

SKS

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Annual Report 1996-97

SKS Ltd.

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*Annual Report 1996-97***SKS Ltd.****BOARD OF DIRECTORS**

Shri S.K. Chhibber

Lt. Gen. Sagat Singh (Retd.), PVSM

Shri Surendra Dube

Shri Arvind Saraf, Managing Director

Shri Debasish Bhattacharyya, Executive Director

**COMPANY SECRETARY-CUM-
SENIOR FINANCE MANAGER**

Shri N. P. Bhansali

AUDITORS

Shwetank Joshi & Co.

Chartered Accountants

66 Ezra Street,

Calcutta-700001

BANKERS

United Bank of India

Allahabad Bank

REGISTERED OFFICE

B-II/99,

Mohan Co-operative Industrial Estate,

Badarpur,

New Delhi-110044

WORKS

B-II/99 & 97,

Mohan Co-operative Industrial Estate,

Badarpur,

New Delhi-110044

WATER TRANSPORT DIVISION

Sector-7,

Vashi,

New Mumbai-400703

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SKS LTD.

Regd. Office :

B-II/99, Mohan Co-operative Industrial Estate,
Badarpur, New Delhi - 110 044.**NOTICE OF ANNUAL
GENERAL MEETING**

Notice is hereby given that the Sixteenth Annual General Meeting of the members of SKS Ltd. will be held on Wednesday, the 31st December 1997 at 2.00 p.m. at "Mittal Farm", Mehrauli-Gurgaon Road, Near Ahinsa Sthal, Mehrauli, New Delhi-110030, to transact the following business:

ORDINARY BUSINESS**1. Adoption of Annual Accounts for 1996-97**

To receive, consider and adopt the Audited Balance Sheet as on 31.03.1997 and Profit and Loss Account of the company for the year ended 31.03.1997 together with the reports of Directors and Auditors thereon and to pass, if agreed, the following resolution:

"Resolved that the Profit & Loss Account for the year ended 31st March 1997 and the Balance Sheet as on that date and the Directors' Report and Auditor's Report thereon be and are hereby received, considered and adopted."

2. Reappointment of Company Director

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

"Resolved that Shri Lt.Gen. (Retd.) Sagat Singh, Director, who retires by rotation and is eligible for reappointment, be and is hereby reappointed Director of the company."

3. Reappointment of Company Auditors

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

"Resolved that M/s. Shwetank Joshi & Company, Chartered Accountants, 66, Ezra Street, Calcutta-700001, the retiring Auditors who have offered their services and who are not disqualified to act as Auditors of the Company under section 224 (1B) of the Companies Act 1956, be and are hereby reappointed Auditors of the Company to hold office for the period from the conclusion of the 16th Annual General Meeting to the conclusion of the 17th Annual General Meeting

on such remuneration as may be fixed by the Board."

SPECIAL BUSINESS**4. Reappointment of Managing Director**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"Resolved that under Section 269 and other applicable provisions, if any of The Companies Act 1956 and subject to such other approvals as may be necessary, Shri Arvind Saraf be and is hereby reappointed as Managing Director of the company w.e.f. 1st day of October 1997 to 30th day of September 2002 on the following terms and conditions:"

REMUNERATION

- i) Salary : Rs.30000 p.m. (including Dearness and other allowances)
- ii) Commission : @ 1% of net profits of the company for each financial year subject to a maximum of 50% of the salary.
- iii) Perquisites : Perquisites shall be restricted to an amount equal to 75% of annual salary. The perquisites are classified into three categories "A", "B" & "C" as follows:

CATEGORY A**1. Housing**

- i) The expenditure by the company on hiring unfurnished accommodation for the Managing Director will be restricted to sixty percent of the salary, over and above ten percent payable by him.
- ii) In case accommodation is owned by the company, ten percent of the salary of the Managing Director shall be deducted by the company.
- iii) In case no accommodation is provided by the company, the Managing Director shall be entitled to a house rent allowance subject to the ceilings laid down in Housing - (i).

Explanation

The expenditure incurred by the company on gas, electricity, water and furnishing, shall be valued as per Income Tax Rules 1962. This shall, however, be subject to a ceiling of ten percent of salary of the Managing Director.

II. Medical Reimbursement

Expenses incurred for the Managing Director and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

III. Leave Travel Concession

For the Managing Director and his family once in a year incurred in accordance with the rules specified by the company.

IV. Club Fees

Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

V. Personal Accident Insurance

Premium not to exceed Rs.4,000/- per annum.

CATEGORY B

- I. Gratuity not exceeding one month's salary for each completed year of service.
- II. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act.

CATEGORY C

The company shall provide a car with driver on company's business and telephone at the residence of Shri Arvind Saraf, Managing Director. Provision of car for use on company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the company to the Managing Director, Shri Arvind Saraf.

Further Resolved that in the event of absence or inadequacy of net profits in any financial year the remuneration payable will be limited to the ceiling as specified in Section II of part-II of Schedule XIII to the Companies Act, 1956.

"Resolved further that the Board of Directors of the company be and are hereby authorised to take all necessary action in the matter and are further authorised to vary and/or alter and/or modify the terms and conditions relating to the remuneration, commission payable to and perquisites to be provided for Shri Arvind Saraf as Managing Director of the Company, in accordance with the changes that may

be effected from time to time in Schedule XIII to the Companies Act, 1956, if any, and/or any amendments and/or modifications, including any guidelines or notifications, as may be made by the Central Government from time to time."

5. Appointment of Executive Director

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"Resolved that under Section 269 and other applicable provisions, if any of The Companies Act 1956 and subject to such other approvals as may be necessary, Shri Debasish Bhattacharyya be and is hereby appointed as Executive Director of the company w.e.f. 1st day of December 1997 to 30th day of November 2002 on the following terms and conditions:"

REMUNERATION

- i) Salary : Rs.20000 p.m. (including Dearness and other allowances)
- ii) Commission : @ 1% of net profits of the company for each financial year subject to a maximum of 50% of the salary.
- iii) Perquisites : Perquisites shall be restricted to an amount equal to 75% of annual salary. The perquisites are classified into three categories "A", "B" & "C" as follows:

CATEGORY A

This will comprise expenditure on housing, leave travel concession, medical reimbursement, fees on clubs and personal accident insurance to the extent mentioned below:

I. Housing

- i) The expenditure by the company on hiring unfurnished accommodation for the Executive Director will be restricted to sixty percent of the salary, over and above ten percent payable by him.
- ii) In case accommodation is owned by the company, ten percent of the salary of the Executive Director shall be deducted by the company.
- iii) In case no accommodation is provided by the company, the Executive Director shall be entitled to a house rent allowances subject to the ceilings laid down in Housing - (i).

*Annual Report 1996-97***SKS Ltd.****Explanation**

The expenditure incurred by the company on gas, electricity, water and furnishing, shall be valued as per Income Tax Rules 1962. This shall, however, be subject to a ceiling of ten percent of salary of the Executive Director.

II. Medical Reimbursement

Expenses incurred for the Executive Director and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

III. Leave Travel Concession

For the Executive Director and his family once in a year incurred in accordance with the rules specified by the company.

IV. Club Fees

Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

V. Personal Accident Insurance

Premium not to exceed Rs.4,000/- per annum.

CATEGORY B

I. Gratuity shall be paid at half a month's salary for each completed year of service, subject to a ceiling of Rs.1,00,000/-.

II. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act.

CATEGORY C

The company shall provide a car with driver on company's business and telephone at the residence of the Executive Director. Provision of car for use on company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the company to the Executive Director.

Further Resolved that in the event of absence or inadequacy of net profits in any financial year the remuneration payable will be limited to the ceiling as specified in Section II of part II of Schedule XIII to the Companies Act, 1956.

"Resolved further that the Board of Directors of the company be and are hereby authorised to take all necessary action in the matter and are further authorised to vary and/or alter and/or modify the terms and conditions relating to the remuneration,

commission payable to and perquisites to be provided for Shri Debasish Bhattacharyya as Executive Director of the Company, in accordance with the changes that may be effected from time to time in Schedule XIII to the Companies Act, 1956, if any, and/or any amendments and/or modifications, including any guidelines or notifications, as may be made by the Central Government from time to time."

By Order of the Board
For SKS Ltd.

(N.P.BHANSALI)

Place : New Delhi

Date : 6th December, 1997

Company Secretary-cum-
Sr. Finance Manager

NOTES :

- 1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member. The proxy representation must be registered at the Regd. Office of the company at least not less than 48 hours before the meeting.
- 2) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item No.4 & 5 of the Notice set out above, is hereto annexed.
- 3) The Register of Members and Share Transfer Books of the company will remain closed from 30th December 1997 to 31st December 1997 (both days inclusive).
- 4) Members who have multiple accounts are requested to intimate the company the L.F.Nos, of such accounts to enable the company to consolidate all shareholding into one account.
- 5) Members desirous of getting any information from the company are requested to send their queries to the company at its Regd. Office well in advance so that the same may reach at least 7 days before the date of meeting to enable the management to keep the information required readily available at the meeting.
- 6) Please bring the admission slip duly filled-in and hand over the same at the entrance of the meeting hall.
- 7) Members/Proxies are requested to bring copy of the Annual Report with them as no extra copies will be distributed at the meeting.

**IN VIEW OF THE CENTRAL
GOVERNMENT GUIDELINES NO GIFT
WILL BE DISTRIBUTED AT THE MEETING.**

*Annual Report 1996-97***SKS Ltd.****ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No.4**

Shri Arvind Saraf was appointed as Managing Director w.e.f. 1st October 1992 for a period of five years. Considering the progress made by the company during his tenure, your Directors in the board meeting held on 20.09.1997 have reappointed him as Managing Director for a period of five years w.e.f. 1st October 1997 subject to the approval of the members of the company in General Meeting. The salary and perquisites to be given to him are in accordance with Schedule XIII of the Companies Act, 1956. Because of the current operational crisis faced by the company your directors have considered the reappointment on the existing terms and conditions as regards salary and perquisites and not proposed any enhancement.

None of the Directors except Shri Arvind Saraf is concerned or interested in the said resolution.

The copy of the agreement with Shri Arvind Saraf will be open for inspection by the members at the Registered office of the company during the company's normal business hours on all working days.

The above may be regarded as an abstract of terms and memorandum of interest under Section 302 of the Companies Act, 1956 in respect of the said resolution.

Item No. 5

Your Directors in the Board Meeting held on 6th December, 1997 had appointed Shri Debasish Bhattacharyya, Chief Executive(Operations) of the

company as Additional wholetime Director of the company designated as Executive Director under Article 93 of the Articles of Association of the company and under Section 260 of The Companies Act 1956 for a period of five years w.e.f. 1st December 1997 subject to the approval of the members at Annual General Meeting.

Shri Debasish Bhattacharyya holds office upto the date of the 16th Annual General Meeting. The company has received notice under Section 257 of The Companies Act 1956 proposing his candidature for the office of Executive Director.

Keeping in view the long experience and qualifications of Shri Debasish Bhattacharyya, your Directors are of the opinion that his appointment is in the interest of the company. If appointed at the Annual General Meeting, he will be a Director not liable to retire by rotation as per the provisions of The Companies Act 1956.

None of the Directors except Shri Debasish Bhattacharyya is concerned or interested in the said resolution.

The copy of the agreement with Shri Debasish Bhattacharyya will be open for inspection by the members at the Registered office of the company during the company's normal business hours on all working days.

The above may be regarded as an abstract of terms and memorandum of interest under Section 302 of the Companies Act, 1956 in respect of the said resolution.

By Order of the Board
For SKS Ltd.

(N. P. BHANSALI)

Company Secretary-cum-
Sr. Finance Manager

Place : New Delhi
Date : 6th December, 1997

DIRECTORS' REPORT**TO THE SHAREHOLDERS**

Your Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31st March 1997.

FINANCIAL RESULTS

The financial results of the company as disclosed in the said accounts, are as follows :

	(Rs.in lacs)	
	1996-97	1995-96
Total Turnover	4796.78	6054.61
Profit before interest & depreciation	846.35	1327.50
Less : Interest	570.50	525.38
Profit before depreciation & taxes	275.85	802.12
Less : Depreciation	355.45	364.43
Profit/(Loss) before tax	(79.60)	437.69
Less : Provision for tax	—	10.00
Profit/(Loss) after tax	(79.60)	427.69
Provision for dividend	—	85.45
Transfer to Reserve for Shipping Business	—	70.00
Transfer to General Reserve	—	272.24
Profit/(Loss) Transferred to Balance Sheet	(79.60)	—

CORPORATE REVIEW/OPERATIONS**a) Strips/Foils Division**

During the year under review the Strips/Foils Division of the company has not been able to perform satisfactorily. The production and sales have come down substantially due to operational crisis. The production and turnover during the year was 2665.14 MT and Rs.4796.78 Crores against 3230.77 MT and Rs.6054.61 Crores respectively in the previous year. The results would have been better had their not been world-wide crash in copper prices.

As you are aware, the company has been progressing quite well during last many years. This has been achieved by continuous upgradation and modernisation of the plant & equipments and provision of better services to the customers. However, due to external problems like power supply problem from Delhi Electric Supply undertaking and order of Hon'ble Supreme Court in the matter of Pollution Control, over which the company has no control the company has been facing operational problems. For last 4 to 5 years Delhi State has been facing continuous power shortage. As a result power supply to industry has been affected badly. To

rationalise power consumption Delhi Electric Supply Undertaking (DESU) has applied different tariff on industrial furnace units. Our Unit has 10% of their load in induction furnaces.

DESU has applied the tariff applicable to induction furnaces on our total load. This has crippled the viability of the operations in Delhi. In fact this has increased the per unit cost of electricity from about Rs.3.50 to Rs.12.00. This problem initially started from November 1995. The company had approached the Delhi High Court for rendering justice in regard to the levies made by DESU. The Delhi High Court has also taken an independent technical opinion from a leading IIT Professor regarding the justification of the levies by DESU. This report has also termed the action of DESU as wholly unjustified. The matter has been referred by Delhi High Court to Bijli Lok Adalat.

As per the Court's interim directions from time to time the company had to pay a total sum of Rs.1.92 crores to DESU as deposit pending disposal of the cases. This unexpected turn of event adversely affected the other financial commitments of the company and had severely constrained the liquidity.

The company was trying to cope with this problem from DESU, when the order for closure of operations w.e.f. 1st April 1997 were issued by Hon'ble Supreme Court of India, categorising an unit of the Strips/Foils Division as "extensive industry" and we were required to shift out of Delhi. Literally speaking the company has retained the man-power since then without any generation of revenue. This is because the skilled and experienced manpower would not have been otherwise readily available for the relocation project.

Closure of Plant due to Supreme Court Order/Relocation

It was by mistake on the part of Central Pollution Control Board (CPCB) that the melting/casting/hot rolling section of the company has figured in the list of the units which have been ordered to close down w.e.f. 31st March 1997 and shift out of the territory of Delhi. The company had filed petitions in the Supreme Court representing its case. Despite that, the Supreme Court has maintained its stand that irrespective of the mistakes etc. we have to shift out of the territory of Delhi and has dismissed/rejected the petitions filed by the company. The CPCB had also filed an Interlocutory Application (IA) vide an Affidavit that it was a typographical error/clerical mistake inter-alia admitting the fact that the name of

the unit of the company should not have figured in the list because it is not a polluting unit and further the induction furnaces of the company are of less than 3 MT capacity i.e. within the prescribed ceiling limit. However even this IA has been dismissed by the Supreme Court.

The Strips/Foils Division is lying practically closed since 1st April 1997. It can now be rehabilitated only by re-location. The company is taking all possible measures to re-locate this Division at the earliest possible. Appropriate sites has been identified. The technical viability has been assessed by M/s. S. R. Batliboi Consultants Pvt. Ltd., Calcutta. The company is awaiting clearance from different authorities. Negotiations are going on with the financial institutions and other agencies for financing the relocation project.

b) Water Transport Division

During the year 1996-97 the Hovercraft Division has been doing well except for the 2-3 months setback it suffered because of cancellation of the landing/terminal site at Gateway of India.

The Bombay Port Trust (BPT) had cancelled the allotment of the site at Gateway of India from 30th June 1996. After representation by the company BPT has permitted the use of the site. But, the exclusive allotment of the site at Gateway of India has not been restored. BPT has retained the right to permit any water transport operator to use the terminal at Gateway of India. However, the company will be claiming charges for the facilities created by it. At the Consortium Meeting held on 29.04.1997 the bankers of the company had advised the company to hive-off the Hovercraft Division into a separate subsidiary. Accordingly, the company is exploring the pros and cons of the proposed action of hiving off the Hovercraft Division and the best mode of accomplishing the same.

The operational crisis and consequent poor performance have led the company in defaulting in payment of the statutory dues. The company has also not been able to clear the interest and instalments due to various lending Institutions. In short, the only option with the company is to re-locate and start production as early as possible at the new site.

BONUS ISSUE

The record date initially fixed by the company for the purposes of allotment of bonus shares, i.e. 27-09-1996 was not accepted by the Mumbai Stock Exchange. The company had tried to prove its point

but in vain. Finally the record date was re-fixed as 17th March 1997 and necessary intimations were given. However, the Board of Directors have not yet been able to allot the bonus shares because the Statutory Auditors of the company refused to furnish their compliance certificate as laid down in section M of the Guidelines for Disclosure and Investor Protection issued by SEBI on June 11, 1992 and as amended from time to time pending compliance by the company of clause J(2) of the said Guidelines. As and when the company is able to obtain the certificate as referred above the bonus shares shall be issued.

DIVIDEND

In view of the operational crisis and consequent poor performance by the company the Board of Directors have not recommended any dividend for the year ended 31st March 1997.

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Particulars with respect to conservation of energy as per Section 217(1)(e) of the Companies Act, 1956 read with the Company's (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are annexed hereto and forms part of this report.

DIRECTORS

Lt.Gen. [Retd.] Sagat Singh will retire by rotation and being eligible, offers himself for re-appointment.

Shri N.N. Pai and Dr. S.M. Patil resigned as Directors with effect from 29th November 1996 and 22nd September 1997 respectively. SICOM Ltd. withdrew the nomination of Mr. M.T. Chiddarwar as their nominee Director on the Board of Directors of the company with effect from 6th January 1997.

The Board of Directors places on record its appreciation of the valuable services rendered by Mr. Pai, Dr. Patil and Mr. Chiddarwar during the tenure of their service.

AUDITORS' REPORT AND AUDITORS

The observations made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments under section 217(3) of the Companies Act, 1956.

M/s. Shwetank Joshi & Company, Chartered Accountants, Auditors of your company retire and have expressed their willingness to continue if reappointed, at the Annual General Meeting.

*Annual Report 1996-97***SKS Ltd.****PUBLIC DEPOSITS**

There are no overdue deposits outstanding other than those unclaimed as on 31st March 1997. The company has stopped accepting fresh deposits.

PARTICULARS OF EMPLOYEES

In compliance with the provisions of sec 217 (2-A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, a statement of particulars of employees is annexed to and forms part of this report.

ACKNOWLEDGEMENT

Your Directors wish to extend their sincerest thanks to the various State and Central Government Authorities, Financial Institutions and the Banks for their co-operation and support from time to time. Your Directors also record their appreciation of the services rendered by the employees of the company.

On Behalf of the Board
For SKS Ltd.

Place : New Delhi

Date : 6th December, 1997

(ARVIND SARAF)
Managing Director

ANNEXURE TO DIRECTORS' REPORT

STATEMENT OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY AND FOREIGN EXCHANGE EARNINGS AND OUTGO IN ACCORDANCE WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988, ARE GIVEN BELOW :

A. Conservation of Energy

- (a) Energy conservation Measures taken
- (i) Switching off of unwanted lights.
 - (ii) Use of natural light as far as possible.
 - (iii) Energy conservation devices have been installed wherever possible to monitor and control the energy consumption to the minimum possible level.
 - (iv) Capacitors have been installed in units for automatic power factor correction.
- (b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy. Conventional type of devices have been replaced with latest energy saving devices wherever possible.
- (c) Impact of measures at (a)&(b) above for reduction of energy and consequent impact on the cost of production of goods. The above measures have resulted in saving of energy and to that extent reduction of the cost of production.
- (d) Total energy consumption per unit of production Refer to form A

B. Technology absorption

Efforts made in Technology absorption Refer to Form B

C-I ACTIVITIES RELATING TO EXPORT, INITIATIVE TAKEN TO INCREASE EXPORTS, DEVELOPMENT OF NEW EXPORT MARKETS FOR PRODUCTS AND SERVICES :

During the year under review the company had supplied its products to 100% EOU who are using the same as their basic raw material and also exported four consignments aggregating to a total FOB value of Rs. 62,26,530/-.

C-II TOTAL FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings	US\$ 173918.85
Outgo	US\$ 99965.25 and AUS \$ 1249.48