

**ANNUAL
REPORT AND
ACCOUNTS**

2002 / 2003

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**THE COCHIN MALABAR ESTATES
AND INDUSTRIES LIMITED**

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

BOARD OF DIRECTORS

(As on August 27, 2003)

Mr. Jimmy J. Gazdar, Chairman & Managing Director

Mr. Hemant Bangur

Mr. B. Rangarajan

Mr. Rajendra K. Dalal

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

NOTICE OF THE 73rd ANNUAL GENERAL MEETING

Notice is hereby given that the 73rd Annual General Meeting of the members of The Cochin Malabar Estates & Industries Limited will be held at The Registered Office of the Company at "Malabar House", 56, Bristow Road, Willingdon Island, Kochi 682 003, on Tuesday, 30th September, 2003 at 11.00 A.M. to transact the following business:-

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2003 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 the place of Mr. Jimmy J. Gazdar who retires by rotation and being eligible, has offered himself for reappointment.
3. To appoint auditors for the ensuing year and to fix their remuneration.

Special Business:

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

"RESOLVED that, pursuant to Section 31 and other applicable provisions of the Companies Act, and in terms of the authority given, the Articles of Association of the Company be amended by incorporation of new Articles numbered as Article 21 A after Article 21.

Article 21 A Demating of equity shares of the Company.

For The Cochin Malabar Estates and Industries Limited

Jimmy J. Gazdar
Chairman & Managing Director

Place : Mumbai

Dated : August 27, 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.**

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- c) The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 2003 to 30th September, 2003; 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.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS TO BE TRANSACTED AT THE 73rd ANNUAL GENERAL MEETING OF THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED.

Item No: 4

- 1) The equity shares of the company are being held by the Shareholders of the company in paper mode and the certificates are issued to the shareholders, in market lot of 50 shares each. Majority of the companies have converted their equity shares into demat form which is very convenient and the shares can be held in paperless mode. Converting and holding of shares in demat form has been approved under the Depositories Act and the SEBI and Stock Exchanges are instructing the companies to convert their shares/securities in demat form. Converting the shares into demat form will give several advantages to the shareholders as the shares can be transferred without executing the transfer form and no stamp duty is applicable for such transfer. The shares can be transferred through the approved depository through electronic media and is very convenient as the shareholders need not hold the shares in paper form. It is proposed that equity shares of the company be dematerialized subject to compliance of all formalities. Necessary amendments have to be made in the Articles of Association of the Company to be in line with the Depositories Act and for recognition of the shares under Demat form. The resolution proposed is to incorporate necessary amendments in the Articles of Association of the Company to be in line with Depositories Act.

The resolution is intended to make necessary changes in the Articles. No Director is directly interested in the above resolution.

For The Cochin Malabar Estates and Industries Limited

Jimmy J. Gazdar
Chairman & Managing Director

Place : Mumbai

Dated : August 27, 2003

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

REPORT OF DIRECTORS

Your directors present their 73rd annual report and audited accounts for the year ended 31st March, 2003.

1. Financial Performance	Rs.
Loss before taxation for the year as shown by the profit and loss account is	2,57,92,396
To which has to be added deficit brought	<u>34,99,19,996</u>
Net loss carried forward to Balance Sheet	<u>37,57,12,392</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 in para 2(f)(2) of confirmation of loan balance from Federal Bank and 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), due to labour unrest at Pullikanam Estate on account of non-payment of wages and fringe benefits, we could not have access to the records lying at the estate owing to labour resistance.
- v) As regards the comment of auditor at 2(f)(5), LIC did not furnish the Actuarial Valuation certificate for non-payment of premium, but based on the previous year's valuation, we have provided an estimated amount for the expected shortfall in the fund.
- vi) As regards the comment of the auditor at para 2(f)(6) the Management is taking appropriate steps for obtaining balance confirmations from the concerned parties in due course of time.
- vii) 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.
- viii) 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.

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- ix) 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.
- x) 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.

3. Dividend

In view of the accumulated losses for the year ended as on 31st March 2003 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

The Prices of South Indian Tea are considerably lower than cost of production. Due to labour unrest at Pullikanam Tea Estate, the total production come to a standstill. We are in the process of finding a prospective buyer for the same as this division has become unviable.

The production of rubber as compared to the previous year were moderately higher and there has been improvement in the average sale price.

Fire Engineering Division

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

Aqua Culture Division

The Company could stock shrimps during the current year. However, the harvest was not to the expected level.

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 are awaited. However, some of the stocks were sold in the local market.

5. Future Prospects

The Company has decided to sell Kinalur Estate to settle its liabilities and for augmenting working capital needs of the other divisions which could be managed in a profitable manner. The Board of Directors of the company is considering the sale of Pullikanam Estate which has become non-viable. Sale proceeds are intended to be utilized for revival of other divisions. The shareholders meeting has approved the transfer of Chemoni and Pudukad Estates to a subsidiary of the company to provide greater progress, flexibility and resources and facility, restructuring of the company in its best interest. This will allow the availability of more funds to concentrate in its core business.

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6. Important events that occurred during the year and subsequent to the closure of the last financial year ended on March 31, 2003

- 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.
- ii) 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.
- iii) 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.
- iv) 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. 61,86,303/- in the books of account of the company.
- v) 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.

7. Directors

Mr. Jimmy J. Gazdar retires by rotation at the forthcoming 73rd Annual General Meeting.

As on the date of this report the board of directors consists of Messrs. Jimmy J. Gazdar, Hemant Bangur, B. Rangarajan and Rajendra K. Dalal.

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, 2003 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.

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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

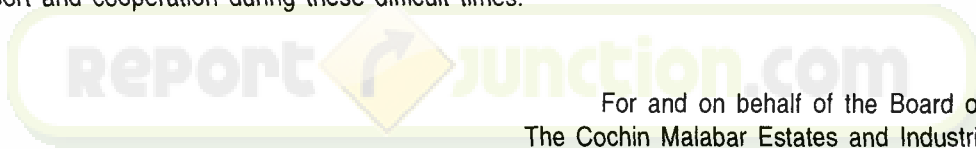
The information as required under Section 217(1)(e) of the Companies Act, 1956 is given in the Annexure to this report.

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 : Mumbai

Date : August 27, 2003

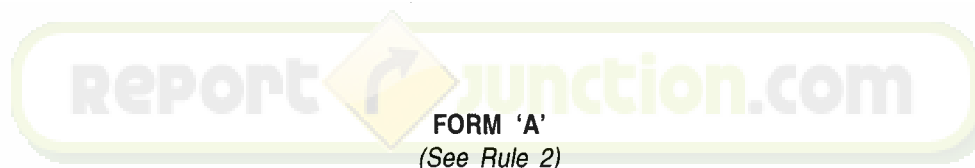
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ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003.

**Statement under Section 217(1) (e) of the Companies Act, 1956 read with Companies
(Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.**

(A) Conservation of Energy:

- (a) Energy conservation measures taken : Steps initiated to prevent power leakages.
- (b) Additional investments and proposals, if any, being implemented for reduction of Consumption of energy : NIL
- (c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : Not quantifiable at present.
- (d) Total Energy Consumption and energy consumption per unit of production as per Form 'A' (For Tea only). : "



Form for Disclosure of particulars with respect to conservation of energy

	Current Year (2002-03)	Previous Year (2001-02)
a. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Unit (KWH)	1,42,300	1,72,649
Total Amount (Rs.)	11,18,548	13,18,729
Rate/Unit (Rs.)	7.86	7.64
(b) Own Generation		
(i) Through Diesel Generator Unit	27,825	21,744
Unit per Litre of Diesel Oil	2.60	2.66
Cost/Unit (Rs.)	7.35	7.26
(ii) Through Steam Turbine/Generator	NIL	NIL

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	<u>Current Year (2002-03)</u>	<u>Previous Year (2001-02)</u>
2. Coal		
Quantity (Kg.)	—	—
Value (Rs.)	—	—
Avg. Cost (Rs./Kg.)	—	—
3. Leco		
Quantity (Kg)	—	—
Total Cost (Rs.)	—	—
Avg. Rate (Rs./Kg)	—	—
4. Petroleum coke		
Quantity (Kg)	18,845	23,930
Total Cost (Rs.)	93,282	1,18,273
Avg. Cost (Rs./Kg)	4.95	4.94
5. Briquetted Fuel		
Quantity (Kg)	—	27,340
Total Cost (Rs.)	—	58,781
Avg. Cost (Rs./Kg)	—	2.15
6. Others (Purchased)		
Fire Wood (used in Drier Heaters)		
Quantity (Kg)	1,04,200	1,499
		(Cubic Metre)
Total Cost (Rs.)	79,089	5,31,784
Avg. Rate/Unit (Rs./Kg)	76	355
b. Consumption Per Unit of Production		
Standards if any		
Product - Tea (Unit/Kg of Made Tea)		
Electricity	0.48	0.46
Coal	—	—
Petroleum coke	0.06	0.06
Briquetted Fuel	—	0.07
Fire Wood	0.006	0.004
Note: No Standards are available for comparison		
(B) Technology Absorption:		
(e) Efforts made in technology absorption	Nil	Nil