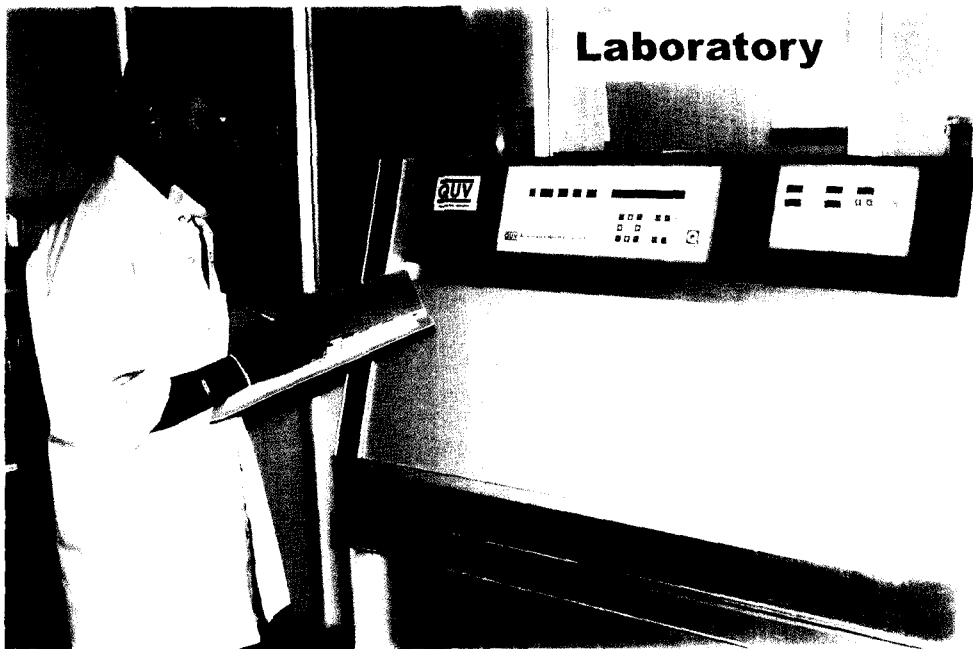




**TULSYAN NEC LIMITED**  
**STRENGTH OF STEEL FLEXIBILITY OF PLASTICS**



**ANNUAL REPORT 2004 - 2005**



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# TULSYAN NEC LIMITED

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<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.  D-4, SIPCOT Indl. Complex, Gummudipoondi, Chengalpet Dist. Tamil Nadu  Windmill : 1. Kudimangalam, Udumalapet, Tamilnadu 2. Pazhavor, 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.  477, E-4th Phase, Peenya Industrial Area, Bangalore - 560 058. Karnataka.  Unit III, No. 343, 9th Cross, 4th Phase, Peenya II Stage, Bangalore - 560 058. 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.Soundararajan P.T. Rangamani A.P. Venkateshwaran S. Ramakrishnan
<b>Bankers</b>	Canara Bank Syndicate Bank Andhra Bank State Bank of India IDBI
<b>Auditors</b>	C.A. Patel & Patel, Chennai
<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 58<sup>th</sup> Annual General Meeting of the Company will be held on Monday the 22<sup>nd</sup> August, 2005 at 11.30 a. m. at NARADAGANA SABHAMINI 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, 2005 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 P T Rangamani, 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**

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

5. To regularise the appointment of Shri S Ramakrishnan, Director whose term of office expires on the date of Annual General Meeting

"RESOLVED THAT Shri S Ramakrishnan, who was appointed as an Additional Director in the meeting of the Board of Directors held on 31/01/2005 and who holds office as such up to the date of commencement of this Annual General Meeting and in respect of whom the Company has received notice in writing from member proposing him as candidate for the office of Director under the provisions of section 257 of the Companies Act 1956, along with the deposit of Rs. 500/- and who is eligible for appointment to the office of Director, be

and is hereby appointed as Director of the Company"

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

To increase the remuneration of the Managing Director :

"RESOLVED THAT pursuant of section 310 and other applicable provision of the Companies Act, the company do hereby approve the revision in the remuneration and amendment of the terms and conditions of the existing agreement between the company and Mr. Lalit Kumar Tulsyan, Executive Chairman of the Company as specified in the draft supplemental agreement submitted to this meeting and initialed by the Chairman for the purpose of identification".

For and on behalf of the Board

**Lalit Kumar Tulsyan**  
Executive Chairman

Place: Chennai  
Date: 19<sup>th</sup> June, 2005

**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 Wednesday the 17<sup>th</sup> August, 2005 to Monday the 22<sup>nd</sup> August, 2005 (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

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

Share Transfer Agents  
Cameo Corporate Services Ltd.

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

Shri S Ramakrishnan was appointed as an Additional Director of the Company at the Board Meeting held on 31/01/2005. He has rich blend of hands on experience coupled with managerial and entrepreneurial skill over the last 25 years.

The company has received a notice in writing from a member alongwith a deposit of Rs. 500/- proposing the candidature of Shri S Ramakrishnan for the office of a director under the provisions of Section 257 of the Companies Act, 1956

The Board considers it desirable to receive the benefit out of his experience having regard to his qualifications and exposure

The Board recommends the resolution for approval of the members.

**ITEM No. 6**

Shri Lalit Kumar Tulsyan is Managing Director, designated as Executive Chairman, of the Company.

The remuneration payable to Shri Lalit Kumar Tulsyan, Executive Chairman, was approved by shareholders at the Annual General Meeting held on 29th October 2001. The Board of Directors in their meeting held on 30th April, 2005 decided to recommend to the company in general meeting that the terms and conditions of service of Shri Lalit Kumar Tulsyan as to his remuneration be revised with effect from April 2005 as follows :

a) Salary be increased from Rs. 12,500 to Rs. 2,25,000 per month.

Copies of the existing agreement and the supplemental agreement are open for inspection at the Corporate Office of the Company during the business hours on any working day.

None of the Directors other than Shri Sanjay Tulsyan who is the relative of Shri Lalit Kumar Tulsyan are interested in the resolution.

The above statement may be regarded as an abstract of the terms of contract of variations and memorandum of interest under Section 302 of the Companies Act, 1956.



## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We take pleasure in presenting the 58<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, 2005.

FINANCIAL RESULTS	Rupees in Lacs	
	2004-2005	2003-2004
Profit before depreciation and Tax	802.64	546.40
Less: Depreciation	295.72	241.40
Profit for the year	506.92	305.00
Less: Current Tax	46.00	43.60
Deferred Tax	55.41	30.60
Add: Surplus brought forward	149.52	117.93
Public Issue/Preliminary Exp. written off	4.21	4.21
Amount available for appropriation	550.82	492.92
Appropriations:		
Dividend	60.00*	40.00
Corporate Tax	8.42	5.00
General Reserve	250.00	150.00
Balance carried forward	232.40	149.52

\* subject to approval of AGM

### OPERATIONS AND OUTLOOK

The performance of your company for the current year continues to be satisfactory. The Profit before depreciation and tax has grown by 46.90% compared to the last year.

With constant vigil over ever-changing technological trends and consistent upgrading of equipment, your company is able to provide value added products to its customers. Indisputable superiority in quality and timely supplies has facilitated a continuous increase in demand for your company's product, which is being very closely monitored.

Your Directors re-assure that all efforts shall continue to sustain satisfactory margin and to further consolidate retained earnings.

### DIVIDEND

Your Directors are pleased to recommend a Dividend of 12%, on the Equity Capital subject to members approval.

### DIRECTORS

Mr.P.T. Rangamani, Director of the Company, retires by rotation and being eligible, offers himself for re-election. Mr. S. Ramakrishnan, who has been inducted in the Board as Additional Director during January, 2005, retires in this Annual General Meeting. He will be re-appointed a Director of the Company.

Mr. S.M. Tulsyan has resigned as Director, effective from 28/06/2005. The Board has placed on record its appreciation of the valuable services rendered by him.

### AUDITORS

The Auditors of the Company M/s. C. A. Patel & Patel, Chartered Accountants, Chennai retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

### PERSONNEL

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 into 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 31<sup>st</sup> March, 2005 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.

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 : 19<sup>th</sup> July, 2005

## 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. Soundararajan - Chairman
2. Mr. S. Ramakrishnan
3. Mr. A.P.Venkateshwaran

## 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.

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**ANNEXURE TO DIRECTORS' REPORT**

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

<b>A. CONSERVATION OF ENERGY</b>	<b>2004 - 2005</b>	<b>2003 - 2004</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>I. Electricity</b>		
a. Purchases in units	<b>33660651</b>	<b>20030581</b>
Total Amount (Rs. in lacs)	<b>1549.48</b>	<b>884.63</b>
Rate per unit	<b>4.61</b>	<b>4.61</b>
b. Own generation in units	<b>92400</b>	<b>4200</b>
Unit per litre of diesel	<b>3.50</b>	<b>3.50</b>
Cost per unit	<b>8.00</b>	<b>6.51</b>
<b>II. Coal</b>	<b>----</b>	<b>----</b>
<b>III. Furnace Oil</b>		
Consumption (litres)	<b>1954800</b>	<b>1464974</b>
Total Amount (Rs. in lacs)	<b>262.58</b>	<b>191.96</b>
Average Rate (Rs.)	<b>13.43</b>	<b>13.10</b>
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Finished Steel Products		
Production	<b>33456</b>	<b>25987</b>
Electricity	<b>107</b>	<b>111</b>
Furnace oil	<b>58</b>	<b>56</b>
MS. Ingots		
Production	<b>14789</b>	<b>15017</b>
Electricity	<b>1164</b>	<b>1142</b>
MS. Ingots		
Production	<b>12861</b>	<b>-----</b>
Electricity	<b>1957</b>	<b>-----</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>7374.71</b>	<b>1065.05</b>
ii. Foreign Exchange used	<b>3588.17</b>	<b>815.02</b>

Place : Chennai  
Date : 19<sup>th</sup> July, 2005

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 31/03/2005

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 31/03/2005

1) Net profit after tax of Tulsyan Technologies Ltd for the period ended 31 <sup>st</sup> March, 2005	29,56,221
2) Company's share in the net profit of the Subsidiary Company	26,24,237
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	26,24,237

(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 31/03/2005

1) Name of the Subsidiary Company	Tulsyan Power Limited
2) Paid-up 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 31/03/2005

1) Net profit after tax of Tulsyan Power Limited for the period ended 31 <sup>st</sup> March, 2005	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: **19<sup>th</sup> July, 2005**

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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 Six 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	
Director - Finance	Shri A P Venkateshwaran
Executive-Not Independent	
Non-Executive-Independent Directors*	Shri S. Soundararajan Shri P. T. Rangamani Shri S Ramakrishnan

\* 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	Nine	Yes	One	None	None
Shri P T Rangamani	Nine	Yes	None	None	None
Shri A P Venkateshwaran	Nine	Yes	None	None	None
Shri S. Ramakrishnan	Two	No	Two	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: 16<sup>th</sup> April 04, 29<sup>th</sup> April 04, 03<sup>rd</sup> June 04, 30<sup>th</sup> July 04, 30<sup>th</sup> August 04, 30<sup>th</sup> October 04, 10<sup>th</sup> January 05, 31<sup>st</sup> January 05, and 7<sup>th</sup> March 05.