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35TH ANNUAL REPORT

APRIL 1998 - MARCH 1999



BOARD OF DIRECTORS

Mr. Mithu S. Malaney	-	Chairman
Mrs. Sheila M. Malaney	-	Vice Chairperson & Whole Time Director
Mr. Vikram M. Malaney	-	Managing Director
Mr. Suvir M. Malaney	-	Joint Managing Director
Admiral L. Ramdas (Retd.)	-	Director
Mr. Douglas Perks	-	Director
Mr. Juergen Mendheim	-	Director
Mr. Sanjeev M. Malaney	-	Director
Mr. P. M. Kumar	-	Director

REGISTERED OFFICE

427, Unique Industrial Estate,
Off Veer Savarkar Marg,
Prabhadevi,
Mumbai 400 025.

WORKS

Plot No. B-21,
MIDC Industrial Area,
Ahmednagar - 414 001.
Maharashtra.

STATUTORY AUDITORS & TAX CONSULTANTS

M/S. SURESH SURANA & ASSOCIATES
Chartered Accounts
410, Dalamal Chambers,
29, New Marine Lines.
Mumbai 400 020.

REGISTRARS & TRANSFER AGENTS

M/s. K. R. FINANCIAL
& MANAGEMENT SERVICES PVT. LTD.
103, Omex Apartment,
1st Floor, 64, Sahar Road,
Koldongri, Andheri (East),
Mumbai 400 069.

BANKERS : Canara Bank
ICICI Banking Corporation Ltd.

**Cover : View of Steel Strip being heated in a
Selas Vertical DFF Continuous Galvanising Line**



NOTICE

Notice is hereby given that the Thirty Fifth Annual General Meeting of **VULCAN ENGINEERS LIMITED** will be held at Sunville Deluxe Pavillion, Sunville Building, 9, Dr. Annie Besant Road, Worli, Mumbai 400 018 on Wednesday 29th September, 1999 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' report and the Audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date.
2. To appoint a Director in place of Mrs. Sheila M. Malaney who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. Vikram M. Malaney who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Admiral L. Ramdas (Retd.) who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

6. To Consider and if thought fit, to pass with or without modification the following resolution as on ordinary resolution.

"Resolved that Mr. P.M. Kumar be and is hereby appointed as a Director of the Company".

BY ORDER OF THE BOARD

(VIKRAM M. MALANEY)
MANAGING DIRECTOR

Mumbai, Dated : 19th August, 1999.

REGISTERED OFFICE:
427, Unique Industrial Estate,
Off. Veer Savarkar Marg,
Prabhadevi,
Mumbai 400 025.



Notes

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item No. 6 of the notice is annexed hereto.
2. Every member entitled to attend and vote at the meeting is entitled to appoint one or more proxy or proxies to attend and vote instead of himself/herself. The proxy need not be a member. The proxy form(s) duly completed and signed, should reach the company's Registered Office at least 48 hours before the time fixed for the meeting.
3. The register of member and share transfer books of the Company will remain closed from 20th September, 1999 to 29th September, 1999.
4. Members are requested to notify the change in address, if any, immediately.
5. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto dividend for the year ended 31st March, 1995 has been transferred to General Reserve Account of the Central Government. The Shareholders who have not encashed dividend warrants for the said period are required to claim the amount(s) from the Registrar of Companies, Maharashtra, Mumbai.

ANNEXURE TO THE NOTICE DATED 19TH AUGUST, 1999 (EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 (2) OF THE COMPANIES ACT, 1956)

The following explanatory Statement, as required under Section 173 (2) of the Companies Act, 1956 sets out the material facts relating to the business mentioned in the accompanying notice dated 19th August, 1999.

Item no. 6

Mr. P. M. Kumar was appointed as an additional Director by the Board at its meeting held on 19th August, 1999.

Mr. P. M. Kumar holds a post graduate degree in Personnel Management from XLRI, Jamshedpur and has completed an advanced course in Manpower Management and Manpower Planning, University of Manchester, UK. He has had over 20 years experience in Senior positions in various well known Public Companies. From 1991 onwards he is giving Consultancy services for several Companies.

Considering his rich and varied experience the Board felt his guidance will be very valuable and beneficial to the Board in its deliberations.

Under the provision of the companies Act, 1956 Mr. P.M. Kumar holds office as Director up to the ensuing Annual General Meeting. Notices have been received together with the requisite payment under section 257 of the Companies Act, 1956 from some of the members signifying their intention to propose Mr. P.M. Kumar as candidate for the office of Director. The Board recommends the appointment of Mr. P.M. Kumar as Director.

None of the Directors except Mr. P.M. Kumar is concerned or interested in the Resolution.

BY ORDER OF THE BOARD

(VIKRAM M. MALANEY)
MANAGING DIRECTOR

Mumbai, Dated : 19th August, 1999.

REGISTERED OFFICE:
427, Unique Industrial Estate,
Off. Veer Savarkar Marg,
Prabhadevi,
Mumbai 400 025.



DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999

Your Directors' are pleased to present the Thirtyfifth Annual Report of your Company together with the audited statement of accounts for the year ended 31st March, 1999.

	(Rs. in lacs)	
	Current Year	Previous Year
1. FINANCIAL HIGHLIGHTS		
Total Sales and income	1,429.17	914.48
Profit/(loss) before tax and depreciation	0.62	(30.37)
Net profit/(loss) for the year	(32.72)	(63.40)

2. DIVIDEND

As the Company incurred a loss, no dividend is recommended for this year.

3. REVIEW OF OPERATIONS

During the course of the year the Company was restructured to better address the prevailing demand slump and increased competition. As a result the thermal division was structured into four focussed product groups supported by a common marketing and R&D group. The manufacturing department was structured as a profit centre focussed on providing subcontracting services to International engineering companies.

Thermal Division :

The division's turnover improved during the year under review partly as a result of execution of various orders which were previously put on hold by our customers. This enabled the Company to achieve a small cash profit. However, the continued recession in the steel industry, inability of clients to fund existing projects and increased foreign competition continues to impact the Company's growth in turnover and profitability. The division's efforts to market equipment and engineering services in the international market has begun to show some results with the procurement and execution of a few small export orders from the United States and South East Asia.

Manufacturing Division :

The focus was on structuring the division to independently market and execute its services including the hiring of profit centre head and setting up a sales team. In addition to manufacturing equipment for the Thermal division, furnace components were successfully exported to a reputed U.S. engineering company. A number of inquiries were received and quoted for manufacture on sub-contract basis for European engineering Companies which are expected to generate business in the future.

Infotech Division :

The demand for core business of the division (i.e. ERP Consulting services) in the International market saw a sharp reduction due to shift in investment to solve Y2K problems. Accordingly the division focussed its marketing efforts on the domestic market. Unfortunately, the tremendous competition and consequent erosion of margins in the local market has affected the business volume and profitability of the division. Due to financial constraints the company was not able to invest the necessary funds required to effectively expand the business.

4. PROSPECTS FOR 1999-2000

The lack of demand for new equipment and difficulties in raising finance for existing projects continues to affect the domestic market opportunity for capital equipment particularly in the Steel industry. Accordingly, the thermal division is focussing its marketing efforts in the export market. The division is also making concerted efforts to expand its product range to allied industries including non-ferrous and petrochemical industries for which new collaborations are being actively sought and finalised. These efforts are expected to start paying dividends in 2000 - 2001.

The manufacturing division's direct marketing efforts indicate that there is growing opportunity for subcontracting for the International market for which further investments in sales and quality certification will need to be made. The division is also actively pursuing new collaborations for factory built products and expanding its sales network.

Considering the situation in the domestic ERP market it is imperative for the IT division to invest in international sales as well as the development of expertise in other areas. This will require a substantial investment which is currently not possible from internal resources. Accordingly, the Company is evaluating various options for funding. The prospects of the IT division in the International markets are very good if the Company is able to invest in the above activities.



In general the Company does not expect any substantial improvement in operations in 1999-2000. However, the investments made and actions taken this year should have a positive impact on operation in 2000-2001.

5. SUBSIDIARY COMPANY

The company's subsidiary Vulcan Exports Ltd. was not able to generate any business during the year and ended with a loss of Rs. 1,15,376/-. Please refer to the attached directors report of Vulcan Exports Ltd. for further details.

6. ENERGY CONSERVATION

Since the company's engineering and manufacturing activities are not energy intensive the consumption of energy by the company is quite low. The measures already undertaken for energy conservation are still in place. The focus on improved manufacturing schedules may further improve energy conservation. Details of energy consumption are as follows :

			Amount (Rs.)
a) Electricity purchased	- Units	- 125330	3,67,151.00
b) LDO	- Litres	- 2800	29,400.00

7. FOREIGN EXCHANGE INFLOW AND OUTFLOW

During the year the foreign exchange inflow amounted to Rs. 55,21,302/-. The outflow was Rs. 44,39,603/-.

8. ABSORPTION OF FOREIGN TECHNOLOGY

Your Company has always emphasized on absorption and further enhancement of Foreign Technology for process equipment for mini galvanising lines and has been successfully supplying such equipment independently.

9. DIRECTORS

Your Board of Directors has been enriched by Mr. P. M. Kumar joining as Director on 19th August, 1999. He has a very illustrious career in the field of Manpower Management & Manpower Planning and he is rendering consultancy services to several Companies. With his vast and varied experience his guidance will be very valuable and beneficial to the Board in its deliberations.

Mrs. Sheila M. Malaney, Mr. Vikram Malaney and Admiral Ramdas (Retd.) retire by rotation and are eligible for reappointment. Separate resolutions are being proposed for their appointment.

10. PARTICULARS OF EMPLOYEES

In the compliance with the provisions of Section 217 (2A) of the Companies Act, 1956 the particulars of the employees have been furnished in the Annexure to this Report.

11. AUDITORS

The Company's Auditors M/s. Suresh Surana & Associates, Chartered Accountants will retire at the ensuing Annual General Meeting but are eligible for re-appointment. A letter has been received from them stating that if appointed, the appointment will be in accordance with the provision of Section 224 (1B) of the Companies Act, 1956.

The Board has taken note of the comments made by the Auditors vide item No.3 of the Notes forming part of the accounts.

12. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the whole-hearted support your Company has received from their American, German, French, Italian and Austrian Collaborators and would also like to pay a special tribute to all the employees of the Company who have worked hard to address the challenges being faced by our company and with their continued support your Directors hope to overcome the difficult situation facing our company.

(VIKRAM MALANEY)
MANAGING DIRECTOR

(SUVIR MALANEY)
JT. MANAGING DIRECTOR

Mumbai : Dated 19th August, 1999

**AUDITORS' REPORT**

To,

The Members of
VULCAN ENGINEERS LIMITED

We have audited the attached balance sheet of **Vulcan Engineers Limited**, as at 31st March, 1999 and the profit and loss account of the Company for the year ended on that date annexed thereto.

We report as follows :

1. 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 and on the basis of such checks as we considered appropriate, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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;
 - c) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - d) In our opinion subject to note no.3, regarding non-provision of gratuity, the profit and loss account and balance sheet comply with the accounting standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and according to the explanations given to us, subject to our comment in 2(d) above and following notes in Schedule '21' :
 - i. note 1 (a) (ii) regarding accounting for certain items on cash basis,
 - ii. note 1 (d) (ii) regarding valuation of work-in-progress on turnkey contracts at progress invoices net of retentions and the consequent non-provision for contingencies and expenses of maintenance period,
 - iii. note 3 regarding non-provision towards liability for gratuity amounting to Rs. 36,42,592/- based on actuarial valuation, and
 - iv. note 9 (a) regarding non-feasibility of furnishing the quantitative details regarding finished goods of Engineering Division

the said accounts read together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 1999 and
- b) in the case of the profit and loss account, of the loss for the year ended on that date.

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

(Suresh Surana)
PROPRIETOR

Mumbai, Dated : 19th August, 1999



**ANNEXURE TO THE AUDITORS' REPORT
REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE**

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. As explained to us, the management has physically verified during the year certain fixed assets belonging to the Company in accordance with a phased programme of verification which in our opinion, is reasonable. The discrepancies noticed by the management on such verification were not material and have been properly dealt with in the books of account.
2. None of the fixed assets have been revalued during the year.
3. In our opinion and according to the information and explanations given to us, physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials.
4. In our opinion and according to information and explanations given to us, the 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. According to the information and explanations given to us, the discrepancies noticed on physical verification of stocks as compared to book records were not material and the same have been properly dealt with by the Company in the books of account.
6. In our opinion, 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.
7. In our opinion and according to the information and explanations given to us the Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, and / or from the companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956, wherein the rate of interest and other terms and conditions of such loans are prima - facie prejudicial to the interest of the Company.
8. In our opinion and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or to the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956, wherein the rate of interest and other terms and conditions of such loans are prima facie prejudicial to the interest of the Company.
9. The parties to whom loans or advances in the nature of loans have been given by the Company are generally repaying the principal amounts as stipulated and are also generally regular in payment of interest.
10. In our opinion and according to the information and explanations given to us, 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 materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. The Company has purchased and sold goods and materials 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 respect of each party. As explained to us by the management, the purchases of goods and materials are of specialised nature and manufactured according to the specific requirements of the Company in respect of which it is not feasible to ascertain the prevailing market prices. The Company has supplied steel and castings to contractors/suppliers at cost which have to be used by the contractors/suppliers exclusively for manufacture and fabrication of Company's goods. As such, the prices at which such steel and castings supplied are not comparable with the prevailing market prices. In respect of sales of other goods and materials, in our opinion, the prices are reasonable having regard to the prevailing market prices for such goods and materials. Subject to foregoing, there are no sales of services in pursuance of contracts or arrangements as aforesaid.
12. As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision for loss has been made in the accounts.
13. Since the Company has not accepted any deposits within the meaning of the Companies (Acceptance of Deposits) Rules 1975; the directives issued by the Reserve Bank of India, the provisions of Section 58A and the rules framed thereunder are not applicable to it.
14. As explained to us, the Company does not generate any realisable by-products. In our opinion, the Company has maintained reasonable records for sale and disposal of scrap.
15. In our opinion and according to information and explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
16. As explained to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in the case of the Company.
17. According to the records of the Company, it has regularly deposited provident fund and employees state insurance dues with the appropriate authorities during the year.
18. According to the information and explanations given to us and records produced for our verification, there are no undisputed amounts payable as at the last date of the year in respect of income-tax, wealth tax, sales-tax, customs duty and excise duty outstanding for a period of more than six months from the date they became payable.
19. In our opinion and according to information and explanations given to us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
20. The Company is not a sick industrial company within the meaning of Section 3(1) (0) of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of service activities of the Company, in our opinion and according to information and explanations given to us, and considering the nature and magnitude of services rendered, we have to state as under :
 - a) The Company has a reasonable system of recording receipts, issues and consumption of materials and stores, commensurate with its size and the nature of its business. As explained to us, it is not feasible to have a system of allocation of materials to relative jobs.
 - b) As explained to us, it is not feasible to have a system of allocating manhours utilised to the relative jobs.
 - c) There is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business with regard to the issue of stores although allocation of stores is not made to relative jobs.

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

(Suresh Surana)
PROPRIETOR
Mumbai, Dated : 19th August, 1999



BALANCE SHEET AS AT 31ST MARCH, 1999

	Schedule	Rs.	As at 31.03.1999 Rs.	Rs.	As at 31.03.1998 Rs.
I. SOURCES OF FUNDS					
1. Shareholders' funds					
a) Share capital	1	4,84,00,000		4,84,00,000	
b) Reserves and surplus	2	3,37,89,495		3,72,53,162	
			8,21,89,495		8,56,53,162
2. Loan funds					
a) Secured loans	3		1,32,53,809		--
b) Unsecured loans	4		6,00,000		--
Total funds employed			<u>9,60,43,304</u>		<u>8,56,53,162</u>
II. APPLICATION OF FUNDS					
1. Fixed assets					
a) Gross block	5	5,40,80,349		5,39,43,984	
b) Less : Depreciation		<u>1,92,75,578</u>		<u>1,62,06,144</u>	
c) Net block			3,48,04,771		3,77,37,840
2. Investments	6		9,96,000		9,96,000
3. Current assets, loans and advances					
a) Inventories	7	1,48,67,918		71,65,384	
b) Sundry debtors	8	5,65,15,152		3,90,91,567	
c) Cash and bank balances	9	2,73,00,794		2,28,74,755	
d) Loans and advances	10	<u>1,24,76,007</u>		<u>1,21,19,587</u>	
Total 'A'		<u>11,11,59,871</u>		<u>8,12,51,293</u>	
Less :					
Current liabilities and provisions					
a) Current liabilities	11	4,87,83,844		3,09,64,731	
b) Provisions	12	<u>21,33,494</u>		<u>33,67,240</u>	
Total 'B'		<u>5,09,17,338</u>		<u>3,43,31,971</u>	
Net current assets (A - B)			<u>6,02,42,533</u>		<u>4,69,19,322</u>
Total funds utilised			<u>9,60,43,304</u>		<u>8,56,53,162</u>
Accounting policies and notes forming part of accounts					
	21				

As per our report of even date attached	For and on Behalf of the Board of directors	
FOR SURESH SURANA & ASSOCIATES Chartered Accountants	MRS. SHEILA M. MALANEY MR. VIKRAM M. MALANEY MR. SUVIR M. MALANEY ADMIRAL L. RAMDAS (RETD.)	Vice Chairperson & Director Managing Director Jt. Managing Director Director
(Suresh Surana) PROPRIETOR		
Mumbai, Dated : 19th August, 1999	Mumbai, Dated : 19th August, 1999	

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1999

	Schedule	Rs.	Current Year Rs.	Rs.	Previous Year Rs.
I. INCOME					
Sales and income from operations	13	13,12,27,192		9,03,04,109	
Other income	14	36,19,531		45,64,061	
Increase / (decrease) in stocks	15	80,70,339		(34,19,764)	
			<u>14,29,17,062</u>		<u>9,14,48,406</u>
II. EXPENDITURE					
Materials consumed	16	7,75,20,817		3,29,77,083	
Employees' remuneration and benefits	17	2,36,08,260		2,22,07,680	
Excise duty		1,03,72,498		70,32,837	
Other expenses	18	3,03,43,458		3,17,63,020	
Interest	19	10,10,647		5,04,155	
Depreciation (Net of transfer from revaluation reserve Rs.1,81,882/-, previous year Rs.1,86,795/-)		<u>33,30,228</u>		<u>32,97,355</u>	
			<u>14,61,85,908</u>		<u>9,77,82,130</u>
III. PROFIT / (LOSS)					
Profit /(loss) before taxation			(32,68,846)		(63,33,724)
Provision for taxation (including provision for wealth tax Rs. 3,200/-, previous year Rs. 6,000/-)			<u>3,200</u>		<u>6,000</u>
Profit /(loss) after taxation			(32,72,046)		(63,39,724)
Prior years' adjustments income/ (expenditure)	20	--	--		(45,375)
Prior years tax adjustments			<u>2,114</u>		--
Balance brought forward from previous year			<u>35,17,891</u>		<u>99,02,990</u>
Amount available for appropriation			<u><u>2,47,959</u></u>		<u><u>35,17,891</u></u>
IV. APPROPRIATIONS					
Surplus carried forward			<u><u>2,47,959</u></u>		<u><u>35,17,891</u></u>
			<u><u>2,47,959</u></u>		<u><u>35,17,891</u></u>
Accounting policies and notes forming part of accounts	21				
As per our report of even date attached			For and on Behalf of the Board of directors		
FOR SURESH SURANA & ASSOCIATES Chartered Accountants			MRS. SHEILA M. MALANEY MR. VIKRAM M. MALANEY MR. SUVIR M. MALANEY ADMIRAL L. RAMDAS (RETD.)		
(Suresh Surana) PROPRIETOR			Vice Chairperson & Director Managing Director Jt. Managing Director Director		
Mumbai, Dated : 19th August, 1999			Mumbai, Dated : 19th August, 1999		