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COCHIN MINERALS AND RUTILE LIMITED

ANNUAL REPORT

1998-99

COCHIN MINERALS AND RUTILE LIMITED

BOARD OF DIRECTORS

Sri.	R.K. Garg	-	Chairman
„	Mathew M. Cherian	-	Vice Chairman
„	S.N. Sasidharan Kartha	-	Managing Director
„	Padmasree M.R. Kurup	-	Director
„	V.N.P. Nair	-	Director
„	James K. Joseph	-	Director
„	G.R. Warriar	-	Director

AUDITORS

M/s Lazar and George,
Chartered Accountants,
Aluva.

LEGAL ADVISORS

M/s Matthai & Matthai,
Advocates,
Ernakulam.

BANKERS

1. Bank of Baroda, Aluva.
2. Canara Bank, Banerji Road, Ernakulam
3. State Bank of India, Aluva.

REGISTERED OFFICE

P.B.No. 73, XVIII/219, Market Road,
Aluva - 683 101

FACTORY

Edayar Industrial Development Area,
Muppathadom P.O.,
Aluva - 683 110.

NOTICE TO THE SHAREHOLDERS

The 10th Annual General Meeting of Cochin Minerals and Rutile Limited will be held on 15th July, 1999 at 3.30 p.m. at the Municipal Town Hall, Aluva to transact the following business:

A. AS ORDINARY BUSINESS

1. Adoption of Accounts

To receive, consider and adopt the audited accounts of the Company for the financial year ended 31st March, 1999 together with Directors' Report and Auditors' Report.

2. Appointment of Directors

To appoint Directors in place of Shri. R K Garg and Shri. Mathew M. Cherian who retire by rotation and being eligible have offered themselves for reappointment.

To consider and if thought fit, to pass with or without modification the following resolutions which will be proposed as ordinary resolutions.

"RESOLVED that the retiring Director, Shri. R K Garg be and is hereby reappointed as Director of the Company subject to retirement by rotation."

"RESOLVED that the retiring Director, Shri. Mathew M. Cherian be and is hereby reappointed as Director of the Company subject to retirement by rotation."

3. Appointment of Auditors

To appoint the Auditors and to fix their remuneration and in this connection to pass, with or without modification the following resolution as ordinary resolution.

"RESOLVED that pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Lazar & George, Chartered Accountants, Aluva be and is hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting of the Company to the next Annual General Meeting on a remuneration to be mutually agreed upon between the Board of Directors of the Company and Auditors."

B. SPECIAL BUSINESS

1. Borrowing Power - Sec. 293 (1) (a)

To consider and if thought fit to pass the following resolution as an ordinary resolution.

"RESOLVED that the consent of the Company be and is hereby accorded in terms of section 293

(1) (a) and other applicable provisions, if any of the Companies Act, 1956 to mortgage and or charge by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situated, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of all or any of the following

1. Industrial Development Bank of India (IDBI)

2. Bank of Baroda (BOB) Aluva to secure :

1. Rupee Term Loan not exceeding Rs.250.00 lakhs (Rupees Two hundred and fifty lakhs only) sanctioned under Project Finance Scheme (PFS) lent and advanced by IDBI to the Company.
2. Working Capital Credit to the extent of Rs.590 lakhs (Rupees Five hundred and ninety lakhs only) sanctioned by BOB to the Company as following :

1. Export Cash Credit	:	Rs. 350.00	lakhs
2. Cash Credit	:	Rs. 75.00	lakhs
3. Foreign Bills Purchase	:	Rs. 50.00	lakhs
4. Inland Bills Purchase	:	Rs. 15.00	lakhs
5. Inland/Foreign L/c	:	Rs. 25.00	lakhs
6. Bank Guarantee	:	Rs. 75.00	lakhs
		<u>Rs. 590.00</u>	<u>lakhs</u>

Together with interest at the respective agreed rates/additional interest, liquidated damages, commitment charges, expenses and all other moneys payable by the Company to IDBI and Bank of Baroda as Agent and Trustees in terms of their respective Loan Agreement/Hypothecation, Agreement/Letters of sanction/Memorandum of Terms and conditions entered into in respect of the said Term Loans, and to the Board of Directors of the Company agreeing with all or any of the said IDBI and Bank of Baroda in terms of their respective Loan Agreement/Hypothecation Agreements/Letters of Sanction/Memorandum of Terms & conditions to reserve a right to take over management of the business and concern of the Company in Certain events.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with IDBI and Bank of Baroda as Agents and Trustees the document for creating aforesaid mortgage and/or charge and for reserving the aforesaid right to do all such acts and things as may be necessary for giving effect to the above resolution.

2. Borrowing Power - Sec. 293 (1) (d)

To consider and if thought fit pass the following resolution as an ordinary resolution.

“RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors under Sec. 293 (1) (d) of the Companies Act 1956 to borrow any sum or sums of monies from time to time notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loan obtained from the Company's Banker in the ordinary course of Business) may exceed the aggregate of the paid up capital of the Com-

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pany and its free reserves, that is to say reserve not set apart for any specific purpose provided however the total amount so borrowed shall not exceed Rs. 30.00 crores (Rupees Thirty crores only).

Note

Explanatory statement as required under Section 173 (2) of the Companies Act, 1956.

Reg. B(1) The Company has borrowed an amount of Rs.1483.00 lakhs from IDBI, IFCI and ICICI and Working Capital Credit to the extent of Rs.590.00 lakhs from Bank of Baroda. The present balance in term loan accounts is Rs. 897.78 lakhs. The amount so borrowed is well within the power of the Board of Directors. As per the terms of the loan agreements, Company has to offer first charge on its movable & immovable properties as security for the amount so lent. Eventhough the Board of Directors are empowered for mortgaging and charging Company's properties as per the resolution passed by the extra ordinary General Meeting held on 21st day of August 1989, the lending institutions required the Company to obtain specific permission from Annual General Meeting for each loan sanctioned by them. Hence the resolution. None of the directors of the company is interested or concerned in the resolution.

Reg. B(2) Company's borrowings from Financial Institutions and Banks as on 31.03.1999 is Rs. 1487.78 lakhs. In addition to this, Company have been sanctioned an additional Term Loan of Rs. 250.00 lakhs by IDBI, so the total borrowing comes to Rs. 1737.78 lakhs which is well within the power of the Board of Directors. Company also approached Bank of Baroda for an enhancement of Working Capital to the tune of Rs. 225.00 lakhs which will also come within the present borrowing power. Company anticipate some bulk orders for Synthetic Rutile and for that Company would have to approach Banks for one time financial assistance and the present borrowing power may not be sufficient for that purpose. Hence the resolution. None of the directors of the company is interested or concerned in the resolution.

By Order of the Board,

Sd/-

S.N. Sasidharan Kartha,
Managing Director.

Place: Aluva

Date : 14.05.1999

NOTE

1. Member's Register shall remain closed from 1st day of July, 1999 to 15th day of July, 1999 (Both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself, and a proxy need not be a member.
3. Proxy form in order to be effective, should be duly completed and signed must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Tenth Annual Report of the Company along with the audited statement of accounts for the year ended 31st March 1999. We have the honour to report that your Company was conferred the Export Excellence Award of Government of India for 1996-97. Company has also been selected for KSIDC's "Award for Excellence" for 1999 based on outstanding Export performance.

1. Performance

During the year your Company could achieve an all time record production of 16,387.540 MT and sales of 18,256.382 MT of Synthetic Rutile. This is about 37% more than the previous year's production and 120% more than previous year's sales respectively. The production of Ferric Chloride increased to 2866.000 MTs and sales improved by 50% (3452.720 MTs) inspite of limited exports and restrictions on local sales. The sales turnover was Rs. 4,047.73 lakhs. The foreign exchange earning during the year amounted to US\$ 9.06 millions (Rs. 3,795.47 lakhs). The sales during the year would have been still better if one of our Japanese customer had not postponed the last quarter shipments for reasons beyond their control.

The Company's operation during the year resulted in a record net profit of Rs. 311.74 lakhs inspite of world wide recessionary trends. However this leaves a balance of accumulated loss of Rs. 53.41 lakhs as on March 31, 1999. As such your Directors regret their inability to recommend any dividend during this year.

2. Statutory approvals and licences

The Company has got renewed all statutory approvals and licences from various Departments/Agencies for carrying on its normal business.

3. Industrial Relations

The Labour - Management relations have been cordial and a fresh long term agreement with the Trade Unions of the Employees has been concluded. The employee morale is quite high as can be observed from the performance.

4. Market

During the year under review the Company exported 17,465.630 MTs of Synthetic Rutile and 1,417.920 MTs of Ferric Chloride. The international market for Titanium raw materials is sluggish leading to lower price as compared to earlier years. However we have been able to maintain our market among Japanese customers due to our customer relations and by maintaining strict quality standards and delivery schedules.

Company's efforts have been successful in getting transfer price of Ferrous Chloride fixed by the Customs Department. This will help the Company to increase the sales of Ferric Chloride in domestic market. In view of the recent Government notification, Company is also taking up with the Government for the modification of the Industrial License so that Ferric Chloride and Recovered Titanium Dioxide are categorised as byproducts.

5. Energy Conservation and Technology Development

The statements in Form A for Energy Conservation and Form B on Technology upgradation are enclosed. Improved practices and installation of additional equipment have resulted in better quality product and minimum wastage.

6. Foreign Exchange Earnings

During the year under review, the Company earned Foreign Exchange equivalent to FOB value of Rs. 3,795.47 lakhs (US\$ 9.06 millions) compared to last years value of Rs. 1,693.44 lakhs (US\$ 4.5 millions). The utilisation of foreign exchange was only to the extent of Rs. 11,73,857.00 (US\$ 27,347.50) compared to last year's value of Rs.54,08,513.00 (US\$ 1,49,085.00). Statement in Form 'C' is enclosed.

7. Pollution Control

In order to cater to increase in the production level and to further improve the quality of the effluent, augmentation of pollution control facilities is under implementation.

8. Maximum Remuneration

No employee in the service of the Company draws annual remuneration of Rs. 3,00,000.00 or more per year or Rs. 25,000.00 or more per month for any part of the reporting year as per Section 217 (2A) of the Companies Act, 1956.

9. Auditors

M/s Lazar & George, Chartered Accountants, Aluva were appointed as Auditors of the Company for the year under review.

10. Future Plans

The proposal for installing 'Acid Regeneration Plant' is temporarily shelved in view of its poor economic feasibility, improved supply position of Hydrochloric Acid and the potential for increased sale of Ferric Chloride in the domestic market. Studies on utilisation of the Ferrous Chloride effluent for other value added products are being planned.

11. Directors

As per provisions of Companies Act, 1956 your Directors Shri. R.K. Garg and Shri. Mathew M. Cherian retire by rotation in the Annual General Meeting and being eligible offer themselves for reappointment.

12. Acknowledgement

Your Directors wish to express their sincere thanks for the co-operation and assistance rendered to the Company by - KSIDC, IDBI, IFCI, ICICI, Bank of Baroda, Travancore Cochin Chemicals Ltd., Indian Rare Earths Ltd., Neyveli Lignite Corporation Ltd., and other public and private bodies. The Directors have also pleasure to express their appreciation of the work done by the employees of the Company at all levels.

For and on behalf of the Board,

Aluva,
Date: 14.05.1999

Sd/-
R.K. Garg,
Chairman.

Annexure to Directors' Report

Statement containing particulars, pursuant to companies (disclosure of particulars in the report of Board of Directors) Rules 1988 and forms part of Directors Report.

FORM A

(See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**A. Power and fuel consumption**

	Current Year	Previous Year
1. Electricity		
(a) Purchased		
Unit	25,66,638.00 KWH	13,29,933 KWH
Total Amount	47,22,206.00	12,56,750.00
Rate/Unit	Rs.1.407/KWH + Rs.133.795/KVA + surcharge @2.50 ps. per unit or part thereof	Rs.0.35/KWH + Rs.45/KVA + surcharge @2.50 ps. per unit or part thereof
(b) Own generation		
Through diesel generator		
Unit	1,53,133 KWH	6,13,931 KWH
Units per ltr. of diesel oil	2.37 units/ltr.	2.55 units/ltr.
Cost/unit	Rs. 3.98	Rs.4.63
Through steam turbine/ generator	Nil	Nil
Units		
Units per ltr. of fuel oil/gas		
Cost/units		
2. Coal (specify quality and where used)	Nil	Nil
Total cost		
Average rate		
3. Furnace Oil		
Quantity (k.ltrs.)	2384.3193 KL	1646.0725 KL
Total amount	Rs.1,43,13,048.00	Rs.81,82,892.55
4. Others/internal generation (please give details)		
Quantity		
Total cost	Nil	Nil
Rate/unit		

B. Consumption per unit of production

	Standards (if any)	Current Year	Previous Year
		1	2
Products (with details) unit			
Electricity		157 Unit	162 Units
Furnace Oil		145 Ltrs.	137 Ltrs
Coal (specify quality)		Nil	Nil
Others (specify)		Nil	Nil
Others (specify)		Nil	Nil

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FORM B

(See rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION**Research and Development (R & D)**

1. Specific areas in which R&D carried out by the Company
 - (a) Improvement in product quality and reduction in process waste and Energy.
 - (b) By-product recovery
 - (c) Improved methods of effluent treatment & pollution control.
2. Benefits derived as a result of the above R & D
 - (i) Increased purity of Synthetic Rutile and reduction in raw materials consumption.
 - (ii) Establishing TiO₂ recovery plant and continuous neutralisation sedimentation system for effluents.
3. Future plan of action :
 - (a) Further improvements in quality of Synthetic Rutile for better acceptability by foreign customers
 - (b) Regular production of Recovered Titanium Dioxide.
 - (c) Continuing studies on Iron Oxide and metallic iron powder production from Ferrous Chloride effluent.
 - (d) Market development for Ferrous/ Ferric Chloride in stainless steel pickling, PCB etching and pollution control application in other industries.
4. Expenditure on R & D.

(a) Capital	:	Rs. 10.00 lakhs
(b) Recurring	:	Rs. 10.00 lakhs
(c) Total	:	Rs. 20.00 lakhs
(d) Total R&D expenditure as a Percentage of total turnover	:	0.49%

Technology absorption, adaptation Innovation.

1. Efforts, in brief, made towards technology absorption, adaptation innovation : Acid leaching process of manufacture of Synthetic Rutile is improved and adapted to produce constantly high purity at reduced consumption of inputs
2. Benefits derived as a result of the above efforts eg. product improvement, cost reduction product development, import substitution etc. : Waste reduction to the extent of 50% achieved in Ilmenite Purification Plant. Synthetic Rutile purity 96% established. TiO₂ Recovery Plant under implementation.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.

(a) Technology imported		
(b) Year of import		
(c) Has technology been fully absorbed		
(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.		N.A.

FORM C**Foreign Exchange Earnings and Outgo**

(1) Foreign Exchange Earnings (FOB Value of export)	US \$	90,61,469.00
(2) Foreign Exchange Outgo		
on Revenue Account	US \$	387.50
on Capital Account	US \$	26,960.00
		<u>27,347.50</u>
Net Earnings	US \$	<u>90,34,122.00</u>