



**TULSYAN NEC LIMITED**



**ANNUAL REPORT 2003-2004**



# TULSYAN NEC LIMITED

<b>Registered Office</b>	61, Sembudoss Street, Chennai. - 600 001.
<b>Corporate Office</b>	5 <sup>th</sup> Floor, 147, Greams Road, Chennai 600 006.
<b>Administrative Office</b>	37, Kaveriappa Layout, Miller Tank Bund Road Vasanth Nagar, Bangalore - 560 052.
<b>Steel Division</b>	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. Pazhavcor, Tirunelveli Dist. Tamilnadu
<b>Synthetics Division</b>	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.
<b>Board of Directors</b>	L.K. Tulsyan Executive Chairman Sanjay Tulsyan Managing Director S.M. Tulshyan S.Soundararajan P.T. Rangamani A.P. Venkateshwaran
<b>Bankers</b>	Canara Bank Syndicate Bank Andhra Bank State Bank of India
<b>Auditors</b>	C.A. Patel & Patel, Chennai R.S. Agarwala & Co., Bangalore
<b>Share Transfer Agents</b>	Cameo Corporate Services Ltd. Subramanian Building 1 Club House Road Chennai - 600 002.

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**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the 57<sup>th</sup> Annual General Meeting of the Company will be held on Thursday the 30<sup>th</sup> September, 2004 at 10.30 a. m. at NARADA 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 31<sup>st</sup> March, 2004 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 Soundararajan, 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, retiring auditors of the Company be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company"

**SPECIAL BUSINESS**

5. To regularise the appointment of Shri A P Venkateshwaran, Director whose term of office expires on the date of Annual General Meeting

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other provisions, if any, of the Companies Act, 1956, Shri A P Venkateshwaran be and is hereby appointed as Whole-time Director of the Company on the following terms and conditions :-

- i) Term : 5 years with effect from 1<sup>st</sup> October, 2004
- ii) Salary and Perquisites : Rs.30000 / - per month
- iii) Other perquisites : Company Car with driver & Telephone at Residence"

For and on behalf of the Board

**Lalit Kumar Tulsyan**

Sdxxxxxxx

Executive Chairman

Place: Chennai

Date: 30<sup>th</sup> August, 2004

**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 Friday the 24<sup>th</sup> September, 2004 to Thursday the 30<sup>th</sup> September, 2004 (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 1996-97 is due for transfer to the account of the Central Government on 17<sup>th</sup> November, 2004. Shareholders who have not encashed the dividend warrants for the financial year 1996-97 or any subsequent financial years 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 the meeting and also their copy of the Annual Report

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

Shri A P Venkateshwaran is working as Vice President (Finance & Corporate Accounts) of the Company. He has been inducted in the Board as Additional Director of the Company during January, 2004. Now the company has received proposal under section 257 of the Companies Act, 1956 from a Member to appoint as Whole-time Director for five years. Hence this special business is to be transacted in this meeting and Shri A P Venkateshwaran will be appointed as Whole-time Director of the Company under the terms and conditions mutually agreed upon.

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



## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We take pleasure in presenting the 57<sup>th</sup> Annual Report of the Company together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the year ended 31<sup>st</sup> March, 2004.

FINANCIAL RESULTS	Rupees in Lacs	
	2003-2004	2002-2003
Profit before depreciation and Tax	546.40	516.98
Less: Depreciation	241.40	231.97
Profit for the year	305.00	285.01
Less: Current Tax	43.60	36.00
Deferred Tax	30.60	47.48
Add: Surplus brought forward	117.93	110.09
Public Issue/Preliminary Exp. written off	4.21	4.21
Amount available for appropriation	492.92	307.41
Appropriations:		
Dividend	40.00*	35.00
Corporate Tax	5.00	4.48
General Reserve	150.00	150.00
Balance carried forward	149.52	117.93

\* subject to approval of AGM

### OPERATIONS AND OUTLOOK

The performance of your company for the current year was satisfactory especially in view of the volatile market conditions prevalent in both Steel as well as Woven Sacks. The Profit before depreciation and tax has grown by 5.69% compared to the previous year.

The expansion envisaged Gummudipoondi has been completed by which the capacity of the Steel Division has increased by 72000 Mts. per annum.

### DIVIDEND

Your Directors are pleased to recommend a Dividend of 8%, on the Equity Capital subject to members approval

### DIRECTORS

Mr.S.Soundararajan, Director of the Company, retires by rotation and being eligible, offers himself for reelection. Mr. A.P. Venkateswaran, who has been inducted in the Board as Additional Director during January, 2004, whose office expires at this Annual General Meeting. He will be reappointed as Whole-time Director of the Company.

### 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. Mr. M. Gandhi, Partner of M/s R.S. Agarwala & Co., Chartered Accountants, Bangalore has expressed his inability to continue as auditors of the Company. Hence it has been decided to re-appoint M/s C. A. Patel & Patel, Chartered Accountants, Chennai as the Auditors of the Company.

### 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.

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## 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 fare view of the state of affairs of the Company as at 31<sup>st</sup> March, 2004 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 : 30<sup>th</sup> August, 2004

**ANNEXURE TO DIRECTORS' REPORT**

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

<b>A. CONSERVATION OF ENERGY</b>	<b>2003 - 2004</b>	<b>2002 - 2003</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>I. Electricity</b>		
a. Purchases in units	<b>20030581</b>	<b>20361004</b>
Total Amount (Rs. in lacs)	<b>884.63</b>	<b>833.95</b>
Rate per unit	<b>4.61</b>	<b>4.10</b>
b. Own generation in units	<b>4200</b>	<b>7126</b>
Unit per litre of diesel	<b>3.50</b>	<b>3.50</b>
Cost per unit	<b>6.51</b>	<b>5.71</b>
<b>II. Coal</b>	<b>----</b>	<b>----</b>
<b>III. Furnace Oil</b>		
Consumption (litres)	<b>1464974</b>	<b>1708940</b>
Total Amount (Rs. in lacs)	<b>191.96</b>	<b>208.70</b>
Average Rate (Rs.)	<b>13.10</b>	<b>12.21</b>
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Finished Steel Products		
Production	<b>25987</b>	<b>25887</b>
Electricity	<b>111</b>	<b>111</b>
Furnace oil	<b>56</b>	<b>66</b>
MS. Ingots		
Production	<b>15017</b>	<b>14561</b>
Electricity	<b>1142</b>	<b>1202</b>
<b>C. TECHNOLOGY ABSORPTION</b>	<b>Not applicable</b>	<b>Not applicable</b>
<b>D. ACTIVITY RELATING TO EXPORTS</b>		
i. Foreign Exchange earned	<b>1065.05</b>	<b>436.56</b>
ii. Foreign Exchange used	<b>815.02</b>	<b>860.94</b>

Place : Chennai  
Date : 30<sup>th</sup> August, 2004

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



**STATEMENT PURUANT 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 31/03/2004

- |  |                                     |
|--|-------------------------------------|
| 1) Name of the Subsidiary Company :    | <b>Tulsyan Technologies Limited</b> |
| 2) Paid-up Capital :                   | <b>Rs.1,12,65,000/-</b>             |
| 3) Investment made by the Company :    | <b>Rs.1,00,00,000/-</b>             |
| 4) Extent of Interest of the Company : | <b>88.77%</b>                       |

(b) The Net aggregate amount of the Profit of the subsidiary company not dealt with in the Company's Account as on 31/03/2004

- |   |     |
|---|-----|
| 1) Net profit after tax of Tulsyan Technologies Ltd for the period ended 31 <sup>st</sup> March, 2004 | NIL |
| 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

B (a) The extent of the company's interest in the subsidiary at the end of the financial year on 31/03/2004

- |  |                              |
|--|------------------------------|
| 1) Name of the Subsidiary Company :    | <b>Tulsyan Power Limited</b> |
| 2) Paid-up Capital :                   | <b>Rs.5,00,000/-</b>         |
| 3) Investment made by the Company :    | <b>Rs.4,94,000/-</b>         |
| 4) Extent of Interest of the Company : | <b>98.80%</b>                |

(b) The Net aggregate amount of the Profit of the subsidiary company not dealt with in the Company's Account as on 31/03/2004

- |  |     |
|--|-----|
| 1) Net profit after tax of Tulsyan Power Limited for the period ended 31 <sup>st</sup> March, 2004 | NIL |
| 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. Soundararajan**  
Director

Place: **CHENNAI**

Date: **30<sup>th</sup> August, 2004**



**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 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
	Shri P. T. Rangamani
	Shri A P Venkateshwaran

\*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	Ten	Yes	Five	None	None
Shri L K Tulsyan	Ten	Yes	Six	One	None
Shri S M Tulshyan	Four	No	Five	None	None
Shri S Soundararajan	Ten	Yes	One	None	None
Shri P T Rangamani	Five	Yes	None	None	None
Shri A P Venkateshwaran	Three	No	None	None	None

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Shri A.P. Venkateswaran B.Com., ACA is working as Vice - President (Finance & Corporate Accounts) in the Company. He is going to be appointed as Whole-time Director in the ensuing Annual General Meeting. He is of 45 years old.

#### **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: 28<sup>th</sup> April 03, 31<sup>st</sup> May 03, 7<sup>th</sup> July 03, 28<sup>th</sup> July 03, 18<sup>th</sup> August 03, 30<sup>th</sup> August 03, 31<sup>st</sup> October 03, 9<sup>th</sup> January 04, 29<sup>th</sup> January 04, and 8<sup>th</sup> March 04

### **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.

Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.

Reviewing the Company's financial and risk management policies

To look into the reasons for substantial defaults in the payment to shareholders (in case of non-payment of declared dividends) and creditors

During the year, the Committee has met thrice during the year on 31/05/2003, 30/08/2003 and 29/01/2004

### **4. REMUNERATION COMMITTEE**

The Company does not have a Remuneration Committee. Payment of remuneration to the whole time directors is governed by the Agreement executed between them and the Company which was approved by the Board and the Shareholders in terms of Sch. XIII of the Companies Act. Their remuneration structure comprises salary, perquisites and allowances and contribution to provident fund. The Non-executive Directors do not draw any remuneration from the Company other than sitting fees. (This is a non-mandatory recommendation)