

# 61<sup>st</sup> ANNUAL REPORT

31<sup>ST</sup> MARCH, 2006



**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**

**DR. R. S. SARDA**

**SHRI. P.C. JAIN**

**SHRI. GHANSHYAM K. JOSHI**

**BANKERS**

UTI BANK LTD.

LORD KRISHNA BANK LTD.

**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****61<sup>st</sup> ANNUAL REPORT 2005-2006****NOTICE**

Notice is hereby given that the **61<sup>st</sup> Annual General Meeting** of the Company will be held on **Wednesday 27<sup>th</sup> September, 2006** at **11.00A.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 audited Profit and Loss Account of the Company for the year ended 31<sup>st</sup> March, 2006 and Balance Sheet as at that date.
2. To appoint a Director in place of Shri Ghanshyam K. Joshi, who retires 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. VMD & Co., Chartered Accountants, Mumbai be and are hereby appointed as Auditors of the Company to hold Office from the conclusion of this Meeting until the conclusion of the 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.”**

**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 change in their address.
3. The Register of Members & Share Transfer Book of the Company will remain closed from 20<sup>th</sup> September 2006 to 27<sup>th</sup> September, 2006 (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 20<sup>th</sup> September, 2006. The Company will not be in a position to act upon any document, which is incomplete or received after 20<sup>th</sup> September, 2006.

BY ORDER OF THE BOARD,

For **TECIL CHEMICALS AND HYDRO POWER LTD.**

Sd/-

PLACE: MUMBAI

**S. B. SOMANI**

DATE : 22ND JULY, 2006

**CHAIRMAN & MANAGING DIRECTOR**

**TECIL CHEMICALS AND HYDRO POWER LIMITED****61<sup>st</sup> ANNUAL REPORT 2005-2006****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****OVERALL VIEW :**

There have been major developments in the year 2005-06 impacting the future Outlook of the Company. As a result of One Time Settlement of the dues of IDBI, IREDA, UTI and Canara Bank and full & final payment to these Institutions out of the Sale Proceeds of 7 M.W. incompleted Hydro Power Plant at Ulluankal, there has been substantial reduction in Secured Loans. The Company has also made redemption of the Tecil Power Bonds in terms of Special Resolution passed by the Bond Holders in their Meeting held on 13.09-2004 as modified by Special Resolution passed by the Bond Holders in their Meeting held on 16.03.2005 to large number of Bond Holders who have surrendered their Bond Certificates. Thus the interest liability of the Company has substantially reduced which will facilitate the resumption of viable manufacturing plants of the Company at Chingavanam.

The Company has also made payments of retirement benefit to large number of workers who have retired / resigned comprising nearly 50%. The Kerala State Government has also granted various reliefs and concessions and has sanctioned financial assistance of Rs. 6 Crores through KSIDC by way of subscription of Preference Shares.

In view of the above developments the chances of resumption of manufacturing operations have become bright. Company intends to restart Ferro Silicon Plant. The Company also intends to use its Desulphurisation Compound Plant for manufacture of white cement. This will be possible as soon as financial assistance of Rs.6 Crores is disbursed by KSIDC by way of subscription of Preference Shares.

**INDUSTRY STRUCTURE AND DEVELOPMENT :**

During the year under review the overall economy of the Country performed well and GDP registered a growth rate of around 8.1 %. The index of Industrial Production increased by 7.8% in this year compared to 8.3% in the previous year. So far as your Company is concerned the Plants at Chingavanam still are under Lock out. However as reported above the chances of resumption of some of the Plants have become bright. Due to exorbitant power tariff the profitability of Calcium Carbide and Acetylene Black has been impacted and the operations of these Plants have become unviable.

**FUTURE OUTLOOK :**

With the intended trimming of the Manufacturing activities at Chingavanam and hiving of Power Projects, the future outlook of the Company seems bright.

**RISKS AND CONCERNS :**

In the normal course of business the Company is exposed to external risks such as overall demand fluctuations in the Market Segment in which it operates cheap imports, power trading and other factors. There are internal risks such as operational efficiency and cost structure. Taking all these external and internal risks into consideration, the Management of the Company is concentrating on revamping of the operations of the Company.

## TECIL CHEMICALS AND HYDRO POWER LIMITED

61<sup>st</sup> ANNUAL REPORT 2005-2006

## DIRECTORS REPORT

To

The Members,

Your Directors hereby present the 61<sup>ST</sup> Annual Report together with the audited accounts for the year ended 31<sup>st</sup> March 2006.

**I. FINANCIAL RESULTS :**

The results for the year ended 31<sup>st</sup> March 2006 are summarized herein below:

	Rs. In Lakhs	
	Year ended 31 <sup>st</sup> March	
	2006	2005
Net Sales	0.20	0.04
Other Income*	4073.17	322.43
Total Income	4073.37	322.47
Profit / (Loss) before interest, depreciation & Tax	3924.91	238.97
Less / Add : Interest	211.57	130.82
Depreciation	108.18	109.00
Profit for the year before tax	3605.16	(00.85)
Provision for Taxation	—	—
Profit after tax	3605.16	(00.85)
(Loss) b/f from previous year	(6703.36)	(6702.51)
(Loss) carried forward to Balance Sheet	(3098.20)	(6703.36)

\* includes Rs.3781.52 Lacs being excess liabilities / provisions towards interest on Secured Loans and Power Bonds no longer required written back.

**II. DIVIDEND :**

In view of unabsorbed losses of previous years, the Board of Directors do not recommend dividend for the year.

**III. OPERATIONS :**

The Company has been under LOCKOUT throughout the year and there was no Production / Sales of Finished Goods. During the year the Company sold scrap accumulated during earlier years. There has been significant developments during the year under Report which will have positive impact on the future of the Company.

1. The Company has made payment under One Time Settlement entered into with IDBI, IREDA and Canara Bank.
2. The Company disposed off 7 MW Ulluankal Hydro Power Project and the sale proceeds were utilized for repayment to Financial Institutions and Banks under One Time Settlement. The Company has entered into Memorandum of Undertaking, with a third party for sale and/or transfer of 15 MW Karikkayam Hydro Power Project subject to terms as contained in the same Memorandum of Understanding and also subject to the approval of the authorities if any. The effect of the Sale and / or transfer shall be given in the accounts when the transaction is consummated.
3. Retirement benefits have been paid to nearly 50% of the employees.
4. Redemption of Power Bonds has been made to the Bond Holder who have surrendered their Bond Certificates duly discharged in terms of Special Resolution passed by the Bond Holders in their Meeting held on 13.09.2004 and 16.03.2005.
5. Kerala State Govt. has sanctioned substantial reliefs and concessions including financial assistance through KSIDC and deferment of Sales Tax and Electricity Dues.

With the above developments the Management is in process of working out the restructuring of the manufacturing operations by resuming operations of viable plants.

**TECIL CHEMICALS AND HYDRO POWER LIMITED****61<sup>st</sup> ANNUAL REPORT 2005-2006****IV. DEPOSITS :**

The Company does not have any deposits as on 31.03.2006.

**V. REDEMPTION OF POWER BONDS :**

The Board of Directors are glad to inform the Members that the Company has redeemed Power Bonds to all the Bond Holders who have surrendered their Bond Certificates duly discharged. The redemption liability of the Company towards the Power Bonds have thus considerably reduced. The Company has issued and allotted Equity Shares to its Bondholders as part of redemption proceeds of Bonds.

**VI. INDUSTRIAL RELATIONS :**

The Company has been under LOCKOUT throughout the year.

**VII. 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

**VIII. DIRECTORS :**

Shri Ghanshyam K. Joshi, Director of the Company who retires by rotation, but being eligible, has offered himself for re-appointment.

**IX. AUDITORS :**

M/s. VMD & Co., Chartered Accountants, Mumbai 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

**X. AUDITORS OBSERVATIONS ON ACCOUNTS :**

Various statutory demands as referred in note no. 2.2.1 to 2.2.4 being under appeal and have not been crystallized, hence no provision has been made in the books of accounts. The other observations made by the Auditors in their report as referred to the notes forming part of accounts are self explanatory and therefore do not call for any further comments.

**XI. BIFR PROCEEDINGS :**

The Members are aware that the Company is registered with BIFR being Reference No: 358 of 2002 and your Board of Directors are hopeful to resume Manufacturing operations of viable Plants especially Ferro Silicon and to produce Cement in its Desulphurisation Compound Plant. The Company is likely to start parts of its plants after receiving Rs.6 Crores Preference Share Subscription from KSIDC. The Company will be further benefited from sale of its Second Power Project.

The Company's Net Worth has become positive due to substantial remission in the dues of Financial Institutions, Bank and in redemption liability of Power Bonds.

**XII. 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 2006, 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, 2006 and of the Profit of the Company for the year ended as on 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 or 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, though the Company does not have any manufacturing activity during the year.

## TECIL CHEMICALS AND HYDRO POWER LIMITED

61<sup>st</sup> ANNUAL REPORT 2005-2006**XIII. 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.

**XIV. CORPORATE GOVERNANCE :**

Report on corporate governance and a certificate from the Practicing Chartered Secretary of the Company regarding compliance of the conditions of corporate governance as stipulated under clause 49 of the listing agreement with the Stock Exchange is given as Annexure II forming part of this Report.

**XV. 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 and support provided during the year under report by various institutions concerned as also 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

Sd/-

Mumbai

**S. B. SOMANI**

22nd July, 2006

CHAIRMAN &amp; 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 programs were undertaken in the Company on a continuous basis, but 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.

	<b>Current Year</b>	<b>Previous Year</b>
i) Power and Fuel Consumption:	NIL	(NIL)
ii) Consumption per Tonne of Production (Kwh)	NIL	(NIL)
iii) Technology Absorption:		
Due to LOCKOUT in the Company since last Six years, the ongoing energy conservation programs had been stalled.		
iv) Foreign Exchange Earnings and Outgo :		
The total expenditure in foreign currency:	NIL	(NIL)

## ANNEXURE II

### CORPORATE GOVERNANCE REPORT 2005-2006

#### 1. Company's Philosophy :

The Company's Philosophy on Corporate Governance is focused upon a rich legacy of fair, ethical and transparent governance practices. The Company is conscious of its responsibility as a good corporate citizen and is committed to high standard of Corporate Governance practices. This is reflected in the well balanced and independent structure of the Company's eminent and well represented Board of Directors. The Company is in full compliance with the requirements under Clause 49 of the Listing Agreement with the Stock Exchange.

#### 2. Board of Directors :

On 31-03-2006, the Board of Directors comprises of an Executive Chairman, One Executive Director, One Non-Executive Director and Three Independent Directors. During the year Nine Board Meetings were held on 29/04/2005, 14/05/2005, 29/07/2005, 08/08/2005, 26/08/2005, 25/10/2005, 09/12/2005, 30/01/2006 and 31/03/2006. The attendance of the Directors in the Board Meetings and last Annual General Meeting is given here below.

Name of Directors	No. of Board Meetings Attended	Attended Last AGM
Shri S. B. Somani	9	No
Shri G. Joy	1	Yes
Shri G. R. Bang	9	Yes
Shri P. C. Jain	3	No
Dr. R. S. Sarda	5	No
Shri Ghanshyam K. Joshi	9	No

#### Particulars of Re-appointed Director :

Name : Shri Ghanshyam K. Joshi  
 Designation : Director  
 Age : 62 Years  
 Experience : He has completed Inter - Science from Mumbai University, having 36 years of experience in Business  
 Other Directorship : M/s. Universal Bearing Company Pvt. Ltd.

#### 3. Audit Committee :

##### i. Terms of Reference

The role and terms of reference of Audit Committee covers areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors.

##### ii. Composition

The Audit Committee was formed in 2004 with the following members comprised of Two Independent and One Non Executive Director

Dr. R.S. Sarda, Chairman

Shri P.C. Jain, Member

Shri G.R. Bang, Member

The Audit Committee held meetings 5 times during 2005-2006 on 14/05/2005, 29/07/2005, 26/08/2005, 25/10/2005 and 30/01/2006.

The attendance of members are as follows :

	No. of Attendance
Dr. R. S. Sarda, Chairman	4
Shri P. C. Jain, Member	3
Shri G. R. Bang, Member	5



## TECIL CHEMICALS AND HYDRO POWER LIMITED

61<sup>st</sup> ANNUAL REPORT 2005-2006

## 4. Shareholders/ Investors Grievance Committee :

## i. Terms of Reference :

- To scrutinize and approve registration of transfer of shares/ debentures/ warrants issued / to be issued by the Company.
- To exercise all powers conferred on the Board of Directors under Article 43 of the Article of Association.
- To decide all questions and matters that may arise in regard to transmission of shares / debentures / warrants issued / to be issued by the Company.
- To approve and issue duplicate shares / debentures / warrants certificates in lieu of those reported lost,
- To refer to the Board and any proposal of refusal of registration of transfer of shares / debentures / warrants for their consideration.
- To look into shareholders and investors complaints like transfer of shares, non- receipt of annual reports, non-receipt of declared dividends, etc., and
- To delegate all or any of its powers of Officers/ Authorized Signatories of the Company.

## ii. Composition :

The Shareholder Grievance Committee was formed in 2004 with following members comprised of Three Independent Directors

Shri P. C. Jain,	Chairman
Dr. R. S. Sarda,	Member
Shri Ghanshyam Joshi,	Member

Shri Ashok Somani is Compliance Officer of the Company

Shri K.L. Mundra and Shri B. K. Lohia are Authorized Signatories for share transfer on behalf of the Company.

The committee met four times during 2005-2006 on 29/04/2005, 26/08/2005, 25/10/2005 and 09/12/2005. The attendance of the members are as follows :

	No. of Attendance
Shri P.C. Jain, Chairman	2
Dr. R.S. Sarda, Member	3
Shri Ghanshyam Joshi, Member	4

Compliance Officer Shri Ashok Somani was also participating in these meetings.

## 5. General Body Meetings :

## A. Annual General Meetings

Financial Year	Date	Time	Location
2004-2005	30/09/2005	11.00 a.m.	Tecil Premises, Chingavanam
2003-2004	13/09/2004	11.00 a.m.	Tecil Premises, Chingavanam
2002-2003	31/12/2003	4.00 p. m.	Tecil Premises, Chingavanam

## B. Special Resolutions

In Annual General Meeting held on 30/09/2005, the following Special Resolution were passed :

- Re-appointment of Chairman and Managing Director
- Delisting of Trading of Equity Shares from Delhi, Jaipur, Madras, Kochi and Mangalore Stock Exchanges.

## 6. Distribution of Shares as on 31/03/2006 :

No. of Shares	No. Shareholders	% of Holding
Up to 500	21265	91.97
501-1000	1118	4.83
1001-2000	421	1.82
2001-3000	93	0.40
3001-4000	37	0.16
4001-5000	32	0.14
5001-10000	55	0.24
10001-50000	54	0.24
50001-100000	20	0.09
Above 100000	26	0.11
<b>Total</b>	<b>23121</b>	<b>100</b>

## TECIL CHEMICALS AND HYDRO POWER LIMITED

61<sup>st</sup> ANNUAL REPORT 2005-2006

## 7. Category of Shareholders As on 31/03/2006 :

Category	No. of Shares	% of Holdings
Promoters, Relatives and Associates	6002137	36.65
Financial Institutions / Banks	2652170	13.99
Mutual Funds	420780	2.21
Foreign Institutional Investors	-	-
Non Resident Indian / Overseas Corporate Bodies	1200490	6.33
Body Corporata	246276	1.30
General Public	8441847	44.52
<b>Total</b>	<b>18963700</b>	<b>100</b>

## 8. Plant Location :

The Company's Chemical Manufacturing Plants are located at Chingavanam, Dist. Kottayam (Kerala) and 15 mw Hydro Power Plant at Karikkayam in Pathanamthitta, District of Kerala State is yet to be completed.

## 9. Address for Correspondence :

The Company's Registered Office is situated at Chingavanam, Dist. Kottayam, and Kerala Pin. – 686 531.

Correspondence by the shareholders should be addressed either to Registered Office or Registrar Share Transfer Agents or its Administrative Office at following address –

**Tecil Chemicals & Hydro Power Limited**

Empire House, 3rd Floor, 214, Dr. D. N. Road,  
Fort, Mumbai 400 001

## 10. General

- Next Annual General Meeting will be held on 27th September, 2006 at Tecil Premises, P.O. Chingavanam, Dist. Kottayam, Kerala Pin. – 686 531.
- Financial Calendar for 2006-2007

Accounting Year	April-2006 To March-2007
First Quarter Result	Last Week of July-2006
Second Quarter / Half Yearly Result	Last Week of October-2006
Third Quarter Result	Last Week of January-2007
Fourth Quarter & Annual Results	Last Week of June-2007

- Date of Book Closure : Share Transfer Register will be closed from 20th September, 2006 to 27th September, 2006 ( Both Days Inclusive )
- The Company's shares are listed at Bombay Stock Exchange (BSE Ltd.) and National Stock Exchange, but suspended from trading in Stock Exchanges. The Company has already approached Bombay Stock Exchange (BSE Ltd.) for revocation of suspension in trading of shares and waiting for their approval.
- Since the Company is registered with BIFR, the Shares of the Company continue to be in physical form. However, the Company has approached to it's Registrar & Transfer Agent for dematerialization of shares with NSDL & CDSL & to appoint them as Common Share Transfer Agency both for the physical as well as dematerialization.
- The Register and Share Transfer Agents :  
**M/s System Support Services**  
209, Shivai Industrial Estate,  
Next to Parke Davis Ltd.  
Saki Naka, Mumbai – 400 072

**DECLARATION**

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, it is hereby declared that all the Board Members of the Company have affirmed compliance with the code of conduct for the year ended 31st March, 2006.

sd/-

Place : Mumbai  
Date : 22nd July, 2006

**S. B. Somani**  
(Managing Director and CEO)