

**ANNUAL
REPORT AND
ACCOUNTS**

2004 / 2005

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**THE COCHIN MALABAR ESTATES
AND INDUSTRIES LIMITED**

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

BOARD OF DIRECTORS
(As on January 30, 2006)

Mr. Jimmy J. Gazdar, Chairman & Managing Director
Mr. Hemant Bangur
Mr. B. Rangarajan
Mr. Rajendra K. Dalal
Mr. B.R. Bhansali
Mr. Satyendra Goel

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 75th ANNUAL GENERAL MEETING

Notice is hereby given that the 75th 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 Saturday, 18th March, 2006 at 3.15 P.M. to transact the following business:-

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 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. Rajendra K. Dalal who retires by rotation and being eligible, has offered himself for reappointment.
3. To appoint a director in place of Mr. Hemant Bangur who retires by rotation and being eligible, has offered himself for reappointment.
4. To appoint auditors for the ensuing year and to fix their remuneration.

Special Business:

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

"RESOLVED that pursuant to the all applicable provisions of the Companies Act 1956, Inter Corporate Deposits of Rs.50 lakhs on 29.4.2004, Rs.40 lakhs on 6.7.2004 and Rs.25 lakhs on 14.1.2005 placed with M/s. Kherapati Vanijya Limited out of which Rs. 40 lakhs has been withdrawn during the year and deposit amounting to Rs.75 lakhs is the net balance as on 31st March 2005, carrying interest at 11% per annum be and the same are hereby authorized and approved".

For The Cochin Malabar Estates and Industries Limited

Jimmy J. Gazdar
Chairman & Managing Director

Place : Coimbatore

Date : January 30, 2006

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

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 4th March, 2006 to 18th March, 2006; both days inclusive.**
- d) Company has already transferred unclaimed dividend declared for the financial year ended 31st March 1997 to the Investor Education and Protection Fund of the Central Government as per Section 205 (c) of the Companies Act, 1956.
- 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 75TH ANNUAL GENERAL MEETING OF THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED.

The Company has placed Inter Corporate Deposits amounting to Rs.115 lakhs during the year with M/s. Kherapati Vanijya Limited carrying interest at 11% per annum. During the year Rs.40 lakhs has been withdrawn with the net balance of deposit of Rs.75 lakhs as at 31st March 2005. The Company had to meet certain statutory liabilities contingent upon the outcome of the Appeal and fresh assessment and demand. It was considered necessary to earmark funds for this purpose and such funds were placed with M/s. Kherapati Vanijya Limited in short term Inter Corporate Deposit so that interest could be earned at the rate of 11% per annum. The Deposits were placed on the condition that they could be called back on a weeks notice.

M/s. Kherapati Vanijya Limited is not within the scope of Section 295 (1) (d) or Section 295 (1) (e) of the Companies Act 1956.

In terms of Section 372 A of the Companies Act 1956, prior approval of the General Body is required for any inter corporate deposit exceeding 60% of the paid up share capital and free reserves, which in this case was not obtained and the same has been qualified by the Auditor.

In the circumstances, the necessary resolution is proposed for your approval. The transaction is in the interest of the Company since the funds earn interest while being available to the Company on a week's notice to meet its liabilities.

None of the Directors is deemed to be concerned or interested in the Resolution under Item No. Five.

For The Cochin Malabar Estates and Industries Limited

Jimmy J. Gazdar
Chairman & Managing Director

Place : Coimbatore

Date : January 30, 2006

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

REPORT OF DIRECTORS

Your directors present their 75th Annual Report and audited accounts for the year ended 31st March, 2005.

1. Financial Performance	Rs.
Loss before taxation for the year as shown by the profit and loss account is	4,26,82,445
To which has to be added deficit brought	39,43,78,005
Net loss carried forward to Balance Sheet	<u>43,70,60,450</u>

2. Dividend

In view of the accumulated losses for the year ended as on 31st March 2005 your directors regret their inability to recommend any dividend for the year under review.

3. Review of the Operations

During the year under review, profit from Rubber divisions is marginally lower because of lower crop attributed to industry wide strike coupled with hefty wage increase. All other divisions continued to be non-operational during the year. The overall result of the Company remain negative as the profit from Rubber Division is not adequate enough to neutralize the losses of the other divisions.

Plantations

Rubber

Chemoni & Pudukad Estates are operating normally. Kinalur Estate continues to be mired in legal problems and the buyer continues to have access and control of the estate for income and expenditure purpose only. The Board is seeking legal opinion on the how to tackle the problem. Replantings in the rubber estates are being done in a phased manner

Tea Estate Division

Pullikanam Estate continued non-operational due to unviability. The Management is examining whether the Estate could be opened. If however, economic operations are not feasible, the company would have to hive off the same.

Sampaji Estate has been auctioned by the DRT and the sale proceeds credited to the secured creditors account. The Company has however preferred appeal and the matter is sub-judice. However, as the possession is now with the buyer, the Directors as a matter of prudence written off the book value of the asset and reduced the account of the secured creditor by the auction sale amount.

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

Fire Engineering Division

This division was non operational during the year.

Aqua Culture Division

This division was non operational during the year.

Rubber Wood Factory

Besides the ban imposed by the Forest Department, the problems on Kinalur Estate had its reflection on this division also and it was non operational. Since the factory has not been working for last 5 years, the asset of this division has been written off.

4. Important events that occurred during the year and subsequent to the closure of the last financial year ended on March 31, 2005

- i) Some members of the company had 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 during the year 2001. This petition has since been withdrawn by Sri Sitaram Investments Ltd. However, the order of the Company Law Board is still awaited.
- ii) As per the assessment order, the interest on Provident Fund dues in respect of Chemoni and Pudukad is being paid in installments. In respect of penalty / damages levied by Provident Fund Commissioner on Kinalur Estate, necessary appeal is being filed. For Pullikanam Provident Fund, the Company has approached the Department and the liability is being liquidated by payment in instalments.
- 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. 36,58,172/- in the books of account of the company.
- v) The Calicut sub Court has appointed a Receiver in respect of the Kinalur Estate in a proceeding initiated by a Shareholder.

5. Directors

Mr. Rajendra K. Dalal and Mr. Hemant Bangur retires by rotation at the forthcoming 75th Annual General Meeting. Mr. Rajendra K. Dalal and Mr. Hemant Bangur being eligible has offered for reelection which the Board recommends.

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

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

6. 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 judgments 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, 2005 and loss of 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.

7. 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.

8. 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.

9. Auditors

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

10. 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 : 5th December, 2005

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

ADDENDUM TO THE BOARD REPORT PURSUANT TO SECTION 217 (3) OF THE COMPANIES ACT 1956

1. With regard to the comments of the Auditor in paragraph 2(f) (1) on the Accounts of Kinalur Estate, Mr. P.K.C. Ahmed Kutty has not completed the payment as he should have before 31.3.2005 as per Supplementary Agreement of the Company with him referred to in the last year's Report, but he has moved the Company Law Board Bench, Chennai seeking directions in the matter. The Company has to await orders on this petition.
2. With regard to the comment of the Auditor in paragraph 2(f) (2) on Pullikanam Estate, in view of the labour unrest and tension in the Estate, the Company could not organize to have physical verification of the assets done by the Officers/ Auditor.
3. With regard to the comments of the Auditor in paragraph 2(f) (3), the matter is being placed before the Annual General Meeting in the form of a special resolution to seek the approval of the General Body.

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 : 5th December, 2005

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2005.

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) :

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FORM 'A'

(See Rule 2)

Form for Disclosure of particulars with respect to conservation of energy

	Current Year (2004-05)	Previous Year (2003-04)
a. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Unit (KWH)	—	—
Total Amount (Rs.)	—	—
Rate/Unit (Rs.)	—	—
(b) Own Generation		
(i) Through Diesel Generator Unit	—	—
Unit per Litre of Diesel Oil	—	—
Cost/Unit (Rs.)	—	—
(ii) Through Steam Turbine/Generator	—	—

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	<u>Current Year (2004-05)</u>	<u>Previous Year (2003-04)</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)	—	—
Total Cost (Rs.)	—	—
Avg. Cost (Rs./Kg)	—	—
5. Briquetted Fuel		
Quantity (Kg)	—	—
Total Cost (Rs.)	—	—
Avg. Cost (Rs./Kg)	—	—
6. Others (Purchased)		
Fire Wood (used in Drier Heaters)		
Quantity (Kg)	—	—
Total Cost (Rs.)	—	—
Avg. Rate/Unit (Rs./Kg)	—	—
b. Consumption Per Unit of Production		
Standards if any		
Product - Tea (Unit/Kg of Made Tea)		
Electricity	—	—
Coal	—	—
Petroleum coke	—	—
Briquetted Fuel	—	—
Fire Wood	—	—
Note: No Standards are available for comparison		
(B) Technology Absorption:		
(e) Efforts made in technology absorption	Nil	Nil