



Kano Paper & Industries Limited

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**Annual Report
&
Accounts 1997-98**

CERTIFIED TRUE COPY

VAT KANO STATE

Amey Ilgar

Company Secretary

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Kanoi Paper & Industries Ltd.

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH, 1998**

BOARD OF DIRECTORS

SRI J.P. KANOI, *Chairman*
SRI S.S. KOTHARI, *Director*
SRI R.K. KANOI, *Director*
SRI R.L. GAGGAR, *Director*
SRI S.K. KANOI, *Director*
SRI T.S. MUNDRA, *Director*

CHIEF EXECUTIVE (FINANCE & COMMERCIAL)

SRI B.K. PURI

COMPANY SECRETARY

SRI A. AGARWAL

AUDITORS

M/S. TIWARI & COMPANY
CHARTERED ACCOUNTANTS
107/1, PARK STREET, (2ND FLOOR)
CALCUTTA-700 016

BANKERS

BANK OF BARODA
THE BANK OF RAJASTHAN LTD.

REGISTRARS & TRANSFER AGENT

STAR INFOTECH PVT. LTD.
107/1, PARK STREET (5TH FLOOR)
CALCUTTA-700 016

REGISTERED OFFICE

"HONGKONG HOUSE" (2ND FLOOR)
31, B.B.D. BAG (S), CALCUTTA-700 001

MILLS

VILLAGE DHENKA
P.O. BOX NO. 23
BILASPUR-495 001 (M.P.)

CERTIFIED TO BE TRUE COPY

OF KANOI PAPER & INDUSTRIES LIMITED

Ajay Agarwal
Company Secretary



Kanoi Paper & Industries Ltd.

NOTICE**TO THE SHAREHOLDERS**

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at "Hongkong House", 31, B. B. D. Bag (South), Calcutta - 700 001 on Friday, the 25th September, 1998 at 10.00 a.m. to transact the following Business :

Ordinary Business

1. To consider and adopt the Audited Accounts of the Company for the year ended 31st March, 1998, together with the Report of the Directors thereon.
2. To appoint a director in place of Sri T. S. Mundra who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Sri S. K. Kanoi who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the current year and to fix their remuneration.

Special Business

5. To consider and, if thought fit, to approve with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 387 and all other applicable provisions, if any, of the Companies Act, 1956, and in terms of Schedule XIII of the said Act, the Company hereby approves of the appointment and terms and remuneration of Mr. B.K. Puri as Manager designated as Chief Executive (Finance & Commercial) of the Company, for a period of one year with effect from 27th February, 1998 upon the terms and conditions set out in the draft agreement submitted to this meeting and for identification signed by a Director thereof, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said appointment and/or Agreement in such manner and as may be agreed to between the Directors and Mr. B.K. Puri."

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

"RESOLVED THAT in supersession of Resolution passed at the Annual General Meeting of the Company held on 31st May, 1989, the consent of the Company be and is hereby accorded in terms of Section 293(1) (d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not at any time exceed the limit of Rs. 13.00 crores.

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

"RESOLVED that approval of the Company pursuant to provisions of Section 163 and other applicable provisions, if any, of the Companies Act, 1956 be and is hereby accorded for keeping the Register of Members, the Index



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of Members and the copies of Annual Returns together with copies of certificates and documents required to be annexed thereto pursuant to Section 161 of the Act or any one or more of them, at the Registered Office of the Company or at such other locations as may be approved by the Board instead of at the Office of the Registrars and Share Transfer Agents."

8. To consider and, if thought fit, to pass the following resolution as a Special Resolution :-

"RESOLVED pursuant to Section 81 and other applicable provisions of the Companies Act, 1956 and subject to such approvals, consents, permissions and sanctions as may be necessary from the Government of India (GOI), Reserve Bank of India (RBI), and/or any other authorities or institutions as may be relevant, the Board of Directors of the Company (hereinafter called "The Board" which shall include any committee constituted/to be constituted by the Board for exercising the powers conferred on the Board by this resolution) be and it is hereby authorised to offer/issue and allot Equity/Cumulative/Non-cumulative Preference Shares, Fully/Partially Convertible Bonds/Debentures and other instruments/securities in the nature of Shares/Debentures/Bonds, Securities, Warrants convertible into shares along with any such securities to the Financial Institutions/Mutual Funds/Banks/Insurance Companies/ Bodies Corporate/Non-Resident Indians (including Overseas Corporate Bodies (OCBs) substantially owned by NRIs)/Indian Residents/Promoters and/or their Associates, such other entities as may be decided by the Board through Prospectus, Offering Letter, Circular, or through any other mode on private placement, preferential basis as the case may be from time to time in one or more tranches, as may be deemed appropriate by the Board for an amount not exceeding Rs. 5.00 crores on such terms and conditions including pricing as the Board may in its sole discretion decide."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and it is hereby authorised to do all acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilisation of the issue proceeds as it may deem fit."

9. To consider and, if thought fit, to pass the following resolution as a Special Resolution :-

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions and which may be agreed to or accepted by the Board of Directors of the Company, the consent of the Company be and it is hereby accorded to the Board of Directors to acquire/purchase any of its own shares on such terms and conditions and upto such limits as may be prescribed by law from time to time provided that such purchase of shares be not construed as reduction in capital under Sections 100 to 104 and 402 of the Companies Act, 1956 And that the Board of Directors be and it is hereby authorised to do all such acts, deeds, matters and things as may be necessary or proper to implement the resolution."

Registered Office :
31, B.B.D. Bag (South),
Calcutta-700 001
Calcutta, the 21st August, 1998

By Order of the Board
For Kanoi Paper & Industries Ltd.
A. AGARWAL
Company Secretary



Kanoi Paper & Industries Ltd.

Notes :

1. The Explanatory Statement pursuant to Section 173(2) of The Companies Act, 1956 relating to the Special Business item nos. 5 to 9 is annexed herewith.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy and the proxy need not be a member of the Company.
3. The Proxy form must be deposited at the registered office of the Company not less than 48 hours before the scheduled hour of commencement of the meeting.
4. Members/Proxies should bring their attendance slips duly filled in for attending the meeting.
5. Members are requested to bring their copy of the Annual Report with them at the Annual General Meeting as the copies of the report will not be circulated at the meeting.
6. The Register of Members and Share Transfer Registers of the Company will remain closed from 18th September, 1998 to 25th September, 1998 (both days inclusive).
7. Shareholders holding shares in identical order of names in more than one folio are requested to write to the Company at its Registered Office to enable the Company to consolidate their holdings into one folio.

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956

As required by Section 173(2) of the Companies Act, 1956, (hereinafter referred to as "the Act") the following Explanatory Statements set out all material facts relating to the business mentioned under Item Nos. 5, 6, 7, 8 & 9 of the accompanying Notice, dated 21st August, 1998.

ITEM No. 5 :

- A) Mr. B. K. Puri was appointed as Chief Executive (Finance & Commercial) of the Company from 1st December, 1997. The Board at its meeting held on 27th February, 1998 appointed Mr. B. K. Puri as Manager designated as Chief Executive (Finance & Commercial) of the Company for a period of one year with effect from 27th February, 1998 subject to the approval of the shareholders.
- B) Mr. B. K. Puri is a fellow member of the Institute of Chartered Accountants of India. He has joined the services of the Company as Chief Executive (Finance & Commercial) and was appointed as Manager of the Company by the Board in its meeting held on 27th February, 1998.
- C) The draft Agreement between the Company and Mr. B. K. Puri contains the main terms & conditions.

Salary : Rs. 22,000/- per month

Conveyance : Rs. 800/- per month with effect from 1st April, 1998.

Ex.- Gratia : Ex.- gratia of maximum 20% of the above mentioned salary with effect from 1st April, 1998.



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PERQUISITES :

CATEGORY – A

- Medical : Reimbursement of Medical expenses incurred for self and family equal to one month salary
- Leave Travel Allowance : Reimbursement of Leave Travel expenses incurred for self and family as per Company Rules.

CATEGORY – B

- Provident Fund : Contribution to Provident Fund to the extent not taxable under Income Tax Act, 1961 subject to a ceiling of 12% of salary.

CATEGORY – C : Encashment of leave as per Company Rule.

- D) In compliance with the provisions of Section 387 of the Companies Act, the terms and remuneration specified above are now being placed before the members in General Meeting for their approval.
- E) The draft Agreement between the Company and Mr. B. K. Puri is available for inspection by the members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day of the Company.

ITEM No. 6 :

Under Section 293 (1) (d) of the Act, the Board of Directors of a company cannot, except with the consent of the company in general meeting, borrow monies, apart from temporary loans obtained from the company's bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the company, that is to say, reserves not set apart for any specific purpose. The Shareholders at the Annual General Meeting of the Company held on 31st May, 1989, had accorded their consent to the Board of Directors borrowing upto Rs. 7.00 crores.

ITEM No. 7 :

In accordance with section 163 of the Companies Act, 1956 certain registers and records relating to members and copies of annual returns together with the copies of certificates and documents required to be annexed thereto are to be kept at the Registered Office of the Company. With the approval of the members these registers and records may be kept at any other place within the city.

The Company has recently replaced old computers with advanced sophisticated online computer system. The Company in view of the improved infrastructure and experienced professional staff strength intends to develop inhouse share department. It is, therefore, proposed to keep the registers and records mentioned in the resolution at the Registered Office of the Company or at such other locations as may be approved by the Board instead of keeping the same at the office of the Registrars and Share Transfer Agents ; M/s Star Infotech Private Limited. Hence the resolution is required u/s 163 of the Companies Act, 1956.

A notice of proposed resolution is being given to the Registrar of Companies, West Bengal.

None of the directors is concerned or interested in the passing of this resolution.



Kanoi Paper & Industries Ltd.

ITEM No. 8 :

The Company intends to substitute high cost debts with the above securities issue. This will reduce the finance cost of the Company in mid/long term and the Company will be able to finance its working capital requirements through long term resources.

In the likelihood of the issue being fully underwritten or subscribed by one or a few select group of investors, which may include companies in Paper Industry/Financial Institutions/Mutual Funds/Banks/Insurance Companies/Bodies Corporate/Non-Resident Indians (including Overseas Corporate Bodies (OCBs) substantially owned by NRIs) /Promoters and/or their associates or by Resident Indians, the Company has been advised that the offer of such Instruments/securities to the select group of investors may attract the provisions of the SEBI/RBI Guidelines on preferential issues. Hence, the Company proposes the Special Resolution as mentioned in the item no. 8 of this Notice which will give adequate flexibility to the Company through its Board in making the above Instruments / securities offer subject however to the aggregate of all such offers shall not exceed Rs. 5.00 crores either to the investors at large or to select group of investors.

The detailed terms and conditions for the offer will be determined in consultation with the Lead Managers, Advisors, Underwriters and/or such other agencies to the issue. Wherever necessary and applicable the pricing of the issue will be done in accordance with the applicable guidelines of SEBI, RBI and other relevant authorities, in force.

The Board of Directors therefore, recommend the resolution for your approval.

None of the Directors of the Company is any way concerned or interested in the resolution.

ITEM No. 9 :

Section 77 of the Companies Act, 1956 restricts the Company to purchase its own shares unless the same is done with a view to reduce its own shares unless the same is done with a view to reduce its capital in pursuance of Sections 100 to 104 and 402 of the Companies Act, 1956. However, it is anticipated that the Companies Act, 1956 may be amended to provide for buy back of its own shares subject to certain conditions. Such buy back of shares, if permitted, is expected to enhance the shareholders value. Hence the Directors feel that it would be desirable to have an enabling power from the shareholders for this purpose, as set out in Item No. 9 of the notice.

Registered Office :
31, B.B.D. Bag (South),
Calcutta-700 001
Calcutta, the 21st August, 1998

By Order of the Board
For Kanoi Paper & Industries Ltd.
A. AGARWAL
Company Secretary



Kanoi Paper & Industries Ltd.

DIRECTORS' REPORT**TO THE MEMBERS**

Your Directors present the Thirteenth Annual Report together with the Audited Statements of Accounts for the year ended 31st March, 1998.

FINANCIAL HIGHLIGHTS

	Rs. in Lacs	
	1997-98	1996-97
Total Turnover and other receipts	2182.02	2951.10
Profit /(Loss) before Interest and Depreciation	(74.52)	172.34
Less : Interest	144.53	134.84
Profit /(Loss) before Depreciation	(219.05)	38.07
Less : Depreciation	NIL	NIL
Profit /(Loss) before tax	(219.05)	38.07
Less : Provision for taxation	NIL	NIL
Prior Period Expenses	0.11	1.29
Profit/(Loss) after tax	(219.16)	36.78
Add : Balance brought forward from previous year	194.67	157.89
Add : Transfer from General Reserve	24.49	NIL
Balance carried to Balance Sheet	NIL	194.67

OPERATIONS

The performance during the year 1997-98 has been adversely affected in comparison to the previous year due to continuous recessionary trend and sluggish market conditions in Paper Industry. The company could achieve a total production of 8125 MT as against 10365 MT in 1996-97 and 9152 MT in the year 1995-96. The company could not achieve a higher production in view of very poor availability of prime raw material 'Straw' for part of the year, severe power restriction by Madhya Pradesh Electricity Board (MPEB), stoppage of work mainly due to labour problems, temporary suspension of production and lower capacity utilisation to avoid piling up of stock.

During the year under review the operations have resulted in a cash loss of Rs. 214.01 lacs before providing for depreciation of Rs. 88.56 lacs. Depreciation amounting to Rs. 88.56 lacs has not been provided in the books of accounts of the Company (Previous year Rs. 78.74 lacs).

The maximum contract demand is 3200 KVA. During the year under review, MPEB imposed restriction for drawal of power during peak hours for almost 8 months. During such period the Company could hardly draw power to the extent of 2300 KVA, ultimately affecting the production.

The Company did not export paper during the year. The F.O.B. value of exports of paper during the year amounted to Nil compared to Rs. 93.81 lacs during the previous year.

DEPOSITS

Your Company is complying with the provisions of Companies (Acceptance of Deposits) Rules, 1975 and other applicable provisions of the Companies Act, 1956.