



KANCO

KANCO ENTERPRISES LIMITED

**ANNUAL
REPORT
AND
ACCOUNTS
1999-2000**



KANCO ENTERPRISES LIMITED



KANCO ENTERPRISES LIMITED

(Formerly : Tuscon Resources Limited)

**Annual Report
&
Accounts 1999-2000**

Report Junction

CONTENTS

Notice	2
Directors' Report	4
Auditors' Report	10
Balance Sheet	12
Profit & Loss Account	13
Schedules to Accounts	14
Cash Flow Statement	25

BOARD OF DIRECTORS

Sri U. Kanoria
Chairman & Managing Director

Sri Atul Doshi
Wholetime Director

Sri K. K. Bajoria

Sri G. Momen

Sri P. K. Bhattacharjee

Sri A. K. Jain
Directors

COMPANY SECRETARY

Sri T. K. Roy

AUDITORS

M/s. Jain & Co.
Chartered Accountants

BRANCH AUDITORS

M/s. Dalal & Shah
Chartered Accountants

COST AUDITORS

M/s. N D Birla & Co.
Cost Accountants

BANKERS

State Bank of India
Punjab National Bank

REGISTERED OFFICE

9, Biplabi Trailokya Maharaj Sarani
(Formerly Brabourne Road), 5th Floor
Calcutta 700 001, India

BRANCH OFFICE

207, Shitiratna
2nd Floor, Panchavati Circle
Ahmedabad 380 006

TEA DIVISION

Mackeypore Tea Estate
P.O. Nazira
Dist. Sibsagar (Assam)

TEXTILE DIVISION

Asarwa Overseas
Village : Walthera
Taluka : Dholka
Dist. Ahmedabad (Gujarat)

SHARE REGISTRARS

S. K. Computers
4/18, Poddar Nagar,
P.O. Jodhpur Park, P. S. Jadavpur,
Calcutta 700 068



KANCO ENTERPRISES LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the NINTH ANNUAL GENERAL MEETING of the Members of KANCO ENTERPRISES LIMITED will be held at "KALAKUNJ", 48, Shakespeare Sarani, Calcutta 700 017 on Saturday, the 19th day of August, 2000 at 11.30 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2000, Audited Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Sri Golam Momen who retires by rotation, being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

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 Sri Parag Keshar Bhattacharjee be and is hereby appointed as Director of the Company and whose period of office shall be liable to determination by retirement of Directors 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 Sri Anil Kumar Jain be and is hereby appointed as Director of the Company and whose period of office shall be liable to determination by retirement of Directors by rotation."
6. To consider and if thought fit to pass, with or without modification(s), the following resolutions as Special Resolution :
"RESOLVED THAT subject to the provisions of Section 81 and other applicable provisions of the Companies Act, 1956 and in accordance with the Article 99 of the Articles of Association of the Company, approval of the Company be and is hereby accorded to the Board of Directors for issuing 4,50,000 Optionally Fully Convertible Debentures (OFCD) of Rs. 100/- each through Private Placement basis to Industrial Development Bank of India (IDBI) providing, *inter-alia*, for an option to convert the said OFCDs into Equity Shares of Rs. 10/- each, at par, on happening of certain events as contained in the letter of sanction of IDBI bearing Ref. No. 5077/CFD.KANCO.LOS dated 26-11-1999 and the agreement entered into with them."
"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to issue and allot such number of fully paid up Equity Shares of Rs. 10/- each, at par, as the Board may determine as required by IDBI, in case IDBI exercises the option to convert the said OFCDs into Equity Shares of the Company, and that the Board of Directors be and is hereby authorised to take all necessary action in this matter."
7. To consider and if thought fit to pass, with or without modification(s), the following resolution as Special Resolution :
"RESOLVED THAT subject to the provision of Section 17 of the Companies Act 1956, the Object Clause of Memorandum of Association of the Company be altered by adding the following Clause 24 after the existing Clause 23 of Paragraph III(C) of the Memorandum of Association."
24. To undertake power generation for the manufacturing process and to lease or hire or otherwise acquire and to install such equipments as may be necessary in connection with such operation.
8. To consider and if thought fit to pass, with or without modification(s), the following resolution as Special Resolution :
"RESOLVED THAT the consent of the Shareholders of the Company be and is hereby given as provided under Section 149(2A) and other applicable provisions of the Companies Act, 1956 for the commencement of business included at serial No. 24 under Other Objects in Paragraph III(C) of the Memorandum of Association of Company."
9. To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution :
"RESOLVED THAT the Board of Directors be and is hereby authorised to appoint individual(s) or firm other than the Company's Auditors at Head Office, as Branch Auditors pursuant to Section 228 of the Companies Act, 1956 and to fix their remuneration for the audit of accounts of its Textile Division at Ahmedabad for the Financial Year ending 31st March, 2001."

By Order of the Board

For KANCO ENTERPRISES LIMITED

Registered Office :
9, B.T.M. Sarani
Calcutta 700 001
28th June, 2000

T. K. ROY
Company Secretary

2

NOTICE OF ANNUAL GENERAL MEETING (Contd.)
NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL, INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is appended below.
4. The Register of Members and Share Transfer Register shall remain closed with effect from 12th August, 2000 to 19th August, 2000 (both days inclusive).
5. Members are requested to bring their copy of the Annual Report to the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.
Item No. 4 & 5

Sri Parag Keshar Bhattacharjee and Sri Anil Kumar Jain who were appointed as Additional Directors of the Company in terms of Section 260 of the Companies Act, 1956 on 3rd September and 27th October, 1999 respectively and vacate the office at this Annual General Meeting. Notices have been received from two members proposing the candidature of the aforesaid Directors in accordance with Section 257 of the Companies Act, 1956.

Your Directors recommend passing of the resolution(s).

No Directors other than Sri Parag Keshar Bhattacharjee and Sri Anil Kumar Jain are interested in the respective resolution(s).

Item No. 6

For the purpose of part financing the capital expenditure and other ongoing projects, the Company had approached Industrial Development Bank of India (IDBI) and they sanctioned Financial Assistance by subscribing 4,50,000 Optionally Fully Convertible Debentures of Rs. 100/- each with a right to IDBI to convert the OFCDs into fully paid up Equity Shares of the Company on happening of certain events and is secured in terms of letter of sanction and Subscription Agreement.

As per Articles of Association of the Company, your consent is sought for such issue of debentures carrying an option to convert into Equity Shares of the Company.

Your Directors recommend these resolutions for passing. No Directors are concerned or interested in these resolutions.

Item No. 7 & 8

For the purpose of carrying on the business more economically and efficiently, the Company intends to procure Generating Set(s) of 825 KVA at a cost of about Rs. 50 lacs so that uninterrupted power supply could be made available and the desired quality production is achieved and suffer no loss of production. For commissioning the above equipment, permission of Gujarat Electricity Board (GEB) would be required. GEB advised to incorporate a suitable Clause in the Memorandum of Association to enable the Company to generate the power for captive use. Accordingly the Company proposes to incorporate a suitable Clause in the Object Clause of the Memorandum of Association as required under Section 17 of the Companies Act 1956.

To enable the Company to exercise the above power under Section 149(2A) of the Companies Act, 1956, the Resolution No. 8 is put before the members for their consideration.

Your Directors recommend both the Resolutions No. 7 & 8 for your acceptance.

No Directors are concerned or interested in these resolutions.

Item No. 9

The Company has decided to appoint Branch Auditors other than the Auditors appointed at Head Office for carrying out Audit of the Accounts of its Textile Division at Ahmedabad in Gujarat for the Financial Year ending 31st March, 2001. The resolution seeks to obtain the members' consent as required under Section 228 of the Companies Act, 1956. Your Directors recommend the resolution for your acceptance.

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



DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Ninth Annual Report and Audited Accounts for the year ended on 31st March, 2000.

FINANCIALS

Financial performance is as follows :

	<u>1999-2000</u> (Rs. in lacs)	<u>1998-1999</u> (Rs. in lacs)
Profit before Interest, Depreciation and Tax	1017.69	820.06
Less : Interest	<u>536.10</u>	<u>500.28</u>
Gross Profit for the year	481.59	319.78
Less : Depreciation	441.53	378.90
: Taxation	<u>33.69</u>	<u>36.14</u>
Profit/(Loss) after tax	6.37	(95.26)
Transfer to Preference Share Redemption Reserve	<u>2.00</u>	<u>—</u>
	4.37	(95.26)
Balance Brought forward from Last account	(54.45)	40.81
Balance Carried to Balance Sheet	<u>(50.08)</u>	<u>(54.45)</u>

Your Directors are happy to report that even after the sale of Poloi Tea Estate with effect from April 1st, 1999, there has been increase in sales from Rs. 6133 lacs to Rs. 6617 lacs and operating profit from Rs. 820 lacs to Rs. 1017 lacs showing an improved performance with an increase in operating profits by 24%. Performance of the Company for the year under review should also be viewed in the light of sale of Poloi Tea Estate with effect from April 1, 1999 and accordingly figures for the previous year are not comparable.

DIVIDEND

Due to inadequate surplus, your Directors regret their inability to recommend any dividend for the year under review.

LISTING OF SHARES

Our application for listing of the Equity Shares is under process with The Calcutta Stock Exchange Association Limited.

OPERATIONS

Tea Division

On account of severe drought in North-East India, all India tea production for the year 1999 was 805.6 million kgs. as against 870.4 million kgs. for the year 1998 registering a fall in production of about 65 million kgs, which is mainly on account of fall of production in North-East India. Average auction prices for North Indian Teas for the whole year were higher by 8%. Prices in the 1st half of the year upto October remained higher than that of the previous year, but thereafter registered a steep fall on account of poor Russian offtake. The price band between quality and non-quality tea widened substantially with non-quality tea at times being difficult to sell. Quality tea continued to sell at premium prices though lower than that prevailing in the first half of the year.

As reported in the last Directors' Report, due to severe drought in North-East India the crop of Mackeypore Tea Estate too was adversely affected and it produced 14.46 lac kgs. against 15.60 lac kgs. for the previous year—a fall of about 7%. With timely and proactive action, your Company intensified its focus on production of quality teas to harness the opportunity afforded due to the widening of the price band for its quality produce registering an increase in its average price for the year by over 17%. The increase in price should be viewed in the backdrop of an increase of about 8% in the auction average for North Indian teas.



DIRECTORS' REPORT (Contd.)

During the current year, market continues to remain sluggish with non-quality tea finding few buyers even at discounted rates. Quality tea continues to sell well though at prices lower than last year. With normal weather conditions in the North-East crop is expected to be normal.

Your Company continues to intensify its focus on production of quality tea and expects a good year on the price front. Production to date is not only better than last year's but is also better than 1998. This increased production will help in absorbing the increase in costs for the coming year. There has been steep increase in costs in the following heads—(1) Significant increase in wages on account of industry wide wage agreement (2) Unprecedented increase in price of foodgrains distributed to workers at concessional rates on account of reduction in subsidies in the last Union Budget, and (3) Increase in prices of petroleum products.

With its focus on quality now starting to pay dividends and expected better crops your Company expects to maintain performance of this division at last year's levels inspite of a weaker market.

Fiscal incentives under Section 33 AB of the Income Tax Act, 1961 is being availed and the funds would be deployed for the development of tea estate in accordance with the provisions and Company's policy.

During the year ended on March 31, 2000, the Company planted over 25 hectares and it plans to continue to add new areas under tea by planting about 30 hectares per annum.

Textile Division

Though domestic and export markets continued to be difficult, the performance of this division showed an improvement over last year's with production and turnover recording an all time high. Sales volume was not only maintained but also increased from 3607 tonnes to 3892 tonnes. This increase is a result of the debottlenecking programme undertaken last year. The division maintained its focus on quality and its products continue to be well received in both domestic and export markets. Focus on cost cutting particularly raw material and power costs helped the division reduce costs in these two critical areas.

Your Directors are pleased to report that this division has received the prestigious certification of ISO 9002 which is a recognition that manufacturing processes and policies are well geared to consistently produce cotton yarn of international quality.

The developmental programme undertaken during last year for setting up of HFO based generator, debottlenecking the production process and of achieving higher value addition by setting up more combers was completed on schedule. While the HFO generator greatly helped in controlling power costs, the unprecedented increase in oil prices significantly reduced the gains expected on this account.

As a measure of further improving productivity, the division intends to augment its production capacity by adding more ring frames and necessary back process machinery and an auto coner. This will enable it to move to finer counts and higher value added yarn. This is expected to further improve the working of this division.

The prospects for the coming year are encouraging. The division with the investments made in the debottlenecking process in the recent past is well poised to achieve optimum productivity and take advantage of the improved economic environment.

CHANGE OF SHARE TRANSFER AGENT

The Company appointed S. K. Computers of 4/18, Poddar Nagar, P.O. Jodhpur Park, P. S. Jadavpur, Calcutta-700 068 as Share Transfer Agent with effect from 1st June, 2000 in place of ABC Computers Private Ltd. Notices to that extent were published in the Newspaper. Shareholders will however continue to send their documents, letters, share certificates etc. to the Company's registered office address.

DIRECTORS

Sri Golam Momen retires by rotation and being eligible offers himself for re-appointment.

Sri Parag Keshar Bhattacharjee and Sri Anil Kumar Jain were appointed as Additional Directors of the Company with effect from 3rd September and 27th October, 1999 respectively to hold office upto the date of the ensuing Annual General Meeting.



KANCO ENTERPRISES LIMITED

DIRECTORS' REPORT (Contd.)

AUDITORS

Messrs Jain & Company, Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting and express their willingness to continue if so appointed.

AUDITORS' REPORT

As regards the Auditors' comments, the Note No. 17.7(c) and 17.7(d) in the Notes on Accounts covered under Schedule 18 are self explanatory.

PERSONNEL

The Board expresses its appreciation to the contribution of employees at all levels. A Statement pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to and forms part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement showing additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo, as required pursuant to 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 is annexed herewith forming part of this Report.

ACKNOWLEDGEMENT

Your Directors wish to record their appreciation for the co-operation and assistance extended by the Banks and Participating Financial Institutions, Suppliers and all employees of the Company.



For and on behalf of the Board

Calcutta,
28th day of June, 2000

U. KANORIA
Chairman

ANNEXURE TO DIRECTORS' REPORT**INFORMATION AS PER 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 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2000**

(a) Energy Conservation measures taken :

The Company implemented energy conservation measures to keep energy cost under tight control. Various steps have been taken to reduce consumption of energy by increase in productivity levels etc. However, reduction in per unit consumption of energy has been effected in the following manner.

During the year under review :

- (i) We have replaced 40 Watt Tubelights with 36 Watt Tubelights.
- (ii) We have taken trial of roving break stop motion with photo electric device instead of pneumafil fan on our Speed Frame machine and being successful. We have taken the above removal of pneumafil fan motor of all the 8 Speed Frame machines.
- (iii) There was severe problem of rusting of supply air ducts and clogging of spray nozzels of air washer plants and more of energy was wasted for maintaining humidity inside the department. We have therefore provided softening plant and supplying soft water to the humidity plant augmenting life of supply air ducts and reduction in clogging of nozzels. Thus saving the energy in the humidity plant.
- (iv) For conservation of energy in Ring Frame machine, we have replaced spindles of smaller wharve diametre in one Ring Frame.

(b) Total energy consumption per unit of production is furnished in the prescribed Form "A" annexed hereto.

FORM-A
Particulars with respect to Conservation of Energy

	TEA		TEXTILE	
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
(A) POWER & FUEL CONSUMPTION				
(1) Electricity				
(a) Purchased (Units)	3,29,637	9,81,122	29,77,640	89,16,180
Total Amount (Rs.)	19,31,586	38,51,895	1,45,36,795	3,44,92,737
Rate/Unit (Rs.)	5.86	3.93	4.88	3.87
(b) Own Generation				
i) Through Diesel (Units)	3,25,540	5,12,250	1,62,09,782	84,17,616
Unit per ltr. of Diesel	3.22	4.44	3.95	3.51
Cost/Unit (Rs.)	3.85	2.35	2.07	2.26
ii) Through Steam Turbine/ Generator (Units)	—	—	—	—
Unit per ltr. of Fuel/Gas (cm3)	—	—	—	—
Cost/Unit (Rs.)	—	—	—	—
(2) Coal (Specify quality and where used)				
Quantity (Tonnes)	—	290	—	—
Total Cost (in Rs.)	—	3,17,522	—	—
Average Rate (Rs.)	—	1,095	—	—
Quality : Dust khasi, 4500 kilo calories/kg. used in drier : Ash 40% to 60% and 30% to 35%				
(3) Furnace Oil				
Quantity (K. Ltr.)	18	16	2,901	—
Total Amount (Rs.)	1,59,850	1,37,289	2,38,14,516	—
Average Rate (Rs.)/K.Ltr.	8,881	8,414	8,209	—
(4) Others/Internal Generation				
(a) Gas :				
Quantity (cm3)	15,58,707	14,72,330	—	—
Total Cost (Rs.)	25,50,950	18,07,139	—	—
Rate/Unit (Rs./cm3)	1,637	1,227	—	—