

43rd

Annual Report
2006-2007

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VULCAN
ENGINEERS LTD.

43rd Annual Report 2006-07

BOARD OF DIRECTORS

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

- **Suresh Surana & Associates**
Chartered Accountants
Khetan Bhawan, 5th Floor,
198, J. T. Road, Churchgate,
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 Third Annual General Meeting of Vulcan Engineers Limited will be held on Friday, 31st August, 2007 at 11.30 a.m. at "Sunville", Executive Room, 9 Dr. Annie Besant Road, Worli, Mumbai 400 018, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2007, the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Vikram Malaney, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Admiral L. Ramdas (Retd.), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration.

By Order of the Board

A.T. Vaswani
Vice Chairman

Mumbai, Dated July 31, 2007

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

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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 23rd August, 2007 to 31st August, 2007, 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 Registrars 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 Registrars at the above address.
4. Shareholders are requested to promptly notify any change in their addresses.
5. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, all unclaimed dividends up to 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 up to 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.

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ADDITIONAL INFORMATION

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

Mr. Vikram Malaney

Mr. Vikram Malaney graduated from Duke University, North Carolina, U.S.A. in 1985 with a degree in Computer Engineering and worked for over 6 years in the field of Computer Technology for industrial/commercial applications in California, U.S.A.

Mr. Vikram Malaney joined Vulcan Engineers Ltd. as Manager-Corporate Development with effect from 13th November, 1989 and shouldered responsibilities in various aspects of management. He represented the Company in negotiations with collaborators and clients and explored new avenues for the growth and diversification of the Company both in India and abroad.

Mr. Vikram Malaney was appointed a Wholetime Director on 1st July, 1996 and was re-designated as Managing Director with effect from 1st April, 1998. He relinquished that position with effect from 18th October, 2000, but continues to be a member of the Board.

Admiral L. Ramdas (Retd.)

Admiral L. Ramdas (Retd.), PVSM, AVSM, VrC, VSM, ADC, was appointed Chief of the Naval Staff with effect from 30th November, 1990 and retired on 30th September, 1993. Adml. Ramdas (Retd.) is a specialist in Communications, Electronics and Telecommunications Engineering with Masters Degree in Defence Studies.

Adml. Ramdas (Retd.) held various appointments as a specialist at sea and also at the Communications School as an Instructor. He also started the Naval Academy at Cochin and was awarded the VSM in January 1971 for his contribution to the setting up the Academy. During the Indo-Pakistan war, he was awarded the Vir Chakra for gallantry.

After several other prestigious postings, Adml. L. Ramdas (Retd.) was appointed as Rear Admiral in 1981 and was awarded the Ati Vishist Seva Medal for distinguished service of a high order in 1982. Subsequently he took over as Controller of Warship Production & Acquisition at Naval Headquarters in the rank of Vice Admiral, after which he served as Deputy Chief of the Naval Staff. Prior to his appointment as Chief of the Naval Staff, he had been the Flag Officer Commanding-in-Chief, Southern Naval Command and Eastern Naval Command. He was awarded the Param Vishist Seva Medal in 1988 for distinguished services of most exceptional order.

Adml. Ramdas (Retd.) was awarded the prestigious 2004 Ramon Magsaysay Award for promoting peace and international understanding.

By Order of the Board

A.T. Vaswani
Vice Chairman

Mumbai, Dated July 31, 2007

DIRECTORS' REPORT

Your Directors are pleased to present the Forty Third Annual Report of your Company together with the audited statement of accounts for the year ended 31st March, 2007.

FINANCIAL HIGHLIGHTS

	Rs. in Lakhs	
	Current Year	Previous Year
Sales and Income from other sources	1,201.64	671.80
Profit/(Loss) before taxation	199.13	(1.87)
Provision for taxation:		
– Current tax	21.25	–
– Deferred tax	67.82	–
– Fringe benefit tax	2.65	2.02
	91.72	2.02
Net Profit/(Loss) after taxation	107.41	(3.89)

DIVIDEND

In view of the carried forward losses, your Directors regret their inability to recommend any dividend.

REVIEW OF OPERATIONS & FUTURE PROSPECTS

The Directors are pleased to report that during the year under review, sales turnover increased from Rs.6.40 crores to Rs.12.17 crores reflecting a growth of 90%. This enabled the Company to post a handsome Profit before Tax of Rs.199.13 lakhs as compared to the Loss of Rs.1.87 lakhs of the previous year.

It is now widely known that the Indian economy is on the upswing and is poised to join the big economies like the U.S.A., U.K., Russia, Japan and China. India has emerged as a very strong economy and it is projected that it will become the world's third largest economy, next only to the U.S.A. and China.

In this background, the Indian steel industry has shown a phenomenal growth in the last 3 years or so and has provided an unprecedented opportunity to the Furnace and Kiln Industries. The trend is continuing and your Company has been receiving numerous enquiries and orders.

Over the past 5 years your Company has carried out a consolidation and restructuring exercise, albeit gradually, which has been to the Company's long-term benefit. Your Company has now positioned itself to capitalize on this opportunity and has set in motion plans to move forward with an aggressive growth strategy. The excellent performance of the Company during 2006-07 reflects the efforts made by the management in this direction and your Directors are confident that the trend will continue in the years to come.

The Company is also focusing on emerging markets which have opened up in the last few years. Many companies in the US and Europe are now outsourcing their manufacturing, engineering, erection and commissioning services to India. With its proven track record, your Company has a potential market as a reliable company for outsourcing.

DIRECTORS

Mr. Vikram Malaney and Adml. L. Ramdas (Retd.) 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 Bombay Stock Exchange Limited and the Auditors' Certificate form a part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report 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'.

43rd Annual Report 2006-07**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, 2007 and of the Profit/Loss for the period from 1st April, 2006 to 31st March, 2007.
- (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 commitment and excellent performance of the management team and the employees.

For and on behalf of the Board

Adml. L. Ramdas (Retd.)
Director

A. T. Vaswani
Director

Mumbai, Dated : July 31, 2007

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. 67.93 lakhs
Outgo in foreign currency	Rs. 28.75 lakhs

For and on behalf of the Board

Adml. L. Ramdas (Retd.)
Director

A. T. Vaswani
Director

Mumbai, Dated : July 31, 2007

MANAGEMENT DISCUSSION & ANALYSIS

Industry

The Indian industry is growing at a phenomenal pace and the steel industry is keeping pace with this growth. There is a great opportunity for the furnace and allied industries and your Company is taking all necessary measures to capitalize on this opportunity.

Financial and Operational Performance

During the year 2006-07, Sales and Other Income showed a growth of over 79% from Rs.6.72 crores to Rs.12.02 crores. As against a loss of Rs.1.87 lakhs for the year ended 31st March, 2006, there was a Profit before Tax of Rs.199.13 lakhs for the year ended 31st March, 2007.

SEGMENTAL INFORMATION

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

	Outside India Rs.	Within India Rs.	Total Rs.
1. Segment revenue Sales (gross) and income from operations	9,766,343 (1,369,864)	123,305,454 (68,233,025)	133,071,797 (69,602,889)
2. Carrying amount of assets by geographical location of assets Segment assets (net of provisions)	6,107,983 (2,071,684)	73,099,581 (20,586,796)	79,207,564 (22,658,480)
3. Additions to fixed and intangible assets Addition to fixed assets	— (—)	2,583,939 (410,849)	2,583,939 (410,849)

Future Outlook

Your Company has strengthened its infrastructure and technical skills and positioned itself to reap the benefits of the economic growth. The large number of Enquiries and Tenders being floated indicates that the Company will maintain this trend of growth and profitability.

Internal Controls

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 Auditor are reviewed by the Audit Committee.

The Company has also set up internal systems and control mechanisms to ensure:

- On going risk assessment, identification of new risks and implementation of effective mitigation processes to safeguard Company's interests.
- Transparency and efficiency of operations and resource management.
- Accuracy in financial reporting by implementation of systems framework for detection of errors and frauds.
- Law and regulatory compliance.

Risk Management

The Company has realized the need to ensure that it has a proper and continuous risk identification and management process.

Inflation Risk

Prices of raw materials have been on the rise due to increased demand, both domestic and overseas. Rise in prices of steel will adversely affect profitability.

Risk Mitigation

Your Company continues to witness a cost push inflation. Efforts are being made to counter this through both price adjustments and elimination of operational inefficiencies.

Financial Risk

Financial risks include liquidity for working capital requirements.

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Risk Mitigation

Currently, the Company is not exposed to any credit facilities from banks and projects are being financed out of advance payments from customers. With the expected growth in business, the Company will require both fund-based and non-fund based lines of credit from banks and efforts are being made to obtain these facilities.

Technology Obsolescence Risk

The Company's ability to remain competitive depends on its ability to adapt to changing technology. The Company's technology may become obsolete.

Risk Mitigation

The Company continually updates itself in terms of various emerging technologies.

Client Risk

Excessive exposure to a few clients could impact the Company's revenues and profitability in the event of loss of those clients.

Risk Mitigation

The Company is developing long-term relationships with its major customers as well as enlarging its customer base thus mitigating the risk of inconsistent revenues.

Client Liability Risk

A Client Liability Risk arises in the advent of a failure or deficiency in services rendered to a client. Such failure or deficiency could result in a claim for damages against the Company.

Risk Mitigation

Vulcan pays adequate attention to the negotiation and documentation of contracts wherein an effort is made to limit the contractual liability for damages.

Human Resource Risk

A low job satisfaction can lead to inefficient work, discontent and subsequently attrition in human resources which could drain valuable knowledge and customer experience and thus have an adverse impact on revenues.

Risk Mitigation

The Company creates and maintains a team of talented and experienced staff. The Company imparts efficient and effective training to these staff members, blending them into productive resources by creating challenging opportunities on projects. The Company manages the careers of its employees in order to groom them to assume higher responsibilities.

Contingent Liabilities

Details of contingent liabilities are given in the Notes to Accounts (Schedule 19)

Statutory Compliance

Compliance of SEBI regulations and the provisions of the Listing Agreement are ensured by the Board of Directors.

Human Resources

The management recognizes human resources as the 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

Vulcan Engineers is committed to create a corporate culture of integrity and transparency for ethical conduct of business so as to meet its obligations towards all stakeholders.

2. Board of Directors

a) Composition

As on 31st March, 2007, the Board of Directors comprised six 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 held and attendance

Six Board Meetings were held during the financial year, on 29th April, 2006, 26th June, 2006, 24th July, 2006, 21st September, 2006, 31st October, 2006 and 29th January, 2007. The gap between any two Board Meetings did not exceed four 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 2006-07 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 (2006-07)	Last AGM (21-9-2006)	Directorships ¹	Committees ²	
					Member	Chairman
Sheila Malaney	Chairperson Non-executive	6	Attended	1	Nil	Nil
A.T. Vaswani	Vice-Chairman Independent Non-executive	6	Attended	4	4	3
Admiral L. Ramdas (Retd.)	Independent Non-executive	6	Attended	Nil	Nil	Nil
P.M. Kumar	Independent Non-executive	Nil	Did not attend	Nil	Nil	Nil
Vikram Malaney	Non-executive	3	Attended	1	Nil	Nil
Juergen Mendheim	Independent Non-executive	Nil	Did not attend	Nil	Nil	Nil

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

2. Only Audit Committee and Investors Grievance Committee are reckoned for this purpose.

3. Audit Committee

(a) Terms of Reference

The terms of reference of the Audit Committee are in conformity with the requirements of Section 292A of the Companies Act, 1956 and were revised in view of the amended Clause 49 of the Listing Agreement.

(b) Composition

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

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Mr. R.G.G. Desai, General Manager-Finance & Corporate Services, acts as the Secretary to the Committee. The Statutory Auditors and Practising Company Secretary attended the meetings on invitation.

(c) Meetings held and attendance

Five Audit Committee meetings were held during the year. These were held on 29th April, 2006, 26th June, 2006, 24th July, 2006, 31st October, 2006 and 29th January, 2007.

Attendance at Audit Committee meetings during the financial year was as follows :

Committee Member	No. of Meetings held	No. of Meetings attended
A.T. Vaswani	5	5
Admiral L. Ramdas (Retd.)	5	5
Sheila Malaney	5	5

Mr. A.T. Vaswani, Chairman of the Audit Committee, was present at the previous Annual General Meeting of the Company held on 21st September, 2006.

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.

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 2006-07 was Rs.1,36,000 as shown below:

	Name of Director	Sitting Fees paid
1	Sheila Malaney	24,000
2	A.T. Vaswani	51,000
3	Admiral L. Ramdas (Retd.)	51,000
4	Vikram Malaney	10,000
	TOTAL	Rs. 136,000

5. Investors' Grievance and Share Transfer Committee**(a) Composition**

The Investors' Grievance and Share Transfer Committee comprises of three members, viz. Mr. A.T. Vaswani, Admiral L. Ramdas (Retd.) and Mrs. Sheila Malaney. Mr. A.T. Vaswani, independent Director, is the Chairman of the Committee. Mr. R.G.G. Desai, General Manager-Finance & Corporate Services, is the Compliance Officer.

(b) Meetings held and attendance

During the year two meetings of the Investors' Grievance and Share Transfer Committee were held on 26th June, 2006 and 29th January, 2007. Attendance at the Investors' Grievance and Share Transfer Committee meetings during the year 2006-07, was as follows :

Committee Member	No. of Meetings held	No. of Meetings attended
A.T. Vaswani	2	2
Admiral L. Ramdas (Retd.)	2	2
Sheila Malaney	2	2

(c) Share Transfers

With a view to servicing the shareholders more expeditiously, the Board has delegated the authority to a Committee Directors to approve share transfers and transmissions received from Intime Spectrum Registry Ltd., the Company's Registrars and Share Transfer Agents. All share transfers are ratified by the Board. The Committee met 15 times in the last Financial Year.

There were no applications for share transfer pending as at 31st March, 2007.