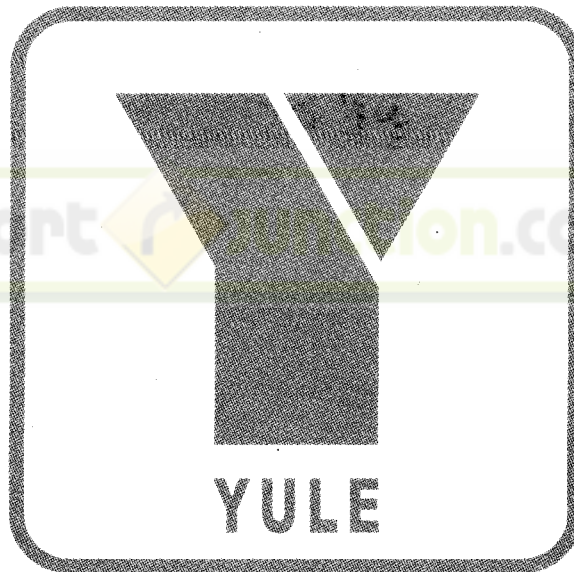


ANNUAL REPORT
&
ACCOUNTS
2002 - 2003



ANDREW YULE & CO. LTD.



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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
Sunil Mitra
M. K. Sen
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.401and 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.

Auditors

MOOKHERJEE BISWAS & PATHAK,
Chartered Accountants,
5 & 6, Fancy Lane,
5th Floor,
Kolkata - 700 001.

N. SARKAR & CO.,
Chartered Accountants,
21, Prafulla Sarkar Street,
2nd Floor,
Kolkata - 700 072

KUNDU HOSSAIN KARMAKAR,
Chartered Accountants,
48, A. J. C. Bose Road,
1st Floor,
Kolkata - 700 016.

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 Tuesday, the 30th day of September, 2003 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, 2003, 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, 2004.
3. To appoint a Director in place of Shri S. P. Singh 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 :—

4. 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 43,05,000 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 24th September to 30th September, 2003, both days inclusive.

Registered Office :

'Yule House',

8, Dr. Rajendra Prasad Sarani,

Kolkata – 700 001.

4th September, 2003.

By order of the Board,

D. BOSE

Company Secretary.

ANDREW YULE & CO. LTD.

- 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 Clause (aa) to Sub-Section 8 of Section 224 of the Companies Act, 1956 (Act) the remuneration payable to the auditor(s) appointed under Section 619 of the Act by the Comptroller and 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 item of Special Business is annexed.
 4. Particulars of Director retiring by rotation and seeking re-appointment at the ensuing Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement) :

 Shri S.P. Singh, aged about 68 years, a technocrat, has been on the Board of Directors of the Company since November, 2001. He is a B.Sc. B.E. (Mechanical) and has more than 37 years of experience in various capacities in different organizations. Presently, he is also the Managing Director of Pan Traexo Pvt. Ltd. engaged in promoting technologies in the environmental field.
 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 of attendance at the meeting.
 8. Members holding shares in physical form are requested to notify immediately any changes in their address to the Company or its Registrar and Share Transfer Agents. In case their shares are held in dematerialised form, this information should be passed on directly 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, Kolkata – 700 020 by submitting an application in 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 No. 4 : As in the past the Central Government has sanctioned and released to the Company by way of Budgetary support the financial assistance of Rs.430.50 lakhs during the financial year 2002-2003 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.430.50 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 43,05,000 equity shares of Rs.10/- each at par for a total face value of Rs.430.50 lakhs to the Central Government in the name of the President of India.

An application has been submitted to The Securities & Exchange Board of India (SEBI) seeking requisite approval to the proposed conversion of financial assistance of Rs.430.50 lakhs into the equity shares of Rs.10/- each at par in relaxation of Clause 13.1.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000. The approval is awaited.

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, 2003.

1.0 FINANCIAL RESULTS :

	(Rs. in lakhs)
Loss for the year before adjustment	6052.49
Add: Provision for wealth tax	2.00
	6054.49
Add: Provision for deferred tax liability	11.70
Loss for the year	6066.19
Add: Loss brought forward from last account	10101.74
	16167.93
Less: Transfer from General Reserve	2467.00
Balance Carried over to Balance Sheet	13700.93

As in the past, the year under review also continued to be difficult for the Company. The performance suffered serious set back mainly due to persistent working capital shortage which the Company has been experiencing for last few years and could not be overcome despite all out efforts. As a result essential inputs could not be provided to Engineering, Electrical and Tea Divisions in time leading to severe loss of production. Apart from this, sluggish domestic demand, lower export and excess production of tea resulted in severe erosion in per kg. realisation of tea, plunging the entire bulk tea industry into gloom and despair. This caused continuous and unabated fall in Tea prices in the auction market to an unprecedented level. Consequent to above, the Company incurred substantial loss during the year under review. As already indicated in the last year's report, the recommendations of a firm of consultants appointed 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 are still under consideration by the appropriate authority.

Among the Group Companies, the performance of Tide Water Oil Co. (India) Ltd. (TWOL) and Hooghly Printing Co., Ltd. (HPC), the wholly-owned subsidiary of your Company were highly satisfactory. Such upswing in the performance of TWOL was commendable despite the hardening of crude oil prices and consequent increase in the price of raw materials. HPC had been able to achieve

highest ever turnaround and profit during 2002-03 and declared a maiden dividend @ 40% on its ordinary shares in its 82 years of existence. Dishergarh Power Supply Co., Ltd. (DPS) though recorded a higher turnover during the year under review however incurred loss since West Bengal Electricity Regulatory Commission had allowed a lower revision of tariff than the increase applied for by DPS resulting in adverse effect on the operations.

The performance of Yule Financing & Leasing Co., Ltd. continued to be dismal in view of default in payment by its customers despite legal suits filed for recovery of such outstandings.

WEBFIL had turned the corner after successful implementation of the revival package approved by BIFR and recorded profit during last three 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, 2003.

3.0 CONTRIBUTION TO NATIONAL EXCHEQUER :

Your Company contributed Rs.523.66 lakhs during the year to national exchequer by way of tax, duties, levies, cess, etc.

4.0 BUSINESS SEGMENTS :**4.1 Engineering:**

The demand for industrial fans manufactured by the Company having specialised application in some core sectors viz. steel, cement, thermal power etc., had been sluggish following the slower growth in such sectors. Likewise, continued recession in the tea industry had also seriously affected the prospect of tea machinery. However, the Division was able to establish its credibility through execution of prestigious projects of Nuclear Power Corporation and setting up of Water Pollution Control and sewerage system at the few workshops of Eastern Railway and at different townships.

This had helped the Division to improve its performance marginally and thus reduce the loss compared to previous financial year. Notwithstanding the decline in the growth of demand the Division was able to secure adequate orders during the year 2002-03 and opening order book at the beginning of the current year



was more than Rs.15 crores. However, the Division continued to suffer due to acute shortage of working capital and hence larger volume of business opportunities could not be availed of as the timely execution of the jobs became uncertain leading to risks of various nature.

Emphasis is being given for restructuring the operations of the Division for a positive growth and certain measures are being implemented in this regard including further reduction in manpower through Voluntary Retirement during the current financial year. However, adequate capital support and upgradation of facilities would be necessary to improve the performance of this Division.

4.2 Electrical :

The products of the Division cater to the requirement of Power Transmission and Distribution systems. The Division also undertakes turnkey execution of Electrical Sub-stations and Transmission lines. The main customers of the Division are various State Electricity Boards who suffer from chronic liquidity crisis. The pace of reforms during last 3 / 4 years was slow but, of late, is showing signs of recovery mainly due to the Government's support to APDRP programmes and more thrust is being given for infrastructural development of Power Sector. However, the competition from the multinationals and large private companies as well as from small and medium sector companies continues to be intense resulting in sharp drop in margin.

The Division has successfully established its identity in the field for Rural Electrification and developed specialized products viz. Capacitor Switches, Sectionalisers, Auto Reclosures etc. The Flameproof Equipment of the Division also have wide usage in the mining industry. With the on-going restructuring of most of the State Electricity Boards into Generation Segment and Distribution Segment, the expected growth in the power sector is likely to offer greater opportunities of business to Electrical Division in the years to come. However, the financial health of the SEBs which is a matter of concern must also improve to ensure early liquidation of the dues to their numerous suppliers.

The operations of the Division during the year under review had suffered adversely mainly due to acute shortage of working capital following the non-payment of dues by the State Electricity Boards and Power

Distribution Agencies regularly. Consequently, the Division, notwithstanding healthy Order Book Position could not achieve the targeted performance since many orders remained unexecuted leading to enormous loss of value addition.

In order to ensure a turnaround, the Division reviewed its business plans and taken necessary steps for optimum utilization of scarce resources, change in customer profile and putting more thrust on exports. Several measures for reduction in costs have also been adopted for a sustained development in the current competitive environment. As per the restructuring plan, all the five sub-profit centers of Electrical Division located at Kolkata will be merged into one Unit which is expected to improve over all competitiveness of the Electrical Division.

4.3 Tea :

The Tea Industry in India reeled under severe pressure from consistently declining margins for the fourth consecutive year. The decline in the average price continued unabated in the Domestic market following the "reduced competition" due to increased private sales, low off-take by major packeteers, proliferation of regional packeteers and establishment of numerous bought leaf factories who are operating with low margins and reduced costs. On the export front the scenario is also none too encouraging. The price fell considerably compared to previous year. Several tea producing countries in Africa, South East Asia as well as China and Sri Lanka have penetrated into the global tea market mainly due to higher productivity, lower cost of production. Indian Tea Industry has been suffering from high overheads and decline in yields.

The performance of Tea Division during the year under review was unsatisfactory in view of further decline in tea prices, poor demand both in domestic and export market coupled with severe shortage in working capital resulting from lower price realisation.

The tea producing companies, the respective State Governments, Tea Board and Ministry of Commerce & Industry are all seized with the continued decline in the fortune of Tea Industry which is threatening the livelihood of lakhs of workmen, their families and if unchecked can have disastrous social consequence.

ANDREW YULE & CO. LTD.

The Division has taken up implementation of development programmes in the rejuvenation and infilling of tea areas to enhance the yield, irrigation in drought prone areas to boost initial crop, upgradation of manufacturing and support facilities and improved standards of pruning and field practices. The other measures included adoption of integrated software system for better control of operations and reduction of costs through rationalization of manpower through the Voluntary Retirement Scheme.

5.0 FIXED DEPOSIT :

Deposits from the public and others amounted to Rs.469.72 lakhs as on 31st March, 2003 out of which deposits totaling Rs. 1.68 lakhs became due for repayment. Deposits amounting to Rs.0.07 Lakhs have since been repaid, leaving a balance of Rs. 1.61 lakhs which has not been claimed by the depositors as yet.

6.0 EXPORT :

The Company's exports during the year were Rs.672.64 lakhs on C.I.F. basis. All out efforts are being made to ensure increase in export performance during the current year. The exports of Electrical and Engineering Divisions suffered heavily for want of adequate working capital.

7.0 PROSPECTS :

The persistent acute liquidity crisis has virtually crippled the overall performance of the Company. In order to arrest further deterioration, the restructuring and revival proposal as already prepared and submitted to the Central Government is being actively pursued. The approval thereof, backed by the financial support from the Central Government, will ease the situation and help the Company to achieve improvement. In an effort to restructure the manpower, the Company implemented Voluntary Retirement Scheme and a large number employees had opted for the same. The Central Government has provided requisite fund for payment of compensation to these employees.

As already mentioned in the last year's report, the Company having incurred huge loss in the years 2000-01 and 2001-02, its net worth as on 31st March, 2002 was completely eroded and consequently the Company had become a Sick Industrial Company in terms of the relevant provisions of Sick Industrial Companies (Special Provisions)

Act, 1985. Therefore, in compliance with the said Act a reference in this regard in prescribed Form AA had been submitted to B.I.F.R. within the stipulated time. B.I.F.R. has already taken on record the reference made by the Company and further action is awaited. Notwithstanding further loss suffered by the Company during the year under review, no fresh reference to B.I.F.R. is necessary. However, after the approval of the Revival-Cum-Restructuring proposal by the Competent Authority, the Company is expected to come out of Section 15 of the said Act.

The Company had already initiated action for disposal of its holding in the entire share capital of Hooghly Printing Co., Ltd., the wholly owned subsidiary and of Tide Water Oil Co (I) Ltd., an associate company. The matter is awaiting the approval of the appropriate authority in the Central Government and on receipt thereof further steps for disposal will be taken.

8.0 SUBSIDIARY :

The performance of Hooghly Printing Co., Ltd. the wholly owned subsidiary was excellent. The sales achieved was Rs.1125.87 lakhs compared to Rs.708.73 lakhs in the previous year. The profit recorded increased to Rs.171.72 lakhs as against Rs.41.10 lakhs in the year 2001-2002. It also declared dividend @ 40% on the Ordinary Shares.

9.0 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.

10.0 AUDITORS' REPORT :

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

10.1 The reasons for non-adjustment of possible loss on investments in other companies and write back of arrear liability on account of pay revision in the earlier year have been explained and disclosed in Note Nos. 6(d) and 4 respectively in Schedule 20 to the Accounts.

10.2 The reasons for non-adjustment of liability arising out of arbitration award have been suitably explained in Note No.6(b) in Schedule 20 to the Accounts.



10.3 The reasons for non-adjustment of loan and debtors shown as doubtful have been suitably explained in Note No.6(c) in Schedule 20 to the Accounts.

10.4 The reasons for non-provision of interest-free loan recoverable from a Company within Andrew Yule Group have been suitably explained in Note No.8 in Schedule 20 to the Accounts.

10.5 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.7 in Schedule 20 to the Accounts.

10.6 The details with regard to non-confirmation of year-end balances in respect of Sundry Debtors, Creditors, etc. have been incorporated in Note No.17 in Schedule 20 to the Accounts.

10.7 The reasons for non-charging of gratuity and leave encashment paid to the employees retired under Voluntary Retirement scheme have been explained in Note No.25 in Schedule 20 to the Accounts.

10.8 The reasons for non-provision of tax liability have been explained in Note Nos.26(a) and 26(b) in Schedule 20 to the Accounts.

10.9 The justification for preparation of financial statements by considering the Company as a going concern have been suitably explained in Note No.28 of Schedule 20 to the Accounts.

11.0 COMPTROLLER AND 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, 2003. Review of the Accounts by the Comptroller and Auditor General of India is annexed to this report.

12.0 HUMAN RESOURCES DEVELOPMENT :

In spite of the Company passing through severe financial constraints, it continued to lay great emphasis and importance on the development of human assets which are considered as one of the key elements of sustainable competitive advantage in the present business environment.

In pursuit of the Company's strategy to nurture the organizational culture, suitable training were imparted for upgradation of knowledge, competency and functional skill of the employees at various levels.

All the Divisions and Units of the Company experienced cordial and harmonious industrial relationship. This could be achieved through continued support of the employees.

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

13.0 MAJOR ACCOUNTING POLICIES :

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

14.0 CORPORATE GOVERNANCE REPORT :

As per Clause 49 of the Listing Agreement with the Stock Exchanges a Report on Corporate Governance together with a certificate from the Auditors regarding compliance of conditions of Corporate Governance is annexed and forms part of this Annual Report.

15.0 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, 2003 on a going concern basis.