



**Coromandel Engineering Company Limited**  
Annual Report 2013 - 2014

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### Cautionary Statement

This communication contains statements relating to future business developments and economic performance that could constitute 'forward looking statements'. While these forward looking statements represent the company's judgements and future expectations, a number of factors could cause actual developments and results to differ materially from expectations. The Company undertakes no obligation to publicly revise any forward looking statements to reflect future events or circumstances. Further, investors are requested to exercise their own judgement in assessing various risks associated with the Company and also the effectiveness of the measures being taken by the Company in tackling them, as those enumerated in this report are only as perceived by the management.

## CORPORATE INFORMATION

<b>Board of Directors</b>	
<p>Mr. M.M. Venkatachalam - Chairman and Managing Director *</p> <p>Mr. M.A.M. Arunachalam</p> <p>Mr. S.S. Rajsekar</p> <p>Mr. J. Srinivasan</p> <p>Mr. V. Venkiteswaran</p> <p>Mr. N.V. Ravi</p>	
<b>Bankers / Financial Institution</b>	<b>Company Secretary</b>
City Union Bank Ltd Development Credit Bank Ltd HDFC Bank Ltd IDBI Bank Ltd Indian Bank Indusind Bank Ltd New India Co-Op Bank Ltd Tata Capital Financial Services Ltd	Mr R Narayanan
	<b>Auditors</b>
	M/s. Sundaram & Srinivasan Chartered Accountants
<b>Registered Office</b>	<b>Registrars and Share Transfer Agents</b>
'Parry House', 3rd Floor No. 43, Moore Street Chennai – 600 001 Tel : 25301700 Fax : 25342822 Email: investorservices@cec.murugappa.com Website : www.coromandelengg.com	Karvy Computershare Private Limited Plot Nos.17-24, Vithal Rao Nagar Madhapur, Hyderabad – 500 081 Tel : 91-40-23420815 to 23420824 Toll Free No:1-800-3454001 Fax : +91-40 23420814 Email : einward.ris@karvy.com Website: www.karvy.com
<b>66th Annual General Meeting</b>	<b>Date: 30th day of July, 2014</b>
	Day : Wednesday Time : 10.00 am Venue : Narada Gana Sabha Trust, 'Mini Hall' No. 314, TTK Road, Chennai-600 018

\* Resigned from post of Managing Director with effect from close of business hours of 29th April 2014.

## TEN YEAR FINANCIALS

(₹ In lakhs)

YEAR ENDED 31st March										
OPERATING RESULTS	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sales	2054.75	2392.49	4502.40	6800.84	10024.63	8920.85	11275.24	17046.09	21,639.22	19,924.92
Other Income	27.28	93.16	19.02	22.87	37.85	40.00	185.34	78.79	90.30	109.01
Profit/(Loss) before depreciation	36.76	153.46	276.97	570.37	799.55	434.49	523.16	(3088.12)	(453.31)	(1,020.17)
Profit/(Loss) before Tax	29.38	139.12	251.82	527.49	714.22	330.27	405.12	(3249.32)	(668.37)	(1,243.48)
Profit/(Loss) after Tax	17.99	115.71	202.96	412.87	467.01	218.94	288.54	(2145.22)	(544.05)	(888.17)
Dividend - Equity	-	18.78	48.18	77.07	115.64	76.84	95.73	-	-	-
<b>SOURCES OF FUNDS</b>										
Paid up share capital	164.74	164.74	164.74	164.74	329.48	329.48	329.48	2829.48	2,829.48	4,023.36
Reserves	181.27	278.20	463.15	766.54	1250.75	1392.85	1585.66	(559.56)	(1,103.61)	313.14
Loan Funds	511.14	576.36	1945.45	2997.71	4005.87	5533.07	7264.90	6770.40	8,505.80	10,028.82
Deferred Tax Liability/ (Asset) Net	(10.91)	(2.33)	(0.37)	12.56	47.28	78.80	114.61	(989.49)	(1,113.81)	(1,469.12)
<b>Total</b>	<b>846.24</b>	<b>1016.97</b>	<b>2572.97</b>	<b>3941.55</b>	<b>5633.38</b>	<b>7334.20</b>	<b>9294.65</b>	<b>8050.83</b>	<b>9,117.86</b>	<b>12,896.20</b>
<b>APPLICATION OF FUNDS</b>										
Fixed Assets	32.43	79.39	249.02	713.49	1354.24	1383.68	1822.54	2423.15	3,037.54	3,539.01
Investments	31.12	31.12	1.13	1.20	1.25	6.25	5.20	5.20	5.44	5.44
Net Current Assets	782.69	906.46	2322.82	3226.86	4277.89	5944.27	7466.91	5622.48	6,074.88	9,351.75
<b>Total</b>	<b>846.24</b>	<b>1016.97</b>	<b>2572.97</b>	<b>3941.55</b>	<b>5633.38</b>	<b>7334.20</b>	<b>9294.65</b>	<b>8050.83</b>	<b>9,117.86</b>	<b>12,896.20</b>

## DIRECTORS – A BRIEF PROFILE

### **Mr. M M Venkatachalam**

Chairman and Managing Director\*

Mr. M M Venkatachalam, representing Promoter Group, is a Graduate in Agriculture and Master in Business Administration from George Washington University, USA. He was appointed as a Director in July 2009 and is presently the Chairman and Managing Director of the Company. He is also on the Board of various Companies including Coromandel International Limited, Ramco Systems Limited, Parry Agro Industries Limited, Ambadi Enterprises Limited, Polutech Limited, Parry Murray & Co. Limited U.K. etc.

\* Resigned from post of Managing Director with effect from close of business hours of 29th April 2014.

### **Mr M A M Arunachalam**

Non-Executive Promoter Director

Mr. M A M Arunachalam, representing Promoter Group, has done his Bachelors in Commerce and Masters in Business Administration from University of Chicago. He is an Industrialist and has 26 years experience in the field of varied industrial activities. He is the Managing Director of Parry Enterprises India Limited. He has been on the Board of CECL, since September 1995.

### **Mr. S S Rajsekar**

Non-Executive Independent Director

Mr. S S Rajsekar, is a Chemical Engineer (B. Tech) from Anna University. He has more than 34 years of experience in the field of real estate and property related advisory services. He has extensive senior-level contacts in the business community, through holding key positions in business organisations, Boards of various Companies, Chambers of Commerce, advisory committees of Banks/Financial Institutions. He was the past president of Andhra Chamber of Commerce. He has been on the Board of CECL, since October 2005.

### **Mr. J Srinivasan**

Non-Executive Independent Director

Mr. J Srinivasan, holds a Bachelor's Degree in Economics – Political Science – Commerce combination of the University of Delhi. He is also

a Fellow member of the Institute of Company Secretaries of India. He has been in Industry for over 56 years in different capacities. Till October 2006, he was the CEO of both TTK-LIG Limited and SSL-TTK Limited. Presently, he is the Mentor Director of the TTK Group. He was responsible for taking over Dr. Scholl, domestic business in SSL-TTK and for shifting UK operations to India. In recognition of his contribution, the JV partners have named Sriperumbudur plant after him. He is also associated with a few NGOs in Chennai, like VHS, TTK-VHS-Rotary Blood Bank, TTK Hospital of TT Ranganathan Foundation, Spastics Society of Tamil Nadu, etc. He has been on the Board of CECL, since July 2008.

### **Mr. V Venkiteswaran**

Non-Executive Independent Director

Mr V Venkiteswaran, has business experience of over 43 years in diverse areas of operations. He is a Mechanical Engineer from the University of Madras and worked over 37 years with Tata Tea Limited, initially overseeing the technical aspects of large tea plantations before attaining the position of GM. He held several key management positions in diverse operations like heading a subsidiary Company in the US, the Tata Tetley JV at Cochin and was responsible for a number of green field projects in India and abroad. All this culminated in his position as Executive Director of TTL between 2002 and 2006, after which he was a consultant for specific overseas projects till August, 2007. He is also on the Board of M/s. Shanthi Gears Limited. He has been on the Board of CECL, since July 2008.

### **Mr. N V Ravi**

Non-Executive Independent Director

Mr. N V Ravi is an architect and has his own private practice since 1985. He has done his Master in Architecture at the University of Michigan Ann Arbor. He has designed and executed several residential, industrial and commercial projects in Chennai, Delhi, Bangalore, Hyderabad etc. He also has vast experience in the field of construction and has his own property development firm, which has been doing projects since 1996. He has been on the Board of CECL, since February 2012.

## DIRECTORS' REPORT

Your Directors herewith present the 66th annual report and the audited accounts for the financial year ended March 31, 2014.

### FINANCIAL RESULTS:

(₹ in lakhs)

Description	2013-14	2012-13
Profit/(Loss) before interest & depreciation	266.22	674.28
Less: Depreciation	223.31	215.06
Finance costs	1286.39	1127.59
Profit/ (Loss) before tax	(1243.48)	(668.37)
Less: Provision for taxation	(355.31)	(124.32)
Profit/(Loss) after tax	(888.17)	(544.05)
Less: Transfer to general reserve	-	-
Proposed dividend	-	-
Tax on dividend	-	-
Add: Earlier year's profit brought forward	(1876.16)	(1332.11)
Profit carried to Balance Sheet	(2764.33)	(1876.16)

### OPERATIONS AND PERFORMANCE

During the year under review, Your Company achieved a turnover of ₹ 19924.92 lakhs and incurred a loss of ₹ 1243.48 lakhs before tax, as against the turnover of ₹ 21639.22 lakhs and loss of ₹ 668.37 lakhs before tax in the previous year. Your Company's operations were impacted during the year due to non-availability of labour, shortage and steep cost escalation of sand in Tamil Nadu for part of the year and delayed payments from certain clients. There were also delays in execution due to non-availability of work front and clearances from customers in certain project sites, leading to idle fixed costs. In spite of various efficiency improvement measures taken, the profitability has been affected, resulting in Your Company making a lower PBIT of ₹ 42.91 lakhs as compared to PBIT of ₹ 459.22 lakhs during the previous year. The finance cost for the year was at ₹ 1286.39 lakhs as compared to ₹ 1127.59 lakhs for the previous year.

Your Company participated in several tenders during the year in industrial, commercial and residential segments across select geographies. There was a distinct slowdown in request for

quotations (during second half of the year) as well as delay in customers taking final decision on their project and placing the orders. Your company quoted for tenders worth ₹ 200498 lakhs during the year and was able to win work orders to the tune of ₹ 8856 lakhs, including two orders above ₹ 2000 lakhs.

On the Property Development business, Your Company focused on existing projects in execution of the project and selling the apartments. Two projects in Chennai are nearing completion and handing over. The project at Coimbatore in 2 phases has progressed well in terms of construction activity. Lot of promotional activities were done to create "Coral" brand awareness and improve the sales. However due to prevailing market sentiments, there was a slowdown in apartment sales. The turnover for property development business was at ₹ 2975 lakhs for the year as against ₹ 3341 lakhs in the previous year.

During the year, Your Company has acquired operational plant and machinery and other fixed assets to the tune of ₹ 750.96 lakhs.

## **EQUITY RIGHTS ISSUE & PREFERENCE CAPITAL**

During the year, subsequent to approvals obtained from Shareholders and also from SEBI, BSE Ltd. and Madras Stock Exchange Ltd., Your Company successfully completed rights issue of 2,99,82,498 Equity shares (of which 43,680 shares were kept in abeyance) of ₹ 10/- each, at a premium of ₹ 10/- per Equity share. The rights Issue opened for subscription on Thursday, 23rd January, 2014 and closed on Thursday, 6th February, 2014. Equity shares were allotted to eligible shareholders, in consultation with the BSE Ltd., on Saturday, 15th February, 2014. The entire rights Issue proceeds of ₹ 5987.76 lakhs (net of issue expenses of ₹ 139.79 lakhs) was deployed during the year for purposes approved by Board, i.e. repayment of loans ₹ 3000 lakhs, redemption of Preference capital ₹ 2337.15 lakhs and balance towards general corporate purposes

The Board thanks all Shareholders for their overwhelming support to the rights issue.

The Company raised ₹ 3000 lakhs (including premium of ₹ 500 lakhs) by issue of redeemable Preference capital to redeem the then existing redeemable Preference capital of ₹ 2500 lakhs during August 2013. ₹ 1800 lakhs of Preference capital issued during the year, was redeemed in February 2014, along with applicable premium and yield to maturity, out of the proceeds of rights issue.

## **LISTING OF SECURITIES IN STOCK EXCHANGES:**

The Company's shares are listed in Madras Stock Exchange (MSE) and Bombay Stock Exchange (BSE). In terms of the agreement entered into by MSE with National Stock Exchange (NSE), the equity shares of your Company are allowed to deal on the NSE (capital market segment).

## **DIVIDEND**

Due to losses incurred by the Company, the Directors have not recommended any dividend

for the financial year 2013-14. Consequently, the Company has not transferred any amount to general reserve.

## **DEPOSITS**

The Company has not accepted any deposits during the financial year.

## **ACCREDITATION/ RECOGNITION**

Your Company has been certified as ISO 9001:2008 for quality management system and BS OHSAS 18001:2007 for safety management system, in design and establishment of property development, construction of residential, commercial and industrial projects, supporting services like electrical, mechanical and plumbing works.

## **DIRECTORS**

In accordance with Section 152(6) of the Companies Act 2013 and Articles 92 of the Articles of Association of the Company Mr. M.A.M Arunachalam and Mr. N.V. Ravi, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment.

In accordance with Section 149(4) and other applicable provisions, if any, read with Schedule IV of the Companies Act, 2013, the Company has to appoint 1/3rd of the total Directors as independent Directors, for a maximum period of 5 years and who are not liable to retire by rotation.

Accordingly the Board had appointed Mr. J. Srinivasan, Mr. S.S. Rajsekar, Mr. V. Venkiteswaran and Mr. N.V. Ravi as independent Directors and the same is subject to the approval of the shareholders at the Annual General meeting. A brief resume, expertise and details of other directorship of these Directors are attached along with the notice convening the ensuing Annual General Meeting.

**The composition of the Board will be as follows:**

Sl. No	Name of the Director	Designation	Category
1.	Mr M M Venkatachalam	Chairman *	Promoter Chairman
2.	Mr M A M Arunachalam	Director	Non Executive Promoter
3.	Mr J Srinivasan	Director	Independent & Non Executive
4.	Mr V Venkiteswaran	Director	Independent & Non Executive
5.	Mr S S Rajsekar	Director	Independent & Non Executive
6.	Mr N V Ravi	Director	Independent & Non Executive

- Resigned as Managing Director with effect from close of business hours of 29th April 2014

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- In the preparation of the Profit & Loss account for the financial year ended 31st March, 2014 and the Balance Sheet as at that date ("Financial Statements"), applicable accounting standards have been followed.
- Appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made, so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the financial results of the Company for that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations. In weighing the

assurance provided by any such systems of internal controls, its inherent limitations should be recognised. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit Committee meets at regular intervals to review the internal control system.

- The Financial Statements have been prepared on a going concern basis.

**AUDITORS**

M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, Statutory Auditors, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

The Board on the recommendation of the Audit Committee proposes that M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai bearing Firm Registration No. 004207S be re-appointed as the Statutory Auditors of the Company, to hold office from close of 66th Annual General Meeting till the conclusion of the 68th Annual General Meeting of the Company, subject to approval from Shareholders. M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, have forwarded a certificate to the Company, stating that their re-appointment, if made, will be within the limit specified in that behalf in sub-section (2) of Section 141 3(g) of Companies Act, 2013.

**MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis report, highlighting the business details, is attached and forms part of this report.

**CORPORATE GOVERNANCE REPORT**

A report on corporate governance, giving the status of implementation of mandatory and non-mandatory norms, as per clause 49 of the listing agreement and the corporate governance voluntary guidelines, 2009, issued by Ministry of Corporate Affairs, is attached and forms part of the Directors' report.



The certificate regarding compliance of conditions of corporate governance is made part of the annual report.

#### **PARTICULARS OF EMPLOYEES**

There were no employees covered under sub-section 2A of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended vide Notification No. GSR 289 (E) dated 31st March 2011.

#### **PARTICULARS REQUIRED TO BE FURNISHED U/S 217(1)(e)**

The Company has no activity relating to consumption of energy and technology absorption.

**Place: Chennai**  
Date: April 29, 2014

Except for foreign exchange earnings, there are no other particulars required to be furnished under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. There were no earnings or expenditure in foreign currency during year.

#### **GENERAL**

Your Directors place on record their appreciation for the continued co-operation, support and assistance extended to the Company by its Bankers, Shareholders, Government of India and Government of Tamil Nadu.

**On behalf of the Board**

**M.M. VENKATACHALAM**  
Chairman & Managing Director

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY UPDATES

The investment climate in infrastructure sector continued to remain subdued due to the delay in approvals and constraints in execution. Many power projects, iron and steel projects continued to remain stalled during the year, on account of fuel linkages, ban on mining etc. There were efforts from the Government during second half of the year to identify the bottlenecks and speed up clearances & implementation, but this still did not fructify into results till end of the year.

On the realty sector, the unsold inventories of residential apartments, continued to be high. Launches in the luxury premium housing segment continued to be high, however in mid range and affordable housing segment, launches slowed down. Developers were looking to off-load their inventory, to ensure cash flow for project execution. There was however no visible correction in housing prices across cities.

The investment climate in the year 14-15 is expected to begin on a sluggish note and gather speed, on the back of strong central Government, post elections. The Company expects improvement in power generation, cement, auto OEM/ancillary sectors in terms of capacity expansion/balancing requirements and thereby order generation. On the property development front, the Company will be focusing on selling the inventory on hand and timely execution of existing projects and handing over.

### REVIEW OF BUSINESS OF COROMANDEL ENGINEERING COMPANY LTD

The Company had participated in tenders worth ₹ 200498 lakhs across industrial, commercial and residential segments, during the year. There was stiff competition due to larger players willing to come down below their earlier threshold limit order level. There was also trend of clients deciding to procure all the major input materials and opting for labour contract to execute as per their specifications. These combined to affect our strike

rate. In terms of the order booking, for contract construction business, orders worth ₹ 8856 lakhs were booked. We booked orders in residential construction and commercial mall space.

Even in case of projects commenced, there were delays in customer clearances/drawings and availability of work front in certain sites. The other constraint faced was in the availability of skilled labour at few sites. Delay in payment from clients on account of their liquidity issues affected our cash flow. We are continuing to work on various efficiency and cost reduction measures and also improve the pace of execution.

On the residential front, the Company is close to completion and handing over of 2 projects in Chennai. Various brand promotion measures were undertaken to improve the sales of apartments in Coimbatore and premium residential project in Chennai. However the stiff competition in the segment affected the volume of sales.

### RISK MANAGEMENT

Given below are some of the major risks that impact the Company in the construction business and the broad mitigation measures.

#### BIDDING RISK

To meet competitive pressure and win orders, quoting is done at lower prices, leading to risk of financial losses when project is executed.

#### Mitigation Measures

1. Structured process and formats to cover all possible costs before quoting for tenders. Detailed site visit and thorough study of scope of the project being done.
2. Base minimum margins to be maintained while quoting, with prior approval process for extending additional discounts, based on justified business reasons.
3. Expanding scope of pass-through mechanism to handle input cost escalations and statutory duties and taxes while quoting and negotiations.

**RISK IN PROCESS ACTIVITY**

The processes of quoting, getting orders, planning, mobilisation and execution as per plan must be linked end to end. Any gap in linkage can lead to execution not as per commitment to client, time delays and cost escalation.

**Mitigation Measures**

1. Ensuring elaborate detailed study of the site conditions and scope of the project.
2. Involving execution, engineering and taxation team at tendering stage to capture all variables.
3. Project execution planning done in detail with clear linkages between complementing activities.

**QUALITY RISK**

The risk of quality of construction not as per agreed parameters, leading to customer dissatisfaction, short passing of invoices and loss of future business with client.

**Mitigation Measures**

1. Sourcing of raw materials from quality sources.
2. Stringent in-house checks on incoming materials and also on daily execution.
3. Ensuring certification of work measurement / quality with client representative / consultant then and there.

**RISK OF TIMELY COMPLETION**

Not completing the work as per timelines agreed with client, leading to potential liquidated damages, loss of reputation and also fixed cost escalation.

**Mitigation Measures**

1. Detailing the project requirements for labour and equipments, even while tendering.
2. Quick mobilisation of site team and other requirements, on getting the order.
3. Linking material / labour / equipment requirements and ensure synchronized availability.
4. Constantly communicate to client on drawings/ clearances required and ensure work progress is not hampered due to client delay.

**RISK OF NON-AVAILABILITY OF SUB-CONTRACTORS**

Impacts timely execution and also quality of work

**Mitigation Measures**

1. Enlarge the database of qualified sub-contractors.
2. Identify and partner with limited number of sub-contractors who can make available larger pool of labour.
3. Providing better facilities at site for retention of subcontract labour.

**COST ESCALATION RISK**

This includes increase in cost of inputs due to project tenure being spread over longer periods.

**Mitigation Measures**

1. Cost escalation estimates to be based on site conditions, expected duration of the project and seasonal cost/availability factors while quoting.
2. Put in transparent escalation reimbursement clause in the contract.
3. Leverage volumes across projects to get better rates from suppliers/service providers.

**CLIENT CONCENTRATION RISK**

Excessive dependence on a few sectors / clients could impact order book in the event of slowdown in sector or customer attrition.

**Mitigation Measures**

1. Diversify into different geographical locations and into different industry segments.
2. Work on expanding client list and also get technically approved by project consultants/ architects.

**COMPLIANCE RISK**

Contractual and Legal - non compliance of specific contractual obligation and general obligations in practice and also statutory non compliance will result in penalty and loss of reputation.

**Mitigation Measures**

1. Constant updation of statutory requirements to tender team by finance.
2. Update with the legal requirements through professional contacts, workshops etc.
3. Standard clauses to be frozen for quoting and any deviations to be discussed with cross functional team before acceptance.
4. Continuous education and training to site employees on key contractual/statutory compliances to be ensured and monitoring through audits.

**RISK OF NATURE AND CALAMITIES**

Affects execution of the project, leading to time delays and cost escalation.

**Mitigation Measures**

1. Suitable safety measures in place to handle possible risk events and periodic audits of adherence.
2. Adequate insurance cover to mitigate any financial loss arising out of such risk.
3. Ensure insurance cover protects against damages due to natural calamities in seismic fault areas and geographies prone to cyclones etc.

**LIQUIDITY RISK**

This covers the risk of longer working capital cycle, leading to inadequate cash generation vis a vis cash requirement. This will result in slowdown in payments affecting operations (or) increase in borrowings, leading to higher interest cost.

**Mitigation Measures**

1. Ensure timely quality and measurement certification from client representative to enable prompt submission of invoice and quick turnaround from client passing team.
2. To monitor collections from clients based on certified invoices as per contractual terms and put in escalation mechanism for follow-up when delays occur.
3. Monitor inventory requirement and ensure optimum inventory, without affecting project execution. Obtain better credit terms from suppliers.

**HUMAN RESOURCES RISK**

Construction business is people intensive and lack of right people will affect execution in timely manner. This also covers the risk of not being able to attract the right talent and retain the same.

**Mitigation Measures**

1. Attracting readily skilled talent based on market related compensation.
2. Retain existing & performing employees through compensation and providing opportunities for growth.

**DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONS****Income from Operations:**

During the year, the Company had a de-growth of 8 % in the revenue from operations, due to drop of 7 % in contract construction and 11 % de-growth in property development. This was due to delay in execution attributable to client clearances/work front, shortage of skilled labour supply and slow down in apartment sales.

## Expenditure

The total expenditure with respect to the yearly revenue is as under:

₹ in Lakhs

	FY 2013-14	In %	FY 2012-13	In %
<b>Revenue from Operations</b>	<b>19925</b>	<b>100.0</b>	<b>21639</b>	<b>100.0</b>
Materials consumed and Sub contract expenses	16307	81.8	17648	81.6
Salaries & Other Benefits	1771	8.9	1895	8.8
Other Expenses	1690	8.5	1512	6.9
Interest on Borrowings	1286	6.5	1128	5.2
Depreciation	223	1.1	215	1.0
	<b>21277</b>	<b>106.8</b>	<b>22398</b>	<b>103.5</b>

Various steps were taken during the year to improve the execution efficiencies and also reduce operating cost. However the lower volumes resulted in fixed site overheads not being fully recovered, leading to lower margin at site level. EBITDA was marginally positive, however depreciation and finance cost could not be fully covered, resulting in negative Profit Before Tax.

## Net Profit

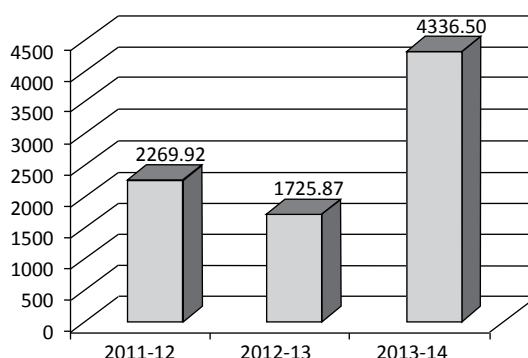
(₹ in lakhs)

	2013-14	2012-13
Total Revenue	20034	21730
Profit/(Loss) Before Interest and Tax (PBIT)	43	459
Profit/ (Loss) Before Tax (PBT)	(1243)	(668)
PBT as % of Revenue	(6.2)	(3.1)

## Net Worth

During the year, the Company had completed rights Issue and received funds inflow of ₹ 5987.76 lakhs (including securities premium of ₹ 2993.88 lakhs). The net worth of the Company as at March 31, 2014 was ₹ 4336.50 lakhs as compared to ₹ 1725.87 lakhs as at March 31, 2013.

**Networth** (₹ in lakhs)



## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Internal control system is an essential element of the corporate governance and plays a key role in identifying, minimizing and managing risks that are significant for the Company, contributing to the safeguarding of stockholders' investments and the Company's assets.

Your company has established and is maintaining adequate controls within the system to ensure the completeness and accuracy of financial and other information, which are used by management for supervision and control. To strengthen internal control system and reporting process, Your Company during the year migrated to latest version of operating ERP system. The adequacy and effectiveness of internal controls are monitored regularly by the internal auditors and improvement measures are adopted, wherever necessary. Also as part of the internal control systems, it is being ensured that all applicable laws are complied without any lapse. Periodic updates are being sought from the relevant sources to keep abreast with the latest changes in any applicable law and the compliance thereof.

The Audit Committee of the Company meets periodically to review and recommend quarterly, half yearly and annual financial statements of the Company. The Audit Committee reviews the important findings and corrective measures from internal audit. The Committee holds discussions with the internal auditors, statutory auditors and the management on the matters relating to internal controls, auditing and financial reporting. The Committee also reviews with the statutory auditors, the scope and results of the audit.

## **HUMAN RESOURCES**

The company believes that the human capital is the key contributor for the business growth and competitiveness. This includes not only the employees of the Company, but also the skilled labour engaged at project sites through sub-contracting. However, during the year, the Company faced difficulties in mobilizing adequate skilled labour due to various factors. Due to demand-supply gap, the cost of the labour force is on continuously increasing trend.

Your company also faced difficulties in getting right talent to manage the project sites. To overcome the constraint, your Company decided to focus on projects of larger volume, which can accommodate higher quality employees, who also come in with higher costs. Besides bridging the gap in compensation vis a vis market, Your Company has also taken steps on improving the productivity and engagement of the employees, through regular communications, various orientation programs, cross functional meets and by the frequent

**On behalf of the Board**

**Place: Chennai**  
Date : April 29, 2014

**M.M. VENKATACHALAM**  
Chairman & Managing Director

## REPORT ON CORPORATE GOVERNANCE

The Directors have great pleasure in presenting the Corporate Governance Report for the year ended 31st March, 2014.

Corporate Governance is essentially the systematic process by which the Company is directed and controlled by the management in the best interest of all the stakeholders. The principal stakeholders are the Shareholders, Management and the Board of Directors. Other stakeholders include employees, customers, suppliers and service providers, regulators and the community at large. Corporate Governance ensures fairness, transparency and integrity in dealings by the Company.

It is an internal system encompassing policies, processes and people, which serve the needs of Shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity.

### 1. Corporate Governance in Coromandel Engineering Company Limited(CEC)

Coromandel Engineering Company Limited, a constituent of the Murugappa Group, adheres to good corporate practices and constantly strives to improve them and adopt the best practices. Adherence to business ethics and commitment to corporate social responsibility are the enablers for the Company to maximise value for all its stakeholders.

CEC is committed to the spirit of Murugappa Group by holding the core values of integrity, passion, responsibility, quality and respect in dealing with all stakeholders of the Company.

#### CEC's corporate governance policy includes

- ❖ An independent and effective Board of Directors.
- ❖ Good audit process and reporting.
- ❖ Transparency.
- ❖ Maximising shareholder value.
- ❖ Meeting social obligations.

Key elements in corporate governance are transparency, internal control, risk management, internal and external communications and high standards of safety & health. The Board has empowered responsible officers to implement broad policies and guidelines and has set up adequate review processes.

The Corporate Governance philosophy of the Company has been further strengthened with the adoption of the CEC's code of conduct. In compliance with the disclosure requirements of Clause 49 of the Listing Agreement executed with the stock exchanges, the details are set out below:

### 2. Board of Directors

#### a) Composition

The Board consisted of 6 (Six) members as at 31st March, 2014 with knowledge and experience in different fields viz., Engineering, Manufacturing, Finance and Business Management etc. The majority of the Board members are Independent Directors. This has been done to preserve the independence of the Board and to separate the Board functions of governance and management.

#### b) Board Meetings

The Board has formal schedule of matters reserved for its consideration and decision. The agenda is circulated well in advance to the Board members. The items in the agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. In addition to the information required under Annexure IA to Clause 49 of the Listing Agreement, the Board is also kept informed of major events/items and approvals are taken wherever necessary for making investments, ensuring adequate availability of financial resources and periodically considers the report on compliance of applicable laws and gives appropriate directions.

The Board has laid down a "Code of Conduct" for all the Board members and the senior management of the Company. Annual declaration is obtained from every person covered by the Code of Conduct.

The Board also reviews the Board Meeting minutes & financial statements and also takes note of the Committee meeting minutes.

The Board of Directors met eight (8) times during the financial year ended 31st March 2014 on 30th April 2013, 20th July 2013, 25th July 2013, 14th August 2013, 5th September 2013, 29th October 2013, 30th January 2014 and 25th March 2014. The maximum gap between any two meetings was less than four months as stipulated under Clause 49(I)(c) of the Listing Agreement.

#### Details of Board members as on 31st March 2014 and Attendance at Board & General Meeting

SL No	Name of Director	Category	Number of other Directorships*	Number of memberships on other Board Committees **	No. of board meetings attended	Attendance at last AGM	Shares held in CECL
1.	Mr. M.M.Venkatachalam	Executive, Promoter Chairman	9	3	7	Yes	451610
2.	Mr. M.A.M. Arunachalam	Non Executive, Promoter	1		2		361610
3.	Mr. S.S. Rajsekar	Non Executive, Independent	1	-	4		-
4.	Mr. J. Srinivasan	Non Executive, Independent	3	-	7	Yes	-
5.	Mr. V. Venkiteswaran	Non Executive, Independent	1	1	3	Yes	-
6.	Mr. N.V.Ravi	Non Executive, Independent	3	-	8		-
7.	Mr.Sridhar Ganesh#	Non Executive Director	5	1	6	Yes	-

\* Excludes Alternate Directorships and Directorships in Private Companies, (which are not subsidiary or holding company of a public company), Foreign Companies and Section 25 Companies.

\*\* Denotes memberships in Audit Committee and Shareholders and Investors Grievance Committee other than CECL

# Resigned as a Director w.e.f. 29th October 2013.

None of the Directors on the Board is a member in more than 10 committees and Chairman of more than 5 committees (as per Clause 49(I)(C)(ii) of the Listing Agreement), across all companies in which he is a Director. All the Directors have made the requisite disclosures regarding committee positions held by them in other companies.

The Independent Directors have confirmed that

they satisfy the "Criteria of Independence" as stipulated in the amended Clause 49(I)(A) of the Listing Agreement.

#### Board Procedure

The Directors are elected based on their qualifications and experience in varied fields as well as company's business needs. Regarding



appointment of Directors, at the time of induction on the Board of the Company, an invitation to join the Board of the Company is sent and a directors' handbook comprising a compendium of the role, powers and duties to be performed by a director is given to the new director.

#### **Details of Director seeking appointment / re-appointment**

Mr. M.A.M.Arunachalam and Mr.N.V. Ravi, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

Consequent to the Notification of the Companies Act, 2013 along with applicable Rules and Schedules with effect from 1st April, 2014, in order to comply with the provisions of Section 149(4) of the said Act relating to appointment of Independent Directors, the Board at its meeting held on 29th April 2014, has appointed M/s S.S. Rajsekar, V. Venkiteswaran and N.V. Ravi as Independent Directors for a period of 5 years, Mr J Srinivasar for 1 year and who are not liable to retire by rotation, subject to approval of Shareholders of the Company at the ensuing Annual General Meeting.

#### **Board Committees**

### **3. Audit Committee**

#### **Overall purpose/ objective**

The role of Audit Committee in brief is to review the financial statements, internal controls, accounting policies and internal audit reports.

The purpose of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") in reviewing the financial information which will be provided to the shareholders and others, reviewing the systems of internal controls which management and the Board have established, appointing, retaining and reviewing the performance of independent accountants / internal auditors and overseeing the Company's accounting and financial reporting processes and the audits of the Company's financial statements.

#### **Composition**

The Company has an independent Audit Committee with Mr. J Srinivasan as the Chairman. All the members of the Committee have excellent financial & accounting knowledge. The Chairman, Business Head, Senior Vice President and Head Finance of the Company and Internal Auditors and Statutory Auditors are the invitees to the meetings of the Audit Committee.

#### **Terms of Reference**

The Company had constituted an Audit Committee in the year 2008, in line with the provisions of Clause 49 of the Listing Agreement, read with Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee broadly are as under:

- a. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditors and the fixation of audit fees.
- b. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- c. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
- d. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
- e. Reviewing, with the Management, performance of Statutory and Internal Auditors and adequacy of the internal control systems.
- f. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

Further, as a good corporate governance practice, the Company has put in place a system for a separate discussion of the Audit Committee with

the statutory and internal auditors without the presence of the management team.

### Meetings

The Committee met Four (4) times during the financial year ended 31st March 2014 on 30th April 2013, 25th July 2013, 29th October 2013 and 30th January, 2014 and the time gap between the two meetings did not exceed four months.

Name of the Member	Chairman/ Member	No. of Meetings Attended
Mr. J Srinivasan	Chairman	3
Mr. S S Rajsekar	Member	-
Mr. M A M Arunachalam	Member	2
Mr. V Venkiteswaran	Member	2
Mr. N V Ravi	Member	4

Pursuant to Companies, Act, 2013, enhanced terms of reference for the Audit Committee was taken note of and adopted by the Audit Committee, at its meeting held on 29th April, 2014.

### b. Shareholders and Investors Grievance Committee

The Shareholders and Investors Grievance Committee of the Board looks into the redressal of the investors' complaints like non receipt of annual reports, dividend payments, change or deletion of name, issue of duplicate share certificates, dematerialization, rematerialisation, transfer, transmission, transposition, sub-division, consolidation and other allied transactions. The Board has also delegated to certain executives of the Company, powers to accomplish aforesaid objectives. As per the directions of SEBI, the Company immediately on transfer of shares, sends letters to the investors, in the prescribed format, informing them about the simultaneous transfer and dematerialisation option available for the shares transferred in their names. The Committee also looks into all the communications received from the shareholders and complaints received from the stock exchanges.

### Composition & Meetings

- Three Committee meetings were held during the financial year 2013-2014. The date on which the said meetings were held as follows 30th April, 2013, 1st October 2013 & 25th March 2014.
- The composition of Shareholders & Investors Grievance Committee and particulars of meetings attended by the members of the Committee are given below:

Name of the Member	Chairman/ Member	No. of Meetings Attended
Mr. M A M Arunachalam	Chairman	2
Mr. S S Rajsekar	Member	2
Mr. J Srinivasan	Member	3

- ❖ Mr. R. Narayanan, Company Secretary is the Compliance Officer of the Company.
- ❖ Details of number of complaints received during the year are given below and Status of Investor Complaints as on March 31, 2014 and reported under Clause 41 of the Listing agreement are as under:

Complaints' as on April 1, 2013	NIL
Received during the year	
Resolved during the year	
Pending as on March 31, 2014	

The Shareholders and Investors Grievance Committee was reconstituted as Stakeholders Relationship Committee, with enhanced scope, at the Board meeting held on 29th April, 2014, as per the requirements of the Companies Act, 2013.

### c. Preference Shares Issue and Allotment Committee:

The Preference shares issue and allotment committee was constituted by the Board on 14th August, 2013.

The purpose/ object of the committee was to discuss, negotiate and finalise with the investors and issue/allot preference shares on suitable terms and conditions.

**Composition & meetings**

- a. Two Committee meetings were held during the financial year 2013-2014, as follows: 19th August, 2013 & 22nd August, 2013.
- b. The composition of preference shares Issue and allotment committee and particulars of meetings attended by the members of the Committee are given below:

Name & Category	Members	No. of Meetings attended during the year 2013-14
Mr. M.M Venkatachalam	Chairman	2
Mr. S.S.Rajsekar	Member	1
Mr. J.Srinivasan	Member	2

**d. Rights Issue Committee:**

The Rights issue committee was constituted by the Board on 05th September, 2013.

Purpose & Object : The Board of Directors and the Shareholders approved the issue of Equity shares on rights basis for a value not exceeding ₹ 6000 lakhs to eligible Equity Shareholders of the Company. The Rights Issue Committee was formed by the Board to comply with statutory requirements in connection with the issue, decide on the pricing, ratio etc., and do all such acts necessary to complete the Rights Issue.

**Composition & Meetings**

- a. Six Committee meetings were held during the financial year 2013-2014. The date on which the said meeting were held were as follows : 05th September, 2013, 01st October, 2013, 31st December, 2013, 03rd January, 2014, 10th January, 2014 & 15th February, 2014.
- b. The composition of Rights Issue committee and particulars of meetings attended by the members of the Committee are given below:

Name & Category	Members	No. of Meetings attended during the year 2013-14
Mr. M.M Venkatachalam	Chairman	4
Mr. S.S.Rajsekar	Member	6
Mr. J.Srinivasan	Member	4

**4. Remuneration Policy**

The Company, while deciding the remuneration package of the senior management, takes into consideration the following items:

- Job profile and special skill requirements.
- Prevailing compensation structure in Companies of similar size and in the industry.
- Remuneration package of comparable managerial talent in other industries.

The Non-Executive Directors (NEDs) are paid

remuneration by way of commission besides sitting fees. In terms of the Shareholder's approval obtained at the 60th Annual General Meeting held on 31st July 2008, the commission is paid not exceeding 1% per annum of the net profits of the Company (computed in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956). The distribution of commission amongst the NEDs is placed before the Board for its decision.

The Non-Executive Directors are also paid sitting fees as per the Articles of Association of the Company for every Board / Committee meetings

attended by them. The actual commission paid to Directors is restricted to a fixed sum. This sum is reviewed periodically taking into consideration various factors such as performance of the company, time spent by the Directors for attending to the affairs and business of the company and extent of responsibilities cast on Directors under general law and other relevant factors.

#### Remuneration for the year

The Board of Directors at their meeting held on 25th January 2012 renounced their right to receive sitting fees for Board as well as Committee meetings

being attended by them effective from 25.01.2012 till such time, the Board decides otherwise. Therefore no sitting fees were paid during the year. During the financial year 2013-14, the Company has incurred losses and consequently, it was decided by the Board not to pay any commission to the non-executive directors for the financial year.

As per the requirement of Companies Act, 2013, Nomination and Remuneration Committee was constituted by the Board at its meeting held on 29th April, 2014. The members of the Committee are : Mr. J. Srinivasan, Chairman, Mr. V. Venkiteswaran and Mr. M.M. Venkatachalam.

#### 5. General body Meetings

The location, date and time of General Meetings held during last 3 years are given below:

##### Annual General Meeting (AGM):

For the year ended 31st March	Venue	Day and Date	Time
2013	Rectangular Hall, "Dare House", 2 NSC Bose Road, Chennai- 600 001.	Thursday, 25.07.2013	2.30 P.M
2012	Parry House, 3rd Floor, No. 43, Moore Street, Chennai – 600 001.	Saturday, 28.07.2012	2.00 P.M
2011	Parry House, 3rd Floor, No. 43, Moore Street, Chennai – 600 001.	Monday, 25.07.2011	9.30 A.M.

##### Details of Special Resolutions passed during the last 3 Annual General Meetings :

Date of AGM	Whether any Special Resolution was passed	Particulars
25.07.2013	No	No Special Resolution had been passed
28.07.2012	No	No Special Resolution had been passed
25.07.2011	Yes	Amendment of Article 96 in Articles of Association relating to enhancement of sitting fees.

The location, date and time of Extra-Ordinary General Meetings held during the financial year ended 31st March, 2014.

##### Extra-Ordinary General Meeting (EGM):

For the year ended 31st March	Venue	Day and Date	Time
2014	Rectangular Hall, "Dare House", 2 NSC Bose Road, Chennai- 600 001.	Wednesday, 14.08.2013	10.30 A.M
	Rectangular Hall, "Dare House", 2 NSC Bose Road, Chennai- 600 001.	Thursday, 01.10.2013	10.45 A.M

**Details of Special Resolutions passed during the financial year**

Date of AGM	Whether any Special Resolution was passed	Particulars
14.08.2013	Yes	Offer, Issue & Allotment of 25,00,000 redeemable preference shares
01.10.2013	Yes	Amendment to Articles 6 (1) in Articles of Association relating to increase in Authorised Capital
	Yes	Raising of funds through Rights Issue

**Postal Ballot:**

No special resolution was passed by postal ballot during the financial year ended 31st March 2014.

**6. Code of Conduct**

The Board has laid down a 'Code of Conduct', for all the Board members and the Senior Management of the Company and the code is posted on the website of the Company [www.coromandelengg.com](http://www.coromandelengg.com). Annual declaration regarding compliance with the code is obtained from every person covered by the code of conduct and a certificate to this effect, signed by Mr. G. Viswanath Kumar, Senior Vice President, forms part of this report.

**7. Risk Management**

The Company has laid down procedures to inform the Board members about the risk assessment and minimization procedures, which is reviewed by the Board periodically.

**8. CEO and CFO Certification**

In terms of clause 49 of the Listing agreement, the Senior Vice President and Chief Financial Officer give the annual certification on financial reporting and internal controls to the Board. The Senior Vice President and Chief Financial Officer also give quarterly certification on financial results, while placing the financial results before the Board, in terms of clause 41 of the Listing Agreement. Accordingly, the Senior Vice President and Chief Financial Officer have certified to the Board, inter alia, the accuracy of financial statements and adequacy of internal controls for the financial reporting purpose, for the year ended March 31, 2014.

**9. Prevention of Insider Trading**

The Company has framed a code of conduct for prevention of insider trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all Directors / officers / designated employees. The code ensures the prevention of dealing in Company's securities by persons having access to unpublished price sensitive information.

**10. Whistle Blower Policy**

The Company has adopted the whistle blower mechanism, a non-mandatory requirement of the Listing Agreement, with the objective to provide employees, customers and vendors, an avenue to raise concerns, in line with the Company's commitment to the highest possible standards of ethical, moral and legal conduct of business, its commitment to open communication and to provide necessary safeguards for protection of employees from reprisals or victimization of whistle blowing in good faith. The Audit Committee reviews periodically the functioning of whistle blower mechanism. The policy also lays down the process to be followed for dealing with complaints and in exceptional cases, also provides for direct appeal to the Chairman of the Audit Committee.

Mr. Shyam C Raman, Senior Vice President, Group HR, Murugappa Group, has been appointed as the Ombudsperson, who will deal with the complaints received.

In line with the requirements of Companies Act, 2013, the Board at its meeting on April 29, 2014, reconstituted the Whistle blower mechanism as Vigil mechanism, with enhanced scope of coverage.

## 11. Disclosures

### Related Party Transactions

There were no materially significant related party transactions with Directors / promoters/ management, which had potential conflict with the interests of the Company at large.

Periodical disclosures from Senior Management relating to all material, financial and commercial transactions, where they had or were deemed to have had personal interests, that might have a potential conflict with the interest of the Company at large, are placed before the Board.

Transactions with the related parties are disclosed in Note No 27 (14) to the financial statements in the Annual Report.

The Company has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI), in the preparation of its financial statements.

### Statutory Compliances, Penalties and Strictures

The Company has complied with the requirements of the Stock Exchanges / SEBI and statutory authorities on all matters related to capital markets during the last three years. No strictures or penalties have been imposed on the Company either by Stock Exchanges or by SEBI or any statutory authority.

### 12. Compliance with Corporate Governance Norms

The Company has complied with the mandatory requirements of the Code of Corporate Governance as stipulated in Clause 49 of the Listing Agreement. The Company has submitted the compliance reports in the prescribed format to the stock exchanges for every quarter during the year ended 31st March 2014. The certificate of compliance with the conditions of corporate governance as stipulated in clause 49 of the Listing Agreement forms part of

the Annual Report.

The other non-mandatory requirements of Clause 49 to the extent mentioned below, have been adopted by the Company:

- ❖ The Company has put in place Whistle Blower Mechanism.
- ❖ The company's financial statements do not carry any qualification by the Auditors.

There were no expense incurred by the Chairman in performance of his duties and thus the reimbursement of expenses did not arise.

Further, with respect to the Corporate Governance Voluntary Guidelines, 2009, issued by the Ministry of Corporate Affairs in December 2009, the Company is in the process of evaluating the feasibility of implementation.

### 13. Means of Communication

The quarterly unaudited financial results and major announcements like notice of Board Meetings, Book Closure etc. are normally published in daily newspapers viz., News Today (English) and Maalai Sudar (Tamil). The annual audited financial results are published in News today (English) and Maalai Sudar (Tamil). Further, the Code of Conduct of the Company applicable to the Board and senior management is also posted on the website of the Company [www.coromandelengg.com](http://www.coromandelengg.com).

### 14. Management Discussion and Analysis Report

Management Discussion and Analysis Report forms part of the Annual Report.

### 15. General Shareholder Information

A separate section has been annexed to the Annual Report, furnishing various details viz., AGM venue, distribution of shareholding, means of communication etc., for the general information of the shareholders.

**On behalf of the Board**

**Place: Chennai**  
Date : April 29, 2014

**M.M. VENKATACHALAM**  
Chairman & Managing Director

## **CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

**Corporate Identification No.** : L74910TN1947PLC000343

**Nominal Capital** : ₹ 65,00,00,000/-

To,  
The Members  
MESSRS. COROMANDEL ENGINEERING COMPANY LIMITED  
'Parry House', 3rd Floor,  
43, Moore Street,  
Chennai – 600 001

We have examined all relevant records of **M/s. Coromandel Engineering Company Limited**, having its Registered Office at Parry House, 3rd Floor, 43, Moore Street, Parrys, Chennai – 600 001, for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and the Madras Stock Exchange Limited for the financial year ended March 31, 2014. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. This Certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with all the mandatory conditions of the Clause 49 of the listing Agreement.

**For R Sridharan & Associates**  
Company Secretaries

**Place: Chennai**  
Date : April 29, 2014

**CS R. Sridharan**  
FCS No. 4775  
CP No. 3239

## DECLARATION OF CODE OF CONDUCT

**The Board of Directors  
Coromandel Engineering Company Limited  
3rd Floor, "Parry House",  
No.43, Moore Street,  
Chennai – 600 001**

**Sirs**

This is to confirm that the Board has laid down a code of conduct for all Board members and senior management of the Company. The code of conduct has also been posted on the website of the Company.

It is further confirmed that all the Directors and senior management personnel of the Company have affirmed compliance with the code of conduct of the Company for the year ended 31st March 2014, as envisaged in Clause 49 of the Listing Agreement with the Stock Exchanges.

**Place:Chennai**  
Date: April 29, 2014

**G. VISWANATH KUMAR**  
Senior Vice President



## SHAREHOLDERS' INFORMATION

### Registered Office

'Parry House', 3rd Floor, No.43, Moore Street, Chennai –600 001

### Corporate Identification Number

L74910TN1947PLC000343

### Annual General Meeting

Day : Wednesday  
Date : 30th July 2014  
Venue : Narada Gana Sabha, 'Mini Hall', No. 314, TTK Road, Chennai- 600 018.  
Financial year : 1st April 2013 to 31st March 2014

### Date of Book Closure

Wednesday, the 23rd day of July 2014 to Wednesday, the 30th day of July 2014 (Both days inclusive)

**Bankers : M/s City Union Bank Ltd., Development Credit Bank Ltd., HDFC Bank Ltd., IDBI Bank Ltd., Indian Bank, Indusind Bank Ltd.**

### Listing on Stock Exchanges

- ❖ Madras Stock Exchange Limited,  
Exchange Building, Post Box – 183,  
11 Second Line Beach,  
Chennai – 600 001
- ❖ Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort  
Mumbai – 400 001
- ❖ National Stock Exchange of India Ltd.\*  
Exchange Plaza, Bandra-Kurla Complex,  
Bandra (E), Mumbai – 400 051.

\* With effect from 17th February 2011, the Company's shares are included on NSE Trading Platform under MSE-NSE Agreement

Listing fees for the year 2014-2015 had been paid to the Madras Stock Exchange Limited and Bombay Stock Exchange Limited.

**Stock Code**

Name of the Stock Exchange / Depository	Code/ ISIN/Symbol
Bombay Stock Exchange Ltd. (BSE)	533167
Depository ISIN No.NSDL & CDSL	INE312J01012
National Stock Exchange Ltd. (NSE)	COROENGG

**Market Price Data:**

The monthly high and low quotations and volume of shares traded on BSE and NSE from 1st April, 2013 up to 31st March, 2014 is as follows:

Month	Bombay Stock Exchange (in ₹)			National Stock Exchange (in ₹)		
	High	Low	No. of Shares	High	Low	No. of Shares
April 2013	270.00	211.60	872	230.00	203.75	84
May 2013	242.85	208.30	40	---	---	---
June 2013	---	---	---	---	---	---
July 2013	197.90	183.00	106	---	---	---
August 2013	178.00	161.90	396	---	---	---
September 2013	258.00	167.25	1,274	---	---	---
October 2013	262.50	232.80	5,817	---	---	---
November 2013	245.05	228.00	2,141	---	---	---
December 2013	247.80	212.15	3,232	---	---	---
January 2014	61.70	36.55	42,344	59.15	37.10	53,842
February 2014	49.00	29.70	2,01,706	45.00	26.90	3,13,977
March 2014	40.00	27.00	11,24,526	40.00	27.40	9,58,575

Prices from January 2014 are Ex-Rights Price and not comparable to period upto December 2013.

**Registrar and Share Transfer Agents:**

In due compliance with SEBI norms, the Company has entrusted the share transfer work, both physical as well as electronic, to the transfer agents mentioned below:

M/s. Karvy Computershare Private Limited,  
(Unit: Coromandel Engineering Company Limited),  
Plot No. 17 to 24, Vittalrao Nagar  
Madhapur, Hyderabad 500 081  
Tel: 91-40-4465 5000/ 2342 0818  
Fax: 91-40-2342 0814  
Email: einward.ris@karvy.com  
Website: www.karvycomputershare.com

**Share Transfer and Investors Service System**

The Shareholders and Investors Grievances Committee, approves transfers / transmission / transposition, sub-division and consolidation etc.

The Board has delegated powers to approve transfers, transmissions, transpositions, dematerialisation / rematerialisation of shares upto a maximum of 10,000 equity shares per transaction to the Directors of the Company and upto 5,000 equity shares per transaction to the executives of the Company.

**Shareholding pattern /Distribution of shareholding****Shareholding pattern as on 31.03.2014**

Category	As on 31st March 2013		
	No. of Shareholders	No. of shares	% of shareholding
PROMOTER COMPANIES	20	21092874	63.47
RESIDENT INDIVIDUALS	1972	4605325	13.86
BODIES CORPORATES	88	3427798	10.31
PROMOTERS	24	2064947	6.21
DIRECTORS	3	929650	2.80
DIRECTORS AND RELATIVES	11	597546	1.80
H U F	66	485534	1.46
CLEARING MEMBERS	33	24286	0.07
TRUSTS	1	4800	0.02
NON RESIDENT INDIANS	7	838	0.00
<b>TOTAL</b>	<b>2225</b>	<b>33233598</b>	<b>100.00</b>

**Distribution of shareholding as on 31.03.2014**

Category		No. of Shareholders	% to total No.	No. of Shares	% of holding
1	5000	1578	70.92	131275	0.40
5001	10000	140	6.29	108426	0.33
10001	20000	118	5.30	168317	0.51
20001	30000	73	3.28	175834	0.53
30001	40000	23	1.03	82649	0.25
40001	50000	36	1.62	171361	0.51
50001	100000	97	4.36	716481	2.15
Greater than 100000		160	7.20	31679255	95.32
<b>TOTAL</b>		<b>2225</b>	<b>100.00</b>	<b>33233598</b>	<b>100.00</b>

	No. of Shareholders	% to total No.	No. of Shares	% of holding
<b>Shareholders in</b>				
Physical Mode:	895	40.23	121119	0.37
Electronic Mode :				
NSDL	900	40.45	23118027	69.56
CDSL	430	19.32	9994452	30.07
<b>TOTAL</b>	<b>2225</b>	<b>100.00</b>	<b>33233598</b>	<b>100.00</b>

### Dematerialization

The code number (ISIN) allotted by the National Securities Depository Limited (NSDL) and Central Depository Services limited (CDSL) to the Company is INE312J01012.

### Reconciliation of share capital Audit:

A qualified Practicing Company Secretary, Messers. R.Sridharan & Associates, Chennai, carries out reconciliation of share capital audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued capital. The audit confirms that the total issued/paid-up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

### Details of Shares held by Non – Executive Directors as on 31.03.2014:

SL No	Name of the Director	No. of Shares Held
1.	Mr. M. A. M. Arunachalam	3,61,610
2.	Mr. S. S. Rajsekar	NIL
3.	Mr. J. Srinivasan	NIL
4.	Mr. V. Venkiteswaran	NIL
5.	Mr. N. V. Ravi	NIL

### Nomination Facility

The Shareholders may avail themselves of the nomination facility under section 109A of the Companies Act, 1956. The nomination form (Form 2B) along with instruction, will be provided to the members on request. In case, the members wish to avail of this facility, they are requested to write to the Company's Registrars, M/s. Karvy Computershare Private Limited.

The facility of nomination is not available to non-individuals shareholders such as Societies, Trust, Bodies Corporate, Karta of Hindu Undivided Families and holders of Power of Attorney.

Investors are advised to avail this facility, especially investors holding securities in single name, to avoid the process of transmission by law. For investors holding shares held in electronic form, the nomination has to be conveyed to their Depository participants directly, as per the format prescribed by them.

### Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity

NIL

### Address for Correspondence:

For any shareholders assistance the Company Secretary can be contacted at the following address:

Coromandel Engineering Company Ltd.  
Parry House, 3rd Floor,  
No.43 Moore Street, Chennai 600001  
Phone: 044 - 25341513  
E-Mail:coromandelengg@cec.murugappa.com

### For all matters relating to Investor Relations

M/s.Karvy computershare Pvt Ltd  
(Unit: Coromandel Engineering Company Limited)  
Plot No. 17 to 24, Vittalrao Nagar  
Madhapur, Hyderabad 500 081  
Tel: 91-40-4465 5000/ 2342 0818  
Fax: 91-40-2342 0814  
Email: einward.ris@karvy.com  
Website:www.karvycomputershare.com

## SECRETARIAL AUDIT REPORT 2013 - 2014

**Company Name** : COROMANDEL ENGINEERING COMPANY LIMITED  
**Corporate Identification No.** : L74910TN1947PLC000343

### The Board of Directors

**M/s. Coromandel Engineering Company Limited**  
**“Parry House”, 3rd Floor**  
**No.43, Moore Street**  
**Chennai – 600 001**

We have conducted, the Secretarial Audit of M/s. Coromandel Engineering Company Limited (“the Company”) bearing Corporate Identification Number (CIN) L74910TN1947PLC000343 having its registered office at “Parry House”, 3rd Floor, No.43, Moore Street, Chennai – 600 001 for the financial year ended 31st March 2014 of the Compliance of applicable statutory provisions and the adherence to the good corporate practices by the Company. The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the statutory compliances and expression of our opinion thereon.

We have examined the registers, records and other related documents maintained by the Company according to the provisions of :

1. The Companies Act, 1956, and the Rules made under the Act.
2. The Companies Act, 2013, to the extent notified.
3. The provisions contained in the Memorandum and Articles of Association.
4. Companies (Central Government’s) General Rules and Forms, 1956;
5. Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003.
6. Companies (Issue of Share Certificates) Rules, 1960.
7. Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.
8. The Companies (Particulars of Employees) Rules, 1975
9. Companies (Director Identification Number) Rules, 2006.
10. Companies (Electronic Filing and Authentication of Documents) Rules, 2006.
11. Companies (Filing of Documents & Forms in Extensible Business Reporting Language) Amendment Rules, 2012.
12. Companies (Cost Accounting Records) Rules 2011
13. Companies (Cost Accounting Records) Amendments Rules 2012
14. Companies (Transfer of Profits to Reserves) Rules, 1975
15. The Companies (Preservation and Disposal of Records) Rules, 1975
16. The Companies Unpaid dividend (Transfer to General Reserve Account of the Central Government) Rules, 1978.
17. Investor Education and Protection Fund (Awareness and Protection of Investors), Rules 2001
18. The Depositories Act, 1996, Regulations and Bye-laws made under the Act.
19. The Securities Contracts (Regulation) Act, 1956 and rules made there under.
20. Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
21. Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2011.
22. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
23. The Equity Listing Agreement entered into with the Madras Stock Exchange Ltd., and Bombay Stock Exchange Ltd. The Company’s shares are allowed to be traded in NSE Trading Platform through Madras Stock Exchange with effect from 17th February 2011 for trading of shares

in NSE Trading Platform based on agreement entered into by NSE with MSE.

We have also examined the compliance with applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India.
- (ii) Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India.

A. Based on our examination and verification of the registers, records, books, papers, minutes books, forms, returns filed and other documents produced to us and according to the information and explanations given to us by the Company and its officers, we report that the Company has, in our opinion, complied with the provisions of the Companies Act, 1956, (“the Act”) and the Rules made under the Act and the Memorandum and Articles of Association of the Company, with regard to:

1. Maintenance of various statutory registers and documents and making necessary entries there in.
2. Filings of requisite forms, returns, documents and resolutions with Registrar of Companies and other authorities prescribed under the Act.
3. Service of documents by the Company on its Members and the Registrar of Companies.
4. Closure of Register of Members.
5. Notice convening and holding of the meetings of Directors, its Committees thereof and of the shareholders as well as relating to minutes of the proceedings thereat including passing of resolutions by circulation.
6. Approval of the Members, the Board of Directors, the Committees of Directors and government authorities, wherever required.

7. Constitution of the Board of Directors / Committees of Directors and appointment, resignation, retirement and re-appointment of Directors including Managing Director and their remuneration.

8. Appointment and Remuneration of Statutory Auditors.

9. Transfers and Transmissions of the Company’s shares and issue and delivery of original and duplicate certificates of shares.

10. Creation and Modification of Charges on the assets of the Company complying with applicable laws.

11. Form of Balance Sheet as prescribed under Part I of the revised Schedule VI to the Act and requirements as to Statement of Profit and Loss as per Part II of the said Schedule filed in eXtensible Business Reporting Language (XBRL) in compliance with MCA circular and Companies (Filing of documents and forms in eXtensible Business Reporting Language) Rules, 2011.

12. Contracts, Common Seal, Registered Office and publication of name of the Company.

13. Transfer of amounts as required under the Act to the Investor Education and Protection Fund (IEPF).

14. Payment of all its statutory dues and other necessary arrangements made.

15. Generally, all other applicable provisions of the Act and the Rules made under that Act.

B. We further report that:

1. The status of the Company during the financial year has been that of a Listed Public Company.

2. The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, independence and compliance with the Code of Conduct for Directors and Management Personnel.
3. The Directors have complied with the requirements as to disclosure of interests and concerns in contracts, arrangements, shareholdings and directorships / interest in other entities.
4. The Company has altered the provisions of the Memorandum and Articles of Association with respect to Capital clause during the financial year.
5. The Company has allotted 2,99,38,818 equity shares of ₹ 10/- for cash at a premium of ₹ 10/- per equity share to the existing equity share holders of the Company in the ratio of 91:10 (i.e) 91 shares for every existing 10 shares on rights basis for an amount aggregating ₹ 59.88 crores on 15.02.2014 and 43,680 equity shares are kept in abeyance due to pending legal dispute.
6. i. The Company has allotted 10,00,000 Cumulative Redeemable Preference shares of ₹ 100/- each at a Premium of ₹ 20/- in Tranche "A" and 15,00,000 Cumulative Redeemable Preference shares of ₹ 100/- each at a Premium of ₹ 20/- in Tranche "B" aggregating to ₹ 30 crores on private placement basis to Tata Capital Financial Services Limited at the Preference Shares issue and allotment Committee held on 22.08.2013. Out of the above said fresh issue, the Company has redeemed existing 25,00,000 Cumulative Redeemable Preference Shares of ₹ 100/- each aggregating to ₹ 25,00,00,000/- on 22.08.2013.  
ii) The Company has partially redeemed 3,00,000 Cumulative Redeemable Preference shares of ₹ 100 each at a Premium of ₹ 20/- aggregating to ₹ 3.6 crores in Tranche "A" and Fully redeemed 15,00,000 Cumulative Redeemable Preference shares of ₹ 100/- each at a Premium of ₹ 20/- aggregating to ₹ 18 crores in Tranche "B" as per approval obtained at the Board Meeting held on 30.01.2014.
7. The Company has complied with the Companies (Cost Accounting Records) Rules 2011 for filing of Compliance Report for the financial year ended 31st March 2014. The said Compliance report has been filed in eXtensible Business Reporting Language (XBRL) in compliance with Companies (Cost Accounting Records) Amendment Rules 2012.
8. The Company has not declared dividend during the year under review.
9. The Company has transferred unclaimed/ unpaid dividend pertaining to the financial years ended 31st March 2007, 31st March 2008, 31st March 2009, 31st March 2010 and 31st March 2011 to respective unpaid dividend account of the Company and seven years has not expired for transfer of the same to Investor Education and Protection Fund.
10. The Company has complied with the provisions of Investor Education and protection Fund (uploading of information regarding unpaid and unclaimed amount lying with companies) Rules 2012, issued by the Ministry of Corporate Affairs vide its General circular dated 23rd July 2012.
11. The Company has framed an insider trading code, strictly on the lines of model code prescribed under the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended and the same has been implemented during the year under review.

12. The Company has not accepted any deposits during the financial year.

13. The Company provides notices to all its directors and other concerned to schedule the Board / Committee meetings, agenda and detailed notes to the same, well in advance for significant participation by the directors, members of the committee(s) other senior managerial personnel in the meeting(s).

14. There was no prosecution initiated against or show cause notice received by the company / directors / officers and no fines or penalties were imposed on the company during the financial year.

C. We further report that the company has complied with:

1. The requirements of Equity Listing Agreements entered into with the Bombay Stock Exchange Ltd., Madras Stock Exchange Ltd (National Stock Exchange Trading Platform under MSE-NSE Agreement).
2. The Company has complied with the provisions of the Depositories Act, 1996 and the Bye-laws framed there under by the Depositories with regard to dematerialization / rematerialisation of securities and reconciliation of records of dematerialized securities with all securities issued by the Company as per the information received from M/s. Karvy Computershare Private Ltd., the Registrar & Share Transfer Agent of the Company.

3. The provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 for the year ended 31st March 2014 including the provisions with regard to disclosures and maintenance of records required under the Regulations as amended from time to time.

4. The provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2011 including the provisions with regard to disclosures and maintenance of records required under the Regulations.

D. We further report that

1. The Company has complied with the provisions of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, to the extent possible and is in the process of examining the possibilities of implementation of remaining guidelines in appropriate manner.
2. The Company has followed the Secretarial Standards issued by the Institute of Company Secretaries of India to the extent possible.
3. The Company has adequate systems and processes to commensurate with the size and operations of the business to monitor and ensure compliance of applicable laws, rules, regulations, directions and guidelines.

**For R Sridharan & Associates**  
Company Secretaries

**Place: Chennai**  
Date : 26th April 2014

**CS R. Sridharan**  
FCS No. 4775  
CP No. 3239



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COROMANDEL ENGINEERING COMPANY LIMITED

## Report on the Financial Statements

We have audited the accompanying financial statements of Coromandel Engineering Company Limited which comprises of the Balance Sheet as at 31st March 2014, the statement of Profit and Loss and Cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the Accounting Standards referred to in sub section (3c) of section 211 of Companies Act 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting policies generally accepted in India:

- a) in the case of Balance sheet, of the state of affairs of the company as at March 31, 2014;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. 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 Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the order.

2. As required by section 227(3) of the Act, we report that :
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. the Balance Sheet, Statement of Profit & Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.
  - e. On the basis of written representations received from the directors, as on 31st March, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of

**For SUNDARAM & SRINIVASAN**

Chartered Accountants  
Regn.No.004207S

**Place: Chennai**  
Date: April 29, 2014

**M. PADHMANABHAN**

Partner  
Membership No.F13291

## ANNEXURE REFERRED TO IN PARA 1 OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF COROMANDEL ENGINEERING COMPANY LIMITED

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) According to the information given to us, major portion of fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification of fixed assets by the management is reasonable having regard to the size of the Company and the nature of its assets. Certain discrepancies which were noticed on such verification were rectified and the same has been properly dealt in the books.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) (a) The inventory has been physically verified by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanation given to us, the procedure for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material and have been properly dealt with in the books of account.
- (iii) According to the information and explanations given to us, during the year the Company has not granted or taken any loans to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods. During the course of our audit, no major weakness in internal control has been noticed.
- (v) In our opinion and according to the information and explanation given to us, there were no transactions during the year that were required to be entered in the register maintained under section 301 .
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company has a system of internal audit which, in our opinion, is commensurate with its size and nature of business.
- (viii) The Central Government has vide notification dated 3rd June 2011 prescribed maintenance of cost records by various classes of companies. We have broadly reviewed books of accounts maintained by the company pursuant to the rules made by the Central Government for the maintenance of the cost records under Section 209 (1) (d) of the companies Act 1956 and are of the opinion, prima facie, the prescribed accounts and records have been made and maintained.
- (ix)(a) According to the records, information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues in respect of provident fund, employees' state insurance dues, Investor Education and Protection fund, income-tax, wealth-tax, sales-tax, service tax, excise duty, cess and other statutory dues applicable to

it and no undisputed amounts payable were outstanding as on 31st March, 2014 for a period of more than six months from the date they become payable.

(b) According to the information and explanation given to us, the following are the details of disputed Income Tax and Sales Tax dues with the concerned authorities.

NAME OF THE STATUTORY DUES	FORUM WHERE DISPUTE IS PENDING	DISPUTED AMOUNT
Andhra Pradesh VAT	The Appellate Deputy Commissioner (CT) 2006-07 & 2007-08 (₹ 20.49 lakhs deposited)	43.32
Income tax	Commissioner of Appeals	64.46
TNVAT – Entry Tax	Before the Joint Commissioner of Sales Tax, Vellore (entire amount is deposited)	2.99
Uttarkhand VAT	Dy. Commissioner – II, Haridwar, Uttarakhand	25.00

(x) The company incurred a loss of ₹ 888.17 lakhs during the current financial year and the accumulated losses at the end of the financial year is ₹ 2,212.61 lakhs. The company has incurred cash losses before tax of ₹ 664.86 lakhs during the current financial year. The company has incurred a loss of ₹ 544.05 lakhs in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to Banks.

(xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The Company is not a chit/nidhi/mutual benefit fund/society and hence clause xiii of the Order is not applicable.

(xiv) The Company is not dealing or trading in shares, securities, debentures and other investments and hence clause xiv of the order is not applicable.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) In our opinion and according to the information and explanations given by the management, the term loans were applied for the purpose for which they were obtained.

(xvii) According to the information and explanation given to us and on an overall examination of the Balance Sheet, in our opinion, the Company has utilized the funds raised on Long-term basis (Rights Issue) towards repayment of long-term loans, redemption of preference shares and working capital purpose.

(xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

(xix) The Company has not issued any debentures.

(xx) The Company has raised money by way of Rights issue during the year to the extent of ₹ 5987.76 lakhs (Gross) and the end use of the money as disclosed by the management has been verified.

(xxi) According to the information and explanations given to us by the management and based on audit procedures performed, no fraud on or by the company has been noticed or reported during the course of our audit.

**For SUNDARAM & SRINIVASAN**  
Chartered Accountants  
Regn.No.004207S

**M. PADHMANABHAN**  
Partner  
Membership No.F13291

**Place: Chennai**  
Date: April 29, 2014

# FINANCIAL STATEMENTS

**COROMANDEL ENGINEERING COMPANY LIMITED**  
**BALANCE SHEET as at March 31, 2014**

(₹ in lakhs)

Particulars	Note	As at March 31, 2014		As at March 31, 2013	
<b>I EQUITY AND LIABILITIES</b>					
<b>1. Shareholders' Funds</b>					
Share Capital	1	4,023.36		2,829.48	
Reserves and Surplus	2	313.14	4,336.50	(1,103.61)	1,725.87
<b>2. Non Current Liabilities</b>					
Long Term Borrowings	3	3,263.83		4,202.00	
Long Term Provisions	4	51.38	3,315.21	48.29	4,250.29
<b>3. Current Liabilities</b>					
(a) Short Term Borrowings	5	4,932.99		2,955.81	
(b) Trade Payables	6	3,070.52		3,105.45	
(c) Other Current Liabilities	7	14,814.65		12,530.83	
(d) Short Term Provisions	8	294.21	23,112.37	580.83	19,172.92
<b>Total</b>			<b>30,764.08</b>		<b>25,149.08</b>
<b>II ASSETS</b>					
<b>1. Non-Current Assets</b>					
<b>(a) Fixed Assets</b>					
(i) Tangible Assets	9	3,525.32		3,020.13	
(ii) Intangible Assets		13.69		0.36	
(iii) Capital work in progress		-	3,539.01	17.05	3,037.54
(b) Non Current Investments	10	5.44		5.44	
(c) Deferred Tax Asset/(Liability) (Net)	11	1,469.12		1,113.81	
(d) Long Term Loans and Advances	12	23.14		36.59	
(e) Trade Receivables	13	1,298.27		1,004.00	
(f) Other Non Current Assets	14	465.00		465.00	
			3,260.97		2,624.84
<b>2. Current Assets</b>					
(a) Inventories	15	4,410.59		3,758.76	
(b) Trade receivables	16	5,330.61		4,719.94	
(c) Cash and Cash equivalents	17	651.01		582.51	
(d) Short Term Loans and Advances	18	880.36		808.07	
(e) Other Current Assets	19	12,691.53	23,964.10	9,617.42	19,486.70
<b>Total</b>			<b>30,764.08</b>		<b>25,149.08</b>

See accompanying notes forming part of the financial statements

In terms of our report attached

For **Sundaram & Srinivasan**

Chartered Accountants

Regn No: 0042075

On Behalf of the Board

**M. PADHMANABHAN**

Partner

Membership no.: F13291

Chennai

April 29, 2014

**M.A.M. ARUNACHALAM**

Director

**M.M. VENKATACHALAM**

Chairman and Managing Director

**R. NARAYANAN**

Head Finance and Company Secretary

**COROMANDEL ENGINEERING COMPANY LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014**

(₹ in lakhs)

Particulars	Note	For the year ended March 31, 2014		For the year ended March 31, 2013	
I Revenue from Operations	20	19,924.92		21,639.22	
II Other Income	21	109.01		90.30	
III Total Revenue ( I + II )			20,033.93		21,729.52
IV Expenses					
(a) Raw Materials Consumed	22	7,325.45		8,094.60	
(b) Purchase of Traded Stock		-		30.70	
(c) Changes in Inventories	23	(802.58)		(576.83)	
(d) Sub-contracting Expenses		8,108.80		8,325.63	
(e) Employee Benefit Expenses	24	1,770.64		1,894.74	
(f) Finance Cost	25	1,286.39		1,127.59	
(g) Depreciation		223.31		215.06	
(h) Other Expenses	26	3,365.40		3,286.40	
(i) Total Expenses			21,277.41		22,397.89
V Profit/(loss) before exceptional and extraordinary items and tax (III-IV)			(1,243.48)		(668.37)
VI Exceptional Items			-		-
VII Profit / (loss) after exceptional items before tax (V - VI)			(1,243.48)		(668.37)
VIII Extraordinary Items			-		-
IX Profit/(loss) before tax (VII- VIII)			(1,243.48)		(668.37)
X Tax expense/(gain)					
(1) Current tax			-		-
(2) Deferred tax			(355.31)		(124.32)
XI Profit / (Loss) for the period from continuing operations (IX-X)			(888.17)		(544.05)
XII Profit/(loss) from discontinuing operations			-		-
XIII Tax expense of discontinuing operations			-		-
XIV Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)			-		-
XV Profit / (Loss) for the period (XI + XIV)			(888.17)		(544.05)
XVI Earnings per equity share:					
(1) Basic			(4.33)		(2.91)
(2) Diluted			-		-

See accompanying notes forming part of the financial statements

In terms of our report attached  
For **Sundaram & Srinivasan**  
Chartered Accountants  
Regn No: 004207S

On Behalf of the Board

**M. PADHMANABHAN**  
Partner  
Membership no.: F13291  
**Chennai**  
April 29, 2014

**M.A.M. ARUNACHALAM**  
Director

**M.M. VENKATACHALAM**  
Chairman and Managing Director

**R. NARAYANAN**  
Head Finance and Company Secretary

**COROMANDEL ENGINEERING COMPANY LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014**

(₹ in lakhs)

Cash Flow from Operating Activities	For the year ended March 31, 2014		For the year ended March 31, 2013	
	<b>Net Profit/ (Loss) before tax as per P&amp;L a/c</b>		<b>(1,243.48)</b>	
Adjustment for :				
Depreciation	223.31		215.06	
Finance Charges	1286.39		1127.59	
Interest Income	(107.58)		(31.86)	
Dividend Income	(0.51)		(0.66)	
(Profit) / Loss on sale of investment (Net)	-		(5.60)	
Reversal of Provision on diminution of investment	-		(0.50)	
(Profit) / loss on sale/write off of assets (net)	25.07	1,426.68	1.48	1,305.51
<b>Operating Profit before working capital changes</b>		<b>183.20</b>		<b>637.14</b>
Adjustments for :				
Trade and Other Receivables	(4,289.97)		(3,550.80)	
Inventories	(651.83)		(836.25)	
Trade Payables	1965.36	(2,976.44)	4502.61	115.56
<b>Cash Generated from Operations</b>		<b>(2,793.24)</b>		<b>752.70</b>
Direct Taxes Refund / (Paid)		252.07		(394.48)
<b>Net Cash from Operating Activities</b>		<b>(2,541.17)</b>		<b>358.22</b>
<b>Cash Flow from Investing Activities</b>				
Purchase of Fixed Assets	(768.90)		(837.03)	
Sale of Fixed Assets	19.05		6.24	
Sale of investment	-		5.84	
Dividend Received	0.51		0.66	
<b>Net Cash used in Investing Activities</b>		<b>(749.34)</b>		<b>(824.29)</b>
<b>Cash flow from Financing Activities</b>				
Proceeds from equity rights issue	2993.88		-	
Proceeds from preference issue	2500.00		-	
Proceeds from rights issue-premium(net)	2854.09		-	
Proceeds from preference issue-premium(net)	492.42		-	
Redemption of preference capital	(4,300.00)		-	
Share Premium utilised for preference redemption	(1,041.58)		-	
Loans net of repayment	1039.01		1587.41	
Finance charges	(1,286.39)		(1,127.59)	
Interest income	107.58		31.86	
<b>Net Cash used in Financing Activities</b>		<b>3,359.01</b>		<b>491.68</b>
<b>Net increase/ (decrease) in Cash and Cash Equivalents</b>		<b>68.50</b>		<b>25.61</b>
<b>Opening balance of Cash and Cash Equivalents</b>		<b>582.51</b>		<b>556.90</b>
<b>Closing balance of Cash and Cash Equivalents</b>		<b>651.01</b>		<b>582.51</b>

See accompanying notes forming part of the financial statements

In terms of our report attached  
For **Sundaram & Srinivasan**  
Chartered Accountants  
Regn No: 004207S

On Behalf of the Board

**M. PADHMANABHAN**  
Partner  
Membership no.: F13291  
**Chennai**  
April 29, 2014

**M.A.M. ARUNACHALAM**  
Director

**M.M. VENKATACHALAM**  
Chairman and Managing Director

**R. NARAYANAN**  
Head Finance and Company Secretary



**NOTES FORMING PART OF FINANCIAL STATEMENTS****NOTE 1****SHARE CAPITAL**

(₹ in lakhs)

	As at March 31, 2014	As at March 31, 2013
<b>Authorised</b>		
<b>Equity Shares</b>		
400,00,000 (31 March 2013: 100,00,000) equity shares of ₹ 10 each	4,000.00	1,000.00
<b>Preference Shares</b>		
25,00,000(31 March 2013:25,00,000) preference shares of ₹ 100 each	2,500.00	2,500.00
	<b>6,500.00</b>	<b>3,500.00</b>
<b>Notes:</b>		
Pursuant to Sec 94 & other provisions of the Companies Act 1956, Authorised Share Capital of the Company has been increased from ₹ 3500 Lakhs to ₹ 6500 Lakhs, consisting of 4 crores equity shares of ₹ 10 each & 25 Lakhs preference shares of ₹ 100 each, as approved by the Shareholders, in their meeting in October 2013.		
<b>Issued,</b>		
<b>Equity Shares</b>		
32256983(31 March 2013 : 22,74,485) equity shares of ₹ 10 each #	3,225.70	227.45
1,44,000(31 March 2013 : 1,44,000) equity shares of ₹ 10 each issued as bonus shares by capitalisation of general reserve	14.40	14.40
8,76,295(31 March 2013 : 8,76,295 ) equity shares of ₹ 10 each issued in pursuance of scheme of amalgamation of Polutech Ltd. & Coromandel Prodorite Pvt Ltd. with Coromandel Engg Co. Ltd.	87.63	87.63
<b>Preference Shares</b>		
7,00,000(31 March 2013: 25,00,000) preference shares of ₹ 100 each issued on preferential basis	700.00	2,500.00
	4,027.73	2,829.48
<b>Subscribed and Paid Up</b>		
<b>Equity Shares</b>		
32213303(31 March 2013 : 22,74,485) equity shares of ₹ 10 each	3,221.33	227.45
1,44,000(31 March 2013 : 1,44,000) equity shares of ₹ 10 each issued as bonus shares by capitalisation of general reserve	14.40	14.40
8,76,295(31 March 2013 : 8,76,295 ) equity shares of ₹ 10 each issued in pursuance of scheme of amalgamation of Polutech Ltd. & Coromandel Prodorite Pvt Ltd. with Coromandel Engg Co. Ltd.	87.63	87.63
<b>Preference Shares</b>		
7,00,000(31 March 2013: 25,00,000) preference shares of ₹ 100 each issued on preferential basis	700.00	2,500.00
	4,023.36	2,829.48

# - Issued equity share capital includes 43680 equity shares(Previous year Nil) of ₹ 10 each, issued on right basis, kept in abeyance, due to a pending legal issue.

**a. Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period:**

	March 31 2014	March 31 2013
<b>Equity Shares</b>		
At the beginning of the period	32,94,780	32,94,780
Issued during the period – rights issue	2,99,82,498	-
Outstanding at the end of the period	3,32,77,278	32,94,780
<b>Preference shares</b>		
At the beginning of the period	25,00,000	25,00,000
Issued during the period	25,00,000	-
Redeemed during the period	(43,00,000)	
Outstanding at the end of the period	7,00,000	25,00,000

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### b. Terms/rights attached to equity shares :

The company has only one class of equity shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend, if proposed by the Board of Directors, is subject to approval of the Shareholders, in the ensuing annual general meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. During the year ended 31st March 2014, the Company issued 299,82,498 equity shares on rights basis to existing shareholders. Of the same, 299,38,818 equity shares were allotted at a price of ₹ 20/- (including premium of ₹ 10/-) per equity Share and 43680 equity shares were kept in abeyance, due to a pending legal issue.

### c. Terms / Rights attached to preference shares :

During the year ended 31st March 2014, the company redeemed 25,00,000 preference shares of ₹ 100 each fully paid up, issued during March 2012.

During the year ended 31st March 2014, the Company issued 25,00,000 preference shares of ₹ 100 each, fully paid up, in 2 tranches. The preference shares are cumulative in nature, carrying post tax dividend of 11.25% per annum. Tranche A consisted of 10,00,000 preference shares (₹ 1000 Lakhs) redeemable within 36 months from the date of allotment. Tranche B consisted of 15,00,000 preference shares (₹ 1500 Lakhs) redeemable within 12 months from the date of allotment. Entire tranche B preference shares and 3,00,000 preference shares of tranche A were redeemed out of the proceeds of rights Issue

### d : Details of shares held by shareholders, holding more than 5 % of the aggregate shares in the Company:

S No	Name of the Shareholder	March 31 2014		March 31 2013	
		No. of Shares held	% of Holding	No. of Shares held	% of Holding
1	Carborundum Universal Limited	3042900	9.16		
2	Cholamandalam Distribution Services Limited	2500100	7.52		
3	Dare Investments Limited	2500100	7.52		
4	Murugappa Holdings Limited	2500100	7.52		
5	Parry Agro Industries Limited	2500100	7.52		
6	Parry Infrastructure Company Private Limited	2500100	7.52		
7	Prescient Securities Private Limited	2500002	7.52		
8	R Narayanan			246912	7.49
9	M M Murugappan			220230	6.68
10	M A M Arunachalam			211610	6.42
11	A Vellayan			201610	6.12
12	Arun Alagappan			201610	6.12
13	M M Venkatachalam			201610	6.12
14	S Vellayan			201610	6.12
15	A. Venkatachalam			201610	6.12
16	M V Murugappan			176407	5.35

**NOTES FORMING PART OF FINANCIAL STATEMENTS****NOTE 2****RESERVES AND SURPLUS**

(₹ in lakhs)

	As at March 31, 2014	As at March 31, 2013
(a) Capital Reserve	7.24	7.24
(b) General Reserve		
As Per last Balance Sheet	551.72	551.72
Add : Transfer from Profit and Loss Account	-	-
	551.72	551.72
(c) Investment Allowance Reserve	77.71	77.71
(d) Share Premium Account	2,440.80	135.88
(e) Surplus in Profit and Loss Account		
Balance as per last financial statement	(1,876.16)	(1,332.11)
Add : Net profit/(Loss) after tax for the year	(888.17)	(544.05)
Appropriations :		
Less : Transfer to General Reserve	-	-
Less : Proposed Final Dividend	-	-
Less : Dividend Tax	-	-
Balance available for Appropriation	(2,764.33)	(1,876.16)
	<b>313.14</b>	<b>(1,103.61)</b>

**NOTE 3****LONG TERM BORROWINGS**

	As at March 31 2014	As at March 31 2013
<b>Secured</b>		
a) Term loan from Co-operative Bank (Repayable in April 2015, secured against charge on present and future fixed assets of the Company, interest rate @ 12.25% p.a)	500.00	1,450.00
b) Term loan from Non Banking Financial Company (Repayable over 5 years , secured against charge on the present and future current assets of the property development business, interest ranging from 12% to 13.25% p.a.)	1,921.08	1,533.00
c) Term Loan from Banking Company (Repayable in 16 equal quarterly installments with moratorium of 1 year, secured against subservient charge on the present and future current assets and moveable fixed assets of the Company , interest rate @ 12.25 % p a)	842.75	1,219.00
	<b>3,263.83</b>	<b>4,202.00</b>

**NOTE 4****LONG TERM PROVISIONS**

	As at March 31 2014	As at March 31 2013
a) Provision for Employee benefits - Gratuity	18.44	11.81
b) Accrued leave encashment benefit liability	32.94	36.48
	<b>51.38</b>	<b>48.29</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 5

#### SHORT TERM BORROWINGS

(₹ in lakhs)

	As at March 31 2014	As at March 31 2013
<b>Secured</b>		
a) Cash Credit from Banks	2,132.99	1,155.81
b) Working Capital Demand Loan (Secured by hypothecation of present and future stocks, Work in progress and receivables of the Company . They carry interest between 11.5% and 12.00% p.a. They are repayable on demand)	800.00	1,300.00
c) Short term loan from Bank (The above is secured by a subservient charges on current assets and carrying interest between 12.00% to 12.35% p.a)	1,000.00	500.00
d) Short term loan from Non Banking Finance Company (The above is secured by subservient charge on current assets of contract business of the Company. Interest at @ 13.00% p.a)	1,000.00	-
	<b>4,932.99</b>	<b>2,955.81</b>

### NOTE 6

#### TRADE PAYABLES

	As at March 31 2014	As at March 31 2013
<b>Sundry Creditors</b>		
(a) Purchases	1,987.03	1,966.30
(b) Expenses	1,083.49	1,139.15
	<b>3,070.52</b>	<b>3,105.45</b>

### NOTE 7

#### OTHER CURRENT LIABILITIES

	As at March 31 2014	As at March 31 2013
a) Advance from customers	8,977.90	6,339.53
b) Mobilisation advance	1,676.72	2,426.25
c) Outstanding Liabilities	2,215.63	2,154.53
d) Current maturities of long term borrowings	1,832.00	1,348.00
e) Unclaimed Dividend	4.63	4.86
<b>Statutory Liabilities</b>		
f) ESI employees recoveries	-	-
g) PF recoveries and remittance	-	0.01
h) Professional tax recovery and remittance	-	-
i) Service tax payable	-	80.72
j) TDS payable	29.14	31.41
k) WCTDS payable	18.33	8.52
l) Other payables	60.30	137.00
	<b>14,814.65</b>	<b>12,530.83</b>

### NOTE 8

#### SHORT TERM PROVISIONS

	As at March 31 2014	As at March 31 2013
a) Bonus Payable	2.71	2.71
b) Others (towards incentives etc)	-	38.68
c) Leave Travel Assistance payable	3.66	3.84
d) Provision for taxation	287.84	535.60
	<b>294.21</b>	<b>580.83</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS

## NOTE 9

## FIXED ASSETS

Fixed Assets	Gross Block						Accumulated Depreciation				Net Block	
	Balance as at 01.04.2013	Additions/ (Deletions)	Deletions	Balance as at 31.03.2014	Balance as at 01.04.2013	Depreciation charge for the year	On deletions	Balance as at 31.03.2014	Balance as at 31.03.2014	Balance as at 31.03.2013	Balance as at 31.03.2014	
a. Tangible Assets												
Land												
Buildings	23.11			23.11	23.11			23.11				
Office Building	3,538.07	735.43	32.04	4,241.46	598.83	189.54	9.42	778.95	3,462.51		2,939.24	
Plant and Equipment	28.40	0.87		29.27	24.87	2.67		27.54	1.73		3.53	
Furniture and Fixtures	37.05	6.20	7.28	35.97	14.45	3.57	2.83	15.19	20.78		22.60	
Vehicles	48.06	6.43		54.49	25.23	3.72		28.95	25.54		22.83	
Office equipment	115.56	2.03		117.59	83.63	19.20		102.83	14.76		31.93	
Computer												
<b>Total</b>	<b>3,790.25</b>	<b>750.96</b>	<b>39.32</b>	<b>4,501.89</b>	<b>770.12</b>	<b>218.70</b>	<b>12.25</b>	<b>976.57</b>	<b>3,525.32</b>		<b>3,020.13</b>	
b. Intangible Assets												
Software & Licensing	44.93	17.94		62.87	44.57	4.61		49.18	13.69		0.36	
<b>Total</b>	<b>44.93</b>	<b>17.94</b>	<b>-</b>	<b>62.87</b>	<b>44.57</b>	<b>4.61</b>	<b>-</b>	<b>49.18</b>	<b>13.69</b>		<b>0.36</b>	
c. Capital Work In Progress	17.05	-	17.05	-							17.05	
<b>Total (a + b + c)</b>	<b>3,852.23</b>	<b>768.90</b>	<b>56.37</b>	<b>4,564.76</b>	<b>814.69</b>	<b>223.31</b>	<b>12.25</b>	<b>1,025.75</b>	<b>3,539.01</b>		<b>3,037.54</b>	
<b>Previous Year</b>	<b>3,022.92</b>	<b>837.03</b>	<b>7.72</b>	<b>3,852.23</b>	<b>599.77</b>	<b>215.06</b>	<b>0.14</b>	<b>814.69</b>	<b>3,037.54</b>		<b>2,423.15</b>	

(₹ in lakhs)

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 10

#### NON CURRENT INVESTMENTS

(₹ in lakhs)

	Face Value	As at March 31 2014	As at March 31 2013	As at March 31 2014	As at March 31 2013
		₹	Quantity	Quantity	₹ Lakhs
<b>Shares in companies Non Trade</b>					
<b>Quoted fully paid up</b>					
(a) Cholamandalam Investments & Finance Co Ltd	10	262	262	0.20	0.20
Sri Vajra Granites Ltd	10	100	100	0.01	0.01
<b>Unquoted fully paid up</b>					
(b) New India Co-operative Bank Ltd	10	50000	50000	5.00	5.00
MPC Confectionary Ltd (Formerly Charmvel Electronics Ltd)	100	240	240	0.24	0.24
Consolidated Foundations India Ltd	10	120	120	0.04	0.04
Rock Copco Ltd	10	100	100	0.02	0.02
VM Jog Constructions Pvt Ltd	10	400	400	0.05	0.05
Less : Provision for Diminution in value of Investments				0.12	0.12
				5.44	5.44
<b>Market value - Quoted Investment</b>				<b>0.75</b>	<b>0.67</b>

### NOTE 11

#### DEFERRED TAX ASSET/(LIABILITY)

	As at March 31 2014	As at March 31 2013
<b>Timing Difference</b>		
(a) - Depreciation	(292.04)	(233.35)
(b) - Expenses allowed on payment basis	53.80	10.26
(c) - Unabsorbed Business losses	1,707.36	1,336.90
	<b>1,469.12</b>	<b>1,113.81</b>

### NOTE 12

#### LONG TERM LOANS AND ADVANCES

	As at March 31 2014	As at March 31 2013
<b>Unsecured and considered Good</b>		
Advance for hire of materials	23.14	36.59
	<b>23.14</b>	<b>36.59</b>

### NOTE 13

#### TRADE RECEIVABLES

	As at March 31 2014	As at March 31 2013
<b>Unsecured, Considered Good</b>		
Doubtful	1,298.27	1,004.00
Less: Provision for doubtful receivables	-	-
	<b>1,298.27</b>	<b>1,004.00</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS****NOTE 14****OTHER NON CURRENT ASSETS**

(₹ in lakhs)

	As at March 31 2014	As at March 31 2013
Advance for properties	465.00	465.00
	<b>465.00</b>	<b>465.00</b>

**NOTE 15****INVENTORIES**

	As at March 31 2014	As at March 31 2013
(a) Raw Materials at cost	1,007.35	1,158.10
(b) Work-in-Progress at cost	3,403.24	2,600.66
	<b>4,410.59</b>	<b>3,758.76</b>

**NOTE 16****TRADE RECEIVABLES**

	As at March 31 2014	As at March 31 2013
<b>Unsecured - Considered good</b>		
Outstanding for a period exceeding six months from the due date of payment		
<b>(a) Unsecured, considered good</b>	370.32	1,494.58
Doubtful	-	-
Less: Provision for doubtful debts		
Total	370.32	1,494.58
<b>(b) Other Receivables</b>		
<b>Unsecured, considered good</b>	4,960.29	3,225.36
Doubtful		
Less: Provision for doubtful debts	-	-
Total	<b>4,960.29</b>	<b>3,225.36</b>
Total (a + b)	<b>5,330.61</b>	<b>4,719.94</b>

**NOTE 17****CASH AND CASH EQUIVALENTS**

	As at March 31 2014	As at March 31 2013
(a) Balances with Banks		
Current Accounts	79.69	46.46
Margin Account - For Bank Guarantees	567.00	534.04
(b) Cash on hand	4.32	2.01
	<b>651.01</b>	<b>582.51</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS****NOTE 18****SHORT TERM LOANS AND ADVANCES**

(₹ in lakhs)

	As at March 31 2014	As at March 31 2013
<b>Unsecured and considered good</b>		
(a) Loans and Advances to suppliers and subcontractors	385.31	378.86
(b) Service Tax	428.82	315.92
(c) Others	66.23	113.29
	<b>880.36</b>	<b>808.07</b>

**NOTE 19****OTHER CURRENT ASSETS**

	As at March 31 2014	As at March 31 2013
(a) Interest accrued on deposits	19.15	56.80
(b) Advance for property development	959.92	1,003.48
(c) Deposits	140.14	158.45
(d) Advance Tax & TDS receivable	1,285.03	1,537.10
(e) Unbilled Contract in progress	9,901.43	6,681.80
(f) Others	385.86	179.79
	<b>12,691.53</b>	<b>9,617.42</b>

**NOTE 20****REVENUE FROM OPERATIONS**

	As at March 31 2014	As at March 31 2013
Sale of Services		
(a) Proceeds on contract	15,536.00	17,213.99
(b) Unbilled contract Revenue	4,369.18	4,358.81
(c) Sale of Products	-	32.03
Other Operating revenues		
(d) Scrap and Sundry Sales	19.74	34.39
	<b>19,924.92</b>	<b>21,639.22</b>

**NOTE 21****OTHER INCOME**

	As at March 31 2014	As at March 31 2013
(a) Interest Income	64.67	35.40
(b) Interest on income tax refund	43.69	
(c) Dividend Income	0.51	0.66
(d) Commission Income	-	42.50
(e) Profit on sale of investments	-	5.60
(f) Reversal of Provision for diminution of investment no longer required	-	0.50
(g) Miscellaneous receipt	0.14	5.11
(h) Insurance Claim	-	0.53
	<b>109.01</b>	<b>90.30</b>



**NOTES FORMING PART OF FINANCIAL STATEMENTS****NOTE 22****COST OF MATERIALS CONSUMED**

(₹ in lakhs)

	As at March 31 2014	As at March 31 2013
<b>Raw Materials Consumed</b>		
Opening stock	1,158.10	898.67
Add: Purchases	7,174.70	8,354.03
	8,332.80	9,252.70
Less: Closing stock	1,007.35	1,158.10
	<b>7,325.45</b>	<b>8,094.60</b>

**NOTE 23****CHANGES IN INVENTORIES**

(₹ in lakhs)

	As at March 31 2014	As at March 31 2013
Opening stock of Work-in-progress	2,600.66	2,023.83
Closing stock of Work-in-progress	3,403.24	2,600.66
<b>(Increase)/ Decrease</b>	<b>(802.58)</b>	<b>(576.83)</b>

**NOTE 24****EMPLOYEE BENEFIT EXPENSES**

	As at March 31 2014	As at March 31 2013
(a) Salaries, wages and bonus	1,538.84	1,626.52
(b) Contribution to provident and other funds	112.56	122.74
(c) Staff welfare expenses	119.24	145.48
	<b>1,770.64</b>	<b>1,894.74</b>

**NOTE 25****FINANCE COST**

	As at March 31 2014	As at March 31 2013
(a) Interest expense	1,122.33	991.31
(b) Bank charges, guarantee commission and processing fees	164.06	136.28
	<b>1,286.39</b>	<b>1,127.59</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS****NOTE 26****OTHER EXPENSES**

(₹ in lakhs)

	<b>As at March 31 2014</b>	<b>As at March 31 2013</b>
(a) Transport & freight	213.12	238.31
(b) Power and fuel	514.60	552.10
(c) Rent, Rates and taxes	652.23	649.07
(d) Repairs and maintenance		
- Buildings	-	9.77
- Plant and Machinery	21.83	91.30
- Others	24.64	15.16
(e) Insurance	144.93	131.93
(f) Printing & stationary	24.72	24.04
(g) Advertisement, Exhibition and Sales Promotion expenses	134.28	47.58
(h) Staff training expenses	4.85	1.98
(i) Payment to Auditors (see Note 27(7))	5.30	3.91
(j) Security & watch and ward	112.16	106.46
(k) Travelling expenses	181.88	219.13
(l) Telephone and Courier expenses	55.74	90.44
(m) Loss on sale of Fixed Assets (Net)	2.42	1.48
(n) Fixed assets written off	22.65	
(o) Professional and consultancy charges	108.01	118.73
(p) Interest Expenses property development	189.16	-
(q) Plant hire charges	947.55	984.04
(r) Miscellaneous expenses	5.33	0.97
	<b>3,365.40</b>	<b>3,286.40</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 27

#### 1. CORPORATE INFORMATION

Coromandel Engineering Company Limited(CEC) was incorporated as a Public Limited Company in the year 1947 and the shares of the Company are listed in Madras and Bombay Stock Exchanges. CEC is in the business of Construction and Property Development.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### 2.1. Basis of preparation of Financial Statements

The financial statements are prepared under the historical cost convention, on accrual basis and in accordance with the Generally Accepted Accounting Principles in India(Indian GAAP) and comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

##### 2.2. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses for the year and disclosure of contingent liabilities as of the date of Balance Sheet. The estimates and assumptions used in the accompanying financial statements are based upon the management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual amounts could differ from these estimates.

##### 2.3. Fixed Assets

Fixed Assets are carried at cost less accumulated depreciation. Cost includes related taxes, duties, freight, insurance etc. attributable to acquisition and installation of assets and borrowing costs incurred up to the date of commencing operations. Impairment loss is recognised, where applicable, when the carrying value of fixed

assets exceeds its market value or the value in use whichever is higher.

##### 2.4. Depreciation

Depreciation on Fixed Assets is provided on Straight Line Method as per Schedule XIV of the Companies Act, 1956. Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life. Intangible Assets are amortised over a period of three years.

##### 2.5. Investments

All investments are valued at cost. Diminution in the value of investments other than temporary in nature is provided for.

##### 2.6. Inventories

Materials at site are valued at cost on Weighted Average method. During the year, the Company changed the method of valuation of Materials at site from FIFO method to Weighted Average method. If the Company had valued the materials at site in FIFO method, the closing stock as on 31st March 2014 would have been lower by ₹ 2.41 lakhs and loss for the year would be higher by ₹ 2.41 lakhs. Work-in-Progress in respect of contracts till attaining a reasonable progress level and in property development till significant risks and rewards of ownership are transferred is valued at cost.

##### 2.7. Revenue Recognition

- i) Revenue in respect of construction contracts including Property Development activity is recognised on percentage of completion method. Percentage of completion is arrived at as the proportion of contract costs incurred (including directly attributable borrowing costs) up to the Balance Sheet date to the estimated total contract costs.
- ii) Dividend from investments is accounted when received.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### 2.8. Contract Revenue /Sales

- i) Revenue in respect of billed and unbilled contracts/property development in progress includes recognised profits based on percentage of completion and retention on bills. Provision for expected losses is made irrespective of percentage of completion.
- ii) Revenue from Property Development activity is recognised when significant risks and rewards of ownership in the land and/or building are transferred to the customer.
- iii) Bill raised for value of work done in respect of completed and ongoing contracts including retention on bill is disclosed as proceeds on contracts.
- iv) Sale of goods and services are recognized when the goods are delivered or services rendered.
- v) Sales are recorded net of trade discounts/ rebates exclusive of sales tax.

### 2.9. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of assets that necessarily takes substantial period of time to get ready for intended use are treated as part of the cost of such assets. All other borrowing costs are charged to revenue.

### 2.10. Employee Benefits

#### a. Short Term

Short term employee benefits, including accumulated compensated absences, are recognized as an expense as per the Company's scheme, based on expected obligations on undiscounted basis.

#### b. Long Term

- i. Long term employee benefits comprise of leave encashment which is provided for based on the actuarial valuation using the projected unit credit method.
- ii. Provident Fund  
Contributions are made to the Company's Employees Provident Fund Trust in accordance with the fund rules. The interest rate payable by the trust to the

beneficiaries every year is being notified by the Government. The company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

#### iii. Superannuation

This is defined contribution plan. Fixed contributions to the Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India are charged to the Profit and Loss Account. The Company has no further obligations for future superannuation benefits other than its annual contributions and recognizes such contributions as an expense in the year incurred.

#### iv. Gratuity

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by Life Insurance Corporation of India (LIC). Liability for future gratuity benefits is accounted based on actuarial valuation, as at the Balance Sheet date, determined every year by LIC using projected unit credit method. Actuarial gains and losses, comprising of experience adjustments and the effects of changes in actuarial assumptions, are recognised immediately in the profit and loss account.

### 2.11. Taxation

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws. Provision for deferred tax is made for timing differences arising between the taxable income and accounting income calculated at the tax rates enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognized only if there is a virtual certainty that they will be realised and are reviewed for appropriateness of their respective carrying values at each Balance Sheet date.

### 2.12. Provisions & Contingent Liabilities:

Provisions are recognized for known liabilities that can be measured where the Company has a present obligation as a result of past event. Contingent Liabilities are disclosed by way of note.

**NOTES FORMING PART OF FINANCIAL STATEMENTS****NOTE 27**

(₹ in lakhs)

	As at March 31 2014	As at March 31 2013
<b>3 Contingent Liability</b>		
3.1 Estimated amount of Contracts remaining to be executed on Capital Account not provided for	NIL	211.56
3.2 (a) Guarantees issued by the Company's bankers for which the Company has given counter guarantees. (Net of guarantees for which Liability exists in the books of account)	4,742.25	4,058.32
3.2 (b) Letter of Credits issued by the Company's bankers for which the Company has given counter guarantees	436.12	523.14
3.3 Estimated liability on account of certain taxes and duties not provided for		
i) Sales Tax		
Andhra Pradesh VAT for the year 2006-07 & 2007-08 (against which ₹ 20.49 lakhs deposited with the Commercial Tax Officer, Hyderabad)	43.32	43.32
Tamil Nadu-Entry tax for the year 2012-13 & (entire amount of ₹ 2.99 lakhs deposited with the Commercial Tax Officer, Ranipet)	2.99	2.99
ii) Income Tax		
Appeals pending on various matters before CIT (Appeals)	64.46	108.50
AY 2005-06 ₹ 1.90 lakhs ; AY 2007-2008 ₹ 62.56 lakhs		
iii) Uttarkhand VAT for the year 2007-08	25.00	-
<b>4 Tender &amp; Security Deposit in Note 19 includes : (*)</b>		
i) Fixed deposit with a scheduled Bank	1.25	1.25
ii) Kissan Vikas Patra	0.39	0.39
iii) 6 Year NSC VIII issue	3.69	3.69
(*) Held by Commercial Tax & other authorities as Security Deposit		

**NOTES FORMING PART OF FINANCIAL STATEMENTS**  
**NOTE 27 Contd...**

(₹ in lakhs)

	As at March 31 2014	As at March 31 2013
<b>5 (i) Salary and allowances include:</b>		
-Retirement benefits paid on account of Leave encashment	8.20	5.18
<b>(ii) Sundry Creditors include:</b>		
-Dues to Micro, Small and Medium enterprises in respect of suppliers from whom intimation was received regarding their status under Micro, Small and Medium Enterprises Development Act, 2006.	NIL	NIL
<b>6 Income Tax Deducted at source on:</b>		
Interest Receipts	0.78	3.54
<b>7 Auditor's Remuneration (included in Note 26)</b>		
Statutory audit fees	2.60	2.30
Tax audit fees	0.50	0.50
Other services	1.95	1.11
Rights issue fees (part of Rights issue expenses)	4.10	-
Out of pocket expenses	0.25	-
Service tax	1.19	-
<b>8 Turnover</b>		
Contract revenue	19,905.18	21,572.79
Scrap & sundry sales	19.74	34.39
Merchant sales	-	32.04
<b>9 AS-7 disclosure for Contracts in Progress</b>		
Contract revenue recognised	19,380.92	21,213.40
Contract Costs incurred	18,072.64	19,106.18
Advance Received	1,676.72	2,426.25
Retention	1,947.07	1,498.24
Due from Customers	4,681.81	4,198.43

## NOTES FORMING PART OF FINANCIAL STATEMENTS

## NOTE 27 Contd...

## 10. Employee Benefits as per AS-15 (Revised)

(₹ in lakhs)

10.1 Details of Actuarial valuation of Gratuity		2013-14	2012-13
<b>i Changes in Present Value of Benefit Obligation- Gratuity</b>			
1	<b>Present Value of Benefit Obligation at the beginning of the Period</b>	<b>79.39</b>	<b>66.77</b>
2	Current Service Cost	15.88	12.01
3	Interest Cost	6.35	5.34
4	Benefits Paid	(22.46)	(4.35)
5	Actuarial (Gain)/Loss	3.88	(0.38)
6	<b>Present value of Benefits Obligation at the end of the period</b>	<b>83.04</b>	<b>79.39</b>

<b>ii Changes in Fair Value of Plan Assets</b>			
1	<b>Fair Value of Plan Assets at the beginning of the Period</b>	<b>67.58</b>	<b>46.19</b>
2	Expected return on Plan Assets	-	5.21
3	Contributions	19.48	20.53
4	Benefits Paid	(22.46)	(4.35)
5	Actuarial gain/(Loss) on Plan assets	-	-
6	<b>Fair Value of Plan Assets at the end of the period</b>	<b>64.60</b>	<b>67.58</b>

<b>iii Amount recognised in the Balance Sheet</b>			
1	<b>Projected Benefit Obligation at the end of the period</b>	<b>83.04</b>	<b>79.39</b>
2	Fair Value of Plan Assets at the end of the period	64.60	67.58
3	<b>Funded Status of the Plan-Liability/(Asset)</b>	<b>18.44</b>	<b>11.81</b>

<b>iv Amount recognised in the Statement of Profit &amp; Loss</b>			
1	<b>Current Service Cost</b>	<b>15.88</b>	<b>12.01</b>
2	Interest Cost	6.35	5.34
3	Expected return on Plan Assets	-	(5.21)
4	Net Actuarial (Gain)/Loss recognised in the period	3.88	(0.38)
5	<b>Net Cost</b>	<b>26.11</b>	<b>11.76</b>

<b>v Principal Actuarial Assumptions</b>			
1	Discount Rate	8%	8%
2	Estimated Rate of Return on Plan Assets	9.25%	9.25%
3	Expected rate of Salary increases	6%	6%
4	Attrition Rate	3%	3%

<b>10.2 Details of Actuarial Assumptions for Leave encashment</b>			
1	Discount Rate	8%	8%
2	Salary Escalation	6%	6%
3	Attrition Rate	3%	3%

**10.3 Note on Provident Fund :** With respect to the Provident Fund administered by the Company, the Company shall make good deficiency, if any, in the interest rate declared by Trust over statutory limit. Having regard to the assets of the fund and return on investments, the Company does not expect any deficiency in the foreseeable future.

**NOTES FORMING PART OF FINANCIAL STATEMENTS**  
**NOTE 27 Contd...**

(₹ in lakhs)

	As at March 31 2014	As at March 31 2013
<b>11. Basic/Diluted Earnings Per Share</b>		
- Profit/(loss) attributable to the Equity shareholders	(888.17)	(544.05)
- No. of Adjusted Equity Shares Outstanding during the year (as per AS 20)	2,05,27,714	1,87,06,348
- Nominal value of Equity Share (₹ )	10	10
- Basic Earnings Per Share (₹ )	(4.33)	(2.91)
- Diluted Earnings Per share (₹ )	NA	NA
<b>12 Rights Issue:</b> During the year, the Company issued 2,99,82,498 equity shares of ₹ 10/- face value at a premium of ₹ 10/- per Share on rights basis in the ratio of 91 equity shares for every 10 equity shares held on record date. Of the above, 43680 equity shares were kept in abeyance and 2,99,38,818 equity shares were allotted. The proceeds from the rights issue, net of issue expenses of ₹ 139.79 lakhs were used as per the approved objects of the issue, namely ₹ 3000 lakhs towards term loan repayment, ₹ 2337.15 lakhs towards redemption of preference shares and ₹ 510.82 lakhs towards general corporate purposes.		
<b>13</b> As the Company's business activity falls within a single significant business segment, viz. "Construction", no separate segment reporting as per Accounting Standard 17 is disclosed.		
<b>14 Related Party Transactions</b>		
Key Management Personnel		
Mr.M.M. Venkatachalam, Chairman and Managing Director		
Mr.G.Viswanath Kumar Sr.Vice President		
Remuneration to Key Management Personnel		
Mr. G. Viswanath Kumar, Sr. Vice President	45.06	40.83
<b>15. Previous Year's figures have been regrouped to conform to the Current Year grouping.</b>		

On Behalf of the Board

**M.A.M. ARUNACHALAM**  
 Director

**M.M. VENKATACHALAM**  
 Chairman and Managing Director

Chennai  
 April 29, 2014

**R. NARAYANAN**  
 Head Finance and Company Secretary



**NOTICE CONVENING THE SIXTY SIXTH ANNUAL GENERAL MEETING**

**NOTICE is hereby given that the SIXTY SIXTH Annual General Meeting of the members of COROMANDEL ENGINEERING COMPANY LIMITED will be held on Wednesday, the 30th July, 2014 at 10 a.m. at NARADA GANA SABHA TRUST, "MINI HALL", No.314, TTK Road, Chennai - 600 018, to transact the following business:**

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Directors' Report and the Audited Statement of Profit and Loss for the year ended 31st March, 2014 and the Balance Sheet as at that date and the Report of the Auditors thereon.
2. To appoint a Director in the Place of Mr. M.A.M Arunachalam, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the Sixty Eighth Annual General Meeting and in this connection, to consider and if deemed fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.

**"RESOLVED THAT** pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Rules made there under, M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai bearing Firm Registration No. 0042075 be and are hereby reappointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of Sixty Eighth Annual General Meeting (subject to ratification of the appointment by the members at every Annual General Meeting held after this Annual General Meeting) on a remuneration of ₹ 3,25,000/- (Rupees Three Lakhs Twenty Five Thousand only) plus the applicable taxes and reimbursement of travelling and out of pocket expenses upto ₹ 25,000/- incurred by them"

**SPECIAL BUSINESS:**

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**RESOLVED THAT** pursuant to Sections 149, 150, 152 and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013 and Clause 49 of the Listing Agreement, Mr. J. Srinivasan (holding DIN 00063660) who was appointed as a Director liable to retire by rotation and in respect of whom the company has received a notice in writing from a member under Section 160 of the Companies Act 2013 signifying the intention to propose Mr. J. Srinivasan as a candidate

for the office of a Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 1 year with effect from 30th July, 2014, being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 67th Annual General Meeting of the Company in the calendar year 2015, who is not liable to retire by rotation.

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**RESOLVED THAT** pursuant to Sections 149, 150, 152 and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013 and Clause 49 of the Listing Agreement, Mr. S.S. Rajsekar (holding DIN 00125641) who was appointed as a Director liable to retire by rotation and in respect of whom the company has received a notice in writing from a member under Section 160 of the Companies Act 2013 signifying the intention to propose Mr. S.S. Rajsekar as a candidate for the office of a Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 5 years with effect from 30th July, 2014, being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 71st Annual General Meeting of the Company in the calendar year 2019, who is not liable to retire by rotation.

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**RESOLVED THAT** pursuant to Sections 149, 150, 152 and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013 and Clause 49 of the Listing Agreement, Mr. V. Venkiteswaran (holding DIN 00062246) who was appointed as a Director liable to retire by rotation and in respect of whom the company has received a notice in writing from a member under Section 160 of the Companies Act 2013 signifying the intention to propose Mr. V. Venkiteswaran as a candidate for the office of a Director of the Company, be and is hereby appointed

as an Independent Director of the Company to hold office for a period of 5 years with effect from 30th July, 2014 being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 71st Annual General Meeting of the Company in the calendar year 2019, who is not liable to retire by rotation.

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**RESOLVED THAT** pursuant to Sections 149, 150, 152 and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013 and Clause 49 of the Listing Agreement, Mr. N.V. Ravi (holding DIN 00277255) who would have retired by rotation at this Annual General Meeting and in respect of whom the company has received a notice in writing from a member under Section 160 of the Companies Act 2013 signifying the intention to propose Mr. N.V. Ravi as a candidate for the office of a Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 5 years with effect from 30th July, 2014 being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 71st Annual General Meeting of the Company in the calendar year 2019, who is not liable to retire by rotation.

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s)

or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013 (corresponding to Sections 198, 269, 309 and any other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956) the consent of the Company be and is hereby accorded to the appointment of Mr. A. Suryanarayan, "Business Head" as the "Manager" of the Company for a period of one year effective from 30th April, 2014, on the terms and conditions of appointment and remuneration as given hereunder;

**Terms & conditions of the appointment:**

- A. Period of appointment: One year with effect from 30th April, 2014.
- B. Fixed Monthly Fee & other benefits
- i. Fixed Fee : Rs 4,17,000/- p.m (₹ 50,04,000/-p.a)
  - ii. Other benefits
    - a. Floater Insurance Coverage of ₹ 2,00,000/- for family towards Company Hospitalisation Medical Scheme.
    - b. Reimbursement of fuel @ actual and car maintenance of ₹ 20,000/- p.a on production of bills.
    - c. Service tax on consultant fee shall be eligible for reimbursements against production of prescribed invoice.
    - d. Other benefits & conditions: No other benefit will be applicable. Any tax applicable on the above will be borne by the recipient.

**On behalf of the Board**

**Place: Chennai**  
Date: 29.04.2014

**M M VENKATACHALAM**  
Chairman & Managing Director

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and Vote on a poll only instead of Him / Her. The proxy need not be a member of the Company. A blank form of proxy is enclosed herewith and if intended to be used, it should be returned duly completed at the Registered Office of the Company not later than forty eight hours before the scheduled time of the commencement of 66th Annual General Meeting.
2. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the company carrying voting rights. A member holding more than 10% of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.
3. The explanatory statement pursuant to Section 102 of the Companies Act, 2013, relating to the Special Business is annexed herewith.
4. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the Company, provided not less than three days of notice in writing is given to the Company.
5. Members / proxies should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
6. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
7. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
8. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the Meeting.
9. Brief resume of Directors including those proposed to be appointed / re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock exchanges, are provided in the Explanatory Statement forming part of the notice.
10. The Register of Members and the Share Transfer Books of the Company shall remain closed from Wednesday, 23rd July, 2014 to Wednesday, 30th July, 2014 (both days inclusive), for the purpose of Annual General Meeting.
11. Members are requested to notify the change in their address, if any, immediately, so that all communications can be sent to the latest address. In case of members holding shares in physical form, all intimations regarding change of address and change of bank account details are to be sent to M/s Karvy Computershare Private Limited, Unit: Coromandel Engineering Company Limited, Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081. Members, who hold shares in electronic form, are requested to notify any change in their particulars like change in address, bank particulars etc. to their Depository Participants immediately.
12. The Dividend amounts, which remain unclaimed for the year 2006-07 and the subsequent years, can be claimed from the Company. Pursuant to Section 125 of the Companies Act, 2013 (Section 205C of the erstwhile Companies Act, 1956), the amounts remaining unpaid or unclaimed for a period of seven years, shall be transferred to the Investor Education and Protection Fund (IEPF). No claim shall lie against IEPF or the Company for the amounts so transferred prior to 31st March, 2014, nor shall any payment be made in respect of such claim.
13. Members who have not encashed their dividend warrants for the years 2007-08, 2008-09, 2009-10 and 2010-11 are requested to lodge their claims with the Company.
14. The Securities and Exchange Board of India (SEBI) vide circular ref no. MRD/Dop/CIR 05/2007 dated April 27, 2007 made PAN the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transaction. In continuation of the said circular, it is hereby clarified that for securities market transactions and off-market/private transactions involving transfer of shares in listed companies in physical form, it shall be mandatory for the transferee(s) to furnish a copy of the PAN card to the Company / RTA for registration of such transfer of shares.
15. Copies of the Annual Report 2014 are being sent by electronic mode only to all the members whose email IDs are registered with the Company/ Depository Participants for communication purposes unless any member has requested for a hard copy of the same. In the case of members holding shares in physical mode whose email IDs are registered with

the Company/ Registrars M/s. Karvy Computershare Private Limited, and have given consent for receiving communication electronically, copies of the Annual Report 2014 are being sent by electronic mode only. For members who have not registered their email addresses, physical copies of the Annual Report 2014 are being sent by the permitted mode.

16. The Notice of the 66th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form, is being sent by electronic mode to all the members whose email addresses are registered with the Company/Depository Participants unless any member has requested for a hard copy of the same. In the case of members holding shares in physical mode whose email IDs are registered with the Company/ Registrars M/s. Karvy Computershare Private Limited, and have given consent for receiving communication electronically, the Notice of the 66th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form, is being sent by electronic mode. For members who have not registered their email addresses, physical copies of the aforesaid documents are being sent by the permitted mode.
17. Members may also note that the Notice of the 66th Annual General Meeting and the Annual Report 2014 will also be available on the Company's website [www.coromandelengg.com](http://www.coromandelengg.com) for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Chennai for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's Registrars M/s. Karvy Computershare Private Limited at: [einward.ris@karvy.com](mailto:einward.ris@karvy.com).
18. All documents referred to in the Notice will be available for inspection at the Company's registered office during normal business hours on working days up to the date of the AGM.
19. Voting through electronic means

In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide to the members the facility to exercise their right to vote at the 66th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by National Securities Depository Limited (NSDL) on all resolutions set forth in this Notice:

The procedure and instructions for the same are as follows:

- A. In case a Member receives an e-mail from NSDL (for Members whose e-mail addresses are registered with the Company/Depositories):
  - i. Open the e-mail and also open PDF file namely "Coromandel Engineering e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
  - ii. Open the internet browser and type the following URL: <https://www.evoting.nsd.com>.
  - iii. Click on Shareholder – Login.
  - iv. If you are already registered with NSDL for e-voting then you can use your existing user ID and password.
  - v. If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.
  - vi. The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.
  - vii. Once the e-voting home page opens, click on e-voting> Active Voting Cycles.
  - viii. Select "EVEN" (E-Voting Event Number) of Coromandel Engineering Company Limited. Now you are ready for e-voting as Cast Vote page opens.
  - ix. Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
  - x. Upon confirmation, the message "Vote cast successfully" will be displayed.
  - xi. Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.
  - xii. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution/Authority letter, etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [rsaevoting@gmail.com](mailto:rsaevoting@gmail.com), with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
  - xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) - Shareholders and e-voting user manual - Shareholders, available at the downloads section of [www.evoting.nsd.com](http://www.evoting.nsd.com).
- B. In case a Member receives physical copy of the Notice of AGM (for Members whose email

addresses are not registered with the Company/ Depositories):

- i. Initial password is provided in the enclosed ballot form: EVEN (E-Voting Event Number), user ID and password.
- ii. Please follow all steps from Sl. No. (ii) to Sl. No. (xiii) above, to cast vote.

#### C. Other Instructions

- i. The e-voting period commences on Wednesday, 23rd July, 2014 (9.00 a.m IST) and ends on Friday, 25th July, 2014 (6.00 p.m IST). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 20th June, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, he shall not be allowed to change it subsequently.
- ii. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on 20th June, 2014.

- iii. Mr. R Sridharan, Practising Company Secretary (Membership No. FCS 4775) of R Sridharan & Associates, Company Secretaries has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- iv. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- v. The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.coromandelengg.com](http://www.coromandelengg.com) and on the website of NSDL [www.evoting.nsd.com](http://www.evoting.nsd.com) within two days of the passing of the resolutions at the 66th AGM of the Company on 30th July, 2014 and communicated to the BSE Limited and Madras Stock Exchange Limited, where the shares of the Company are listed.

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## ANNEXURE TO THE NOTICE

### EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

#### Item No.4

**Mr. J. Srinivasan** is a Non-Executive Independent Director of the Company. He joined the Board of Directors in July 2008. His period of office is liable to determination by retirement of directors by rotation under the erstwhile provisions of the Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 Mr. J. Srinivasan being eligible is proposed to be appointed as an Independent Director for a term of One year with effect from 30th July, 2014, being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 67th Annual General Meeting of the Company in the calendar year 2015.

The Company has received a notice in writing under the provisions of Section 160 of the Companies Act 2013, from a member along with a deposit of ₹ 1,00,000/- proposing the candidature of Mr. J. Srinivasan for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mr. J. Srinivasan (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013 and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The resolution seeks the approval of members for the appointment of Mr. J. Srinivasan as an Independent Director of the Company for a period of One year with effect from 30th July, 2014, being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 67th Annual General Meeting of the Company in the calendar year 2015, pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. J. Srinivasan, the Independent Director proposed to be appointed, fulfills the conditions specified in the Act and the Rules made there under and he is independent of the Management. A copy of the draft letter of appointment of Mr. J. Srinivasan as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered office of the Company during normal business hours on any working day up to the date of AGM

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr. J. Srinivasan as an Independent Director.

Except Mr. J. Srinivasan being an appointee, none of the other Directors or their relatives or key Managerial Personnel of the Company or their relatives is concerned or interested, financial or otherwise in the resolution set out under item No.4

The Board recommends the resolution set forth in Item no. 4 for the approval of the members.

#### Item No.5

**Mr. S. S. Rajsekar** is a Non-Executive Independent Director of the Company. He joined the Board of Directors in October 2005. His period of office is liable to determination by retirement of directors by rotation under the erstwhile provisions of the Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 Mr. S. S. Rajsekar being eligible is proposed to be appointed as an Independent Director for a term of Five years with effect from 30th July, 2014, being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 71st Annual General Meeting of the Company in the calendar year 2019.

The Company has received a notice in writing under the provisions of Section 160 of the Companies Act 2013, from a member along with a deposit of ₹ 1,00,000/- proposing the candidature of Mr. S.S. Rajsekar for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mr. S.S. Rajsekar (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013 and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The resolution seeks the approval of members for the appointment of Mr. S.S. Rajsekar as an Independent Director of the Company for a period of Five years with effect from 30th July, 2014, being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 71st Annual General Meeting of the Company in the calendar year 2019 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. S.S. Rajsekar, the Independent Director proposed to be appointed, fulfills the conditions specified in the Act and the Rules made there under and he is independent of the Management. A copy of the draft letter of appointment of Mr. S.S. Rajsekar as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered office of the Company during normal business hours on any working day up to the date of AGM

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr. S.S. Rajsekar as an Independent Director.

Except Mr. S.S. Rajsekar being an appointee, none of the other Directors or their relatives or key Managerial Personnel of the Company or their relatives is concerned or interested, financial or otherwise in the resolution set out under item No.5

The Board recommends the resolution set forth in Item no. 5 for the approval of the members.

#### Item No. 6

**Mr. V. Venkiteswaran** is a Non-Executive Independent Director of the Company. He joined the Board of Directors in July 2008. His period of office is liable to determination by retirement of directors by rotation under the erstwhile provisions of the Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Mr. V. Venkiteswaran being eligible is proposed to be appointed as an Independent Director for a term of Five years with effect from 30th July, 2014, being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 71st Annual General Meeting of the Company in the calendar year 2019.

The Company has received a notice in writing under the provisions of Section 160 of the Companies Act 2013, from a member along with a deposit of ₹ 1,00,000/- proposing the candidature of Mr. V. Venkiteswaran for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mr. V. Venkiteswaran (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013 and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The resolution seeks the approval of members for the appointment of Mr. V. Venkiteswaran as an Independent Director of the Company for a period of Five years with effect from 30th July, 2014, being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 71st Annual General Meeting of the Company in the calendar year 2019 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. V. Venkiteswaran, the Independent Director proposed to be appointed, fulfills the conditions specified in the Act and the Rules made there under and he is independent of the Management. A copy of the draft letter of appointment of Mr. V. Venkiteswaran as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered office of the Company during normal business hours on any working day up to the date of AGM.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr. V. Venkiteswaran as an Independent Director.

Except Mr. V. Venkiteswaran being an appointee, none of the other Directors or their relatives or key Managerial Personnel of the Company or their relatives is concerned or interested, financial or otherwise in the resolution set out under item No.6

The Board recommends the resolution set forth in Item no.6 for the approval of the members.

#### Item No. 7

**Mr. N.V. Ravi** is a Non-Executive Independent Director of the Company. He joined the Board of Directors in February 2012. He would have retired by rotation at the ensuing Annual General Meeting under the erstwhile provisions of the Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 Mr. N.V. Ravi being eligible is proposed to be appointed as an Independent Director

for a term of Five years with effect from 30th July, 2014, being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 71st Annual General Meeting of the Company in the calendar year 2019.

The Company has received a notice in writing under the provisions of Section 160 of the Companies Act 2013, from a member along with a deposit of ₹ 1,00,000/- proposing the candidature of Mr. N.V. Ravi for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mr. N.V. Ravi (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013 and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The resolution seeks the approval of members for the appointment of Mr. N.V. Ravi as an Independent Director of the Company for a period of Five years with effect from 30th July, 2014, being the date of the 66th Annual General Meeting, for a term up to the conclusion of the 71st Annual General Meeting of the Company in the calendar year 2019 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. N.V. Ravi, the Independent Director proposed to be appointed, fulfills the conditions specified in the Act and the Rules made there under and he is independent of the Management. A copy of the draft letter of appointment of Mr. N.V. Ravi as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered office of the Company during normal business hours on any working day up to the date of AGM.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr. N.V. Ravi as an Independent Director.

Except Mr. N.V. Ravi being an appointee, none of the other Directors or their relatives or key Managerial Personnel of the Company or their relatives is concerned or interested, financial or otherwise in the resolution set out under item No.7

The Board recommends the resolution set forth in Item no. 7 for the approval of the members.

**Item No. 8**

In compliance with the provision of Section 203 of the Companies Act, 2013, (Act) **Mr. M M Venkatachalam** who was the Chairman & Managing Director of the Company resigned as Managing Director with effect from the close of business hours on 29th April, 2014. He continues to be a Director of the Company and also as the Chairman of the Board of Directors.

In terms of Section 203 of the Act providing for the appointment of a whole-time key managerial personnel and based on the recommendations of the Nomination and Remuneration Committee, the Board of Directors subject to the approval of the members, appointed Mr. A. Suryanarayan, the Business Head, as the Manager of the Company on the terms & Conditions as mentioned in the notice under item No. 8.

Mr. A. A. Suryanarayan holds 1 lakh equity shares of ₹ 10/- each of the Company.

Except Mr. A. Suryanarayan, the Appointee, none of the Directors or their relatives are concerned or interested, financial or otherwise in the resolution set out under item No.8

The Board recommends the resolution set forth in Item No. 8 for the approval of the members.

The information as required under Section II (B) (iv) of Part II of Schedule V of the Companies Act, 2013 is given below:

**I. General Information:**

- 1) Nature of industry  
Construction
- 2) Date or expected date of commencement of commercial production  
Not applicable
- 3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus  
Not applicable
- 4) Financial performance based on given indicators

(₹ lakhs)

Parameter	2011-2012	2012-2013	2013-2014
Gross Income	17124.88	21729.52	20033.93
P B T	(3249.32)	(668.37)	(1243.48)
P A T	(2145.22)	(544.05)	(888.17)
Networth	2269.92	1725.87	4336.50
Dividend on Equity	-	-	-

- 5) Foreign investments or collaborations, if any.  
Not applicable

**II. Information about the appointee:**

- 1) Background details : Worked in Industry for 35 years occupying several senior positions, as given below.
- 2) Past remuneration : Appointed with effect from 30th April 2014 and no past remuneration as Manager.
- 3) Recognition or awards :
- 4) Job profile and his suitability

Mr. A. Suryanarayan, aged 61 years, is a Graduate in Commerce from Mumbai University. He is a Fellow of Institute of Chartered Accountants of India and Fellow of Institute of Cost Accountants of India. He began his career with Tube Investments of India Limited(TII) in 1976. He had a long stint in the Industry covering areas such as Accounts and Finance, Operations, Business development and diversification, Business restructuring and this culminated in his position as President of Metal Forming Business of M/s Tube Investments of India Ltd. Subsequently he was President- Diversification and New Projects for TII, from which position he retired in June 2011.

- 5) Remuneration proposed  
Fixed Fee : Rs 4,17,000/- p.m (₹ 50,04,000/-p.a)
- 6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)

Taking into consideration, the size of the Company, the qualification and experience of the appointee, the responsibilities being shouldered by him and industry benchmarks for people with similar profile, the remuneration paid is commensurate with the remuneration packages paid to similar senior level appointees in other Companies.

- 7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.  
NIL

**III. Other information:**

- 1) Reasons of loss or inadequate profits  
Due to conditions prevailing in the construction industry, there was cost escalations in price of input materials and labour. Execution of the work has been hampered by non availability of labour, shortage of sand etc., and the delay from client side in providing work front/drawings for execution. Due to lower execution of work in contracts and also sluggish sales in the property development business, revenue was lower than planned and the fixed costs could not be recovered. Delay in payment from clients affected



cash flow leading to higher borrowings and interest cost. This resulted in the loss.

- 2) Steps taken or proposed to be taken for improvement Rights issue was completed by the Company in February 2014 raising ₹ 59.88 crores to improve liquidity, repay debts and bring down interest cost. Steps have been taken to increase the execution efficiencies and improve the margin at project level. Minimum margin is sought to be maintained while tendering to ensure profitability.
- 3) Expected increase in productivity and profits in measurable terms.

The management has drawn up plans to increase volume of execution and for timely completion of the property development projects on hand . The Company is taking all steps to improve liquidity and return back to profitability.

#### **Additional Information on Directors recommended for appointment/re-appointment as required under Clause 49 of the Listing Agreement**

##### **Item No.2**

##### **Mr. M.A.M Arunachalam**

Non-Executive Promoter Director

Mr. M.A.M. Arunachalam has done his Bachelors in Commerce and Masters in Business Administration from University of Chicago. He is an Industrialist and has an experience of 26 years in the field of varied industrial activities. He is the Managing Director of Parry Enterprises India Limited. He has been on the Board of CECL since September 1995.

Mr. M.A.M Arunachalam holds 3,61,610 Equity shares in the Company.

The details of other Directorships/Committee memberships held by him are as follows:

S. No	Directorship	Committee membership	Chairmanship/ Member
1	Ambadi Investments Private Limited	-	-
2	Placon (India) Private Limited	-	-
3	A M M Arunachalam & Sons Private Limited	-	-
4	Parry Enterprises India Limited	-	-

S. No	Directorship	Committee membership	Chairmanship/ Member
5	New Ambadi Estates Private Limited	-	-
6	M.A.Murugappan Holdings Private Limited	-	-

##### **Item No.4**

##### **Mr. J Srinivasan**

Non-Executive Independent Director

Mr. J. Srinivasan, holds a Bachelor's Degree in Economics - Political Science - Commerce combination of the University of Delhi. He is also a Fellow member of the Institute of Company Secretaries of India. He has been in Industry for over 56 years in different capacities. Till October 2006, he was the CEO of both TTK-LIG Limited and SSL-TTK Limited. Presently, he is the Mentor Director of the TTK Group. He was responsible for taking over Dr. Scholl, domestic business in SSL-TTK and for shifting UK operations to India. In recognition of his contribution, the JV partners have named Sriperumbudur plant after him. He is also associated with a few NGOs in Chennai, like VHS, TTK-VHS-Rotary Blood Bank, TTK Hospital of TT Ranganathan Foundation, Spastics Society of Tamil Nadu, etc. He has been on the Board of CECL, since July 2008.

Mr. J. Srinivasan holds NIL Equity shares in the Company.

The details of other Directorships / Committee memberships held by him are as follows:

S. No	Directorship	Committee membership	Chairmanship/ Member
1.	TTK Healthcare Limited	-	-
2.	TTK Protective Devices Limited	-	-
3.	Essae Digitronics Private Limited	-	-

##### **Item No.5**

##### **Mr. S S Rajsekar**

Non-Executive Independent Director

Mr. S.S. Rajsekar, is a Chemical Engineer (B. Tech) from Anna University. He has more than 34 years of experience in the field of real estate and property related advisory services. He has extensive senior-level contacts in the business community, through holding key positions in business organisations, Boards of various Companies, Chambers of Commerce, advisory committees of Banks/ Financial Institutions. He was the past president of Andhra Chamber of Commerce. He has been on the Board of CECL, since October 2005.

Mr. S.S. Rajsekar holds NIL Equity shares in the Company.

The details of other Directorships / Committee memberships held by him are as follows:

S. No	Directorship	Committee membership	Chairmanship/ Member
1.	Andhra Chamber of Commerce	-	-
2.	Chidbhava Constructions and Properties Private Limited	-	-
3.	Chennai Consultancy Services Private Limited	-	-

#### Item No.6

##### Mr. V Venkiteswaran

Non-Executive Independent Director

Mr. V Venkiteswaran, has business experience of over 43 years in diverse areas of operations. He is a Mechanical Engineer from the University of Madras and worked over 37 years with Tata Tea Limited, initially overseeing the technical aspects of large tea plantations before attaining the position of GM. He held several key management positions in diverse operations like heading a subsidiary Company in the US, the Tata Tetley JV at Cochin and was responsible for a number of green field projects in India and abroad. All this culminated in his position as Executive Director of TTL between 2002 and 2006, after which he was a consultant for specific overseas projects till August, 2007. He is also on the Board of M/s. Shanthi Gears Limited. He has been on the Board of CECL, since July 2008.

Place: Chennai

Date:29.04.2014

Mr. V Venkiteswaran holds NIL Equity shares in the Company.

The details of other Directorships / Committee memberships held by him are as follows:

S. No	Directorship	Committee membership	Chairmanship/ Member
1.	Shanthi Gears Limited		

#### Item No.7

##### Mr. N V Ravi

Non-Executive Independent Director

Mr. N V Ravi is an architect and has his own private practice since 1985. He has done his Masters in Architecture at the University of Michigan Ann Arbor. He has designed and executed several residential, industrial and commercial projects in Chennai, Delhi, Bangalore, Hyderabad etc. He also has vast experience in the field of construction and has his own property development firm, which has been doing projects since 1996. He has been on the Board of CECL, since February, 2012.

Mr. N V Ravi holds NIL Equity shares in the Company.

The details of other Directorship / Committee membership held by him are as follows:

S. No	Directorship	Committee membership	Chairmanship/ Member
1.	Sakthi Beverages Limited	-	-
2.	R R Constructions and Housing Private Limited	-	-
3.	Sakthi Auto Motors Limited	-	-

On behalf of the Board

MM VENKATACHALAM

Chairman & Managing Director

Concept & Design

**HASTRA**




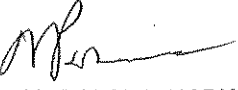
hastra.hastra@gmail.com



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[www.coromandelengg.com](http://www.coromandelengg.com)

**FORM A**

Format of covering letter of the annual audit report to be filed with the Stock exchanges

1	Name of the Company	Coromandel Engineering Company Limited
2	Annual stand-alone financial statements for the year ended	31st March, 2014 (Separate financial statements)
3	Type of Audit observation	Unqualified
4	Frequency of observation	Not applicable
5	Signed by Chairman	 M M Venkatachalam
	Chief Financial Officer	 R Narayanan
	Audit Committee Chairman	 J Srinivasan
<p>Auditors of the Company Refer our Audit Report dated April 29, 2014 on the standalong financial statement of the Company, attached.</p> <p style="text-align: center;"><b>For SUNDARAM &amp; SRINIVASAN CHARTERED ACCOUNTANTS</b></p> <p style="text-align: center;"> <b>M. PADHMANABHAN PARTNER M. No. F13291</b></p>		