



# **COROMANDEL ENGINEERING COMPANY LTD.**

ANNUAL REPORT 2016-17

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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 judgment 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 judgment 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	
Mr. M.M. Venkatachalam - Chairman	(DIN: 00152619)
Mr. M.A.M. Arunachalam	(DIN: 00202958)
Mr. N.V. Ravi	(DIN: 00277255)
Mr. P. Nagarajan	(DIN: 00110344)
Ms. G. Jalaja	(DIN: 00149278)
Mr. R. Surendran	(DIN: 00010017)
Bankers	Company Secretary & Compliance Officer
City Union Bank Ltd. DCB Bank Ltd. HDFC Bank Ltd. IDBI Bank Ltd. Indian Bank IndusInd Bank Ltd.  Tata Capital Financial Services Ltd.	Mr. R. Narayanan
	Auditors
	M/s. Sundaram & Srinivasan Chartered Accountants New No. 4, Old No. 23, C.P. Ramaswamy Road, Alwarpet, Chennai-600018.
Registered Office	Registrars and Share Transfer Agents
“Parry House”, 5 <sup>th</sup> Floor No. 43, Moore Street Chennai – 600 001  Tel : 25301700 Email: investorservices@cec.murugappa.com Website : www.coromandelengg.com CIN:L74910TN1947PLC000343	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District Nanakramguda, Hyderabad – 500 032  Tel : 91-40-23420815 to 23420824 Toll Free No.1-800-3454001 Fax : +91-40 23420814 Email : einward.ris@karvy.com Website: www.karvy.com
69 <sup>th</sup> Annual General Meeting	Date: 26 <sup>th</sup> day of July, 2017
	Day : Wednesday Time : 10:00 am Venue : Narada Gana Sabha Trust Mini Hall, No. 314, TTK Road Chennai - 600 018

## TEN YEARS FINANCIAL TRACK RECORD

(₹ in lakhs)

YEAR ENDED 31 <sup>ST</sup> MARCH										
OPERATING RESULTS	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales	6,800.84	10,024.63	8,920.85	11,275.24	17,046.09	21,639.22	19,924.92	23,039.38	12,220.71	3,133.84
Other Income	22.87	37.85	40.00	185.34	78.79	90.30	109.01	89.70	178.55	70.59
Profit/(Loss) before depreciation	570.37	799.55	434.49	523.16	(3,088.12)	(453.31)	(1,020.17)	542.85	504.79	(354.31)
Profit/(Loss) before Tax	527.49	714.22	330.27	405.12	(3,249.32)	(668.37)	(1,243.48)	53.95	68.94	(743.86)
Profit/(Loss) after Tax	412.87	467.01	218.94	288.54	(2,145.22)	(544.05)	(888.17)	112.41	40.37	(726.29)
Dividend – Equity	77.07	115.64	76.84	95.73	-	-	-	-	-	-
SOURCES OF FUNDS										
Paid up Share Capital	164.74	329.48	329.48	329.48	2,829.48	2,829.48	4,023.36	4,023.36	4,023.36	4,023.36
Reserves	766.54	1,250.75	1,392.85	1,585.66	(559.56)	(1,103.61)	313.14	383.88	424.25	(302.04)
Loan Funds	2,997.71	4,005.87	5,533.07	7,264.90	6,770.40	8,505.80	10,028.82	7,074.47	2,502.72	2,921.57
Deferred Tax Liability/ (Asset) Net	12.56	47.28	78.80	114.61	(989.49)	(1,113.81)	(1,469.12)	(1,546.42)	(1,517.85)	(1,535.42)
<b>Total</b>	<b>3,941.55</b>	<b>5,633.38</b>	<b>7,334.20</b>	<b>9,294.65</b>	<b>8,050.83</b>	<b>9,117.86</b>	<b>12,896.20</b>	<b>9,935.29</b>	<b>5,432.48</b>	<b>5,107.47</b>
APPLICATION OF FUNDS										
Fixed Assets	713.49	1,354.24	1,383.68	1,822.54	2,423.15	3,037.54	3,539.01	2,931.43	2,455.65	2,065.53
Investments	1.20	1.25	6.25	5.20	5.20	5.44	5.44	5.20	5.20	5.20
Net Current Assets	3,226.86	4,277.89	5,944.27	7,466.91	5,622.48	6,074.88	9,351.75	6,998.66	2,971.63	3,036.74
<b>Total</b>	<b>3,941.55</b>	<b>5,633.38</b>	<b>7,334.20</b>	<b>9,294.65</b>	<b>8,050.83</b>	<b>9,117.86</b>	<b>12,896.20</b>	<b>9,935.29</b>	<b>5,432.48</b>	<b>5,107.47</b>

## DIRECTORS – A BRIEF PROFILE

**Mr. M.M. Venkatachalam (DIN: 00152619)**

Non-Executive Chairman

Mr. M.M. Venkatachalam is a graduate in Agriculture and has done his Masters in Business Administration from George Washington University, USA. He was appointed as a Director in July 2009 and is presently the Chairman of the Company. He is also on the Board of various Companies including Coromandel International Ltd., Ramco Systems Ltd., Parry Agro Industries Ltd., Ambadi Enterprises Ltd., Parry Murray & Co. Ltd., U.K. etc.

**Mr. M.A.M. Arunachalam (DIN: 00202958)**

Non-Executive Director

Mr. M.A.M. Arunachalam has done his Bachelors in Commerce and Masters in Business Administration from University of Chicago. He is an Industrialist and has an experience of 29 years in the field of varied industrial activities. He has been on the Board of CEC, since September 1995. He is the Managing Director of Parry Enterprises India Ltd. and is also on the Board of Carborundum Universal Ltd.

**Mr. N.V. Ravi (DIN: 00277255)**

Non-Executive Independent Director

Mr. N.V. Ravi is an architect and has his own private practice since 1985. He has done his Masters 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 CEC, since February 2012.

**Mr. P. Nagarajan (DIN: 00110344)**

Non-Executive Independent Director

Mr. P. Nagarajan is a Chartered Accountant with a Bachelors degree in Commerce from Loyola College, Chennai. He also has a degree in Law (BGL) from the Bangalore University.

He has nearly four decades of post qualification work experience in the field of Finance & Accounts having specialized in areas like Treasury, Working Capital Management, Corporate Taxation, Corporate Restructuring, Project Evaluation etc., He worked in organizations such as Fraser & Ross, Chartered Accountants, HMT Ltd. and Coromandel International Ltd. He retired from Coromandel International Ltd. in 2011, having served the Company as the Head of Finance for 14 years. He has also served as member of few committees of FICCI and Fertiliser Association of India.

He has been on the Board of CEC, since July 2014.

**Ms. G. Jalaja (DIN: 00149278)**

Non-Executive Director

Ms. G. Jalaja, a Chartered Accountant with FCS has been associated with Murugappa Group since 1983. She has over 32 years of rich experience in areas of Secretarial, Corporate Finance, Legal and Treasury.

Ms. G. Jalaja joined Murugappa Group in the year 1983 and was the Company Secretary of E.I.D.-Parry (India) Ltd. between 1992 to 2010. She re-joined as Company Secretary of the said Company in the year 2013. In the intervening period, she was CFO of Parrys Sugar Industries Ltd. She has been on the Board of CEC, since March, 2015.

**Mr. R. Surendran (DIN: 00010017)**

Non-Executive Independent Director

Mr. R. Surendran is a Fellow member of the Institute of Chartered Accountants of India, with more than 31 years of experience in Industry and Practice. He also holds Bachelors degree in Science along with Post Graduate Diploma in Financial Management. He has rich industrial experience, having worked with Murugappa Group for nearly 25 years until 2006. His area of strength includes taxation & secretarial matters. He has been on the Board of CEC, since January, 2016.

## BOARD'S REPORT

Your Directors present herewith the 69<sup>th</sup> Annual Report of the Company together with the Audited Financial Statements for the year ended 31<sup>st</sup> March, 2017.

The performance of the Company for the year is summarized below:

### FINANCIAL RESULTS:

(₹ in Lakhs)

Particulars	2016-2017	2015-2016
Gross Income	3204.43	12399.26
Profit/(loss) before Interest and Depreciation	(37.15)	1205.66
Finance charges	317.16	700.87
Gross Profit/(loss)	(354.31)	504.79
Depreciation and Amortisation expenses	389.55	435.85
Net Profit/(loss) before tax	(743.86)	68.94
Provision for tax	(17.57)	28.57
Net Profit/(loss) after tax	(726.29)	40.37
Balance of Profit brought forward	(2653.22)	(2693.59)
Surplus carried to Balance Sheet	(3379.51)	(2653.22)

### OPERATIONS AND PERFORMANCE

For the year under review, Your Company achieved a gross income of ₹ 3204.43 lakhs and incurred a loss before tax of ₹ 743.86 lakhs, as against the gross income of ₹ 12399.26 lakhs and profit before tax of ₹ 68.94 lakhs, for the previous year.

Your Company's operations during the year were impacted by reduced in flow of fresh orders due to the continued slowdown in Greenfield/ Brownfield investment in customer segments where the Company is present. There was stiff competition in market place for the limited orders available and due to very low prices offered by competitors, Your Company was able to secure major order only by the end of the year.

In addition, there was pressure on liquidity front resulting from delayed payments by customers, which in turn affected the pace of execution of the ongoing projects. In few of the projects where work has been completed, the customers delayed the payment due to their funds position and this in turn had affected the cash flow of the Company.

The Company is continuing its efforts for securing fresh orders and improve the collections from the market.

On the Property Development business, Your Company had completed the handing over of all the projects during the previous year and hence there was only marginal income of ₹ 8 Lakhs during the year as against Rs. 6944 Lakhs in 2015-16.

The depreciation for the year was at ₹ 389.55 lakhs as compared to ₹ 435.85 lakhs for the previous year.

Due to lower volumes / revenue, the PBIT for the year was at negative ₹ 426.70 lakhs as compared to ₹ 769.81 lakhs during the previous year. However, consequent to reduced average borrowings, the Company could bring down the finance cost from ₹ 700.87 lakhs in the previous year to ₹ 317.16 lakhs in the current year.

During the year, Your Company utilised the existing Plant and Machinery and hence did not incur any major capital expenditure.

### DIVIDEND

Taking into account overall financial performance of the Company and the accumulated losses, no dividend is considered for the financial year 2016-17.

The Company also has not transferred any amount to general reserve.

During the year, the unclaimed dividend amounting to ₹ 43,804/- pertaining to dividend for the year ended 31<sup>st</sup> March, 2009 was transferred to the Investor Education & Protection Fund. The company has uploaded the details relating to unclaimed dividend on its website for the benefit of its shareholders.

**SHARE CAPITAL**

The paid up Equity share capital of the Company as on 31.03.2017 was ₹ 3323.36 lakhs. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity shares. As on 31<sup>st</sup> March, 2017, Mr. M.M. Venkatachalam, Chairman, was holding 4,51,610 equity shares of ₹ 10/- each and Mr. M.A.M. Arunachalam, Director, was holding 3,61,610 equity shares of ₹ 10/- each of the Company. The other Directors of the Company do not hold any shares in the Company.

The paid up Preference Share capital of the Company as on 31.03.2017 was ₹ 7,00,00,000/-. During the year, with the consent of Cumulative Redeemable Preference Shareholders (CRPS), the term of CRPS was extended by a further period of 3 years and the date of redemption set as 22<sup>nd</sup> August, 2019. The dividend payable on CRPS was revised to 6% p.a. with effect from 22<sup>nd</sup> August, 2016 from the existing 7% p.a. since 13<sup>th</sup> November, 2014.

**DETAILS OF DEPOSITS**

The Company has not accepted any Deposits covered under Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

**PARTICULARS OF LOANS / GUARANTEES GIVEN / INVESTMENTS MADE**

The Company has not extended any loans, guarantees nor made any investments covered under the provisions of Section 186 of the Companies Act, 2013.

**RISK MANAGEMENT**

The Board of Directors have established a review and monitoring process with the management to ensure that the risks pertaining to the business are identified, steps are taken to manage and mitigate the same and periodical updates are discussed. The Board had constituted a Risk Management Committee, details of the same and its terms of reference are set out in the Corporate Governance Report forming part of the Board's Report.

**DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS**

In addition to the Internal Controls on Operations, the Board has laid emphasis on adequate internal financial controls to ensure that the financial affairs of the Company are carried out with due diligence. Apart from Internal Auditors, who review all the financial transactions and operating systems, the Company has also in place adequate Internal

Financial Controls with reference to Financial Statements. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

**DIRECTORS**

At the 68<sup>th</sup> Annual General Meeting held on 22<sup>nd</sup> July, 2016, Mr. R. Surendran (DIN: 00010017) was appointed as an Independent Director with effect from 25<sup>th</sup> January, 2016, for a period of 5 years upto the conclusion of the 73<sup>rd</sup> Annual General Meeting to be held in the calendar year 2021 and he is not liable to retire by rotation. Mr. M.A.M. Arunachalam, (DIN: 00202958), Director, retired by rotation pursuant to Section 152(6) of the Companies Act, 2013 and Article 93 of the Articles of Association and was re-appointed as Director, liable to retire by rotation.

**RE-APPOINTMENT OF RETIRING DIRECTOR**

Based on the recommendation of Nomination & Remuneration Committee and approval of the Board, Ms. G. Jalaja, Director (DIN: 00149278) who retires by rotation pursuant to Section 152(6) of the Companies Act, 2013 and Article 93 of the Articles of Association at the forth coming Annual General Meeting and being eligible, offers herself for re-appointment.

**APPOINTMENT OF KEY MANAGERIAL PERSONNEL**

During the year, Mr. N. Velappan, was re-appointed by the Board as Manager of the Company and a Key Managerial Person from 01<sup>st</sup> May, 2016 to 30<sup>th</sup> April, 2017 under Section 203 of the Companies Act, 2013, which was approved by the members at the 68<sup>th</sup> Annual General Meeting of the Company held on 22<sup>nd</sup> July, 2016. The Board has now extended the tenure of Mr. N. Velappan as Manager for the period of 1 Year from 01<sup>st</sup> May, 2017 to 30<sup>th</sup> April 2018, for which the approval of members is being sought in the ensuing Annual General Meeting.

Consequent to the resignation of Mr. K. Ramakrishnan as Chief Financial Officer, the Board had appointed Mr. R. Narayanan as the Chief Financial Officer of the Company with effect from 24<sup>th</sup> October, 2016. He holds charge of this position, in addition to his position as Company Secretary and Compliance Officer of the Company.

**EVALUATION OF BOARD'S PERFORMANCE**

As per the provisions of Section 134(3)(p) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, the directors



individually as well as evaluation of the working of its Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and Stakeholders Relationship Committee. The manner in which the evaluation has been carried out is explained in the Corporate Governance Report.

### **FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS**

On their appointment, Independent Directors are familiarized about the Company's business and operations. Interactions with senior executives are facilitated to gather insight specific to the Company's operations. Detailed presentations are made available to apprise about Company's history, current business plan and strategies. As part of the familiarization programme, a handbook is provided to all Directors, including Independent Directors, at the time of their appointment. The handbook provides a snapshot to the Directors of their duties and responsibilities, rights, process of appointment and evaluation, compensation, Board and Committee procedures and expectation of various stakeholders.

The details of familiarization programmes as above are also disclosed on the website of the Company at the link: [http://www.coromandelengg.com/Inv\\_policies.html](http://www.coromandelengg.com/Inv_policies.html).

### **DECLARATION BY INDEPENDENT DIRECTORS**

The Company has received necessary declaration from each Independent Director of the Company under Section 149(7) of the Companies Act, 2013 (Act) stating that the Independent Directors of the Company met with the criteria of Independence laid down in Section 149(6) of the Act and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **REMUNERATION POLICY**

Pursuant to Section 178(3) of the Companies Act, 2013, the Board on the recommendations of the Nomination and Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and other employees and their remuneration. The details of the Remuneration Policy are stated in the Corporate Governance Report.

### **NUMBER OF MEETINGS OF THE BOARD**

During the financial year ended 31<sup>st</sup> March 2017, the Board had met five (5) times, on 25<sup>th</sup> April, 2016, 22<sup>nd</sup> July, 2016, 24<sup>th</sup> October, 2016, 27<sup>th</sup> January, 2017 and 21<sup>st</sup> March, 2017. The Audit Committee had also met on the same dates except on

21<sup>st</sup> March, 2017. The details of the said meetings are given in the Corporate Governance Report. The intervening gap between the meetings was within the period as prescribed under the Companies Act, 2013.

### **DIRECTOR'S RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors' make the following Statements in terms of Section 134(3)(c) of the Companies Act, 2013:

(a) that in the preparation of the annual financial statements for the year ended 31<sup>st</sup> March, 2017, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;

(b) that the Directors had selected such accounting policies as mentioned in Note No. 25 of the Financial Statements 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 as at 31<sup>st</sup> March, 2017 and of the loss of the company for the year ended on that date;

(c) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) that the annual accounts for the year ended 31<sup>st</sup> March, 2017 have been prepared on a 'going concern' basis;

(e) that the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

(f) that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **RELATED PARTY TRANSACTIONS**

All transactions with Related Parties entered during the financial year were in the ordinary course of business and on an arm's length basis. There were no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. None of the Directors have any pecuniary relationship or transactions vis-à-vis the Company other than



sitting fees and reimbursement of expenses incurred, if any, for attending the Board meeting.

The Related Party Transactions are placed before the Audit Committee for review and approval as per the terms of the Policy for dealing with Related Parties. Prior omnibus approval of the Audit Committee is obtained on a quarterly basis for transactions which are foreseen and of repetitive nature. The statement containing the nature and value of the transactions entered into during the quarter is presented at every subsequent Audit Committee meeting by the CFO for the review and approval by the Committee.

Further, transactions proposed in subsequent quarter are also presented. Besides, the Related Party Transactions are also reviewed by the Board on an annual basis. The details of the Related Party Transactions are provided in the accompanying financial statements. There are no contracts or arrangements entered into with Related Parties during the year ended 31<sup>st</sup> March, 2017 to be reported under section 188(1) of the Companies Act, 2013. The policy on dealing with Related Parties as approved by the Board is uploaded and is available on the Company's website at the following link: [http://www.coromandelengg.com/Inv\\_policies.html](http://www.coromandelengg.com/Inv_policies.html)

#### **EXPLANATION AND COMMENTS**

The reports of statutory auditors and that of the secretarial auditors are self explanatory and have no adverse comments.

#### **MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION BETWEEN THE END OF THE FINANCIAL YEAR AND THE DATE OF THE REPORT**

There are no material changes or commitments after the closure of the financial year.

#### **COMPOSITION OF AUDIT COMMITTEE**

Audit Committee constituted by the Board pursuant to Section 177 of the Companies Act, 2013, consists of the following members:

1. Mr. P. Nagarajan - Chairman
2. Mr. M.A.M. Arunachalam - Member
3. Mr. N.V. Ravi - Member
4. Mr. R. Surendran - Member

The Board has accepted the recommendations of the Audit Committee and there were no incidences of deviation from such recommendations during the financial year under review.

#### **VIGIL MECHANISM**

The Company has devised a vigil mechanism in pursuance of the provisions of Section 177(10) of the Companies Act, 2013 for Directors and employees to report genuine concerns or grievances to the Audit Committee in this regard and details whereof are available on the Company's website.

#### **NOMINATION AND REMUNERATION COMMITTEE**

Pursuant to Section 178 of the Companies Act, 2013, the Board has constituted a Nomination and Remuneration Committee consisting of the following members:

1. Mr. N.V. Ravi-Chairman
2. Mr. M.M. Venkatachalam-Member
3. Mr. P. Nagarajan-Member

The said committee has been empowered and authorized to exercise powers as entrusted under the provisions of Section 178 of the Companies Act, 2013. The Company had laid out and following the policy on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub section 3 of Section 178 of the Companies Act, 2013.

Policy on Criteria for Board Nomination and Remuneration policy is available in the website of the Company [http://www.coromandelengg.com/Inv\\_policies.html](http://www.coromandelengg.com/Inv_policies.html).

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY**

The Company through its Corporate Social Responsibility Committee had formulated a CSR policy as required under Section 135 of the Companies Act, 2013.

The following is the composition of the Corporate Social Responsibility Committee.

- a) Mr. R. Surendran - Chairman
- b) Mr. M.A.M. Arunachalam - Member
- c) Ms G. Jalaja - Member

#### **SCOPE OF CSR POLICY**

This policy will apply to all projects/ programmes undertaken as part of the Company's Corporate Social Responsibility and will be developed, reviewed and updated periodically with reference to relevant changes in corporate governance, Statutory requirements and sustainable and innovative practices. The policy will maintain compliance and alignment with the activities listed in Schedule VII and Section 135 of the Companies Act, 2013 and the rules framed thereunder.

**CSR POLICY IMPLEMENTATION**

The Company shall undertake CSR project/ programmes identified by the CSR Committee and approved by the Board of Directors in line with the CSR Policy.

The CSR Policy of the Company is uploaded in the website of the Company, [http://www.coromandelengg.com/Inv\\_policies.html](http://www.coromandelengg.com/Inv_policies.html).

**REASON FOR NOT SPENDING ON CSR ACTIVITIES**

Since the average of net profit earned by the Company in the preceding three financial years is negative, the Company was not required to spend on the CSR activities during the financial year 2016-17 .

**SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

The company has not received any significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

**AUDITORS****STATUTORY AUDITORS**

The appointment of M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai bearing Firm Registration No. 004207S as Statutory Auditors of the Company to hold office from the conclusion of 68<sup>th</sup> Annual General Meeting until the conclusion of 69<sup>th</sup> Annual General Meeting, was ratified by the members at 68<sup>th</sup> Annual General Meeting of the Company. Due to the requirement of mandatory rotation of Auditors under Companies Act, 2013, M/s Sundaram and Srinivasan, will vacate their office at the conclusion of 69<sup>th</sup> Annual General Meeting of the Company. The Board of Directors, based on the recommendation of Audit Committee, proposes the appointment of M/s. CNGSN & Associates, LLP, holding Firm Registration No. 004915S, as Statutory Auditors of the Company, to hold office, from the conclusion of 69<sup>th</sup> Annual General Meeting until the conclusion of 74<sup>th</sup> Annual General Meeting, subject to approval of the appointment by the members at the 69<sup>th</sup> Annual General Meeting and ratification of the appointment by the members at every annual general meeting thereafter. M/s CNGSN & Associates, LLP have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed there under for their appointment as Auditors of the Company. As required under Regulation 33 (1)(d) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

**COST AUDITORS**

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, Mr. N.V. Thanigaimani, Cost Accountant (Membership No.15557) was appointed as Cost Auditor of the Company for the financial year 2016-17. The remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification. Accordingly, a resolution seeking ratification for the remuneration payable to Mr. N.V. Thanigaimani is included at Item No 4 of the Notice convening the Annual General Meeting.

**INTERNAL AUDITORS**

The Company has appointed M/s RGN Price & Co., Chartered Accountants, Chennai, as internal Auditors of the Company for the financial year 2017-18.

**SECRETARIAL AUDIT**

Pursuant to Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Mr. R. Sridharan of Messrs. R Sridharan and Associates, Company Secretaries, Chennai to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed herewith. During the year under review, there has been no qualification, reservation or adverse remark or disclaimer in their report.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

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

**CORPORATE GOVERNANCE REPORT**

All material information was circulated to the directors before their meeting or placed at their meeting, including minimum information required to be made available to the Board as prescribed under Part A of Schedule II of Sub- Regulation 7 of Regulation 17 of the Listing Regulations.

In terms of Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a report on Corporate Governance along with a Certificate from a Practicing Company Secretary confirming the compliance with the conditions of Corporate Governance as stipulated under Part E of Schedule V of Sub-Regulation 34(3) of the Listing Regulations is attached to this report.