

**44<sup>th</sup>**  
*Annual Report*  
**2007-2008**

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**VULCAN**  
**ENGINEERS LTD.**

**44<sup>th</sup> Annual Report 2007-08****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.

**WORKS**

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

**STATUTORY AUDITORS & TAX CONSULTANTS**

- **Suresh Surana & Associates**  
Chartered Accountants  
602-3, 6th Floor, Regent Chambers,  
208, Nariman Point,  
Mumbai - 400 021.

**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 Fourth Annual General Meeting of Vulcan Engineers Limited will be held on Friday, 12<sup>th</sup> September, 2008 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 31<sup>st</sup> March, 2008, 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. A. T. Vaswani, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. P. M. Kumar, 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

Sheila Malaney  
Chairperson

Mumbai, Dated 14<sup>th</sup> July, 2008

### 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 1<sup>st</sup> September, 2008 to 12<sup>th</sup> September, 2008 (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 31<sup>st</sup> 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 31<sup>st</sup> March, 1995, 31<sup>st</sup> March, 1996 and 31<sup>st</sup> 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.

**44<sup>th</sup> Annual Report 2007-08**

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**ADDITIONAL INFORMATION**

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

**Mr. A.T. Vaswani**

By academic qualification, Mr. Vaswani is a Chartered Accountant and a Chartered Secretary.

Mr. A.T. Vaswani has over 40 years of experience in business and industry. Since 1981, Mr. Vaswani has served on the Board of Directors of leading multi national companies both in an executive and a 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. More recently, Mr. Vaswani was Executive Vice Chairman of Fujitsu ICIM Ltd., a Joint Venture between Fujitsu of Japan and RPG, a diversified Indian Group of companies.

Mr. Vaswani joined the Board of Vulcan Engineers Ltd. from 3<sup>rd</sup> October, 2000 and was appointed Vice Chairman of the Company with effect from 31<sup>st</sup> January 2004. Mr. Vaswani is also a Member and Chairman of the Audit Committee and Investors Grievance and Share Transfer Committee of Vulcan Engineers Ltd.

Mr. Vaswani also serves on the Boards of some prominent companies - KEC International Ltd. (India's largest Power Transmission company), P.J. Margo Private Ltd. (manufacturers of Pesticides), Emmellen Biotech Ltd. (manufacturers of bulk drugs), and Zensar Technologies Ltd. (IT services) as also the Audit Committees of some of those companies

**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 University of Manchester, U.K.

Mr. Kumar is a renowned Practising Consultant in Human Resources.

Mr. Kumar was inducted as a Director of Vulcan Engineers Ltd. with effect from 19<sup>th</sup> August 1999.

By Order of the Board

Sheila Malaney  
Chairperson

Mumbai, Dated: 14<sup>th</sup> July, 2008

## DIRECTORS' REPORT

Your Directors are pleased to present the Forty Fourth Annual Report of your Company together with the audited statement of accounts for the year ended 31<sup>st</sup> March, 2008.

### FINANCIAL HIGHLIGHTS

	Rs. in Lakhs	
	Current Year	Previous Year
Sales and Income from other sources	711.26	1,223.64
Profit/(Loss) before taxation	(40.02)	199.13
Provision for taxation:		
– Current tax	–	21.25
– Deferred tax	8.77	67.82
– Fringe benefit tax	4.61	2.65
	13.38	91.72
Net Profit/(Loss) after taxation	(53.40)	107.41

### DIVIDEND

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

### REVIEW OF OPERATIONS & FUTURE PROSPECTS

During the year under review, sales turnover dropped from Rs.12.24 crores to Rs.7.11 crores reflecting a fall of 42%. This resulted in a loss of Rs.53.40 Lacs as compared to a Profit of Rs.107.41 Lacs in the previous year.

Unfortunately, due to circumstances beyond the control of the Company, certain shipments which were scheduled to be completed before 31<sup>st</sup> March 2008 were delayed and were made in April 2008 resulting in the sales and profits being carried over to the next quarter.

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 tendered for several large projects and has received a prestigious order for Kilns from a Public Sector steel plant.

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. Your Company is actively exploring this avenue and at present has secured a few orders from European companies for outsourcing their detailed engineering.

### 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 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'.

### 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.

## 44<sup>th</sup> Annual Report 2007-08

- (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 31<sup>st</sup> March, 2008 and of the Profit/Loss for the period from 1<sup>st</sup> April, 2007 to 31<sup>st</sup> March, 2008.
- (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' REMARKS

Remarks of the Auditors as regards valuation of Inventories has been explained in Note 3 of Schedule 19 - "Accounting policies and notes forming part of accounts".

As regards the remarks regarding virtual certainty of sufficient future taxable income, your Directors feel that, considering the unexecuted orders on hand, there would be sufficient taxable income for the next two financial years.

### 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

Mumbai, Dated : 14<sup>th</sup> July, 2008

Sheila Malaney  
Chairperson

## 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. 82.86 lakhs

Outgo in foreign currency          Rs. 19.44 lakhs

For and on behalf of the Board

Mumbai, Dated : 14<sup>th</sup> July, 2008

Sheila Malaney  
Chairperson

## MANAGEMENT DISCUSSION & ANALYSIS

### Industry

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

### Financial and Operational Performance

During the year 2007-08, Sales and other Income was Rs.7.11 crores as against Rs.12.24 crores for the year 2006-07. There was a loss of Rs.40.02 Lacs as against a Profit of Rs.199.13 Lacs in the previous year.

### SEGMENTAL INFORMATION

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

	Outside India Rs.	Within India Rs.	Total Rs.
<b>1. Segment revenue</b> Sales (gross) and income from operations	<b>6,751,441</b> (9,766,343)	<b>65,945,026</b> (123,305,454)	<b>72,696,467</b> (133,071,797)
<b>2. Carrying amount of assets by geographical location of assets</b> Segment assets	<b>2,751,441</b> (6,107,983)	<b>47,878,709</b> (45,159,286)	<b>50,630,150</b> (51,267,269)
<b>3. Additions to fixed and intangible assets</b> Addition to fixed assets	— (—)	<b>261,707</b> (2,583,939)	<b>261,707</b> (2,583,939)

### Future Outlook

Your Company has strengthened its infrastructure and technical skills and positioned itself to reap the benefits of the economic growth. The Company has tendered for number of large projects both for kilns and furnaces and expects to be able to convert some of them.

### 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 realised 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 cost push inflation. Efforts are being made to counter this through both price adjustments and elimination of operational inefficiencies as well as incorporation of escalation clauses in longer period contracts wherever possible.



## 44<sup>th</sup> Annual Report 2007-08

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### **Financial Risk**

Financial risks include liquidity for working capital requirements and non-fund facilities like Bank Guarantee limits required for large projects.

#### *Risk Mitigation*

Currently, the Company is largely being financed out of advance payments received 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 and tie ups with world leaders in technologies related to the Company's products.

### **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. The Company is also recruiting and training fresh bright graduate engineers. The Company also keeps abreast of HR practices and compensation levels in the industry.

### **Contingent Liabilities**

Details of contingent liabilities are given in Schedule 19 "Accounting policies and notes forming part of accounts".

### **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.

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## 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 Limited 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

The Board of Directors comprised of six members, all of whom are non-executive directors. The Board has a non-executive Chairperson and four of its members are independent directors, which is more than one-half 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 27<sup>th</sup> April, 2007, 17<sup>th</sup> May, 2007, 31<sup>st</sup> July 2007, 31<sup>st</sup> August, 2007, 30<sup>th</sup> October, 2007 and 30<sup>th</sup> January, 2008. The gap between any two Board Meetings did not exceed three 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 2007-08 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 (2007-08)	Last AGM (31-8-2007)	Directorships <sup>1</sup>	Committees <sup>2</sup>	
					Member	Chairman
Sheila Malaney	Chairperson Non-executive	5	Attended	1	Nil	Nil
A. T. Vaswani	Vice-Chairman Independent Non-executive	6	Attended	4	1	5
Admiral L. Ramdas (Retd.)	Independent Non-executive	5	Attended	Nil	Nil	Nil
P. M. Kumar	Independent Non-executive	Nil	Did not attend	Nil	Nil	Nil
Vikram M. Malaney	Non-executive	5	Attended	2	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 as well as Clause 49 of the Listing Agreement.

#### (b) Composition

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

All the members of the Audit Committee are financially literate. Mr. A.T. Vaswani, Chairman has accounting and financial management expertise.

**44<sup>th</sup> Annual Report 2007-08**

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 27<sup>th</sup> April, 2007, 17<sup>th</sup> May, 2007, 31<sup>st</sup> July, 2007, 30<sup>th</sup> October, 2007 and 30<sup>th</sup> January, 2008.

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

Name of Director	No. of Meetings held	No. of Meetings attended
A.T. Vaswani	5	5
Admiral L. Ramdas (Retd.)	5	5
Sheila Malaney	5	4

Mr. A.T. Vaswani, Chairman of the Audit Committee, was present at the previous Annual General Meeting of the Company held on 31<sup>st</sup> August, 2007

**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 2007-08 was Rs.1,65,000 as shown below:

	Name of Director	Sitting Fees paid
1	Sheila Malaney	43,000
2	A.T. Vaswani	51,000
3	Admiral L. Ramdas (Retd.)	46,000
4	Vikram Malaney	25,000
	<b>TOTAL</b>	<b>Rs. 1,65,000</b>

**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 30<sup>th</sup> October, 2007 and 30<sup>th</sup> January, 2008. Attendance at the Investors' Grievance and Share Transfer Committee meetings during the year 2007-08, was as follows :

Name of Director	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 Sub-committee of 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 Sub-committee met 19 times during the last Financial Year.

There were no applications for share transfer pending as at 31<sup>st</sup> March, 2008.