

ANNUAL REPORT AND ACCOUNTS

2000 / 2001

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THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

BOARD OF DIRECTORS

(As on October 12, 2001)

Mr. Jimmy J. Gazdar, Chairman & Managing Director

Mr. G.D. Bangur

Mr. K.R. Menon

Mr. B. Rangarajan

Mr. Ashok Koshy, Additional Director

Mr. Hemant Bangur, Alternate Director to Mr. G.D. Bangur

AUDITORS

Messrs. Fraser & Ross

BANKERS

Bank of India

The Federal Bank Ltd.

Bank of Maharashtra

State Bank of India

REGISTERED OFFICE

"Malabar House"

56, Bristow Road

Willingdon Island

Kochi 682 003

Kerala State

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

NOTICE OF THE 71st ANNUAL GENERAL MEETING

Notice is hereby given that the 71st Annual General Meeting of the members of The Cochin Malabar Estates & Industries Limited will be held at Merchant Navy Club Auditorium, Bristow Road, Willingdon Island, Kochi 682 003, on Friday, the December 7, 2001 at 3.00 P.M. to transact the following business:-

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Mr. K.R. Menon who retires by rotation and being eligible, has offered himself for reappointment.
3. To appoint auditors in place of the retiring auditors M/s. Fraser & Ross - Chartered Accountants to hold the office as such until the conclusion of the next annual general meeting [the 72nd Annual General Meeting] and to fix their remuneration.

The retiring auditors M/s. Fraser & Ross - Chartered Accountants have informed their unwillingness/inability to seek reappointment as auditors of the company.

Special notice for consideration of an ordinary resolution for appointment of statutory auditors

One of the members of the company has given a special notice pursuant to Section 190 and 225 of the Companies Act, 1956 proposing appointment of Mr. R. Srinivasan, Chartered Accountant as statutory auditor of the company at the 71st Annual General Meeting. The following resolution is to be considered as an ordinary resolution.

"RESOLVED THAT, Mr. R. Srinivasan, Chartered Accountant who has confirmed his eligibility for appointment as statutory auditor be and is hereby appointed as statutory auditor of the company to hold the office as until the conclusion of the 72nd Annual General Meeting on such remuneration as may be fixed by the Board of Directors in consultation with the statutory auditor".

Special Business:

4. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:-

"RESOLVED THAT, pursuant to section 269 and other applicable provisions; if any, of the Companies Act, 1956 the approval of the members of the company be and is hereby accorded; subject to approval of the central government and/or other authorities if so required under any statute or law, for holding of office by Mr. Peter Craig Jones as Whole - time Executive Director of the company for the period from 16th April 2001 to 07th September 2001 (both days inclusive); on consolidated remuneration of Re. 1/- (Rupee one) per annum besides reimbursement to him of all out of pocket expenses at actuals that he incurred during the above mentioned period in the course of business of the Company".

5. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:-

"RESOLVED THAT Mr. Ashok Koshy who holds office as additional director up to the date of this annual general meeting and in respect of whom a member of the company has given a notice in writing pursuant to section 257 of the Companies Act, 1956 and who has filed with the company his consent to act

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as director; if so appointed, be and is hereby appointed as director of the company whose term of office shall be liable to determination by rotation".

6. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution. This resolution will be considered for passing by postal ballot method. Please refer to note (f) herein below:-

"RESOLVED THAT, pursuant to section 293 (1) (a) and other applicable provisions of the Companies Act, 1956 the consent of the members of the company be and is hereby accorded; subject to applicable permissions, approvals, consents, if any, required of any other authorities, to the board of directors for sale, lease or dispose otherwise from time to time any part [including substantially the whole] or whole of any or all of the immovable properties (inclusive of any trees and structures standing thereon) of the company on such terms and conditions as may be thought fit and proper by the board of directors in its absolute discretion".

"RESOLVED FURTHER THAT, further consent of the members of the company be and is hereby further accorded to the board of directors for doing and performing from time to time for and on behalf of the company all such acts, deeds, matters and things as may be necessary and expedient in the matter of sale of any immovable properties as consented herein above."

For The Cochin Malabar Estates and Industries Limited

Jimmy J. Gazdar
Chairman & Managing Director

Place : Mumbai

Dated : October 30, 2001

NOTES

- a) The explanatory statement under Section 173(2) of the Companies Act, 1956 in respect of special business mentioned herein above is annexed hereto.
- b) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS STEAD. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE VALID THE INSTRUMENT APPOINTING PROXY DULY EXECUTED MUST BE LODGED WITH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE ANNUAL GENERAL MEETING.**
- c) **The Register of Members and Share Transfer Books of the Company will remain closed from 22nd November 2001 to 7th December 2001; both days inclusive.**
- d) The Company has already transferred unclaimed dividend declared for the financial year ended 31st March 1995 to the General Revenue Account of Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. The dividend declared for the financial year ended 31st March, 1996 and remaining unpaid will be transferred to the General Revenue Account of Central Government as required by the applicable rules.
- e) All documents referred to in the notice of the annual general meeting and the explanatory statement have been kept open for inspection of the members at the registered office of the company at Malabar House, 56, Bristow Road, Willingdon Island, Kochi 682 003 between 10.30 a.m. to 12.30 p.m. on working days.

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- f) In pursuance of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 as amended on October 11, 2001, the resolution mentioned at Serial No. 6 herein above will be considered for passing by postal ballot method. Postal Ballot Form together with postage/reply paid envelope are being sent under certificate of posting in separate cover to all the members of the Company.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS TO BE TRANSACTED AT THE 71st ANNUAL GENERAL MEETING OF THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED.

Item No: 4

- 1) In pursuance of the power conferred on the board of directors by article 124 in the Articles of Association of the company and in exercise of such power, the board of directors co-opted Mr. Peter Craig Jones as additional director of the company with effect from 16th April 2001.

The board of directors also appointed Mr. Peter Craig Jones as Whole - time Executive Director for the period from 16th April, 2001 to 31st March, 2006 (both days inclusive) on consolidated remuneration of Re 1/- (Rupee one) per annum besides reimbursement to him of all out of pocket expenses at actuals that may be required to be incurred by him from time to time in connection with the business of the company.

Mr. Peter Craig Jones, however, resigned as director and also as whole - time director with effect from 07th September 2001.

As per provisions of section 269 and other applicable provisions; if any, of the Companies Act, 1956 the approval of the members of the company is now hereby sought for holding of office by Mr. Peter Craig Jones as Whole - time Executive Director for the period from 16th April, 2001 to 07th September, 2001 as mentioned in the resolution. None of the directors of the company is in anyway deemed to be concerned or interested in the resolution under consideration at serial no. 4.

Item No: 5

- 2) In pursuance of the power conferred on the board of directors by article 124 in the Articles of Association of the company and in exercise of such power, the board of directors co-opted Mr. Ashok Koshy as additional director of the company with effect from 14th May, 2001.

Pursuant to the provisions of section 260 of the Companies Act, 1956 Mr. Ashok Koshy holds office as additional director up to the date of this forthcoming 71st annual general meeting.

A member of the company has given pursuant to section 257 of the Companies Act, 1956 a notice in writing together with deposit of Rs. 500/- (Rupees five hundred only) proposing appointment of Mr. Ashok Koshy as director of the company at the forthcoming 71st annual general meeting.

Mr. Ashok Koshy has also filed with the company his consent to act as director; if so appointed.

None of the directors of the company; except Mr. Ashok Koshy, is deemed to be concerned or interested in the resolution under consideration at serial no. 5.

Item No: 6

- 3) As you know that your company has to make payment of outstanding interest as well as repayment of the monies that the company borrowed from various banks and financial institutions. Besides these liabilities towards

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the banks and financial institutions, the company also has other substantial financial liabilities/obligations which are required to be honoured on urgent basis.

In the present circumstances one of the feasible options, available to the company is to sell some of the assets (immovable properties) of the company and utilize the sale proceeds thereof in meeting its financial obligations particularly towards banks/financial institutions.

Considering the fact that the company is engaged in business of plantation, sale of immovable properties on which the company has been carrying on plantation activities can be deemed to be sale of undertakings of the company.

As per the provisions of Companies Act, 1956 sale of whole or substantially whole of the undertakings require approval of the members of the company. Your directors therefore thought it fit to hereby seek your approval for sale of any or whole of the immovable properties as mentioned in the resolution at serial no. 6 under consideration.

The consent of the members has been sought with a view to confer upon the board of directors the necessary authority enabling them to take appropriate decision for the purpose of sale/lease/assignment as and when the company receives an acceptable proposal/offer in respect of any of the immovable properties of the company.

None of the directors of the company is in any way deemed to be concerned or interested in the resolution at serial no. 6 of the notice under consideration.

For The Cochin Malabar Estates and Industries Limited

Jimmy J. Gazdar
Chairman & Managing Director

Place : Mumbai

Dated : October 30, 2001

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

REPORT OF DIRECTORS

Your directors present their 71st annual report and audited accounts for the year ended 31st March, 2001.

1. Financial Performance

Rs.

Loss before taxation for the year as shown by the profit and loss account is	8,85,72,536
To which has to be added deficit brought	16,35,48,703
Net loss carried forward to Balance Sheet	<u>25,21,21,239</u>

2. Comments on observations/remarks of the statutory auditors:

The statutory auditors have commented upon the working of the Company in para 2(f) of their report. Your directors have to state as under:

- i) As regards the comment of the auditors in para 2(f)(1) the company is defending the Petition filed under Section 397 and 398 and other applicable provisions of the Companies Act. For the aforesaid, the company has appointed M/s. Hariani and Co., Advocates and Solicitors as the attorneys for the company.
- ii) As regards the comments of the auditors of confirmation of loan balances by the bank/financial institutions the company is in the process of obtaining necessary confirmations.
- iii) As regards the comment of the auditors of invitation of bids by the company, it may be pointed out that the auditors were furnished with copies of agreements entered into by third parties for sale of premises at Maker Arcade. Upon perusal of the same, it is evident that the company has realized relatively higher rate than the rate that was realized by others.
- iv) As regards the comment of the auditors at para 2(f)(4) the company is taking necessary steps for getting duplicate of the title deed to the estates which are missing.
- v) As regards the comment of the auditors at para 2(f)(5a) for the sale of rubber it appears that the auditor has based its comparison for prices on the price list released by Rubber Dealers Association. The market trend is that the price realized by company is always lower than the prices listed in the price list so released by the Rubber Dealers Association. Further, as the company was in urgent need for funds, the company had also negotiated with purchasers of rubber to pay entire amounts in advance against a nominal discount being offered to them. Further as regards the rubber trees are concerned, the management has strengthened its internal controls and is now realizing the maximum for the rubber trees of the company.
- vi) As regards the comment of the auditors at 2(f)(5b) the company is facing financial constraints and the company is maintaining a skeleton staff at its Goa project. The company is taking necessary steps to increase the internal control on its procedures for recording the crop harvested and incurring of expenses.
- vii) As regards the comment of the auditors at 2(f)(6) it is clearly mentioned that the amount received has been entered in the ledger through journal entry. The same does not in any manner affect

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adversely the income of the company. As such the transactions were not reflected in Cash Book. Necessary measures are being taken to review the accounting systems wherever necessary.

- viii) As regards the comment of the auditors at para 2(f)(7) the management is taking appropriate steps for obtaining balance confirmations from the concerned parties in due course of time.
- ix) The interest free advance of Rs. 5,11,424/- referred to by the auditors in paragraph 5 in the Annexure to the Auditors Report reflects the advance that were received from time to time by an employee during his employment tenure in the company. The concerned employee ceased to be in the employment of the company. The management is pursuing the matter with the concerned ex-employee for receiving the advance.
- x) The management is taking appropriate steps for strengthening internal control procedures as well as internal audit system as referred to by the auditors in paragraph no. 5 and 11 in the annexure to the Auditors Report.

3. Dividend

In view of the accumulated losses for the year ended as on 31st March 2001 your directors regret their inability to recommend any dividend for the year under review.

4. Review of the Operations

During the year under review, there was marginal increase in income from sales. The losses during the year under review were marginally lower as compared to the losses during the previous year ended March 31, 2000. The management is taking adequate steps for minimising losses by curtailing expenses through proper controls.

Plantations

Estates have been maintained in a satisfactory manner. Average price realized during the year under review for tea were lower by Rs. 14.00 per Kg approximately as compared to the average prices realized during the last year. Though the rubber crop harvested and average prices realized as compared to the average prices realized last year were higher, performance of the company was hit by the huge cash outflow on account of payment of increase in applicable wages with retrospective effect as per Kerala Government notification.

Fire Engineering Division

Due to financial problems no new contracts were taken by the Company.

Aqua Culture Division

Due to viral infections no stocking of shrimps were done during the year. However, in the current year, as per the License Agreement entered into by the company, fresh crops are being harvested successfully.

Rubber Wood Factory

The operations continued to remain standstill following the ban imposed by the Forest Department. Representations have been made to the concerned authorities for withdrawal of the aforesaid ban and the orders were awaited. However, some of the stocks available were sold in the local market for a value of approximately Rs. 33 Lacs during the year.

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5. Future Prospects

A financial revival plan is under preparation and subject to the implementation of the same, the company is expecting to reduce its overheads and borrowings thus saving the huge interest burden on the Company. This will allow availability of more funds to increase production of rubber and tea, the core business of the Company.

6. Important events that occurred during the year and subsequent to the closure of the last financial year ended on March 31, 2001

- i) Some of the members of the company have filed a Petition under Section 397 & 398 of the Companies Act, 1956 before Hon'ble Additional Principal Bench, Company Law Board, Chennai alleging certain acts of oppression and mismanagement. Your company and some of its directors are respondent in the Petition.

As the matter is still pending before Hon'ble Additional Principal Bench, Company Law Board, Chennai your directors do not wish to comment thereon.

- ii) In view of the continuing financial difficulties faced by the company, Industrial Development Bank of India, The Federal Bank and Bank of India have initiated debt recovery proceedings against the company. Hon'ble Debt Recovery Tribunal - Kochi / Cochin has passed certain orders on 23rd August 2001 appointing Chairman and Managing Director of the company and Chief Manager, The Federal Bank Ltd., Ernakulam and The Chief Manager, The Federal Bank Ltd., Mysore as Joint Receivers in the matter. The management is taking appropriate steps for preparing / drawing up a programme for rehabilitation of the company in consultation with and under the guidance of the Joint Receivers.

- iii) The company has outstanding dues on account of Provident Fund in respect of its employees.

The management has requested the concerned authorities for some more time for payment of these long outstanding and due liabilities.

The management is taking all possible steps for payment of outstanding provident fund dues, at an early date.

- iv) The company has outstanding gratuity dues in respect of its employees.

The management is taking all possible steps for payment of all outstanding gratuity dues at an early date.

- v) In view of inability of the company in meeting its export obligations, the company has received a claim from Director General of Foreign Trade on account of payment of import duty / customs duty. The company has already made a provision for Rs. 51,41,303/- in the books of account of the company.

- vi) The Government of Kerala compulsorily acquired from the company a piece of land admeasuring about 51.3930 hectares situated at Chemoni, Varandarappilly Village, Mukundapuram Taluk in the State of Kerala.

The company is entitled to additional compensation on account of this compulsory acquisition of piece of land and orders are awaited in the matter.

The management is pursuing and reviewing the whole matter in consultation with the lawyers/ advocates.

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- vii) The company has received from Anandasivam and others a notice for vacation of the leased premises situated at Cochin.

The management is reviewing the situation in consultation with lawyers and advocates.

- viii) One of the officers of the company who has been suspended by the management has given a notice to the company informing of his intention to file winding up proceedings against the company. The matter is being examined in consultation with lawyers/advocates.

7. Directors

During the year under review Mr. G.D. Bangur was appointed as director on 30th April, 2000 to fill in the vacancy caused by the resignation by Mr. B.G. Bangur. Your directors place on record their appreciation of the valuable services rendered by Mr. B.G. Bangur during his tenure as director of the company.

During the year under review Mr. K. Vaidyanathan who was appointed as director of the company by the members in their annual general meeting held in the year 1999 resigned as director of the company with effect from 31st January, 2001. In pursuance of section 262 of the Companies Act, 1956 your directors appointed Mr. B. Rangarajan as director of the Company to fill in the vacancy caused by resignation by Mr. K. Vaidyanathan.

During the year under review your directors appointed Mr. Hemant Bangur with effect from 19th March 2001 as an alternate director to Mr. G.D. Bangur.

Your directors co-opted Mr. Peter Craig Jones as an additional director of the company with effect from 16th April, 2001. Your directors also appointed Mr. Peter Craig Jones as Whole - time Executive Director of the company with effect from 16th April, 2001 for the period ending 31st March, 2006. Mr. Peter Craig Jones, however, has resigned as director and also as Whole - time Executive Director with effect from September 07, 2001.

Your directors place on record their appreciation for the services rendered to the company by Mr. Peter Craig Jones as director and also as Whole - time Executive Director.

Your directors co-opted Mr. Ashok Koshy as an additional director with effect from 14th May, 2001. Mr. Ashok Koshy holds office as an additional director up to the date of the forthcoming 71st annual general meeting. A member of the company has given a notice and also a deposit pursuant to section 257 of the Companies Act, 1956 proposing appointment of Mr. Ashok Koshy as director of the company at the forthcoming 71st annual general meeting.

Mr. K.R. Menon retires by rotation at the forthcoming 71st annual general meeting and being eligible has offered himself for reappointment.

As on the date of this report the board of directors consists of Mr. Jimmy J. Gazdar - Chairman & Managing Director, Mr. K.R. Menon, Mr. G.D. Bangur, Mr. B. Rangarajan and Mr. Ashok Koshy. Mr. Hemant Bangur is an alternate director to Mr. G.D. Bangur.

8. Directors' Responsibility Statement

As required by Section 217 (2AA) of the Companies Act, 1956 your directors hereby confirm that:-

- i) in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;