



TULSYAN NEC LIMITED



ANNUAL REPORT 2002-2003

TULSYAN NEC LIMITED

Registered Office

61, Sembudoss Street, Chennai - 600 001.

Corporate Office

 5th Floor, 147, Greams Road, Chennai 600 006.

Administrative Office

 37, Kaveriappa Layout, Miller Tank Bund Road
Vasanth Nagar, Bangalore - 560 052.

Steel Division

 39, Dr. Harikrishna Naidu Street
Ambattur, Chennai - 600 053.

 A 15/N, (Pt) SIPCOT Indl. Complex,
Gummudipoondi
Chengalpet Dist., Tamil Nadu.

Windmill :

1. Kudimangalam, Udumalapet, Tamilnadu
2. Pazhavor, Tirunelveli Dist. Tamilnadu

Synthetics Division

 7-A, Doddaballapura Indl. Area,
Kasba Hobli, Karnataka.

 2-B, Survey No. 16, Korandanahalli
Malur Industrial Area, Malur Kolar Dist.
Karnataka.

 21, Doddankudi Indl. Area, Off Whitefield Road.
Mahadevapura, Bangalore 560 048.
Karnataka.

 Plot No.E-4, Madkaim Indl. Area,
Madkaim Village, Ponda Taluk, Goa.

Board of Directors

 L.K. Tulsyan
Executive Chairman
Sanjay Tulsyan
Managing Director
S.M. Tulshyan
S.Soundararajan
P.T. Rangamani

Bankers

 Canara Bank
Syndicate Bank
Andhra Bank

Auditors

 C.A. Patel & Patel, Chennai
R.S. Agarwala & Co., Bangalore

Share Transfer Agents

 Cameo Corporate Services Ltd.
Subramanian Building
1 Club House Road
Chennai - 600 002.

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NOTICE TO THE SHARE HOLDERS

NOTICE is hereby given that the 56th Annual General Meeting of the Company will be held on Monday the 29th September, 2003 at 3.00 p. m. at NARADHA GANA SABHA (Mini Hall), 254, T.T.K. Road, CHENNAI - 600 018, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date, together with the Report of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri. S.M. Tulshyanī who retires by rotation and being eligible, offers himself for re-appointment
3. To declare Dividend.
4. To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution :

“RESOLVED THAT M/s. C. A. Patel and Patel, Chartered Accountants, Chennai and M/s. R. S. Agarwala & Co., Chartered Accountants, Bangalore, retiring joint auditors of the Company be and are hereby re-appointed as joint auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company Special Business”.

5. To delist the shares from Ahmedabad, Bangalore and Calcutta Stock Exchanges.

To consider and if though fit, to pass with or without modification, the following as an special resolution.

“RESOLVED THAT in pursuance of Securities & Exchange Board of India Guidelines and such other rules, regulations, circulars and guidelines as applicable, consent of the company be and is hereby accorded to the Board of Directors to delist the shares from the stock Exchange, Ahmedabad, the Bangalore Stock Exchange Ltd., Bangalore and the Calcutta Stock Exchange Association Ltd., Calcutta”.

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things and deal with all such matters and take necessary steps as may be required in this regard, in its absolute discretion, deem necessary, fit or proper”.

6. To issue further capital

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

“RESOLVED THAT pursuant to Section 81 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approvals, consents, permissions and/or sanctions as may be necessary from the Securities and Exchange Board of India (SEBI), Central Government, Reserve Bank of India, and or any other appropriate authority, institutions or body subject to such conditions and / or modifications as may be prescribed by any one or all of them in granting such approval, consent permission and/or sanction, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “The Board” which term shall be deemed to include any Committee constituted by the Board of Directors) to issue, offer and allot from time to time in one or more tranches and in consultation with Merchant Bankers and / or Advisors and / or other concerned authorities, Equity Shares and/or securities convertible into Equity shares at the option of the Company or the holders thereof and or Securities linked to Equity Shares and/or Non convertible Securities and/or Securities with or without detachable warrants with a right exercisable by the warrant - holder to convert or subscribe to Equity Shares, and / or convertible Bonds and/or Equity Shares and / or Non- convertible securities with or without warrants attached thereto or in any other approved manner (hereinafter collectively referred to as “the Securities”) to such foreign institutional investors / financial institutions / mutual funds general public and / or companies and persons belonging to the management group, their friends, relatives and associates including companies and individual, and / or other investors, whether or not their members of the



company and or by way of rights to existing members of the company, as may be deemed appropriate by the Board at the phase value of not exceeding Rs.5,00,00,000 (Rupees Five Crore) at an issue price (inclusive of such premium as may be fixed on the Securities), by offering the Securities through Prospectus and / or Offering Letter and / or include and / or Letter of Offer and / or on Private Placement basis or in any other approved manner as may be deemed appropriate by the Board, and that such offer, issue and allotment be made at such time or times, at such price or prices at a discount or at a premium on market price or prices and in such manner and on such terms and conditions as the Board may in its absolute discretion think fit with power to settle details as to the form and terms of issue of the Securities, and all other terms, conditions and matters connected therewith and to accept any modification in the proposal as may be required by the authorities / parties involved in such issues, but subject to such conditions as Central Government / RBI. / SEBI or such other appropriate authorities may impose at the time of according / granting their approvals, consents, permissions and sanctions and as agreed to by the Board.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and thinks as it may at its discretion deem necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard as it may in its absolute discretion deem fit and proper".

For and on behalf of the Board
Lalit Kumar Tulsyan
Executive Chairman

Place : Chennai

Date : 30th August, 2003

NOTES :

A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER

The Proxies to be valid, should be lodged with the Share Transfer Agents, not less than 48 hours before the commencement of the meeting.

The Register of Members and the Share Transfer Books of the Company will remain closed from

Thursday the 25th September, 2003 to Monday the 29th September, 2003 (both days inclusive).

Members are requested to forward transfer requests, change of address, power of attorney, etc., to the Share Transfer Agents, viz., Cameo Corporate Services Ltd., 1, Club House Road, Chennai - 600 002.

As per Section 205(A) of the companies Act, 1956 the dividends which remain unclaimed over a period of seven years have to be transferred to the Investor Education and Protection Fund of the Central Government. The unclaimed dividend of the financial year 1995-96 is due for transfer to the account of the Central Government on 18th November, 2002. Shareholders who have not encashed the dividend warrants for the financial year 1995-96 or any subsequent financial year are requested to revalidate the same by sending the original dividend warrants to the Registrar.

Members / Proxies are requested to bring the attendance slip duly filled in for attending their meeting and also their copy of the Annual Report.

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 ITEM NO.5.

The Shares of the Company are listed in the Stock Exchange of Madras, Mumbai, Ahmedabad, Bangalore and Calcutta. In the Ahmedabad, Bangalore and Calcutta Stock exchanges, the trading of shares are very less and in-frequent. The Company's shares are dematerialised under ISIN - INE 463D01016. The shares of the Company can be traded through NSDL and CDSL. Hence, the shares are to be delisted from the three Stock Exchanges.

ITEM NO.6.

The Company is envisaging to take up various projects in the Steel as well as Synthetic Divisions. A part of the cost will be met through further issue of shares, by way of Private Placement or Public / Right Issue, at a suitable issue price. Since the Board may have to issue, the shares to persons other than existing share holders, approval under Section 81 of the Companies Act, 1956 is required to be obtained. Accordingly a Special Resolution is placed before the members under Item No.6 of the Notice for consideration and approval.

None of the Directors is interested or concerned in the resolution.



REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We take pleasure in presenting the 56th Annual Report of the Company together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the year ended 31st March, 2003.

FINANCIAL RESULTS	Rupees in Lacs	
	2002-2003	2001-2002
Profit before depreciation and Tax	516.98	476.81
Less: Depreciation	231.97	209.38
Profit for the year	285.01	267.43
Less: Current Tax	36.00	20.46
Deferred Tax	47.48	87.94
Add: Surplus brought forward	110.09	114.04
Public Issue/Preliminary Exp. written off	4.21	4.21
Amount available for appropriation	307.41	268.86
Appropriations:		
Dividend	35.00*	35.00
Corporate Tax	4.48	...
General Reserve	150.00	123.77
Balance carried forward	117.93	110.09

* subject to approval of AGM

OPERATIONS AND OUTLOOK

In spite of recessionary trends continuing in the market, your Company has achieved profit of Rs. 516.98 lacs before depreciation and tax during the year 2002-2003 as against Rs. 476.81 lacs for the year 2001-02 showing an increase of 8.42%. The Company has planned to increase the capacity of the steel division of the company by installing one more plant in Gummudipoondi, in Tamil Nadu. During the current year the Synthetic Division of the Company also increase the production capacity of Flexible Intermediate Bulk Container Bags.

DIVIDEND

Your Directors are pleased to recommend a Dividend of 7%, on the Equity Capital subject to members approval

DIRECTORS

Mr.S.M. Tulshyan, Director of the Company, retires by rotation and being eligible, offers himself for reelection.

AUDITORS

The joint auditors of the Company M/s. C. A. Patel & Patel, Chartered Accountants, Chennai and

M/s. R. S. Agarwala & Co., Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting of the Company and

being eligible, offer themselves for re-appointment.

PERSONNEL

Your Directors wish to express their appreciation to the employees at all level for their contribution to the Company's performance during the year under review.

None of the employees was in receipt of remuneration in excess of limits prescribed under section 217(2A) of the Companies Act, 1956.

FIXED DEPOSITS

The Company has complied with the provisions of Section 58A of the Companies Act, 1956 and Rules made thereunder relating to acceptance of deposits from public. There are no unpaid/unclaimed deposits.

DEMATERILISATION OF SHARES

Your company has entered in to an arrangement with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for Dematerialisation of the Company's shares in accordance with the provisions of the Depositories Act, 2001. Accordingly, our Company's shares can be dematerialised in the CDSL and NSDL under the ISIN - INE463D01016.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956.

Your Directors confirm that

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. such accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and of the Profit of the Company for the year ended on that date.
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities
- iv. the annual accounts have been prepared on a going concern basis.

AUDIT COMMITTEE

In compliance of Section 292A of the Companies Act, 1956, the Audit Committee of the Board has been re-constituted consisting of the following Directors:

1. Mr. S. M. Tulshyan - Chairman
2. Mr. Lalit Kumar Tulsyan
3. Mr. S. Soundararajan

CORPORATE GOVERNANCE

Report on Corporate Governance is annexed

GENERAL

The particulars prescribed by Companies (Disclosure of Particulars in report of Board of Directors) Rules, 1988 are appended and form an integral part of this Report.

The Directors take this opportunity to convey their appreciation of the services rendered and support given by the Company's Bankers, Financial Institutions, Suppliers and Customers.

Your Directors thank you, the Shareholders, for your continued patronage.

For and on behalf of the Board
Lalit Kumar Tulsyan
Executive Chairman

Place : Chennai

Date : 30th August 2003



ANNEXURE TO DIRECTORS' REPORT

Information under section 217(1) (e) of the Companies Act, 1956

A. CONSERVATION OF ENERGY	2002 - 2003 Rs.	2001 - 2002 Rs.
I. Electricity		
a. Purchases in units	20361004	11173263
Total Amount (Rs. in lacs)	833.95	490.97
Rate per unit	4.10	4.39
b. Own generation in units	7126	5600
Unit per litre of diesel	3.50	3.50
Cost per unit	5.71	5.42
II. Coal	----	----
III. Furnace Oil		
Consumption (litres)	1708940	1856784
Total Amount (Rs. in lacs)	208.70	160.92
Average Rate (Rs.)	12.21	8.66
B. CONSUMPTION PER UNIT OF PRODUCTION		
Finished Steel Products		
Production	25887	26068
Electricity	111	115
Furnace oil	66	71
MS. Ingots		
Production	14561	7117
Electricity	1202	1149
C. TECHNOLOGY ABSORPTION	Not applicable	Not applicable
D. ACTIVITY RELATING TO EXPORTS		
i. Foreign Exchange earned	436.56	444.97
ii. Foreign Exchange used	860.94	1434.09

Place : Chennai
Date : 30th August, 2003

For and on behalf of the Board
Lalit Kumar Tulsyan
Executive chairman

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO SUBSIDIARY COMPANY**

A (a) The extent of the Company's interest in the subsidiary at the end of the financial year on 31/03/2003

- | | | | |
|----|-----------------------------------|---|-------------------------------------|
| 1) | Name of the Subsidiary Company | : | Tulsyan Technologies Limited |
| 2) | Paid-up Capital | : | Rs.1,12,65,000/- |
| 3) | Investment made by the Company | : | Rs. 1,00,00,000/- |
| 4) | Extent of Interest of the Company | : | 88.77% |
- b) The Net aggregate amount of the Profit of the subsidiary company not dealt with in the Company's Account as on 31/03/2003**

- | | | |
|----|---|---------------|
| 1) | Net profit after tax of Tulsyan Technologies Ltd. | Nil |
| | for the period ended 31st March 2003 | 312427 |
| 2) | Company's share in the net profit of the Subsidiary Company | 277341 |
| 3) | Less amount of the dividend received from the Subsidiary Company | Nil |
| | not dealt within the books of the Company | Nil |
| | (c) The net aggregate amount of the profits of the Subsidiary Company dealt within the Company's Accounts | Nil |

B (a) The extent of the Company's interest in the subsidiary at the end of the financial year on 31/03/2003

- | | | | |
|----|-----------------------------------|---|------------------------------|
| 1) | Name of the Subsidiary Company | : | TULSYAN POWER LIMITED |
| 2) | Capital | : | Rs. 5,00,000/- |
| 3) | Investment made by the Company | : | Rs. 4,94,000/- |
| 4) | Extent of Interest of the Company | : | 98.80% |

(b) The Net aggregate amount of the Profit of the subsidiary company not dealt with in the Company's Account as on 31/03/2003

- | | | |
|-----|---|-----|
| 1) | Net Profit after tax of Tulsyan Power Limited | Nil |
| | for the period ended 31st March, 2003 | |
| 2) | Company's Share in the net Profit of the Subsidiary Company | Nil |
| 3) | Less amount of the dividend received from the Subsidiary Company | Nil |
| 4) | Amount of profit of the Subsidiary Company not dealt within the books of the Company | Nil |
| (c) | The net aggregate amount of the profits of the Subsidiary Company dealt within the Company's Accounts | Nil |

On behalf of the Board

L.K. Tulsyan
Executive Chairman

Sanjay Tulsyan
Managing Director

S. Soundarajan
Director

Place : Chennai

Date : 30th August, 2003

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REPORT ON CORPORATE GOVERNANCE:

(Pursuant to Clause 49 of the Listing Agreement)

Your company aspires to follow the best practices in the area of corporate governance and the principles of fair representation and full disclosure in all its dealings and communications.

Your company's annual reports, results presentations and other forms of corporate and financial communications, provide extensive details.

1. Company's Philosophy on code of Governance

Your Company's Philosophy on the code of Governance is to enhance the Long term Economic value of the Company, its Shareholders and all its Stakeholders by adopting better Corporate Practices with highest levels of transparency, accountability and equity in all facets of its operation.

2. The Board of Directors

The Board of Directors consists of five Directors. Your company has an optimum combination of Executive and Non-Executive Directors with not less than fifty percent of the Board of Directors comprising of Non-Executive Directors. All the members of Board are eminent persons with expertise and extensive experience in different field and have made outstanding contribution to the Industry. Composition and Category of Directors is as follows:

Category	Name of the Directors
Executive Chairman	Shri Lalit Kumar Tulsyan
Executive-Not Independent	
Managing Director	Shri Sanjay Tulsyan
Executive-Not Independent	
Non-Executive- Independent Directors*	Shri S. M. Tulshyan
	Shri S. Soundararajan
	Shir P. T. Rangamani

*As per the judgment of the Board these are Independent Directors within the meaning of explanation to Clause 49-1A of the Listing Agreement.

Attendance of each Director at the Board Meeting, last Annual General Meeting and Number of other Directorship and Chairmanship of Committee of each Director in various companies:

Name of Director	Attendance Particulars		No. of other Directorships and Committee Memberships/ Chairmanship		
	Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Shri Sanjay Tulsyan	Nine	Yes	Five	None	None
Shri L K Tulsyan	Nine	Yes	Six	One	None
Shri S M Tulshyan	Three	No	Five	None	None
Shri S Soundararajan	Eight	Yes	One	None	None
Shri P T Rangamani	Five	Yes	None	None	None

Number of Board Meetings held and the dates on which held:

Nine Board Meeting were held during the year, as against the minimum requirement of four meetings. The dates on which the meeting were held are as follows: 30th April 02, 31st May 02, 11th July 02, 29th July 02, 29th August 02, 28th October 02, 30th December 02, 30th January 03, and 26th February 03

3. AUDIT COMMITTEE

The Board of the Company has constituted an Audit Committee, comprising three Directors viz. Shri S M Tulsyan, Shri L K Tulsyan and Shri S Soundararajan. The constitution of Audit Committee also meets with the requirements under Section 292 A of the Companies Act, 1956

The terms of reference stipulated by the Board to the Audit Committee are as contained under Clause 49 of the Listing Agreement, as follows:

Overseeing of the Company's financial reporting process and the disclosure of its financial information

Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services

Reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies, (ii) major accounting entries based on exercise of judgment by management, (iii) qualifications in draft audit report (iv) significant adjustments arising out of audit (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) any related party transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

Reviewing the adequacy of internal audit functions

Discussion with internal auditors any significant findings and follow-up there on

Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board