

REVISED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004



**TECIL CHEMICALS AND
HYDRO POWER LIMITED**

BOARD OF DIRECTORS AS ON 14TH MAY,2005

SHRI S. B. SOMANI

CHAIRMAN & MANAGING DIRECTOR

SHRI G. JOY

DIRECTOR (OPERATION)

SHRI P. C. JAIN

SHRI. GHANSHYAM K. JOSHI

DR. R. S. SARDA

SHRI G. R. BANG

BANKERS

CANARA BANK, KOTTAYAM

STATUTORY AUDITORS

VMD AND COMPANY
MUMBAI

REGISTERED OFFICE & WORKS

P. O. CHINGAVANAM – 686 531
DIST. KOTTAYAM (KERALA)

ADMINISTRATIVE OFFICE

EMPIRE HOUSE, 3RD FLOOR,
214, DR. D. N. ROAD, FORT,
MUMBAI – 400 001.

TECIL CHEMICALS AND HYDRO POWER LIMITED**REVISED 2003-2004****NOTICE**

NOTICE is hereby given that an Extra Ordinary General Meeting of the Members of the Company will be held on Wednesday, 8th June, 2005 at 11.00 A.M. at its Registered Office at Tecil Premises, P.O. Chingavanam - 686 531 Dist. Kottayam (Kerala) to transact the following business.

SPECIAL BUSINESS :

1. To receive, consider and adopt the Revised Audited Profit and Loss Account of the Company for the year ended 31st March, 2004 and Revised Balance Sheet as at that date and Auditors Report and Directors Report thereon and to pass following Resolution with or without modification as an Ordinary Resolution.

"RESOLVED THAT the Revised Profit and Loss Account for the year ended 31st March, 2004 and Balance Sheet as at that date alongwith Auditors Report and Directors Report thereon be and are hereby approved and adopted."

2. To fix up the remuneration of M/s. VMD & Co., Chartered Accountants for giving their Report on the Revised Audited Profit and Loss Account for the year ended 31st March, 2004 and Balance Sheet as at that date and to pass the following Resolution with or without modification as an ordinary Resolution.

"RESOLVED THAT the Board of Directors be and are hereby authorised to fix-up the remuneration of M/s. VMD & Co. for giving their Report on the Revised Audited Profit and Loss Account for the year ended 31st March, 2004 and Balance Sheet as at that date.

NOTES :

1. Explanatory Statement as required u/s. 173(2) of the Companies Act, 1956 is annexed.
2. 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.
3. Members are requested to notify immediately any changes in their addresses.

BY THE ORDER OF THE BOARD**Sd/-**

MUMBAI
May 14, 2005.

S. B. SOMANI
CHAIRMAN & MANAGING DIRECTOR

**ANNEXURE TO THE NOTICE :
EXPLANATION STATEMENT AS REQUIRED U/S. 173(2) OF THE COMPANIES ACT' 1956 :**

1. In the Audited Accounts for the year ended 31st March, 2004, the Company had provided interest on loans amounting to Rs.1105.30 Lacs taken from Term Lending Institutions and Rs. 100.50 Lacs on Working Capital Limits availed from the Bank. The said Accounts alongwith the Directors Report and Auditors Report thereon were approved by the Members of the Company in the Annual General Meeting held on 13th September 2004 at its Registered Office.

Some of the Shareholders of the Company have expressed opinion that since the liability of the Company towards interest to Term Lending Institutions and Bank will cease to exist under One Time Settlement, the Company's Accounts for the year 2003-2004 be revised by reversing the interest provision already made therein, so that the necessity of Writing back such amount may not arise when One Time Settlement is finalized.

Your Board of Directors have carefully considered the suggestions of the Members of the Company and accordingly the Audited Accounts for the Financial Year 2003-2004 have been revised giving effect to reversal of interest provisions made in the said year.

The revised Accounts duly audited by the Statutory Auditors of the Company giving effect to the reversal of interest provisions are placed before the Members of the Company for their consideration and adoption. The Directors recommend passing of the Resolution by the Members of the Company.

MEMORANDUM OF INTEREST

The Directors of the Company are interested in the above Resolution as a Shareholder.

2. M/s. VMD & Co., Chartered Accountants, are the Statutory Auditors of the Company and the Members of the Company have authorised the Board of Directors to fix up their Remuneration in connection with Audit of the Accounts of the Company. Since the Revision of Accounts may be deemed as separate assignment the Members of the Company are requested to authorized Board of Directors to fix up their remuneration. The directors recommends the passing of the Resolution

MEMORANDUM OF INTEREST

None of the Directors are interested in this Resolution.

BY THE ORDER OF THE BOARD

Sd/-

MUMBAI
May 14, 2005.

S. B. SOMANI
CHAIRMAN & MANAGING DIRECTOR

TECIL CHEMICALS AND HYDRO POWER LIMITED

REVISED 2003-2004

DIRECTORS REPORT

TO,
THE MEMBERS

Your Directors hereby present the Report on the Revised Profit and Loss Account for the year ended 31st March, 2004 and Balance Sheet as at that date alongwith Auditors Report thereon.

REVISION OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2004:

The Members of the Company may recall that in the Audited Accounts for the year 31st March, 2004 the Company had made provision of Rs.1105.30 Lacs and Rs.100.50 Lacs towards interest payable on loans from Term Lending Institutions and Working Capital Limits availed from the Bank respectively. However due to losses the Company has not been making payment of interest to Term Lending Institutions and Bank.

As the Members of the Company are aware that the Management of the Company has submitted One Time Settlement Proposal to the Term Lending Institutions and Bank and substantial progress has been made in such negotiations. The Company has already received Sanction Letter from the Bank in terms of which the liability towards interest will cease to exist. Similar Sanction Letters are also expected to be received from Term Lending Institutions shortly.

Your Directors have thought it prudent to revise the Audited Accounts of the Company for the year 2003-2004 by reversing the interest provisions made therein. Some of the Members of the Company have also expressed opinion and advised the Company to revise the Audited Accounts for the year ended 31st March, 2004. The Original as well as revised Financial Results for the year ended 31st March, 2004 are submitted herein below :

	Rs. (In Lacs)	
	Year Ended 31 st March, 2004	
	Revised (Audited)	Original (Audited)
Net Sales	1.98	1.98
Other Income	32.59	32.59
Total Income	34.57	34.57
Loss before interest and depreciation	20.30	20.30
Add : Interest	221.64	1427.44
Depreciation	110.76	110.76
Loss for the year	352.70	1558.50
(Surplus) / Loss b/f from previous year	6349.81	6349.81
Balance carried forward to Balance Sheet	6702.51	7908.31

BY THE ORDER OF THE BOARD

Sd/-

MUMBAI
May 14, 2005.

S. B. SOMANI
CHAIRMAN & MANAGING DIRECTOR

TECIL CHEMICALS AND HYDRO POWER LIMITED**REVISED 2003-2004****AUDITORS REPORT**

To
The Members of

TECIL CHEMICALS AND HYDRO POWER LIMITED

We have audited the attached Revised Balance Sheet of **TECIL CHEMICALS AND HYDRO POWER LIMITED** as at 31st March 2004 and the Revised 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 Companies (Auditor's Report) Order 2003, 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. 352.70 Lakhs during the year-ended 31.03.2004 and as on that date, the company's current liabilities exceeded its current assets by Rs.1040.54 lakhs. The accumulated loss as on 31.03.2004 is Rs 6702.51 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.944.11 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, Profit and Loss Account and Cash flow statement 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 and Cash Flow Statement 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), (h) and (i) hereunder and Note No.2.1.4 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 31/3/2004 from being appointed as a Director in terms Section 274(1)(g) of Companies Act, 1956.

- f. No provision has been made towards :-

i) Liability on account of enhanced lease rent on land, disputed as referred to in Note No.2.2.7 of Notes forming part of the accounts Rs. 52,16,428/-

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.2.2.1 to 2.2.6 of Rs 2,15,70,996.

TECIL CHEMICALS AND HYDRO POWER LIMITED

REVISED 2003-2004

- iii) Doubtful debts under Sundry Debtors and Loans and Advances as referred to in Note No. 2.11.5 and 2.12 amounting to Rs. 1,35,73,783.
 - iv) Interest accrued in respect of non-payment of statutory dues as referred in note No. 2.3.1, 2.3.2, and 2.3.3 amounting about Rs. 59 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 2.1.5 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.2.1.6 and 2.1.7 of the Notes forming part of accounts.
 - vii) The impairment if any in the value of fixed assets as mentioned in note no. 2.10.2.
- g. Finance and incidental charges of Rs 219.87 lakhs- for the current year on the loans taken for the Hydro Power Projects under implementation as referred to in Note No 2.10.1 of Notes forming part of accounts, have not been capitalized and have been charged to revenue. This is 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 with out taking in to account the disputed liabilities and contingent liabilities is understated by Rs.10.95 Lakhs being the incremental revenue charge for the year, with consequent changes in Balance sheet
- i. We further report that accounts have been revised, to give effect to reversal of provision of interest to term lending institutions viz. IDBI, IREDA, UTI & Canara Bank amounting to Rs. 1205.80 Lacs and on account of which loss has been reduced from 1558.50 Lacs to 352.70 Lacs.

We have examined the attached Revised Balance Sheet of M/s. Tecil Chemicals & Hydro Power Ltd. as at 31st March'2004 and the annexed Revised Profit & Loss Account for the year ended on that date, which are the revised statements of Original Balance Sheet and Profit & Loss Account covered by our Audit Report and adopted by the Shareholders in their 59th Annual General Meeting held on 13th September' 2004.

As per the opinion of the Institute of Chartered Accountants of India and that of Company Law Board, a Company cannot reopen and revised the accounts once adopted by the Shareholders at an Annual General Meeting. Contrary to these opinions, the Board of Directors of the Company has reopened and revised the aforesaid accounts.

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 revised Balance Sheet and the revised 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 Revised Balance Sheet of the State of affairs of the Company as at 31st March, 2004 and;
- ii) In so far as it relates to the Revised 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 VMD & Co.
CHARTERED ACCOUNTANTS

No. : A/01/0505
May 14, 2005
Mumbai

Sd/-
P. K. Pachori
(PARTNER)

TECIL CHEMICALS AND HYDRO POWER LIMITED**REVISED 2003-2004**

ANNEXURE REFERRED TO PARAGRAPH 2 OF OUR REPORT TO SHAREHOLDERS OF TECIL CHEMICALS AND HYDRO POWER LTD., CHINGAVANAM OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2004.

FIXED ASSETS

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. No physical verification of the items of fixed assets as at the year end, has been carried out this year due to lay off/ lock out of the factory and therefore, material discrepancies/ deterioration, if any, in the value of assets, due to obsolescence if any or for any other reason, on physical verification and technical evaluation/assessment by a technical expert could not be determined (Please refer to note 2.10.2).
2. There was no substantial disposal of fixed assets during the year.

INVENTORIES/ STORES

3. Due to lay off/ lock out of the factory, the usual practice of the company in conducting physical verification at reasonable intervals of finished goods, stores and spares, packing materials and raw materials, was not done during the current year also and therefore, the question of reporting as to the reasonableness and adequacy of the procedures of physical verification of stocks and stores followed by the management and determining discrepancies, if any, on physical verification of stocks as compared to book records during the year does not arise.
4. On the basis of our examination of stock records, we are of the opinion that the valuation of the stock is fair and proper and in accordance with the generally accepted accounting principles except to the extent as referred to in Note No. 2.1.4 forming part of accounts. The basis of valuation of these stocks is the same as in the preceding year. The material loss if any in the valuation of the stock could not be ascertained and hence not provided, as the stocks in question were not physically verified to determine its quantity and quality.

LOANS AND ADVANCES

5. The Company has taken unsecured loans from Companies, Firms and other parties listed in the register maintained u/s.301 of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are prima facie not prejudicial to the interests of the company in terms of sub section (1B) of section 370 of the Companies Act, 1956.
6. The company has granted unsecured loans to companies, firms or other parties listed in the register maintained u/s.301 of the Companies Act, 1956. The rate of interest is prima facie not prejudicial to the interests of the company. There are instances where the company could not recover the interest due on certain such loans. However, as informed to us, there are no other terms and conditions of such loans in terms of sub section (1B) of section 370 of the Companies Act, 1956.
7. In case of over due amounts for more than Rs.1.00 Lac reasonable steps has been taken by the company for recovery / payment of the principal and interest.

INTERNAL CONTROL

8. Due to lay off / lock out of the factory during the year and on account of only few transactions for the whole of the year, the company has not implemented adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of stores, raw materials, including components, plant and machinery, equipments and other assets and for the sale of goods.

TRANSACTION WITH PARTIES AS REFERRED U/S 301 OF COMPANIES ACT 1956

9. There are no transactions of purchase / sale of goods and materials and services in value, aggregating during the year to Rs.5,00,000/- or more in respect of each party made in pursuance of contracts or arrangements entered in the register maintained u/s.301 of the Companies Act, 1956.

UNSERVICEABLE GOODS

10. Due to lay off/ lock out the Company has not determined the unserviceable or damaged stores, raw materials and finished goods during the year and accordingly no provision is made for the loss, if any, in the accounts during the year.

FIXED DEPOSITS

11. During the year, the Company has repaid all its public deposits.
12. Internal audit was not carried out during the year due to lay off / lock out.

TECIL CHEMICALS AND HYDRO POWER LIMITED**REVISED 2003-2004****COST RECORDS**

13. As informed, the Central Government has not prescribed maintenance of cost records u/s.209 (i)(d) of the Companies Act, 1956 for the products dealt by the Company.

STAFF WELFARE

14. The Company has not been regular in depositing the dues against Provident Fund and Employees State Insurance contribution during the year with the appropriate authorities resulting in arrears of Provident Fund dues as on 31-03-2004 amounting to Rs 28,76,954/- and Employees State Insurance dues Rs 15,68,888/- and interest on PF and ESI overdue amounting to about Rs 30 lakhs/-

TAXATION

15. There are undisputed amounts payable in respect of Income Tax, Sales Tax, outstanding as at 31st March, 2004 for a period of six months from the date they became payable as per details shown below.
- Income tax Rs 11,45,157/-
 - Interest on the above not provided for, as referred to in Note No. 2.3.2 forming part of the accounts about Rs 11 lakhs
 - Sales Tax Rs 45,33,750/-
 - Interest on the above not provided for, as referred to in Note No. 2.3.3 forming part of the accounts about Rs 39/- lakhs.
16. The total accumulated loss of the company as on 31.03.2004 is more than the aggregate of capital and free reserves other than revaluation reserve and consequently the company is a Sick Industrial Company within the meaning of Sec.3 (1)(o) of the Sick Industrial Companies (Special Provisions Act) 1985. The company has submitted an application before the Board for Industrial and Financial Reconstruction for the revival u/s 15(1) of the Sick Industrial Companies (Special Provisions Act) 1985 and the company is registered as case No.358/2002 for consideration for revival under the scheme.
17. The Company has defaulted in repayment to Financial Institutions / Banks viz Canara Bank (Rs.1818.07 lacs), IDBI (Rs.1321.27 lacs), IREDA (Rs.1969.53 lacs) for which they have filed application before Debt Recovery Tribunals.
18. The Company has maintained adequate records in case of advances given by ways of proper security
19. The Company is not a chit fund / nidhi / mutual funds / society.
20. Based on our examination of records and information and explanations given to us, the company has not dealt / traded in shares, securities, debentures and other securities during the year.
21. The Company has not given any guarantee for loans taken by others from banks / financial institutions.
22. To the best of our knowledge and belief and according to the information and explanations given to us, the term loan avail by the company was prima facie applied for the purpose for which the loan was obtained.
23. According to the Cash Flow Statement and other examined by us the information and explanation given to us on an over all basis, fund raised on short term basis prima-facie, has not been used during the year for long term investment and vice versa.
24. The Company has not made any Preferential allotment of Shares to parties and companies covered in the Register maintained U/s 301 of the Act.
25. The Company is in the process of creating security in respect of Power Bonds issued.
26. The Company has not raised any money by public issues during the year.
27. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

For VMD & Co.
CHARTERED ACCOUNTANTS

No. : A/01/0505
May 14, 2005
Mumbai

Sd/-
P. K. Pachori
(PARTNER)

TECIL CHEMICALS AND HYDRO POWER LIMITED

REVISED 2003-2004

REVISED BALANCE SHEET AS AT 31.03.2004

Sl. No.	PARTICULARS	SCHE- DULES	CURRENT YEAR Rs. (000's)	PREVIOUS YEAR Rs. (000's)
	<u>SOURCES OF FUNDS</u>			
I	<u>SHAREHOLDERS FUNDS</u>			
	a) Share capital	(A)	166,145	166,145
	b) Reserves and surplus	(B)	441,717	476,620
			<u>607,862</u>	<u>642,765</u>
II	<u>LOAN FUNDS</u>			
	a) Secured loans	(C)	907,029	884,845
	b) Unsecured loans	(D)		83
			<u>907,029</u>	<u>884,928</u>
	TOTAL		1,514,891	1,527,693
	<u>APPLICATION OF FUNDS</u>			
III	<u>FIXED ASSETS</u>	(E)		
	a) Gross Block		944,806	945,683
	b) Less: Depreciation		551,509	506,359
	c) Net Block		393,297	439,324
	d) Capital Work-in-Progress	(F)	547,052	547,052
			<u>940,349</u>	<u>986,376</u>
IV	<u>INVESTMENTS</u>	(G)	8,345	8,406
V	<u>CURRENT ASSETS, LOANS AND ADVANCES</u>			
	a) Inventories	(H)	30,620	30,620
	b) Sundry Debtors	(I)	16,606	23,029
	c) Cash and Bank Balance	(J)	686	596
	d) Loans and Advances	(K)	16,954	22,047
			<u>64,866</u>	<u>76,292</u>
VI	Less: CURRENT LIABILITIES AND PROVISIONS			
	a) Liabilities	(L)	166,279	175,721
	b) Provisions	(M)	2,641	2,641
			<u>168,920</u>	<u>178,362</u>
	NET CURRENT ASSETS		(104,054)	(102,070)
VII	Profit and Loss account		670,251	634,981
	TOTAL		1,514,891	1,527,693

This the Balance sheet referred to in our report of even date
Schedules referred to above form an integral part of the Balance Sheet

For V. M. D. & CO.
Chartered Accountants

Sd/-
P. K. PACHORI
(Partner)

For & on behalf of Board of Directors

Sd/-
S. B. SOMANI
Chairman & Managing Director

Sd/-
G.R.BANG
Director
Mumbai, May 14' 2005

Mumbai, May 14' 2005