

ANNUAL
REPORT
&
ACCOUNTS
2001-2002



ANDREW YULE & CO. LTD.



ANDREW YULE & COMPANY LIMITED
PROXY

I/We,
of
being a Member/Members of Andrew Yule & Co., Ltd. hereby appoint
..... of
..... or failing him
..... of
..... as my/our proxy in my/our absence to attend and vote
for me/us, and on my/our behalf, at the Annual General Meeting of the Company to be held on Monday the 30th day
of September, 2002 at 11.00 a.m. and at any adjournment thereof.

As WITNESS my/our hand/hand(s) this day of
2002.

Thirty
Paise
Revenue
Stamp

Signed by the said
.....

Note : The Proxy must be deposited at the Registered Office of the Company at 8, Dr. Rajendra Prasad Sarani, Kolkata -700 001 not less than
48 hours before the time for holding the Meeting.

THIS ATTENDANCE SLIP DULY FILLED IN TO BE HANDED OVER AT THE ENTRANCE OF THE
MEETING HALL

ANDREW YULE & COMPANY LIMITED

Name of the attending Member
(in Block Letters)

Member's Folio Number

Name of Proxy (in Block Letters to be filled
in if the Proxy attends instead of the Member)

No. of Shares held

I hereby record my presence at the Annual General Meeting at the Auditorium of Indian Chamber of Commerce,,
10th Floor, "India Exchange", 4, India Exchange Place, Kolkata 700 001 on Monday, the 30th day of September, 2002
at 11.00 a.m.

*Member's/Proxy's Signature

* To be signed at the time of handing over this slip.



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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

Pradeep Kumar

V. K. Malhotra

Jawhar Sircar

S. P. Singh

S. P. Upasani

COMPANY SECRETARY

D. Bose

REGISTERED OFFICE

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

Offices at :

Flat Nos.401 and 402,
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,
Kolkata - 700 071.

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

Sarma & Company,
Chartered Accountants,
8/2, Kiran Sankar Roy Road,
2nd Floor, Room No.13 and 14,
Kolkata - 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 Auditorium of Indian Chamber of Commerce, 10th Floor, "India Exchange", 4, India Exchange Place, Kolkata - 700 001 on Monday, the 30th day of September, 2002 at 11.00 a.m. to transact the following business:

1. To consider and adopt the Profit & Loss Account for the year ended 31st March, 2002, Balance Sheet as at that date and the Reports of the Board of Directors and the Auditors thereon.
2. To fix the remuneration payable to the statutory Auditors of the Company for the financial year ending 31st March, 2003.
3. To appoint a Director in place of Shri Jawhar Sircar who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS :

To consider and, if thought fit, to pass with or without modifications the following resolutions :-

As Ordinary Resolutions :

4. "RESOLVED that Shri S.P. Singh be and is hereby appointed a Director of the Company."
5. "RESOLVED that Shri S.P. Upasani be and is hereby appointed a Director of the Company."

6. 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 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 29,00,000 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 17th September to 24th September, 2002, both days inclusive.

Registered Office :

'Yule House',
8, Dr. Rajendra Prasad Sarani,
Kolkata - 700 001.
2nd September, 2002.

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. Additional information, pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, in respect of the Directors recommended for appointment / re-appointment at the Annual General Meeting, is appearing in the Report and Accounts.
 5. 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.
 6. 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.
 7. 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.
 8. 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.
 9. 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 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, Calcutta-700020 by submitting an application in the prescribed form.
 10. KINDLY BRING YOUR COPY OF THE ANNUAL REPORT TO THE MEETING.



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

Item Nos.4 & 5 : Sarbashri S.P. Singh, and S.P. Upasani were appointed on 2nd November, 2001 as Additional non-executive Directors of the Company in terms of Section 260 of the Companies Act, 1956. Both Shri Singh and Shri Upasani vacate their offices at this Annual General Meeting pursuant to the provisions of Section 260 of the Act. Due Notices under Section 257 of the Act have been received from Members proposing the appointments of Shri Singh and Shri Upasani as Directors of the Company. Requisite consents have been filed by Shri Singh and Shri Upasani pursuant to the provisions of Section 264(1) of the Act, to act as such Director, if appointed.

Shri Singh and Shri Upasani are interested in the Resolutions relating to their respective appointments. None of the other Directors is interested in these Resolutions.

The Board recommends these Resolutions for approval.

Item No. 6 : As in the past the Central Government has sanctioned and released to the Company by way of Budgetary support the financial assistance of Rs.290 lakhs during the financial year 2001-2002 for meeting the capital expenditure towards implementation of certain Plan Schemes. While sanctioning such assistance, the Central Government has particularly stipulated that the Company shall have to issue fresh equity shares of face value of Rs.10/- each at par equivalent to the aforesaid amount of Rs.290 lakhs in the name of the President of India. The decision of the Central Government to participate in the equity capital in the manner aforesaid is certainly beneficial to the interest of the Company.

In case, however, the fresh equity shares at par equivalent to the amount sanctioned cannot 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 condition of the Company would deteriorate leading to further erosion of its net worth.

Under the circumstances explained above, the Company will be required to issue 29,00,000 equity shares of Rs.10/- each at par for a total face value of Rs.290 lakhs to the Central Government in the name of the President of India.

The Securities & Exchange Board of India (SEBI) has already conveyed its approval to the proposed conversion of financial assistance of Rs.290 lakhs into the equity shares of Rs.10/- each 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 only 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.**REPORT OF THE DIRECTORS & Management Discussion and Analysis**

Your Directors have pleasure in presenting the Annual Report and Accounts of the Company for the financial year ended 31st March, 2002.

1.0 FINANCIAL RESULTS :

	(Rs. in lakhs)
Loss for the year before adjustment	4820.11
Less: Write-back of liability towards arrear salary	<u>872.58</u>
	3947.53
Add: Provision for wealth tax	<u>2.50</u>
	3950.03
Less: Excess provision of wealth tax	1.51
Development Allowance Reserve Written back	2.73
Investment Allowance Reserve Written back	<u>1.09</u>
	5.33
Loss for the year	3944.70
Add: Loss brought forward from last Account	<u>6157.04</u>
	10101.74
Less: Transfer from General Reserve	<u>2467.00</u>
Balance Carried over to Balance Sheet	<u>7634.74</u>

The performance of the Company during the year under review was not satisfactory. Stagnancy in the steel, cement and other core sectors, downward trend in industrial production, reduced investment in power generation & distribution and continued sharp decline in Tea prices had seriously affected the business environment of the Company. Consequently, the operations of the Company had also suffered heavily during the year 2001-02. The situation was further aggravated following acute working capital shortage, increased overhead costs and lower margin which affected the performance of the Company adversely and it continued to incur losses during first half of 2002-03. With a view to reverse the trend, your Board of Directors had appointed a firm of consultants to carry out a detailed study on restructuring of the operations of the Company and to establish viability of different Divisions/Units of the Company. The recommendations of the Consultant on the restructuring are under consideration by the appropriate authority.

The performance of other companies in the Group more particularly of Tide Water Oil Co. (India) Ltd. and

Hooghly Printing Co., Ltd. (HPC), the wholly owned subsidiary of your Company were excellent. In fact HPC recorded its highest profit during 2001-02 in its history of 80 years of existence. The accounts of Dishergarh Power Supply Co., Ltd. (DPS) for the year 2001-02 are yet to be finalised. DPS has since received the order on revision in tariff for the year 2000-01 and 2001-02 from the West Bengal Electricity Regulatory Commission (WBERC) which is grossly inadequate as compared to the increase applied for by DPS. An application for increase in the tariff for the year 2002-03 has also been submitted by DPS to WBERC and the final order in this regard, is awaited.

The operations of Yule Financing & Leasing Co., Ltd. continued to be seriously affected due to large scale default in payment by its customers and extremely slow process of recovery/settlement of pending legal suits against such defaults.

Following the implementation of revival package as approved by BIFR, the net worth of WEBFIL Ltd. turned positive during 2001-02 and it continued to make profit during the last two financial years.

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, 2002.

3.0 CONTRIBUTION TO NATIONAL EXCHEQUER :

Your Company contributed Rs.948 lakhs during the year to the national exchequer by way of tax, duties, levies, cess, etc.

4.0 BUSINESS SEGMENTS :**4.1 Engineering :**

The Company manufactures industrial fans for specialised application mainly in steel, cement, thermal power etc. The demand for industrial fans is, therefore, directly related to the investments in such sectors. However, most of these sectors have been witnessing sluggish growth in the recent past resulting in lower demand for fans. The prospect of tea machinery has been seriously jeopardized by the continued depressed market condition for tea industry.

The Engineering Division has a strong market presence with over 5000 installations of industrial fans in India. Despite sluggish growth of demand, the Division was able to secure adequate orders during 2001-02 and started the current year with an opening order book



position of Rs.20 crores. Opportunities are encouraging in areas of water pollution control, for which the Division has the necessary capability. The Division has been operating well below its potential due to acute shortage of working capital, arising out of past losses.

Continued recession in the core sectors had an adverse impact on the performance of Engineering Division. The set back in the performance of the Division was mainly due to acute working capital crisis experienced throughout the year although all along it had impressive orders in hand from valued customers. Despite the acute liquidity problem, the Division exported tea machinery of Rs.62.59 lakhs to Sri Lanka during 2001-02.

The Company has carried out a reorganisation of the operations by merger of Kalyani and APC Units. The marketing operations have also been regrouped in the geographical dispersed clusters to focus on the business of spares and retrofit. The Division has been receiving encouraging responses for project contracts from customers like Nuclear Power Corporation and also in the area of water pollution control. However, adequate working capital support and upgradation of facilities for which the Management is striving hard, will be necessary to improve the performance of this Division.

4.2 Electrical :

The products of the Division find application in power transmission and distributions. The Division also undertakes turnkey execution of electrical power systems and sub-stations. The major business (about 65%) comes from State Electricity Boards having poor liquidity situation. The growth of power sectors during last 3-4 years has been sluggish. The market, on one hand is dominated by multi-national and large private companies for the higher-end product and on the other hand, market for the lower-end of the products is over crowded by small and medium companies. The compression of demand and increased level of competition has been causing shrinkage in the margin for the most of the companies in the industry.

The Division has an impressive opening order book position of Rs.129 crores as on 1st April, 2002. The Division has been a front-runner in niche market of rural electrification with specialised product like sectionaliser and autoreclosures. The Division has also executed over 100 projects in electrical power system and has established itself as a turnkey contractor for the World Bank aided major projects in electrical power system.

The Division made a break through in exports to Bangladesh and received orders over Rs.10 crores during 2001-02. The Company has plans to explore further growth in export.

The Company appointed BOB Capital Markets Ltd. to assist the Company in raising fund of Rs.30 crores by issue of 9.1% Non-Convertible Bonds against securitisation of debts of State Electricity Boards and other power distribution agencies and backed by a guarantee of equivalent amount from Bank of Baroda. The proceeds from the issue of Bonds will be utilised to repay the entire outstanding Line of Credit Facility extended by Bank of Baroda to the Company. This arrangement will reduce the interest burden of Electrical Division substantially.

The operations of the Division during the year under review had been severely affected due to non-availability of requisite working capital arising out of blockage of large funds with State Electricity Boards and Power Distribution agencies which, despite all efforts including the support from the several Ministries in the Central Government, could not be realised upto the desired level. The acute scarcity of fund caused *serious impediment* in procurement of essential inputs for execution of large volume of orders already in hand. Consequently the performance and profitability of the Division suffered a serious set back.

In the circumstances, the Division is now in the process of reviewing its overall plans and making efforts to bring about an economy in all spheres to ensure stability and improved performance in the current financial year.

4.3 Tea :

The Tea Industry in India, during last couple of years, has been passing through a highly depressed market condition and the downward trend is continuing. This is further compounded by the fact that the export of tea was less than last year in view of intense and aggressive marketing by China, Indonesia, Sri Lanka, Vietnam, Kenya, etc. in the global tea arena. The Industry is beset with continued declining price trend on one hand, and increase in input costs and wage revision on the other. This has dealt a severe blow to the Tea Industry in general and your Company in particular. The performance of the Tea Division during the year 2001-02 was extremely disappointing as it had to pass through a difficult phase. The Division experienced decline in production as well as sharp downward trend in tea prices

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at various Auction Centres for the second consecutive year. The overall average price realisation was lower compared to the prices realised during 2000-01 due to slackness in demand from both the export and the domestic market. The prevailing prices fell well below the garden cost of production.

Tea Industry has taken various initiatives and other measures which are expected to provide the necessary boost to combat the crisis effectively. The various Bodies governing Tea Industry such as Tea Board, Indian Tea Association, CCPA & DPA are taking appropriate measures to tackle problems related to fiscal levies, product promotion, to boost domestic as well as global consumption, upliftment in plantation technologies as well as urging Government to provide appropriate subsidies to protect the Industry from the present crisis.

The Tea Division of your Company is in the process of implementing Comprehensive Development Programme with greater emphasis on quality, yield per hectare, improved product-mix and modernisation of manufacturing facilities at its various tea estates. This includes building up of appropriate irrigation infrastructure for standing bushes, focus on rejuvenation and infilling, upgradation of manufacturing & support facilities and sectorwise advance planning for pruning cycle. The other measures include cost reduction through optimum deployment of hazrees and adoption of integrated software system for better control of operations.

5.0 FIXED DEPOSIT :

Deposits from the public and others amounted to Rs.476.86 lakhs as on 31st March, 2002, out of which deposits totaling Rs.146.38 lakhs became due for repayment. Deposits amounting to Rs.144.43 lakhs have since been renewed/repaid, leaving a balance of Rs.1.95 lakhs which has not been claimed by the depositors as yet.

6.0 EXPORT :

The Company's exports during the year were Rs.850.41 lakhs on C.I.F. basis. A new thrust is being given to exports during the current year.

7.0 PROSPECTS :

The Company, in order to combat the serious financial crisis has already adopted several cost control measures. The retiring age of the employees at all levels including of the wholetime functional Directors has been reduced from the erstwhile 60 years to 58 years with the approval of the Central Government. As in the past, Central Government has been providing requisite fund

for offering Voluntary Retirement to the employees of the Company. The expenditure under several heads viz. salaries & wages, travelling, power & fuel, miscellaneous expenses etc. has been reduced leading to substantial savings but for which the loss incurred would have been much higher. The exercise on economy is continuing with more thrust and general awareness amongst the employees in this regard is also increasing.

Whilst on the subject it is to be noted that in view of huge loss incurred by the Company in the successive last two years, its net worth as on 31st March, 2002 has been completely eroded. Consequently, the Company has become a sick industrial Company in terms of the relevant provisions of Sick Industrial Companies (Special Provisions) Act, 1985 and thus necessitating to make a reference to B.I.F.R. under Form AA within a period of sixty (60) days after adoption of the audited accounts for the year 2001-02 and compliance of certain requisite formalities.

In accordance with recommendation of the Consultant, a reference to which has been made elsewhere in this Report, the Company has identified certain non-performing assets for disposal. Besides, in terms of the decision of the appropriate authority in the Central Government, necessary action has also been initiated for expeditious disposal of the Company's entire holding in the share capital of Hooghly Printing Co., Ltd., the wholly owned subsidiary and of Tide Water Oil Co. (I) Ltd., an associate Company.

8.0 MEMORANDUM OF UNDERSTANDING (MOU) :

The Company has entered into a MOU for the year 2002-03 with the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Government of India.

9.0 SUBSIDIARY :

Hooghly Printing Co., Ltd., a wholly owned subsidiary, recorded an impressive operating result over the previous year. The sales achieved was Rs.709 lakhs as against Rs.332 lakhs of the year 2000-01. The profit earned stood at Rs.41.10 lakhs compared to Rs.4.81 lakhs in the preceding year.

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.