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40th Annual Report

Year 2005 - 2006



Transpek Industry Limited



BOARD OF DIRECTORS

A.C.Shroff
Chairman

A.G.Shroff
Managing Director

R.R. Patel
D.C. Gami
D.K. Shroff
M.L. Shah
M.D. Patel
A.H. Patel
Directors

S.K. Solanki
Company Secretary

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

Auditors
S.V. Ghatalia & Associates
Chartered Accountants

Registered Office
6th floor, Marble Arch,
Race Course,
Vadodara - 300 007.

Works
Village Ekalbara, Tal. Padra
Dist. Vadodara

40th Annual Report

Year 2005 - 2006

 Transpek Industry Limited

  

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Annual General Meeting on **24th August, 2006 at 3:30 P.M.** at Lecture Hall, The Institution of Engineers (India)Vadodara Local Centre, Near S.T. Depot, Race Course, 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 of the year ended 31st March 2006. 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 kindly write to us atleast 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.





Transpek Industry Limited

■ ■ NOTICE TO THE MEMBERS :

NOTICE IS HEREBY GIVEN THAT the FORTIETH ANNUAL GENERAL MEETING of the Members of **TRANSPEK INDUSTRY LIMITED** will be held on Thursday, the 24th August, 2006 at 3.30 P.M. at the Lecture Hall, The Institution of Engineers (India), Vadodara Local Center, 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 year ended on 31st March, 2006, the Balance Sheet as at that date and the Reports of the Auditors and Directors thereon.
2. To declare a dividend on the equity shares of the Company.
3. To appoint a Director in place of Shri M. D. Patel who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri A. H. Patel who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri M. L. Shah who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and it is hereby accorded in terms of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose) for the creation, from time to time, by the Board of such mortgages, charges and hypothecations (in addition to the mortgages/charges/hypothecations already created) in such form and manner and with such ranking as to priority and on such terms as the Board may determine, on all or any of the movable and/or immovable properties of the Company, both present and future, and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default, in favour of the financial institutions/banks/other lenders/trustees for the holders of debentures/bonds/other instruments issued/to be issued by the Company from time to time, for securing the borrowings availed/to be availed by the Company by way of loan(s) (in foreign currency and/or Indian rupee currency) subject to the limits approved under Section 293(1)(d) of the Companies Act, 1956, together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the Agent(s)/Trustees, premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange and all other moneys payable by the Company in terms of the Loan Agreement(s)/Debenture Trust Deed(s) or any other document, entered into/to be entered into between the Company and the Lender(s)/Agent(s)/Trustee(s), in respect of the said loans/borrowings/debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board and the Lender(s)/Agent(s)/Trustee(s)."

NOTICE





Transpek Industry Limited

■ ■ NOTICE TO THE MEMBERS :

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and it is hereby authorized to finalize, settle and execute such documents / deeds / writings / papers / agreements as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, expedient, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges/hypothecations as aforesaid."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT, pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 ("the Act") (including any statutory modification(s) or re-enactment thereof for the time being in force) and notwithstanding the limits and conditions specified in sub-Section (3) of Section 309 and Schedule XIII to the Act but subject to the prior approval of the Central Government, and subject to such conditions as the Central Government may impose while granting such approval, the members of the Company do hereby approve the re-appointment of and payment of remuneration to Shri Atul G. Shroff as Managing Director of the Company w.e.f 1.12.2006 for a period of five (5) years commencing from 1.12.2006 and ending on 30.11.2011, on the terms and conditions as set out in the draft agreement to be entered into by the Company with Shri Atul G. Shroff and submitted to this meeting and initialled by the Chairman for the purpose of identification with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said Agreement in such manner as may be agreed to between the Board and Shri Atul G. Shroff, provided such alterations/variations are in accordance with the approval accorded by the members of the Company and by the Central Government."

"FURTHER RESOLVED THAT, subject to the approval of the Central Government and notwithstanding the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956, if in any financial year during the tenure of the Managing Director, the Company has no profits or its profits are inadequate, Shri Atul G. Shroff, shall be entitled to receive and be paid the same remuneration in that year as set out in the aforesaid agreement."

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things including acceptance of such conditions as the Central Government may impose while granting its approval as aforesaid and to execute all such documents, instruments and writings as may be required to give effect to this resolution."

Regd. Office:

6th Floor, Marble Arch,
Race Course,
Vadodra 390 007.

By Order of the Board of Directors
For Transpek Industry Limited

SHAILESH K. SOLANKI

Dy. General Manager & Company Secretary

Dated: 6th June, 2006

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 be deposited at the Regd. Office of the Company not less than 48 hours before the commencement of the meeting.

NOTICE





Transpek Industry Limited

■ ■ NOTICE TO THE MEMBERS :

NOTES : Cont'd...

2. Members who hold shares in dematerialized 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 CDSL in respect of the Company will remain closed from 17th August, 2006 to 24th August, 2006 (both days inclusive).
4. Members are requested to notify promptly any change in their address to the Company.
5. Pursuant to sections 205A and 205C of the Companies Act, 1956 all unclaimed dividends for and upto the Company's financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government and for the financial years ended 31st March, 1996 to 1998 have been transferred to the Investor Education and Protection Fund ("the Fund") set up by the Central Government.

Unpaid/unclaimed dividends for the year 1998-1999 are due for transfer to the Fund on 26.08.2006.

6. In accordance with the provisions 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. 2B in duplicate (which will be made available on request to the Company Secretary).

ANNEXURE TO NOTICE :

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

Item No. 7

The Company borrows moneys through loans from the financial institutions/banks/other lenders for the purpose of its business and may, in the future, issue debentures/bonds/other instruments.

Several of the Company's existing and future borrowings are required to be secured by creating mortgages/charges/hypothecations on all or part of the immovable and/or movable assets of the Company, present and future, in favour of the financial institutions/banks/other lenders/trustees for holders of debentures/bonds/other instruments, which may be regarded as disposal of the undertaking of the Company or a substantial part thereof within the meaning of Section 293(1)(a) of the Companies Act, 1956.

Section 293(1)(a) of the Companies Act, 1956, provides, *inter alia*, that the Board of Directors of the Company shall not, without the consent of the Company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company. Hence, the resolution at Item No.7 of the Notice is recommended for approval of the members.

None of the Directors of the Company is concerned or interested in the resolution at Item No. 7.

NOTICE





■ ■ NOTICE TO THE MEMBERS :

ANNEXURE TO NOTICE : Cont'd...

Item No. 8

The present term of office of Shri Atul G. Shroff as Managing Director of the Company will be expiring on 30th November, 2006.

Subject to the approval of the members and that of the Government of India, the Board of Directors of the Company, in pursuance of the recommendations of the Remuneration Committee, the Board, at its meeting held on 6th June, 2006, has approved the re-appointment of Shri Atul G. Shroff, as Managing Director of the Company for a further period of five (5) years commencing from 1.12.2006 to 30.09.2011 on the remuneration and other terms and conditions as determined by the Remuneration Committee and specified in the draft Agreement placed before this meeting.

The Remuneration Committee has recommended the remuneration as set out hereunder.

As required under the aforesaid provisions of Schedule XIII to the Companies Act, 1956, the following information is furnished:

1. General Information :

1. Nature of Industry : Manufacture of Industrial Chemicals
2. Date of commencement of commercial production : January, 1966
3. Financial performance based on given indicators : The financial year 2005-06 of the Company ended with cash profit of Rs.1235.82 lacs as against cash profit of Rs.1151.27 lacs in the previous financial year. Further, during that year, after recognizing depreciation and amortization expenses amounting to Rs.426.67 lacs, Tax Liabilities amounting to Rs. 304.04 lacs and after accounting prior period adjustments (net) amounting to Rs.2.56 lacs, the Company registered net profit amounting to Rs.501.94 lacs as compared to the profit of Rs.512.90 lacs in the previous financial year.

During the financial year 2003-04 the Company registered net profit amounting to Rs.254.96 lacs as compared to the loss of Rs.309.93 lacs in the previous financial year.
4. Export performance and net foreign exchange collaborations : The Company's performance in the area of export sales has improved to a great extent and there has been a jump of 76% in the exports of the Company during 2005-06 as compared to the previous year.
5. Foreign investments or collaborators, if any : There have been no foreign investments or collaborations.

NOTICE





Transpek Industry Limited

■■ NOTICE TO THE MEMBERS :

ANNEXURE TO NOTICE : Cont'd...

2. Information about the Appointee:

Sr.	Particulars	Shri Atul G. Shroff
1. Background details	<p>: Shri Atul G. Shroff, who has been the Managing Director of the Company since 1981, has grown through the ranks of the Company since its inception in 1965. A people's man, he is known to be found moving on the shop-floor, and having a direct rapport with most of its workforce which constitutes the Transpek family. His vision envisages the setting up of a global network. His keen sense of understanding the chemical processes has resulted in development of several innovative and appropriate improvements in our various plants.</p> <p>He is committed to develop Transpek into a world class company, where each employee is a proud partner. He strives to harness the most innovative and appropriate technologies for manufacturing chemicals having complex chemistry with due concern to the environment and safety of all employees and the neighborhoods.</p> <p>During his tenure the Company has made all round progress emerging as a forward looking organization with zeal to become a world-class organization. After hiving off the Sulphoxylates Business to a Joint Venture Company, Transpek-Silox Industry Ltd., he has steered the Company out of the difficulties into a self-sustaining organization of international standard by providing entrepreneurial inputs and adding products that have new applications and by arranging backward and forward integration synergy - thus improving in-house generation of important raw-materials and increasing in-house consumption of existing product. The Company is one of the largest Thionyl Chloride (TC) producing companies in India and comparable to some world ranking companies.</p> <p>Shri Atul Shroff also provides his expertise and services to various public and private limited companies as a Director / Chairman on their Boards.</p>	
2. Past Remuneration	<p>: Rs.1,50,000/- p.m. as salary and equivalent amount of perquisites.</p>	

NOTICE





Transpek Industry Limited

■ ■ NOTICE TO THE MEMBERS :

ANNEXURE TO NOTICE : Cont'd...

3. Recognition or Awards

: Under the stewardship of Shri A. G. Shroff the Company obtained the following recognitions / awards:

- In 1990, the Company won a turn-key project in Iran against stiff competition from several international players under which it installed and commissioned a chemical plant valued at US Dollars 12.5 million.
- In 1992, Financial Express declared the Company as the Best Organic Chemical Industry for two consecutive years.
- Indian Chemical Manufacturers' Association gave an award to the Company for "Innovative and Purposeful Programmes for Solid Progress."
- In 1997, the Company's Quality Management System was awarded ISO:9002 recognition by RWTUV of Germany.
- The Company's Environment Management System was awarded ISO:14001 recognition by RWTUV of Germany.
- In 2002-03, after a Surveillance Audit for ISO 14001: 1996 carried out by RWTUV of Germany, ISO certification for Environment Management System was obtained.
- In 2002-03, the Company's R&D Department was recognized by the Department of Scientific and Industrial Research (DSIR), Govt. of India.
- In 2003-04, the Company obtained re-certification from RWTUV for ISO 9001:2000 for its quality system for manufacture and sale of its products.
- In the current year the Company has been awarded the status of One Star Export House.
- In 2005-06 re-certification audit for ISO 9001:2000 Quality Management System was carried out by RWTUV and Certificate for Quality System was obtained.

NOTICE





■ ■ NOTICE TO THE MEMBERS :

ANNEXURE TO NOTICE : Cont'd...

- In 2005-06 re-certification audit for ISO 14001:2004 Environment, Health and Safety was also carried out by RWTUV and Certificate for Environment Management System was obtained.
- Under his stewardship certain process improvements were made for manufacturing Thionyl Chloride ("TC"). These, together with de-bottlenecking of certain equipments, enabled the Company to increase the installed capacity of TC to 19500 TPA - an increase of 18%.
- During his term the Company could reduce waste product generation by introducing certain modifications at source which have in turn reduced effluent generation.
- By undertaking various energy conservation activities considerable savings have been effected during last 3 years.
- During his tenure commercial manufacture of 4 new products could be established.
- Looking to his practical approach towards solving sub-soil water problems by harvesting rain water to re-charge the tube wells, the Federation of Gujarat Industries has assigned to him the responsibility to harness rain water and re-charge the sub-soil water resources for the entire city of Vadodara in collaboration with Vadodara Municipal Corporation.

This will have dual effect of controlling flooding and arresting depletion of sub-soil water level and also to improve its quality.

4. Job profile and his suitability

: Responsible for overall management of the Company under the supervision of the Board of Directors. Considering his background and experience, believed to be suitable to perform his duties.

5. Remuneration proposed

: Given herein below

NOTICE





Transpek Industry Limited

■ ■ NOTICE TO THE MEMBERS :

ANNEXURE TO NOTICE : Cont'd...

6. Comparative remuneration profile with : The proposed remuneration compares favourably respect to industry, size of the company, with that being offered to similarly experienced persons from industry and the professions with an profile of the position and person entrepreneurial background. The remuneration being proposed is considered to be appropriate, having regard to factors such as past experience, position held, present contribution to the Company, age and merits of the appointee.
7. Pecuniary relationship directly or : The appointee has the pecuniary relationship to the indirectly with the Company or extent of the amount of remuneration being relationship with the managerial proposed to be paid to him. personnel, if any

3. Other Information:

1. Reasons of Loss or Inadequate profits:

In the financial year 2003-2004 the Company was having inadequate profit to the extent of payment of remuneration to the Managing Director in pursuance of sub-para (B) of para 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956. In that year the Company achieved a turn around and earned cash profit (before extraordinary item and tax) of Rs.702.08 lacs and a net profit of Rs.254.96 lacs as against loss of Rs.239.55 lacs in the previous year.

In the year 2004-2005, the Company had earned cash profit of Rs.1151.27 lacs and net profit of Rs.512.90 lacs.

In the year 2005-2006, the Company had earned cash profit of Rs.1235.82 lacs and net profit of Rs.501.94 lacs.

Approval of the members of the Company and the Central Government is being sought in the event the amount of remuneration proposed to be paid to Shri A. G. Shroff on his re-appointment for five years exceeds the limits specified in sub-para (C) of para I of Section II of Part II of Schedule XIII of the Companies Act, 1956. Loss or inadequacy of profits in the coming years is, however, not anticipated.

2. Steps taken or proposed to be taken for improvement:

Process improvements made in the Chlorinated Compounds Plant have had a beneficial impact on management of storage and disposal of certain by-products.

The Company has embraced "Kaizen" philosophy in all areas of operations in the Company resulting in productivity enhancement, process and quality improvements as well as in systematic de-bottlenecking of all existing plants.

With strategic focus on export business and in order to explore newer avenues, the Company has started tapping the markets in China, Eastern Europe and Russia.

NOTICE

