

Sical



50th Annual Report 2004-05



SOUTH INDIA CORPORATION (AGENCIES) LIMITED

Registered Office: "Adyar House", Chennai - 600 085

Principal Office : "South India House", 73, Armenian Street, Chennai - 600 001

NOTICE

To

All Shareholders

NOTICE is hereby given that the **Fiftieth** Annual General Meeting of the shareholders of SOUTH INDIA CORPORATION (AGENCIES) LIMITED will be held on Wednesday, the 28th September, 2005 at 3.00 p.m., at "Rajah Annamalai Hall", Esplanade, Chennai - 600 108, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To elect Directors :
 - a. To appoint a Director in the place of **Shri.S.Chandra Das**, who retires by rotation and being eligible, offers himself for re-election.
 - b. To appoint a Director in the place of **Shri.Dhananjay N Mungale**, who retires by rotation and being eligible, offers himself for re-election.
 - c. To appoint a Director in the place of **Shri.S.Vasudevan**, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint Auditors and fix their remuneration. **M/s. C N G S N & Associates**, Chartered Accountants, Chennai, the retiring auditors are eligible for re-appointment.

SPECIAL BUSINESS

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

RESOLVED THAT pursuant to the Articles of Association of the Company and Sec.309 (4) and other applicable provisions, if any, of the Companies Act, 1956 or any amendments to be carried out in the Companies Act, and subject to approval of the Central Government of India, and such other statutory authorities, if any, the commission at a rate not exceeding 1% (one percent) on the net profits of the Company be paid to **Shri.Ashwin C Muthiah**, Deputy Chairman, who is not in the wholetime employment of the Company, for each of the five financial years commencing from 1.4.2005 to 31.3.2010 or as long as he holds office as Director and or Deputy Chairman of the Company whichever is earlier and such profits are to be calculated in the manner prescribed under Sec.198 and other applicable provisions, if any, of the Companies Act, 1956 or any amendments to be carried out in the Companies Act.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to compute the aforesaid commission for each and every financial year and disburse the same to **Shri Ashwin C Muthiah**, Deputy Chairman of the Company and the Board of Directors further be and are hereby authorised to take all steps, deeds, matters and things as may be considered necessary to give effect to this resolution.

By Order of the Board

S. SIVARAMAN

General Manager (Legal) &
Company Secretary

Dated : 28th June, 2005

Registered Office:

"Adyar House"

Chennai - 600 085.

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHALL BE DEPOSITED AT THE PRINCIPAL OFFICE OF THE COMPANY NOT LATER THAN FORTY EIGHT HOURS BEFORE THE TIME FIXED FOR HOLDING THE MEETING; IN DEFAULT, THE INSTRUMENT OF PROXY SHALL NOT BE TREATED AS VALID.**
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No.4 of the notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 16th September, 2005 to Wednesday, the 28th September, 2005 (both days inclusive).
4. The Members/Proxies should bring the attendance slip along with the Annual Report duly filled-in and signed and they are requested to hand over the same at the entrance of the hall for attending the meeting.
5. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
6. Pursuant to the provisions of Section 205A of the Companies Act, 1956, any dividend amounts which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Hence the shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1998 or any subsequent financial years are requested to make their claim to the Principal Office of the Company at "South India House" 73, Armenian Street, Chennai - 600 001. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as stated above, no claim shall lie in respect thereof.
7. Members are hereby informed that the Company, as per the SEBI's guidelines, w.e.f. 1.4.2003, has appointed **M/s. Cameo Corporate Services Limited**, Unit : South India Corporation (Agencies) Ltd.

"Subramanian Building", V Floor, No.1, Club House Road, Chennai - 600 002. Telephone: 044-28460390 (5 lines); Telefax : 044-28460129 ; e-mail:cameosys@satyam.net.in as its Share Registry both for electronic and physical transactions of the shares. The shareholders are therefore requested to take note of the same and send all documents, correspondences, queries on any matter including their change of address to the **Company's Share Registry**.

8. Shareholders are requested to notify immediately any change in their address to the Company/ Share Transfer Agents/ Depository participants.
9. The Company's equity shares are listed at Mumbai (BSE) and National (NSE) Stock Exchanges and the listing fees for the year 2005-2006 have been paid in time.
10. Information required to be given under the Listing Agreement about the particulars of Directors to be re-appointed at the Annual General Meeting and their Directorship/Chairmanship/ Committee Membership in other Companies.
 - (a) Shri.S.Chandra Das, B.A. Hons in Economics is aged about 63 years and has varied experience in educational, commercial and business lines for more than 33 years. He is a resident of Singapore. He was a Director on the Board of the erstwhile MAC Agro Industries Limited which got amalgamated with the Company.

Directorship held in

SICAL CWT Distriparks Limited
National Trust Housing Finance Limited
SDB-CISCO (India) Limited
PSA SICAL Terminals Limited

- (b) Shri.Dhananjay N Mungale, B.Com., A.C.A., L.L.B., aged about 52 years is having wide experience in International Finance, Capital Markets and Merchant Banking. He worked in various senior positions in Bank of America, London, Bank of America, India, Colour Chem Limited, DSP Financial Consultants. He was a Director on the Board of the erstwhile MAC Agro Industries Limited which got amalgamated with the Company.

Directorship held in

Inestor Advisories Private Limited
Mentor Technologies Private Limited
Zest Pharmaceuticals Private Limited
Mahindra & Mahindra Financial Services Limited
Chowgule Steamships Limited
Indoco Remedies Limited
Camlin Limited
Caprihans India Limited (IDBI Nominee)
Indo Count Industries Limited (IDBI Nominee)
Tamilnadu Petroproducts Limited
LIC Housing Finance Limited
I2IT Private Limited

Audit Committee Chairmanship held in

Camlin Limited
Indoco Remedies Limited

Audit Committee Membership held in

Mahindra & Mahindra Financial Services Limited
Chowgule Steamships Limited
LIC Housing Finance Limited
Indo Count Industries Limited (IDBI Nominee)

- (c) Shri. S.Vasudevan, aged about 50 years is a graduate in Commerce from Loyola College. He is a Chartered Accountant by profession. He has wide experience in finance, capital markets, merchant banking and foreign exchange. He held several senior positions in SPIC Group of Companies, and was President in MAC Property Development Limited. He was appointed as Managing Director in 2003 and has vast experience in corporate and overall business management.

Directorship held in

SDB CISCO (India) Limited (Alternate Director to Shri S Chandra Das)
SICAL CWT Distriparks Limited
Mitsuba Sical India Limited (Alternate Director to Shri Ashwin C Muthiah)
Wilson Overseas Trading Private Limited
Sical Logistics Limited

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

The following Explanatory statement sets out the material facts referring to:

Item No 4:

The shareholders are aware, the involvement and contribution of Shri.Ashwin C Muthiah in the Company as Deputy Chairman is commendable and is being paid a commission @ 1% of the net profits of the Company every year from 2000-2001 to 2004-2005.

Considering the growth of the Company in terms of turnover and profits in the past and also the valuable contribution of Shri.Ashwin C Muthiah, the Board of Directors at their meeting held on 28.6.2005 has recommended that he may be paid commission @1% of the net profits of the Company calculated on the profits of the Company for each of the five financial year commencing from 1.4.2005 to 31.3.2010. It is also reported that Shri.Ashwin C Muthiah, NRI will be paid commission on the above terms subject to necessary approvals to be obtained from Government of India.

The Board of Directors recommend the resolution as set out in the notice for shareholders approval.

Memorandum of Interest

None of the Directors except Shri. Ashwin C Muthiah, Dr. A C Muthiah and Shri. Jawahar Vadivelu is deemed to be interested in the resolution.

By Order of the Board

S. SIVARAMAN

General Manager (Legal) &
Company Secretary

Dated : 28th June, 2005

Registered Office:

"Adyar House"

Chennai - 600 085.

Sical**SOUTH INDIA CORPORATION (AGENCIES) LIMITED**

Registered Office : "ADYAR HOUSE", CHENNAI - 600 085.

Principal Office : "SOUTH INDIA HOUSE", No.73, ARMENIAN STREET, CHENNAI - 600 001.

ATTENDANCE SLIP

NAME & ADDRESS OF THE SHAREHOLDER :	FOLIO NO. / DP ID / CLIENT ID

I hereby record my presence at the 50th Annual General Meeting of the Company, at Rajah Annamalai Hall, Esplanade, Chennai - 600 108, on Wednesday, the 28th September 2005, at 3-00 p.m.

Name of the Shareholder / Proxy*	Signature of the Shareholder / Proxy*

*Strike out whichever is not applicable.

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Registered Office : "ADYAR HOUSE", CHENNAI - 600 085.

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PROXY FORM

I / We in the District of being a Member / Members of the above mentioned Company hereby appoint of in the District of or failing him of in the District of as my / our Proxy to vote for me / us on My / our behalf at the 50th Annual General Meeting of the Company on Wednesday, the 28th September 2005, at 3-00 p.m. at Rajah Annamalai Hall, Esplanade, Chennai - 600 108, and at any adjournment thereof.

Signed on this day of 2005

FOLIO NO. / DP ID / CLIENT ID

Affix 30 Paise Revenue Stamp

Note : The Proxy must be deposited at the Registered Office / Principal Office of the Company not less than 48 hours before the time for holding the aforesaid Meeting. The Proxy need not be a member of the Company.

**BOARD OF DIRECTORS**

Dr A C MUTHIAH	Chairman
ASHWIN C MUTHIAH	Deputy Chairman
S CHANDRA DAS	Director
R MUTHU	Director
DHANANJAY N MUNGALE	Director
JAWAHAR VADIVELU	Director
B RAVINDRANATH	Nominee Director of IDBI
V R MEHTA	Nominee Director of UTI
M GURUVAYURAPPAN	Nominee Director of ICICI Bank Ltd
S VASUDEVAN	Managing Director
R RAMAKUMAR	Director & Chief Operating Officer - Logistics
S SIVARAMAN	General Manager (Legal) & Company Secretary

AUDITORS**CNGSN & Associates**

Chartered Accountants

20, Raja Street

T.Nagar, Chennai - 600 017

REGISTERED OFFICE

"Adyar House", Chennai - 600 085

PRINCIPAL OFFICE

"South India House"

No. 73, Armenian Street, Chennai - 600 001

Telephone : 044-25229341 (16 Lines)

Fax : 044-25224202

Email : sec1@sical.com

Website : www.sical.com

BANKERS

ALLAHABAD BANK

BANK OF INDIA

CANARA BANK

CENTURION BANK LTD

HDFC BANK LTD

ICICI BANK LTD

INDIAN BANK

STATE BANK OF INDIA

STATE BANK OF MAURITIUS LTD

THE FEDERAL BANK LTD

UTI BANK LTD

EQUITY SHARES LISTED WITH

The Stock Exchange, Mumbai

Phiroze Jeejeebhoy Towers

Dalal Street, Mumbai - 400 001

The National Stock Exchange of India Ltd

Exchange Plaza, Bandra Kurla Complex

Bandra (East), Mumbai - 400 051

REGISTRAR AND SHARE TRANSFER AGENTS

Cameo Corporate Services Ltd

"Subramanian Building", V Floor

No. 1, Club House Road, Chennai - 600 002

Telephone : 044-28460390 (5 lines)

Telefax : 044-28460129

E-mail : cameosys@satyam.net.in

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OPERATING RESULTS AT A GLANCE

(Rs. in Lakhs)

	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Sales & Other Income	122150.65	109060.73	112354.47	124678.18	219181.40
Profit Before Depreciation, Interest & Tax	9387.43	8571.30	8656.47	8814.15	11603.91
Interest	4356.87	6359.69	6909.90	7011.59	6920.38
Profit before Depreciation and Tax	5030.56	2211.61	1746.57	1802.56	4683.53
Depreciation	1281.14	1620.45	1466.28	1229.31	1380.11
Provision for Taxation	349.80	(374.89)	(75.53)	364.45	1151.70
Profit after Tax & Prior Period Adjustments	3113.41	937.41	298.90	208.80	2151.72
Transfer to:					
Capital Redemption Reserve	-	145.00	--	--	200.00
Contingency Reserve	-	--	--	--	--
Debenture Redemption Reserve	-	--	--	--	680.00
General Reserve	-	--	--	--	200.00
Networth	20777.50	17683.16	16910.10	16842.43	19315.55

DIRECTORS REPORT

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS OF THE COMPANY ON THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2005.

The board of directors present their fiftieth annual report together with the audited accounts for the year ended 31 March 2005.

FINANCIAL RESULTS

The financial results for the year ended 31 March, 2005 are summarised below :

	(Rs. in crores)	
	Year ended 31 March, 2005	Year ended 31 March, 2004
Sales & Other Income	1221.51	1090.61
Profit before interest, depreciation and tax	93.87	85.71
Interest	43.57	63.59
Cash Profit	50.30	22.12
Depreciation	12.81	16.20
Profit before tax	37.49	5.92
Provision for tax	3.36	(4.27)
Tax relating to prior years	0.14	0.52
Prior period adjustments	2.86	0.29
Net Profit	31.13	9.38
Earnings per share (EPS) in Rs.	10.15	2.45
Book value per share	71.68	60.49

DIVIDEND

The company performed well in 2004-05; however, the Board of Directors could not recommend dividend on preference and equity shares because of a case pending before the Debt Recovery Tribunal, Mumbai on an application by the Unit Trust of India.

PERFORMANCE

SICAL's 2004-05 sales increased to Rs. 1,221.51 crore from Rs. 1,090.61 crore while profit before interest and depreciation was Rs. 93.87 crore against Rs. 85.71 crore in the previous year. Profit after tax, at Rs. 31.13 crore, was SICAL's highest ever, a fitting tribute to the company's golden jubilee, which was celebrated on 6 May 2005.

LOGISTICS GROUP

SICAL's range of logistics and supply chain management solutions link the areas of port handling, trucking, warehousing, customs house agency, shipping agency, and container logistics. Our custom-built solutions improve the productivity and efficiency of our customers' value chains.

During the year, we have added new business lines in our port handling and trucking divisions. Revenue from sales and services for 2004-05 for the logistics group was up by 17% at Rs. 884.44 crore from Rs 753.57 crore in the previous year.

Port Handling

Handling of coal and coke continued to be a major contributor to volumes. Handling of iron ore and iron ore pellets has increased significantly and has

resulted in an overall increase in volume of cargo handled through the ports. At Ennore Port, under the BOT contract of TNEB for handling of coal, SICAL handled a volume of 7.78 million MT of coal in 2004-05.

Trucking and warehousing

Despite severe competition from the unorganized sector, SICAL's Trucking and Warehousing Division sustained its business and grew in new areas. The division won a prestigious contract for movement of petroleum products for Shell India. This contract is being performed successfully and conforms to Shell's strict international standards of Safety, Health and Environment. In the years to come, we expect the volume of business in this contract to rise significantly. The businesses of moving iron ore, iron ore pellets and steel products would sustain the long term growth planned for this division.

Ship Agency

The performance of this division has been steady over the years. Business visits by the senior management team to Europe renewed our long-standing relationships with European owners, especially the Greek owners. The visit resulted in generation of new business for SICAL's Ship Agency Division. The fact that we have branches at all of India's major ports and significant minor ports is a differentiator that finds strong favour with internationally reputed chartering and ship owning houses.

Clearing and Forwarding

This division undertakes the clearance of goods through customs for imports and exports. We added a few new clients, mainly from the IT industry, during the year.

Container Logistics

Our strategic contract with CWC to operate and manage CWC's container freight stations at Tuticorin and Vishakapatnam, and CWC's inland container depot (ICD) at Surajpur (Noida), saw its first full year of operations in 2004-05. By the end of the year, we achieved a peak of 800 TEUs a month giving us the second position among all of Tuticorin's freight stations. While our peers have been around in Tuticorin for decades, we could overtake most of them to reach the second position within 18 months of beginning of operations.

At Vishakapatnam, despite severe competition, we continue to maintain top position in handling volumes. At Surajpur, the movement of containers by road was given a big thrust. It grew from a mere 50 units in April 2004 to 400 units per month by the end of the year. With steady improvement in volumes, CWC contract at Surajpur is expected to break even during 2005-06.

ONGC contract

The ONGC contract continues to be a significant contributor to SICAL's gross income and profitability. Our team of experienced and dedicated operating and technical personnel have ensured minimal down time for ONGC's OSVs. Stay-at-shore has been reduced significantly resulting in more operating hours for the client. We effectively deployed our own OSV, *Sagar Sevak*, to maximize the division's earnings.

BUILDING MATERIALS DIVISION

Turnover of the Building Materials Division was Rs. 153.93 crore against Rs. 144.25 crore a year ago; net profit was Rs. 3.69 crore, 10% more than in 2003-04. Sale of 11685 MT of Tata Tubes in the year was an achievement.

MANUFACTURING GROUP

Refractories

Due to an upsurge in steel and its allied sectors, turnover of this division was Rs. 24.27 crore against Rs. 17.87 crore in the previous year; operating profit was Rs. 1.53 crore against Rs. 0.25 crore.

Auto Components

This division has carved a niche for itself in auto electricals within the broad industry segment of auto components. Certified QS 9000 and ISO 14001, this division continues to maintain zero parts per million defects with Ford, Fiat, Maruti Udyog and Tata Motors. The operating cost of this division is constantly reviewed and reduced by the use of value engineering, re-engineering through *Kaizen* process and inventory control measures. Turnover of this Division was Rs. 27.56 crore against Rs. 22.21 crore; operating profit was Rs. 2.89 crore against Rs. 1.85 crore a year ago.

Flexible Shaft and Drums

This division posted sales of Rs. 23.96 crore and net profit of Rs. 1.12 crore.

Oil Palm

This division recorded an all-time high by expanding oil palm plantation to 815.25 hectares. In 2004-05, this division posted sales of Rs. 15.80 crore and Rs. 5.29 crore of operating profit. To speed operations at the mill and to reduce workforce costs, we installed a tippler system and a cage transfer system with fruit bunch elevator.

Cytozyme

This division introduced a new product, *WANIS*, an organic fungicide. The division posted sales of Rs. 4.18 crore and net profit of Rs. 2.05 crore against Rs. 3.87 crore and Rs. 2.07 crore, respectively, in 2003-04.

Speciality Chemicals

This division added two new products - *Generox*, a chlorine di-oxide and *Khlorox*, a chemical required for generating units during 2004-05. This division has ISO:9001:2000 UKAS accreditation from BSI Management Systems. In 2004-05, turnover and operating profit were Rs 2.87 crore and Rs.1.11 crore against Rs. 2.13 crore and Rs. 1.31 crore, respectively, in 2003-04.

Plantation

The Sakleshpur estates located in Karnataka produced 141 MT of *Robusta* coffee and 45 MT of *Arabica* coffee during the year. We increased our cultivable area to 853 acres in 2004-05 from 824 acres in the previous year. The recent rise in international coffee prices brightens our prospects for 2005-06.

SERVICES

Vehicles Sales and Spares

In 2004-05, this division sold 866 Tata trucks against 972 trucks in the previous year. Sales of *Lancer* cars dropped to a mere 68 cars owing to the non-introduction of new variants from the Lancer stable. Our exit from the *Opel* dealership helped us keep losses in check during 2004-05. The workshop facilities at Luz and Ambattur were closed because they were not remunerative. The division's net loss was Rs. 72.13 lakh in 2004-05 on sales of Rs. 77.74 crore against a net loss of Rs.1.23 crore in 2003-04 on Rs.74.12 crore sales. Various measures, such as improving workshop service levels and control over expenses, are expected to improve the division's financial performance in 2005-06.

Goodwill Travels

Pressure from mushrooming travel agencies and across-the-board cuts in commission on bookings of air tickets resulted in this division's net profit of Rs. 25.67 lakh on gross income of Rs. 2.01 crore in 2004-05 as compared to Rs. 34.44 lakh net profit on gross income of Rs. 2.92 crore in 2003-04. We are making efforts to add new commercial accounts to offset the decrease in ticketing and sales.

OTHER INTERESTS

PSA-SICAL TERMINALS LIMITED

Container terminal services at Tuticorin in joint venture collaboration with PSA Corporation, Singapore and SICAL.

In FY 2004, this JV handled 481 ships and 294,298 TEUs against 499 ships and 234,929 TEUs, respectively, in the previous year. Sales in 2004 were Rs. 63.07 crore and profit before tax was Rs. 22.34 crore. The company paid 70% dividend for the year ended 31 December 2004.

MITSUBA SICAL INDIA LIMITED

Manufacture of auto components-wiper motors, wiper assembly, starter motors and fan assembly

Sales were Rs. 59.85 crore and net profit was Rs. 2.93 crore for the year 31 December 2004, being the company's second year of operations.

SICAL-CWT DISTRI PARKS LIMITED

Joint venture collaboration with CWT Distribution Limited, Singapore, for container freight stations at Chennai.

SICAL-CWT, in which SICAL holds 39% equity share capital, handled 33,352 TEUs, an increase of 17% over the previous year. Sales rose by 48% to Rs. 10.60 crore while PBT rose by 1039% to Rs. 91 lakh in 2004-05. With long term tie-ups with leading shipping liners, the investment made in this company is expected to start yielding returns from 2005-06.

DIRECTORS

Directors S Chandra Das, Dhananjay N Mungale, and S Vasudevan retire by rotation at this annual general meeting and, being eligible, offer themselves for re-election.

AUDITORS

SICAL's auditors, M/s CNGSN & Associates, Chartered Accountants, retire at the conclusion of this Annual General Meeting and offer themselves for re-appointment.

FIXED DEPOSITS

The provisions of section 58-A of the Companies Act, 1956, with regard to the acceptance/renewal of fixed deposits have duly been complied with. The number of fixed deposits matured and unclaimed as on 31 March 2005 amounted to Rs 56.30 lakh in 258 accounts of which 67 accounts amounting to Rs 2.09 lakh have since been renewed/refunded during the current year.

DEMATERIALISATION OF EQUITY SHARES

22,691,446 equity shares representing 82.41% of SICAL's paid up share capital stood dematerialised as of 31 March 2005. Shareholders still holding shares in physical form are advised to dematerialise their shares, irrespective of their holdings to avoid the risks associated with holding share certificates in physical form.

CORPORATE GOVERNANCE

A report on corporate governance by the board of directors and a certificate from the auditors is set out in the annexure to the directors report.

A management discussion and analysis report also forms part of this report.

STATUTORY INFORMATION

- 1) Under section 217(2AA) of the Companies Act, 1956, the board of directors report that :
 - (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
 - (b) they have selected such accounting policies, applied them consistently, and made reasonable and prudent judgements and estimates that give a true and fair view of the company's state of affairs at the end of the financial year, and of the company's profit and loss account for that period;
 - (c) they have taken proper and sufficient care 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 preventing and detecting fraud and other irregularities;
 - (d) they have prepared the annual accounts on a going concern basis.
2. The particulars required under Section 217(1)(e) of the Companies Act, 1956, read with the rules framed thereunder are given in Annexure I, which forms part of this report.
3. The particulars required under Section 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, are not applicable because no employee is in receipt of the ceilings prescribed under that provision.

Regarding auditors' qualifications, the directors state that:

- investment in certain equity shares are strategic, long term investments and the intrinsic value of these shares is significantly higher than its market value. The board is of the view that provision for any shortfall in market prices of long term investments may not necessarily be a true reflection of the company's networth. The board does not consider it necessary to provide for the Rs. 6.73 crore shortfall between the share's book value and market value.
- The special task force committee constituted to address certain old debts and advances aggregating Rs. 37.92 crore on

31 March 2004 has taken effective steps and recovered Rs 6.50 crore during 2004-05. The remaining debts aggregating Rs 5.05 crore have been written off in the books; the balance of advances covered under court cases and arbitration stand reduced to Rs 26.37 crore on 31 March 2005.

- The management is of the opinion that in view of restructuring of its subsidiary company to deal in estates and properties, various amounts due from the subsidiary company will be either refunded by the subsidiary or restructured by way of (a) transfer of its investments to the holding company and/or (b) sale of other assets. These are expected to generate sufficient funds to help reduce, in future years, the substantial portion of loan from the original Rs 76.36 crore.

SUBSIDIARY COMPANIES**SOUTH INDIA HOUSE INVESTMENTS LIMITED**

South India House Investments Limited, a wholly owned subsidiary of your company has posted a profit of Rs1.45 crore during 2004-05 (unaudited).

The accounts for 15 months period ended 30 June 2004 is attached pursuant to section 212 of the Companies Act; this company has earned a profit of Rs 1.86 crore (audited) during 2003-04.

As reported in 2003-04, the company has delisted its non-banking financial company (NBFC) status under RBI guidelines; the company's accounting year has been changed—it now runs from July to June.

SICAL LOGISTICS LIMITED

After the special resolution passed by the shareholders at the AGM held on 27 September 2004, your company has made investments of Rs 5 lakh in Sical Logistics Limited, which has become a wholly owned subsidiary of your company. The accounts for the period ended 31 March 2005 is attached.

RELATION WITH EMPLOYEES

Your directors wish to place on record their appreciation to the employees, at all levels of SICAL, for their dedication and hard work.

ACKNOWLEDGEMENT

Your directors wish to thank the company's bankers, financial institutions, port and customs authorities, foreign collaborators, suppliers, and customers for their unstinted support to SICAL.

Place : Chennai
Date : 28th June, 2005

For and on behalf of the Board
Dr. A. C. MUTHIAH
Chairman