

THE COROMANDEL ENGINEERING COMPANY LIMITED

FIFTY SECOND ANNUAL REPORT 1999-2000

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THE COROMANDEL ENGINEERING COMPANY LTD.

BOARD OF DIRECTORS

Shri M.V. MURUGAPPAN,
Chairman

Shri V. KANDASWAMY

Shri S.B.P.V. RAMAMOohana RAO

Shri S. VISHNUMOHAN

Shri M.A.M. ARUNACHALAM

COMPANY SECRETARY

Shri S.K. SUBRAMANIAN



BANKERS

ANZ Grindlays Bank p.l.c
Housing Development Finance Corporation Ltd.

AUDITORS

M/s. SUNDARAM & SRINIVASAN
Chartered Accountants
23, C.P. Ramaswamy Road,
Alwarpet, Chennai - 600 018.

REGISTERED OFFICE

"Parry House", 4th Floor,
43, Moore Street,
Chennai - 600 001.



THE COROMANDEL ENGINEERING COMPANY LTD.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the FIFTY SECOND Annual General Meeting of The Coromandel Engineering Company Limited will be held on Monday, the 31st July, 2000 at 4.00 p.m. at TIAM HOUSE, 28, Rajaji Salai, Chennai-600 001 to transact the following business.

1. To receive, consider and adopt the Balance Sheet as at March 31, 2000 and the Profit and Loss Account for the year ended on that date and report of Directors' and the Auditors.
2. To appoint a Director in the place of Shri V. Kandaswamy, who retires by rotation and is eligible for reappointment.
3. To appoint Auditors and fix their remuneration. Messrs. Sundaram & Srinivasan, the retiring Auditors are eligible for reappointment.

NOTES:

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. (Proxy form is annexed herewith). The proxy form duly completed must be sent so as to reach the company, not less than 48 hours before the commencement of the meeting.**
2. The Register of Members and the Share Transfer Books of the company will remain closed from 25th July 2000 to 31st July 2000 (both days inclusive).
3. Consequent upon amendment in Section 205A of the Companies Act, 1956, and introduction of Section 205C, by the Companies (Amendment) Act, 1999 now the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund.
4. Members are requested to communicate their change of address if any, quoting their folio numbers to our Registered Office.



By Order of the Board

S.K. SUBRAMANIAN
Company Secretary

Chennai
29th May 2000



THE COROMANDEL ENGINEERING COMPANY LTD.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report together with the audited accounts for the year ended 31st March, 2000.

FINANCIAL HIGHLIGHTS

	1999-2000 Rs.	1998-99 Rs.
Profit / (loss) before Interest & Depreciation	(1,009,625)	15,353,180
Add: Depreciation	3,676,584	4,362,596
Interest	6,802,387	9,093,911
Profit / (loss) before Tax	(11,485,596)	1,896,673
Add: Provision for Taxation	2,500,000	400,000
Profit / (loss) After Tax	(13,985,596)	1,496,673
Add: Transfer from Investment Allowance Reserve	—	850,311
	(13,985,596)	2,346,984
Less: Transfer to Provision for taxation of earlier years	—	850,311
	(13,985,596)	1,496,673
Add: Earlier years' profit brought forward	16,184,696	17,000,413
Amount available for Appropriation	2,199,100	18,497,086
Transfer to General Reserves	—	500,000
Proposed dividend	—	1,647,390
Additional Tax on distribution of dividend	—	165,000
Balance carried forward	2,199,100	16,184,696
	2,199,100	18,497,086

OPERATIONS AND PERFORMANCE

During the year under review, the company recorded sales turnover of Rs. 2046 lacs as against Rs. 1890 lacs in 1998 - 99.

The operations and other income provided a profit before tax of Rs. 67 lacs. The sale of the assets of Granite division, which was accumulating losses over the years, resulted in a loss of Rs. 182 lakhs. Hence the overall results of the company showed a loss of Rs. 115 lakhs.

COROMANDEL PRODORITE DIVISION

The Prodorite Division of your company recovered from the downward trend over the last few years and recorded an impressive 22% increase in sales. The division also renewed its ISO 9001 accreditation till 2003.

The division also booked a large order worth Rs. 200 lakhs from Oswal Chemicals and Fertilisers,

the largest Phosphatic Fertilizer plant in South Asia. The Division is looking at newer technologies to increase the market share of the division.

CONSTRUCTION DIVISION

Your company has successfully completed the projects viz. Construction of New Press Building for M/s. Living Media India Limited, Chennai, Suppliers Park Building, Building Services for Ford India Limited, Sugar Godown for Cauvery Sugars & Chemicals Limited, Pettaivaithalai, Extension of factory building for Carborundum Universal Limited, Hosur, Resinoid Caps building for Carborundum Universal, Tiruvottiyur, Alteration & Modifications for Cutfast Division at Pallikaranai of Carborundum Universal Limited.

PROPERTY DEVELOPMENT DIVISION

Your company have completed development of Coral Haven project at Thiruvannamiyur and all flats there have been fully sold out. Your company has taken construction of Coral Sudha at Eldams Road and all apartments there have been fully sold out.

SALE OF ASSETS AND DIVESTMENT

Pursuant to the approval obtained under section 293 1 (a) of the Companies Act, 1956 at the Annual General Meeting held on August 21, 1996, during the year the assets of the Granite division of the Company were sold.

Pursuant to the approval obtained at the last Annual General Meeting of the Company on September 23, 1999, it is proposed to transfer the Prodorite division of the company on slump sale basis as a going concern to your subsidiary company M/s. Prodorite Anticorrosives Limited with effect from April 1, 2000, after obtaining the necessary statutory clearances.

DIVIDENDS

In the absence of profits in the year under review, your directors are unable to recommend any dividend on the share capital.

SUBSIDIARY COMPANIES

Coromandel Holdings and Minerals Limited

The Company made a profit of Rs. 606034 after tax.

Prodorite Anticorrosives Limited

Prodorite Anticorrosives Limited was incorporated on 28th October, 1999. The company has not commenced its operations.

The statement of Holding Company's interest in subsidiary company under section 212(1)(e) of the Companies Act, is annexed.



THE COROMANDEL ENGINEERING COMPANY LTD.

COMMENTS OF AUDITORS :

Regarding the observations made by the Auditors in their Report, the notes forming part of Accounts are self explanatory.

DIRECTORS

In accordance with Section 255 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company Mr. V. Kandaswamy, Director retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

AUDITORS

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, the Company's auditors retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

INDUSTRIAL RELATIONS

Your Directors are pleased to report that the Industrial Relations during the year under review were very cordial.

PARTICULARS OF EMPLOYEES

In compliance with the requirements of Section 217 (2A) of the Companies Act, 1956 as amended, read in

conjunction with the Companies (Particulars of Employees) Rules, 1975 as amended is annexed for the period under review which forms a part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required by the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, information relating to conservation of energy, technology absorption etc. are furnished in Annexure B to the Directors' Report.

GENERAL

Your Directors place on record their appreciation for the continued co-operation extended to the Company by its Bankers, Shareholders, Government of India and Government of Tamil Nadu.

Your Directors also place on record their appreciation of the hard and sincere work put by the Officers, Staff and Workmen of the Company.

Chennai
29th May 2000

For and on behalf of the Board

M.V. MURUGAPPAN
Chairman



THE COROMANDEL ENGINEERING COMPANY LTD.

ANNEXURE TO DIRECTORS' REPORT

Information 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 an forming part of Directors' Report.

CONSERVATION OF ENERGY

As our operations are not primarily dependent on power, energy consumption is very low.

TECHNICAL ABSORPTION, ADAPTATION AND INNOVATION

Not Applicable

FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings : Rs. 16.25 Lacs

Outgo : Rs. 0.30 Lacs

For and on behalf of the Board

Chennai
29th May 2000

M.V. MURUGAPPAN
Chairman



ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies (Particulars of Employees) Rules 1975 and forming part of the Directors' Report for the year ended 31st March 2000

S. No.	Name	Age	Designation	Remuneration Received in Rupees	Qualification and Experience (years in brackets)	Date of Commencement of employment	Last Employment held Employer	Designation
1	2	3	4	5	6	7	8	9
FULL YEAR								
1.	Mr. M. Annamalai	50	General Manager (Coromandel Prodorite)	929,654	B.E. (Chemical) (26)	01-08-74	—	—
2.	Mr. R. Ramkumar	41	Deputy General Manager (Corporate Affairs)	739,107	B.Tech, MS (IM) BGL, PGDTL, C. Engg. (India) (18)	15-09-86	Sundaram Clayton Ltd. Chennai	Business Development Executive

Note:

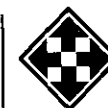
1. Remuneration has been calculated in accordance with clarification given by the Department of Company affairs vide F. No. 2/29/98-CL, V: published in the Gazzate of India extraordinary, part II section 3(1) dt 12.03.99. Accordingly perquisites have been valued in terms of actual expenditure incurred by the company in providing the benefits to the employees except in case of certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy, notional amount as per Income Tax Rules has been added.
2. None of the above employees are related to any of the Directors of the Company.
3. No employee of the company is covered by the provision of section 217(2A)(a)(iii).

Chennai
29th May 2000

For and on behalf of the Board

M.V. MURUGAPPAN
Chairman

THE COROMANDEL ENGINEERING COMPANY LTD.




THE COROMANDEL ENGINEERING COMPANY LTD.
**REPORT OF THE AUDITORS TO THE MEMBERS OF
THE COROMANDEL ENGINEERING COMPANY
LIMITED**

We have audited the attached Balance Sheet of The Coromandel Engineering Company Limited, as at 31st March, 2000 and the relative Profit and Loss Account for the year ended on that date, both signed by us under reference to this report and report that:

1. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
2. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books subject to Note No. 7 b (ii) of Schedule 19 regarding accounting of earned leave salary to staff on cash basis instead of accrual basis.
3. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
4. In our opinion the Profit and Loss account and Balance sheet comply with the Accounting Standards referred to in Sec. 211(3)(c) of the Companies Act, 1956, except Accounting Standard 15 in respect of earned leave salary referred to in para 2 above.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the statement on Accounting policies, Notes on accounts and Schedules annexed thereto, give the information required by the Companies Act, 1956, in the manner so required and subject to the following Notes under Schedule 19:-
 - a) Note No. 4(v)(A) regarding non provision for estimated liabilities for (a) Sales Tax Liability on Works Contracts, (b) Central Sales Tax demands, (c) Sales Tax demands from Madhya Pradesh Sales Tax Authorities.
 - b) Note No. 4 (v)(B) regarding Central Excise duty demand;
 - c) Note No. 5 regarding Investment allowance;
 - d) Note No. 9 regarding realisability of dues from Company's overseas project;

give a true and fair view:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2000, and
- ii) in the case of the Profit and Loss Account, of the Loss for the year ended on that date;

6. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

- A (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets of significant value. As per information given to us, a physical verification of almost all assets of significant value has been conducted by the Management at periodical intervals, and on the basis of explanations received, no serious discrepancies have been noticed on such verification.
- (ii) None of the Fixed Assets have been revalued during the year.
- (iii) Physical verification has been conducted by the Management at reasonable intervals in respect of Stock-in-trade, Finished goods, Raw materials, Stores, Spare parts and Materials at sites.
- (iv) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (v) The discrepancies noticed on such verification as compared to book records, were not material and have been properly dealt with in the books of account.
- (vi) On the basis of the examination of the stock records, we are of the opinion that the valuation of the stocks is fair and proper, in



THE COROMANDEL ENGINEERING COMPANY LTD.

- accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
- (vii) The Company has not taken any loan from Companies, firms or other parties listed in the register maintained under Section 301, and from Companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
 - (viii) The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or to companies under the same management as defined under Sub-section (1B) of Section 370 of the said Act.
 - (ix) The parties including employees to whom loans or advances in the nature of loans have been given by the company are repaying the principal amounts as stipulated and are also regular in payment of interest where applicable.
 - (x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to Purchase of stores, raw materials including components, plant and machinery, equipment's and other assets and with regard to the sale of goods.
 - (xi) In our opinion, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies Act 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party were made at prices which are reasonable having regard to prevailing market prices as available with company or the price at which transactions for similar goods, materials or services have been made with other parties;
 - (xii) The Company has a regular procedure for the determination of unserviceable or damaged stores and raw materials including components and finished goods and necessary provision for the loss arising on the items so determined has been made in the accounts.
 - (xiii) The Company has not accepted any deposit from public under the provisions of Section 58(A) of the Companies Act, 1956 during the year.
 - (xiv) In our opinion the Company is maintaining reasonable records for the sale and disposal of realisable scrap. The company does not have any by-products.
 - (xv) In our opinion, the Company has an Internal Audit System, commensurate with the size and nature of its business.
 - (xvi) The Central Government has not prescribed the maintenance of cost records by the Company under Section 209 (1)(d) of the Companies Act, 1956 for any of its products.
 - (xvii) The Company has been generally regular in depositing, during the year, the Provident Fund and Employees State Insurance dues with the appropriate authorities, where applicable.
 - (xviii) Subject to Note No. 4(v)(A) and 4(v)(B) no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at 31st March, 2000, for a period of more than six months from the date they became payable.
 - (xix) In the course of our Audit, we have not come across any personal expenses of employees or Directors which have been charged to Profit and Loss account other than those payable under contractual obligations


THE COROMANDEL ENGINEERING COMPANY LTD.

or in accordance with generally accepted business practice.

- (xx) The Company is not a sick industrial company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

B. In respect of the service activities of the Company:-

- (i) The Company has a reasonable system of recording receipts, issues and consumption of materials and stores, commensurate with its size and nature of its business and this system provides for a reasonable allocation of materials to the relative jobs.
- (ii) The Company has a reasonable system of allocating labour and wages to the relative jobs, commensurate with its size and

nature of its business.

- (iii) The Company has a reasonable system of authorisation at proper levels and an adequate system of internal control, commensurate with the size of the Company and nature of its business on issue of stores and allocation of stores and labour to jobs.

- C. In respect of the trading activities of the Company, damaged goods have been determined and necessary provision for losses, which were not significant, have been made in the accounts.**

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For **SUNDARAM & SRINIVASAN**
Chartered Accountants

Chennai
29th May 2000

K. SRINIVASAN
Partner