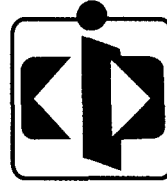


20th

Annual Report &
Accounts 2004-2005

Report



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Kanoi Paper & Industries Ltd.



Kanoi Paper & Industries Ltd.

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005

BOARD OF DIRECTORS :

| | | |
|----------------------|---|--------------------|
| SRI MURARI LAL JALAN | - | Chairman |
| SRI NARAYAN JALAN | - | Director |
| SRI DAVINDER KUMAR | - | Executive Director |
| SRI ANKUR JALAN | - | Director |
| SRI JITENDRA AGRAWAL | - | Director |
| SRI R . K . KANOI | - | Director |
| SRI S . K . KANOI | - | 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

Report Junction.com

BANKERS : BANK OF BARODA
THE BANK OF RAJASTHAN LTD.

REGISTRARS & TRANSFER AGENT : MAHESHWARI DATAMATICS PVT. LTD.
6 , MANGOE LANE
KOLKATA - 700 001
PHONE : 033 - 2243 - 5029 / 5809

REGISTERED OFFICE : COMMERCE HOUSE
5TH FLOOR , ROOM NO. 11A
2A , GANESH CHANDRA AVENUE
KOLKATA - 700 013
PHONE : 033-2213 2932/33/34
EMAIL : kpilcal@cal2.vsnl.net.in

MILLS : VILLAGE DHENKA , P.O. : DARRIGHAT, MASTURI
BILASPUR - 495 001 (CHHATTISGARH)
PHONE : 07752- 257287/257707/257014
EMAIL : KPIL@jalangroup.org



Kanoi Paper & Industries Ltd.

NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the Twentieth 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 on Monday, the 29th August, 2005 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, 2005, together with the Report of the Directors and Auditors.
- To appoint a director in place of a director retiring by rotation.
Shri R. K. Kanoi, director, retires by rotation and being eligible, offers himself for re-appointment.
Shri J. Agrawal, 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 eligible for reappointment.

Special Business: -

- 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 the pursuant to Section 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force), the Authorised Share Capital of the Company be increased from Rs.17,00,00,000/- (Rupees Seventeen Crores only) divided into 92,50,000 equity shares of Rs.10/- each and 7,75,000 10% Non- cumulative Redeemable Preference Shares of Rs. 100/-each to Rs.25,00,00,000/- (Rupees Twenty Five Crores only) divided into 92,50,000 equity shares of Rs.10/- and 15,75,000 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.17,00,00,000/- (Rupees Seventeen Crores only) divided into 92,50,000 equity shares of Rs.10/- each and 7,75,000 10% Non- Cumulative Redeemable Preference Shares of Rs. 100/-each, the following shall be substituted.

"The Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crores only) divided into 92,50,000 equity shares of Rs.10/- and 15,75,000 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 80, 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or reenactment thereof), the relevant provisions of the Memorandum and Article of Association of the Company 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 Redeemable Preference Shares (cumulative/ non cumulative) or any other type of preference shares, 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, 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. 16 crores, exclusive of such premium as may be fixed on the said Securities and on such terms and conditions including pricing (cash / other than Cash) 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."

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

"RESOLVED THAT in suppression of all earlier resolution passed at the Annual General Meeting, the Board of Directors be and is



Kanoi Paper & Industries Ltd.

hereby authorized, pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956, to borrow money from time to time at its discretion either from the company's bank or any other bank, financial institution or any other lending institution or persons on such terms and conditions as may be considered suitable by the Board of Directors upto a limit not exceeding in the aggregate Rs. 15.00 crores notwithstanding that the money to be borrowed by the Company (apart from temporary Loan obtained from Companies bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserve not set apart for any specific purpose.

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

"RESOLVED THAT subject to the applicable provisions of the Companies Act, 1956, the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, including any statutory modification or re-enactment thereof for the time being in force, and subject to such approvals, sanctions and permission as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution) Company for voluntary delisting of the equity shares of the Company from 'The Stock Exchange Ahmedabad'.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all necessary steps in this regard in order to facilitate the legal and/ or procedural formalities and do all such acts, deeds or things as may be necessary to give effect to above."

Kolkata, The 30th July 2005.
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 23rd August 2005 to 29th August 2005 (both days inclusive).
7. 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 10 days prior to the Meeting so that the required information can be made available at the Meeting.
11. Sri R.K.Kanoi and Sri J.Agrawal, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. As required under the listing agreement, the information/data to be provided for these Directors are given in the Corporate Governance Section of this Annual Report.

Kanoi Paper & Industries Ltd.**EXPLANATORY STATEMENT**

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

ITEM No.4

After the takeover of the management of the Company by the new promoters, huge investment has been made in the Process of rehabilitation of the Company, lying in the form of unsecured loan. With the proper and timely investment, no. of measures for massive cost reduction of input and utilities, Company is achieving turnaround in overall performance. In order to kept these investment in the Company as a long-term resources it is required to convert the unsecured loan as Non Cumulative Redeemable Preference Shares.

In the likelihood of the above issue subscribed by one or a few selected group of investors, which may include Promoter's and/or their associates or by resident Indians, Companies/Bodies Corporate/Non-Resident Indians (including Overseas Corporate Bodies (OCB's) substantially owned by (NRI's). 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. 1 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.16.00 crores either to the investors at large or to selected group of investors.

The detailed terms and conditions for the offer will be determine by the board on its discretion deem fit and appropriate at the time of issue/ allotment. Wherever necessary and applicable, the compliances of the issue will be done in accordance with the applicable guidelines of SEBI, RBI and other relevant authorities, in force.

The directors of the Company may be deemed to be concerned or interested in the said resolution to the extent of securities issued and allotted, if any to the promoters, their friends, relatives, associates and associated Companies. 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.

ITEM No.5

As stated above in item no 4, Company is planning to issue of Preference Shares, accordingly the Authorised Capital is required to be increased from Rs. 17 Crores to 25 crores by adding 8,00,000 (Eight Lacs only) Preference Shares of Rs. 100/- (Rupees Hundred only) each. 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. 25,00,00,000/- (Rupees Twenty Five Crores only) divided into 92,50,000 equity shares of Rs.10/- and 15,75,000 10% Non- cumulative Redeemable Preference Shares of Rs. 100/-each."

None of the Directors is interested in the given resolution.

The Board recommends this Resolution for your Approval.

ITEM No.6

The Company has power and authority to borrow any amount up to an aggregate of the paid-up capital and free reserve of the Company. To implement the plan of increase in production capacity marginally and requirements for major overhauling and maintenance plans of the Company at the paper unit and for other payments, the erstwhile resolution is proposed to give the power to the Board of Directors to borrow an amount which may exceed the aggregate of the paid-up share capital and free reserves of the Company.

The Board recommends this Resolution for your Approval.

None of the Directors are interested in this resolution.

ITEM No.7

The Company had requested to 'The Stock Exchange Ahmedabad' on 01.04.1997 for termination of the agreement and for voluntarily de-listing of the shares from their record. This fact was referred to the Ahmedabad Stock Exchange several times but could not be crystalized by Exchange. In order to resolve the matter with 'The Stock Exchange Ahmedabad', above resolution is recommended for your approval.

Kolkata, The 30th July 2005.

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



Kanoi Paper & Industries Ltd.

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present the Twentieth Annual Report together with the Audited Statements of Accounts for the year ended 31st March 2005.

FINANCIAL HIGHLIGHTS

| | (Rs. in Lacs) | |
|--|------------------|------------------|
| | 2004-2005 | 2003-2004 |
| Gross Turnover and other receipts | 3373.15 | 2184.07 |
| Profit / (Loss) before Interest and Depreciation | 174.28 | 172.66 |
| Less : Interest | 39.46 | 62.78 |
| Profit/(Loss) Before Depreciation | 134.82 | 109.88 |
| Less : Depreciation | 102.02 | 99.96 |
| Profit /(Loss) Before Tax | 32.80 | 9.92 |
| Less : Provision for taxation | NIL | NIL |
| Profit /(Loss) After tax | 32.80 | 9.92 |
| Add : Balance brought forward from previous year | (1123.30) | (1133.22) |
| Balance carried to Balance Sheet | (1090.50) | (1123.30) |

REVIEW OF OPERATIONS

During the year under review, your company has maintained the process of turnaround by remarkable growth in production, sales, improvement in operating efficiencies, market development and enrichment of product. Consequently, the Net Profit at Rs. 32.80 lacs registered a growth of 230.65 % over Rs. 9.92 lacs and gross turnover improved by 58.24 % at 3347.93 lacs against Rs. 2115.69 lacs in previous year. Your Company achieved its best ever production and Sales during the year under review at 11,256 M.T. and 12,894 M.T respectively.

During the year under review company has received good response in the market for their quality product especially for Colour Printing as well as Azure Laid Paper.

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

Your Company exploring the export opportunities to market some of it's value added products.

SHARE CAPITAL

The Authorised Share Capital of the Company was increased from Rs. 10 Crores to Rs. 17 Crores in the Extra-Ordinary Meeting of Shareholders held on 24th March 2005. Moreover a resolution is proposed in notice for further increase of Authorised Capital from 17 crores to 25 crores.

AUDITORS' REPORT

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

DIRECTORS

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

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

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.



Kanoi Paper & Industries Ltd.

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

Your 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, Company has repaid major portion of loan outstanding of Bank of Rajasthan approved under OTS. Further approved OTS outstanding of SBI Home Finance repaid in complete to the State Bank of India. During the Year Company has received a restructuring proposal from Bank of Baroda, which was not acceptable to the management and accordingly an OTS proposal was submitted to Bank of Baroda and same is under consideration at Bank's central office.

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. Moreover during the year company has installed several hand pump in near by villages to factory to facilitate drinking water to the villagers.

DIRECTOR'S 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 :

- a) in the preparation of annual accounts, the applicable accounting standards have been followed;
- b) 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;
- c) 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
- d) the Annual Accounts have been prepared on a going concern basis.

B.I.F.R.

The Company has refilled the reference before the Board for Industrial & Financial Reconstruction under section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985, as amended requesting the measures to be adopted for revival of the Company on 30th December 2004. The said reference was duly registered under the case no. 43/2005 (originally reference was registered on 31st July, 2003 as case no. 301/2003) and enquiry under section 16 of the Sick Industrial Companies (Special Provisions) Act, 1985, 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, Employees, Workers, Investors and all those associated with the Company during the year under review.

Your Directors look forward to the future with confidence.

Kolkata
30th July, 2005

On behalf of the Board
M.L. JALAN
Chairman



Kanoi Paper & Industries Ltd.

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) Replacement of high capacity motor.
- (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 improves the power factor.
- ii) Installation of variable speed controls for various electric motors
- iii) Own captive power generation to overcome power tripping and breakdown in supply from Chattisgarh State Electricity Board (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>2004-2005</u> | <u>2003-2004</u> |
|----------------------------------|------------------|------------------|
| | Rs. | Rs. |
| Earnings : Export (F.O.B. value) | Nil | Nil |
| Outgo : Imports | 1,10,66,464 | 36,80,531 |

FORM 'A'

A. POWER & FUEL CONSUMPTION

1. Electricity :

a) Chattisgarh State Electricity Board

| | | |
|----------------------------|--------|--------|
| Units (KWH in lacs) | 86.66 | 114.86 |
| Total Amount (Rs. in lacs) | 363.34 | 483.48 |
| Rate/KWH (In Rs.) | 4.19 | 4.21 |

b) Vandana Vidhyut Ltd

| | | |
|----------------------------|--------|------|
| Units (KWH in lacs) | 42.77 | 2.25 |
| Total Amount (Rs. in lacs) | 181.47 | 9.92 |
| Rate/KWH (In Rs.) | 4.24 | 4.41 |

c) Own Generation

| | | |
|-------------------------------------|-----|-----|
| i) Through Diesel (KWH in lacs) | Nil | Nil |
| ii) Through Steam Turbine Generator | Nil | Nil |

2. Coal :

a) Grade E (Steam)

| | | |
|--------------------------|-----|----------|
| Quantity (MT) | Nil | 232.210 |
| Total Cost (Rs. in lacs) | Nil | 2.830 |
| Average Rate | Nil | 1218.720 |



Kanoi Paper & Industries Ltd.

| | | | |
|--|----------|--|---------|
| b) Grade E (ROM) | | | |
| Quantity (MT) | 8471.800 | | 9407.60 |
| Total cost (Rs. In lacs) | 82.430 | | 72.06 |
| Average rate | 972.990 | | 765.97 |
| c) ROM (Washery) | | | |
| Quantity (MT) | 9879.709 | | 3590.29 |
| Total cost (Rs. In lacs) | 62.920 | | 24.68 |
| Average rate | 636.860 | | 687.40 |
| 3. RICE HUSK | | | |
| Quantity (MT) | 281.155 | | 285.00 |
| Total Cost (Rs. in lacs) | 1.370 | | 1.32 |
| Average Rate | 487.28 | | 465.00 |
| B. CONSUMPTION PER UNIT OF PRODUCTION | | | |
| Electricity (KWH/MT) | 1149.830 | | 1092.89 |
| Coal (MT/MT) | 1.630 | | 1.34 |

FORM 'B'

TECHNOLOGY ABSORPTION :-

I. RESEARCH AND DEVELOPMENT (R&D)

Specific areas in which the Company carried out R&D :

- Black Liquor generation reduced by further improving process condition and installing additional Brown stock Washer thereby improving the solid content in Black Liquor.
- Sludge Cake machine has been installed to reduce the effluent load on Effluent Treatment plant.
- Fresh water consumption reduced by recycling the backwater generated in the process wherever possible.
- Introduced Coloured printing paper and Ledger paper.
- Introduced Sodium Sulphite as cooking chemical along with C S Lye.

Benefits derived as a result of above R & D :

- Black Liquor holding capacity increased.
- Pollution load reduced on ETP.
- Reduced the volume of black liquor.
- Fresh water consumption reduced.
- Cost of cooking chemicals reduced.
- Paper quality improved by way of brightness and flatness.

Future Plan of action :

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

Expenses on R & D :

- | | | |
|--|---|--|
| (a) Capital |) | The development work is carried by the |
| (b) Recurring |) | concerned departments on an ongoing |
| (c) Total |) | basis. The expenses and the cost of |
| (d) Total R & D expenditure as a % of total turnover |) | assets are grouped under the respective heads. |

II. Technology absorption, adaptation and innovation :

- Efforts made towards technology absorption, adaptation and innovation: -
Use of 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.