

DUNCAN GOENKA



**CONSOLIDATED
FIBRES AND
CHEMICALS
LIMITED**

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**ANNUAL
REPORT AND
ACCOUNTS
1998-99**



CONSOLIDATED FIBRES AND CHEMICALS LIMITED

ANNUAL REPORT AND
ACCOUNTS
for the year ended 31st March, 1999

DIRECTORS

Mr. G. P. Goenka	— Chairman
Dr. Bhaskar Banerjee	
Mr. Sukhendu Ray	
Mr. P. K. Mallik	
Mr. Amitabha Ghosh	
Mr. J. Mukund	
Mr. Shrivardhan Goenka	
Mr. J. K. Ray	— Nominee of IDBI
Mr. D. P. Patra, I.A.S.	— Nominee of WBIDC
Mr. J. P. Singh	— Wholetime Director

SECRETARY

Mr. Arup Kr. Roy

AUDITORS

Messrs. Lodha & Co.
Chartered Accountants

BANKERS

State Bank of India
Allahabad Bank
State Bank of Hyderabad
The Federal Bank Ltd.

REGISTERED OFFICE

41, Shakespeare Sarani
Calcutta 700 017

PLANT

Industrial Zone (South East)
Haldia (Dist. Midnapore)
West Bengal 721 602

REGISTRARS AND SHARE TRANSFER AGENTS

C. B. Management Services Limited
P-22, Bondel Road
Calcutta 700 019

CONSOLIDATED FIBRES AND CHEMICALS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given to the Members that the Eleventh Annual General Meeting of the Company will be held at "Kala Kunj" (Kalamandir Basement), 48, Shakespeare Sarani, Calcutta 700 017 on Monday, 13th September, 1999, at 10 A.M. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 1999, the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Amitabha Ghosh, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. J. Mukund, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs Lodha & Co., the retiring Auditors of the Company, be and are hereby re-appointed auditors of the Company to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting of the Company."

"RESOLVED FURTHER that the Auditors be paid for the financial year 1999-2000 such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors."

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

5. "That the Articles of Association of the Company be altered as follows:

- (a) by incorporating the following definitions provided in the existing Article 2:

"Beneficial Owner" means a person whose name is recorded as such with a depository.

"Depositories Act" means The Depositories Act, 1996 and shall include any statutory modification(s) or re-enactment(s) thereof for the time being in force.

"Depository" means a Depository as defined under Section 2(1)(e) of the Depositories Act, 1996.

- (b) by inserting the following Article 12A after the existing Article 12:

Nominations

12A. The company will register and deal with nominations in accordance with the provisions of Section 109A and Section 109B of the Act.

- (c) by inserting the following Article 43 A after the Article 43 :

43A. Nothing contained in Articles 33 to 43 shall apply to transfer or transmission of shares effected by the transferor and the transferee both of whom are beneficial owners.

- (d) by inserting the following Article 49A after the existing Article 49:

49A. (1) Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the depository, the company shall cancel such certificate and substitute in its records the name of the depository as the registered owner in respect of the said securities and shall also inform the depository accordingly.

(2) If a beneficial owner opts out of the depository in respect of any security of the Company and the Company receives due intimation thereof from the depository, the Company shall, on fulfilment of such conditions and on payment of such fees as may be prescribed or determined by the Board, issue certificate for the said securities to the beneficial owner or the transferee, as the case may be.



(e) by inserting the following after the existing Article 64:

A depository, as a registered owner in the records of the Company in respect of its securities, shall not have any voting rights or any other rights in respect of the securities registered in the name of the depository except for the purposes of effecting transfer of ownership of such securities on behalf of beneficial owner(s)."

The Register of Members and Share Transfer Books of the Company shall remain closed from 1st September 1999 to 8th September 1999, both days inclusive.

Registered Office:
41, Shakespeare Sarani
Calcutta 700 017
29th July, 1999

By order of the Board

Arup Kr. Roy
Secretary

NOTES:

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the business mentioned under Item No. 4 and 5 is annexed.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and on a poll, to vote instead of himself. A Proxy need not be a Member of the Company.
3. The instrument(s) appointing Proxy, duly completed, should be lodged at the Company's Registered Office at 41, Shakespeare Sarani, Calcutta 700 017 or at the office of the Registrars, C.B. Management Services Ltd. at P-22, Bondel Road, Calcutta 700 019, not less than forty-eight hours before commencement of the Meeting.
4. Members are requested to produce the enclosed attendance slip at the entrance to the hall.
5. Members are requested to notify any change in their addresses to the Registrars, C.B. Management Services Ltd., P-22 Bondel Road, Calcutta 700 019.
6. Members are encouraged to complete the attached Nomination Form and return the same to the Registrars, C. B. Management Services Ltd., P-22, Bondel Road, Calcutta 700 019. The Registrars will acknowledge receipt of the Nomination Form and confirm registration of the nomination.

EXPLANATORY STATEMENT

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

Item No. 4

Section 224A of the Act, provides for the appointment or re-appointment at each Annual General Meeting of an auditor or auditors of a company by a Special Resolution if the company is one in which not less than 25 per cent of its subscribed share capital is held singly or in combination by the Public Financial Institutions, Government Companies, etc.

The holdings of the Institutions in the Company exceed 25% of its subscribed share capital and hence the re-appointment of Messrs Lodha & Co., as Auditors of the Company is required to be made by a Special Resolution. The Shareholders' approval is also being sought to authorise the Board of Directors to determine the remuneration payable to the Auditors.

Item No. 5

The Depositories Act, 1996 has amended some provisions of the Companies Act, 1956 pertaining to issue, holding, transfer, transmission and generally dealing in securities so as to facilitate operations of the Depository System. Consequential amendments have therefore been proposed to specific clauses in the Articles of Association to bring these in line with the operations of the depository mechanism even though there are no compulsions whatsoever on members to dematerialise their holdings under the provisions of the Depositories Act, 1996.

The Companies (Amendment) Act, 1999 ("The Act") has inserted Sections 109A and 109B to the Act providing nomination facility to a Member. Accordingly Clause 12A is proposed to be inserted in the Articles of Association of the Company to provide for such facilities as envisaged therein.

The Board recommends adoption of the resolution.

No Director has any concern or interest in the resolution.

INSPECTION OF DOCUMENTS

Documents pertaining to the items of Special Business would be available for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days excluding Saturdays and will also be available for inspection at the Meeting.

	CONSOLIDATED FIBRES AND CHEMICALS LIMITED	
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DIRECTORS' REPORT

The Directors present their Eleventh Annual Report together with the Audited Accounts of the Company for the financial year ended on 31st March, 1999.

FINANCIAL RESULTS

	(Rs. lacs)
Operating Profit	926.25
Financial Charges	(1384.16)
Loss before Depreciation	(457.91)
Depreciation	(815.78)
Loss for the Year	(1273.69)
Prior year adjustments	(16.85)
	(1290.54)
Balance brought forward	(1721.07)
Balance carried forward	(3011.61)

In view of the loss incurred during the year under review, the Directors are unable to recommend any dividend.

FINANCIAL RESTRUCTURING

The financial restructuring package sanctioned by the Financial Institutions is under implementation. In terms of the package, additional funds of Rs. 1765 lacs have been brought in by the promoters by way of subscription to 1,76,50,000 Equity Shares of Rs.10 each for cash at par. Further, the Financial Institutions have been allotted 5,00,01,600 Equity Shares of Rs.10 each fully paid at par aggregating to Rs.5000.16 lacs by way of conversion into equity of a part of their outstanding loan principal and interest.

OPERATIONS & PERFORMANCE

The Company has further improved its plant performance with a capacity utilisation of 119%. Improved consumption ratios together with the lower cost of the main raw material have helped in a substantial reduction in the direct cost of production. However, these benefits could not be translated into profits due to adverse market conditions with a 24% drop in the selling prices of Acrylic Fibre.

The instability in the market was a direct consequence of high imports at very low prices.

The Company's petition for imposing further anti dumping duties, which was initiated last year, has been favourably considered and anti dumping duties have now also been imposed on imports from Japan, Portugal, Spain, Italy and Mexico. However, these anti dumping duties came into effect only towards the middle of the year under review by which time large volumes of imported Acrylic Fibre had already been "dumped" into India. This resulted in the industry carrying an abnormally large stock of Acrylic Fibre, with the consequent adverse effect on selling prices.



PROSPECTS

The Acrylic Fibre manufactured by the Company is regarded as the best available in the country and commands a premium in the market.

With imports dwindling as a result of anti dumping duties and the peak season starting from July/August '99, the selling prices are expected to be remunerative in the next few months and remain relatively stable thereafter.

Y2K COMPLIANCE

The Company has completed the process of identifying the areas of operations, both internal and external, where Y2K risks could arise. It is planned to make the system totally compliant by the end of September, 1999. Contingency plans include identifying alternate sources for the supply of critical materials and services. The expenditure to be incurred for the Y2K issue related remedial measures is estimated at Rs. 16 lacs. In view of the various steps being taken to address the Y2K problem, the Company does not anticipate any difficulty in the smooth transition of the business process to the next millenium.

LISTING OF EQUITY SHARES

The Equity Shares of the Company are listed on the Stock Exchanges at Calcutta and Delhi. Application has been made for listing with the Stock Exchange at Mumbai. Listing fees have been duly paid to the Stock Exchanges at Calcutta, Mumbai and Delhi.

ARRANGEMENTS WITH NATIONAL SECURITIES DEPOSITORY LTD.

In terms of an agreement entered into by the Company with the National Securities Depository Ltd. (NSDL) during the year under review, members may if they so choose hold their shares in dematerialised form with NSDL.

DIRECTORS

Since the last Report, the Industrial Finance Corporation of India Ltd. vide its letter dated 4th August 1998, withdrew the nomination of Mr. D.K. Ghosh as a Director.

Mr. John L. Marjoribanks, the nominee of Commonwealth Development Corporation resigned as a Director with effect from 7th December 1998.

Mr. C.M. Bachhawat, I.A.S., nominee of West Bengal Industrial Development Corporation Ltd. ("WBIDC") resigned from the Board with effect from 30th June 1999. In his place Mr. D.P. Patra, I.A.S., Managing Director, WBIDC was nominated as a Director.

The Industrial Development Bank of India withdrew the nomination of Mr. M.V. Badrinath as a Director with effect from 7th July 1999 and nominated Mr. J.K. Ray in his place as a Director with effect from 21st July 1999.

The Directors place on record their appreciation of the valuable services rendered by Messrs. D.K. Ghosh, John L. Marjoribanks, C.M. Bachhawat, I.A.S. and M.V. Badrinath as Directors during their association with the Company.

Messrs. Amitabha Ghosh and J. Mukund retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

INDUSTRIAL RELATIONS

Relations with employees continued to remain cordial.

CONSOLIDATED FIBRES AND CHEMICALS LIMITED

The Directors wish to particularly place on record their appreciation of all employees for their stellar role in maximising production during the year under review.

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed to and forms a part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed 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, is annexed to and forms a part of this Report.

AUDITORS

The Auditors of the Company, Lodha & Co., Chartered Accountants, hold office until the conclusion of the forthcoming Annual General Meeting. They have expressed their willingness to continue in office, if reappointed, and have furnished the requisite certificate of their eligibility pursuant to Section 224(1) of the Companies Act, 1956.

AUDITORS' REPORT

The observations of the Auditors in their Report have been explained in this Report and the Notes to the Accounts.

ACKNOWLEDGEMENTS

The Directors wish to place on record their gratitude and appreciation for the support extended to the Company by the Financial Institutions, Banks, the West Bengal Industrial Development Corporation Ltd., the Commonwealth Development Corporation, the Foreign Collaborators and the Shareholders.

For and on behalf of the Board

Calcutta,
29th July, 1999

G. P. Goenka
Chairman



ANNEXURE TO THE DIRECTORS' REPORT

Information pursuant to Section 217(2A) of the Companies Act, 1956

Name	Designation & Nature of Duties	Remuneration (Rs.)	Qualifications & Experience (Years)	Age (Years)	Date of Commence- ment of employment	Last employment held before joining the Company
Employed throughout the Year						
Mr. J. P. Singh	Wholetime Director	8,29,068	M.A., LL.B., PGDIM (26)	53	26.9.96	Uniworth International Ltd. President
Mr. J. S. Rathnam	Vice-President (Marketing)	9,67,201	M.A., MBA, D.B.M. (33)	58	26.9.96	Pasupati Acrylon Ltd. Vice-President
Mr. Dipanjan Bosu	Vice-President (Co-ordination)	8,81,797	B.Com. (Hons.) F.C.A (27)	50	1.6.95	Dipanjan Bosu & Co. Partner
Mr. Joydeep Ganguly	Vice-President (Plant)	9,57,528	B.E. (Chem. Engg.) (23)	48	27.1.97	Simbhaoli Distillery General Manager

- Notes: 1. Remuneration includes expenditure incurred by the Company on salary and for provision of benefits to the above employees.
2. Contractual terms of employment provide for termination of services by either party upon giving 6 months notice.
3. None of the employees listed above is a relative of any Director of the Company.

For and on behalf of the Board

Calcutta,
29th July, 1999G. P. Goenka
Chairman