



Transpek Industry Limited



2001-02

A n n u a l R e p o r t

Report



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Transpek Industry Limited



36th ANNUAL REPORT 2001-2002 (9 MONTHS)

Board of Directors

A. C. Shroff
Chairman

A. G. Shroff
Managing Director

R. R. Patel
D. C. Gami
M. K. Vadgama
Dipesh K. Shroff
Mahendra L. Shah
Suresh Chatterjee (w.e.f. 28.09.2001)
(Nominee of IFCI)

Company Secretary
Shailesh K. Solanki

Bankers
State Bank of India
Bank of Baroda
UTI Bank Ltd.

Auditors
Messrs. S. V. Ghatalia & Associates
Chartered Accountants

Registered Office
6th Floor, Marble Arch,
Race Course,
Vadodara 390 007.

Works
Village Ekalbari, Ta. Padra,
Dist. Vadodara.

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Annual General Meeting on Monday, 30th September, 2002 at 4.00 P.M. at the Lecture Hall, The Institution of Engineers (India), Vadodara Local Centre, Near S. T. Depot, Race Course Circle, Vadodara 390 007

The practice of distributing copies of the Annual Report at the Annual General Meeting has been discontinued. You are requested to bring your copy of the Annual Report to the Meeting.

A REQUEST

We are sure you have read with interest the accounts for the period ended 31st March, 2002. You may desire to have some clarification or additional information on the said accounts at the ensuing Annual General Meeting. We shall very much appreciate, if you will kindly write to us at least ten days in advance in order to enable us to keep the information ready for you at the Meeting. We solicit your kind co-operation.

**NOTICE TO THE MEMBERS**

NOTICE IS HEREBY GIVEN THAT the THIRTY SIXTH ANNUAL GENERAL MEETING of the Members of **TRANSEK INDUSTRY LIMITED** will be held on Monday, the 30th day of September, 2002 at 4.00 p.m. at the Lecture Hall, The Institution of Engineers (India), Vadodara Local Centre, Near S. T. Depot, Race Course Circle, Vadodara 390 007 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the period ended on 31st March, 2002, the Balance Sheet as at that date and the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Shri D. C. Gami who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri M. K. Vadgama who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

By Order of the Board of Directors
For Transpek Industry Limited

Regd. Office :
6th Floor, Marble Arch,
Race Course,
Vadodara 390 007.
Dated : 19th June, 2002

SHAIKESH K. SOLANKI
Dy. General Manager &
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
The instrument appointing a proxy should, however, be deposited at the Regd. Office of the Company not less than 48 hours before the commencement of the meeting.
2. Members who hold shares in dematerialised form are requested to bring their DP ID and client ID Nos. for easy identification of attendance at the meeting.
3. The Register of Members and Share Transfer Books of the Company and the Register of Beneficial Owners maintained by NSDL and CDS in respect of the Company will remain closed from 23rd September, 2002 to 30th September, 2002 (both days inclusive).
4. Members are requested to notify promptly any change in their address to the Company.
5. Pursuant to section 205A of the Companies Act, 1956 all unclaimed dividends for and upto the Company's financial year ended March 31, 1995 have been transferred to the General Revenue Account of the Central Government.

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Shareholders who have so far not claimed their dividends for the said years are requested to claim the amount by submitting an application in the prescribed form No.11 Rule 6 (1) Part A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to the Registrar of Companies, Gujarat, Gujarat Housing Board Building, Opp. Rupal Park, Near Ankur Char Rasta, Naranpura, Ahmedabad 380 013.

Pursuant to Sections 205A to 205C of the Companies Act, 1956, any money transferred to the unpaid dividend account which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to a fund called Investor Education and Protection Fund set up by the Central Government. Accordingly, the unpaid/unclaimed dividends for the years 1995-96 onwards will become transferable at the end of seven years respectively to the said Investor Education and Protection Fund and no claims shall lie against the Fund or the Company in respect of individual amounts thereafter. Shareholders are, therefore, requested to check up and send their claims, if any, for the relevant years from 1995-96 onwards before the respective amounts become due for transfer to the said Funds.

The unpaid / unclaimed right refund excess application money for the year 1989-90 in full and unpaid/unclaimed right refund excess application money for the year 1992-93 in part has been transferred to the Investor Education and Protection Fund established by the Central Government.

6. In accordance with the provision of section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of the shares held by them in physical form. Shareholders desirous of making nomination are advised to send their request in form no.23 in duplicate (which will be made available on request to the Company Secretary)
7. Re-appointment of Directors.

At the ensuing Annual General Meeting, S/shri D. C. Gami and M. K. Vadgama retire from office by rotation and, being eligible, offer themselves for re-appointment. The details pertaining to the Directors required to be provided under clause 49 of the Listing agreement are furnished in the statement of Corporate Governance

**By Order of the Board of Directors
For Transpek Industry Limited**

Regd. Office :

6th Floor, Marble Arch,

Race Course,
Vadodara 390 007.

Dated : 19th June, 2002

**SHAILESH K. SOLANKI
Dy. General Manager &
Company Secretary**

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**DIRECTORS' REPORT**

To
The Members

Your Directors present the Thirty Sixth Annual Report together with the Audited Accounts of the Company for the period ended 31st March, 2002.

FINANCIAL RESULTS

	2001-2002 (9 Months) Rs. in Lakhs	2000-2001 (15 Months) Rs. in Lakhs
Net Sales and other Income	2090.43	11527.21
Profit before Interest and depreciation	80.87	1059.59
Interest	394.49	1089.76
Cash Profit/(Loss) before Taxes	(313.62)	(30.17)
Less :		
Depreciation	246.75	479.74
Profit/(Loss) before Tax	(560.37)	(509.91)
Provision for Taxation		
Current	0.26	0.20
Deferred Tax Asset	(85.86)	—
Profit/(Loss) after Tax	(474.77)	(510.11)
a) Excess /(Short) Previous Years' Tax Provision	—	0.55
b) Prior Years' Adjustments	(2.13)	(48.44)
	(476.90)	(558.00)
Balance brought forward from Previous Year	(342.76)	215.24
Balance carried to Balance Sheet	(819.66)	(342.76)

Note: Previous period figures have been regrouped / rearranged wherever necessary. Current period figures are not comparable with the previous period since,

- the current financial period consists of nine months ended on 31st March, 2002, whereas the previous financial period consisted of fifteen months ended on 30th June, 2001; and
- the Sulphoxylates Business of the Company was transferred to Transpek Metals and Oxides Limited (presently known as Transpek – Silox Industry Limited) on 1st October, 2000 and accordingly the previous period figures included those relating to that Business for the first six months.

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DIVIDEND

In view of loss in the current year, the Board of Directors are unable to recommend any Dividend.

REVIEW OF OPERATIONS

Market conditions for the products of the Company continued to be difficult during the year under review (July 2001 to March 2002). The Company registered a net sales turnover together with other income of Rs. 2090.43 lacs in 9 months as against Rs.11527.21 lacs in 15 months period in the previous financial year. During the current year, the Company incurred a loss of Rs.477 lacs in 9 months (with a cash loss of Rs.314 lacs) after recognising deferred tax assets amounting to Rs.85.86 lacs, as compared to a loss of Rs.558 lacs (with a cash loss of Rs.30 lacs) which included loss on sale of investments Rs.442.15 lacs in the previous year comprising 15 months.

During the year under review, the Company faced adverse financial condition. The market for the Company's main product, Thionyl Chloride, witnessed many adverse changes. Cut throat competition resulted in falling trend in volume of sales, falling prices and lower contribution on the one hand and rise in input costs on the other. As a result, certain overhead costs, as a percentage of sales turnover remained high.

Several steps were taken to meet this challenge some of which have fructified after the closure of the financial year ended 31st March, 2002. Some of the more important of such steps were:

- * Divestment of the Company's holding in the equity share capital of the Joint Venture Company Transpek-Silox Industry Ltd. ("TSIL") partly by sale to Excel Industries Ltd. and partly by acceptance of the offer of buy-back by TSIL, resulting in (a) the Company's equity holding in TSIL being brought down from 39% to 14.93%; (b) inflow of Rs.8.6 crores; and (c) sharing two nominees on the Board of TSIL with Excel Industries Ltd.
- * Reschedulement of term loans obtained in the past from IFCI and IDBI.
- * Sustained cost-reduction including rationalization of manpower resulting in reduction in employee strength from 784 as on 1st April, 2001 to 472 as on 19th June, 2002.
- * Coordinated approach to development of the market and production capability for certain value-added new products.

OUTLOOK

Thionyl Chloride is an important raw material for agro-chemicals and is, therefore, subject to seasonal variations in demand. Efforts are, therefore, in progress to explore the domestic and international markets in sectors which have no such seasonal variations. Margins are,



however, likely to continue to be under pressure as the rising trend in input costs is expected to continue. This adverse trend is likely to be offset by higher margins in the new value-added products. The overall outlook is, therefore, likely to be positive.

QUALITY MANAGEMENT SYSTEM CERTIFICATION

Surveillance Audit was carried out by M/s. RWTUV and certification of Quality Management System (QMS) ISO 9002: 1994 version for the current year under operations was obtained. Several process activities were integrated with the Quality Management System (QMS).

ENVIRONMENT AND SAFETY

The Company has obtained ISO 14001 certification from M/s. RWTUV for Environment Management System (EMS).

Safety performance in plant operations resulted in sizeable reduction in reportable as well as non-reportable accidents.

SUBSIDIARY COMPANY

As required under the provisions of Section 212 of the Companies Act, 1956, the Audited Statement of Accounts together with the Reports of the Board of Directors and of the Auditors thereon for the year ended 31st March, 2002 in respect of Transpek Marketing Ltd. (a wholly owned subsidiary company) is also annexed.

DIRECTORS

Shri D. C. Gami and Shri M. K. Vadgama Directors of the Company retire by rotation and, being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirements under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- a). In the preparation of the accounts for the financial year ended 31st March 2002 the applicable accounting standards have been followed. In respect of Accounting Standard 13 issued by The Institute of Chartered Accountants of India relating to "Accounting for Investment's", your Directors are of the opinion that no provision for diminution in value of long term investments is necessary since the said decline in value in the said long term investments is on account of temporary factors.
- b). the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;

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- c). The Directors have taken proper and sufficient care 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.
- d). The Directors have prepared the accounts for the financial year ended 31st March, 2002 on a going concern basis.

CORPORATE GOVERNANCE

Your Company has been practising the principles of good Corporate Governance over the years and the Board of Directors lays strong emphasis on transparency, accountability and integrity.

The code of Corporate Governance as per the Listing Agreement with the Stock Exchanges is required to be implemented by 31st March, 2002 by the Company. Accordingly, the Company has taken adequate steps to ensure that the conditions stipulated in clause 49 of the Listing Agreement in this regard are complied with.

A separate statement on Corporate Governance is included as a part of this Annual Report along with the Auditors' certificate on its compliance.

FIXED DEPOSITS

During the year under review, your Company accepted deposits from Public/ Shareholders/ Employees and has complied with the provisions of section 58A of the Companies Act, 1956 and the Rules framed thereunder. There were 260 deposits aggregating to Rs.30.53 lakhs which were due and remained unclaimed as on 31st March, 2002 of which 104 deposits amounting to Rs.13.87 lakhs have since been repaid or renewed.

AUDITORS

M/s. S. V. Ghatalia & Associates, Chartered Accountants, Mumbai will retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have, pursuant to the provisions of section 224 (1B) of the Companies Act, 1956, furnished a certificate regarding their eligibility for re-appointment as the Auditors of the Company. The shareholders may consider their re-appointment and fix their remuneration.

AUDITORS' REPORT

In regard to the Auditors' observations at item (d) of their report, as mentioned in note no.5 in Schedule "V" to the Accounts, the Board is of the view that the diminution in value of the concerned investments is of a temporary nature and hence not provided for.

TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In terms of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 particulars as prescribed therein relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure "A" forming part of the Directors' Report.

**COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975**

Since none of the employees employed throughout the year was in receipt of remuneration aggregating to not less than Rs.24 lacs p.a. and if employed for part of the year, was in receipt of remuneration aggregating to not less than Rs.2 lacs p.m. the above Rules are not applicable and hence, no statement has been included in this regard in this Report.

ACKNOWLEDGEMENTS

Your Directors wish to acknowledge the co-operation and assistance extended to the Company by IFCI Ltd., Industrial Development Bank of India, Company's Bankers, State Government Agencies etc. Your Directors also wish to place on record their appreciation of the contribution made by employees at all levels towards the growth of the Company. Your Directors also acknowledge with gratitude the support of the Customers, Suppliers, Shareholders and Investors for the faith reposed in the Company and its management.

BY ORDER OF THE BOARD

Place : Vadodara

Dated : 19th June, 2002

A. C. SHROFF
Chairman

ANNEXURE 'A'

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2002.

I. ENERGY CONSERVATION

Effective 1st June, 2001 the Contract Demand with GEB was reduced from 2490 KVA to 1600 KVA resulting in saving of about Rs.15.00 lacs for the nine months comprising the current financial year.

The Company maintained power factor at a reasonably high level and obtained rebate to the tune of Rs.13.50 lacs in the current financial year.

The Company was audited by authorised agency namely M/s. Centre Technical Centre, Aditya Birla Group, for our energy audit during the period. The audit report indicated enough potential for energy saving. A systematic approach to energy conservation / saving has been adopted and savings to the tune of Rs.50 lacs p.a. are anticipated.

SO₃ plant Waste Heat steam is being utilized for TC plant, resulting in reduction of oil consumption.

In addition to the above, a number of measures adopted such as installation of energy efficient lighting, star- delta starters, etc. are expected to reduce the power consumption further. Also use of fuel additives in boiler fuel is expected to improve thermal efficiency resulting in additional savings in energy cost.

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FORM 'A'

Current Period Previous Period
(2001-2002) (2000-2001)
9 months 15 months

A POWER AND FUEL CONSUMPTION**1. Electricity**

a) Purchased Units	5392915	15274682
Total Amount (Rs. in lakhs)	289.62	819.99
Rate/Unit	5.37	5.37
b) Own Generation		
I. Through Diesel Generator (Units)	391217	1786916
Units generated per litre of diesel oil	2.85	2.64
Total Cost/Unit	5.27	4.80
II. Through Steam turbine/ generator (Units)	Not	Not
Units per litre of fuel oil/gas/cost/unit	Applicable	Applicable

2. Coal

Quantity (Tonnes) Total Cost/ Average Rate	Not	Not
	Applicable	Applicable

3. Furnace oil quantity (litre)

Total Amount (Rs. in lakhs)	1587210	4521229
Average Rate/Ltr.	136.20	452.00
	Rs.8.58	Rs.10.00

4. Others Gas Quantity (Cu.M)

Total Amount (Rs. In lacs)	—	2186541
Average Rate/Cu. M.	—	87.95
	—	Rs.4.02

B. CONSUMPTION PER UNIT OF PRODUCTION**For all Products****(with Unit Details)**

Electricity (Units)	207.43	282.00
Furnace Oil (Litre)	64.18	67.00
Coal (Specify quality)	Not	Not
	Applicable	Applicable
Gas (Cu. M)	—	213

II. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption are given below in Form B:

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