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ANNUAL REPORT 2001-2002

EMPIRE INDUSTRIES LIMITED

DIRECTORS :

S.C. MALHOTRA	<i>Chairman</i>
RANJIT MALHOTRA	<i>Vice-Chairman</i>
DILEEP MALHOTRA	<i>Jt. Managing Director</i>
N.V. KHOTE	} <i>Directors</i>
R.A. MASKATI	
J.N. GUZDER	
F.A.A. JASDANWALLA	

DIRECTOR FINANCE & COMPANY SECRETARY :

S.K. GULATI

AUDITORS :

R.A. PATEL & CO.

ADVOCATES & SOLICITORS :

GAGRAT & CO.

R. PUNWANI

BANKERS :

INDIAN BANK
ALLAHABAD BANK
BANK OF INDIA
BANK OF BARODA
CENTRAL BANK OF INDIA

REGISTERED OFFICE :

414, Senapati Bapat Marg,
Mumbai 400 013
Tel : 496 4203 / 493 8411
Fax : 493 9143 / 493 7203
E-mail : frank@giabm01.vsnl.net.in

PLANT :

Vitrum Glass

L.B. Shastri Marg
Vikhroli, Mumbai 400 083

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CONTENTS

	Page No.
Directors' Report	3
Auditor's Report	7
Balance Sheet	10
Profit & Loss Account	11
Schedules	12
Cash Flow Statement	25
Balance Sheet Abstract	27
Statement pursuant to Section 212 of the Companies Act	28
Annual Report of Empire Securities & Capital Limited	30
Consolidated Financial Statement	43



DIRECTORS' REPORT

The Directors hereby present their Annual Report together with the Audited Accounts of the Company for the Year ended 31st March, 2002.

FINANCIAL RESULTS

	Year ended 31.03.2002 Rupees	Year ended 31.03.2001 Rupees
Income:		
Sales & Commission	62,19,42,624	57,63,99,112
Educational Income	4,10,31,341	2,09,69,488
Other Income	1,71,26,622	1,53,91,403
	68,01,00,587	61,27,60,003
Less: Operating Expenses	67,50,33,333	60,77,50,011
Profit before tax	50,67,254	50,09,992
Less: Provision for taxation	6,00,000	6,00,000
	44,67,254	44,09,992
Add: Excess Tax provision of previous year written back	—	20,13,562
Amount available for appropriation	44,67,254	64,23,554
Appropriated as under:		
General Reserve	44,67,254	64,23,554

DIVIDEND

With a view to conserve resources, your Directors recommend withholding the Dividend for the year under review.

OPERATIONS

Vitrum Glass:

The Division continues to manufacture over one million Amber Glass Containers every day for the pharmaceutical industry. With the help of Automatic Inspection Machines installed on all the four production lines, the Division is able to meet stringent specifications of pharmaceutical Companies and export quality Containers to neighbouring Countries. During the year under review, total exports (including third party exports) were Rs.4.19 crores. The Division has performed well during the year under review and is expected to do reasonably well during the current year.

Empire Machine Tools

a) MFTM (Metal Forming, Testing & Metrology) Division

This Division is engaged in agency business covering a wide range of products which are broadly classified under Metal Forming machines and Metrology & Material Testing equipments. The Indian market was sluggish through the

year under review. The Division has been provided with a state-of-the-art Tech-Centre. This will help in providing Demo facilities and concept selling for some of the products marketed by the Division resulting in improved performance in the Current year.

b) MCAT (Metal Cutting & Allied Technologies) Division

Majority of business has been with Public Sector undertakings and Government factories like Railways and Defence. Private investment has been poor during the year 2001-2002 due to a near war situation. On account of good backlog of enquiries, the Division hopes to do better in the current year in terms of order booking. Although margins are reduced, all efforts are being made to keep average margins high and also to focus on areas which have higher margins. Due to a downtrend in the market situation in Europe, the Division expects better cooperation this year from European manufacturers.

Empire Chemicals

The continued recessionary trend in the economy has affected volume of business. However, there are signs of a mild recovery and the Division is quite hopeful of improving performance in the current year. In spite of liberalisation, the prospects of importing chemicals is adversely affected due to anti-dumping duties levied by Government under pressure from local industries. The performance for the current year will improve.

Empire Instrumentation

The general market conditions for capital items purchased in the country have continued to be poor. Technical Services and Annual Maintenance Contracts will be given a major thrust, and performance should improve considerably during the current year. Some new lines are being added. This should considerably boost business prospects.

Empire Industrial Equipment :

With the sluggishness still prevailing in the market place, the Division performed reasonably well in establishing some new lines, particularly in the Pollution Control and Port Sectors. With these sectors showing promise, and Oil and Gas sector showing signs of improvement, the business should be good in the coming year.

The Empire Institute of Learning :

This institute is an expanding educational institution in Mumbai, engaged in imparting quality education in India. It has been in collaboration with the Mountain State University, USA and the Cambrian College of Applied Arts



and Technology, Canada, and has recently entered into a collaboration agreement with the reputed Troy State University, Alabama, USA to deliver its MBA programs in Mumbai. At present the Institute has over 400 full time students who are studying towards such qualifications in the Mumbai campus. A further 200 students for various programs will be enrolled in the new academic session commencing from August 1, 2002.

Capital Expenditure :

Capital expenditure incurred during the year amounted to Rs.2.37 Crores as against Rs.7.86 Crores in the previous year.

DIRECTORS' RESPONSIBILITY STATEMENT :

As stipulated in Section 217(2AA) of the Companies Act, 1956, your Board of Directors confirm as under :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures except Accounting Standard AS-15 in respect of provision of Gratuity & Retirement Benefits which have been accounted on cash basis as referred in Note No.6 of Schedule N.
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 that period;
- iii) that 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;
- iv) that the Directors have prepared the annual accounts on a going concern basis.

SUBSIDIARY COMPANY

The Accounts of Empire Securities & Capital Limited for the year ended 31st March, 2002, together with the relevant statements under Section 212 of the Companies Act, 1956 as required are annexed to this Report.

FIXED DEPOSITS

As on March 31, 2002, 188 depositors had not claimed their matured deposits amounting to Rs.17,71,500/-. Since

then 78 depositors have claimed/renewed their deposits amounting to Rs.11,40,000/-. As of date, all deposit claims have been met, except unclaimed deposits amounting to Rs.6,31,500/-. The Company has complied with the provisions of Section 58 A of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees is given in the Annexure forming part of this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, relating to the foregoing matters is given in the Annexure forming part of this report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, MR. RASHEED A MASKATI & MR. N V KHOTE, retire by rotation at this Annual General Meeting and being eligible, offer themselves, for re-appointment.

ACKNOWLEDGEMENT

Your Directors would like to express their gratitude for the abundant assistance and co-operation received by the Company from its workers, staff, officers, consortium of Commercial Banks, and other Government Bodies during the year under review.

AUDITORS

Messrs. R. A Patel & Co., Chartered Accountants, retire at this Annual General Meeting and being eligible, offer themselves, for re-appointment.

On behalf of the Board of Directors

Mumbai,
Date : July 26, 2002

S. C. MALHOTRA
Chairman

ANNEXURE TO DIRECTORS' REPORT

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 :

VITRUM GLASS**A) CONSERVATION OF ENERGY**

- a) Energy Conservation measures taken :
 - 1) Inverter installed on Block Cooling Blower No.2 thereby reducing the power consumption by half for this particular blower.
 - 2) Capacitor installed at various locations in plant thereby improving the power factor and achieving energy saving.
 - 3) Heater installed with timer on batch weighing load cells for warming up thereby reducing the energy consumption by half.
- b) Additional investments and proposal being implemented :
 1. On Compressor Nos. 7, 8, 9 & 10 motor pulley replaced by higher dimension resulting in increase in efficiency by 20%.
 2. Digital Ammeter installed on Batch Mixer Motor for controlling the current and eliminating tripping.
- c) Impact of measures (a) and (b) above
The above measures have helped in conserving energy and in improvement in productivity.
- d) Total energy consumption & energy consumption per unit of production.

FORM – A

	Current Year	Previous Year
I. Power & Fuel consumption		
1) Electricity		
Purchased Units	1,24,12,336	1,24,65,240
Total cost (Rs.in lacs)	460.06	487.17
Rate/Unit (Rs)	3.71	3.91
2) Natural Gas		
Quantity Purchased SCM	75,38,153	71,70,225
Total cost (Rs.in lacs)	544.55	564.03
Rate/Standard Cubic Metre (Rs.)	7.22	7.87
II. Consumption per Ton of Production		
Electricity Units	311	313
Natural Gas SCM	189	180

(B) TECHNOLOGY ABSORPTION:**FORM – B****Research and Development (R&D)**

- 1) Specific areas in which R&D carried out by the Company.
 - (a) Upgradation of technology resulting in improvement in productivity.
 - (b) Indigenisation of I.S. Machine Spares.
- 2) Benefits derived as a result of the above R & D
 - (a) Appreciable improvement in productivity and performance.
 - (b) Improvement in quality of end products.
 - (c) Saving in foreign exchange.
- 3) Further plan of action
To continue technology upgradation to improve productivity and quality of products.

Technology absorption, adaptation and Innovation

- 1) Efforts in brief :
A continuous interaction and exchange of information in the industry is being maintained with a view to absorbing, adapting and innovating new methods that may be possible.
- 2) Benefits derived :
The main benefits derived are in respect of quality improvement, cost reduction and import substitution.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Total foreign exchange used and earned :

Foreign Exchange used	Rs.851.79 lacs	Foreign Exchange earned	Rs.900.41 Lacs
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On Behalf of the Board of Directors

Mumbai,
July 26, 2002**S.C. MALHOTRA**
CHAIRMAN



STATEMENT OF INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2002.

Sr. No.	NAME OF THE EMPLOYEE	AGE	DESIGNATION/ NATURE OF DUTIES	REMUNE- RATION RECEIVED RUPEES	QUALIFI- CATION	DATE OF JOINING	TOTAL EXPE- RIENCE YEARS	LAST EMPLOYMENT HELD BEFORE JOINING THE COMPANY AND THE PERIOD
1.	MR. MAHASHABDE V. B.*	68	SR. VICE PRESIDENT	2267555	M.Sc., B.Sc. (TECH.)	15.03.1967	45	HEAD OF PROCESSING DEPT., DIGVIJAYA MILLS LTD., MUMBAI (7 1/2 YEARS).
2.	MR. MATHUR H. B.*	66	DIRECTOR ** EMPIRE DYEING	2273643	B.Sc.	17.10.1981	44	GEN. MGR. PODAR SILK & SYNTHETICS LTD., MUMBAI (2 YEARS)
3.	MR. SAHI B. S.*	69	GENERAL MANAGER (PERSONNEL)	1087877	B.A., L.L.B., DIPLOMA IN PERSONNEL MANAGEMENT	21.11.1974	43	PERSONNEL MANAGER AMAR DYECHEM LTD., (1 YEAR).
4.	MR. CHAWDHARY A. K.*	52	SR. MANAGER QUALITY ASSURANCE	613598	B.Sc.	16.12.1978	30	OFFICER - QUALITY CONTROL H.N. GLASS, BAHADURGARH (4 YEARS).

* Employed for part of the year.

** The designation Director denotes functional director and not a director on the Board of Directors of the Company.

NOTES :

- 1 NATURE OF EMPLOYMENT NON-CONTRACTUAL.
- 2 REMUNERATION INCLUDES SALARY, BONUS, ALLOWANCE, RETIREMENT BENEFITS, COMPANY'S CONTRIBUTION TO PROVIDENT FUND, DEPOSIT LINKED INSURANCE AND SUPERANNUATION FUND, GROUP INSURANCE PREMIUM, REIMBURSEMENT OF MEDICAL EXPENSES, LEAVE TRAVEL ASSISTANCE AND VALUE OF PERQUISITES COMPUTED IN ACCORDANCE WITH THE PROVISIONS OF THE INCOME TAX ACT, 1961 AND RULES FRAMED THEREUNDER.
- 3 NONE OF THE EMPLOYEES MENTIONED ABOVE IS RELATED TO THE DIRECTORS OF THE COMPANY.

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AUDITOR'S REPORT TO THE MEMBERS OF "EMPIRE INDUSTRIES LTD."

We have audited the attached Balance Sheet of "EMPIRE INDUSTRIES LTD." as at 31st March, 2002 and also the Profit & Loss Account for the year ended on that date. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement are free of 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 managements, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditors Report) order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) We have obtained all the information and explanations which to the best to our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of the Company;

- (c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account of the Company;
- (d) In our opinion the Balance Sheet and Profit & 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.
- (e) Based on the representations made by the Directors of the Company and the information and explanations given to us, none of the Directors is, as at 31st March, 2002, prima-facie disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the notes thereon give information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For R. A. PATEL & CO.
Chartered Accountants

Mumbai,
Dated : 26th July 2002

V. R. PATEL
Proprietor

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ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 1 of our report of even date on the accounts for the year ended on 31st March 2002 of Empire Industries Limited.

- (1) The Company has maintained proper records showing full particulars, including quantitative details and situations of fixed assets as explained to us. Physical verification of the major assets was conducted by the management during the year except for assets lying in their Garlick Engineering Division factory at Ambernath due to lock out and that no serious discrepancies between the records and the physical inventory have been noticed on such verification.
- (2) None of the fixed assets have been revalued during the year.
- (3) We are informed by the management that physical verification has been conducted during the year in respect of finished goods, store, spare parts and raw materials, except for those lying at Garlick Division, due to the reason as stated above.
- (4) In our opinion procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (5) We are informed that there has been no material discrepancies noticed on physical verification of stocks as compared to book records except for stock lying with Garlick Engineering Division.
- (6) In our opinion, the valuation of the stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier years.
- (7) The Company has taken unsecured loans from Directors, companies, firms or other parties listed in the register maintained under section 301 of the Companies Act which are on the same terms and conditions as applicable to others.
- (8) The Company has granted secured or unsecured loan to companies firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (9) As explained to us, in the case of parties to whom the loans or advances in the nature of loans have been given by the Company, certain loans and advances have no stipulations as to repayment of principal or payment of interest. Where stipulations have been made, parties are repaying the principal amounts and interest (where applicable) as stipulated, except in some cases, where, explained to us, the loans considered as rescheduled or minor amounts are written off or the terms (including recovery) are being negotiated and, accordingly on this basis, in our opinion, reasonable steps have been taken for recovery.
- (10) In our opinion, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of stores raw material including components, plant and machinery equipment and other assets and for sale of goods.
- (11) According to the information and explanations given to us there are transaction of purchase and sale of goods materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.50,000 or more. In our opinion, prima facie the terms and conditions are not prejudicial to the interest of the company.
- (12) The company has a procedure for determination of unserviceable or damaged stores, raw-materials, work-in-process or finished goods. Adequate provision has been made in the accounts for the loss arising on items so determined.
- (13) In our opinion and according to the information and explanations given to us the company has complied with the provisions of Section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975.
- (14) In our opinion, reasonable records have been maintained by the company for the sale and disposal of realisable scrap. As explained to us, the company does not have any by products.
- (15) The Company has an internal audit system commensurate with its size and the nature of its business.
- (16) The Central Government has not prescribed under Section 209(1)(d) of the Companies Act, 1956, maintenance of cost records.
- (17) According to the records of the Company, Provident Fund and Employees' State Insurance dues have

EMPIRE INDUSTRIES LIMITED

ANNUAL REPORT 2001-2002

been regularly deposited with the appropriate authorities.

- (18) According to the information and explanations given to us, the company has no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty which were outstanding, as at the last day of the financial year concerned, for a period of more than six months from the date they became payable.
- (19) On the basis of material furnished and the explanations given to us, no personal expenses, other than expenses under service contract obligations with the Company's employees and/or accepted business practices, have been charged to revenue account.
- (20) According to the information and explanations given to us, the company is not a sick industrial company within the meaning of clause (o) of sub section 3 of

the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).

- (21) In respect of Company's service activity, carried out by the Machine Tools Division, Instrumentation Division, Chemical Division, Industrial Equipment Division and Empire Institute of Learning Division, we have been explained that the nature of activity does not call for receipts, issue and consumption of materials, stores and allocation of materials, stores and man-hours consumed to the relative jobs.
- (22) In the case of trading activity, we are informed that there were no damaged goods traded in by the company.

For **R. A. PATEL & CO.**
Chartered Accountants

Mumbai,
Dated : 26th July, 2002

V. R. PATEL
Proprietor

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