ii) Amount (Rs.)	64,87,543	66,58,486
(iii) Average Rate (Rs./Unit)	4.62	4.46

B. CONSUMPTION (Units/MT Production)

	943	1171
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TECHNOLOGY ABSORPTION

Continuous efforts are made with an objective to achieve development of new products / applications, improvement in productivity, reduction in raw material and power consumption, reduction in product wastage and downtime for maintenance and curtailment of maintenance cost.

FOREIGN EXCHANGE EARNINGS / OUTGO

Your Company has earned a foreign exchange of Rs. 4.75 lakhs (Previous Year Rs. 12.86 lakhs) at F.O.B. price of exports against the outgo of Rs. 24.09 lakhs (Previous Year 89.83 lakhs).

PARTICULARS OF EMPLOYEES

None of the employees were employed throughout or part of the year whose information pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is to be given in the report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- 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 period and of the loss of the Company of the period under review.
- 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.
- the Directors have prepared the annual accounts on a going concern basis.

INDUSTRIAL RELATIONS

The Industrial relations continue to be cordial at all levels in the organisation during the year.

ACKNOWLEDGEMENT

Your Directors take this opportunity to place on record their deep sense of gratitude to the banks, financial institutions, Central and State Government, customers, suppliers, business associates, shareholders and employees for their continued cooperation and support.

For and On behalf of the Board

Nashik, 27th May, 2002

K L Khanna
Chairman & Managing Director



AUDITORS' REPORT

To,
The Members
EPC INDUSTRIÉ LIMITED

1. We have audited the attached Balance Sheet of EPC INDUSTRIÉ LIMITED as at 31st March, 2002 and the Profit and Loss Account for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) 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 Q)
 - (b) The Company has not made provision for interest on Non Convertible Debentures issued privately of Rs. 15,48,39,000. (Refer Note 15 of Schedule Q)
 - (c) 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 Q). Further, amounts due from dealers/ Customers are generally considered good by the management notwithstanding the age of the outstanding dues/legal suit (Refer Note No. 7 of Schedule Q). We are unable to express our opinion about the realisibility of such dues and the impact thereof on the accounts and the loss for the year.
 - (d) The company has not made provision of Rs. 1,08,19,088 in respect of Custom Duty and interest payable on account of shortfall in the fulfillment of export obligation undertaken under EPCG Scheme. (Refer Notes 18 of Schedule Q);
 - (e) The company has taken in the profit & loss account the credit of sales tax deferment for the year amounting to Rs. 39,85,856 instead of carrying forward as liabilities. The aggregate amount of liabilities to be carried forward under the said scheme is Rs. 5,21,81,787. (Refer Note 13 of Schedule Q);
 - (f) 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. 21,73,48,807 (As against the reported figure of Rs. 4,77,04,863), Current liabilities would have been Rs. 7,47,05,120 (As against the reported figure of Rs. 6,38,86,032), Loan Funds would have been Rs. 90,65,77,545 (As against the reported figure of Rs. 69,95,56,758) and profit and loss account (debit balance) would have been Rs. 52,51,09,266 (as against the reported figure of Rs.30,72,69,391);
 - (g) 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.
 - (h) In our opinion, subject to our remarks in paragraphs (a) to (c) above, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.

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- (i) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- (j) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (k) On the basis of written representations received from the directors, as on 31st March, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (l) In our opinion and to the best of our information and according to the explanations given to us, subject to our remarks in paragraph
 - (a) Above with corresponding effects on the loss for the period and period end net assets to the extent indicated in paragraph
 - (b) Above the Balance Sheet and Profit and Loss Account together with notes thereon, give in the prescribed manner the information required by the Act and also give respectively, a true and fair view of the state of the Company's affairs as at 31st March, 2002 and its loss for the period ended on that date.

For MUKADAM & ASSOCIATES
Chartered Accountants

I. A. MUKADAM
Partner

Nashik, 27th May, 2002.

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in paragraph 1 of our report of even date on the accounts of EPC INDUSTRIE LIMITED for the period ended 31st March, 2002.

1. The company has maintained proper records showing particulars including quantitative details and situation of fixed assets. Physical verification of the assets was conducted by the management at the end of the year.
2. The discrepancies between the book figure and physical verification not material have been properly dealt with in the books of accounts.
3. None of the Fixed Assets have been revalued during the period.
4. Physical verification has been conducted by the management at the end of the period in respect of raw materials and finished goods. In our opinion the frequency of verification is reasonable. The items of stores and spares purchased during the year have been shown as consumed.
5. The procedures followed by the management in such physical verifications are, in our opinion, reasonable and adequate in relation to the size of the company and the nature of its business.
6. Discrepancies noticed at physical verification of stock is in our opinion, not material as compared to book record and the same have been properly dealt with in the books of account.
7. In our opinion, on the basis of our examination of the stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.



8. The Company has not taken any loans, secured or unsecured from companies, firms and other parties listed in the register maintained under section 301 and/or companies under the same management within the meaning of sub-section (1B) of Section 370 (1B) of the Companies Act, 1956.
9. The Company has not given loans to Companies listed in the register maintained U/s. 301 and / or to the Companies under the same management as defined under sub section (1B) of Section 370 of the Companies Act, 1956.
10. With reference to the interest free loans to employees repayment of loans have been regularly received as rescheduled. Interest free loan to other parties the repayment has been made as per the terms and condition and as rescheduled.
11. In our opinion and according to the information and explanations given to us, the internal control procedure needs to be strengthened for sale of goods and reconciliation of debtor's accounts to make it commensurate with the size of the Company. The internal control procedures are adequate and commensurate with the size of the Company and its business with regard to purchases of stores, raw materials, plant and machinery, equipment and other assets
12. According to the information and explanations given to us the transactions of purchases of goods made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and aggregating during the period to Rs 50,000 or more have been made at a price which are reasonable having regard to the wholesale market price of such goods.
13. The Company has a system of determining the unserviceable or damaged stores, raw materials and finished goods. No items have been determined as unserviceable or damaged during the period.
14. The Company has not accepted any deposit from the public.
15. In our opinion, reasonable records have been maintained by the Company for the sale of scrap. We are informed that no realizable by-products are generated by the company's operations.
16. The Internal audit system is generally commensurate with the size and nature of its business.
17. The Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for any of the products of the Company.
18. According to the information and explanations given to us, the Provident Fund and Employees State Insurance contribution deducted have been deposited regularly with appropriate authorities.
19. According to the information and explanations given to us, there were no undisputed amounts in respect of sales tax, customs duty and excise duty which have remained outstanding as on 31st March, 2002 for a period of more than 6 months on the date they became payable.
20. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligation or in accordance with generally accepted business practice.
21. The Company is a sick industrial company within the meaning of Clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
22. The Company's installation activities are insignificant and as such the question of consumption of direct materials and stores and allocation of labour to the relative jobs has not been considered by the management.

For MUKADAM & ASSOCIATES
Chartered Accountants

I. A. MUKADAM
Partner

Nashik, 27th May, 2002.