



# **Kanoi Paper & Industries Limited**

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**19<sup>th</sup>**  
**Annual Report**  
**&**  
**Accounts 2003-2004**



**ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31ST MARCH, 2004**

**BOARD OF DIRECTORS**

SRI MURARI LAL JALAN, *Chairman*  
SRI R. K. KANOI, *Director*  
SRI S. K. KANOI, *Director*  
SRI JITENDRA AGRAWAL, *Director*  
SRI DAVINDER KUMAR, *Executive Director*  
SRI NARAYAN PRASAD JALAN, *Director*

**MANAGER**

SRI DAVINDER KUMAR

**COMPANY SECRETARY**

SRI L. B. CHOURASIA

**AUDITORS**

M/S. MURARI AGRAWAL & CO.  
Chartered Accountants  
2A, Ganesh Chandra Avenue  
Commerce House, Kolkata - 700 013

**BANKERS**

BANK OF BARODA  
THE BANK OF RAJASTHAN LTD.

**REGISTRARS & TRANSFER AGENT**

MAHESWARI DATAMATICS PVT. LTD.  
6, MANGOE LANE  
KOLKATA - 700 001  
PHONE : 033-2243-5809/5029

**REGISTERED OFFICE**

COMMERCE HOUSE  
2ND FLOOR, ROOM NO. 4 & 4A  
2A, GANESH CHANDRA AVENUE  
KOLKATA - 700 013  
PHONE : 033-2213 2370/71/72/73

**MILLS**

VILLAGE DHENKA, P.O. : DARRIGHAT, MASTURI  
BILASPUR-495 001 (CHHATTISGARH)  
PHONE : 07752 - 257287/257707/257014

**NOTICE****THE SHAREHOLDERS**

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of the Company will be held at Auditorium of Bengal National Chamber of Commerce & Industry, Bengal National Chamber House, 23, R. N. Mukherjee Road, Kolkata - 700 001 Friday, the 24th September, 2004 at 11.30 a.m. to transact the following Business :-

**Ordinary Business :-**

To consider and adopt the audited accounts of the Company for the year ended 31st March, 2004, together with the Report of the Directors and Auditors.

To appoint a director in place of a director retiring by rotation :

Shri S. K. Kanoi, director, retires by rotation and being eligible, offers himself for re-appointment.

Shri D. Kumar, director, retires by rotation and being eligible, offers himself for re-appointment.

To appoint auditors and to fix their remuneration. The present auditors, Murari Agarwal & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and are being eligible offer themselves for reappointment.

**Special Business :-**

To consider and, if thought fit, to adopt the following resolution as Ordinary Resolution :-

"RESOLVED THAT Sri Ankur Jalan, an additional director of the Company, appointed on 31st July, 2004, who holds office as an additional director upto the date of the meeting, and in respect of whom notices have been received from members pursuant to Section 257 of the Companies Act, 1956, proposing his appointment as director, be and is appointed as director."

To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as an Ordinary Resolution :-

"RESOLVED THAT in accordance with applicable provisions of the Companies Act, 1956, or any amendment or modification thereof, this Meeting hereby approves the extension of the terms of the office of Shri D. Kumar as a Wholtime Director of the Company, liable to retire by rotation, and also as a Manager of the company up to 24th February, 2008, on the same remuneration as approved by the Members at the Annual General Meeting of the Company held on 30th August, 2003, and as set out in the Explanatory Statement annexed to the Notice convening this Meeting."

To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as an Ordinary Resolution :-

"RESOLVED THAT pursuant to Section 94 and other provisions of the Companies Act, 1956 the Authorised Share Capital of the Company be increased from Rs. 10,00,00,000/- (Rupees Ten Crores only) divided into 92,50,000 equity shares of Rs. 10/- each and 75,000 10% Non-cumulative Redeemable Preference Shares of Rs. 100/- each to Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,49,25,000 equity shares of Rs. 10/- and 75,000 10% Non-cumulative Redeemable Preference Shares of Rs. 100/- each ranking pari passu with existing shares of the company and that in Clause (V) of the Memorandum of Association of the Company for the words and figures "the share capital of the company is Rs. 10, 00,00,000/- (Rupees Ten Crores only) divided into 92,50,000 equity shares of Rs. 10/- each and 75,000 10% Non-Cumulative Redeemable Preference Shares of Rs. 100/- each, the following shall be substituted :-

"The Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,49,25,000 equity shares of Rs. 10/- and 75,000 10% Non-cumulative Redeemable Preference Shares of Rs. 100/- each."

To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as Special Resolution :-

"RESOLVED THAT 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 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 alongwith any such securities to the Financial Institutions/Mutual Funds/Banks/Insurance Companies/Body 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, offer 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. 10.00 Crores on such terms and conditions including pricing as the Board in its sole discretion decide."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and 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."

Kolkata, The 10th August, 2004

**Registered Office :**

Commerce House  
2A, Ganesh Chandra Avenue  
Kolkata - 700 013

By Order of the Board  
For Kanoi Paper & Industries Limited

L. B. CHOURASIA  
Company Secretary

**NOTES :**

1. The Explanatory Statement pursuant to Section 173(2) of The Companies Act, 1956 relating to the Special Business Item No. 4 to 7 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, 2004 to 24th September, 2004 (both days inclusive).
7. In terms of sub Section (5) of section 205A and section 205C of the Companies Act, 1956, dividend of 1995-96 amounting to Rs. 1,94,415/- (Rs. One lac Ninety Four Thousand Four Hundred Fifteen only) lying unclaimed for seven years has been transferred to the Investor Education and Protection Fund ("the Fund").  
In accordance with Section 205C of the Companies Act, 1956, no claim shall lie against the Company or Fund in respect of individual accounts of dividends remaining unclaimed or unpaid for a period of seven years from the dates they become first due for payment and no payment shall be made in respect of any such claims.
8. Members who hold shares in dematerialised form are requested to bring their Depository ID Number and Client ID Number for easier identification of attendance at the Annual General Meeting.
9. The members are aware that their Company's shares are under Compulsory Demat Trading with effect from 25th September, 2000 for all the investors, hence they may utilise this facility.
10. 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**

**Pursuant to Section 173(2) of the Companies Act, 1956**

**ITEM No. 4**

The Board of Directors appointed Sri Ankur Jalan as additional director of the company w.e.f. 31st July, 2004.

Sri Ankur Jalan is a Resident Indian and Entrepreneur having wide Corporate experience and knowledge in the Paper Industry and finance.

Pursuant to Section 260 of the Companies Act, 1956 (hereinafter referred to as "the Act") read with the Articles of Association of the Company, Sri Ankur Jalan will hold office only upto the date of the forthcoming Annual General Meeting of the Company. The Company has received notices in writing from members under Section 257 of the Act, signifying their intention to propose Sri Ankur Jalan for the office of Director. The appointment of Sri Ankur Jalan will be beneficial to and in the interest of the Company and the Board recommends their appointment.

Sri Ankur Jalan is interested in the resolution at item no. 4 of the accompanying notice, since it relates to his own appointment.

**ITEM No. 5**

The Board of Directors of your Company ("the Board") at its meeting held on 22nd December, 2003 extended the term of the office of Shri D. Kumar as a Wholetime Director, and also the Manager of the Company up to 24th February, 2008, on the same terms & remuneration as approved by the Members at the Annual General Meeting of the Company held on 30th August, 2003 as stated below :-

Designation : Whole Time Director

**Remuneration :-**

Salary : Rs. 30,000/- p.m.

Ex. Gratia : Ex. Gratia @ 20% of the abovementioned salary.

**PERQUISITES :****CATEGORY – A**

Medical : Reimbursement of Medical expenses incurred for self and family equal to one month of Salary.

Leave Travel

Allowance : Reimbursement of Leave Travel expenses incurred for self and family as Allowance per Company Rules.

**CATEGORY – B**

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

**CATEGORY – C** : Encashment of leave as per Company Rules.

Overall remuneration package not to exceed limits specified in Schedule XIII of the Companies Act, 1956.

The Board of Directors shall be authorised to revise the remuneration from time to time, provided that the remuneration package shall be within the limits specified in Schedule XIII of the Companies Act, 1956.

None of the Directors of your Company, other than Shri D. Kumar, is interested in this Resolution.

The Board recommends this Resolution for your Approval.

**ITEM No. 6**

The Authorized Share Capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crores only) divided into 92,50,000 equity shares of Rs. 10/- each and 75,000 10% Non-cumulative Redeemable Preference Shares of Rs. 100/- each. It has considered necessary and desirable to increase the Authorized Share Capital of the Company in order to support the financing requirement of the company in future by issue of further Equity Share Capital if and when considered necessary. So in this regard there will be consequential alteration in the capital clause of the Memorandum of Association of the company and accordingly Clause "V" of the Memorandum of Association is

"The Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,49,25,000 equity shares of Rs. 10/- and 75,000 10% Non-cumulative Redeemable Preference Shares of Rs. 100/-each."

The Board recommends this Resolution for your Approval.

**ITEM No. 7**

The Company intends to substitute high cost debts with the above security 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 resources.

In the likelihood of the issue underwritten or subscribed by one or a few selected group of investors, which may include Companies in Paper Industry/Financial Institutions/Mutual Fund/Banks/Insurance Companies/Bodies Corporate/Non-Resident Indians (including Overseas Corporate Bodies (OCB's) substantially owned by (NRI's)/Promoter's and/or their associates or by resident Indians, the Company has been advised that the offer of such instruments/securities to the selected group of investors may attract the provisions of SEBI/RBI guidelines on Preferential issues. Hence, the Company proposes the Special Resolution as mentioned in item no. 6 of this notice which will give adequate flexibility to the Company through its Board in making the above instruments/securities offer however subject to the aggregate of all such offers not exceeding Rs. 10.00 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. None of the Directors of the Company are in any way concerned or interested in the resolution.

The Board recommends this Resolution for your Approval.

Kolkata, The 10th August, 2004

**Registered Office :**

Commerce House

2A, Ganesh Chandra Avenue

Kolkata - 700 013

By Order of the Board  
For Kanoi Paper & Industries Limited

L. B. CHOURASIA

Company Secretary

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**DIRECTORS' REPORT****TO THE MEMBERS**

Your Directors present the Nineteenth Annual Report together with the Audited Statements of Accounts for the year ended 31st March, 2004.

**FINANCIAL HIGHLIGHTS**

	2003-2004	(Rs. in Lacs)	2002-2003
Total Turnover and other Receipts	1957.31		1346.12
Profit / (Loss) before Interest and Depreciation	172.66		(411.00)
Less : Interest	62.78		144.12
Profit / (Loss) Before Depreciation	109.88		(555.12)
Less : Depreciation	99.96		97.93
Profit / (Loss) Before Tax	9.92		(653.05)
Less : Provision for taxation	NIL		NIL
Profit / (Loss) After tax	9.92		(653.05)
Less : Prior Period Expenses	NIL		61.01
Add : Balance brought forward from previous year	(1133.22)		(419.16)
Balance carried to Balance Sheet	(1123.30)		(1133.22)

**REVIEW OF OPERATIONS**

During the year under review, the company has made the turnaround by remarkable growth in production and sales and improvement in operating efficiencies, market development and enrichment of product mix, in otherwise competitive market conditions and escalating cost of input and utilities after re-starting the production at mill from May, 2003 after closure of mill for 6 months. The gross turnover of the Company has increased significantly by 52.48% at 2115.69 lacs in 2003-2004 in comparison to Rs. 1387.50 in the year 2002-2003 and profit achieved at Rs. 9.92 lacs during the year from loss of Rs. 714.06 lacs in previous year.

As stated by your directors in the previous report induction of a Financial & Strategic partner Sri Murari Lal Jalan (NRI) for the revival of the unit, he has invested substantial amount of fund during the year and number of initiatives on cost reduction has been taken which had a favourable impact on the working of the Company. With the new initiatives taken by the management for revival of the unit, Company achieved turnaround in overall performance. Your directors are committed to maintain the process of growth in future also.

51.43 % of paid-up equity share Capital of the Company has been acquired after 31st March, 2004 by M/s. Arrow Syntex Private Limited, out of which 49.03 % has been acquired through spot delivery and Purchase Agreement with promoters, their relatives and associates and 2.40% from shareholders of the Company through Open Offer.

Your Directors has not recommended any dividend in lieu of past losses.

The Company did not export paper during the year.

**AUDITORS' REPORT**

The comments in the Auditor's Report read with notes on accounts referred to therein are self-explanatory.

**DIRECTORS**

Sri S. K. Kanoi, Director of Company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Sri D. Kumar, Director of Company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

**MANAGER**

The Company has extended the term of the office of Sri D. Kumar as a Wholtime Director, and also the Manager of the Company up to 24th February, 2008, on the same terms & remuneration as approved by the Members at the Annual General Meeting of the Company held on 30th August, 2003, subject to your approval.

No fees have been given to the directors during the year under review for attending the meeting.





## CORPORATE GOVERNANCE

Your Company is committed to the principles of good Corporate Governance and a report on Corporate Governance is given in the Annual Report.

## AUDITORS

M/s. Murari Agrawal & Co., Chartered Accountants, Auditors of the company retire at the ensuing Annual General Meeting and are being eligible offer themselves for re-appointment

## INTERNAL CONTROL SYSTEM

The Company is constantly endeavoring to improve the standards of internal control in various areas. The existing set up of the internal control system is commensurate with the size of the company's operations & nature of its business.

## FINANCE

During the year under review OTS proposal has been approved from one of our Bankers i.e. Bank of Rajasthan and accordingly Company is agreed to repay the approved outstanding amount as on 31.01.2004 and interest at BPLR as per the Memorandum of Understanding dated 30th April, 2004. Out of total outstanding 25 % is paid in May 2004 as down payment and balance 75% is payable in 18 equal monthly installment.

Company has also settled the outstanding loan of SBI Housing Finance as one time settlement as per the sanction letter dated 29th June, 2004 of SBI. 35% of 7.25 lacs is paid during July, 2004 and balance outstanding is payable in 9 monthly installment at interest @ 12% p.a.

## SOCIAL RESPONSIBILITY

Your Company is looking forward for meeting the responsibility towards the society. During the year under review Company has organized regularly Medical Camps in various villages near to the mill location for welfare of the people by providing free medical check-up, medicines and other medical facilities.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that :

- in the preparation of annual accounts, the applicable accounting standards have been followed;
- the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your company at the end of the financial year and of the profit or loss of your 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 your Company and for preventing and detecting fraud and other irregularities; and
- the Annual Accounts have been prepared on a going concern basis.

## B.I.F.R.

The Company has made a reference before the Board for Industrial & Financial Reconstruction under sub-section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985, as amended requesting the measures to be adopted for reviving of the Company on 31st July, 2003. The said reference was duly registered under the case no. 301/2003 and enquiry under section 16 of the Sick Industrial Companies (Special Provisions) Act, 1985, as amended is Pending.

## PARTICULARS OF EMPLOYEES PURSUANT TO PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956

The particulars are stated in Annexure - I hereto.

## ADDITIONAL INFORMATION

As regards disclosure 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 a statement showing particulars of Research and Development, Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo is annexed and marked as Annexure II.

## ACKNOWLEDGEMENTS

Your Directors acknowledge with gratitude the co-operation and assistance received from the Central and State Government Agencies, Financial Institutions, Banks, Investors and all those associated with the Company during the year under review.

Your Directors look forward to the future with confidence.

On behalf of the Board

**M. L. JALAN**

Chairman

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**ANNEXURE - I**

None of the employees are covered by the provisions contained in Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

a) Employed throughout the year	NIL
b) Employed for part of the year	NIL

**ANNEXURE - II****A. CONSERVATION OF ENERGY****Power :****a) Efforts made for conservation of energy :-**

- (i) By controlling process parameters,
- (ii) Replacemnt of high capacity motors,
- (iii) Installation of energy saving lamps wherever possible in plant and colony.

**b) Additional investment and proposals, if any :**

- i) Installation of automatic intelligent power factor controller to further improve the power factor.
- ii) Installation of variable speed controls for various electric motors
- iii) Our own captive power generation to overcome power tripping and breakdown in supply from CSEB.

**c) Impact of above measures on consumption of energy :**

Saving in consumption of electricity & steam.

**d) Power & Fuel Consumption :**

Refer Form 'A' attached.

**B. TECHNOLOGY ABSORPTION :**

Refer Form 'B' attached.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

		<u>2003-2004</u>	<u>2002-2003</u>
		Rs.	Rs.
Earnings	: Export (F.O.B. value)	NIL	NIL
Outgo	: Imports	36,80,531	26,50,404
	Subscription to journals	NIL	4,396

**FORM 'A'****A. POWER & FUEL CONSUMPTION****1. Electricity :**

	<u>2003-2004</u>	<u>2002-2003</u>
a) Purchased		
Units (KWH in lacs)	114.86	56.58
Total Amount (Rs. in lacs)	483.48	280.53
Rate/KWH (In Rs.)	4.21	4.95
b) Vandana Vidhyut Ltd.		
Units (KWH in lacs)	2.25	NIL
Total Amount (Rs. in lacs)	9.92	NIL
Rate/KWH (In Rs.)	4.41	NIL
c) Own Generation		
i) Through Diesel (KWH in lacs)	NIL	NIL
ii) Through Steam Turbine Generator	NIL	NIL

**2. Coal :**

a) Grade B		
Quantity (MT)	NIL	292.00
Total Cost (Rs. in lacs)	NIL	4.36
Average Rate	NIL	1493.15
b) Grade E (Steam)		
Quantity (MT)	232.210	681.22
Total Cost (Rs. in lacs)	2.830	7.13
Average Rate	1218.720	1046.65





c) Grade E (ROM)		
Quantity (MT)	9407.603	5502.21
Total Cost (Rs. in lacs)	72.060	40.47
Average Rate	765.970	735.52
d) ROM (Washery)		
Quantity (MT)	3590.294	45.00
Total Cost (Rs. in lacs)	1.325	0.26
Average Rate	465.000	577.78
<b>RICE HUSK :</b>		
Quantity (MT)	285.000	NIL
Total Cost (Rs. in lacs)	2.830	NIL
Average Rate	1218.720	NIL
<b>CONSUMPTION PER UNIT OF PRODUCTION</b>		
Electricity (KWH/MT)	1092.890	1235.950
Coal (MT/MT)	1.346	1.424

**FORM 'B'****TECHNOLOGY ABSORPTION :-****RESEARCH AND DEVELOPMENT (R&D) :****Specific areas in which R & D was carried out by the Company :**

- Black Liquor generation reduced by improving process condition.
- Fresh water consumption by recycling the backwater produced in the process wherever possible.
- Brown stock washer to install to improve the solid content in the black liquor.
- Improving the paper quality by process parameters.

**Benefits derived as a result of above R & D :**

- Black Liquor holding capacity increased to 300 days.
- Paper quality improved by way of brightness and flatness.
- Possibility of installing Chemical Recovery Plant for recovery of chemical from black liquor whereby pollution problem will reduce drastically.

**Future Plan of action :**

- To improve quality of paper further to increase market share in printing segment.
- Attempts have been made to evaluate technology for chemical recovery from black liquor.

**Expenses on R & D :**

- |  |   |  |
|--|---|--|
| (a) Capital  | : | Rs. 35lacs   |
| (b) Recurring  | : | Rs. 10 lacs debited to normal revenue account heads. |
| (c) Total  | : | Rs.45 lacs.  |
| (d) Total R & D expenditure as a % of total turnover | : | 2.12 %   |

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

- Efforts made towards technology absorption, adaptation and innovation: -  
Use rice husk and low cost coal was introduced.
- Benefits derived as a result of above efforts :  
This will result in reduction in over all cost of coal consumption.

On behalf of the Board

**M. L. JALAN**

Chairman