

EPC INDUSTRIÉ LIMITED



**28TH ANNUAL REPORT
2009-2010**



NOTICE

NOTICE is hereby given that the 28th Annual General Meeting of the members of EPC INDUSTRIE LIMITED will be held on Wednesday, July 21, 2010 at 11.00 a.m. at the Registered Office at Plot No.H-109, MIDC Ambad, Nashik-422 010 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March, 2010, together with the Balance Sheet as at that date and the report of the Auditors thereon.
2. To appoint a Director in place of Mr.Vinayak Patil who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

4. To issue equity shares to the employees of the Company under the Employees Stock Option Scheme of the Company.

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 Section 81 (1A) and other applicable provisions if any, of the Companies Act, 1956, and in accordance with the provisions of the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended from time to time, regulations of the Reserve Bank of India and such other legislations, permissions and approvals as may be necessary, the consent of the Shareholders be and hereby is accorded to the Employee Stock Option Scheme – 2010 ("Scheme") on such terms and conditions as set out in the Scheme and with such other terms and conditions as may be decided by the Board of Directors or the Remuneration Committee or any other Committee of Directors, to enable grant of options, issue and allotment of such number of equity shares or securities convertible into equity shares, as necessary, for the benefit of present and future eligible Employees and eligible Directors of the Company including Independent Directors, provided however that the options granted in aggregate shall not exceed 5% of the Company's paid-up equity capital."

"RESOLVED FURTHER THAT the limits for the maximum number of stock options that can be granted per calendar year under the Scheme to any individual shall be 15,000 (Fifteen thousand) stock options per person."

"RESOLVED FURTHER THAT the new equity shares to be issued and allotted by the Company in the manner aforesaid shall stand pari passu in all respects with the then existing equity shares of the Company."

"RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of the shares as described above, the Board of Directors (which shall include the Remuneration Committee of the Board) be and is hereby authorized to:

1. formulate, finalise, settle and modify the Scheme as well as the related issue of equity shares, and for this purpose to settle all matters arising out of or incidental thereto, including the eligibility, modality, price, ranking, dividend

entitlement, number of equity shares, the tranches and all matters connected therewith;

2. make and accept any modifications in the Scheme, as may be required by the Regulatory Authority or other wise, without any further approvals from the Members, to settle all matters arising out of and incidental thereto, finalise and execute all documentation, and further to do all other acts, deeds, matters and things as the Board may, in its absolute discretion, deem necessary, for the introduction of the Scheme, the issue of shares and to give effect to this Resolution;
3. take necessary steps for listing the shares allotted under the Scheme on the Bombay Stock Exchange where the Company's Shares are listed, as per the terms and conditions of the listing agreement and other applicable guidelines, rules and regulations".

By Order of the Board

Ratnakar Nawghare
Company Secretary

Nashik,
April 29, 2010

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Register of Members and Transfer Books of the Company will remain closed from 15th July, 2010 to 21st July, 2010, both days inclusive.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the Annual General Meeting is annexed hereto.
4. The members are requested to:
 - a. Consider dematerializing the equity shares held by them;
 - b. Check the address printed, for any discrepancy in the address especially that of pin code number. If the pin code number is missing or is not correct, members are requested to communicate the correct address including correct pin code number to the Company/Depository Participant (DP);
 - c. Quote ledger folio number/DP Identity Number and Client Identity Number in all their correspondence;
 - d. Approach the Company for consolidation of folios, if physical shareholdings are under multiple folios;
 - e. Get the shares transferred in joint names, if shares are held in single name to avoid inconvenience;
 - f. Bring their copy of the Annual Report with them at the Annual General Meeting;
 - g. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company Secretary, so as to reach at least seven days before the date of the Meeting, to make the information available at the Meeting.

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Explanatory Statement under Section 173(2) of the Companies Act, 1956.

Item No.4

Employee Stock Options are an opportunity for employees to share in a Company's growth and align their interests with those of the Company, to attract, retain and motivate talented human resources for the Company.

It is therefore proposed to introduce Employee Stock Option Scheme - 2010 (ESOS- 2010) to cover Employees and Directors of the Company as may be recommended by the Board of Directors or Remuneration Committee of the Board. ESOS-2010 will conform and adhere to the Guidelines and Regulations prescribed from time to time by the Securities and Exchange Board of India and other regulatory requirements.

As per the Resolution passed by the Board of Directors of the Company at their Meeting held on April 29, 2010, the Remuneration Committee comprising of Independent Directors viz. Mr. Vinayak Patil, Mr. B K Sharma and Mr. Jayendra Shah has been vested with the powers to formulate the detailed terms and conditions of the ESOS- 2010, its administration and also to decide upon all matters relating to the grant of options and to frame suitable policies and systems to ensure adherence to the Guidelines and Regulations prescribed by the Securities and Exchange Board of India.

The Remuneration Committee has finalized the terms and conditions of the ESOS. It has decided on various matters relating to the grant of options and also framed suitable policies and systems to ensure adherence to the Guidelines.

Salient features

The salient features of the ESOS as approved by the Remuneration Committee are given below.

a) Total number of options to be granted.

The total number of Options that may, in the aggregate (to the employees and independent directors of the Company), be granted under this Scheme, shall not exceed 5% of the paid up equity capital of the Company at any point of time. One Option would entitle the holder of the Option right to apply for one Equity Share of Rs.10 each.

b) Employees

- a permanent employee of the Company working in India or out of India; or
- a director of the Company, excluding Director(s) belonging to the promoter group; or
- an employee/Director as defined in sub-clauses (a) or of a subsidiary of the Company that carries on business in India.

c) Grant of Options

The grant of Options will be based on such parameters and criteria as may be decided from time to time by the Board/Remuneration Committee, in its absolute discretion.

d) Vesting & Lock-in

The Vesting Period for the Options will be as under:

After the date of the Grant, upon the expiry of	% of Options which would vest
12 months	25% of the Options
24 months	25% of the Options
36 months	25% of the Options
48 months	25% of the Options

There is no Lock-in period under the Scheme.

The Board may at its sole discretion accelerate the Vesting Period with respect to any of the Options granted under this Scheme.

The Employee shall not have the right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of Option granted to him, till such Shares are issued on exercise of Option.

e) Exercise Price

- The Exercise Price payable by the Employee for exercising the Option granted to him by the Company under this Scheme shall be Rs. 35.00 per share.
- The Exercise Price shall be subject to a fair and reasonable adjustment as regards the number of shares and exercise price in the event of the Company distributing Bonus Shares, Rights Shares or Stock Split so that the holder of any Option, who has not opted for conversion before the record date for the issue of the said Bonus Shares, Rights Shares or Stock split shall be entitled to receive the number of Shares of the Company which he would have held or have been entitled to receive on such Option being exercised immediately prior to such record date had such Bonus or Rights shares not been issued or Stock split not occurred.

f) Exercise Period and process of Exercise

"Exercise Period" means the period of 2 (two) years after Vesting of the Options, within which the Employee should exercise his right to apply for Shares against the Options vested in him in pursuance of the ESOS else the Vested Options shall lapse. The options shall be deemed to have been exercised when an Employee makes an application in writing to the Company for the issuance of Equity Shares against the options vested in him.

Subject to the time frames, which may be fixed by the Remuneration Committee every year for exercise of the Options, (which shall not be for a period less than 6 weeks in any financial year), the Employee has the right to exercise all the Options vested in him at one time or at various points of time within the Exercise Period as he/she deems most appropriate. Provided however, that, the Employee shall not be entitled to exercise at point of time less than 25% (Twenty Five percent) of the Options vested in him.

The exercise date would be reckoned as the date on which the application made by the employee in the format provided by the Company is received by the Com-



pany along with a cheque / demand draft, favoring the Company, payable at Nashik, for the total money payable by him in respect of the Exercise Price, calculated as the number of Options exercised multiplied by the Exercise Price per Option subject to realisation of the cheque. If the day on which the application is received happens to be a holiday as per the Company's rules then the same will be presumed to be the previous working day of the Company.

g) Appraisal Process

The process for determining an employee's eligibility will be decided by the Board/Remuneration Committee, based on factors such as seniority, period of service, performance record, present and future potential and such other criteria as may be considered by the Board/Remuneration Committee in its absolute discretion.

In case of Directors, the eligibility would depend on the period for which the office of Director is held by him and such other factors as the Remuneration Committee may think appropriate.

The Remuneration Committee at its discretion may extend the benefits of the Scheme to a new entrant also.

h) Maximum Number of Options

The maximum number of Options that can be granted per calendar year under the Scheme to any individual Employee will not exceed an entitlement of 15,000 (Fifteen thousand) Shares. The aggregate of all such grants shall not exceed 5% of the paid up equity capital of the Company. One Option would entitle the holder of the option the right to apply for One Equity Share of Rs. 10/- each.

i) Disclosures and Accounting Policies

The Company will conform and adhere to the disclosure and accounting policies prescribed by the Securities and Exchange Board of India Guidelines.

j) Variations

The terms of any Scheme with respect to options vested but not yet exercised, may be modified by the Board/Remuneration Committee, provided such variation is not prejudicial to the interests of the option holders.

k) Method of Valuation of options

a. The Company shall use the Fair Value Method, as defined in the Guidelines as amended from time to time, to value the options.

b. In case the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall be disclosed in the Directors' Report.

Your Directors recommend the Resolution at Item No. 4 for your approval.

The Directors of the Company may be deemed to be concerned or interested in these Resolutions only to the extent of any Stock Options granted to them and the resultant Equity Shares issued, as applicable.

By Order of the Board

Ratnakar Nawghare
Company Secretary

Nashik,
April 29, 2010

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Eighth Annual Report and Statement of Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

	2009-10	(Rs. in lacs) 2008-09
Turnover	7521.11	6230.60
Other Income	124.75	121.87
	7645.86	6352.47
Profit/(Loss) Before Interest, Depreciation and Tax	746.56	198.34
Interest	443.71	369.65
Depreciation	162.92	144.26
Profit (Loss) Before Prior Period items	139.93	(315.57)
Prior Period Items	(3.62)	(4.48)
Profit/(Loss) Before Tax	136.31	(320.05)
Provision for Tax	41.13	168.71
Profit/(Loss) After Tax	95.18	(151.34)
Transfer to Debenture Redemption Reserve Account	19.25	—

OPERATIONS AND OVERVIEW

The Sales turnover for the year under review was Rs.75.21 Crores as compared to Rs. 62.31 Crores for the previous year. The Company continued to face difficulties in raising working capital. However, the improvement in operations can be directly attributable to improvement in product mix. The Company has made profits in all four quarters for the year under review and has turned around into profits.

The Company has plans to further increase its installed capacity in Drip Irrigation in the coming year. It continues to work successfully in the Mega Projects of Andhra Pradesh Micro irrigation Project (APMIP) and Gujarat Green Revolution Company Limited (GGRCL). Its business coverage is pan India.

INSURANCE

Buildings, Plant and Machinery and other Fixed Assets as well as Inventories of the Company stand sufficiently insured.

DIRECTORS

In accordance with Article 123 of the Articles of Association Mr. Vinayak Patil retire by rotation and being eligible, offers himself for reappointment at the ensuing Annual General Meeting.

CORPORATE GOVERNANCE

The Company has been taking steps to attain higher levels of transparency, accountability and equity. Efforts are made not only to comply with the Regulatory requirements, but also by being responsive to the requirements of all concerned.

As per the Listing Agreement, with the Stock Exchange, a Management Discussion and Analysis, a Report on Corporate Governance together with a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance is attached and forms part of this Report.

PREFERENTIAL ISSUE OF SHARES

During the year under review, the Company has allotted 12,00,000 Equity Shares of Rs.10 each at a premium of Rs. 40/- aggregating to Rs. 6.00 crores to the Promoters and the Overseas Investors in accordance with the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 to utilize the proceeds to meet working capital requirements of the Company.

EMPLOYEE STOCK OPTION SCHEME (ESOS)

The Board of Directors has proposed the Employee Stock Option Scheme (ESOS) for the eligible employees including Independent Director and key management personnel of the Company. The same would be placed for Shareholders approval at the ensuing Annual General Meeting.

AUDITORS

M/s Mukadam & Associates - Chartered Accountants merged with Desai Associates - Chartered Accountants, Mumbai w.e.f 30th December, 2009. M/s. Desai Associates - Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting. M/s. Desai Associates - Chartered Accountants are eligible for reappointment under Section 224(1B) of the Companies Act, 1956 and have furnished a certificate to this effect. The Directors recommend their reappointment as Auditors of the Company upto the conclusion of the next Annual General Meeting.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT

Particulars pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars of the Report of the Board of Directors) Rules, 1988 are as follows:

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The Company continues to give priority to the conservation of energy and technology upgradation. To conserve energy and reduce energy cost, various initiatives were taken during the year. Some of these are given below:

- Cycle time improvement resulting into increase in productivity.
- Power factor is being maintained at unity.
- Improvement in productivity and savings in power consumption due to in-house technological innovations.
- Development of moulded fittings resulting in savings in man power, machine utilization, cost reduction and product quality.

FORM – A

A. POWER AND FUEL CONSUMPTION

	2009-10	2008-09
1. Electricity Purchased		
(i) Units (Kwh) (Lacs)	45.28	39.71
(ii) Amount (Rs. Lacs)	240.08	193.53
(iii) Average Rate(Rs./Unit)	5.30	4.87

B. CONSUMPTION

(Units/MT Production)	1087.00	1064.00
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**FOREIGN EXCHANGE EARNINGS/ OUTGO**

Your Company has earned a foreign exchange of Rs. NIL (Previous Year Rs. NIL) at F.O.B. price of exports against the outgo of Rs. 3.24 lacs (Previous Year Rs. 52.06 lacs).

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in "Annexure A" to the Directors Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, the Directors would like to state that –

- in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed.
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 Profit of the Company of the year under review.
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the Directors have prepared the annual accounts on a 'Going Concern' basis.

INDUSTRIAL RELATIONS

The industrial relations continue to be peaceful and cordial at all levels. The Directors are pleased to record their appreciation of the services rendered by the employees at all levels.

ACKNOWLEDGEMENT

Your Directors take this opportunity to place on record their gratitude for the co-operation and continued support received from workers' union, customers, suppliers, bankers, business associates and shareholders.

For and On behalf of the Board

Nashik, April 29, 2010

K L Khanna
Chairman & Managing Director

Annexure "A" to Directors' Report

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

Sr. No.	Name	Age (Years)	Designation/ Nature of duties	Remuneration paid (Rs. Lacs)	Qualification	Total Experience (Years)	Date of commencement of employment	Last employment held/ Designation
1.	Mr.K.L.Khanna	70	Chairman & Managing Director	34.09	B.Tech (Hons) Chemical Engineering	39	19th January, 1984	Knik Chemical Engineers Pvt. Ltd. Director

Notes:

- Remuneration comprises salary, allowances, monetary value of perquisites and the Company's contribution to Provident Fund, Superannuation and Gratuity Fund.
- The nature of employment of the Managing Director is contractual.
- The Managerial Remuneration payable from 30th December, 2009 is subject to the Central Government approval.

For and On behalf of the Board

Nashik, April 29, 2010.

K L Khanna
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Traditionally, farmers in India have leveled their land and flooded it with canal irrigation water. This results in enormous water losses through evaporation and flooded fields. This mattered little in the 19th and early 20th century when the water and land were relatively easily available but it matters hugely today. The canal irrigation technology of 19th century is obsolete, wasteful and can not meet the needs of 21st century. Today, farmers want to grow multiple crops and for this they need water on demand. Hence canal based irrigation requires replacement by Piped Water which will feed Micro Irrigation Systems (Sprinkler and Drip Irrigation). Piped water greatly economizes the use of both land and water. The Governments of Andhra Pradesh, Gujarat and Rajasthan have started a Pressurized Irrigation Network System (PINS) in Canal Command areas. This stores the water delivered by canals, which subsequently delivers it to fields by Piping Network for use through MIS. This programme is expected to gain momentum in the coming years. This approach has enabled Israel to irrigate the deserts and can do wonders for India.

Micro Irrigation (MI) has taken roots in India. Andhra Pradesh, Gujarat and Tamil Nadu are operating Mega Projects. Other leading states are Maharashtra, Rajasthan, Karnataka, Madhya Pradesh and Chhattisgarh. MIS has enabled the farmers to nearly triple the irrigated areas using same amount of water and improve produce quality.

It has become the most "on demand" technology and has started a playing a vital role in agriculture. It has ample market potential with continuously rising population.

OPERATIONS / SEGMENTWISE PERFORMANCE

In addition to Micro Irrigation Systems consisting of Drip and Sprinkler Irrigation, the Company manufactures specialized pipes for Water and Gas Distribution Systems and Industry. The segment wise performance is stated in Schedule 'Q' of the Annual Accounts.

The Company, with current year Sales Turnover of Rs. 75.21 Crores, has posted notable growth of 21% over preceding year. This growth is particularly very encouraging against the backdrop of limited access to working capital and recessionary conditions in the market. Despite the tight liquidity environment, the Company has grown consecutively in the last 3 years. Consistent growth in top line coupled with product mix has helped to turnaround the Company. In the current financial year, your Company has generated a cash surplus of Rs. 2.99 Crores.

With multiple challenges of managing growth and liquidity constraints, the Management is aggressively focusing on increasing both the top line and bottom line by adding new products and expanding into the newer markets. Further expansion of business demands increased capital infusion for working capital needs as well as Capex requirements of the

Company. It would be a major challenge to fund the growth of the Company.

The Management is confident that this way the Company will be able to push itself on the growth path which will increase the value for all its Shareholders.

SOME RISKS AND CONCERNS

The raw material prices and availability continues to be a matter of concern for the industry.

The major risks and threats to the industry are improper distribution of rainfall, constant fluctuation in polymer prices, competition from unorganized sector, Government policies and drought like situation for consecutive years.

Seasonality is another major problem for all Irrigation Companies as the major business is derived in non – monsoon months. However, with the well spread operations in western, southern and northern States, where monsoon months vary, the Company's operations are balanced to certain extent.

The continuing healthy growth of agriculture, ambitious mega micro irrigation projects of Gujarat and Andhra Pradesh and the increasing demand for micro irrigation systems in the other States will provide ample opportunities for growth of the business.

INTERNAL CONTROL SYSTEMS

The Company's well defined organization structure, documented policy guidelines, predefined authority levels and extensive systems for internal controls ensure optimal utilization and protection of resources. The internal control systems are guided to ensure that assets are safeguarded against loss. The Company's internal auditors review business processes and controls. The Audit Committee of the Board then discusses significant findings and corrective measures initiated.

HUMAN RESOURCES

During the year under review, the Company has undertaken extensive steps for optimizing the use of its manpower through automation, productivity improvement and role enrichment.

There is a continuous focus on enhancing productivity in all facets of our operations. Training and development continues to be an area of prime focus. The industrial relations climate of the Company remained cordial during the year and continues to be focused towards improving productivity, quality and safety.

As on March 31, 2010, the total number of employees of your Company was 252.

CAUTIONARY NOTE

The Management hereby cautions that this Management Discussion and Analysis contains forward looking statements that involve risks and uncertainties. Actual results, performance or achievements and risks /opportunities could differ materially from those expressed or implied in this statement. This statement may be read in conjunction with the Company's financial statements and the Notes thereto.



REPORT ON CORPORATE GOVERNANCE

The Company believes in and practices Good Corporate Governance. Transparency, accountability and responsibility are the essential character and guiding principles for all decisions, transactions and policy matters.

The Good Corporate Governance practices have further guided the Company to not only work towards the enhancement of shareholder value but also towards overall betterment of all stakeholders viz. shareholders, creditors, customers and employees. Efforts are made not only to comply with the Regulatory requirements, but also by being responsive to the requirements of all concerned.

In compliance with the provisions of clause 49 of the Listing Agreement and other applicable provisions of the Companies Act, 1956, your Directors submit their report.

BOARD OF DIRECTORS

The composition of the Board of Directors is in compliance with the provisions of the Listing Agreement and the Companies Act, 1956. The Board consists of Chairman & Managing Director and three Directors, who are non executive directors. All the Directors have made necessary disclosures under Corporate Governance norms and the provisions of the Companies Act, 1956. The independent Directors are professionals having experience in business, finance and law.

The Board meets atleast once in a quarter to consider among other business, quarterly performance of the Company and the financial results. Four Board meetings were held during the financial year ended 31st March, 2010 on (1) 30th May, 2009 (2) 30th July, 2009 (3) 30th October, 2009 and (4) 27th January, 2010.

The composition of Board of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting, as also number of other Directorship, Committee membership and chairmanship held by them are given below:

Name of Director	Position	Attendance particulars		Other Directorship	Committee Membership	Committee Chairmanship
		Board Meetings	Last AGM			
Mr. K.L.Khanna	CMD – Executive	4	Yes	1	Nil	Nil
Mr.Vinayak Patil	Non-Executive (Independent)	4	Yes	Nil	Nil	Nil
Mr.Jayendra Shah	Non-Executive	4	Yes	2	1	Nil
Mr.Bhoopendra Sharma	Non-Executive (Independent)	3	Yes	Nil	Nil	Nil

AUDIT COMMITTEE

The Board of Directors has constituted the Audit Committee in compliance with the norms of Corporate Governance. The Audit Committee had four meetings during the year 2009-10. The composition of the Committee and attendance at its meeting(s) is given hereunder:

Member	Position	No. of Meetings attended
Mr. Vinayak Patil	Chairman	4
Mr. Jayendra Shah	Member	4
Mr. Bhoopendra K Sharma	Member	3

The Company Secretary acts as the Secretary of the Audit Committee.

The broad terms of reference of the Audit Committee are as follows:-

- Review of the Company's financial reporting process and its financial statements.
- Review of accounting and financial policies and practices.
- Review of the internal control and internal audit system.
- Discussing with statutory Auditors to ascertain any area of concern.

REMUNERATION TO DIRECTORS

Managing Director

The detail of remuneration paid/payable to the Managing Director is as follows:

(Rs. in Lacs)

Name	Salary	Perquisites	Retirement Benefits	Total
Mr. K L Khanna	30.00	0.26	3.83	34.09

In addition to the above, the Managing Director shall be entitled to receive such incentives as may be approved by the Board subject to achievement of the performance based benchmarks set out by the Board in the Annual Business Plan.

A service contract exists with the Managing Director which contains his service terms and conditions, including remuneration, notice period etc. as approved by the Members.

The Shareholders had approved subject to the Central Government approval, the Managing Director's appointment in the previous Annual General Meeting for a period from December 30, 2009 to November 29, 2011.

The Composition of Remuneration Committee is as under :

Mr. Vinayak Patil (Chairman)
Mr. Jayendra Shah (Member)
Mr. Bhoopendra K Sharma (Member)

The broad terms of reference of the Remuneration Committee include recommendation to the Board for salary, perquisites and incentives payable to the Company's Managing Director and other managerial personnel.

The Non Executive Directors are paid fees for attending the meetings of the Board / Committee meetings attended.

The Company does not have any stock option scheme for grant of stock options either to the Managing Director or employees. However the same is being implemented from the year 2010-11 subject to the approval of the shareholders in the ensuing Annual General Meeting.

INVESTORS' / SHAREHOLDERS' GRIEVANCE COMMITTEE

The Investors' / Shareholders' Grievance Committee was constituted to look into the redressal of Investors' complaints

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like non-receipt of Annual Reports, non-receipt of share certificates sent for transfer and other allied transactions. The composition of Investors'/Shareholders' Grievance Committee is given hereunder:

Mr. K L Khanna (Chairman)
Mr. Vinayak Patil (Member)
Mr. Jayendra Shah (Member)

There were four meetings held during the year 2009-10 which were attended by all the members of the Committee.

Details of Investors' / Shareholders' complaints
Number received during the year 3
Number resolved to the satisfaction of complainant 3
Number pending redressal Nil

The Company has attended to most of the investors' correspondence / grievances within a period of 15 days from the date of receipt of the same.

GENERAL BODY MEETINGS

a) Details of the last three Annual General Meetings held are as under:

Year ended	Day & Date	Time	Location
31st March, 2007	Friday 20th July, 2007	11.00 a.m.	Plot No. H-109, MIDC Ambad, Nashik-422 010
31st March, 2008	Wednesday 30th July, 2008	11.30 a.m.	-do-
31st March, 2009	Thursday 30th July, 2009	11.00 a.m.	-do-

b) No resolutions requiring Postal Ballot as recommended under Clause 49 of the Listing Agreement have been placed for shareholders' approval at the ensuing Annual General Meeting.

The Company has passed following Special Resolutions in previous 3 Annual General Meetings:

2009

i) For re-appointment of Mr. Krishen Lal Khanna as Managing Director w.e.f 30th December, 2009 to 29th November, 2011.

2008

i) For increase in Authorised Share Capital and amendment in Capital Clause of Memorandum of Association and Article 3 of the Articles of Association.

ii) For issue of shares under Section 81(1A) of the Companies Act, 1956.

2007

i) Amendment in the earlier AGM Resolution authorizing to issue shares to Promoters.

DISCLOSURE

- **Disclosure on materially significant Related Party transactions.**

Please refer Note No. 20 of Schedule 'Q' to the

Statements of Accounts. These transactions do not have any potential conflict with the interest of the Company at large.

- **Details of non-compliance by the Company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any Statutory Authorities on any matter related to capital markets during the last 3 years.**

None

- **Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices.**

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company has formulated, adopted and implemented the Code of Conduct for prevention of Insider Trading and Code of Corporate Disclosure Practices.

Under the said Code, the Company had appointed Mr. Ratnakar Nawghare as the Compliance Officer. All Board members and senior management personnel have affirmed compliance with the Code.

MEANS OF COMMUNICATION

Half yearly report sent to each household of shareholders	No
Quarterly results	The results of the Company are published in the newspapers having wide circulation.
Any website, where displayed	Same as above
Whether it also displays official news releases	The Company has no website.
Presentations made to Institutional Investors or to the analysts	No
Newspapers in which results are normally published	No
Whether MD & A is part of Annual Report or not	The Free Press Journal / Business Standard/Navshakti
	Yes

PROFILE OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT

Name of Director	Mr.Vinayak Patil
Date of Birth	19th August, 1943
Date of Appointment	8th July, 2003
Expertise in specific functional areas	Agriculturist and Social Activist
Qualifications	S.S.C
List of public companies in which out-side Directorship held as on March 31, 2010	Nil
Chairman / Member of the Committees of the board of the Companies on which he is a Director as on March 31, 2010	Nil



GENERAL SHAREHOLDER INFORMATION

AGM: Date, Time and Venue	21st July, 2010 at 11.00 a.m. at H-109, MIDC Ambad, Nashik – 422 010.
Financial calendar (Indicative)	Financial year: April 01, 2010 to March 31, 2011
	1st Quarter results Mid Aug. 2010
	Half-yearly results Mid Nov. 2010
	3rd quarter results Mid Feb. 2011
	Annual results 2010-11 end May, 2011
Dates of Book closure	15th July, 2010 to 21st July, 2010 (both days inclusive)
Dividend Payment Date	Not applicable
Listing on Stock Exchange	Bombay Stock Exchange, Mumbai.
Stock Code –	523754 on the Bombay Stock Exchange
ISIN No. for NSDL & CDSL	ISIN INE 215D01010
Share Transfer System	All the transfers received are processed and approved by the Share Transfer Committee which normally meets twice in a month.
Registrars and Transfer Agents and address for correspondence	Sharepro Services (India) Pvt. Ltd. 13 AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off. Andheri Kurla Road, Sakinaka, Andheri (East), Mumbai - 400 072. Tel : (022) 67720300/67720400 Fax : (022) 67720416 Email : sharepro@shareproservices.com

Market Price: (Rupees)	High	Low
April' 09	23.10	17.00
May	25.90	16.30
June	41.85	25.30
July	57.80	37.10
August	59.70	47.55
September	65.20	44.40
October	56.15	45.60
November	53.05	43.15
December	56.20	44.50
January'10	68.00	46.45
February	52.90	43.65
March	54.65	44.10

Distribution of shareholding as on March 31, 2010

Shareholding	Shareholders		Shares	
	Number	% to total Holders	Number	% to total Capital
Upto 500	7,076	93.71	11,05,413	10.33
501 – 1,000	269	3.56	2,31,257	2.16
1,001 - 5,000	157	2.08	3,76,221	3.52
5,001 - 10,000	24	0.32	1,76,155	1.65
10,001 – 1,00,000	19	0.25	4,54,354	4.24
1,00,001 & above	6	0.08	83,56,600	78.10
TOTAL	7,551	100.00	1,07,00,000	100.00

Shareholding Pattern as on March 31, 2010

Category	No. of shares held	%
Indian promoters, Directors and relatives	28,29,300	26.44
Banks	200	0.00
Private corporate bodies	1,71,253	1.60
Indian Public	20,98,747	19.61
NRIs/OCBs/Others	56,00,500	52.35
TOTAL	1,07,00,000	100.00

Dematerialisation of shares	As on March 31, 2010, out of the total paid up Share Capital, 87.68% has been dematerialised.
Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity	None
Plant location	The Company's plant is located at H-109, MIDC Ambad, Nashik 422 010
Registered office	H-109, MIDC, Ambad, Nashik – 422 010 Tel: 0253 2381081/82 Fax: 0253 2382975 Email: rvnawghare@epcind.com
Non mandatory requirements	The Company has presently not adopted the non-mandatory requirements given in Annexure 3 of the Corporate Governance Code except for the Remuneration Committee.

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AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

TO

THE MEMBERS OF
EPC INDUSTRIE LIMITED,

We have examined the compliance of condition of Corporate Governance by EPC Industrie Ltd. for the year ended 31st March, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.

The compliance of condition of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and

according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance, as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Desai Associates
Chartered Accountants

I A Mukadam
Partner

Membership No. 16865

Nashik, Dated 29th April, 2010

AUDITOR'S REPORT TO THE MEMBERS OF EPC INDUSTRIE LIMITED.

We have audited the attached Balance Sheet of **EPC Industrie Limited** as at **31st March, 2010** and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Reports) (Amendment) Order, 2004 (together the 'order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate, and according to the information and explanation given to us, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said Order to the extent applicable to the Company.
2. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.

- c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31st March, 2010 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon gives the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i). in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010 and
- (ii). in the case of the Profit and Loss account, of the profit for the year ended on that date.
- (iii). in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For Desai Associates
Chartered Accountants

I. A. Mukadam
Partner
Membership No. 16865

Place: Nashik
Dated: 29th April, 2010



ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in Paragraph 1 of our report of even date on the accounts of EPC Industrie Limited for the year ended 31st March, 2010.

1. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. The Company has a phased programme for verification of all fixed assets over a period of 3 years. In accordance with the programme, fixed assets are verified and any material differences have been adjusted upon reconciliation with the records and documents. In our opinion, having regard to the size of the Company and the nature of its assets, the programme of verification of fixed assets of the Company is reasonable.
 - c. Since there is no disposal of substantial part of fixed assets during the year, paragraph 4 (i) (c) of the Companies (Auditor's Report) Order, 2006 is not applicable.
2. In respect of its inventories:
 - a. The inventory of the Company (except stocks with third parties/dealers) has been physically verified by the management during the year. In respect of inventory lying with third parties/dealers these have been confirmed by them. In our opinion the frequency of verification is reasonable.
 - b. In our opinion and according to the information and explanations given to us and having regard to the nature of items, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. According to the information and explanations given to us no material discrepancies were noticed on physical verification between the physical stock and book records. The shortages have been properly dealt with in the books of account noticed during physical verification of inventory.
3. In our opinion, the Company has neither taken nor granted any loans, secured or unsecured, from/to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act 1956, (the Act). Accordingly, Clause 4 (iii) is not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. a. The transaction required to be entered in the register in pursuance to Section 301 of the Companies Act have been entered into.
b. The transactions of sale and purchases made are of special nature and no comparative price are available hence we are unable to comment its reasonability with regard to prevailing market price.
6. As the Company has not accepted or renewed any deposits from public, the directive issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. As explained to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for the Company's products.
9. According to the information and explanations given to us and according to the records of the Company in respect of Statutory and other dues:
 - (a) The Company is generally regular in depositing with appropriate authorities of undisputed statutory dues including, employees' state insurance, tax deducted at source, tax collected at source, professional tax, sales tax, custom duty, excise duty, property tax, service tax, works contract tax, water tax, license fees, entry tax, cess and other material and other statutory dues applicable to it. According to the information and explanation given to us no undisputable amount is payable in respect of aforesaid dues were outstanding as on 31st March, 2010 for a period of more than 6 months from the date they became payable.
 - (b) As explained to us and according to the records of the Company following dues of sales tax, excise duty have not been deposited on account of dispute:

Name of statute (Nature of dues)	Period to which the amount relates	Amount (in Lacs)	Forum where dispute is pending
Excise	1995 to 2005	166.79	Appellate Authority i.e. CESTAT
Excise	1995 to 2006	79.44	Asst./Dy. Comm. of Central Excise
Excise	2000-2005	0.33	Comm. of C.C.Ex(A)

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10. In our opinion, accumulated losses of the Company are more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit. However it had incurred cash loss in the immediately preceeding financial year.
11. Based on our Audit procedures and on the information and explanation given by the management, the Company has not defaulted in repayment of dues to banks or financial institution during the year.
12. Since the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4(xii) of the Order is not applicable.
13. As the Company is not a nidhi/mutual benefit fund / society, paragraph 4(xiii) of the Order is not applicable.
14. Since the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
15. Company has not given any guarantee for loans taken by others from bank or financial institutions on the terms and conditions whereof are prejudicial to the interest of the Company.
16. In our opinion and according to the information and explanations given to us, on an overall basis, the unsecured funds raised through optionally convertible debenture have been actually applied for the purposes for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanations given to us, during the year, the Company has made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act 1956 and the price at which shares have been issued is not prejudicial to the interest of the Company.
19. According to the information and explanations given to us and according to the records of the Company, no secured debentures have been issued. The question of creating securities does not arise.
20. Since the Company has not raised any money during the year by way of public issue, paragraph 4 (xx) of the Order is not applicable.
21. Based upon our selective audit procedures and the information and explanations given by the management, we report that no instance of material fraud on or by the Company has been noticed or reported during the year.

For Desai Associates
Chartered Accountants

I. A. Mukadam
Partner
Membership No. 16865

Place: Nashik
Dated: 29th April, 2010

CEO AND CFO CERTIFICATION

We, K L Khanna, Chairman & Managing Director and A R Kshirsagar, Head – Finance & Accounts, responsible for the finance function certify that:

- a) We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2010 and to the best of our knowledge and belief, we confirm that :
 - i) these statements do not contain any materially untrue statement or omission of any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with applicable Accounting Standards, applicable laws and regulations.
 - b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2010 are fraudulent, illegal or violative of the Company's code of conduct.
 - c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting.
- Deficiency in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the Auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d) i) There has not been any significant change in internal control over financial reporting during the year under reference;
 - ii) There has not been any significant change in the accounting policies during the year requiring the disclosure in the notes to the financial statements; and
 - iii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

K. L. KHANNA Chairman & Managing Director
A. R. KSHIRSAGAR Head - Finance & Accounts

Nashik, 29th April, 2010



BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	Rupees	Rupees	As at 31st March, 2009 Rupees
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	A	10,69,76,000		9,49,76,000
Reserves and Surplus	B	<u>32,31,03,326</u>		<u>27,71,28,987</u>
			43,00,79,326	37,21,04,987
Share Application Money			—	5,00,00,000
Loan Funds				
Secured Loans	C		12,75,11,312	8,45,05,907
Unsecured Loans	D		<u>21,80,73,275</u>	<u>23,22,17,314</u>
			<u>77,56,63,913</u>	<u>73,88,28,208</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	E	42,75,37,366		42,60,61,001
Less : Depreciation		<u>24,04,16,173</u>		<u>23,26,97,612</u>
		18,71,21,193		19,33,63,389
Capital Work in Progress		<u>24,70,598</u>		40,60,809
			18,95,91,791	19,74,24,198
Investments	F		1,37,450	82,450
Deferred Tax Assets (Net)	G		1,40,46,810	1,82,47,177
Current Assets, Loans and Advances				
Current Assets	H	33,78,26,835		30,63,49,722
Loans and Advances	I	<u>4,67,96,969</u>		<u>4,37,64,634</u>
		38,46,23,804		35,01,14,356
Less :				
Current Liabilities and Provisions	J	<u>12,47,08,184</u>		<u>14,66,04,770</u>
Net Current Assets			25,99,15,620	20,35,09,586
Profit & Loss Account			<u>31,19,72,242</u>	<u>31,95,64,797</u>
			<u>77,56,63,913</u>	<u>73,88,28,208</u>
Notes to Accounts	Q			
Statement of Significant Accounting Policies	R			

As per Report Annexed
For **DESAI ASSOCIATES**
Chartered Accountants

I. A. MUKADAM
Partner
Membership No. 16865

Nashik, April 29, 2010

K. L. KHANNA
J. N. SHAH
V. P. PATIL
B. K. SHARMA

RATNAKAR NAWGHARE
Company Secretary

For and on behalf of the Board
Chairman & Managing Director
Director
Director
Director

A. R. KSHIRSAGAR
Head - Finance & Accounts

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	Rupees	Rupees	Previous year Rupees
INCOME				
Sales / Services Rendered (*)		75,21,10,771		62,30,59,633
Other Income	K	1,24,75,332		1,21,87,446
		<u>76,45,86,103</u>		<u>63,52,47,079</u>
Increase/(Decrease) in Stocks	L	(33,32,902)		(36,01,241)
(*) Net of Excise Duty and Discount			76,12,53,201	<u>63,16,45,838</u>
EXPENDITURE				
Materials	M	44,64,69,057		40,61,66,920
Personnel	N	7,58,53,442		6,09,16,948
Expenses	O	16,42,74,758		14,47,27,820
			68,65,97,257	<u>61,18,11,688</u>
Profit before Interest & Depreciation			<u>7,46,55,944</u>	<u>1,98,34,150</u>
Interest	P	4,43,70,612		3,69,65,002
Depreciation (Refer Note 4 - Schedule Q)		<u>1,62,92,334</u>		<u>1,44,26,203</u>
			6,06,62,946	<u>5,13,91,205</u>
Profit / (Loss) for the year before Prior Period Items			1,39,92,998	(3,15,57,054)
Prior Period Items (Net)			<u>(3,62,247)</u>	<u>(4,48,162)</u>
Profit/(Loss) after Prior Period Items			1,36,30,751	(3,20,05,216)
Provision for Taxation				
Fringe Benefit Tax		—		(11,50,000)
Income Tax for Prior Years		87,169		(2,25,526)
Deferred Tax		<u>(42,00,367)</u>		<u>1,82,47,177</u>
			(41,13,198)	<u>1,68,71,651</u>
Profit / (Loss) after Taxation			95,17,553	(1,51,33,565)
Less: Appropriation				
Transfer to Debenture Redemption Reserve			19,25,000	—
			<u>75,92,553</u>	<u>(1,51,33,565)</u>
Add: Balance brought forward			(31,95,64,795)	(30,44,31,230)
DEFICIT CARRIED TO THE BALANCE SHEET			<u>(31,19,72,242)</u>	<u>(31,95,64,795)</u>
Earnings Per Share (Rs.) - Basic and Diluted [Face Value of Rs.10 each]			0.96	(1.59)
Notes to Accounts	Q			
Statement of Significant Accounting Policies	R			

As per Report Annexed
For **DESAI ASSOCIATES**
Chartered Accountants

I. A. MUKADAM
Partner
Membership No. 16865

Nashik, April 29, 2010

K. L. KHANNA
J. N. SHAH
V. P. PATIL
B. K. SHARMA

RATNAKAR NAWGHARE
Company Secretary

For and on behalf of the Board
Chairman & Managing Director
Director
Director
Director

A. R. KSHIRSAGAR
Head - Finance & Accounts



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	Rupees	Rupees	Previous Year Rupees	Rupees
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit / (Loss) Before Tax		1,39,92,998		(3,15,57,054)
Adjusted for :				
Depreciation	1,62,92,334		1,44,26,203	
Provision for Doubtful Debts	35,52,232		15,90,718	
(Profit) / Loss on Sale of Fixed Assets	2,86,698		(1,36,932)	
Dividend Received	(2,270)		(2,270)	
Interest Income	(77,06,632)		(40,43,084)	
Exchange Loss	1,31,079		25,709	
Interest Expenses	4,43,70,612		3,69,65,002	
		<u>5,69,24,053</u>		4,88,25,346
Operating Profit, before Working Capital Changes		7,09,17,051		1,72,68,291
Adjusted for :				
Trade Debtors & Other Receivable	(3,78,77,519)		(5,99,32,153)	
Inventories	71,05,995		(32,38,860)	
Trade Payable & Other Liabilities	(2,14,84,774)		5,08,23,605	
		<u>(5,22,56,298)</u>		(1,23,47,408)
Cash Generated from Operations		1,86,60,753		49,20,883
Direct Tax refund /(paid) net	(40,76,169)		(18,29,051)	
		<u>(40,76,169)</u>		(18,29,051)
Cash Flow before Prior Period Items		1,45,84,584		30,91,832
Prior Period Income / (Expenses)		(3,62,247)		(4,48,162)
NET CASH FLOW FROM OPERATING ACTIVITIES		1,42,22,337		26,43,670
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(1,29,45,333)		(2,85,45,776)	
Sale of Fixed Assets	4,66,971		3,38,714	
Purchase of Investments	(55,000)		—	
Interest Received	72,25,048		38,69,308	
Dividend Received	2,270		2,270	
NET CASH FLOW FROM INVESTING ACTIVITIES		<u>(53,06,044)</u>		(2,43,35,484)
C CASH FLOW FROM FINANCING ACTIVITIES				
Interest Paid	(4,43,82,423)		(3,69,60,969)	
Proceeds from issue of Shares / Share Application Money	1,00,00,000		5,00,00,000	
Proceeds from borrowing (Term Loan from a leasing Company)	17,57,574		9,33,000	
Proceeds from Borrowing (Bank Term Loan)	(1,00,00,000)		1,00,00,000	
Proceeds from Borrowing (Bank Cash Credit)	5,50,00,000		2,11,86,447	
Share Issue Expenses	(5,43,923)		(13,12,801)	
Repayment of Borrowings	(1,78,96,209)		(70,25,495)	
NET CASH FLOW FROM FINANCING ACTIVITIES		<u>(60,64,981)</u>		3,68,20,182
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)		28,51,312		1,51,28,368
Opening Cash & Cash Equivalent		4,14,29,294		2,63,00,926
Closing Cash & Cash Equivalent		4,42,80,606		4,14,29,294

Notes:

- Cash Flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3. "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Closing Cash & Cash equivalent includes Fixed Deposits amounting to Rs.2,75,85,141/- (P.Y. Rs. 2,30,81,140/-) lodged with banks as margin for non-funded working capital facility, Rs.25,00,000/- (P.Y. Nil) lodged with a bank in lieu of Debt Service Reserve Account and Rs 17,04,657/- (Previous Year Rs.17,04,657/-) Balance in Debt Service Reserve Account with a bank.

As per Report Annexed
For **DESAI ASSOCIATES**
Chartered Accountants

I. A. MUKADAM
Partner
Membership No. 16865

Nashik, April 29, 2010

K. L. KHANNA
J. N. SHAH
V. P. PATIL
B. K. SHARMA

RATNAKAR NAWGHARE
Company Secretary

For and on behalf of the Board
Chairman & Managing Director
Director
Director
Director

A. R. KSHIRSAGAR
Head - Finance & Accounts

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

	Rupees	Rupees	As at 31st March, 2009 Rupees
SCHEDULE A			
SHARE CAPITAL			
Authorised			
3,20,00,000 (P. Y. 3,20,00,000) Equity Shares of Rs.10 each	32,00,00,000		32,00,00,000
18,00,000(P. Y. 18,00,000) Preference Shares of Rs.100 each	<u>18,00,00,000</u>		<u>18,00,00,000</u>
		<u>50,00,00,000</u>	<u>50,00,00,000</u>
Issued and Paid Up			
1,07,00,000 (P.Y. 95,00,000) Equity Shares of Rs. 10 each (5,50,000 Shares allotted as Bonus Shares on capitalisation of Reserves)		10,70,00,000	9,50,00,000
Less : Allotment Money in arrears		<u>24,000</u>	<u>24,000</u>
		<u>10,69,76,000</u>	<u>9,49,76,000</u>
SCHEDULE B			
RESERVES AND SURPLUS			
Share Premium			
As per the last Balance Sheet (Net)	22,02,55,354		22,15,68,155
Add : Addition during the year	4,80,00,000		—
Less: Share Issue Expenses for the year	<u>54,39,23</u>		<u>13,12,801</u>
	26,77,11,431		22,02,55,354
Less : Allotment Money in arrears	<u>48,000</u>		<u>48,000</u>
		26,76,63,431	22,02,07,354
Capital Incentive Reserve			
As per the last Balance Sheet		40,00,000	40,00,000
Investment Allowance Reserve			
As per the last Balance Sheet		6,43,275	6,43,275
Export Benefit Reserve			
As per the last Balance Sheet		3,21,00,00	32,10,000
Debenture Redemption Reserve (Created during the year)			
		19,25,000	—
Capital (Revaluation) Reserve			
As per the last Balance Sheet	4,90,68,358		5,22,92,636
Less: Revaluation Upliftment on discarded Assets	1,69,108		
Less: Depreciation attributed to revaluation upliftment	<u>32,37,630</u>		<u>32,24,278</u>
		4,56,61,620	4,90,68,358
		<u>32,31,03,326</u>	<u>27,71,28,987</u>



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

	Rupees	As at 31st March, 2009 Rupees
SCHEDULE C		
SECURED LOANS		
FROM BANKS		
Term Loan from Bank (*)	83,33,334	1,83,33,333
[Payable within one year Rs.83,33,334/- (P.Y. Rs.1,00,00,000/-)]		
Cash credit/Working Capital Demand Loan From Bank (*)	11,47,28,503	6,16,727,38
(*) Secured by exclusive charge over Fixed Assets, Current Assets, equitable mortgage by depositing of title deeds, personal guarantee of Chairman & Managing Director and maintenance of Debt Service Reserve Account for the amount equivalent to the interest amount of two months.		
FROM A COMPANY		
Term Loan from a Finance Company for Machinery	22,75,124	36,65,021
Secured by Hypothecation of 2 Injection Moulding Machines purchased from Ningbo Haitian Hua Yuan Machinery, China [Payable within one year Rs.13,41,964/- (P.Y. Rs.13,89,897/-)]		
Term Loan from a Finance Companies for vehicles	21,74,351	8,34,815
Secured by Hypothecation of vehicles [Payable within one year Rs.8,86,904/- (P.Y. Rs.2,75,805)]		
	<u>12,75,11,312</u>	<u>8,45,05,907</u>
SCHEDULE D		
UNSECURED LOANS		
17,00,000 (P.Y. 18,00,000) Optionally Convertible Cumulative Debentures of Rs.100 each	17,00,00,000	18,00,00,000
Interest free Loan Under Sales Tax Deferral Scheme [Payable within one year Rs.79,56,720/- (P.Y.Rs.55,14,575/-)]	4,80,73,275	5,22,17,314
	<u>21,80,73,275</u>	<u>23,22,17,314</u>

Note :

The Company has issued Optionally Convertible Cumulative Debentures carrying interest @ 12% p.a.(Net of Withholding Tax) between 1st April, 2009 upto 31st March, 2012 . The Debentures are redeemable, as per revised redemption schedule, at par between 30th September, 2010 and 1st March, 2012. The Debenture holders have an option to convert these Debentures into 12% Preference Shares of Rs. 100 each from 30th September, 2009 to 31st March, 2012 of their principal amount.

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010
SCHEDULE E
FIXED ASSETS

	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	*As on 1st April 2009 (Rupees)	As on 31st March 2010 (Rupees)	As on 1st April 2009 (Rupees)	Additions (Rupees)	Deductions (Rupees)	As on 31st March 2010 (Rupees)	As on 31st March 2010 (Rupees)	As on 31st March 2009 (Rupees)
Leasehold Land	3,93,90,388	-	3,93,90,388	3,97,843	-	51,08,299	3,42,82,089	3,46,79,932
Building	7,84,74,666	-	7,84,74,666	24,47,680	-	3,20,93,475	4,63,81,191	4,88,28,871
Plant and Machinery	18,74,08,845	49,51,533	17,93,017	96,27,442	13,34,154	11,56,73,020	7,48,94,341	8,00,29,113
Factory Equipment	1,13,73,693	3,57,696	9,68,460	3,30,936	9,26,568	92,81,921	14,81,008	14,96,140
Electrical Installations	1,13,30,008	-	1,13,30,008	6,12,344	-	65,47,658	47,82,350	53,94,694
Moulds and Dies	7,47,49,223	34,04,142	82,16,850	25,50,249	78,11,144	5,68,51,900	1,30,84,615	1,26,36,428
Furniture & Fixtures	38,95,645	64,791	39,60,436	2,04,292	-	30,74,803	8,85,633	10,25,134
Computers & Accessories	72,87,423	7,30,513	17,24,849	12,57,974	15,66,355	49,43,472	13,49,615	20,53,545
Office Equipment	24,93,499	4,38,341	3,56,004	1,15,396	1,73,182	9,28,481	16,47,355	15,07,932
Vehicles	39,44,139	24,63,147	64,07,286	2,32,464	-	25,56,860	38,50,426	16,19,743
Intangible Assets								
Softwares	57,13,473	21,25,381	78,38,854	17,53,344	-	33,56,284	44,82,570	40,92,557
Previous Year	42,60,61,002	1,45,35,544	1,30,59,180	1,95,29,964	1,18,11,403	24,04,16,173	18,71,21,193	19,33,63,389
	38,54,65,407	4,20,32,588	14,36,995	1,76,50,481	12,35,211	23,26,97,612	19,33,63,389	

Note :-

Building includes Leasehold Office at Bhopal **Rs.22,90,550/-** (Previous Year Rs.22,90,550/-)

Plant and Machinery includes Machinery purchased on Term loan from a Private Finance Company **Rs.5,591,855/-** (Previous Year Rs.55,91,855/-)

Vehicle includes Vehicles purchased on loan from Private Finance Companies **Rs.37,54,686/-** (Previous Year Rs.12,91,539/-)

* Original Cost /Professional Valuation as on 24th June, 1998.



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

	Rupees	Rupees	As at 31st March, 2009 Rupees
SCHEDULE F			
INVESTMENTS (LONG TERM)			
Government Securities (Unquoted)			
National Savings Certificates / Indira Vikas Patra (Pledged with Government Authorities)		69,500	14,500
Shares (Unquoted) (Non Trade)			
2,164 (P.Y. 2,164) Shares of Shriram Co-op Bank Limited of Rs. 25 each	54,100		54,100
1,135 (P.Y. 1,135) Shares of Saraswat Co-op Bank Limited of Rs. 10 each	11,350		11,350
50 (P.Y. 50) Shares of Charotar Nagarik Sahakari Bank Ltd of Rs. 50 each	2,500		2,500
		<u>67,950</u>	<u>67,950</u>
		<u>1,37,450</u>	<u>82,450</u>
Aggregate value of unquoted investments Rs. 67,950/- (P.Y. Rs. 67,950/-)			
SCHEDULE G			
DEFERRED TAX ASSETS (NET)			
DEFERRED TAX ASSET			
Effect of expenditure debited to Profit & Loss Account in the current year but allowable in following years under Income Tax		10,82,061	55,73,329
Provision for Doubtful Debts & Advances		85,78,874	71,76,519
Unabsorbed Losses/ Carried Forward Losses		3,59,97,925	3,89,10,313
Employee Retirement Benefit		12,95,268	19,34,997
		<u>4,69,54,128</u>	<u>5,35,95,158</u>
DEFERRED TAX LIABILITIES			
Difference in Depreciation in block of fixed assets as per Income Tax and Financial Books		1,65,67,212	1,75,99,316
Effect of expenditure not debited to P & L account but allowable in Income Tax - Sales Tax Deferral Scheme		1,63,40,106	1,77,48,665
		<u>3,29,07,318</u>	<u>3,53,47,981</u>
DEFERRED TAX ASSETS (NET)		<u>1,40,46,810</u>	<u>1,82,47,177</u>

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

	Rupees	Rupees	As at 31st March, 2009 Rupees
SCHEDULE H			
CURRENT ASSETS			
Stock in Trade (At Cost) (*) (Certified by the Managing Director)			
Raw Material and Components	3,72,19,851		4,09,92,944
Finished Goods	2,71,18,756		3,37,09,428
Semi-finished Goods	79,58,832		47,01,062
		7,22,97,439	7,94,03,434
(*) Refer to Note No. 10 in "Schedule Q"			
Sundry Debtors			
Unsecured -			
Debts outstanding for more than six months			
Considered good	7,43,18,248		3,49,72,248
Considered doubtful	2,52,39,407		2,16,87,175
	9,95,57,655		5,66,59,423
Other Debts - Considered good	14,58,10,538		15,01,40,970
	24,53,68,193		20,68,00,393
Less : Provision for doubtful debts	2,52,39,407		2,16,87,175
		22,01,28,786	18,51,13,218
Cash on hand		2,39,947	2,47,150
Balance with Scheduled Banks			
In Current Accounts (*)		1,39,55,518	1,81,01,004
In Fixed Deposits		3,00,85,141	2,30,81,140
(Lodged with Banks as margin for non-funded working capital facilities to the extent of Rs. 2,75,85,141/- (P.Y. Rs.2,30,81,140/-) and (in lieu of Debt Service Reserve Account Rs. 25,00,000/- (P.Y. Nil)			
Other Current Assets			
Fixed Assets held for sale (at net book value or estimated net realizable value, whichever is lower)	4,29,178		1,23,178
Interest Accrued and due	6,90,826		2,80,599
		11,20,004	4,03,777
(*) Includes Balance in Debt Service Reserve Account with a bank Rs.17,04,657/- (P.Y. Rs.17,04,657/-)		33,78,26,835	30,63,49,723
SCHEDULE I			
LOANS AND ADVANCES			
(Unsecured - Considered good)			
Advances Recoverable in cash or in kind or for value to be received.		2,09,75,501	2,08,68,955
Balance with Excise Authorities		54,44,888	46,54,606
Advance Income Tax		1,13,70,786	76,07,448
Deposits		87,46,514	1,04,45,702
Interest accrued on deposits		2,59,280	1,87,923
		4,67,96,969	4,37,64,634



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

	Rupees	Rupees	As at 31st March, 2009 Rupees
SCHEDULE J			
CURRENT LIABILITIES AND PROVISIONS			
CURRENT LIABILITIES			
Sundry Creditors (*)			
Micro, Small and Medium Enterprises	—		—
Others	<u>7,58,46,667</u>		<u>9,39,78,218</u>
		7,58,46,667	9,39,78,218
(*) Refer to Note No. 17 in "Schedule Q"			
Advances/Deposits from Customers		3,13,41,795	3,28,95,289
Other Liabilities		60,56,222	62,39,854
Interest accrued but not due		29,900	41,712
		<u>11,32,74,584</u>	<u>13,31,55,073</u>
PROVISIONS			
Income / Wealth Tax		1,62,749	1,62,749
Fringe Benefit Tax		19,60,110	23,60,110
Leave Encashment		51,74,713	45,06,351
Gratuity		34,53,732	55,10,102
Provision for Contingency @		6,82,296	9,10,385
		<u>1,14,33,600</u>	<u>1,34,49,697</u>
		<u>12,47,08,184</u>	<u>14,66,04,770</u>

@ Provision for contingencies is recognised based on substantial degree of estimation and relates to demand against the Company. Additional information in this regard can be prejudicial to the interests of the Company.

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Rupees	Previous Year Rupees
SCHEDULE K		
OTHER INCOME		
Interest from Banks	21,37,679	12,59,724
Interest from Debtors / Deposits	55,68,953	27,83,360
Dividend on Shares	2,270	2,270
Refund of Sales Tax	—	1,62,446
Foreign Exchange Gain (net)	(1,31,079)	(25,709)
Miscellaneous Receipts	4,95,521	20,29,982
Sundry Credit Balances Written Back	12,27,277	27,60,440
Prior Years' Provisions written back	12,47,711	32,14,933
Bad Debts Recovered	19,27,000	—
	<u>1,24,75,332</u>	<u>1,21,87,446</u>
SCHEDULE L		
INCREASE/(DECREASE) IN STOCKS		
Finished Goods :		
Closing Stock		
Finished Goods	2,71,18,756	3,37,09,428
Semi-finished Goods	79,58,832	47,01,062
	<u>3,50,77,588</u>	<u>3,84,10,490</u>
Less : Opening Stock		
Finished Goods	3,37,09,428	4,09,24,948
Semi-finished Goods	47,01,062	10,86,783
	<u>3,84,10,490</u>	<u>4,20,11,731</u>
	<u>(33,32,902)</u>	<u>(36,01,241)</u>
SCHEDULE M		
MATERIALS		
Raw Material and Components	44,67,79,504	40,55,33,762
Purchase of Trading Goods	—	4,58,036
Excise duty paid	(3,10,447)	1,75,122
	<u>44,64,69,057</u>	<u>40,61,66,920</u>
Excise duty paid represents the difference between excise duty on opening & closing stock of finished goods.		
SCHEDULE N		
PERSONNEL		
Salaries, Wages and Bonus	6,60,19,901	5,20,13,376
Contribution to Provident & Other Funds	67,58,556	65,79,657
Welfare Expenses	30,74,985	23,23,915
	<u>7,58,53,442</u>	<u>6,09,16,948</u>



SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Rupees	Previous Year Rupees
SCHEDULE O		
EXPENSES		
Stores & Spares	26,84,377	32,54,759
Power & Fuel	2,40,08,051	1,93,52,846
Water Charges	4,02,964	4,59,791
Rates & Taxes	2,87,89,808	2,46,63,251
Insurance	7,16,499	6,30,113
Repairs to Building	15,29,442	12,59,578
Repairs to Machinery	18,54,849	34,83,412
Repairs Others	6,82,355	9,51,074
Packing Materials	21,05,467	14,22,864
Site Expenses	51,12,845	44,99,301
Freight (Net)	2,54,67,696	1,94,82,356
Commission, Discount and Service Charges	3,10,31,554	3,17,68,886
Sales Promotion Expenses	13,12,435	25,59,755
Entertainment Expenses	1,05,246	1,02,087
Advertisement	24,05,686	17,22,110
Bad Debts/Advances written off	2,50,655	2,09,760
Hire Charges	-	80,411
Rent	20,55,995	15,50,277
Conveyance and Travelling	1,22,25,649	1,03,75,418
Vehicle Expenses	4,30,987	5,52,086
Professional Fees	43,84,160	33,92,728
Postage, Telephone & Telex	29,36,683	28,23,340
Printing & Stationery	18,00,051	16,05,254
Miscellaneous Expenses	81,42,374	70,72,577
Provision for doubtful debts	35,52,232	15,90,718
(Profit) / Loss on sale / Discarded assets (net)	2,86,698	(1,36,932)
	<u>16,42,74,758</u>	<u>14,47,27,820</u>
SCHEDULE P		
INTEREST		
Debentures	2,65,96,256	2,25,44,433
Term Loan	29,02,879	38,92,028
Others	1,48,71,477	1,05,28,541
	<u>4,43,70,612</u>	<u>3,69,65,002</u>

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SCHEDULE Q

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

	Rupees	Previous Year Rupees
1 Contingent Liabilities not provided for :		
1 Guarantees issued by Banks secured by Fixed Deposits.	2,44,63,758	2,62,04,016
2 Custom Duty/Interest under Export Promotion Capital Goods Scheme.	1,71,75,896	1,60,78,188
2 Estimated amount of Contracts remained to be executed on Capital Account and not provided for (Net of Advance).	57,72,160	8,91,510
3 Claims against the Company not acknowledged as debt.	48,09,509	15,65,919
4 Depreciation charged to Profit & Loss Account is after deducting additional depreciation arising on revaluation upliftment and withdrawn from Capital (Revaluation) Reserve.	32,37,630	32,24,278
5 The balances shown under Debtors, Advances, Deposits and Creditors are subject to confirmations and reconciliations, if any.		
6 Professional fees include Remuneration to Auditors -		
Audit fees (Including Service Tax)	3,30,900	3,30,900
Taxation Matters	1,21,330	1,11,049
Certification	30,333	1,51,480
Management Services	1,84,201	49,632
Out of Pocket Expenses	3,51,847	2,08,147
7 Miscellaneous Expenses include Board/Committee Meeting Fees paid to Directors	2,20,000	2,40,000
8 Remuneration to Managing Director		
Salaries & Allowances	30,00,000	30,00,000
Perquisites	25,839	38,579
Contribution to Superannuation Fund	3,00,000	3,00,000
Provision for Gratuity	82,800	82,800
Provision for leave encashment has been included as a part of provision for all employees. No separate detail is available.		
9 Tax deducted at Source		
On Sales and Installation Charges	8,48,320	6,73,035
On Interest from Debtors/Bank Deposits	10,98,975	2,76,016
10 With effect from 1st April, 2009, the Company has implemented Microsoft Business Solutions - Navision as ERP platform and the valuation of inventories of Raw Material, Components and Finished Goods is done on the basis of Weighted Average Method instead of FIFO/YTD Average basis as applied in earlier years. The impact of this change on profit is not material.		



SCHEDULE Q

NOTES TO ACCOUNTS (Contd.)

	Rupees	Previous Year Rupees
11 Disputed income tax liability (Net of Provision) and interest demanded by department for the assessment year 1993-94. Based on the decisions of the Appellate Orders and interpretations of relevant provisions, the Company has been advised that the demand is expected to be either deleted or substantially reduced. In view of carry forward losses/depreciation available to the Company and in absence of the book profit under Section 115JB of the Income Tax Act, 1961, no provision of current Income Tax has been made.	23,66,859	23,66,859
12 Liabilities in respect of pending sales tax assessments have been provided on the basis of Returns filed and/or Assessment Orders received.		
13 Loans & Advances includes refund claim made for excise duty paid under protest consequent upon the judicial pronouncement made by CESTAT in favour of the Company, which was disputed by the Department before higher authorities. The Commissioner (Appeals) of Central Excise and Customs, Nashik has sanctioned the claim on merit but taking recourse to the principle of "Unjust Enrichment" has ordered the claim to be transferred to the credit of the "Consumer Welfare Fund". The appeal is filed by the Company against the order. The Company has been legally advised that the claim is tenable. Hence no provision has been considered.	1,66,79,302	1,66,79,302
14 Show Cause cum Demand Notices are received from/issued by the Excise authorities. The major issues raised therein have been decided in favour of the Company at the Tribunal level. The said Notices are pending adjudication and the Company is confident of favourable decisions. Hence no provision has been made.	79,44,000	79,44,000
15 Foreign currency exposure in the Company as on 31st March, 2010 Receivable : GBP Payable : EURO Rupees	15,291 — 10,44,361	— 485 32,732
16 Basic and Diluted Earning Per Share : For the purpose of calculation of Basic and Diluted Earning Per Share, the following amounts are considered :		
1 Amounts used as the numerator Net Profit / (Loss) After Tax and Exceptional Items Net Profit / (Loss) available for equity shareholders	95,17,553 95,17,553	(1,51,33,567) (1,51,33,567)
2 Weighted average number of equity shares (Nos.)	98,64,932	95,00,000
3 Basic and Diluted Earning Per Share (Rs.)	0.96	(1.59)
17 The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid/payable under this Act have not been given.		

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SCHEDULE Q

NOTES TO ACCOUNTS (Contd.)

18 As per Accounting Standard 15 "Employee Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below:

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized as expenses for the year are as under :

	Rupees	Previous Year Rupees
Employer's Contribution to Provident Fund	39,97,315	31,96,245
Employer's Contribution to Superannuation Fund	11,33,595	10,77,911

The Company operates Defined Contribution Scheme like Provident Fund and Superannuation schemes. Contributions to Provident Fund are made by the Company, based on current salaries, to the funds maintained by the Government. In case of Provident Fund Schemes, contributions are also made by the employees. Contribution to Superannuation Scheme is applicable for certain categories of employees and the contribution by the Company is invested with a Insurance Company.

Defined Benefit Plan

The Employees' Gratuity Fund Scheme, managed by LIC is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as given rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity.

I. Reconciliation of opening and closing balance of Defined Benefit obligation :

	Gratuity Funded 2009-10 Unfunded	Leave Encashment (PL) Unfunded 2009-10	Leave Encashment (SL) Funded 2009-10	Gratuity Unfunded 2008-09	Leave Encashment (PL) Unfunded 2008-09	Leave Encashment (SL) 2008-09
Present value of obligation as on 01/04/2009	93,42,790	34,64,355	10,41,996	75,13,186	35,02,894	4,53,177
Interest Cost	6,45,171	2,33,866	72,940	5,97,284	2,80,232	36,254
Current Service Cost	20,39,364	17,94,481	7,07,622	11,95,983	19,93,703	2,84,497
Benefit Paid	(2,52,122)	(2,46,817)	—	(94,274)	—	—
Actuarial (Gain)/Loss on Obligation	(14,26,853)	(11,60,404)	(7,33,326)	1,30,611	(23,12,474)	2,68,068
Present Value at the end of the year	1,03,48,350	40,85,481	10,89,232	93,42,790	34,64,355	10,41,996



SCHEDULE Q
NOTES TO ACCOUNTS (Contd.)

II. Reconciliation of opening and closing balance of fair value of plan assets

	Gratuity Funded 2009-10	Leave Encashment (PL) Unfunded 2009-10	Gratuity Funded 2008-09	Leave Encashment (PL) Unfunded 2008-09
Fair value of plan assets at the begining of the period	38,32,688	—	27,99,952	—
Expected return on plan	3,08,833	—	2,53,188	—
Actuarial gain/[loss]	1,24,025	—	49,763	—
Employer contribution	28,81,194	2,46,817	8,24,059	—
Benefits paid	(2,52,122)	(2,46,817)	(94,274)	—
Fair value of plan assets	68,94,618	—	38,32,688	—
Actual return on plan assets	4,32,858	—	3,02,951	—

III. Reconciliation of fair value of assets & obligation

	Gratuity Funded 2009-10	Leave Encashment (PL) Unfunded 2009-10	Leave Encashment (SL) Unfunded 2009-10	Gratuity Funded 2008-09	Leave Encashment (PL) Unfunded 2008-09	Leave Encashment (SL) Unfunded 2008-09
Fair value Present value	68,94,618	—	—	38,32,688	—	—
Amount recognized in balance sheet	1,03,48,350	40,85,481	10,89,232	93,42,790	34,64,355	10,41,996
	34,53,732	40,85,481	10,89,232	55,10,102	34,64,355	10,41,996

IV. Expenses recognised during the year (Under the head " Payment to and Provisions for Employees' -
(Refer Schedule "N")

	Gratuity Funded 2009-10	Leave Encashment (PL) Unfunded 2009-10	Leave Encashment (SL) Unfunded 2009-10	Gratuity Funded 2008-09	Leave Encashment (PL) Unfunded 2008-09	Leave Encashment (SL) Unfunded 2008-09
Current Cost	20,39,364	17,94,481	7,07,622	11,95,983	19,93,703	2,84,497
Interest Cost	6,45,171	2,33,866	72,940	5,97,284	2,80,232	36,254
Expected Return	(3,08,833)	—	—	(2,53,188)	—	—
Net Actual (Gain)/ Loss	(15,50,878)	(11,60,404)	(7,33,326)	80,848	(23,12,474)	2,68,068
Net Cost	8,24,824	8,67,943	47,236	16,20,927	(38,539)	5,88,819

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NOTES TO ACCOUNTS (Contd.)

V. Actuarial Assumptions

Mortality Table (LIC)	Gratuity Funded 2009-10	Leave Encashment Unfunded 2009-10	Gratuity Funded 2008-09	Leave Encashment Unfunded 2008-09
	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	7.00%	7%	7.00%	8%
Expected rate of return on plan assets (per annum)	6%	—	8.00%	—
Rate of escalation in salary (per annum)	5%	5%	5%	5%

The estimate or rate of escalation in salary, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors, including supply and demand in the employment market. The above information is certified by the Actuary.

The expected rate of return on plan assets is determined considering several applicable factors, mainly the composition of plan assets held, assessed risks, historical results of return on plan assets and the Company's policy for plan assets management.

	Previous Year
	Rupees in Lacs

19 SEGMENT INFORMATION

The Company has disclosed Business Segment as the primary segment. Segments have been identified by the management taking into account the nature of products, customer profiles and other relevant factors.

The Company's operations have been mainly classified between two primary segments, 'Micro Irrigation System' (MIS) and 'Industrial and Infrastructure Piping' (IIP).

Composition of business segments are as follows :

- 1 Micro Irrigation Systems (MIS)
- 2 Industrial and Infrastructure (Gas and Water) Pipes (IIP)
Segmentwise Revenue, Results, Assets and Liabilities include the respective amounts identifiable to either of the segments as also amounts allocated on a reasonable basis. The expenses, which are not directly attributable to the business segment, are shown as unallocated cost. Assets and Liabilities that can not be allocated between the segments are shown as a part of unallocated assets and liabilities respectively.
- 3 Inter Segment Transfer Pricing.
There are no Inter segment transfers of material.
- 4 Segment Revenues, Results and other Information

Sales		
MIS	6,927.79	5,406.43
IIP	593.32	824.17
	7,521.11	6,230.60
Profit Before Interest, Tax and unallocable overheads and income		
MIS	2,073.89	1,324.07
IIP	15.86	(62.43)
	2,089.75	1,261.64

**SCHEDULE Q****NOTES TO ACCOUNTS (Contd.)**

	Rupees in Lacs	Previous Year Rupees in Lacs
Assets		
MIS	2,919.27	2,661.95
IIP	577.58	500.78
	<u>3,496.85</u>	<u>3,162.73</u>
Liabilities		
MIS	920.24	1,110.74
IIP	2.42	4.86
	<u>922.66</u>	<u>1,115.60</u>
5 Reconciliation of Reportable Segments with the Financial Statements.		
Total Reportable Segments		
Revenues	7,585.18	6,255.58
Results	2,089.75	1,261.64
Assets	3,496.85	3,162.73
Liabilities	922.66	1,115.60
Unallocated		
Revenues	60.68	96.89
Results	(1,566.79)	(1,304.45)
Assets	2,246.68	2,313.49
Liabilities	3,780.27	3,517.68
Interest	443.71	369.65
As per Financial Statements		
Revenues	7,645.86	6,352.47
Results	139.93	(315.57)
Assets	5,743.53	5,476.22
Liabilities	4,702.93	4,633.28
Other Information		
Depreciation		
MIS	55.54	38.80
IIP	9.62	13.41
Unallocated	97.76	92.05
Capital Expenditure (Including CWIP)		
MIS	—	—
IIP	—	—
Unallocated	129.45	285.46
Non cash expenses other than Depreciation	—	—

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SCHEDULE Q

NOTES TO ACCOUNTS (Contd.)

	Rupees	Previous Year Rupees
20 Related Party Disclosures		
(a) List of Related Parties with whom transactions have taken place during the year		
Schroder Credit Renaissance Fund Ltd (Significant Influence)		
Credit Renaissance Development Fund LP.		
(Earlier known as Schroder Credit Renaissance Fund L.P.)		
(Significant Influence)		
Kimplas Piping Systems Limited (Significant Influence of relative of Key Management Personnel)		
Kimplas Limited, UK (Significant Influence of relative of Key Management Personnel)		
Mr. K. L. Khanna (Key Management Personnel)		
(b) Transactions with related parties		
(i) Interest on Debentures (Gross)		
Schroder Credit Renaissance Fund Ltd.	2,24,32,519	1,90,15,122
Credit Renaissance Development Fund LP.	41,63,737	35,29,311
(Earlier known as Schroder Credit Renaissance Fund L.P.)		
(ii) Kimplas Piping Systems Limited		
Sales	5,96,64,183	9,70,80,987
Sales Return	(11,46,001)	(1,12,288)
Interest Received	53,61,841	24,98,028
Purchases	1,21,66,534	1,48,55,767
(iii) Issue of Shares		
Schroder Credit Renaissance Fund Ltd.	91,66,670	—
Credit Renaissance Development Fund LP.		
(Earlier known as Schroder Credit Renaissance Fund L.P.)	18,33,330	—
Garuda Plant Products Limited	10,00,000	—
(Shares Issued at Premium of Rs. 40/- per share)		
(c) Outstanding balances		
(i) Debtors / Deposits / Advances		
Debtors		
Kimplas Piping Systems Limited	3,69,36,370	2,61,45,769
(ii) Debentures		
Schroder Credit Renaissance Fund Ltd.	14,16,66,700	15,00,00,000
Credit Renaissance Development Fund LP.	2,83,33,300	3,00,00,000
(Earlier known as Schroder Credit Renaissance Fund L.P.)		
d) Managerial Remuneration		
Salaries and Allowances	30,00,000	30,00,000
Perquisites	25,839	38,579
Contribution to Superannuation Fund	3,00,000	3,00,000
Provision for Gratuity	82,800	82,800

21 Figures relating to previous year have been regrouped and rearranged, wherever necessary.



NOTES TO ACCOUNTS (Contd.)

22 Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of Schedule VI of the Companies Act, 1956.

	Unit	Quantity	Previous Year Rupees	Quantity	Rupees
1 CAPACITY AND PRODUCTION					
Licensed Capacity			NOT APPLICABLE		
Installed Capacity					
Extruded, Moulded & Fabricated Plastic Products (As estimated by Consulting Engineers and Certified by the Chairman & Managing Director)	MT	12,036		10,048	
Actual Production					
Extruded, Moulded & Fabricated plastic products (including Production for captive consumption)	MT	4,165		3,732	
2 MATERIAL CONSUMED					
Plastic Granules	MT	4,170	33,90,44,212	3,737	2,95,27,591
Components			10,77,35,292		11,02,57,847
Components include diverse items forming part of Irrigation / Plastic Piping Systems. Each of the items are less than 10% of the value of the purchases, Stocks and Sales. Hence, itemwise details are not given. The adjustment for shortage / excess on physical verification of inventory has been effected in arriving at the consumption and production figures.					
3 TURNOVER					
Extruded, Moulded & Fabricated Plastic Products	MT	4,148	62,95,45,353	3,829	53,65,60,993
Bought outs as part of systems.			11,91,45,515		8,31,77,341
Resale of Components			—		11,98,903
Installation charges			34,19,903		21,22,395
The figures of the quantity represent Extruded, Moulded and Fabricated Plastic Product and the same are derived from the stock at the beginning and the end of the year and production during the year.					
4 STOCKS					
Extruded, Moulded & Fabricated Plastic Products					
Opening Stock	MT	326	3,84,10,489	383	4,20,11,732
Closing Stock	MT	343	3,50,77,588	326	3,84,10,489
5 VALUE OF IMPORT ON CIF BASIS					
Capital Equipment			—		49,73,801
Stores and Spares			39,713		89,384
			<u>39,713</u>		<u>50,63,185</u>
			Rupees	%	Rupees
6 VALUE OF MATERIAL CONSUMED					
Imported		6,250	—	1,42,14,166	4
Indigenous		44,67,73,254	100	39,17,77,631	96
		<u>44,67,79,504</u>	<u>100</u>	<u>40,59,91,798</u>	<u>100</u>
7 VALUE OF STORES AND SPARES CONSUMED					
Imported		39,713	1	1,06,118	3
Indigenous		26,44,665	99	31,48,641	97
		<u>26,84,377</u>	<u>100</u>	<u>32,54,759</u>	<u>100</u>

NOTES TO ACCOUNTS (Contd.)

	Rupees	Previous Year Rupees
8. EXPENDITURE IN FOREIGN CURRENCY		
Travelling	2,34,702	1,43,165
Others	49,166	—

SCHEDULE R

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) and in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements is in conformity with GAAP requirements and the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balance of assets & liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, etc. Differences, if any, between the actual results and estimates, are recognised in the respective period under review.

FIXED ASSETS

Fixed assets are recorded at cost of acquisition or construction and are stated at historical cost.

Fixed Assets (other than Office Premises at Ahmedabad, Furniture & Fixtures, Office Equipment and Vehicles) have been revalued as on 24th June, 1998 and the resultant surplus has been added to the block of the Assets.

Depreciation on all assets, other than Computer & Accessories, is provided on Straight Line Method in accordance with Schedule XIV of the Companies Act, 1956. Depreciation is provided on Computers & Accessories using Straight Line Method based on the useful life of the assets as estimated by the management, in a period of 3 years. Leasehold Assets are written off over the period of lease. Depreciation on additions to assets or on sale / disposal of assets is calculated from the beginning of the month of such addition or up to the month of such sale / the month in which such assets are scrapped as the case may be.

As at each Balance sheet date, the carrying amount of the assets is tested for impairment, so as to determine whether the provision for impairment loss, if any, is required to be made.

INTANGIBLE ASSETS

Intangible assets are recognised only when economic benefit attributable to the assets will flow to the enterprise and cost can be measured reliably and are being amortised over its useful life of three years.

INVESTMENTS

Investments are stated at cost. Long term investments are stated at cost and any diminution in the market value thereof, which is not considered temporary, is provided for by way of a charge to the Profit & Loss Account.

EARNING PER SHARE (EPS)

The earning considered in ascertaining the Company's EPS comprises of the net profit after tax. The number of shares used in computing Basic and Diluted EPS is the weighted average number of shares outstanding during the year.

INVENTORIES

Stock of raw materials and components are valued on "weighted average basis".

Stock of finished goods are valued at cost or net realisable value, whichever is lower. Cost for this purpose includes raw materials, wages, manufacturing expenses, overheads and depreciation.



EMPLOYEE BENEFITS

a) Short term employee benefits

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences, etc. and the expected cost of bonus, ex-gratia, are recognised in the period in which the employee renders the related service.

b) Post-employment benefits

1. Defined Contribution Plans : The Company operates Defined Contribution Scheme like Provident Fund and Superannuation schemes. Contributions to Provident Fund are made by the Company, based on current salaries, to the funds maintained by the Government. In case of Provident Fund Schemes, contributions are also made by the employees. Superannuation Scheme is applicable for certain categories of employees and the contributions by the Company are invested with a Insurance Company.

2. Defined Benefits Plans : The Employees' Gratuity Fund Scheme, which is being managed by LIC, is under Defined Benefit Plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as given rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity.

The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yield on Government securities, of a maturity period equivalent to the weighted average maturity profile of the related obligations at the Balance Sheet date.

Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined plans to recognise the obligation on the net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs. Past service cost is recognised as expenses on a straight line basis over the period until benefit becomes vested.

c) Long term employee benefits

The obligation for long term employee benefits such as long term compensated absences, long service award, etc. is recognised in the similar manner as in the case of defined benefit plans as mentioned in (b) (2) above.

ACCOUNTING OF CLAIMS AND SUBSIDIES

Claims raised by parties regarding free replacement, disputed by the Company, are accounted based on the merits of each claim. Adjustments, if any, are made in the year in which disputes are finally settled.

Capital Incentive Subsidy, not specifically related to fixed assets, is credited to Capital Incentive Reserve and retained till the requisite conditions are fulfilled.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a event,
- b) a probable outflow of resources is expected to settle the obligation and
- c) the amount of the obligation can be reliably estimated.

Contingent liability is disclosed in case of :

- a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,
- b) a present obligation when no reliable estimate is possible and
- c) a present obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognised, nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

FOREIGN CURRENCY TRANSACTIONS

Payment on account of royalty, fees, travelling, import of components, spare parts etc incurred in foreign exchange are accounted for at the banker's selling rates of exchange and / or forward contract rates, as applicable on the date of each transactions. The monetary Assets and Liabilities , if any, outstanding at the end of the year are converted at exchange rate prevailing at the year end.

INCOME TAXES

Income Taxes are accounted for in accordance with Accounting Standard on "Accounting for Taxes on Income", (AS-22), issued by the Institute of Chartered Accountants of India. Tax Expenses comprises of both current tax and deferred tax. Current tax is measured at the amount expected to be paid / recovered from the tax authorities using the applicable tax rates.

Deferred tax asset is measured based on the tax rates and the laws enacted or substantively enacted as at the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In respect of carry forward losses and unabsorbed depreciation, deferred tax assets are recognized only to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

SALES

Sales are inclusive of Sales Tax but do not include recovery such as freight, insurance which are set off against respective expense head.

EXPENSES

All expenses are accounted for on accrual basis.

LEASES

For Operating Leases, Lease payments are recognised as expenses and Lease income is recognised as income on a straight line basis over the Lease Term. Initial direct costs are recognised immediately as expenses.

SHARE ISSUE EXPENSES

Share Premium Account is applied to write-off Share Issue expenses as per Section 78(2) of the Companies Act, 1956.

As per Report Annexed
For **DESAI ASSOCIATES**
Chartered Accountants

I. A. MUKADAM
Partner
Membership No. 16865

Nashik April 29, 2010

K. L. KHANNA
J. N. SHAH
V. P. PATIL
B. K. SHARMA

RATNAKAR NAWGHARE
Company Secretary

For and on behalf of the Board
Chairman & Managing Director
Director
Director
Director

A. R. KSHIRSAGAR
Head - Finance & Accounts

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**Registration No. State Code Balance Sheet Date **II. Capital Raised during the year (Amount in Rs. Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

Sources of funds (including share application money)

Paid-up Capital

Reserves and Surplus

Secured Loans

Unsecured Loans

Current Liabilities and Provisions

Share Application Money

Application of Funds

Net Fixed Assets

(Including capital WIP & pre-operative expenditure)

Investments

Current Assets

Loans and Advances

Accumulated Losses

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover

Total expenditure (Net of variation in stock)

Profit/(Loss) before tax

Profit/(Loss) after tax

Earnings per share in Rs.

Dividend %

V. Generic Names of three principal Products/ Services of the Company (as per monetary terms)Item code No. (ITC code) Product Description Item code No. (ITC code) Product Descriptions Item code No. (ITC code) Product Description

PROXY FORM
EPC INDUSTRIÉ LIMITED

Registered Office: H-109, MIDC Ambad, Nashik 422 010.

L.F. No.....

* D.P. ID.....

* Client ID

* (Applicable if shares are held in electronic form)

I/We of being a Member/Members of EPC INDUSTRIÉ LIMITED hereby appoint of or failing him/ her of as my/our proxy to vote for me/us and on my/our behalf at the Twenty eighth Annual General Meeting of the Company to be held on Wednesday, 21st July, 2010 at 11.00 a.m. and at any adjournment thereof.

Signed this day of, 2010

Affix Re.1 Revenue Stamp

(Signature of the Shareholder/s)

NOTE : The Proxy Form must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time of meeting.

BOOK-POST

If undelivered please return to :-



EPC INDUSTRIÉ LIMITED
H-109, MIDC Ambad,
Nashik - 422 010.