



Kano Paper & Industries Limited

**Annual Report
&
Accounts 1998 - 99**

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Kanoi Paper & Industries Ltd.

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH, 1999**

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

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

MAHESWARI DATAMATICS PVT. LTD.
6, MANGOE LANE
CALCUTTA-700 001

REGISTERED OFFICE

"HONGKONG HOUSE" (2ND FLOOR)
31, B.B.D. BAG (S), CALCUTTA-700 001
PHONE NO.: 033- 248-5488

MILLS

VILLAGE DHENKA
P.O. BOX NO. 23
BILASPUR-495 001 (M.P.)
PHONE NO.: 07752-48896



Kanoi Paper & Industries Ltd.

NOTICE**TO THE SHAREHOLDERS**

NOTICE is hereby given that the Fourteenth 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 Thursday, the 30th September, 1999 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, 1999, together with the Report of the Directors thereon.
2. To appoint a director in place of Sri S. S. Kothari who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a director in place of Sri R. L. Gaggar who retires by rotation and being eligible, offers himself for reappointment.
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(s), 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 re-appointment and terms and remuneration of Mr. B. K. Puri as Manager designated as Chief Executive of the Company, for a period of two years with effect from 27th February, 1999 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 as may be agreed to between the Directors and Mr. B.K. Puri."

6. 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 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 Office of the Company's Registrars and Share Transfer Agents viz. Maheshwari Datamatics (P) Ltd., 6, Mangoe Lane, Calcutta-700 001 or at such other locations as may be approved by the Board instead of at the Registered Office of the Company."

7. 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 Corporates / Non-Resident Indians (including Overseas Corporate Bodies (OBC's) substantially owned by (NRI's) / 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. 3.00 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."

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

"RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner"

A. Insert the following Article as Article 4A after Article 4 :

Buy back of Shares 4A Notwithstanding anything contained in these Articles, in the event it is permitted by law for a Company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted by the law.

B. After Article 47, a new Article 47A be inserted as under :

Nomination 47A Notwithstanding anything stated in the Articles, a holder or joint holders of shares or debentures, may nominate, in accordance with the provisions of Section 109A of the Companies Act, 1956 and in the manner prescribed thereunder, a person to whom all the rights in the shares or debentures of the company shall vest in the event of death of such holder/s. Any nominations so made shall be dealt with by the company in accordance with the provisions of Section 109B of the Companies Act, 1956.

C. Insert the following Heading and Articles as 47B after Article 47A.

"Dematerialisation of Securities"

Definitions 47B 1) For the purpose of this Article :-

Beneficial Owner : 'Beneficial Owner' means a person or persons whose name is recorded as such with a depository;

SEBI : 'SEBI' means the Securities & Exchange Board of India;

Depositories Act : 'Depository Act' means the Depositories Act, 1996 or any statutory modification or reenactment thereof.

Depository : 'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities & Exchange Board of India Act, 1992; and



Security	: 'Security' means such security as may be specified by SEBI from time to time.
Dematerialisation Of Securities	2) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.
Options for Investors	<p>3) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities at any time opt out of a depository, if permitted by the Law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.</p> <p>If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.</p>
Securities in Depositories to be in Fungible Form	4) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository, in respect of the securities held by it on behalf of the beneficial owners.
Rights of Depositories And Beneficial Owners	<p>5) a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.</p> <p>b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.</p> <p>c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.</p>
Service of Documents	6) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
Transfer of Securities	7) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of Securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.
Allotment of Securities dealt with in a Depository	8) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.
Distinctive Numbers of Securities held in a Depository	9) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.
Register and Index of Beneficial Owners	10) The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles."


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D. Insert the following Article 73A after Article 73.

Issue of Shares without voting rights	73A In the event it is permitted by law to issue shares without voting rights attached to them, the Directors may issue such shares upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law."
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Calcutta, 26th July, 1999
Registered Office,
 31, B.B.D. Bag (South),
 Calcutta-700 001

By Order of the Board
 For, **Kanoi Paper & Industries Limited**

A. AGARWAL
 Company Secretary

Notes :

1. The Explanatory Statement pursuant to Section 173(2) of The Companies Act, 1956 relating to the Special Business item no.5 to 8 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 23rd September, 1999 to 30th September, 1999 (both days inclusive).
7. Shareholders holding shares in identical order of names in more than one folio are requested to write the Company at its Registered Office to enable the Company to consolidate their holdings in one folio.
8. The Company has transferred the unclaimed dividend to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956, for and upto the financial year 1994-95. Members who have so far not claimed or collected their dividends for the aforesaid financial year may claim their dividends from the Registrar of Companies, West Bengal by submitting an application in the prescribed form.
9. A Member desirous of getting any information on the accounts or operations of the Company is requested to forward his request to the Company at least 7 days prior to the Meeting so that the required information can be made available at the Meeting.

**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 Manager designated as Chief Executive (Finance & Commercial) of the Company from 27.02.98 for one year. The Board at its meeting held on 30th April, 1999, re-appointed Mr. B.K. Puri as Manager designated as Chief Executive of the Company for a period of further two years with effect from 27th February, 1999 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 with annual increase to be decided mutually.
 Conveyance : Rs.800/- per month with effect from 1st April, 1998.
 Ex. Gratia : Ex.gratia of maximum 20% of the above mentioned salary.

PERQUISITES:**CATEGORY - A**

Medical : Reimbursement of Medical expenses incurred for self and family equal to one month salary.
 Club Fees : Maximum of two clubs monthly subscription.
 Telephone : Reimbursement of telephone expenses incurred for Company's work from residential telephone.
 Leave Travel Allowances : 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.



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ITEM No.6

As per Section 163 of the Companies Act, 1956 certain registers and records relating to shares and copies of annual returns 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 appointed M/s/ Maheshwari Datamatics (P)-Ltd., 6, Mangoe Lane, Calcutta-700 001 as its Registrars and Transfer Agents. To facilitate administrative convenience it is proposed to keep the Registers and records mentioned in the resolution at the office of the Registrars and Transfer Agents or at such other locations as may be approved by the Board instead of keeping the same at the Registered office of the Company.

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 are concerned or interested in the passing of this resolution.

ITEM No.7 :

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 Corporates / Non-Resident Indians (including Overseas Corporate Bodies (OBC's) substantially owned by (NRI's) / 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.7 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. 3.00 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.8 :

Article 3 of the Articles of Association of the Company as well as Section 77 of the Companies Act, 1956 ('the Act') prohibits the Company from buying its own shares. It is proposed to introduce a new Article 4A in the Articles of Association as set out in the Resolution at Item No. 8A to enable the Company to purchase any of its own shares or securities, as proposed in the Resolution at Item No.8A in the event it is permissible by law.

The Companies (Amendment) Act, 1998 has, inter alia, made a provision through sections 109A and 109B whereby a holder or joint holders of shares can nominate a person to whom all the rights in the shares or debentures of a company shall vest in the event of the death of such holder/s. Such a nominee can elect either to be registered himself as the holder of the shares or debentures or make such transfer of the shares or debentures as the deceased holder/s of shares or debentures could have made it. It is, therefore, proposed to incorporate a new article in the Articles of Association of the company as set out in the resolution at Item No, 8B for providing nomination facility in accordance with the provisions of Sections 109A and 109B of the Companies Act, 1956.

**Kanai Paper & Industries Ltd.**

With the introduction of the Depositories Act, 1996 and the Depository System, some of the provisions of the Articles of the Company relating to the issue, holding, transfer and transmission of shares are required to be amended to facilitate the implementation of the new system. The Depository System of holding Securities in an electronic form is a far safer and more convenient method for holding and trading in the Securities of a Company. The Company also intends to join the Depository System and it is, therefore, proposed that the Company's Articles of Association be suitably altered, as set out in resolution at Item No.8C to reflect the provisions introduced by the Depositors Act, 1996 and to spell out the rights of the beneficial owners of the securities in such a system.

The issue of shares without voting rights by Companies is presently not permitted under the Act. The Companies Bill, 1997, however, proposed to lay down the operative provisions to regulate the issue of shares without voting rights. It is expected that in course of time, the law will be ammended to permit the issue of shares without voting rights by the Comapnies. Hence, it is proposed to introduce a new Article 73A in the Articles of Association as set out in the Resolution as Item No. 8D to enable a Comapny to issue shares without voting rights, as may be permitted by law.

The Board recommends the Resolution for acceptance by the members.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the Members of the Company at its Registered Office on any working day during business hours of the Company.

None of the Directors of the Company are interested in the above Resolution.

Calcutta, 26th July, 1999
Registered Office,
31, B.B.D. Bag (South),
Calcutta - 700 001

By Order of the Board
For, **Kanai Paper & Industries Limited**

A. AGARWAL
Company Secretary

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