

# ANNUAL REPORT

2002 - 2003

2002-2003

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SUBHASH PROJECTS AND MARKETING LIMITED

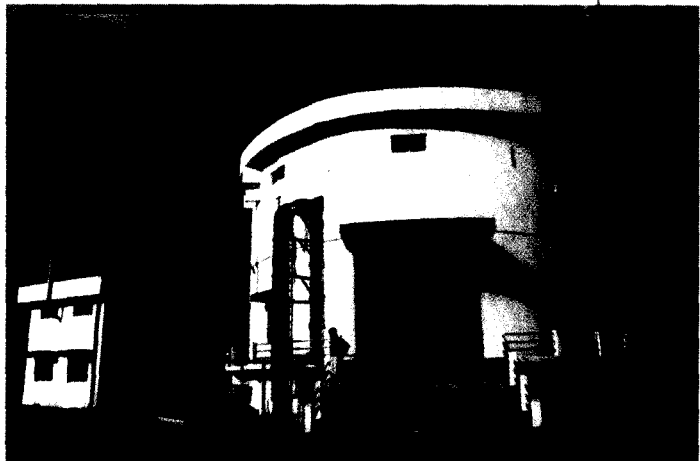


View of 1925 mm. dia M. S. Pipeline of T. K. Hally Project for Bangalore Water Supply & Sewerage Board.

Overview of the Yelehanka  
10 MLD Sewerage  
Treatment Plant of the  
Bangalore Water Supply and  
Sewerage Board.



View of Intake Pump House  
of 60 MLD Sewerage  
Treatment Plant in Mysore  
for Karnataka Urban Water  
Supply & Drainage Board.



**BOARD OF DIRECTORS**

Anil K. Sethi (Chairman)  
 J. S. Varshneya  
 R. L. Gaggar  
 Samir Ghosh  
 Subhash C. Sethi (Vice Chairman and Managing Director)  
 Sushil K. Sethi (Managing Director)  
 B. B. Chakraborty  
 Deepak Sethi (w.e.f. 1.7.2003)

**EXECUTIVE VICE PRESIDENT (FINANCE)  
 & COMPANY SECRETARY**

B. N. Choudhary

**REGISTERED OFFICE**

F-27/2, Okhla Industrial Area, Phase II,  
 New Delhi - 110 020

**HEAD OFFICE**

113, Park Street, Poddar Point,  
 South Block, 3rd Floor,  
 Kolkata 700 016

**BRANCH OFFICE**

- (i) 8/2, Ulsoor Road, Bangalore 560 042
- (ii) Fancy Bazar, Guwahati 781 001

**BANKERS**

- (i) Canara Bank
- (ii) Bank of Baroda
- (iii) State Bank of India
- (iv) State Bank of Travancore
- (v) State Bank of Hyderabad
- (vi) Andhra Bank

**AUDITORS**

Sunil Kumar Gupta & Co.  
 Chartered Accountants  
 B-2, Magnum House - 1  
 Karampura Commercial Complex  
 New Delhi 110 015

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**DIRECTORS' REPORT**

To  
The Members

The Directors have pleasure in presenting the Twenty Second Annual Report and Audited Statement of Account of the Company for the Financial Year ended 31<sup>st</sup> March, 2003.

**FINANCIAL RESULTS**

	(Rs. in Lacs)	
	For the year ended 31.03.03	For the year ended 31.03.02
Gross Operating Revenue & Other Income	15818.74	15798.47
<b>Profit Before Tax</b>	<b>145.18</b>	<b>27.96</b>
<b>Provision for Taxation</b>		
Provision for Current Year	30.00	22.00
Deferred Tax	(30.91) 0.91	(41.42) 19.42
Profit After Tax	146.09	47.38
<b>Add (Less) :-</b>		
Prior period Adjustments	(13.08)	1.48
Provisions of Income Tax for earlier years	(26.76) (39.84)	--
	106.25	48.86
Add : Balance brought forward from previous year.	2616.30	2823.65
Less : Deferred Tax (net).	-- 2616.30	256.21 2567.44
Profit available for appropriation	2722.55	2616.30
<b>Appropriations :</b>		
Interim Dividend		--
<b>Proposed Dividend</b>		--
<b>Dividend Tax</b>		--
Transferred to General Reserve		--
Surplus carried to Balance Sheet	2722.55	2616.30
<b>Total :</b>	<b>2722.55</b>	<b>2616.30</b>

**DIVIDENDS**

In view of the inadequacy of profits earned during the year and also requirement of ploughing back of funds in business, the Directors do not recommend any dividend for the financial year 2002-2003.

**OPERATING RESULTS**

Your Company's turnover for the year amounted to Rs.158 Crores same as last year. Earnings before Depreciation and Taxation amounted to Rs.794 Lac (Rs.630 Lac) and the profit before tax stood at Rs.145 Lac (Rs.28 Lac). Provision for taxation amounts to Rs.30 Lac (Rs.22 Lac).

Despite the depressed market condition, there was an attractive growth potential in the infrastructure sector. So even as profit margin remained under pressure, your company responded with an efficiency in contract execution and purchasing economics, which translated into improved financials during the year under review.

## **FINANCIAL CONDITION AND RESULTS OF OPERATION**

Management Discussion and Analysis of Financial condition and Results of Operation of the Company for the year under review, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is given as a separate statement in the Annual Report.

## **SUBSIDIARY COMPANIES**

Your Company holds 58.82% of the Equity Capital of Subhash Kabini Power Corporation Limited. As required under Section 212 of the Companies Act, 1956, the audited statement of accounts alongwith the report of the Board of Directors relating to Company's subsidiary are annexed.

## **CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investment in Associates, your Directors have pleasure in attaching the Consolidated Financial Statements which form part of the Annual Report and Accounts.

## **AUDITORS' REPORT**

With reference to Auditors' Report, relevant notes annexed to and forming part of the accounts are self explanatory.

## **DIRECTORS**

Shri Deepak Sethi has been appointed as an additional Director on the Board of the Company on 30.06.2003 and as such holds office upto the date of ensuing General Meeting. Notice has been received under Section 257 of the Companies Act, 1956, proposing his candidature to the office of Director of the Company. The Directors of your Company recommend his appointment.

Shri Samir Ghosh, Director retires from the Board by rotation and being eligible, offers himself for re-appointment.

## **AUDITORS**

M/s.Sunil Kr. Gupta & Company, Chartered Accountants, retire as Auditors of the Company and, being eligible, offer themselves for reappointment.

## **PARTICULARS OF ENERGY CONSERVATION ETC**

Your Company is not covered by schedule which requires to furnish details in Form A & B as per the provisions of Section 217(i)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1968.

## **FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information is contained in Schedule P, Item Nos.9 & 10 in Notes on Accounts.

## **PARTICULARS OF EMPLOYEES**

Statement of particulars of the employees under Section 217(2A) of the Companies Act, 1956, read with the Rules framed thereunder has been annexed and forms part of the Report.

However as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Reports and Accounts are being sent to all Shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining a copy of the particulars may write to the Secretary at the Registered Office of the Company.

## **VOLUNTARY DELISTING OF THE COMPANY'S SECURITIES FROM STOCK EXCHANGES**

Your Company's securities are presently listed on seven Stock Exchanges in India. With Computerisation of the National Stock Exchange of India Limited where the company's securities are listed and ready accessibility to those networks by investors situated even in remote areas, the listing of the company's securities on other stock exchanges is no longer felt necessary. The listing fees paid to some of the stock exchanges are disproportionately higher and trading volumes extremely low as compared to the major stock exchanges. The Company, therefore, intends to delist its

securities from the Bangalore, Guwahati, Delhi, Kanpur and Mumbai Stock Exchanges. The delisting has to be approved by a special resolution as per guidelines issued by the Securities and Exchange Board of India. Attention of members is invited to item No.5 of the Notice of Annual General Meeting.

#### **QUALITY MANAGEMENT SYSTEM**

The Company has maintained strict Quality Management System in all aspects of EPC Contracts and has ISO 9001 certificate.

#### **CORPORATE GOVERNANCE**

As per Clause 49 of the listing Agreement with the Stock Exchanges, a separate section on Corporate Governance together with a certificate from the company's Auditors confirming compliance is set out in the Annexure forming part of this report.

#### **HUMAN RESOURCES**

We would like to place on record our appreciation for the efforts made by the Management and the keen interest taken by the employees of the Company in continual improvement projects and responding to the call of changing environment.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm :

- i. that in preparation of the annual accounts, the applicable accounting standards have been duly followed;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgements 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 had taken proper and sufficient care for the maintenance of adequate records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. that the directors had prepared the annual accounts on a going concern basis.

#### **ACKNOWLEDGEMENT**

The Directors acknowledge business assistance, co-operation and support extended to your company by Customers, Suppliers, Financial Institutions, Banks, various Government Organisations/ Agencies and look forward to their continued support and co-operation. Your Directors wish to acknowledge the dedicated services rendered by the staff and the executives of the Company at all levels which have significantly contributed towards the efficient and successful management of the Company.

The Directors also deeply acknowledge the trust and confidence you have placed in the Company.

**On behalf of the Board**

**Sd/-**

**Anil Kr. Sethi**

**Chairman**

Place : New Delhi

Date : 30.06.2003





## **MANAGEMENT DISCUSSION & ANALYSIS**

### **INDUSTRY SCENARIO AND DEVELOPMENTS**

The year 2002-03 witnessed continued sluggishness in demand and hence low growth in investment in infrastructure projects. However, huge emphasis has been given on the development of infrastructure projects in the recent Union Budget. This provides vast opportunities to companies engaged in the water supply projects, sewerage, drainage, solid waste management projects, construction of roads, highways and hydroelectric power projects, among others.

SPML undertakes engineering design and construction of infrastructure projects on turnkey basis covering civil, mechanical, electrical and instrumentation engineering sectors.

With globalization an increasing number of multinational companies are participating in infrastructure projects in India. SPML is continuously upgrading its knowledge base, systems and technologies to successfully compete with these multinational companies.

Over the years, the Company's reputation has been built around an abiding commitment to modern and innovative construction techniques, world class quality and consistent customer service.

### **FINANCIAL REVIEW**

Despite continued economic recession in the country, SPML maintained its revenue of Rs.158 Crores same as previous year. Profit before tax was Rs. 145 lacs compared to Rs. 28 lacs in the previous year. Though the profit margin remained under pressure, the Company achieved a better performance through increased efficiency in contract execution and focussed purchasing economies. EPS has increased to Rs. 1.70 from Re. 0.78.

### **MAJOR ORDERS RECEIVED**

The Company during the current financial year has received orders from the Delhi State Industrial Development Corporation worth Rs. 58 Crores, from Bhopal Municipal Corporation for Rs. 35 Crores and from PHED, Govt. of Rajasthan for Rs. 4 Crores.

### **CONTINGENT LIABILITIES**

A major part of contingent liabilities of SPML is the performance and advance bank guarantees given by the bankers to the clients under the terms of contract. These are issued on the strength of counter -indemnities of SPML. Keeping in view the track record of SPML in meeting its contractual performance, the chances of contingent liabilities becoming real liabilities are remote.

### **INTERNAL CONTROLS & ADEQUACY**

SPML has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly.

The internal control is supplemented by an extensive programme of internal audits, review by Audit Committee of Board of Directors.

### **HUMAN RESOURCES**

SPML provides its employees with challenging career development opportunities through adequate

room for innovative thinking. The Company continues to emphasise diverse training, on and off site, at various levels, strengthening its aggregate knowledge leading to enhanced profitability.

## **RISK AND CONCERNS**

SPML has a healthy order book position, which will ensure revenue growth in 2003-04. However, the pace of infrastructure development in India continues to be a matter of concern. Low investment in infrastructure and slow pace of implementation constitute risk factors both for the Indian economy as well as for SPML.

The fiscal crisis confronting several state governments is another risk factor. Even when investments are announced, projects sanctioned and work commenced, there are question marks over the ability of State Governments to pay. There have been instances when projects have come to a standstill due to the inability of state governments to pay. Multilateral funded or aided projects dilute this risk but do not eliminate it altogether.

Over the years, SPML has developed a culture of risk awareness and governance, with active support and direction of professional management.

## **FUTURE OUTLOOK**

We are now seeing the signs of revival around the world which gives us hope that current year will see better performance of the global economy. Higher allocations for various sectors have set in a favourable climate for new investments. This is expected to provide opportunities for securing large orders during the next financial year, especially in the areas of urban infrastructure, power, rural water supply, roads and electrification. Hydel power and irrigation project construction also is expected to provide large business opportunities in the near and long term. The Company would augment necessary capabilities in these areas and explore technology tie ups.

Focus on geographical spread of business across different regions of the country and nurturing of core competencies are likely to bring significant improvement in the business prospects of the Company.

## **PERFORMANCE OF SUBSIDIARY COMPANIES**

### **Subhash Kabini Power Corporation Ltd. (SKPCL)**

The Company, which is a subsidiary of SPML has executed 2 x 10 MW Hydro Power Project on Build, Own and Operation (BOO) basis to supply power to Karnataka State Electricity Board. The Project has since been completed and is ready for commissioning.

### **OTHER SUBSIDIARIES**

AWA Power Co. Pvt. Ltd., IQU Power Co. Pvt. Ltd., Neogal Power Co. Pvt. Ltd. and Luni Power Co. Pvt. Ltd. are no longer subsidiaries of SPML.

## **CAUTIONARY STATEMENT**

Statements in this Management Discussion and Analysis describing the company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could alter the company's operations include a downtrend in the infrastructure sector, significant changes in the political and economic environment in India, exchange rate fluctuations, tax laws, litigation, labour relations and interest costs.



## CORPORATE GOVERNANCE

### INTRODUCTION

The Board of Directors is pleased to present a report on the compliance of Corporate Governance requirements as per the Listing Agreement with the Stock Exchanges.

### THE COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company firmly believes in and has consistently endeavoured to practice good Corporate Governance and has acted as a good corporate citizen even in the worst of times.

Company's Corporate Governance policy envisages the assurance of quality of job, transparency, accountability and integrity in its operations and in its relation with all Stakeholders i.e., Customers, Suppliers, Investors, Employees, the Government and other Business Associates.

The report on Corporate Governance is divided into six parts :-

1. Board of Directors – Composition & functioning
2. Committees of the Board
3. Remuneration of Directors
4. Disclosures
5. Means of Communication
6. General Body Meetings
7. General Shareholder Information

### 1. BOARD OF DIRECTORS

#### Composition

The Board of Directors of the Company comprises of Executive, Non-Executive and Independent Directors. The Chairman is an Executive Director. As on March 31, 2003 there are 7 Directors including 4 independent Directors. The composition of the Board of Directors of the Company meets the stipulated requirements of clause 49 of the Listing Agreements of the Stock Exchanges. The Board consists of eminent persons with considerable professional experience in various fields. The composition and membership on other boards/committees of Directors is given here under :

#### No. of Directorships and Committee Memberships / Chairmanships

Sl. No.	Name of the Directors	Category	Other Directorship	Committee Memberships	Committee Chairmanships
1.	Mr. Anil Kr. Sethi	Director & Chairman	6		
2.	Mr. J. S. Varshneya	Non-Executive & Independent Director	12		4
3.	Mr. R. L. Gaggar	Non-Executive & Independent Director	14	8	
4.	Mr. Samir Ghosh	Non-Executive & Independent Director	6	1	
5.	Mr. Subhash C. Sethi	Vice Chairman & Managing Director	9		
6.	Mr. Sushil K. Sethi	Managing Director	7		
7.	Mr. B. B. Chakraborty	Non-Executive & Independent Director	--		

## Meetings & Attendance

During the year ended March 31, 2003, Board Meetings were held on the following dates:

(i) 29.05.2002, (ii) 29.06.2002, (iii) 31.07.2002, (iv) 31.10.2002 and (v) 30.01.2003.

The Annual General Meeting was held on 27<sup>th</sup> September, 2002.

The Attendance of the Directors in the Board Meetings and at the Annual General Meeting (AGM) held during the year are given as under :

Sl. No.	Name of the Directors	Category	No. of Board Meetings attended	Whether attended the AGM
1.	Mr. Anil Kr. Sethi	Director & Chairman	3	-
2.	Mr. J. S. Varshneya	Non-Executive & Independent Director	3	Yes
3.	Mr. R. L. Gaggar	Non-Executive & Independent Director	2	-
4.	Mr. Samir Ghosh	Non-Executive & Independent Director	3	-
5.	Mr. Subhash Ch. Sethi	Vice Chairman & Managing Director	5	-
6.	Mr. Sushil Kr. Sethi	Managing Director	2	Yes
7.	Mr. B. B. Chakraborty	Non-Executive & Independent Director	3	-

## 2. COMMITTEES OF THE BOARD

### (i) Audit Committee

Terms of Reference of the Audit Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges that inter alia include the overview of the Company's financial reporting processes and review of the half-yearly and annual financial statements, the adequacy of internal control systems, the financial and risk management policies and the significant findings and adequacy of internal audit function etc.

#### Composition and Attendance

During the year ended 31st March, 2003 three meetings of the audit Committee were held on (i) 29.06.2002, (ii) 30.10.2002 and (iii) 30.01.2003.

Name of the Director	No. of Meetings attended
Mr. J. S. Varshneya, Chairman	2
Mr. Samir Ghosh	3
Mr. Subhash C. Sethi	3
Mr. B. B. Chakraborty	3

### (ii) Share Transfer/Investors Grievance Committee

Terms of reference of the Share Transfer/Investors Grievance Committee are as per guidelines set out in the listing agreements with the Stock Exchanges and pursuant to Articles of Association of the Company that inter alia include approval and registration of transfers and of transmissions of equity shares of the Company and to do all other acts and deeds as may be necessary or incidental to the above.

#### Composition and Attendance

The Committee holds its meeting every fortnight to consider all matters concerning transfer and transmission of shares. During the year ended 31.03.2003, 13 Nos. of Share Transfer Committee meetings were held.