



ANNUAL REPORT 2004-2005

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

REGISTERED OFFICE :

414, Senapati Bapat Marg,
Mumbai 400 013

Tel : 5655 5453

Fax : 2493 9143 / 2493 7203

E-mail : empire_secretarial@rediffmail.com

PLANT :

Vitrum Glass

L.B. Shastri Marg
Vikhroli, Mumbai 400 083

AUDITORS :

R.A. PATEL & CO.

ADVOCATES & SOLICITORS :

DSK LEGAL

BANKERS :

INDIAN BANK

ALLAHABAD BANK

BANK OF INDIA

BANK OF BARODA

CENTRAL BANK OF INDIA

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ANNEXURE TO NOTICE

As required by Section 173 of the Companies Act, 1956 the following Explanatory Statement set out all material facts relating to the business mentioned under Item Nos. 6 to 8 of the accompanying Notice dated June 28, 2005.

ITEM NO. 6

Mr. S C Malhotra, Chairman, was appointed for a period of five years from 1st November, 2003 to 31st October, 2008 as per the resolution passed by the Members of the Company at the 102nd Annual General Meeting held on 26th September, 2003 on such remuneration and terms and conditions as set out in the resolution. Considering the increased responsibilities and accountability and since the Company's profitability is improved, it is proposed to revise the salary of Mr. S C Malhotra from Rs.1,50,000/- to Rs.2,50,000/- p.m. plus perquisites, in the scale of Rs.2,50,000/- - Rs.3,50,000/- for the remaining period of his contract with the Company.

Mr. S C Malhotra is interested in the proposed resolution as it concerns his own remuneration. Mr. Ranjit Malhotra and Mr. Dileep Malhotra, Directors of the Company may also be regarded as interested in the Resolution as relatives of Mr. S C Malhotra.

ITEM NO. 7

Mr. Ranjit Malhotra, Vice Chairman, was appointed for a period of five years from 1st October, 2003 to 30th September, 2008 as per the resolution passed by the Members of the Company at the 102nd Annual General Meeting held on 26th September, 2003 on such remuneration and terms and conditions as set out in the resolution. Considering the increased responsibilities and accountability and since the Company's profitability is improved, it is proposed to revise the salary of Mr. Ranjit Malhotra from Rs.1,50,000/- to Rs.2,50,000/- p.m. plus perquisites, in the scale of Rs.2,50,000/- - Rs.3,50,000/- for the remaining period of his contract with the Company.

Mr. Ranjit Malhotra is interested in the proposed resolution as it concerns his own remuneration. Mr. S C Malhotra and Mr. Dileep Malhotra, Directors of the Company may also be regarded as interested in the Resolution as relatives of Mr. Ranjit Malhotra.

ITEM NO. 8

Mr. Dileep Malhotra, Joint Managing Director, was appointed for a period of five years from 1st October, 2004 to 30th September, 2009 as per the resolution passed by the Members of the Company at the 103rd Annual General Meeting held on 21st September, 2004 on such remuneration and terms and conditions as set out in the resolution. Considering the increased responsibilities and accountability and since the Company's profitability is improved, it is proposed to revise the salary of Mr. Dileep Malhotra from Rs.1,50,000/- to Rs.2,50,000/- p.m. plus perquisites, in the scale of Rs.2,50,000/- - Rs.3,50,000/- for the remaining period of his contract with the Company.

Mr. Dileep Malhotra is interested in the proposed resolution as it concerns his own remuneration. Mr. S C Malhotra and Mr. Ranjit Malhotra, Directors of the Company, may also be regarded as interested in the Resolution as relatives of Mr. Dileep Malhotra.

The Explanatory statement and the Resolution may be treated as an abstract under Section 302 of the Companies Act, 1956.

By Order of the Board
For **EMPIRE INDUSTRIES LIMITED**

S. K. GULATI
Director Finance &
Company Secretary

Registered Office:
414, Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013.

Place : Mumbai
Date : June 28, 2005.



DIRECTORS' REPORT

The Directors hereby present their Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2005.

FINANCIAL RESULTS:

Particulars	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
Income:		
Sales & Commission	76,47,30,543	74,49,91,857
Educational Income	1,46,59,884	2,62,53,268
Other Income	14,29,17,306	8,53,54,542
	92,23,07,733	85,65,99,667
Less: Operating Expenses	86,86,54,534	84,13,02,680
Profit Before Tax	5,36,53,199	1,52,96,987
Less: Provision for Current Taxation	46,50,000	15,00,000
Provision for Deferred Tax	96,97,000	1,03,000
	3,93,06,199	1,36,93,987
Add: Excess Tax Provision written back	1,19,258	3,52,137
Amount available for appropriation	3,94,25,457	1,40,46,124
Appropriated as under:		
Dividend proposed	1,19,99,996	59,99,998
Tax on Proposed Dividend	16,83,000	7,84,125
General Reserve	2,57,42,461	72,62,001
Total amount appropriated	3,94,25,457	1,40,46,124

DIVIDEND:

The Directors are pleased to recommend, for your consideration, payment of a Dividend @ 20% (Rs.2/- per Equity Share of the face value of Rs.10/- Tax Free) for the financial year 2004-05. The total amount of the Dividend outgo will be Rs.1,19,99,996/- as against Rs.59,99,998/- for the previous financial year. The tax on distributed profits, payable by the Company would amount to Rs.16,83,000/- as against Rs.7,84,125/- for the previous financial year.

OPERATIONS:

Vitrum Glass:

This Division manufactures world class Amber Glass Bottles for the Pharmaceutical Industry. Over one million bottles are manufactured every day on four fully automatic production lines. Due to Government's policies of charging excise on Maximum Retail Price (MRP) as well as

ambiguity regarding provisions of Value Added Tax (VAT), the production and sale of the Pharmaceutical Companies got adversely affected during the last four months of the year under review, resulting in considerable reduction in the sales of this Division. Now since there is clarity on both MRP based excise and VAT, the production and sale of this Division to the Pharmaceutical Companies is picking up. Vitrum are also making efforts to increase exports. In view of above, this division is expected to perform better in the current year.

EMPIRE MACHINE TOOLS – MFTM (Metal Forming, Testing & Metrology):

This Division is engaged in agency business covering sales, execution and service support of hi-tech machines in Metal Forming, Metrology, Assembly Lines, Welding, Melting, Heat Treatment and Process Consultancy. This Division has performed better during the financial year under review. The focus of this Division is in high revenue products and concentration on key clients and hence is expected to repeat good performance in the current year as well.

EMPIRE MACHINE TOOLS - MCAT (Metal Cutting & Allied Technologies):

Due to focus on high value orders, the majority of business is coming from Public Sector Undertakings. There has been an upswing in the investment in the Automobiles and Auxiliary Sectors. This Division is making vigorous efforts to obtain high value orders. The backlog of the orders is good and hence the revenue is expected to improve during the current year.

Empire Chemicals:

Chemicals Division operations were restructured to lay emphasis on the Pharma industry. The Pharma industry in India is poised to exponentially grow in the immediate to medium term in light of the Patents (Amendment) Bill that brings India's patent regime in line with the WTO agreement. This is expected to increase the volume of imports of Intermediates and Active Pharma Ingredients (APIs). To capitalize on this development, this Division is laying emphasis on Pharma business. The current year has brought in new Principals / Supply sources from China. The Business from these new sources is expected to improve results of this Division during the current year.

Empire Instrumentation:

This Division has identified potential in Medical Equipments and has achieved sizable expansion in the Medical business by adding Cardiology/Oncology products

to the profile of business. This Division expects to perform better in the current year by concentrating on high revenue/value orders.

Empire Industrial Equipment:

In the year under review, this Division has done well in terms of order booking. Looking at the rate of growth in Ports Sector, Oil & Gas Sectors, Automobile Industries, this Division is looking forward to improving the order booking tempo and achieve a considerable growth in revenue and profit margins. This Division is also focusing on the Steel Sector, which is considered now as a high growth area. A break through has already been achieved.

The Empire Institute of Learning:

Due to unfavourable policies imposed by Government through the All India Council for Technical Education, a decision has been taken to close this Division by September 2006 after teaching out the present students in the Institute.

CAPITAL EXPENDITURE:

Capital Expenditure incurred during the year amounted to Rs.8.78 Crores as against Rs.12.96 Crores in the previous year. The major Capital Expenditure of Rs.5.12 Crores was incurred on developing the Lower Parel property of the Company for the purposes of offering the same on Leave & License basis to banks/multinational companies. At present, the Company has entered into Leave & License Agreements with ABN AMRO Central Enterprise Services Pvt. Ltd., a wholly owned subsidiary of ABN AMRO Bank, ICICI Bank Ltd., P & O Nedlloyd (India) Pvt. Ltd., Saurer India Pvt. Ltd., Television Eighteen India Limited and ABN AMRO Bank N.V.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- i) that in preparation of Annual Accounts, the applicable accounting standards have been followed and that there are no material departures except accounting standard AS-15 in respect of provision of Gratuity & Retirement Benefits which have been accounted on cash basis as noted in Note Nos. 3 & 4 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.

CORPORATE GOVERNANCE:

A report on Corporate Governance is given in the Annexure forming part of this report.

SUBSIDIARY COMPANY:

The Accounts of Empire Securities & Capital Limited for the year ended March 31, 2005, 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, 2005, 162 depositors had not claimed their matured deposits amounting to Rs.20,84,000/-. Since then 51 depositors have claimed/renewed their deposits amounting to Rs.10,69,000/-. As of date, all deposit claims have been met, except unclaimed deposits amounting to Rs.10,15,000/-. 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. N V Khote and Mr. Dileep Malhotra, retire by rotation



at this Annual General Meeting and being eligible, offer themselves for reappointment.

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 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 reappointment.

On Behalf of the Board of Directors

Place: Mumbai

Date : June 28, 2005

S. C. MALHOTRA

Chairman

ANNEXURE TO DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE

As per the provisions of Clause No.49 of the Listing Agreement, the Company has complied with the requirements as per the Report furnished below:

1. Company's philosophy on Corporate Governance:

The Company firmly believes in maintaining highest standards of transparency, timely disclosures of the required information, professionalism and highest level of accountability in dealings with clients, employees, depositors, shareholders, regulatory authorities and whosoever comes in contact with the Company. Accordingly, the Company complies with all the laws and regulations applicable to Company and conducts the affairs of the Company in an ethical manner.

2. Board of Directors:

As at 31st March, 2005 the composition and the category of the Directors is as under:

Category	Name of Directors
Promoter/Executive Directors	Mr. S C Malhotra, <i>Chairman</i>
	Mr. Ranjit Malhotra, <i>Vice Chairman</i>
	Mr. Dileep Malhotra, <i>Joint Managing Director</i>
Independent directors	Mr. Rasheed A Maskati Mr. J N Guzder Mr. F A A Jasdawalla Mr. N V Khote

- Number of Board Meetings held and the dates on which held:

Four (4) Board Meetings were held on the following dates during the financial year.

(1) 29.04.2004; (2) 27.07.2004; (3) 29.10.2004; (4) 28.01.2005

- The maximum time gap between any two meetings was not more than three calendar months. None of the Directors of the Company was a member of more than ten Committees nor was the Chairman of more than five Committees considering all companies in which he was a Director.
- Attendance of each Director at the Board Meetings, last Annual General Meeting and number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies:

Name of the Director	Attendance Particulars		No. of Directorship and Committee Membership/Chairmanship		
	Board Meetings	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
S.C. Malhotra	4	Present	3	—	—
Ranjit Malhotra	3	Present	6	—	—
Dileep Malhotra	2	Present	6	—	—
R.A. Maskati	3	Present	4	—	2
J.N. Guzder	3	Present	6	2	1
F.A.A. Jasdawalla	4	Present	9	3	1
N.V. Khote	2	Present	3	1	1

3. Audit Committee:

The Company has an Audit Committee at the Board level with the powers and the role that are in accordance with Clause 49 of the Listing Agreement. The Committee acts as a link between the management, the statutory and internal auditors and

the Board of Directors and oversees the financial reporting process. The Audit Committee comprises of three Independent/Non-Executive Directors as per details mentioned hereunder:

Sr. No.	Name of the Member	No. of Meetings Attended
1.	Mr. Rasheed A Maskati	3
2.	Mr. J N Guzder	3
3.	Mr. F A A Jasdanwalla	4

Mr. S K Gulati, the Director Finance & Company Secretary acts as the Secretary of the Committee.

4. Remuneration Committee:

The Company has formed a Remuneration Committee comprising of 3 independent Non-Executive Directors, viz., Mr. Rasheed A. Maskati, Chairperson; Mr. J.N. Guzder and Mr. F.A.A. Jasdanwalla. The Remuneration Committee reviews the remuneration package of Executive Directors and Senior Executives of the Company.

- Details of remuneration to Directors for the year.

The aggregate value of salary and perquisites paid for the financial year 2004-05 to the Executive Directors is as follows:

Mr. S. C. Malhotra	Rs. 19,51,035/-
Mr. Ranjit Malhotra	Rs. 19,62,000/-
Mr. Dileep Malhotra	Rs. 17,88,377/-

The above amounts include Company's contribution to Provident Fund and perquisites.

- The Company paid sitting fees to all Non-Executive Directors at the rate of Rs.2,000/- for attending each meeting of the Board for the financial year 2004-05.

5. Shareholders'/Investors' Grievance Committee:

- The Committee comprises of Mr. J N Guzder (Chairman), Mr. S K Gulati, Director Finance & Company Secretary and Mr. R G Vartikar, General Manager Funding & Legal. The role of the Committee is to look into the grievances of the Shareholders/Investors and to resolve the same. The Company has not received any complaint from Shareholders/Investors during the financial year.
- The Board has designated Mr.S.K. Gulati, Director – Finance & Company Secretary as the Compliance Officer.

6. Annual General Meetings:

- Location and time for last 3 Annual General Meetings were as follows:

Year	Location	Date	Time
2001-2002	Shri Bhaidas Maganlal Sabhagriha Hall U-1, Juhu Development Scheme, Vile Parle (West), Mumbai - 400 056.	19.09.2002	11.00 a.m.
2002-2003	Same as above	26.09.2003	3.00 p.m.
2003-2004	Same as above	21.09.2004	3.00 p.m.

- No special resolution was put through Postal Ballot during the last year.

7. Disclosures:

- The Company had no transaction of materially significant nature with its promoter Directors or the management, their subsidiaries or relatives that may have potential conflict with the interest of the Company at large.
- The Company has complied with all requirements of the Listing Agreement with Stock Exchange as well as the Regulations and guidelines prescribed by SEBI, except dematerialisation of the shares. There were no penalties or strictures imposed on the Company by any statutory authorities for non-compliance on any matter related to capital markets, during the last three years.

8. Means of communication

- The Company's quarterly results in the format prescribed by the Stock Exchange are approved and taken on record by the Board within the time frame, and sent immediately to The Stock Exchange, Mumbai on which the Company's shares are listed. These results are also published in "Free Press Journal" in English and "Navshakti" in vernacular.

• Management Discussion and Analysis

Overall Review

The Company is engaged in the manufacture of Amber Glass Bottles for the Pharmaceutical Industry. It represents a number of foreign manufacturers of Precision Machine Tools, Measuring Instruments, Electronic Instruments, Instrumentation Systems and Chemicals. The performance of all these Divisions is reviewed in the Directors' Report.

Industry Structure & Development

The Vitrum Glass Division is manufacturing Amber Glass Bottles for the Pharmaceutical Industry by using its production capacity fully. This Division is not in a position to increase the capacity of the unit by installing new machines due to Government



restrictions on expansion in Mumbai City. However, the Division is making efforts to increase the production by accelerating the speed of Machines.

Opportunities & Risks

The Company has developed Industrial Properties at its Lower Parel premises for the use of office purposes and entered into Leave & License Agreements with various Multinational Companies and Banks, such as ABN AMRO Central Enterprises Service Pvt. Ltd., ICICI Bank Ltd., P & O Nedllyod India Pvt. Ltd., Saurer India Pvt. Ltd. and Television Eighteen India Ltd. The demand from the Pharmaceutical Industry for Glass Containers manufactured by Vitrum Glass Unit is sufficient and hence the Company does not foresee any risks for the product in near future. The revenue of the Divisions involved in agency businesses for marketing the products manufactured by foreign principals are dependent on the Government Policies declared from time to time.

Human Resources

During the year under review, cordial relationship was maintained between the management and the employees. The Directors place on record their appreciation for the support and contribution of all employees of the Company.

Internal Controls & Systems

The Company has adequate internal control procedures commensurate with its size and nature of business. The management reviews these control procedures from time to time to ensure efficient use and protection of assets and resources of the Company.

Statutory Compliance

On obtaining confirmations from the Divisions of the Company, a declaration regarding compliance with the provisions of the various statutes is made by the Managing Director at Board Meetings. The Company Secretary, as Compliance Officer, ensures compliance with SEBI regulations and provisions of the Listing Agreements.

Cautionary Statement

Statements in the Management Discussion and Analysis describing Company's objectives, projections, expectations may be "forward looking statements" within the meaning of relevant securities laws, rules and regulations. The actual results may differ materially from the projections, expectations. Important factors which could be reasons for such differences may be Government policy amendments in taxation laws and other economic developments within and/or outside India.

9. General Shareholders information:

- AGM Date & Time : Friday, the 26th August, 2005, at 4.00 p.m.
- Venue : Hall of Culture, Ground Floor Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai 400 018.

Financial Calendar (Tentative):

Results for the quarter ending June 30, 2005	Last week of July 2005.
Results for the quarter ending September 30, 2005	Last week of October 2005.
Results for the quarter ending December 31, 2005	Last week of January 2006.
Results for the quarter ending March 31, 2006	Last week of April 2006.
Results for the year ending March 31, 2006	Last week of June, 2006.
Annual General Meeting	August, 2006.

- Book Closure Date : Monday the 18th July, 2005 to Wednesday the 20th July, 2005 (both days inclusive).
- Dividend : The Board of Directors have recommended 20% Dividend for the financial year 2004-05.
- Listing of Equity Shares on : Stock Exchange at Mumbai.
- Stock Code : 509525
- Monthly high and low quotations as also the volume of shares traded on Mumbai Stock Exchange:

2004-05	Highest (Rs.)	Lowest (Rs.)	Volume (Nos.)
April	22.00	20.00	700
May	22.10	18.25	4,400
June	19.00	17.60	200
July	19.80	18.00	250
August	21.75	17.85	450
September	32.35	17.65	4,450
October	42.90	33.90	1,13,150
November	44.60	38.25	36,350
December	45.65	40.00	41,500
January	42.05	39.00	4,850
February	55.00	39.10	7,750
March	48.00	40.00	6,800