

ANNUAL REPORT & ACCOUNTS 2000-2001



ANDREW YULE & COMPANY LIMITED



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Subsidiary Company :

Hooghly Printing Company, Limited

ANDREW YULE & CO. LTD.**BOARD OF DIRECTORS**

Arindom Mukherjee— (Chairman and Managing Director)

A. K. Basu

K. K. Jaswal

Brig R. K. Kashyap, VSM (Retd.)

Pradeep Kumar

Jawhar Sircar

E. I. Thomas

COMPANY SECRETARY

D. Bose

REGISTERED OFFICE

'Yule House'
8, Dr. Rajendra Prasad Sarani,
Calcutta-700 001.

Offices at :

Flat Nos.401, 402 and 406
Laxmi Bhavan, 72, Nehru Place,
New Delhi - 110 019.

32, Ramjibhai Kamani Marg,
Kamani Chambers,
Ballard Estate,
Mumbai - 400 038.

Mount View'
646, Anna Salai,
Chennai - 600 006.

JVL Plaza,
501, Anna Salai,
Teynampet,
Chennai - 600 018.

Auditors

K. N. Gutgutia & Company,
Chartered Accountants,
Flat No.23 (2nd Floor),
6C, Middleton Street,
Calcutta-700 071.

Maheshwari & Associates,
Chartered Accountants,
Flat No.6A, 6th Floor,
"Geetanjali",
8B, Middleton Street,
Calcutta-700 071.

Sarma & Company,
Chartered Accountants,
8/2, Kiran Sankar Roy Road,
2nd Floor, Room No.13 and 14,
Calcutta-700 001.

Principal Bankers

Allahabad Bank

Bank of Baroda

State Bank of India

Union Bank of India

United Bank of India



NOTICE TO MEMBERS

NOTICE is hereby given that the Annual General Meeting of the members of Andrew Yule & Company Limited will be held at the Williamson Magor Hall of the Bengal Chamber of Commerce & Industry, Royal Exchange, 6, Netaji Subhas Road, Kolkata - 700001 on Thursday, the 27th day of September, 2001 at 11.00 a.m. to transact the following business :

1. To consider and adopt the Profit and Loss Account for the year ended 31st March, 2001, Balance Sheet as at that date and the Reports of the Board of Directors and the Auditors thereon.
3. To fix the remuneration payable to the statutory Auditors of the Company for the financial year ending 31st March, 2002.
2. To appoint a Director in place of Shri K. K. Jaswal, who retires by rotation and being eligible offers himself for reappointment.

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modifications the following as Special Resolution :-

"RESOLVED that pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals/sanctions and permissions as may be considered necessary from the Central Government and in accordance with the guidelines of Securities And Exchange Board of India (SEBI) for preferential allotment of shares, the consent, approval and authority of the Company be and are hereby accorded to the Board of Directors to issue upto 10,00,000 Equity Shares of Rs.10/- each out of the unissued share capital of the Company for cash, at par to the President of India without offering to any other existing shareholders of the Company at such time as the Board of Directors may in its absolute discretion deem fit and proper".

"RESOLVED further that the above new equity shares to be issued shall rank pari passu in all respects with the existing equity shares of the Company."

"RESOLVED further that for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may, in its absolute discretion deem necessary, proper or desirable and to settle any question or difficulty or doubt that may arise in regard to the issue and allotment of such shares as aforesaid or any other matters incidental or consequential thereto."

The Registers of Members and Transfer Registers of the Company will remain closed from 18th September to 25th September, 2001, both days inclusive.

Registered Office:
'Yule House',
8, Dr. Rajendra Prasad Sarani,
Kolkata - 700 001,
3rd September, 2001.

By order of the Board,

D. BOSE
Company Secretary.

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- Notes:**
1. A Member who is entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. Proxies, in order to be effective must be received at the Company's Registered Office not less than forty-eight hours before the Meeting.
 2. In terms of newly added Clause (aa) to Sub-Section 8 of Section 224 of the Companies Act, 1956 (Act) vide the Companies (Amendment) Act, 2000, the remuneration payable to the auditor(s) appointed under Section 619 of the Act by the Comptroller & Auditor General of India shall be fixed by the Company in General Meeting or in such manner as the Company in General Meeting may determine.
 3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the items of Special Business is annexed.
 4. Members holding shares in more than one account are requested to intimate the Share Department of the Company, the Ledger Folios, to enable the Company to consolidate the same into one account.
 5. Members are requested to produce the enclosed attendance slip duly signed as per the specimen signature recorded with the Company for admission to the meeting hall.
 6. Members, who hold shares in de-materialised form are requested to bring their client ID and DP ID Nos. for easier identification for attendance at the meeting.
 7. Members are requested to notify immediately any changes in their address to the Company and in case their shares are held in dematerialised form, this information should be passed on to their respective Depository Participants without any delay.
 8. Pursuant to Section 205A (5) of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Members concerned are requested to claim such dividends from the Registrar of Companies, West Bengal, Nizam Palace, II MSO Building, 234/4, A.J.C. Bose Road, Kolkata - 700 020, by submitting an application in the prescribed form.
 9. KINDLY BRING YOUR COPY OF THE ANNUAL REPORT TO THE MEETING.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No.4 :**

The performance of the Company during the financial year 2000-2001 declined substantially following the all round depression in economy, severe competition amongst the major manufacturers of Electrical equipment and unprecedented steep fall in the tea price. Further, despite continued best efforts, large amount remained outstanding with different State Electricity Boards which resulted in critical fund problem and increase in the interest burden. This has affected the day-to-day operations of the Company. In view of such serious situation, the matter was taken up with the parent Ministry i.e. Ministry of Heavy Industries & Public Enterprises to extend on most urgent basis the financial assistance from the Central Government, the largest shareholder, to the Company in this critical juncture.

The Central Government considered the issue sympathetically and has sanctioned and released to the Company the financial assistance of Rs.100 lakhs for meeting capital expenditure for implementation of Plan Schemes. However, the Central Government while sanctioning such much needed assistance has particularly stipulated that the Company shall have to issue fresh equity shares of face value of Rs.10/- each at par in the name of the President of India equivalent to the aforesaid sanctioned amount.

The decision of the Central Government to participate in the equity capital of the Company in the manner aforesaid is beneficial to the interest of the Company particularly in view of the fact that it came to the rescue of the Company in its dire need by infusion of fresh fund for its on going operations despite the inability of the Company to declare any dividend for six consecutive years i.e. 1994-95 to 1999-2000.

In case, however, the fresh equity shares at par equivalent to the amount sanctioned can not be issued to the Central Government, such amount would be converted and treated as loan by the Government carrying interest at the market rate. In such circumstances, the position of the Company would deteriorate further.

Under the circumstances explained above, the Company will be required to issue 10,00,000 equity shares of Rs.10/- each at par for a total face value of Rs.100 lakhs to the Central Government in the name of the President of India.

The Securities And Exchange Board of India (SEBI) has already conveyed its approval to the proposed conversion of financial assistance of Rs.100 lakhs into the equity shares of Rs.10/- at par in relaxation of Clause 13.1.1 of the SEBI (Disclosure & Investor Protection) Guidelines, 2000.

The proposal is being placed before the members as a "Special Resolution" in terms of Section 81(1A) of the Companies Act, 1956 as the aforesaid Equity Shares will be issued to the Central Government in the name of the President of India.

The Board of Directors recommends that the proposed Special Resolution be passed.

None of the Directors has any interest or concern in the proposed resolution.

ANDREW YULE & CO. LTD.**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Annual Report and Accounts of the Company for the financial year ended 31st March, 2001.

1.0 FINANCIAL RESULTS :

	(Rs. in lakhs)
Loss for the year	2677.97
Add: Provision for Wealth Tax	2.50
Loss for the year	2680.47
Add: Loss brought forward from last Account	3476.57
	6157.04
Less: Transfer from General Reserve	2865.00
Balance carried over to Balance Sheet	3292.04

The year under review was a most difficult one for the Company. Slowdown in industrial production, inadequate investment in infrastructural and social sectors, sluggish demand for capital goods, etc. adversely affected the operating environment. As a result, the performance of the Engineering and Electrical Divisions of your Company suffered heavily during the year 2000-2001. The problem was further accentuated by the slump in Tea Industry in the country and the sharp fall in Tea prices in the auction market. Apart from this, acute working capital constraints coupled with increased overhead cost and reduced margin due to stiff competition contributed to the poor performance of the Company during the year under review.

Among the Group Companies, the performance of Tide Water Oil Co. (India) Ltd., and DESCON Ltd. was satisfactory. Dishergarh Power Supply Co., Ltd. (DPS) has submitted an application to the West Bengal Electricity Regulatory Commission (WBERC) for revision in tariff for the year 2000-2001 and 2001-2002 and its final approval is awaited. Consequently, the accounts of DPS for 2000-2001 are yet to be finalised.

The performance of Yule Financing & Leasing Co., Ltd. continued to be poor in view of the default in payment by its customers. Efforts are continuing for the recovery of dues and legal suits have been initiated wherever necessary. Hooghly Printing Co., Ltd., a wholly owned subsidiary of your Company, recorded a profit which was below that of the previous year. The performance of WEBFIL Ltd. improved substantially and it recorded a profit during the year under review. The revival package of WEBFIL as approved by the BIFR is now under implementation.

2.0 DIVIDEND :

In view of the loss incurred by the Company your Directors are unable to recommend any dividend for the year ended 31st March, 2001.

3.0 CONTRIBUTION TO NATIONAL EXCHEQUER :

Your Company contributed Rs.1564 lakhs during the year, to the national exchequer by way of tax, duties, levies, cess, etc.

4.0 OPERATIONS :**4.1 Engineering Division :**

Despite the prevailing recessionary conditions in the core sectors of economy, the performance of the Division recorded a marginal improvement compared to the last year. This was possible through execution of several pending orders, reduction in cycle time for manufacturing and a rigorous control on material costs and inventories. The focus on export of tea manufacturing machinery to Sri Lanka following the current difficulties of the Indian Tea Industry also contributed towards a better performance. The order booking was satisfactory during the last quarter of 2000-2001, but the liquidity constraints impeded prompt execution.

Emphasis is being placed on further reduction of costs, including rationalisation of man power through voluntary retirement during the current financial year.

4.2 Electrical Division :

The performance of the Division during the year 2000-2001 was unsatisfactory as the expected level of activity could not be achieved due to an acute shortage of working capital and blockage of substantial funds with various State Electricity Boards.

The lack of liquidity came in the way of procurement of various essential inputs, impeding execution of the orders. The profitability of the Division also suffered heavily due to reduced margins in a fiercely competitive business environment.

The Division is making all out efforts to gear up its activities and focus on marketing, reduction in manufacturing cycle, value engineering, cost control and product development/up-gradation to consolidate its position in the emerging business scenario.



4.3 Tea Division :

The performance of the Tea Division during the year under review was far from satisfactory. The crop harvest had suffered due to the adverse weather condition that prevailed during the second half of the season both in Assam and West Bengal resulting in a shortfall in production. As in the previous year, the demand in the domestic tea market continued to remain depressed and the prices of tea plummeted to an unprecedented level. The free fall in prices was attributable to mushrooming of bought leaf factories, lower domestic demand for tea and abundant availability of Kenyan and Sri Lankan Tea in the international market at substantially lower prices.

As in the past few years, the Indian Tea industry is persistently facing an acute problem due to import of tea from SAARC countries. This has caused an adverse impact on the domestic sector. As a result, the export realisation achieved by the Company was lower than the previous year. The Tea industry has undertaken various promotional and other measures to combat the crisis and reverse the current market trend.

The Tea Division, under its strategic development plan, is endeavouring to improve its performance by placing greater emphasis on quality, yield per hectare, optimisation of product mix and modernisation of manufacturing facilities.

5.0 FIXED DEPOSIT :

Deposits from the public and others amounted to Rs.491.63 lakhs as on 31st March, 2001, out of which deposits totalling Rs.145.74 lakhs became due for repayment. Deposits amounting to Rs.144.02 lakhs have since been renewed/repaid, leaving a balance of Rs.1.72 lakhs which has not been claimed by the depositors as yet.

6.0 EXPORT :

The Company's exports during the year were Rs.948.94 lakhs on C.I.F. basis. A new thrust is being given to exports during the current year.

7.0 PROSPECTS :

A combination of favourable factors, notably, higher investment in the infrastructural and core sectors and expansion in the sectors of energy generation, transmission and distribution is likely to offer new opportunities of business both to the Engineering and Electrical Divisions. The steps taken by the Company for improvement of production and

quality of tea, together with the measures adopted by the Tea Industry to improve price realisations, both in the domestic and international markets, would help the Tea Division to record better results. The Electrical Division, despite its liquidity crisis and other constraints, has already consolidated its position in the industry, particularly in respect of power transmission and distribution sector and execution of Turnkey Projects. The Engineering Division, which has undertaken a reorganisation of its operations and facilities, is poised to record a satisfactory growth. In the above context, a turnaround strategy is being formulated to put the Company on the path of recovery.

8.0 MEMORANDUM OF UNDERSTANDING(MOU) :

The Company has entered into a MOU for the year 2001-2002 with the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Government of India. The Company has secured "GOOD" rating for the year 1999-2000. The rating for the year 2000-2001 is under evaluation.

9.0 SUBSIDIARY :

Though the turnover of Hooghly Printing Co., Ltd., a wholly owned subsidiary, during the year under review increased substantially as compared to that of in 1999-2000, its profitability declined due to lower value addition. Hooghly Printing is making all efforts to sustain itself in a highly competitive printing business.

10.0 R&D ACTIVITIES AND ENERGY CONSERVATION :

Information relating to conservation of energy, power and fuel consumption, technology absorption and other related matters, pursuant to Section 217 (1)(e) of the Companies Act, 1956 is given in a statement annexed to this report.

11.0 AUDITORS' REPORT :

In respect of the comments made by the Auditors in their report, your Directors have to state as under :

11.1 The reasons for non-adjustment of liability arising out of arbitration award have been suitably explained in Note No.5(b) in Schedule 20 to the Accounts.

11.2 The reasons for non-adjustment of loan and interest shown as doubtful have been suitably explained in Note No.5(c) in Schedule 20 to the Accounts.

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11.3 The reasons for non-adjustment of possible loss on investments in other Companies have been explained and disclosed in Note No.5(d) in Schedule 20 to the Accounts.

11.4 The reasons for non-provision of interest free loan recoverable from a Company within Andrew Yule Group have been suitably explained in Note No.7(a) & (b) of Schedule 20 to the Accounts.

11.5 The reasons for not fully writing off/provision in respect of the expenditure incurred by the Company on a project have been suitably explained in Note No.6 of Schedule 20 to the Accounts.

12.0 COMPTROLLER & AUDITOR GENERAL OF INDIA'S REVIEW AND COMMENTS :

The Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the Accounts of the Company for the year ended 31st March, 2001. Review of the Accounts by the Comptroller and Auditor General of India is annexed to this report.

13.0 HUMAN RESOURCES DEVELOPMENT :

13.1 As in the past, the Company continues to lay great stress and importance on the development of its human assets. Human Resource Development has been a continuous process, mainly comprising the functions of acquisition, motivation and maintenance of human resources. This has been achieved through training of employees with emphasis on knowledge and skill building and changing the attitude of the people. The Company has invested substantially in Management Development and Management Education in order to match the long term individual needs with the needs of the organisation.

13.2 All the Divisions and Units of the Company experienced cordial and harmonious industrial relations. This was achieved through continued support of employees at all levels.

13.3 No employee of the Company received remuneration in excess of the limit prescribed in Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

14.0 MAJOR ACCOUNTING POLICIES :

The major accounting policies of the Company are annexed to the Accounts.

15.0 CORPORATE GOVERNANCE :

The code of Corporate Governance introduced by Clause 49 of the Listing Agreement with the Stock Exchanges where the Company's shares are listed is required to be implemented by the Company by 31st March, 2002. Necessary steps have been initiated by the Company to comply with the same.

16.0 DEMATERIALISATION OF SHARES :

Pursuant to the directions of The Securities & Exchange Board of India, the trading in the shares of the Company in dematerialised form has been made compulsory with effect from 13th December, 2000. The Company has made arrangement for dematerialisation of its shares with National Securities Depository Ltd., (NSDL) and Central Depository Services India Limited (CDSL). However, the members are also free to keep the shares in physical form or to hold the shares with a "Depository Participant" in demat form.

17.0 DIRECTORS' RESPONSIBILITY STATEMENT :

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors have :

(a) followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures;

(b) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;

(c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and

(d) prepared the Annual Accounts for the year ended 31st March, 2001 on a going concern basis.

18.0 AUDITORS :

18.1 The Central Government appointed Messrs. K. N. Gutgutia & Co., Messrs. Sarma & Co., and Messrs. Maheswari & Associates, Chartered Accountants as Joint Auditors for the year ended 31st March, 2001.

18.2 The Auditors for the year ending 31st March, 2002 will be appointed by the Central Government on the advice of the Comptroller & Auditor General of India.

**19.0 DIRECTORS :**

19.1 The Central Government has appointed Shri Arindom Mukherjee as Chairman & Managing Director of the Company for a period of five years with effect from 15th February, 2001.

19.2 Brig. R. K. Kashyap, VSM (Retd.), Director (Planning) had relinquished the additional charge of the post of the Chairman & Managing Director of the Company on the aforesaid date.

19.3 Shri K. K. Jaswal, Additional Secretary & Financial Adviser to the Government of India, Ministry of Heavy Industries & Public Enterprises, retires from the Board by rotation and being eligible offers himself for re-appointment.*

20.0 ACKNOWLEDGEMENT :

Your Directors place on record their grateful appreciation of the valuable guidance and support extended by the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Government of India as well as by all Authorities in both Central and State Governments.

Your Company also expresses its gratitude to the valued shareholders, esteemed customers for their valued patronage and to the bankers, financial institutions, technical collaborators and suppliers in India and abroad for the support received from them.

The Directors also wish to thank the employees at all levels for their dedicated and sincere services and the members of "YULE FAMILY" for their continued co-operation and assistance.

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Kolkata,
3rd September, 2001.

On behalf of the Board,
ARINDOM MUKHERJEE
Chairman and Managing Director.