



Coromandel Engineering Company Limited
Annual Report 2013 - 2014

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Cautionary Statement

This communication contains statements relating to future business developments and economic performance that could constitute 'forward looking statements'. While these forward looking statements represent the company's judgements and future expectations, a number of factors could cause actual developments and results to differ materially from expectations. The Company undertakes no obligation to publicly revise any forward looking statements to reflect future events or circumstances. Further, investors are requested to exercise their own judgement in assessing various risks associated with the Company and also the effectiveness of the measures being taken by the Company in tackling them, as those enumerated in this report are only as perceived by the management.

CORPORATE INFORMATION

Board of Directors	
<p>Mr. M.M. Venkatachalam - Chairman and Managing Director *</p> <p>Mr. M.A.M. Arunachalam</p> <p>Mr. S.S. Rajsekar</p> <p>Mr. J. Srinivasan</p> <p>Mr. V. Venkiteswaran</p> <p>Mr. N.V. Ravi</p>	
Bankers / Financial Institution	Company Secretary
<p>City Union Bank Ltd</p> <p>Development Credit Bank Ltd</p> <p>HDFC Bank Ltd</p> <p>IDBI Bank Ltd</p> <p>Indian Bank</p> <p>Indusind Bank Ltd</p> <p>New India Co-Op Bank Ltd</p> <p>Tata Capital Financial Services Ltd</p>	Mr R Narayanan
	Auditors
	M/s. Sundaram & Srinivasan Chartered Accountants
Registered Office	Registrars and Share Transfer Agents
<p>'Parry House', 3rd Floor</p> <p>No. 43, Moore Street</p> <p>Chennai – 600 001</p> <p>Tel : 25301700</p> <p>Fax : 25342822</p> <p>Email: investorservices@cec.murugappa.com</p> <p>Website : www.coromandelengg.com</p>	<p>Karvy Computershare Private Limited</p> <p>Plot Nos.17-24, Vithal Rao Nagar</p> <p>Madhapur, Hyderabad – 500 081</p> <p>Tel : 91-40-23420815 to 23420824</p> <p>Toll Free No:1-800-3454001</p> <p>Fax : +91-40 23420814</p> <p>Email : einward.ris@karvy.com</p> <p>Website: www.karvy.com</p>
66th Annual General Meeting	Date: 30th day of July, 2014
	<p>Day : Wednesday</p> <p>Time : 10.00 am</p> <p>Venue : Narada Gana Sabha Trust, 'Mini Hall' No. 314, TTK Road, Chennai-600 018</p>

* Resigned from post of Managing Director with effect from close of business hours of 29th April 2014.

TEN YEAR FINANCIALS

(₹ In lakhs)

YEAR ENDED 31st March										
OPERATING RESULTS	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sales	2054.75	2392.49	4502.40	6800.84	10024.63	8920.85	11275.24	17046.09	21,639.22	19,924.92
Other Income	27.28	93.16	19.02	22.87	37.85	40.00	185.34	78.79	90.30	109.01
Profit/(Loss) before depreciation	36.76	153.46	276.97	570.37	799.55	434.49	523.16	(3088.12)	(453.31)	(1,020.17)
Profit/(Loss) before Tax	29.38	139.12	251.82	527.49	714.22	330.27	405.12	(3249.32)	(668.37)	(1,243.48)
Profit/(Loss) after Tax	17.99	115.71	202.96	412.87	467.01	218.94	288.54	(2145.22)	(544.05)	(888.17)
Dividend - Equity	-	18.78	48.18	77.07	115.64	76.84	95.73	-	-	-
SOURCES OF FUNDS										
Paid up share capital	164.74	164.74	164.74	164.74	329.48	329.48	329.48	2829.48	2,829.48	4,023.36
Reserves	181.27	278.20	463.15	766.54	1250.75	1392.85	1585.66	(559.56)	(1,103.61)	313.14
Loan Funds	511.14	576.36	1945.45	2997.71	4005.87	5533.07	7264.90	6770.40	8,505.80	10,028.82
Deferred Tax Liability/ (Asset) Net	(10.91)	(2.33)	(0.37)	12.56	47.28	78.80	114.61	(989.49)	(1,113.81)	(1,469.12)
Total	846.24	1016.97	2572.97	3941.55	5633.38	7334.20	9294.65	8050.83	9,117.86	12,896.20
APPLICATION OF FUNDS										
Fixed Assets	32.43	79.39	249.02	713.49	1354.24	1383.68	1822.54	2423.15	3,037.54	3,539.01
Investments	31.12	31.12	1.13	1.20	1.25	6.25	5.20	5.20	5.44	5.44
Net Current Assets	782.69	906.46	2322.82	3226.86	4277.89	5944.27	7466.91	5622.48	6,074.88	9,351.75
Total	846.24	1016.97	2572.97	3941.55	5633.38	7334.20	9294.65	8050.83	9,117.86	12,896.20

DIRECTORS – A BRIEF PROFILE

Mr. M M Venkatachalam

Chairman and Managing Director*

Mr. M M Venkatachalam, representing Promoter Group, is a Graduate in Agriculture and Master in Business Administration from George Washington University, USA. He was appointed as a Director in July 2009 and is presently the Chairman and Managing Director of the Company. He is also on the Board of various Companies including Coromandel International Limited, Ramco Systems Limited, Parry Agro Industries Limited, Ambadi Enterprises Limited, Polutech Limited, Parry Murray & Co. Limited U.K. etc.

* Resigned from post of Managing Director with effect from close of business hours of 29th April 2014.

Mr M A M Arunachalam

Non-Executive Promoter Director

Mr. M A M Arunachalam, representing Promoter Group, has done his Bachelors in Commerce and Masters in Business Administration from University of Chicago. He is an Industrialist and has 26 years experience in the field of varied industrial activities. He is the Managing Director of Parry Enterprises India Limited. He has been on the Board of CECL, since September 1995.

Mr. S S Rajsekar

Non-Executive Independent Director

Mr. S S Rajsekar, is a Chemical Engineer (B. Tech) from Anna University. He has more than 34 years of experience in the field of real estate and property related advisory services. He has extensive senior-level contacts in the business community, through holding key positions in business organisations, Boards of various Companies, Chambers of Commerce, advisory committees of Banks/Financial Institutions. He was the past president of Andhra Chamber of Commerce. He has been on the Board of CECL, since October 2005.

Mr. J Srinivasan

Non-Executive Independent Director

Mr. J Srinivasan, holds a Bachelor's Degree in Economics – Political Science – Commerce combination of 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 56 years in different capacities. Till October 2006, he was the CEO of both TTK-LIG Limited and SSL-TTK Limited. Presently, he is the Mentor Director of the TTK Group. He was responsible for taking over Dr. Scholl, domestic business in SSL-TTK and for shifting UK operations to India. In recognition of his contribution, the JV partners have named Sriperumbudur plant after him. 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, etc. He has been on the Board of CECL, since July 2008.

Mr. V Venkiteswaran

Non-Executive Independent Director

Mr V Venkiteswaran, has business experience of over 43 years in diverse areas of operations. He is a Mechanical Engineer from the University of Madras and worked over 37 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. He is also on the Board of M/s. Shanthi Gears Limited. He has been on the Board of CECL, since July 2008.

Mr. N V Ravi

Non-Executive Independent Director

Mr. N V Ravi is an architect and has his own private practice since 1985. He has done his Master in Architecture at the University of Michigan Ann Arbor. He has designed and executed several residential, industrial and commercial projects in Chennai, Delhi, Bangalore, Hyderabad etc. He also has vast experience in the field of construction and has his own property development firm, which has been doing projects since 1996. He has been on the Board of CECL, since February 2012.

DIRECTORS' REPORT

Your Directors herewith present the 66th annual report and the audited accounts for the financial year ended March 31, 2014.

FINANCIAL RESULTS:

(₹ in lakhs)

Description	2013-14	2012-13
Profit/(Loss) before interest & depreciation	266.22	674.28
Less: Depreciation	223.31	215.06
Finance costs	1286.39	1127.59
Profit/ (Loss) before tax	(1243.48)	(668.37)
Less: Provision for taxation	(355.31)	(124.32)
Profit/(Loss) after tax	(888.17)	(544.05)
Less: Transfer to general reserve	-	-
Proposed dividend	-	-
Tax on dividend	-	-
Add: Earlier year's profit brought forward	(1876.16)	(1332.11)
Profit carried to Balance Sheet	(2764.33)	(1876.16)

OPERATIONS AND PERFORMANCE

During the year under review, Your Company achieved a turnover of ₹ 19924.92 lakhs and incurred a loss of ₹ 1243.48 lakhs before tax, as against the turnover of ₹ 21639.22 lakhs and loss of ₹ 668.37 lakhs before tax in the previous year. Your Company's operations were impacted during the year due to non-availability of labour, shortage and steep cost escalation of sand in Tamil Nadu for part of the year and delayed payments from certain clients. There were also delays in execution due to non-availability of work front and clearances from customers in certain project sites, leading to idle fixed costs. In spite of various efficiency improvement measures taken, the profitability has been affected, resulting in Your Company making a lower PBIT of ₹ 42.91 lakhs as compared to PBIT of ₹ 459.22 lakhs during the previous year. The finance cost for the year was at ₹ 1286.39 lakhs as compared to ₹ 1127.59 lakhs for the previous year.

Your Company participated in several tenders during the year in industrial, commercial and residential segments across select geographies. There was a distinct slowdown in request for

quotations (during second half of the year) as well as delay in customers taking final decision on their project and placing the orders. Your company quoted for tenders worth ₹ 200498 lakhs during the year and was able to win work orders to the tune of ₹ 8856 lakhs, including two orders above ₹ 2000 lakhs.

On the Property Development business, Your Company focused on existing projects in execution of the project and selling the apartments. Two projects in Chennai are nearing completion and handing over. The project at Coimbatore in 2 phases has progressed well in terms of construction activity. Lot of promotional activities were done to create "Coral" brand awareness and improve the sales. However due to prevailing market sentiments, there was a slowdown in apartment sales. The turnover for property development business was at ₹ 2975 lakhs for the year as against ₹ 3341 lakhs in the previous year.

During the year, Your Company has acquired operational plant and machinery and other fixed assets to the tune of ₹ 750.96 lakhs.

EQUITY RIGHTS ISSUE & PREFERENCE CAPITAL

During the year, subsequent to approvals obtained from Shareholders and also from SEBI, BSE Ltd. and Madras Stock Exchange Ltd., Your Company successfully completed rights issue of 2,99,82,498 Equity shares (of which 43,680 shares were kept in abeyance) of ₹ 10/- each, at a premium of ₹ 10/- per Equity share. The rights Issue opened for subscription on Thursday, 23rd January, 2014 and closed on Thursday, 6th February, 2014. Equity shares were allotted to eligible shareholders, in consultation with the BSE Ltd., on Saturday, 15th February, 2014. The entire rights Issue proceeds of ₹ 5987.76 lakhs (net of issue expenses of ₹ 139.79 lakhs) was deployed during the year for purposes approved by Board, i.e. repayment of loans ₹ 3000 lakhs, redemption of Preference capital ₹ 2337.15 lakhs and balance towards general corporate purposes

The Board thanks all Shareholders for their overwhelming support to the rights issue.

The Company raised ₹ 3000 lakhs (including premium of ₹ 500 lakhs) by issue of redeemable Preference capital to redeem the then existing redeemable Preference capital of ₹ 2500 lakhs during August 2013. ₹ 1800 lakhs of Preference capital issued during the year, was redeemed in February 2014, along with applicable premium and yield to maturity, out of the proceeds of rights issue.

LISTING OF SECURITIES IN STOCK EXCHANGES:

The Company's shares are listed in Madras Stock Exchange (MSE) and Bombay Stock Exchange (BSE). In terms of the agreement entered into by MSE with National Stock Exchange (NSE), the equity shares of your Company are allowed to deal on the NSE (capital market segment).

DIVIDEND

Due to losses incurred by the Company, the Directors have not recommended any dividend

for the financial year 2013-14. Consequently, the Company has not transferred any amount to general reserve.

DEPOSITS

The Company has not accepted any deposits during the financial year.

ACCREDITATION/ RECOGNITION

Your Company has been certified as ISO 9001:2008 for quality management system and BS OHSAS 18001:2007 for safety management system, in design and establishment of property development, construction of residential, commercial and industrial projects, supporting services like electrical, mechanical and plumbing works.

DIRECTORS

In accordance with Section 152(6) of the Companies Act 2013 and Articles 92 of the Articles of Association of the Company Mr. M.A.M Arunachalam and Mr. N.V. Ravi, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment.

In accordance with Section 149(4) and other applicable provisions, if any, read with Schedule IV of the Companies Act, 2013, the Company has to appoint 1/3rd of the total Directors as independent Directors, for a maximum period of 5 years and who are not liable to retire by rotation.

Accordingly the Board had appointed Mr. J. Srinivasan, Mr. S.S. Rajsekar, Mr. V. Venkiteswaran and Mr. N.V. Ravi as independent Directors and the same is subject to the approval of the shareholders at the Annual General meeting. A brief resume, expertise and details of other directorship of these Directors are attached along with the notice convening the ensuing Annual General Meeting.

The composition of the Board will be as follows:

Sl. No	Name of the Director	Designation	Category
1.	Mr M M Venkatachalam	Chairman *	Promoter Chairman
2.	Mr M A M Arunachalam	Director	Non Executive Promoter
3.	Mr J Srinivasan	Director	Independent & Non Executive
4.	Mr V Venkiteswaran	Director	Independent & Non Executive
5.	Mr S S Rajsekar	Director	Independent & Non Executive
6.	Mr N V Ravi	Director	Independent & Non Executive

- Resigned as Managing Director with effect from close of business hours of 29th April 2014

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, 2014 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 financial results 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.

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 reappointment.

The Board on the recommendation of the Audit Committee proposes that M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai bearing Firm Registration No. 004207S be re-appointed as the Statutory Auditors of the Company, to hold office from close of 66th Annual General Meeting till the conclusion of the 68th Annual General Meeting of the Company, subject to approval from Shareholders. M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, have forwarded a certificate to the Company, stating that their re-appointment, if made, will be within the limit specified in that behalf in sub-section (2) of Section 141 3(g) of Companies Act, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis report, highlighting the business details, is attached and forms part of this report.

CORPORATE GOVERNANCE REPORT

A report on corporate governance, giving the status of implementation of mandatory and non-mandatory norms, as per clause 49 of the listing agreement and the corporate governance voluntary guidelines, 2009, issued by Ministry of Corporate Affairs, is attached and forms part of the Directors' report.

The certificate regarding compliance of conditions of corporate governance is made part of the annual report.

PARTICULARS OF EMPLOYEES

There were no employees covered under sub-section 2A of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended vide Notification No. GSR 289 (E) dated 31st March 2011.

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

The Company has no activity relating to consumption of energy and technology absorption.

Except for foreign exchange earnings, there are no other particulars required to be furnished under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. There were no earnings or expenditure in foreign currency during year.

GENERAL

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

On behalf of the Board

Place: Chennai
Date: April 29, 2014

M.M. VENKATACHALAM
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY UPDATES

The investment climate in infrastructure sector continued to remain subdued due to the delay in approvals and constraints in execution. Many power projects, iron and steel projects continued to remain stalled during the year, on account of fuel linkages, ban on mining etc. There were efforts from the Government during second half of the year to identify the bottlenecks and speed up clearances & implementation, but this still did not fructify into results till end of the year.

On the realty sector, the unsold inventories of residential apartments, continued to be high. Launches in the luxury premium housing segment continued to be high, however in mid range and affordable housing segment, launches slowed down. Developers were looking to off-load their inventory, to ensure cash flow for project execution. There was however no visible correction in housing prices across cities.

The investment climate in the year 14-15 is expected to begin on a sluggish note and gather speed, on the back of strong central Government, post elections. The Company expects improvement in power generation, cement, auto OEM/ancillary sectors in terms of capacity expansion/balancing requirements and thereby order generation. On the property development front, the Company will be focusing on selling the inventory on hand and timely execution of existing projects and handing over.

REVIEW OF BUSINESS OF COROMANDEL ENGINEERING COMPANY LTD

The Company had participated in tenders worth ₹ 200498 lakhs across industrial, commercial and residential segments, during the year. There was stiff competition due to larger players willing to come down below their earlier threshold limit order level. There was also trend of clients deciding to procure all the major input materials and opting for labour contract to execute as per their specifications. These combined to affect our strike

rate. In terms of the order booking, for contract construction business, orders worth ₹ 8856 lakhs were booked. We booked orders in residential construction and commercial mall space.

Even in case of projects commenced, there were delays in customer clearances/drawings and availability of work front in certain sites. The other constraint faced was in the availability of skilled labour at few sites. Delay in payment from clients on account of their liquidity issues affected our cash flow. We are continuing to work on various efficiency and cost reduction measures and also improve the pace of execution.

On the residential front, the Company is close to completion and handing over of 2 projects in Chennai. Various brand promotion measures were undertaken to improve the sales of apartments in Coimbatore and premium residential project in Chennai. However the stiff competition in the segment affected the volume of sales.

RISK MANAGEMENT

Given below are some of the major risks that impact the Company in the construction business and the broad mitigation measures.

BIDDING RISK

To meet competitive pressure and win orders, quoting is done at lower prices, leading to risk of financial losses when project is executed.

Mitigation Measures

1. Structured process and formats to cover all possible costs before quoting for tenders. Detailed site visit and thorough study of scope of the project being done.
2. Base minimum margins to be maintained while quoting, with prior approval process for extending additional discounts, based on justified business reasons.
3. Expanding scope of pass-through mechanism to handle input cost escalations and statutory duties and taxes while quoting and negotiations.