

ANNUAL REPORT AND ACCOUNTS

2006 / 2007

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**THE COCHIN MALABAR ESTATES
AND INDUSTRIES LIMITED**

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

Regd. Office : D.No: 39/4946A, NGO Union Office Building, Pallimukku, Kochi - 682 016.

NOTICE OF THE 77th ANNUAL GENERAL MEETING

Notice is hereby given that the Seventy-Seventh Annual General Meeting of the Members of The Cochin Malabar Estates and Industries Limited will be held on Friday, 28th September 2007 at 3.15 p.m. at the Registered office of the Company at 39/4946A, Ground Floor, NGO Union Office Building, Pallimukku, Kochi - 682 016, to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and the Profit and Loss Account for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Hemant Bangur, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

Special Business:

4. Appointment of Director

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies act, 1956, Mr. S.D. Bhatler who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at this Annual General Meeting, and in respect of whom the Company has received a notice from a Member in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

5. Appointment of Whole-time Director

To consider and, if thought fit, to pass with or without modification, the following resolution as Special Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 of the Companies Act, 1956 (the Act), and subject to approval of the Central Government and/or such other approvals, permissions and sanctions, as may be necessary, approval of the Company be and is hereby

accorded to the appointment of the Mr. S.D. Bhattar, as the Whole-time Director, designated as "Executive Director" of the Company for a period of One year with effect from 2nd August, 2007 as well as the payment of salary and perquisites upon terms and conditions as detailed in the Explanatory Statement attached to the Notice is hereby approved and sanctioned.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to execute all agreements, applications, returns and other documents and take such steps as may be necessary and desirable or expedient to implement and give effect to the forgoing resolution."

For The Cochin Malabar Estates and Industries Limited

S.D. Bhattar
Executive Director

Place : Kochi

Date : August 24, 2007

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NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy instead of himself and the proxy need not be a member of the company.
2. Proxies, in order to be effective, shall be deposited at the Registered office of the company not less than 48 hours before the time for holding the meeting or in the case of poll, not less than 24 hours before the time appointed for taking poll.
3. The Explanatory Statement u/s 173(2) of the Companies Act 1956 in respect of the Special Business is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 18th September, 2007 to 28th September, 2007; both days inclusive.
5. 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 Door No: 39/4946A, NGO Union Office Building, Pallimukku, Kochi - 682 016 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 77TH ANNUAL GENERAL MEETING OF THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

Item No: 4 & 5.

The Board of Directors in its meeting held on 2nd August, 2007 appointed Mr. S.D. Bhattar, as an Additional Director, with effect from 2nd August, 2007. Pursuant to Section 260 of the Companies Act, 1956 and Article 124 of the Articles of Association of the Company, he holds office upto the date of the forthcoming Annual General Meeting.

The Board is of the view that Mr. S.D. Bhattar's knowledge and experience will be of benefit and value to the Company, and therefore, recommend the resolution at Item 4 of the Notice as an Ordinary Resolution for approval of the Members.

The Board at the same meeting, subject to requisite approvals, appointed Mr. S.D. Bhattar, who has been working as General Manager of the Company, as the Whole-time Director, designating him as "Executive Director" for a period of One Year from 2nd August, 2007. He will be responsible for the day-to-day management of the Company, subject to overall superintendence, control and direction of the Board of Directors.

The Board, at the same meeting, subject to requisite approvals and in accordance with the recommendations of the Remuneration Committee, approved the appointment and remuneration payable to Mr. S.D. Bhattar for a period of One year from 2nd August, 2007 as under:

1. Salary Rs. 60,000/- per month.
2. In addition to salary payable, the Executive Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise), or house rent allowance in lieu thereof, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, medical reimbursement and leave travel concession for self and family, personal accident insurance and other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Remuneration Committee and/or the Board of Directors and the Executive Director. However, such perquisites and allowances shall be subject to maximum of 50% of the annual salary.
3. Provident Fund Contribution as per rules of the Company.
4. Gratuity: Calculated at half month's salary for each year of service effective 1st April, 2003.
5. Provision for use of Company Car for office duties which shall not be treated as perquisite.

The Board is of the opinion that the appointment of Mr. S.D. Bhatler as Executive Director having an overall experience of nearly 32 years in the Plantation Industry in South India and with the Company for 25 years is in the interest of the Company and the remuneration proposed is commensurate with the remuneration he has been drawing in the capacity of General Manager of the Company prior to his appointment as Executive Director and is also in accordance with market trends and industry standards.

Pursuant to Sections 198, 269, 309 and 310 and all other applicable provisions of the Companies Act, 1956, remuneration of Mr. S.D. Bhatler, as Executive Director is now placed before the Members in the Annual General Meeting for their approval by way of a Special Resolution.

The Executive Director shall not be entitled to any Sitting Fees during his tenure as Executive Director.

Your Directors recommend the resolution at Item 5 of the Notice for approval of the Members.

Apart from Mr. S.D. Bhatler, no other Director is concerned or interested in the Items 4 and 5 of business.

This may also be considered as an abstract of terms of Mr. S.D. Bhatler's appointment and remuneration as required under Section 302 of the Companies Act, 1956.

For The Cochin Malabar Estates and Industries Limited

S.D. Bhatler
Executive Director

Place : Kochi

Date : August 24, 2007

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

BOARD OF DIRECTORS

(As on August 2, 2007)

Mr. Hemant Bangur

Mr. B.R. Bhansali

Mr. G.S. Narayanan

Mr. S.D. Bhatler

AUDITOR

M/s. Rajan Sankar & Co.
Chartered Accountants

BANKERS

Bank of India

HDFC Bank Ltd.

State Bank of Travancore

The Federal Bank Ltd.

REGISTERED OFFICE

No. 39 / 4946-A

Ground Floor

NGO Union Office Building

Pallimukku

Kochi - 682 016

Kerala State

THE COCHIN MALABAR ESTATES AND INDUSTRIES LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the Seventy-seventh Annual Report and Audited Accounts of the Company together with Report of the Auditors for the year ended 31st March, 2007.

Financial Results

	Year Ended 31st March	
	2007	2006
	(Rs. in lacs)	
Sales & Other Income	1433.92	1366.93
Total Expenditure	1226.24	1009.22
Operating Profit / Loss	207.68	357.71
Interest	174.21	178.58
Depreciation	19.07	72.12
Profit before Tax	14.40	107.01
Provision for Taxation	0.54	1.00
Profit after Tax	13.86	106.01
Balance brought forward from previous year	(3680.72)	(3786.73)
Deficit	(3666.86)	(3680.72)
Balance carried to Balance Sheet	(3666.86)	(3680.72)

Dividend

In view of the accumulated losses, your Directors regret their inability to propose any dividend for the year under report.

Operations - Plantations

Rubber Estates

Rubber crop harvested in Chemoni and Pudukad Estates during the year was 1040 MT, compared to 1078 MT, during the previous year. The crop was lower by 38 MT owing to reduction in planted area consequent on replanting operations undertaken in older and uneconomic areas. Besides the weather was also not very conducive for good harvest.

The Company also purchased field latex/cenex from the market for better utilization of existing processing facilities on Estate and to fulfill the orders on hand. The quantity purchased during the year was 205 MT against 438 MT in the previous year.

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The price realization of Rubber was better as compared to last year, but the advantage of higher realisation was virtually neutralized because of retrospective increase in the wage rates of workers, w.e.f. 1/04/02, on one hand and increase in cost of various inputs and services required for the plantation on the other. The increase on account of arrears of wages relating to earlier years impacted the overall cost by Rs. 67.54 lakhs which stood charged to current year's operating cost.

Kinalur Estate continues to be mired in legal problems as the prospective buyer Mr. P.K.C. Ahmedkutty failed to make payment despite several promises. The Hon'ble Sub Court, Kozhikode had appointed a Receiver on the Estate, which was confirmed by the Hon'ble High Court of Kerala. The Receiver, as per directions of the Court, has been able to secure constructive possession of large areas and taking steps to take over possession of the remaining areas. The Company is keeping a vigil on the developments and taking all the possible steps to resolve the issue at the earliest.

As reported last year, the Company's appeal against the auction sale of Sampaji Estate by the Debt Recovery Tribunal is still pending before the Hon'ble High Court, Chennai.

Tea Estate

Pullikanam Estate had been closed for more than 4 years. Your Directors are pleased to report that the Estate restarted operations during the year. It took quite some time to operationalise the working of the property. Made Tea production amounted to 73,796 kg for the period. This apart, the company had sell Green Leaf in the absence of proper processing facility owing to long closure of the factory. During the year 25 acres was replanted with better clonal material.

Other Divisions

Fire Engineering Division - This Division at Mumbai was closed with effect from 31st March 2006 and the employees were discharge by settling their account. The tenure of leave and licence arrangement of the office premises expired on 28th February 2007 and the arrangement was not renewed further. Since the Company did not have any activity in Mumbai, your Directors decided to dispose of the premises and utilise the sale proceeds to retire a part of the company's debt.

Aqua Culture Division - This Division has been non-operational for several years and your Board has proposed to sell all the ponds and available land of the Division in Goa. Your approval for sale is being sought through Postal Ballot pursuant to Section 192-A of the Companies Act, 1956.

Rubber Wood Factory - This factory continued to be non-operational during the year under review as the ban imposed by the Forest Department earlier has not been withdrawn as yet.

Prospects

The bench mark (RSS-4) rubber prices has stabilized in the region of Rs.80-Rs.90 per Kg and as per the forecast should maintain at these levels for the next couple of years. Consequently, it is hoped rubber division will turn out better results.

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The Company has drawn up replanting program for Chemoni and Pudukad Estates to be implemented in a phased manner to improve the yields substantially in due course. The increased yield will help the company to lower cost and improve profitability. The results from this division, it is expected, will be better during the current financial year.

Pullikanam Tea Factory was in not good condition to produce quality product and therefore, your Directors decided to re-engineer and upgrade the entire processing operations and also to expand the capacity. The work undertaken, including the new facility to manufacture CTC type of teas is expected to be completed by September/October, 2007. This apart an ambitious replantation programme in 25 acres in the old and lower yielding acreage, soil conservation measures and irrigation facilities in a phased manner are some of the other activities undertaken are progressing satisfactorily. It is envisaged that, all these measures will result in improved working and better profitability in course of time for the Company.

Estimates have been framed to harvest 1225 MT of Rubber crop and Made Tea Production at 500 MT.

Directors' Responsibility Statement

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state:

- a) that in preparation of annual accounts, the applicable standards has been followed along with proper explanations for material departures.
- b) that selected accounting policies has been consistently applied 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 and of the profit or loss of the Company for the period.
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that the Annual Accounts have been prepared on a going concern basis.

Auditors' Report

The observations of the Auditors made in their Report are explained wherever necessary in appropriate Notes on the Accounts.

Secretarial Compliance

In accordance with the provisions of Section 383-A of the Companies Act, 1956, a Certificate from a Practicing Company Secretary, which forms part of this Report is given as **Annexure**.

Board

Mr. Hemant Bangur, retires by rotation, and being eligible, offers himself for re-appointment, at the forthcoming Annual General Meeting.

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Your Directors, at their meeting held on 2nd August 2007, inducted the General Manager of the Company, Mr. S.D. Bhatler, as an Additional Director. At the same meeting, subject to requisite approvals, appointed Mr. S.D. Bhatler, as the Whole-time Director, designating him as "Executive Director" for a period of 1 year from 2nd August, 2007.

Mr. S.D. Bhatler holds office upto the forthcoming Annual General Meeting. The Company has received notice from a Member signifying his intention to propose Mr. S.D. Bhatler as candidate for the office of Director. Your Directors recommend his appointment as Director of the Company.

Mr. Satyendra Goel resigned from the Board with effect from 2nd August 2007. Your Directors place on record their deep appreciation of the services rendered by him during his tenure as Director with the Company.

Auditors

M/s. Rajan Sankar & Co., Chartered Accountants, Coimbatore, retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Additional information required under the Company (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure and forms part of the Report.

Particulars of Employees

The Company had no employee of the category specified under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules, 1975, during the year under review.

Acknowledgement

The industrial relations with the employees by and large remained cordial during the year under review.

Your Directors express their appreciation for the good work done by the employees at all levels and also thank State Government officials, vendors, customers, bankers, shareholders and associates of your Company for their continued cooperation and support.

On behalf of the Board

B.R. Bhansali
Director

G.S. Narayanan
Director

Place : Coimbatore
Date : 2nd August, 2007