



# **Ecoplast Limited**

Twenty Second Annual Report and Statement of Accounts for the year ended 31st March 2004

# **22**

# ‘Mark of Prestige’



International Standards  
Certifications

Lic. No. QAC/R91/0503

**This Logo certifies that the Company's Quality Management System complies with the requirement of the International Standard ISO 9001, for "Manufacture and Supply of Plastic Films Excluding Design and Development".**



# Ecoplast Ltd.

## Twenty Second Annual Report 2003-2004

<b>Board of Directors</b>	Mr. P. P. KHARAS Mr. J. B. DESAI Mr. BANKIM B. DESAI Mr. P. D. KARKARIA Mr. J. A. MOOS Mr. BHUPENDRA B. DESAI Mr. N.J.N. VAZIFDAR	– Chairman & Managing Director – Executive Director – Director – Director – Director – (Alternate to Mr. Bankim B. Desai) – Director
<b>Secretary</b>	Mr. M. S. Moholkar	
<b>Bankers</b>	UNION BANK OF INDIA M. S. Marg, Mumbai – 400 023.	
<b>Legal Advisors</b>	M. S. Bodhanwalla & Co. Motilal Wadia Building, 22D, S. A. Brelvi Road, Fort, Mumbai – 400 001.	
<b>Auditors</b>	M/s. AKKAD MEHTA & CO. Chartered Accountants, 10, Ketayun Mansion, Shahaji Raje Marg, Vile Parle (E), Mumbai – 400 057.	
<b>Share Registrars &amp; Managers to the Fixed Deposit Scheme</b>	Tata Share Registry Ltd. Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai – 400 001.	
<b>Registered Office</b>	National Highway No. 8, Water Works Cross Road, Abrama, Valsad – 396 001, GUJARAT. E-Mail : eco_ad1@sancharnet.in	
<b>Head Office</b>	4, Magan Mahal, 215, Sir. M. V. Road, Andheri (E), Mumbai-400 069. E-Mail : ecoplast@vsnl.com	
<b>Web site</b>	http://www.ecoplastindia.com	

### C O N T E N T S

	Page No.
Notice	2
Financial Highlights	8
Directors' Report	9
Report on Corporate Governance	12
Auditors' Report	19
Balance Sheet	22
Profit & Loss Account	23
Schedules	24
Notes to Accounts	30
Cash Flow Statement	38
<b>JAMPORE PRINTERS LTD.</b>	
Director's Report	41
Auditor's Report	43
Compliance Certificate	45
Registers as Maintained by the Company	47
Balance Sheet	48
Profit & Loss Account	49
Schedules	50
Cash Flow Statement	57
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Auditor's Report	58
Balance Sheet	59
Profit & Loss Account	60
Schedules	61
Cash Flow Statement	69

## NOTICE TO MEMBERS

Notice is hereby given that the TWENTY SECOND Annual General Meeting of the Company will be held at the Registered Office of the Company at National Highway No. 8, Water Works Cross Road, Abrama, Valsad - 396 001 at 11.00 a.m. on Friday, 3rd September 2004 to transact the following business :

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2004 and the Profit and Loss Account for the year ended on that date, and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend on Equity shares for the financial year 2003 - 2004.
3. To appoint a Director in place of Mr. Bankim B. Desai who retires by rotation and, being eligible, offers himself for reappointment.
4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution :

"RESOLVED THAT Mr. N.J.N. Vazifdar, who had been appointed by the Board of Directors of the Company as an additional Director on 15<sup>th</sup> October 2003, pursuant to the provisions of Section 260 of the Companies Act, 1956, and who is eligible for appointment, be and is hereby appointed 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 :

### **Re-appointment of Mr. P. P. Kharas - Managing Director**

"RESOLVED THAT, pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 including Schedule XIII to the Companies Act, 1956 as amended, consent be and is hereby accorded to the re-appointment of and the remuneration, perquisites and allowances payable or to be provided to Mr. P. P. Kharas as the Managing Director of the Company for a period of five years with effect from 16<sup>th</sup> June 2004 on the terms and conditions mentioned in the draft agreement tabled before and specifically approved by this meeting.

"RESOLVED FURTHER THAT consent be and is hereby accorded to the Board of Directors of the Company to vary or increase the remuneration and perquisites including the monetary value thereof as stated in the Agreement as the Board may deem fit in consonance with the relevant provisions of the Act in force for the time being, so however that the remuneration payable to Mr. P.P. Kharas will be within the

parameters laid down in Schedule XIII of the Act or any amendment thereto or modification or statutory re-enactment thereof or any rules and regulations framed thereunder and that the terms and conditions of the aforesaid agreement between the Company and the Managing Director shall be modified to give effect to such variation or increase accordingly.

"RESOLVED FURTHER THAT, in the event of loss or inadequacy of profits in any financial year during the tenure of Mr. P.P. Kharas as the Managing Director of the Company, the remuneration and perquisites as set out in the Draft Agreement shall be paid or provided to Mr. P.P. Kharas as minimum remuneration, provided that the total remuneration by way of salary, perquisites and allowances shall not exceed the ceiling provided in section II of Part II of Schedule XIII of the Act or such other perquisites as may be provided in the Schedule XIII as may be amended from time to time and any statutory re-enactment thereof."

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

### **Re-Appointment of Mr. J. B. Desai - Executive Director**

"RESOLVED THAT, pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 including Schedule XIII to the Companies Act, 1956 as amended, consent be and is hereby accorded to the re-appointment of and the remuneration, perquisites and allowances payable or to be provided to Mr. J. B. Desai as the Executive Director of the Company for a period of five years with effect from 16<sup>th</sup> June 2004 on the terms and conditions mentioned in the draft agreement tabled before and specifically approved by this meeting.

"RESOLVED FURTHER THAT consent be and is hereby accorded to the Board of Directors of the Company to vary or increase the remuneration and perquisites including the monetary value thereof as stated in the Agreement as the Board may deem fit in consonance with the relevant provisions of the Act in force for the time being, so however that the remuneration payable to Mr. J.B. Desai will be within the parameters laid down in Schedule XIII of the Act or any amendment thereto or modification or statutory re-enactment thereof or any rules and regulations framed thereunder and that the terms and conditions of the aforesaid agreement between the Company and the Executive Director shall be modified to give effect to such variation or increase accordingly.

"RESOLVED FURTHER THAT, in the event of loss or inadequacy of profits in any financial year during the tenure of Mr. J.B. Desai as the Executive Director of the Company, the remuneration and perquisites as set out in the Draft Agreement shall be paid or provided to Mr. Desai as minimum

remuneration, provided that the total remuneration by way of salary, perquisites and allowances shall not exceed the ceiling provided in section II of Part II of Schedule XIII of the Act or such other perquisites as may be provided in the Schedule XIII as may be amended from time to time and any statutory re-enactment thereof."

7. To appoint M/s. Akkad Mehta & Co., Chartered Accountants, retiring Auditors of the Company who are eligible for reappointment, as the Auditors of the Company from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and fix their remuneration.

### **SPECIAL BUSINESS**

8. To consider and, if thought fit, to pass the following resolution as a special resolution :

"RESOLVED THAT, pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 prescribed by the Securities and Exchange Board of India (SEBI), the Company hereby approves the Delisting of the Equity shares of the Company from the Stock Exchange at Vadodara, without giving an exit option to the shareholders of the concerned region of the stock exchange at Vadodara, and that the Board of Directors of the Company be and is hereby authorized to do all such acts deeds, matters and things including execution of any documents for this purpose."

By Order of the Board of Directors

**M. S. MOHOLKAR**  
*Secretary*

Mumbai  
24<sup>th</sup> June 2004

### **Notes :**

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE AFORESAID MEETING.
- (b) The relative Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 in respect of items 4,5,6, and 8 is annexed.
- (c) The Register of Members and the Share Transfer books of the Company will remain closed from

13<sup>th</sup> August, 2004 to 3<sup>rd</sup> September 2004 (both days inclusive)

- (d) Dividend as recommended by the Directors for the year ended 31<sup>st</sup> March, 2004 if declared, will be payable on or after 3<sup>rd</sup> September 2004 to those shareholders whose names appear in the Register of Members as at the close of business on 3<sup>rd</sup> September 2004. The Dividend in respect of shares held in the dematerialized form will be paid to the beneficial owners of the shares whose names appear in the Register and Index of Beneficial Owners as on close of business hours on 12<sup>th</sup> August 2004, as per details furnished by the depositories for this purpose.
- (e) Members seeking further information on the Accounts or any other matter contained in the Notice, are requested to write to the Company at least 7 days before the meeting, so that relevant information can be kept ready at the meeting.
- (f) Members are requested to notify any change in their address to the Tata Share Registry Ltd., Army & Navy Building, 148 Mahatma Gandhi Road, Fort, Mumbai 400 001.
- (g) In accordance with the provisions of Section 205A of the Companies Act, 1956, the Company has, from time to time, transferred the unclaimed dividends relating to the years upto and including 1995-96 to the General Revenue Account of the Central Government. Members who have a valid claim to any amount being dividend unclaimed by them, pertaining to the period upto and including 1995-96, may claim the same from the Registrar of Companies, Gujarat in the prescribed manner.

In terms of Section 205A (5) of the Companies Act, 1956 dividends remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid / unclaimed dividend account of the Company shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to sub-section (1) of Section 205C of the Companies Act, 1956. Members are requested to seek early settlement of claim for payment of unpaid dividend from the Company. Members may please note that no claim of the transferred unclaimed / unpaid dividend shall lie against the Fund or the Company upon transfer of the amounts to the Fund.

By Order of the Board of Directors

**M. S. MOHOLKAR**  
*Secretary*

Mumbai  
24<sup>th</sup> June 2004



## ANNEXURE TO NOTICE

### Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

#### Resolution Item No. 3 :

Mr. Bankim B. Desai (age 49 years), is one of the promoters of the Company. He has a Masters Degree in Chemical Engineering from Wayne State University, U.S.A. He was associated in planning and organizing the Project and then manufacturing activities, during his tenure with the Company.

Mr. Bankim B. Desai is eligible for reappointment. The Board commends his reappointment for favourable consideration of the Members.

Mr. Bankim B. Desai may be deemed to be concerned or interested in the Resolution relating to his appointment.

#### Resolution Item No. 4 :

Mr. N.J.N. Vazifdar had been appointed by the Board of Directors of the Company as an additional Director on 15<sup>th</sup> October 2003. The Company has received a notice from a member, pursuant to the provisions of Section 257 of the Companies Act, 1956 along with the prescribed deposit, proposing the appointment of Mr. Vazifdar as a Director of the Company at the forthcoming Annual General Meeting of the Company.

Mr. Vazifdar is eligible for appointment and the Board commends his appointment for the favorable consideration of the members. (see Corporate Governance Report for more details).

Mr. Vazifdar may be deemed to be concerned or interested in the resolution relating to his appointment.

#### Resolution Item No. 5 :

The Board of Directors of the company has re-appointed Mr. P. P. Kharas as the Managing Director of the company at its Meeting held on 24<sup>th</sup> June 2004 for a period of five years with effect from 16<sup>th</sup> June 2004, subject to the consent of the shareholders. The re-appointment of Mr. P.P. Kharas as the Managing Director does not require the approval of the Central Government under Section 269 of the Companies Act, 1956, as the re-appointment and remuneration payable

to him, as given below, are within the parameters specified in Schedule XIII of the Companies Act, 1956, and have been approved by the Remuneration Committee of the Board of Directors.

Mr. P. P. Kharas is one of the promoters of the Company and has been associated with the Company for over two decades. He graduated in Chemistry from Bombay University and obtained post-graduate diplomas in Industrial Chemistry and Chemical Engineering from the University of Technology, Loughborough, England. He held senior business management positions in Union Carbide Ltd. He is a well known figure in the Plastics Processing Industry and is currently the President of the Organization of Plastic Processors of India for the second term. His thorough knowledge and long experience of the Plastic Processing Industry will be a great asset to the Company. It is therefore considered in the interest of the Company to continue the appointment of Mr. Kharas as the Managing Director of the Company for a further period of five years from 16<sup>th</sup> June 2004.

The principal terms and conditions of the Agreement between the Company and Mr. P.P. Kharas are as follows :

#### **A. Salary & Allowances :**

- |               |   |  |
|---------------|---|--|
| a. Salary     | : | A consolidated Salary of Rs. 86,000/- per month in the range of Rs. 86,000/- to Rs.106,000/- |
| b. Increment  | : | As may be approved by the Board of Directors.  |
| c. Commission | : | 1% of the net profits of the Company subject to a ceiling of 25% of salary                   |

#### **B. Perquisites**

- |                   |   |   |
|-------------------|---|---|
|                   | : | Perquisites shall be restricted to an amount equal to the annual salary |
| a. Provident Fund | : | Company's contribution towards Provident Fund in                        |



Twenty Second Annual Report 2003 – 2004

- accordance with the rules and regulations of the Company, but not exceeding 12% of the salary as laid down under the Income-Tax Rules, 1962.
- b. Superannuation : Company's contribution towards Superannuation fund in accordance with the rules and regulations of the Company, but shall not, together with the Company's contributions to the Provident Fund, exceed 27% of the salary, as laid down under the Income Tax Rules, 1962.
- c. Gratuity : Gratuity in accordance with rules of the Company but not exceeding one half month's salary for each completed year of service.
- d. Medical Benefit for Self & Family : Reimbursement of expenses actually incurred for self and family, subject to a ceiling of one months salary in a year or three months salary over a period of three years.
- e. Leave Travel Allowance : Leave Travel Concession for self and family, once in a year incurred in accordance with the rules of the Company.
- f. Leave : On full pay and allowances as per the rules of the Company, but not exceeding one months leave for every eleven months of service, subject to the further condition that leave accumulated but not availed of will not be allowed to be encashed beyond ten months.
- g. Free use of Company's : Mr. P.P. Kharas shall be provided with Company's car and driver for the day-to-day performance of his duties.
- h. Personal Accident Insurance : Personal Accident Insurance will be provided, the amount of the annual premium whereof shall not exceed Rs.10,000/-.
- i. Free telephone facility : Telephone will be provide at residence.
- j. Entertainment Expenses: Mr.P.P.Kharas shall be entitled to reimbursement of entertainment, travelling and other expenses actually and properly incurred in the course of business of the Company.
- k. Club fees : Fees of clubs subject to a maximum of two clubs. This will not include admission and Life membership fees.
- C. General :**
- Extension of Contract :
- On completion of 5 years contract, the Company shall have the option to renew the contract for a further period of 5 years, on mutually agreed terms and conditions.
- A copy of the draft Agreement referred to in resolution no. 5 of the accompanying notice will be open for inspection by the members at the Registered Office of the Company and the Administrative office of the Company between 11.00 a.m. and 1.00 p.m. on any working day of the Company upto the date of the Annual General Meeting.
- The explanatory statement along with the notice of the Meeting should be treated as an abstract of the terms and conditions and memorandum of concern or interest under section 302 of the Companies Act, 1956.



The resolution is recommended for the approval of Members as an ordinary resolution.

None of the Directors except Mr. P. P. Kharas is concerned or interested in the aforesaid resolution.

#### **Resolution Item No. 6 :**

The Board of Directors of the Company has re-appointed Mr. J. B. Desai as the Executive Director of the company at its Meeting held on 24<sup>th</sup> June 2004 for a period of five years with effect from 16<sup>th</sup> June 2004, subject to the consent of the shareholders. The re-appointment of Mr. J.B. Desai as the Executive Director does not require the approval of the Central Government under Section 269 of the Companies Act, 1956, as the re-appointment and remuneration payable to him, as given below, are within the parameters specified in Schedule XIII of the Companies Act, 1956 and have been approved by the Remuneration Committee of the Board of Directors

Mr. J. B. Desai is a graduate Chemical Engineer (B.Chem.Eng.) from Karnataka University. Mr. Desai has been associated with the operations of the Company for over two decades. Over the years he has put in tremendous efforts to organise and streamline the technical operations. He was also responsible for the capacity expansion and increased productivity. His leadership has helped establish good personnel relations and a superior work culture. It is therefore, in the interest of the Company to continue the appointment of Mr. Desai as the Executive Director of the Company for a further period of five years from 16<sup>th</sup> June 2004.

The principal terms and conditions of the Agreement between the company and Mr. Desai are as follows :

#### **A. Salary & Allowances :**

- a. Salary : A consolidated Salary of Rs. 81,000/- per month in the range of Rs. 81,000/- to Rs. 99,750/-
- b. Increment : As may be approved by the Board of Directors
- d. Commission : 1% of the net profits of the Company subject to a ceiling of 25% of salary

#### **B. Perquisites :**

Perquisites shall be restricted to an amount equal to the annual salary.

- a. Provident Fund : Company's contribution towards Provident Fund in accordance with the rules and regulations of the Company, but not exceeding 12% of the salary as laid down under the Income-Tax Rules, 1962.
- b. Superannuation : Company's contribution towards Superannuation fund in accordance with the rules and regulations of the Company, but shall not, together with the Company's contributions to the Provident Fund, exceed 27% of the salary, as laid down under the Income Tax Rules, 1962.
- c. Gratuity : Gratuity in accordance with rules of the Company but not exceeding one half month's salary for each completed year of service.
- d. Medical Benefit for Self and family : Reimbursement of expenses actually incurred for self and family, subject to a ceiling of one months salary in a year or three months salary over a period of three years.
- e. Leave Travel Allowance : Leave Travel Concession for self and family, once in a year incurred in accordance with the rules of the Company.
- f. Leave : On full pay and allowances as per the rules of the Company, but not exceeding one months leave for every eleven months of service, subject to the further condition



**Twenty Second Annual Report 2003 – 2004**

that leave accumulated but not availed of will not be allowed to be encashed beyond ten months.

g. Free use of Company's car : Mr. J.B. Desai shall be provided with Company's car and driver for the day-to-day performance of his duties.

h. Personal Accident Insurance : Personal Accident Insurance will be provided, the amount of the annual premium whereof shall not exceed Rs. 10,000/-.

i. Free telephone facility at residence : Telephone will be provided at residence.

j. Entertainment Expenses : Mr. J.B. Desai shall be entitled to reimbursement of entertainment, travelling and other expenses actually and properly incurred in the course of business of the Company.

k. Club fees : Fees of clubs subject to a maximum of two clubs. This will not include admission and Life membership fees.

**C. General :**

**Extension of Contract :**

On completion of 5 years contract, the Company shall have the option to renew the contract for a further period of 5 years, on mutually agreed terms and conditions.

A copy of the draft Agreement referred to in resolution no. 6 of the accompanying notice will be open for inspection by the members at the Registered Office of the Company and the Administrative office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company upto the date of the Annual General Meeting.

The explanatory statement along with the notice of the Meeting should be treated as an abstract of the terms and conditions and memorandum of concern or interest under section 302 of the Companies Act, 1956.

The resolution is recommended for the approval of Members as an ordinary resolution.

None of the Directors except Mr. J. B. Desai is concerned or interested in the aforesaid resolution.

**Resolution Item No. 8 :**

The shares of the Company are at present listed with the Stock Exchanges at Vadodara and Mumbai.

The shares of the Company on Vadodara Stock Exchange are generally not traded and therefore no useful purpose will be served in continuing the listing with the said Stock Exchange.

The Board of Directors of the Company therefore proposes that the shares of the Company should be delisted from the Vadodara Stock exchange in accordance with the SEBI (Delisting of Securities) Guidelines, 2003 prescribed by the Securities and Exchange Board of India.

The listing of shares will however continue with the Mumbai Stock Exchange which has nation-wide trading terminals, and therefore the Company does not propose to give an exit option to the shareholders of the region of the Stock Exchange at Vadodara as provided for in the SEBI (Delisting of Securities) Guidelines, 2003.

The Board of Directors commend the approval by the members of the Special Resolution at Item no. 8 of the Notice.

None of the Directors of the Company is interested in this resolution.

By Order of the Board of Directors

**M. S. MOHOLKAR**  
Secretary

Mumbai  
24<sup>th</sup> June 2004

## FINANCIAL HIGHLIGHTS

(Rs.'000) 31-3-2004 31-3-2003 31-3-2002 31-3-2001 31-3-2000

## OPERATION

Sales (Net)	284,962	271,895	319,955	245,918	214,939
Other Income	478	623	1,650	1,715	1,626
Operating Income	21,671	29,426	30,253	20,328	14,053
[Before Depreciation and Investment Allowance]					
Profit before tax	14,091	20,331	21,540	14,443	8,423
Profit after Tax (including prior period items)	11,444	14,792	14,461	9,803	6,983
Dividend and Corporate Tax thereon	6,769	6,769	5,400	4,628	3,660
Retained Earnings	4,675	8,023	9,061	5,175	3,323
Earnings per Share (Rs.)	3.81	4.93	4.82	3.27	2.33

[On Face Value of Rs.10/-]

## ASSETS

Gross Block	176,648	170,920	167,306	155,067	140,133
Net Block	112,461	104,279	110,354	105,353	96,522
Net Current Assets	79,882	83,765	79,350	72,123	47,503
Total Assets	218,934	214,115	223,869	208,513	189,837

## NET WORTH

Equity Capital	30,000	30,000	30,000	30,000	30,000
Reserves and Surplus	83,886	79,822	73,023	88,126	84,246
Net worth	113,886	109,822	103,023	118,126	114,246
Book value per share (Rs.)	37.96	36.61	34.34	39.38	38.08

[On Face Value of Rs.10/-]

## BORROWINGS

Long Term	3,790	9,468	17,147	10,136	3,124
Short Term	55,703	48,958	49,254	48,252	30,351

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59,493 58,426 66,401 58,388 33,475

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## RATIOS

Profit before Tax to Sales and other Income	%	4.94	7.46	6.70	5.83	3.89
Profit before Tax to Net Worth	%	12.37	18.51	20.91	12.23	7.37
Dividend to Equity Capital	%	20	20	18	14	10
Dividend to Net Worth [Yield]	%	6	6	5	4	3
Return on Capital Employed	%	12	15	18	16	15
Dividend Cover	Times	1.69	2.19	2.68	2.12	1.91
Current Ratio	Ratio	1.67:1	1.83:1	1.57:1	1.34:1	1.40:1
Long Term Debt:Equity	Ratio	0.13:1	0.32:1	0.57:1	0.34:1	0.10:1