

**58th Annual Report
31st March, 2003**



**TECIL CHEMICALS AND
HYDRO POWER LIMITED**

BOARD OF DIRECTORS

SHRI SHRINIWAS B. SOMANI

CHAIRMAN & MANAGING DIRECTOR

SHRI G. JOY

DIRECTOR (OPERATION)

SHRI G. R. BANG

BANKERS

CANARA BANK, KOTTAYAM

STATUTORY AUDITORS

K. VENKATACHALAM AIYER & CO.

KOTTAYAM

REGISTERED OFFICE & WORKS :

P. O. CHINGAVANAM - 686 531.

DIST. KOTTAYAM (KERALA)

ADMINISTRATIVE OFFICE :

EMIPRE HOUSE, (3RD FLOOR),

214, DR. D. N. ROAD, FORT,

MUMBAI - 400 001.

TECIL CHEMICALS AND HYDRO POWER LIMITED 58TH ANNUAL REPORT 2002-2003**NOTICE**

Notice is hereby given that the 58th Annual General Meeting of the Company will be held on Wednesday 31st December, 2003 at 4.00 p.m. at its registered office at Tecil Premises P.O. Chingavanam – 686 531, Dist. Kottayam, Kerala to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors Report, Auditors Report and the Audited Profit & Loss Account of the Company for the year ended 31st March 2003 and Balance Sheet as at that date.
2. To appoint a Director in place of Shri G. Joy who retire by rotation and being eligible offer himself for reappointment.
3. To appoint auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s K Venkatachalam Aiyer & Co., Chartered Accountants, Kottayam be and is hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting at a remuneration to be fixed by the Board of Directors in connection with the audit of the accounts of the company."

By the order of the Board

S/d.

Kottayam
December 5, 2003.

S. B. SOMANI
CHAIRMAN & MANAGING DIRECTOR

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the company. Proxies in order to be effective must be received by the company not later than 48 hours before the meeting.
2. Members are requested to notify immediately any changes in their address.
3. The Register of Members & Share Transfer Book of the Company will remain closed from Wednesday 24, December 2003 to Wednesday 31, December 2003 (Both days inclusive).
4. Members desiring to submit mandates, to lodge transfer deed for shares are requested to forward the same so as to reach the Company's Registrars M/s System Support Services at 209, Shivai Industrial Estate, Next to Parke Davis Ltd., Saki Naka, Mumbai – 400 072 on or before Tuesday 23, December 2003. The company will not be in a position to act upon any document, which is incomplete or received after Tuesday 23rd December 2003.
5. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year 1996-97 and thereafter which remains unpaid / unclaimed for a period of 7 (Seven) years will be transferred to the Investor Education and Protection Fund constituted by the Central Government under section 205C of the Companies Act, 1956.

It may kindly be noted that once the unpaid/ unclaimed dividend is transferred to the Central Government, as above, no claims shall lie in respect thereof.

By the order of the Board

S/d.

Kottayam,
December 5, 2003.

S. B. SOMANI
CHAIRMAN & MANAGING DIRECTOR

TECIL CHEMICALS AND HYDRO POWER LIMITED**58TH ANNUAL REPORT 2002-2003****DIRECTORS REPORT**

To

The Members,

Your Directors hereby present the 58th Annual Report together with the audited accounts for the year ended 31st March 2003.

FINANCIAL RESULTS

The results for the year ended 31st March 2003 are summarised herein below.

<u>Year ended 31st March</u>	<u>Rs. In Lakhs</u> <u>2003</u>	<u>Rs. In Lakhs</u> <u>2002</u>
Net Sales	7.72	113.99
Other Income	50.87	0.89
Total Income	58.59	114.89
Loss before interest and depreciation	4.46	34.98
Add: Interest	1297.08	1147.55
Depreciation	114.72	133.49
Loss for the year	1416.26	1316.02
Extra ordinary Income	-	12.00
Prior period adjustments	-	142.02
(Surplus)/Loss b/f from previous year	4933.55	3487.51
Balance carried forward to Balance Sheet	6349.81	4933.55

DIVIDEND

Due to the loss incurred by the Company during the year the Board of Directors do not recommend dividend for the year.

OPERATIONS

The Company has been under LOCKOUT throughout the year and there was no production of Finished Goods. During the year Company sold scraps accumulated during earlier years. The loss was mainly on account of depreciation on the assets and interest on the term loans charged to revenue.

Your Directors are extremely sad to bring to your kind notice that several adverse factors affected the efforts of the Directors to revive the operations of the Company. Your Directors were making sincere endeavors to find solutions to the various problems, which resulted in the ultimate cessation of the business activities. The major cause for the set back in the efforts to revive the Company was the financial difficulties. Since the Company is under Lockout from 1999 onwards the Financial Institutions were not favourably inclined to extend further financial assistance. Your Directors have also made pain-staking attempts to identify a strategic business group to associate with the Company in the revival programme. But the phase of the negotiations is slow and cumbersome due to all pervasive problems surrounding the company. However the directors of the company are hopeful of positive out come paving the way for revival of the company.

The long drawn lockout and unfavorable developments also contributed to various other problems. Most of the employees deserted the company seeking better opportunities. Financial institutions initiated proceedings for recovery of their dues. The Statutory Authorities also initiated recovery proceedings. Thus further aggravating the precarious financial position of the company. Most of the observations of the Auditors appearing as qualifications in the Auditors reports were in respect on the failure in meeting their financial obligation and commitments. Once the financial problems and difficulties of the company are solved all the matters stated by the Auditors in their report can be regularized and complied with. We are hopeful that BIFR will evolve a workable solution in the best interest of all the stockholders of the company

HYDRO POWER PROJECT

Due to financial constraints, there was no progress of work at Ullunkal Hydro Power Project of 7.5 MW capacity and Karikkayam Hydro Power Project of 15 MW capacity during the financial year. IREDA, IDBI and Canara Bank finance both the projects.

TECH CHEMICALS AND HYDRO POWER LIMITED**56TH ANNUAL REPORT 2002-2003****FINANCE**

M/s. IREDA, IDBI and CANARA BANK have filed applications before the Debt Recovery Tribunal for recovery of loans financed by them. The Company submitted petition before the Honorable Tribunal praying for necessary orders to grant stay of coercive steps for the recovery of the loan till the disposal of the application given to BIFR for the restructuring of the Company.

DEPOSITS

Deposits aggregating to Rs.51,000/- remains unclaimed as at 31.3.2003.

INDUSTRIAL RELATIONS

The Company has been under LOCKOUT throughout the year.

PARTICULARS OF EMPLOYEES

There was no employee drawing remuneration in excess of the limit prescribed and hence requirement of attaching a statement as required by section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 is not applicable to this report

DIRECTORS

The Director Shri G Joy retires as per Article 86 of the Articles of Association of the Company and being eligible offers himself for re-appointment. Your Directors recommend his appointment.

AUDITORS

M/s.K.Venkatachalam Aiyer & Co., Chartered Accountants, Kottayam retire at the forthcoming Annual General Meeting and are eligible for reappointment. The Company has received confirmation that the appointment, if made, would be within the limits prescribed u/s.224(1B) of the Companies Act, 1956

AUDITORS OBSERVATIONS ON ACCOUNTS.

The note to the accounts referred to in the Auditors Report are self-explanatory and therefore do not call for any further comments.

REFERENCE TO B.I.F.R.

An application to the Board of Industries & Financial Reconstruction has been made on 29/7/2002 under section 15(1) of Sick Industrial Companies (Special Provisions) Act, 1985 and BIFR registered our application vide Registration No. 358/2002 on 12/9/2002.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirements u/s.217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company confirm:

- i. that in the preparation of the annual accounts for the financial year ended 31st March 2003, the applicable accounting standards have been followed and there has been no material departure except to the extent noted by the auditors in their report.
- ii. that the selected accounting policies were applied consistently and the directors 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 March 31, 2003 and of the loss of the company for the year ended as on that date.
- iii. that 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 the safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv. that the annual accounts have been prepared on a "going concern" basis.

CORPORATE GOVERNANCE

The factory of the company has been under lockout since 05.07.1999. Severe financial crisis and non-completion of the hydel project as scheduled had affected the viability of the operation of the company. In these circumstances, the company has been unable to comply with the provisions of Corporate Governance as stipulated under clause 49 of the listing agreement.

TECIL CHEMICALS AND HYDRO POWER LIMITED**58TH ANNUAL REPORT 2002-2003****PARTICULARS REGARDING CONSERVATION OF ENERGY ETC.**

As required in terms of section 217(1) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of Board of Directors) rules 1988, the Report on Conservation of Energy, Technology absorption and Foreign Exchange Earnings and outgo etc. is given in Annexure I forming part of this Report.

GENERAL

The Balance Sheet and Profit and Loss Account of the Company have been signed as per the provisions of section 215 (1) (ii) of the Companies Act, 1956. Your Directors place on record their sincere appreciation for the continued co-operation, guidance, support and assistance provided during the year under report by various institutions concerned as also all the employees of the company for their sincere and dedicated service in pursuing the corporate objectives of the company.

FOR AND ON BEHALF OF THE BOARD

Kottayam
December 5, 2003

S/d.
S. B. SOMANI
CHAIRMAN & MANAGING DIRECTOR

ANNEXURE I**THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988****A. CONSERVATION OF ENERGY:**

Ours is a power intensive process Energy conservation programmes are undertaken in the Company on a continuous basis. Due to lockout throughout the year, no measures in this regard have been undertaken.

Total energy consumption and energy consumption per unit of production are as per Form A hereunder.

- | | | |
|----|---|-----------|
| A. | Power and Fuel consumption: | NIL (NIL) |
| B. | Consumption per tonne of production (Kwh) | NIL (NIL) |

C. TECHNOLOGY ABSORPTION

1. The technology upgradation work of all furnaces on account of collaboration agreements with Elkem Metallurgy, Mumbai a subsidiary of internationally well-known concern of smelting furnace. ie. Elkem Metallurgy, Norway has been completed.
2. The technological upgradation work of Acetylene Black plant in the line of agreement with M/s. KEDAB, Australia has also been completed.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

The total expenditure in foreign currency: NIL (NIL)

TECIL CHEMICALS AND HYDRO POWER LIMITED 58TH ANNUAL REPORT 2002-2003**AUDITORS REPORT**

To

The Members of

TECIL CHEMICALS AND HYDRO POWER LIMITED

We have audited the attached Balance Sheet of **TECIL CHEMICALS AND HYDRO POWER LIMITED** as at 31st March 2003 and the Profit and Loss Account of the company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

2. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988, issued by the Central Government of India, in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure hereto the statement on the matters specified in paragraph 4 and 5 of the said order.

3. Further to our comments in the Annexure referred to in Paragraph (2) above, attention is invited to the following observations.

- a) The company incurred a net loss of Rs. 1416.26 Lakhs during the year-ended 31.03.2003 and as on that date, the company's current liabilities exceeded its current assets by Rs. 1020.70 lakhs. The accumulated loss as on 31.03.2003 is Rs 6349.81 Lakhs as against the balance of Rs 3420.64 lakhs in the share capital and free reserves other than revaluation reserve. These factors, along with other matters as set forth in Note No. 2.13, raise substantial doubt over the company being able to continue as a going concern.

- b) Reference is invited to Note No. 2.7.1. Regarding Bonds rolled over as on 31-3-2003, amounting to Rs. 944.1 Lakhs stated as secured loans where the formalities for execution of trust deed and creation of charge there of are pending. The management informed that the execution of trust deed and creation of security is in process and will be completed in near future till such time these bonds should have been classified as unsecured loans in the Balance Sheet.

4. We further report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of these books.
- c. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
- d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report, are prepared in compliance with the accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 to the extent applicable except as stated in para 4(f) and (h) hereunder and Note No.2.2.4 regarding non recognition of excise duty on closing stock of finished goods.
- e. On the basis of the legal opinion obtained from lawyers and on the basis of written representation received from the Directors and taken on record by the Board of Directors, and subject to our observations in Note No. 2.14, we report that, none of the Directors is disqualified as on 31/3/2003 from being appointed as a Director in terms section 274(1)(g) of Companies Act, 1956.

TECIL CHEMICALS AND HYDRO POWER LIMITED**58TH ANNUAL REPORT 2002-2003**

- f. No provision has been made towards:-
- i) Liability on account of enhanced lease rent on land, disputed as referred to in Note No.2.3.7 of Notes forming part of the accounts Rs. 44,71,224/-
 - ii) Liability on account of other demands/dues towards Excise Duty, Wealth Tax, Income Tax, Sales tax, compensation under voluntary retirement scheme payable to employees and additional compensation for land acquisition disputed as referred to in Notes forming part of accounts viz, Note No.2.3.1 to 2.3.6 of Rs 2,15,65,996.
 - iii) Doubtful debts under Sundry Debtors and Loans and Advances as referred to in Note No. 2.12.5 and 2.12.6 amounting to Rs. 1,36,92,348
 - iv) Interest accrued in respect of non-payment of statutory dues as referred in note No. 2.4.1,2.4.2, and 2.4.3 amounting about Rs. 55.5 lakhs.
 - v) Claims made in the arbitration proceedings by suppliers of certain plant and machinery required for the hydel power project as referred to in Note No 2.2.5 of the notes forming part of the accounts amounting to Rs 500 lakhs.
 - vi) Penalty if any payable for non-submission of statutory returns and arrears within the prescribed time as referred to in Note No.2.2.6 and 2.2.7 of the Notes forming part of accounts.
 - vii) The impairment if any in the value of fixed assets as mentioned in note no. 2.11.3.
- g. Finance and incidental charges of Rs 1170.07 lakhs- for the current year on the loans taken for the Hydro Power Projects under implementation as referred to in Note No 2.11.1 of Notes forming part of accounts, have not been capitalized and have been charged to revenue in accordance with Accounting Standard 16 issued by the Institute of Chartered Accountants of India due to interruption in construction of the projects during the year. Finance and incidental charges on the loans taken for these Hydropower projects up to 31.03.2000 have been capitalized as referred to in the above note
- h. We further report that on account of the non provision for various losses/ expenditure and other facts as stated above the loss for the year determined without taking into account the disputed liabilities and contingent liabilities is understated by Rs.192.42 lakhs being the incremental revenue charge for the year, with consequent changes in Balance sheet.
- Subject to the above observations and remarks, in our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet and the Profit and Loss Account read together with the significant accounting policies and other notes thereon give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view in conformity with the generally accepted accounting principles in India
- i) In so far as it relates to the Balance Sheet of the State of affairs of the Company as at 31st March, 2003 and:
 - ii) In so far as it relates to the Profit & Loss Account of the loss of the Company for the year ended on that date.
 - iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

For K.VENKATACHALAM AIYER & CO.
CHARTERED ACCOUNTANTS

KOTTAYAM
December 8, 2003.

S/d.
A.GOPALAKRISHNAN B.Sc. F.C.A.
(PARTNER)