



COROMANDEL ENGINEERING COMPANY LIMITED

**SIXTYFIRST
ANNUAL REPORT
2008 - 2009**



Front cover photograph:

A.I.O.B.E.U. Community Centre
Radhakrishnan Salai
Chennai

**COROMANDEL ENGINEERING COMPANY LIMITED****BOARD OF DIRECTORS**

Shri M.A.M. ARUNACHALAM

Shri K.T. KUMAR

Shri S.S. RAJSEKAR

Shri J. SRINIVASAN

Shri V. VENKITESWARAN

BANKERS

INDIAN BANK

AUDITORS

M/s. SUNDARAM & SRINIVASAN

Chartered Accountants

23, C.P. Ramaswamy Road

Alwarpet, Chennai - 600 018.

REGISTERED OFFICE

"Parry House", III Floor,

43, Moore Street,

Chennai - 600 001.

COROMANDEL ENGINEERING COMPANY LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the **SIXTY FIRST Annual General Meeting** of the shareholders of **COROMANDEL ENGINEERING COMPANY LIMITED**, will be held on **FRIDAY the 31st July 2009** at **10.15 a.m. at the Registered Office of the Company at 3rd Floor, at "PARRY HOUSE", No.43, Moore Street, Chennai 600 001** to transact the following business.

Ordinary Business

1. To receive, consider and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended 31st March, 2009 and the Balance Sheet as at that date and the Report of the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Shri.K.T.Kumar, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and in this connection, to consider and if deemed fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

RESOLVED THAT Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai, be and are hereby re-appointed as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting on a remuneration of Rs.1,50,000/- (Rupees One lakh and fifty thousand only) plus the applicable taxes and reimbursement of traveling and out of pocket expenses actually incurred by them.

Special Business

5. To consider and if deemed fit, to appoint Mr J Srinivasan as a Director in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a Member along with a deposit of Rs.500/- signifying his intension to move the following resolution as an **Ordinary Resolution**.

RESOLVED THAT Mr J Srinivasan be and is hereby appointed as a Director of the Company

6. To consider and if deemed fit, to appoint Mr V Venkiteswaran as a Director in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a Member along with a deposit of Rs.500/- signifying his intension to move the following resolution as an **Ordinary Resolution**:

RESOLVED THAT Mr V Venkiteswaran be and is hereby appointed as a Director of the Company

7. To consider and if deemed fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

RESOLVED THAT pursuant to Section 293(1) (d) and all other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded to the Board of Directors to borrow monies, from time to time, for the purposes of the business of the Company, at its discretion, notwithstanding the fact that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) either from the Company's Bankers and / or any one or more persons or Financial Institutions or Mutual Funds or Bodies Corporate or Foreign Institutional Investors or Foreign Companies whether by way of cash credit, advances, loans, including foreign currency loans, or bill discounting, issue of debentures, bonds, or otherwise and whether secured or unsecured by mortgage, charge, hypothecation, lien or pledge of the Company's assets and properties, whether movable or immovable, or stock-in-trade and work-in-progress exceed the aggregate of the Paid-up Capital and Free Reserves of the Company, that is to say, Reserves not set apart for any specific purpose on such terms and conditions as may be considered suitable by the Board of Directors provided that the total amount so borrowed and outstanding at any time shall not exceed Rs.75,00,00,000/- (Rupees Seventy Five Crores only).

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to do all such acts, deeds and things as they may deem necessary for giving effect to the aforesaid resolution.

On behalf of the Board

Place : Chennai
Date : 17th June 2009

M.A.M. ARUNACHALAM
Director

**NOTES:**

1. **A member entitled to attend and vote at the meeting 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 explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed herewith.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from Friday, the 17th July, 2009 to Friday, the 31st July, 2009 (both days inclusive).
4. Dividend as recommended by the Board, if declared at the meeting, the payment will be made within 30 days to those members whose names appear in the Register of Members of the Company as on 31st July, 2009 or to their nominees / mandatees.
5. As per Section 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. It may be noted that once the unclaimed dividend is transferred to IEPF as above, no claim shall lie with the Company in respect of such amount.
6. Members who have not encashed their dividend warrants for the period 2005-2006, 2006-07 & 2007-2008 are requested to lodge their claims with the Company.
7. Members are requested to notify the change in their address, if any, immediately so that the dividend can be sent to the latest address. In case of Shareholders holding shares in physical form, all intimations regarding change of address and change of bank account details etc are to be sent to M/s. Karvy Computer Shares Private Limited, Unit: Coromandel Engineering Company Limited, Plot No. 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad 500 081 and in cases of Shareholders holding shares in demat form, the same is to be sent directly to their Depository Participants.
8. As per clause 49 of the Listing Agreement, a brief resume and functional expertise of the Directors proposed for appointment / reappointment are furnished below along with the details of Companies in which they are Directors and the Board Committees of which they are members.

Mr. K T Kumar

Mr.K.T.KUMAR (65) is a graduate in Science with Mathematics as major from Madras University. He is an industrialist and has experience of over 41 years in the field of Industrial Management.

Mr.K.T. Kumar does not hold any equity shares in the Company.

The details of other Directorship/Committee membership held by him are as follows:

Directorship	Committee membership	Chairman/ Member
Nil	Nil	Nil

Mr. J Srinivasan

Mr. J. Srinivasan, aged 69 years holds a Bachelor's Degree in Economics - Political Science - Commerce combination from the University of Delhi. He is also a Fellow member of the Institute of Company Secretaries of India. He has been in Industry for over 51 years in different capacities. Presently, he is the Mentor Director of the TTK Group. Till October 31, 2006 he was concurrently CEO of both TTK-LIG Limited and SSL-TTK Limited. He was with the TI Group, since November 1957 till 1973. After a short stint at Agrocargo Transport he joined Mysore Paper Mills in 1975 as its Secretary. After 4 years each with MPM and Garwares, in 1982, he joined the TTK Group, as its Group Secretary. In 1989 he took over as Managing Director of TTK LIG. He is also associated with a few NGOs in Chennai, like VHS, TTK-VHS- Rotary Blood Bank, TTK Hospital of TT Ranganathan Foundation, Spastics Society of Tamil Nadu.

Mr. J Srinivasan does not hold any equity shares in the Company.

The details of other Directorship/Committee membership held by him are as follows:

Directorship	Committee membership	Chairman/ Member
TTK Healthcare Ltd	Nil	Nil
SSL-TTK Ltd	Nil	Nil

Mr. V Venkiteswaran, B.E. AMP (HARVARD)

Mr. V.Venkiteswaran, aged 62, has business experience of over 38 years in diverse activities. He is a Mechanical

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Engineer from the University of Madras and worked over 36 years with Tata Tea Limited, initially overseeing the technical aspects of large tea plantations before attaining the position of GM. He held several key management positions in diverse operations like heading a subsidiary Company in the US, the Tata Tetley JV at Cochin and was responsible for a number of green field projects in India and abroad. All this culminated in his position as Executive director of TTL between 2002 and 2006, after which he was a consultant for specific overseas projects till August 2007.

Mr. V.Venkiteswaran does not hold any equity shares in the Company.

The details of other Directorship/Committee membership held by him are as follows:

Directorship	Committee membership	Chairman/Member
TATA TEA Incorporated U.S.A	Nil	Nil
ZHEJIANG TATA TEA Extracts Co	Nil	Nil

On behalf of the Board

Place : Chennai
Date : 17th June 2009

M.A.M. ARUNACHALAM
Director

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956.

Item nos. 5 & 6.

The Board of directors at their meeting held on 31st July 2008 appointed Mr. J Srinivasan and Mr. V Venkiteswaran as additional directors of the Company. As additional directors, they hold office up to the date of this annual general meeting. The company has received notice along with a deposit of Rs.500/- from two of the members of the company under section 257 of the Companies Act, 1956 proposing the appointment of Mr. J Srinivasan and Mr. V Venkiteswaran as Directors of the Company.

Accordingly an Ordinary resolution as set out under item no 5 & 6 of the Notice is submitted for the approval of the members.

None of the Directors other than Mr. J Srinivasan and Mr.V.Venkiteswaran are deemed to be interested or concerned in the Resolution relating to their appointment.

Item No 7

Recently, there has been a significant increase in the operations of the Company and your Directors anticipate increased borrowing from bank/financial institutions to meet the fund requirements of the company. The shareholders had earlier

authorised the Board of Directors of the Company to borrow funds up to a maximum amount of Rs. 50,00,00,000/- (Rupees Fifty Crores only) at the deemed General Meeting held on 3rd February 2006.

It is considered desirable to increase the present borrowing powers of the Board of Directors from the existing maximum limit of Rs.50,00,00,000/- (Rupees Fifty Crores only) to Rs.75,00,00,000/- (Rupees Seventy Five Crores only).

As per Section 293 (1) (d) of the Companies Act, 1956, approval of the members is required to be sought to borrow monies (excluding temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the aggregate of paid-up capital and free reserves of the company, that is to say, reserves not set apart for any specific purpose.

Accordingly, an Ordinary resolution as set out in item no. 7 of the Notice is of an enabling nature and is placed before the members for approval. On this resolution being passed, it would supersede the earlier resolution passed in this regard at the deemed General Meeting held on 3rd February 2006.

Your Board of Directors commend the above resolution for your approval.

None of the Directors are in any way interested or concerned in the above Resolution.

On behalf of the Board

Place : Chennai
Date : 17th June 2009

M.A.M. ARUNACHALAM
Director



DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report together with the audited accounts for the year ended 31st March 2009.

FINANCIAL HIGHLIGHTS

	2008-09	2007-08
	Rs.	Rs.
Profit/(Loss) Before Interest, & Depreciation	90,709,079	63,045,918
Less: Depreciation	8,533,196	4,287,269
Interest	10,753,626	6,009,175
Profit before Tax	71,422,257	52,749,474
Less: Provision for Taxation	24,721,312	11,462,614
Profit After Tax	46,700,945	41,286,860
Less: Taxation relating to earlier years	303,710	-
Transfer to General Reserve	18,500,000	16,500,000
Proposed Dividend	9,884,340	6,589,560
Tax on Dividend	1,679,844	1,117,260
Add: Earlier year's profit/loss brought forward	36,586,480	19,506,440
Profit carried to Balance sheet	52,919,531	36,586,480

OPERATIONS AND PERFORMANCE

During the year under review, your Company recorded a turnover of Rs.10,024.64 Lacs and PBT of Rs.714.22 Lacs as against the last year turnover of Rs. 6,800.84 Lacs and PBT of Rs.527.49 Lacs.

Your Company has successfully completed construction of Factory Buildings for Tata Ryerson Ltd. for their plate processing project at Tada, Andhra Pradesh, Civil Works for Roll Press for India Cements Ltd. at Chilamkur, Andhra Pradesh., Community Centre for All India Overseas Bank Employees' Union at R.K.Salai, Mylapore, Chennai.

Construction of 48 Residential Apartments at Avinashi Road, Coimbatore was completed during the year. The Company is presently executing Rs.56.00 Crores civil order for Silk Road Sugars P.Ltd at Kakinada, Andhra Pradesh and has executed substantial part of the order including main structures to facilitate the clients planned requirements.

Your Company during the year has acquired Plant and Machinery for operation and other Fixed Assets amounting to Rs.751.11 Lacs.

DIVIDEND

The Company has earned a net profit after tax of Rs 463.97 Lacs. Your Directors are pleased to recommend a dividend of Rs. 3.00 (30%) per equity share of Rs.10/- each for the financial year ended March 31, 2009. The total outgo on account of the dividend to be paid to the shareholders will be Rs 115.64 Lacs (inclusive of dividend distribution tax).

DIRECTORS

In accordance with Section 256 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company Shri. K T Kumar Director, retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Mr.J.Srinivasan and V.Venkiteswaran were appointed as Additional Directors at the meeting of the Board held on 31.07.2008. Their term of office will expire at the Sixty First Annual General Meeting.

A brief resume, expertise and details of other directorships of these Directors are attached along with the Notice of the ensuing Annual General Meeting.

AUDITORS

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

The Board on the recommendation of the Audit Committee, proposes that M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai be re-appointed as the Statutory Auditor of the Company to hold office till the conclusion of the next Annual General Meeting of the Company. M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai have forwarded their certificate to the Company, stating that their re-appointment, if made, will be within the limit specified in that behalf in sub-section (1B) of section 224 of the Companies Act, 1956.

DEPOSITS

The Company has not accepted any deposits.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreement with the Stock Exchange, Management Discussion and Analysis Report,

COROMANDEL ENGINEERING COMPANY LIMITED

Corporate Governance Report and a Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- " In the preparation of the Profit & Loss Account for the financial year ended 31st March, 2009 and the Balance Sheet as at that date ("Financial Statements") applicable Accounting Standards have been followed :
- " Appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period :
- " Proper and sufficient care has been taken 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. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such systems of internal controls its inherent limitations should be recognised. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit Committee meets at regular intervals to review the internal control system:
- " The Financial Statements have been prepared on a going concern basis.

RIGHTS ISSUE

The Company came out with a Rights Issue of 16,47,390 equity shares of Rs.10/- each for cash at a premium of Rs.10/- per equity share (Issue price Rs.20/- per share) to the existing shareholders of the Company in the ratio of one equity share for

every one equity share held as on the record date i.e., 20th August, 2008 aggregating to Rs.329,47,800/-. The issue was closed on September 29, 2008 and the allotment was made at the Board meeting held on 14th October, 2008. The approval of Madras Stock Exchange for listing of the aforesaid shares was received vide its letter dated .MSE/LD/PSK/738/458/08 dated 24th October 2008.

SECRETARIAL COMPLIANCE CERTIFICATE

Pursuant to Section 383A of the Companies Act, 1956 read with the Companies (Compliance Certificate) Rules 2001 the certificate issued by Messrs. R.Sridharan & Associates, Company Secretaries, is attached hereto.

PARTICULARS OF EMPLOYEES

The details required to be covered under sub-section 2A of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended is appended herewith.

PARTICULARS REQUIRED TO BE FURNISHED U/S.217 (1) (e)

The Company has no activity relating to consumption of energy, technology absorption and foreign exchange earnings during the year. Hence, there are no particulars required to be furnished under Section 217(1)(e) of the Companies Act, 1956. The details of foreign exchange outgo is provided below:

Particulars	Amount (in INR)
Traveling for business purpose	157,298/-

GENERAL

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

Your Directors also place on record their appreciation for the continued dedicated performance and commitment by Officers, Staff of the Company.

On behalf of the Board

M.A.M. ARUNACHALAM
K.T. KUMAR
Directors

Place : Chennai
Date : 17th June 2009



ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217 (2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report - Details of Remuneration paid for the year ended 31st March, 2009

Name (Age)	Designation of the employee/ Nature of duties	Remuneration Rs.	Qualification/ Experience (Years)	Date of commencement of employment	Previous Employment
(1)	(2)	(3)	(4)	(5)	(6)
G. Viswanath Kumar (53)	Senior Vice President	3,827,523	B.Tech, MBA (29)	05.12.2005	Larsen & Toubro
M. Thanumamoorthy (57)	Vice President (Operations)	2,856,693	B.E. (Civil) (29)	01.08.1988	Subramani Aiyar & Co.

1. Remuneration as shown above includes salary, allowance, leave travel assistance, Company's contribution to Provident Fund, Superannuation Fund & Gratuity Fund, Medical facilities and perquisites valued in terms of actual expenditure incurred by the employee(s) excepting certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy, and in such cases notional amount as per Income- Tax Rules have been adopted.
2. The above mentioned employees are whole time employees of the Company and were employed throughout the year and the nature of employment is contractual.
3. None of the above employee is related to any Directors of the Company.

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On behalf of the Board

Place : Chennai
Date : 17th June 2009

M.A.M. ARUNACHALAM
K.T. KUMAR
Directors

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY UPDATES

Construction Industry accounts for about 5% of the total GDP and is the second largest employment provider in India after agriculture. During the year 2008-09, there has been a general down trend in the economy world wide. The most noticeable factor for this downward trend is the drop in the growth rate of industry segment. The weakening of global economy coupled with the rising inflation during the second half of FY 2008-09, high interest rate and liquidity crunch further decelerated the growth.

However India recorded a growth rate of about 7% though it is lower than the average rate of about 8 to 8.5% for the past five years. The growth momentum has been broad based by opening up of crucial infrastructure sectors to private players and foreign investors. Landmark reforms have been witnessed in telecommunication, airports, transportation and real estate development activities.

With the stimulus packages evolved by the Government in the later half of FY 2008-2009 and with the stable Government being elected in the centre, the economy is likely to witness a stable growth in the years to come.

OPPORTUNITIES & CHALLENGES

Out of the total investment of about USD 500 billion estimated under the Eleventh Five Year Plan in the Infrastructure Construction Business, the construction industry is likely to attract USD 250-275 billion. New capacity creation in the major industries like steel, cement, petrochemicals etc would benefit the construction industry. With rapid commercialization of retail industry, demand for housing / commercial space is expected to emanate from new areas beyond the metro cities.

Reports indicate that there has been a 47 million numbers shortfall in the affordable housing scheme being developed by Government in the Eleventh Five year plan. It is learnt that Government is considering opening up this sector on a public private partnership basis, which might provide a plenty of opportunity for the real estate sector.

The boom in the construction industry in the past few years has also led to the growth of lot of competitors. This is a real challenge which needs to be over come in the coming years.

REVIEW OF BUSINESS OF COROMANDEL ENGINEERING COMPANY LTD

As regards Residential Projects, the Company has sufficient land banks and the prospects of new joint ventures are also in the pipeline. With the softening of interest rates and the price corrections happening in the market, it is expected that the real estate sector will pick up the demand levels as in the past few years from the second half of FY 2009-10.

On the Civil Constructions side, Company has a healthy order book to achieve the budgeted turnover during the financial year 2009-10. Projects which were quoted by the Company and deferred by the clients during the FY 2008-09 are being pursued by them and is expected to be converted into orders in the year 2009-10. Also the Company is in the process of reviving the specialized construction activity like pile construction etc, in which the Company was a pioneer in earlier years to get diversified orders. With the impetus being given by the Government for overall infrastructure development, there will be a level playing field for all categories of civil engineering companies to improve the overall performance.

RISKS AND CONCERNS

While the real estate sector continues to be impacted by liquidity crunch and slowdown in offtake, the Projects in civil constructions show a sign of revival. Bank loans to real estate sector have decelerated substantially in the last one year. The IT sector employees were contributing to an upsurge in the residential market, the slowdown in that sector has led to the down trend in real estate sector.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONS

Income from Operations:

Description	Year ended 31.3.09 (Rs in Cr)	Year Ended 31.3.08 (Rs in Cr)	Growth %
Contract Revenue	100.05	66.55	50.33
Merchant Sales	0.20	1.46	-
Total	100.25	68.01	47.40

As it is evident from the above summary, during the FY 2008-09, the Company has achieved a **milestone of Rs 100 Crore turnover**, with a growth of about 47% from the