



VULCAN
ENGINEERS LTD.

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41st ANNUAL REPORT
APRIL 2004 - MARCH 2005



BOARD OF DIRECTORS

Sheila M. Malaney	-	Chairperson
A. T. Vaswani	-	Vice Chairman
Admiral L. Ramdas (Retd.)		
P. M. Kumar		
Sanjeev M. Malaney		
Vikram M. Malaney		
Juergen Mendheim		

REGISTERED OFFICE

415, Unique Industrial Estate
Off Veer Savarkar Marg
Prabhadevi
Mumbai - 400 025

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WORKS

Plot No. B-21
MIDC Industrial Area
Ahmednagar - 414 111.
Maharashtra.

STATUTORY AUDITORS & TAX CONSULTANTS

M/s. Suresh Surana & Associates
Chartered Accountants
410, Dalamal Chambers
29, New Marine Lines
Mumbai - 400 020.

REGISTRAR & SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
L. B. S. Marg, Bhandup (West)
Mumbai-400 078.



NOTICE

Notice is hereby given that the Forty First Annual General Meeting of Vulcan Engineers Limited will be held on Friday, 16th September, 2005 at 11.30 a.m. at 'Sunville', 9 Dr. Annie Besant Road, Worli, Mumbai 400 018 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2005, the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. A.T. Vaswani, who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint a Director in place of Mr. P.M. Kumar, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:
 "RESOLVED that, pursuant to the provisions of Section 314 of the Companies Act, 1956, Mr. Suvir Malaney be and is hereby appointed as President (Marketing and Sales) of the Company with effect from 1st April, 2005 on a remuneration of Rs.50,000/- per month."
 "FURTHER RESOLVED THAT in addition to the remuneration mentioned above, Mr. Suvir Malaney be provided a car with driver and telephone at residence for official use and reimbursement of expenses incurred for communication and entertainment for official purposes."
6. To consider, and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED THAT, in terms of the provisions of the Companies Act, 1956, the rules made thereunder and the Articles of Association of the Company, directors of the Company be paid remuneration, by way of fees, not exceeding the maximum sum prescribed from time to time, for each meeting of the Board or a committee thereof attended by them."

By Order of the Board

Sheila M. Malaney
Chairperson

Mumbai, Dated 2nd August, 2005

Registered Office:
415 Unique Industrial Estate
Off Veer Savarkar Marg
Prabhadevi
Mumbai 400 025

NOTES

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a member. The instrument of proxy, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 9th September, 2005 to 16th September, 2005, both days inclusive.
3. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400 078 are the Registrar and Share Transfer Agents of the Company to handle share transfers, both in physical and electronic segments, and other share related matters. Shareholders are requested to correspond with the Registrar at the above address.
4. Shareholders are requested to promptly notify any change in their addresses.
5. An Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
6. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants upto the said period are requested to claim the amount from the Registrar of Companies, Maharashtra. Pursuant to introduction of Section 205C by The Companies (Amendment) Act, 2000, the amount of dividend unpaid or unclaimed for a period of seven years from the date of payment is required to be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government. Accordingly, dividends for the financial years ended 31st March, 1995, 31st March, 1996 and 31st March, 1997 which remained unclaimed for 7 years from the date of declaration have been transferred to IEPF. Therefore, no claim shall lie against the Company or the Investor Education and Protection Fund after transfer of the dividends to IEPF.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.5

The Board of Directors in its meeting held on 2nd April, 2005 appointed Mr. Suvir Malaney as the President (Marketing and Sales) of the Company with effect from 1st April, 2005 on a remuneration of Rs.50,000/- per month. In addition to the remuneration, Mr. Suvir Malaney is provided a car with driver and telephone at residence for official use and reimbursement of expenses incurred for communication and entertainment for official purposes.

Mr. Suvir Malaney is related to Mrs. Sheila Malaney, Mr. Sanjeev Malaney and Mr. Vikram Malaney, Directors, and therefore his appointment as stated above requires the approval of the members at a General Meeting under section 314 of the Companies Act, 1956.

The Board of Directors recommends Mr. Suvir Malaney's appointment since his vast experience in the field of marketing, particularly overseas, will be of immense help to the Company in boosting its revenues. Mr. Suvir Malaney has served on the Board of Directors for over 8 years and has been instrumental in developing a strong marketing and sales team.

Mrs. Sheila Malaney, Mr. Sanjeev Malaney and Mr. Vikram Malaney are interested in the resolution.

Item No.6

SEBI by its circular no.SEBI/CFD/DIL/CG/1/2004/12/10 dated 29th October, 2004 has amended clause 49 of the Listing Agreement relating to Corporate Governance which will come into effect from 31st December, 2005.

As per the provisions of clause 1(B) of the revised clause 49 of the Listing Agreement entered into by the Company with The Stock Exchange, Mumbai, all fees/compensation paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of the shareholders in general meeting.

Your Company is paying Rs.5,000/- as fees to non-executive directors for attending meetings of the Board and Rs.3,000/- for attending meetings of committees thereof as against the maximum permissible amount prescribed under the provisions of the Companies Act 1956. Considering the experience and expertise of the non-executive directors the payment of sitting fees of Rs.5,000/- for attending the meetings of the Board and Rs.3,000/- for attending meetings of committees thereof is very reasonable and well within the prescribed limit as stated above.

The resolution under item No.6 authorises the Board of Directors to fix the fees payable to the Board of Directors for attending meetings of the Board and committee thereof within the maximum limit permissible under the provisions of the Companies Act, 1956.

The Board commends the Resolution for approval of the shareholders.

The Directors of the Company may be deemed to be concerned or interested in the Resolution to the extent of the fees paid/payable to them.

ADDITIONAL INFORMATION

Brief profiles of Directors who are retiring by rotation and are eligible for reappointment:

Mr. A.T. Vaswani

Mr. A.T. Vaswani has over 40 years of experience in the business and industry. Since 1981, Mr. Vaswani has served on the Board of Directors of leading multinational companies, both in an executive and non-executive capacity, including as Deputy CEO of Metal Box of India Ltd., a leading packaging company, and as Director and Senior Vice President of Glaxo India Ltd., India's largest pharmaceuticals company. He was the Vice Chairman of Fujitsu ICIM Ltd. from 1996 to 2001 during which period he led the restructuring and revival of the company. Mr. Vaswani now serves on the Boards of KEC International Ltd., Emmellen Biotech Pharmaceuticals Ltd., ICIM Systems and Engineering Services Ltd., Zensar Technologies Ltd., P.J. Margo Private Ltd. and Margo Biocontrols Private Ltd. He is the Chairman of the Audit Committees of some of these companies. By academic qualifications Mr. Vaswani is a Chartered Accountant and a Chartered Secretary.

Mr. P.M. Kumar

Mr. P.M. Kumar is an Organisation Consultant in the field of Human Resource Strategy and Implementation, Management Alignment and Calibration, Institution Building, Value Leadership, Organisation Design and Structure, Career Design, Succession Planning and Culture Integration. A graduate of St. Xavier's College, Bombay, Mr. Kumar did his post-graduation in Personnel Management from the Xavier Labour Relations Institute, Jamshedpur and Advanced Course in Manpower Management and Manpower Planning from the University of Manchester, U.K. After working with reputed companies for 20 years as senior executive in the Human Resources function, Mr. Kumar is now a renowned Practising Consultant in Human Resources. Mr. P.M. Kumar is not a Director nor a member of Committee of Directors of any other company.

By Order of the Board

Sheila M. Malaney
Chairperson

Mumbai, Dated 2nd August, 2005



DIRECTORS' REPORT

Your Directors are pleased to present the Forty First Annual Report of your Company together with the audited statement of accounts for the year ended 31st March, 2005.

FINANCIAL HIGHLIGHTS

	Rs. in Lakhs	
	Current Year	Previous Year
Sales and Income from other sources	153.67	348.19
Profit/(Loss) before taxation	(83.03)	(22.28)
Provision for taxation	—	—
Net Profit/(Loss) after taxation	(83.03)	(22.28)

DIVIDEND

In absence of any profit for the year, your Directors regret their inability to recommend any dividend.

REVIEW OF OPERATIONS & FUTURE PROSPECTS

Though sales and profits for the financial year ended 31st March, 2005 appear disappointing, the Company has been strengthening its infrastructure and technical skills, the effect of which have started showing positive results. The Company has also successfully implemented the consolidation and restructuring process and has taken steps to position itself so that it can actively participate in the phenomenal growth of the steel industry.

AUDITORS' REPORT

The Auditors have made a reference in their Report to the preparation of Accounts on a going concern basis. The Board's response is given in Note 2 of Schedule 16 to the Accounts.

The Auditors have also stated that they are not in a position to express an opinion as to whether Sundry Debtors of Rs.79.88 lakhs are fully recoverable. The reasons for this have been explained in Note 3 of Schedule 16 to the Accounts.

DIRECTORS

During the year, Mr. Douglas Perks ceased to be a Director with effect from 31st July, 2004 and Mr. Suvir Malaney resigned with effect from 10th March, 2005. The Board records its appreciation of the contribution made by Mr. Douglas Perks and Mr. Suvir Malaney towards the progress of the Company during their tenure as Directors. Mr. A.T. Vaswani and Mr. P.M. Kumar retire by rotation, and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

CORPORATE GOVERNANCE

A Report on Corporate Governance in compliance with clause 49 of the Listing Agreement with The Stock Exchange, Mumbai, and the Auditors' Certificate form a part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis on the operations of the Company is provided in a separate section and forms a part of this Report.

PARTICULARS OF EMPLOYEES

During the year under review, there were no employees whose particulars are required to be disclosed under the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

Particulars required by Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure 'A'.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors confirm that –

- (i) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed with proper explanations relating to material departures, if any.



- (ii) appropriate Accounting Policies have been selected and applied consistently and the Directors have 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 as at 31st March, 2005 and of the Profit/Loss for the period from 1st April, 2004 to 31st March, 2005.
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting 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) the Annual Accounts have been prepared on a going concern basis.

AUDITORS

M/s. Suresh Surana & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and offer themselves for reappointment.

ACKNOWLEDGEMENTS

Your Directors wish to appreciate the co-operation and commitment of the management team and other employees.

For and on behalf of the Board

Sheila Malaney
Chairperson

Mumbai, Dated : 2nd August, 2005

ANNEXURE 'A' TO THE DIRECTORS' REPORT

INFORMATION PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

FORM A

CONSERVATION OF ENERGY

Details of energy consumption during the year are given below :

Power and Fuel Consumption

Electricity: Since the Company's engineering and manufacturing activities at its Works have been suspended, consumption of electricity was nominal. There was no fuel consumption.

FORM B

RESEARCH AND DEVELOPMENT (R&D), TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Your Company continued to absorb foreign technology for process equipments.

- (1) Specific Areas :
Development of detailed engineering/process/methods/materials and improvement in systems in the existing process.
- (2) Benefits Derived :
Cost reduction/improved utilization of machinery and energy. Technological upgradation and development.
- (3) Future plan of action :
Improvement in the existing products and processes in various areas in which the Company is engaged.
- (4) Expenditure on R&D :
No separate funds allocated.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings in foreign exchange	Rs. 8,27,141
Outgo in foreign currency	Rs. 19,82,346

For and on behalf of the Board

Sheila Malaney
Chairperson

Mumbai, Dated : 2nd August, 2005



MANAGEMENT DISCUSSION & ANALYSIS

The Industry

The Indian steel industry which forms the major customer group of your Company, passed through a severe recessionary phase during the last decade but is now poised for a tremendous growth. The reforms introduced by the Indian Government in the areas of licensing for capacity creation, control on price and distribution, removal of restrictions on external trade, reduction of import duty on capital goods, convertibility of rupee on trade account, permission to mobilise resources from overseas financial markets and rationalisation of existing tax structure have immensely benefited the Indian steel industry. The Indian steel industry has also reaped rich dividends from the upsurge in China even as markets in the USA and the EU slowed down. The recent improvement in the South East Asian economies will also provide additional marketing opportunities in the near future. India's steel production which stood at around 14 million tones in the 1990's has reached a level of around 35 million tones in 2004 and is expected to grow at 8-10% annually. These favourable trends have been reflected in the improved profitability of the major steel makers in both the public and the private sectors. The Indian steel industry has matured from a highly protected inward-looking one of the pre-liberalization era into a modern and globally integrated industry.

The Company has a great opportunity to share this growth and prosperity. Vulcan pioneered the designing, engineering, manufacturing and commissioning of custom built industrial furnaces, kilns and gas plants. Until 1998, the Company was a leader in thermal technology in India. The economic recession of the 90's adversely impacted the Company's operations. However, the Company successfully implemented a restructuring programme which is expected to show encouraging results in the near future. With the background of a vibrant steel industry and the steps taken for rebuilding the Company, your Company is now in the position to compete effectively in domestic and international markets.

Financial and Operational Performance

There has been a downward trend in your Company's performance in the last two years which is due to its policy of accepting only such orders which are self-financing. The management is exploring all possibilities of infusing working capital funds so that large orders can be undertaken to boost the Company's revenue.

Segmental Information

Your Company has only one business segment viz. engineering goods & services, which is being considered as the primary segment. Performance in terms of secondary segment (Geographical Segments) is shown below:

	Outside India Rs.	Within India Rs.	Total Rs.
1. Segment Revenue			
Sales (gross) and income from operations	823,500 (637,982)	14,924,195 (32,155,428)	15,747,695 (32,793,410)
2. Carrying amount of assets by geographical location of assets			
Segment assets (net of provisions)	1,021,948 (1,023,818)	19,114,755 (21,167,863)	20,136,703 (22,191,681)
3. Additions to fixed and intangible assets			
Additions to fixed assets	— (—)	39,365 (112,536)	39,365 (112,536)

Notes: 1) The segment revenue and assets include revenue and assets, which are identifiable with each segment.

2) Figures in brackets represent previous year amount.

Outlook

With the consolidation and restructuring strategy successfully implemented, your Company is well positioned to move forward with an aggressive growth strategy. There is a clear revival trend in the Indian capital goods market including the steel industry. This is supported by the increased number of active inquiries received by the Company. In the past, access to international markets was difficult for Indian companies due to low technology and quality perceptions but this has changed dramatically. There is an increasing trend for engineering companies in US and Europe to outsource manufacturing, engineering, erection and commissioning services to Indian companies.



Vulcan has a proven track record of providing quality outsourcing services having successfully executed projects for its collaborators over the past two decades and has a great opportunity to capture a big share in this business.

Risks and Concerns

Prices of raw materials have more than doubled towards end of last year. This is due to increased demand from China for iron ore from India. Rise in prices of steel will adversely affect profitability. Your Company continues to witness cost push inflation. Efforts are being made to counter these through price adjustments and elimination of operational inefficiencies.

Financial Risks

Financial risks could include liquidity for working capital requirements. Presently, the Company is not exposed to any credit facilities from banks. Projects are being financed out of advances and progress payments from customers. The promoters are also extending financial support from time to time to help the Company maintain reasonable level of operations.

Internal Controls

Your Company has developed an Internal Audit System which is commensurate with the scale of operations.

The Audit Committee of the Board of Directors meets on a regular basis to review the control systems and to take stock of the situation. Any significant findings by the internal audit function are reviewed by the Audit Committee.

Contingent Liabilities

Details of contingent liabilities are given in the Notes to Accounts (Schedule 16).

Statutory Compliance

The Compliance Officer ensures compliance of SEBI regulations and the provisions of the Listing Agreement.

Human Resources

The management recognises your Company's human resources as its greatest asset and makes a special effort to train, develop and retain its staff.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable securities laws and regulations. These are based on certain assumptions and expectations of future events. The Company does not guarantee that these assumptions and expectations are accurate or will be realised. The actual results or performance could differ materially from those expressed or implied. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events.



REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on code of governance

The Company's primary objective is to create and adhere to a corporate culture of consciousness, integrity and transparency for ethical conduct of business so as to meet its obligations towards all stakeholders. Corporate Governance is an integral part of the Company's management. In pursuit of excellence, growth and value creation, every employee of the Company is bound by a code of conduct that sets forth the Company's policy on important issues.

2. Board of Directors

(a) Composition

As on 31st March, 2005, the Board of Directors comprised seven members, all of whom were non-executive directors. The Company has a non-executive Chairperson and four of its members are independent directors, which is more than one-third of the total number of directors. None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement) across all companies in which he/she is a Director. Thus the Company meets with the requirements relating to the composition of Board of Directors.

(b) Board Meetings and attendance

Seven Board Meetings were held during the year. These were held on 30th April, 2004, 30th June, 2004, 31st July, 2004, 24th September, 2004, 25th October, 2004, 12th January, 2005 and 10th March, 2005. The gap between two Board Meetings did not exceed 4 months. Notice and Agenda papers were circulated to the Directors well in advance to enable the Board to take informed decisions. All the relevant statements and information necessary for considering various matters in the light of Corporate Governance practices as prescribed in Clause 49 of the Listing Agreement were placed before the Board.

Attendance of Directors at Board Meetings during the year 2004-05 and at the last Annual General Meeting as also the number of other companies in which they hold Directorship and Membership or Chairmanship of Committees is given below :

Name	Position	Attendance		Other Boards/Committees		
		Board Meetings (2004-05)	Last AGM (24-9-2004)	Directorships ¹	Committees ²	
					Member	Chairman
Sheila Malaney	Chairperson Non-executive	7	Yes	1	Nil	Nil
A.T. Vaswani	Vice-Chairman Independent Non-executive	7	Yes	4	3	1
Admiral L. Ramdas (Retd.)	Independent Non-executive	6	Yes	Nil	Nil	Nil
P.M. Kumar	Independent Non-executive	1	No	Nil	Nil	Nil
Sanjeev M. Malaney	Non-executive	1	No	Nil	Nil	Nil
Vikram M. Malaney	Non-executive	2	Yes	1	Nil	Nil
Juergen Mendheim	Independent Non-executive	Nil	No	Nil	Nil	Nil
Suvir M. Malaney	Non-executive	6	Yes	1	Nil	Nil
Douglas Perks	Independent Non-executive	Nil	No	Nil	Nil	Nil

1. Excludes foreign companies, Private Limited Companies, companies under Section 25 of the Companies Act, 1956 and Alternate Directorships.



2. Only Remuneration Committee, Audit Committee and Investors Grievance Committee are reckoned for this purpose.
3. Mr. Douglas Perks ceased to be a Director with effect from 31st July, 2004.
4. Mr. Suvir Malaney resigned from the Board with effect from 10th March, 2005.

(c) Remuneration of Directors

The Company has no pecuniary relationship or transactions with its directors other than payment of sitting fees for attending Board and Committee Meetings. Sitting Fees paid to the directors during the year 2004-05 was Rs.1,06,000/- as shown below:

Name of Director	Sitting Fees paid
A.T. Vaswani	Rs. 53,000
Admiral L. Ramdas (Retd.)	Rs. 48,000
P.M. Kumar	Rs. 5,000
TOTAL	Rs.1,06,000

During the year, Mrs. Sheila Malaney, Mr. Sanjeev Malaney, Mr. Suvir Malaney and Mr. Vikram Malaney waived the sitting fees for attending Board and Committee Meetings.

3. Audit Committee

The terms of reference of the Audit Committee are in conformity with the statutory guidelines advocated in Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai and provisions of Section 292A of the Companies Act, 1956.

The Audit Committee comprises of three members, viz. Mr. A.T. Vaswani (independent, non-executive), Adml. L. Ramdas (Retd.) (independent, non-executive) and Mrs. Sheila Malaney (non-executive). Mr. A.T. Vaswani, Chartered Accountant and Chartered Secretary, is the Chairman of the Audit Committee.

Mr. R.G.G. Desai, General Manager (Finance & Corporate Services) acts as the Secretary to the Committee and was in attendance at all Audit Committee Meetings.

The Statutory Auditors, Internal Auditor and Practising Company Secretary also attend the meetings as invitees. Four Audit Committee meetings were held during the year. These were held on 30th June, 2004, 31st July, 2004, 25th October, 2004 and 12th January, 2005.

Attendance at Audit Committee meetings during the year 2004-05:

Name of Committee Member	Meetings attended
A.T. Vaswani	4
Admiral L. Ramdas (Retd.)	4
Sheila Malaney	4

The Chairman of the Audit Committee attended the previous Annual General Meeting of the Company held on 24th September, 2004.

4. Remuneration Committee

No member of the Board is paid any remuneration except sitting fees for attending Board and Committee meetings. The Board has therefore not constituted a Remuneration Committee.

5. Investors Grievance & Share Transfer Committee

The Investors Grievance & Share Transfer Committee comprises of three members, viz. Mr. A.T. Vaswani, Admiral L. Ramdas (Retd.) and Mrs. Sheila Malaney. Mr. A.T. Vaswani is the Chairman of the Committee.

Mr. R.G.G. Desai, General Manager (Finance & Corporate Services), is the Compliance Officer.

During the year, two meetings of the Investors Grievance & Share Transfer Committee were held on 30th June, 2004 and 25th October, 2004.