

ANNUAL REPORT AND ACCOUNTS

2001 / 2002

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**THE COCHIN MALABAR ESTATES
AND INDUSTRIES LIMITED**

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

BOARD OF DIRECTORS
(As on January 14, 2003)

Mr. Jimmy J. Gazdar, Chairman & Managing Director
Mr. G.D. Bangur
Mr. B. Rangarajan
Mr. Rajendra K. Dalal
Mr. Hemant Bangur, Alternate Director to Mr. G.D. Bangur

AUDITOR

Mr. R. Srinivasan
Chartered Accountant

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

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|-------|-----------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| B) i) | Housing I | : | Expenditure by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the Salary. |
| | Housing II | : | In case the accommodation is owned by the Company, 10% of the salary of the appointee shall be deducted by the Company. |
| | Housing III | : | In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance subject to the ceiling laid down in Housing I above. |
| | Explanation | : | The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. |
| ii) | Medical Reimbursement | : | Expenses incurred for the appointee and his family subject to a ceiling of one month's salary in a year or three months salary over a period of three years. |
| iii) | Leave | : | For every 11 months service, one month's leave on full pay with liberty to accumulate such leave and encashment of leave at the end of tenure. |
| iv) | Leave Travel Concession | : | For the appointee and his family once in a year incurred in accordance with the Rules of the Company. |
| v) | Club Fees | : | Fees of Clubs subject to a maximum of 2 Clubs. This will not include admission and Life Membership Fee. |
| vi) | Personal Accident Insurance | : | Premium not exceeding Rs. 4,000/- per annum. |

OTHER TERMS AND CONDITIONS:

- i) The Remuneration, Commission and Perquisites shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.
- ii) In the event of inadequacy of profits in any financial year during the tenure of the Chairman and Managing Director, he shall be paid the same remuneration as specified above, subject to the overall package of remuneration (inclusive of commission on net profits, if any and exclusive of perquisites not reckoned for the purpose of ceiling in Section II of Part II of Schedule XIII to the Companies Act, 1956) being within the limits prescribed in Section II Part II aforesaid and/or any statutory modifications or substitutions thereof.

RESOLVED FURTHER THAT, the agreement to be entered into by the Company with Mr. Jimmy J. Gazdar incorporating the above terms as to Remuneration, Commission and Perquisites and other terms and conditions applicable to the appointment, as per the draft placed before the board and initialed by the Senior General Manager for the purpose of identification, be and the same is hereby approved and Directors Mr. Rajendra Dalal and Mr. Rangarjan are hereby authorized to enter into the said agreement on behalf of the Company, affixing the Common Seal thereto in their presence under their attestation, after the approval of the General Meeting and Central Government is granted to appointment.

RESOLVED FURTHER THAT, Mr. Jimmy J. Gazdar will have his head quarters in Goa until otherwise decided.

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

"RESOLVED that consent of the Company be and is hereby accorded under Sections 293 (1) (a), 293 (1) (d) and other Applicable Provisions, if any, of the Companies Act 1956 to the Board of Directors to borrow any sum OR sums of money from time to time, as may in the opinion of the Board of Directors be required to be borrowed by the Company, from any Financial Institutions OR Corporations, Banks, Bodies Corporate OR persons and to the mortgaging and/or charging by the Board of Directors of the Company of all or any Movable or Immovable Properties of the Company or of any Undertaking of the Company, wheresoever situate, present and future OR by placement of Debentures secured OR otherwise, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (Apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the Paid-up Capital of the Company and its free Reserves, that is to say Reserves not set apart for any specific purpose, provided however the total monies borrowed and outstanding at any time for the principal amounts of the loans borrowed (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) shall not exceed the sum of Rs. 25 crores".

6. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution (To be passed by Postal Ballot).

"RESOLVED that under Section 293 (1) (a) and other applicable provisions if any of the Companies Act 1956, consent be and is hereby accorded to the Board of Directors of the Company to transfer the Chemoni and Pudukad Estates of the Company as a separate undertaking to a subsidiary Company of The Cochin Malabar Estates and Industries Limited under Section 4 (1) (b) of the Companies Act 1956 at the appropriate time and on the terms and conditions as the Board of Directors may decide.

For The Cochin Malabar Estates and Industries Limited

Jimmy J. Gazdar
Chairman & Managing Director

Place : Coimbatore

Dated : April 24, 2003

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 24th May, 2003 to 7th June, 2003; both days inclusive.

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- 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.
- 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.8 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 72nd ANNUAL GENERAL MEETING OF THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED.

Item No: 4

- 1) Mr. Jimmy Jal Gazdar was appointed as Chairman and Managing Director of the Company for a period of 3 years from 1st December 1991. He was re-appointed as Chairman and Managing Director of the Company for a period of 3 years from 1st December 1994. Again, he was re-appointed as Chairman and Managing Director of the Company for a period of 5 years from 1st December 1997.

At the Meeting of the Board of Directors of the Company held on 14th January 2003, Mr. Jimmy Jal Gazdar has again been re-appointed as Chairman and Managing Director of the Company for a period of 3 years from 1st December 2002 on the Terms as to Remuneration, Commission and Perquisites as set out in the Text of the Resolution proposed.

The proposed Appointment, Remuneration and Perquisites conform to the requirement of Schedule-XIII of the Companies Act 1956, except for the fact that in the context of default in re-payment of the Company's debts to Financial Institutions/Banks, it becomes necessary to seek and secure the approval of the Central Government for the re-appointment under Section 269 (2) of the Companies Act 1956.

The Draft Agreement to be entered into by the Company with Mr. Jimmy Jal Gazdar, as approved by the Board of Directors, is available for inspection by any Member of the Company at the Registered Office of the Company between 10.00 A.M. and 12.00 Noon on any working day between Monday and Friday before the Annual General Meeting including the day of the Meeting.

The above may also be treated as an Abstract of the Terms of the Agreement between the Company and the Chairman and Managing Director and Memorandum of Interest pursuant to Section 302 of the Companies Act 1956.

Mr. Jimmy Jal Gazdar is interested in the Resolution to the extent of the Remuneration and Perquisites to be paid to him and no other Director is concerned or interested in the Resolution proposed.

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

Item No: 5

- 2) As per the Resolution passed at the Annual General Meeting of the Company held on 30th September 1994 under Item No. 7 of the Agenda, the Board of Directors of the Company were authorized to borrow Rupee Term Loans, Debentures and any other Loans including Foreign Currency Loans from Financial Institutions, Commercial Banks and Bodies Corporate upto an aggregate sum of Rs. 15 Crores.

Having regard to the Interest accrued on the Borrowings of the Company and considering the further requirements of the Company for Working Capital, the Board of Directors have considered it appropriate to propose the necessary Resolution as per the text of the Resolution as given in the Notice to increase the limit of the Borrowing under Section 293 (1) (d) of the Companies Act, 1956 to Rs. 25 Crores in respect of the Principal amounts of the Loans already borrowed and to be borrowed and to mortgage or charge any Assets or Undertakings of the Company (excluding any Sale) under Section 293 (1) (a) of the Companies Act, 1956.

The necessary Resolution is proposed for consideration.

No Director of the Company is concerned OR interested in the proposed Resolution except so far as any loan may be required to be borrowed by the Company from any Body Corporate in which any Director of the Company may be interested as a Director OR Shareholder.

Item No: 6

- 3) The Chemoni and Pudukad Estates of the Company are situated at Thrissur District. They comprise plantations of rubber of 2776.45 Acres. The Board of Directors are of the view that it is possible to provide this undertaking with greater focus, flexibility and resources and facilitate the restructuring of the Company in its best interest if the undertaking is transferred to a subsidiary Company of The Cochin Malabar Estates and Industries Limited under Section 4 (1) (b) of the Companies Act, 1956. The proposed Resolution is an enabling Resolution.

The Consent of the Members for this resolution is being obtained through Postal ballot.

No Director of the Company is concerned or interested in the transfer of the undertaking to the subsidiary Company as proposed in the text of the resolution.

For The Cochin Malabar Estates and Industries Limited

Jimmy J. Gazdar
Chairman & Managing Director

Place : Coimbatore

Dated : April 24, 2003

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

REPORT OF DIRECTORS

Your directors present their 72nd annual report and audited accounts for the year ended 31st March, 2002.

1. Financial Performance	Rs.
Loss before taxation for the year as shown by the profit and loss account is	9,77,98,757
To which has to be added deficit brought	25,21,21,239
Net loss carried forward to Balance Sheet	<u>34,99,19,996</u>

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

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

- i) As regards the comment of the auditor 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 comment of the auditor 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 auditor at para 2(f)(3), the company is taking necessary steps for getting duplicate of the title deed to the estates which are missing.
- iv) As regards the comment of the auditor in para 2(f)(4), the management is taking appropriate steps for obtaining balance confirmations from the concerned parties in due course of time.
- v) The interest free advance of Rs. 10,32,367/- referred to by the auditor in paragraph 5 in the Annexure to the Auditor's Report reflects the advances that were received from time to time by employees during their employment tenure in the company. The concerned employees ceased to be in the employment of the company. The management is pursuing the matter with the concerned ex-employees for receiving the advance.
- vi) As regards the comment of the auditor in para 6 of the Annexure to his report, 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 auditor in para 9 of the Annexure to his report, this sum was advanced by the Chairman and Managing Director to the company to tide over immediate financial difficulties. Necessary regularization will be undertaken at an early date.
- viii) The management is taking appropriate steps for strengthening internal control procedures as well as internal audit system as referred to by the auditor in paragraph no. 6 and 11 in the annexure to the Auditor's Report.

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3. Dividend

In view of the accumulated losses for the year ended as on 31st March 2002 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 a drop in income from sales. The management is taking adequate steps for minimising losses by curtailing expenses through proper controls.

Plantations

A low price for rubber throughout the financial year affected performance. Unseasonal rain in April and May 2001 coupled with labour unrest drastically reduced crop yields. Rubber prices were dull throughout the year despite the fixing of floor price by the Government of India. Since April 2002 both domestic and international market prices have improved. Further the Central Government has banned duty free import of rubber under Advance Licence Scheme. The Prices of South Indian Tea are considerably lower than cost of production. Due to labour unrest at Pullikhanam Tea Estate expected yield could not be achieved. However, the excise duty on tea has been reduced to Re. 1/- per kg from 1/3/2002. Also, the A.F. Ferguson Report on Rationalisation of Tea Auction System will hopefully bridge the gap between price and cost.

Fire Engineering Division

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

Aqua Culture Division

Due to financial problems and volatile nature of business, the company could not stock shrimps during the current year. However, 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 orders are awaited. However, some of the stocks were sold in the local market.

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, 2002

- i) Some 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.

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- ii) The Honourable Debts Recovery Tribunal has passed orders for the recovery of the loan amount with costs and interest in respect of IDBI, The Federal Bank Ltd., and Bank of India.
- 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 the 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. 56,63,803/- in the books of account of the company.
- vi) The Government of Kerala compulsorily acquired a piece of land admeasuring about 51.3930 hectares from Chemoni Estate, 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.
- 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) As regards the comment of the auditor in para 13 of the Annexure to his report, the company is regularly remitting the dues and arrears.
- ix) The company had invited sealed tenders for the sale of Kinalur Estate, Calicut. Two bids were received. The bid of Mr. P.K.C. Ahamedkutty being the highest was accepted and approved by the Board. However, M/s. T.P. Abdulla and N.K. Mohammed Ali, the unsuccessful bidder have moved the Hon'ble High Court of Kerala challenging the decision taken by the Board. The matter is pending before the Division Bench of the Hon'ble High Court of Kerala.

7. Directors

During the year under review Mr. K.R. Menon, Director passed away on 11-08-2002. Your Directors express their heartfelt condolences to the family of Mr. K.R. Menon. The Directors appreciate the support and the services rendered to the Company by Mr. K.R. Menon during his tenure as the CEO and also as Director.

During the year Mr. Avinash R. Bokil resigned from the Board with effect from 30-07-2002 and Mr. Ashok Koshy with effect from 3-1-2003. The Directors place on record their appreciation for the services rendered to the Company by Mr. Avinash R. Bokil and Mr. Ashok Koshy as Directors.

Mr. G.D. Bangur retires by rotation at the forthcoming 72nd Annual General Meeting.

As on the date of this report the board of directors consists of Messrs. Jimmy J. Gazdar, G.D. Bangur, B. Rangarajan and Rajendra K. Dalal. Mr. Hemant Bangur is an alternate director to Mr. G.D. Bangur.

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

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;
- ii) the directors have 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 the company at the end of the financial year ended on March 31, 2002 and loss of the the company for that period;
- iii) the directors have 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 the company and for preventing and detecting fraud and other irregularities;
- iv) the directors have prepared the annual accounts on a going concern basis.

9. Employees

During the year no employee was in receipt of remuneration in excess of the limit laid down in section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Relations with staff and labour were generally satisfactory during the year.

10. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo

The information as required under Section 217(1)(e) of the Companies Act, 1956 is given in the Annexure to this report.

11. Auditors

The Auditor, Mr. R. Srinivasan, Chartered Accountant, Ernakulam retires at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment.

12. Acknowledgement

Your directors take this opportunity to thank all those members/shareholders, employees, suppliers, customers and all business associates and well wishers of the company who have extended all possible support and cooperation during these difficult times.

For and on behalf of the Board of Directors
The Cochin Malabar Estates and Industries Limited

Jimmy J. Gazdar
Chairman & Managing Director

Place : Coimbatore

Date : January 14, 2003