

19th

Annual Report

2003-2004

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Continental Chemicals Ltd.

DIRECTORS

Mr. Naresh K Chibba
Dr. Vishwanath
Ms. Sunaina Chibba

Managing Director
Director
Director

Audit Committee

Mr. Naresh K Chibba
Dr. Vishwanath
Ms. Sunaina Chibba

Managing Director
Director
Director

AUDITORS

M/s. Kansal & Associates
Chartered Accountant
New Delhi

BANKERS

INDIAN OVERSEAS BANK
ICICI BANK
CANARA BANK
BANK OF AMERICA-USA

REGISTERED OFFICE

A-7, Sector-7, Noida
Dist. Gautam Buddh Nagar,
U.P, INDIA
Pin – 201 301,

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 19th Annual General Meeting of the Company will be held on Monday the 28th February 2005 at 9.30 A.M at the Registered Office of the company at A-7, Sector-VII, NOIDA, Gautam Buddh Nagar, Pin. 201 301 (U.P) to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st August 2004, and profit & Loss Account for the Year ended on the date the Report of Directors' and Auditors' there on.
2. To appoint a Director in place of Ms. Sunaina Chibba who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit to pass, with or without modification, the following resolution as special resolution:-

"RESOLVED that in accordance with the provisions of Section 198,269,309,310 and other applicable provisions, if any, of the Companies Act, 1956 and subject to all such sanctions, as may be necessary, the company hereby approves of the reappointment of and terms of remuneration and perquisites payable to Mr. Naresh K Chibba as Managing Director for a period of five years effective from 1st August,2005 upon the terms and conditions set out in the draft agreement submitted to this meeting and initiated by the Chairman for the purpose of identification which agreement is hereby specifically sanctioned with liberty of the Board of Directors to alter and vary the terms and conditions of the said reappointment and/or agreement so as not to exceed the limits specified in schedule XIII of the Companies Act, 1956 as amended up to date and as may be agreed to between the Board of Directors and Mr. Naresh K. Chibba."

"RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year during the term of office of Mr. Naresh K. Chibba as Managing Director, the salary payable to him be reduced by 10% and he shall be entitled to all other benefits and perquisites."

"RESOLVED FURTHER that the Board of Directors be and are hereby authorized to take such steps as may be necessary and to give effect to this resolutions."

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

"RESOLVED that subject to section 293(1)(a) and other applicable provisions of the Companies Act, 1956, that the excess Land & Building, Plant & Machinery be sold, leased or disposed off in whole, to the person/persons, on such terms and conditions as may be prescribed by the Company in this regard."

"RESOLVED FURTHER that the Board of Director of the Company be and is hereby authorized to fix consideration of the unit, terms and conditions of sale/ lease and all such details as may be necessary in this regards as required."

6. To consider and if thought fit to pass, with or without modification(s), the following resolution as ordinary resolution:

"RESOLVED THAT pursuant to the applicable of the Securities and Exchange Board of India (Delisting of Securities) Guidelines,2003 (hereinafter referred to as the "Delisting Guidelines" and subject to the provisions of the Companies Act, 1956 [including any statutory modification(s) or re-enactments thereof for the time being in force], the securities Contracts (Regulation) Act, 1956

and the Rules framed there under, Listing Agreements and all other applicable rules, regulations and guidelines and subject to the approval(s), consent(s), permission(s) or sanction(s) of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any authority while granting such approval(s), permission(s) and sanction(s), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board, which term shall be deemed to include any committee thereof constituted by the Board) the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from the Stock exchange at New Delhi and Kanpur.

- 7 To consider and if thought fit to pass , with or without modification(s) the following resolution as special resolution:-

Resolved that of the Memorandum of Association of the company be amended by adding the following sub clause 55 after the existing sub clause 54 of the clause III C-

To carry on the business as builder, consultants , civil engineers , architects, surveyors, designers , town planners, estimators , valuers, interiors and exteriors decorators, general and government civil contractors of immovable properties, all type of structural and pilling engineering work, interior designing land scaping and graphic and to construct , execute carry out, equip , maintain , improve , develop civil and constructional work relating to roads , electric, power, heat and light supply work, hotels, buildings, godowns, pleasure grounds , parks , gardens, docks , jitrries, embankments , bounds, bridges, wharves, canals, irrigation reclamations improvement, sewage , sanitary telegraphic. Telephone works, warehouses, market, public buildings and all such civil and related constructional work.

By Order of the Board of Directors

SD/-
Dr. Vishwanath
Director

SD/-
NARESH K CHIBBA
Managing Director

PLACE : NOIDA
DATE : 30th December 2004

NOTES:

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. Proxy in order to be effective must be received by the Company at its registered office not less than 48 hours before the meeting. A blank form is enclosed.
3. Members are requested to bring their copies of the Annual Report with them at the meeting.
4. Members/Proxies are further requested to fill in the enclosed attendance slip and deposit the same at the registration table at the time of attending the meeting.
5. Members having any queries relating to the Annual Report are requested to send their questions to the Directors at the registered office of the Company at least 7 days before the date of Annual General Meeting.
6. Members holding shares under more than one folio are requested to send their Shares Certificate to the Registered Office of the Company for consolidation under one folio.
7. The Share Transfer Books, Members Register of the company shall remain closed from 26.02.2005 to 28.02.2005 (Both days inclusive).

EXPLANATORY STATEMENT**ITEM NO. 4**

The present term of appointment of Mr. Naresh K. Chibba as Managing Director expires on July 31, 2005. The Board of Directors feel that for the sake of efficient running of the company and continuity of the present management the services of Mr. Naresh K. Chibba should be available to the company for a further period of 5 years. In terms of the provisions of the Articles of Association of the company and provisions of the Companies Act, 1956 as amended up to date, the re-appointment and remuneration payable to Mr. Naresh K. Chibba is subject to the approval of the members of the company.

DRAFT OF THE AGREEMENT BETWEEN MR. NARESH K. CHIBBA & THE COMPANY**(I) Salary**

Salary of Rs. 100,000/-per month from Aug 1st, 2005 with an increase of 10% annually or inflation rate of the previous year whichever is higher.

(II) Perquisites

In addition to the above, Mr. Naresh K. Chibba as Managing Director shall be entitled to the following perquisites restricted to an amount equal to fifty percent of the salary.

Category 'A'

- (a) Housing: Rent free accommodation, with free use of all facilities and amenities.
- (b) Gas, Electricity, water and Furnishing: The expenditure incurred by the Company towards Gas, Electricity, Water, Hard furnishing, soft furnishing shall be valued as per Income Tax Rules.
- (c) Other Allowances: Guest entertainment, Sweeper allowance, Gardener allowance, security guard allowance and any other perquisites shall be valued as per Income Tax Rules as may be applicable from time to time.
- (d) Club Fess: Fees of clubs, subject to a maximum of two clubs (Excluding admission and Life Membership fees).
- (e) Leave travel concession: For self and members of the family up to a maximum of one month's salary.
- (f) Medical reimbursement: Reimbursement of all medical expenses, incurred for self and family including hospitalization, membership of any hospital or Doctor's scheme.
- (g) Medical Insurance and personal Accident Insurance: As per Company rules.
- (h) Interest subsidy on housing/soft loan: Reimbursement of Interest in respect of Housing/soft loan as per the policy applicable to the employees of the company.

Note: The family for the purpose of Leave Travel Concession, personal Accident Insurance, Mediclaim Insurance and Medical Benefits shall, besides the Managing Director, consist of spouse, wholly dependent parents and wholly dependent children of the Managing Director.'

The value of the perquisites to be evaluated as per Income Tax Rules, wherever applicable, and at costs. In addition to the above perquisites, the Board of Directors be and is hereby authorized to grant other perquisites to Mr. Naresh K Chibba, Managing Director from time to time as they may deem fit within the above mentioned overall ceiling.

Category 'B'

- (i) Company's Contribution
 - (a) towards provident Fund : as per Company rules
 - (b) towards superannuation Fund/Annuity Fund : as per company rules

Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

- (ii) Gratuity : As per rules of the Company, Payable in accordance with the approved fund at the rate of 15 days salary for each completed year of service. Part service in excess of six months shall be reckoned as completed year of service.
- (iii) Encashment of Leave on Retirement: Appointee shall be entitled to encashment of leave at the time of retirement or his tenure that may be lying to his credit. The amount of leave salary to be encashed shall be calculated on the basis of last pay drawn. This will not be included in calculation of ceiling of perquisites.

Category 'C':

- (i) Conveyance : Use of Company's car with driver. Use of car with driver for official purpose shall not be considered as perquisites.
- (ii) Telephone : Use of telephone at residence .Use of telephone for official purposes shall not be considered as perquisites.
- (iii) Employees Stock Ownership Plan : The Managing Director shall be entitled to the Employees stock Ownership plan (ESOP) as decided by the Board of the company from time to time . Besides this the managing Director shall also be entitled to an incentive plan which will be separately executed and which will be co-terminus with the Supplemental Agreement. This will not be included in calculation of perquisites and will be outside the purview of perquisites under Category A and the overall ceiling will not apply.
- (III) **Commission:** In addition to salary and perquisites, the Managing Director shall be entitled to a commission of 1% of the net profit of the Company. Salary and perquisites will be subject to the overall ceiling laid down in Section 198 and 309 of the companies Act, 1956 and computed in accordance with the provisions of the Companies Act, 1956.
- (IV) **Other terms applicable to remaining tenure :** In the event of loss or inadequacy of profits in any financial year, Mr. Naresh K Chibba , managing Director shall be paid the above remuneration by way of salary and perquisites as minimum remuneration.

Terms & Conditions set out for reappointment and/or agreement shall be altered and varied from time to time by the Board as it may, as its discretion, deem fit so as not to exceed the limits specified in Schedule XIII of the companies Act, 1956 or any amendments made hereafter in this regard.

The Managing Director will be entitled to earn privilege leave on full pay and allowance as per rules of the company. But not more than 1 month's leave will be allowable for every 11 months of service. However, accumulated leave will not be allowed to be encashed.

The Managing Director shall not be paid any sitting fee for attending the meetings of the Board of Directors of committees thereof.

The draft agreement between the company and Mr. Naresh K Chibba is available for inspection at the registered office of the company on any working day up to the date of the Annual General Meeting 11 am to 1.00 pm excluding Sundays and holidays.

Under section 302

The above may also be treated as the abstract of the draft agreement between the company and Mr. Naresh K. Chibba . Besides Dr. Vishwanath and Sunaina Chibba since related to him may be deemed to be interested in the said resolution.

ITEM NO. 5

The Board of Directors of the Company propose to sell, lease ,rent out or dispose in the excess Land & Building , Plant & Machinery Pursuant to the provisions of the Companies Act, 1956, the approval of, members of the company is required to sell or otherwise dispose of company's undertaking. Accordingly, your Directors recommend the resolution for approval.

None of the directors is interested in the proposed resolution.

ITEM NO.6

The SEBI has issued the SEBI (Delisting of Securities) Guidelines, 2003 (hereinafter to as Delisting Guidelines) incorporating, among others, provisions for delisting of Securities of a Body Corporate voluntarily by promoter or an acquirer or any person from the Stock Exchanges.

Presently, the Company's equity shares are listed on the following three Stock Exchanges:

1. The stock Exchange, Mumbai
2. The U.P. Stock Exchange Association Ltd.
3. The Delhi Stock Exchange Association Limited

With the extensive net working of the Stock Exchange, Mumbai (BSE) and the extension of BSE terminals to other cities as well, investors have access to online dealings in the Company's equity shares across the country. The bulk of trading in the Company's equity shares in any case takes place on the BSE and the depth & liquidity of the trading in the Company's equity shares on all other Stock Exchanges are lower.

The Company's equity shares are one of the scrips which the SEBI has specified for settlement only in dematerialized form by all investors. It is also observed that listing fee paid to Stock Exchanges other than BSE is disproportionately high compared to the almost nil trading volumes of the Company's securities on those Stock Exchanges. The Company has proposed this resolution which will enable it to delist its equity shares at any time in future from all or any of the following Stock Exchanges:

1. The U.P. Stock Exchange Association Limited
2. The Delhi Stock Exchange Association Limited

The Company's Equity Shares will continue to be listed on the Stock Exchange, Mumbai after the proposed delisting.

Your Directors recommend the Special Resolution for members approval.

None of the Directors of the company is in any way concerned or interested in this resolution.

Item No. 7.

The Board of Directors of the company had decided to diversify in the construction business. Pursuant to the provisions of Section 17 of the Companies Act, 1956 the approval of Members of the company is required to amend the object clause of the Company. Accordingly your directors recommend the resolution for approval.

None of the directors is interested in the proposed resolution.

SD/-
Dr. Vishwanath
Director

By Order of the Board of Directors
SD/-
NARESH K CHIBBA
Managing Director

PLACE : NOIDA
DATE : 30th December 2004

DIRECTORS REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 19th Annual Report along with Audited Accounts of the Company for the year ended August 31, 2004.

1. FINANCIAL RESULTS

Particulars	31.8.2004	31.8.2003
i. Income from Operations	2061620	3782289
ii. Gross Profit/ (Loss)	(1170814)	(2063422)
iii. Financial Charges	67175	55221
iv. Depreciation	675191	710621
v. Net Profit/(Loss)	(1913180)	(2829264)

2. OPERATIONS

During the period under review the total income was Rs2061620/- which includes, Rs. 120000/- branch office sales & Rs.1941620/- income generated from other sources.

After providing for expenditure Rs.3299609/- & depreciation Rs.675191/- the Company has incurred net Loss of Rs. 1913180/-.

3. FUTURE PROSPECTS

The company has during the year continued its further development and marketing on its various products and the company hopes to do reasonably well in the year .

4. FIXED DEPOSITS

The Company has not accepted any deposit under section. 58 A of the Companies Act. 1956.

5. INDUSTRIAL RELATIONS

The employee-employer relations remained cordial throughout the year.

6. DIRECTORS

- (a) In accordance with the article of association of the Company at the forthcoming Annual General Meeting of the company Ms. Suniana Chibba retires by rotation and being eligible offers herself for reappointment.
- (b) All the Director of the company are member of the Audit committee of the Board of the company

7. RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the companies Act 1956, your Directors confirm that in the preparation of the Annual accounts :-

- i) the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) such accounting policies have been selected and applied consistently and reasonable and prudent judgements and estimates made , so as to give a true and fair view of the state of affairs of the company at the end of Financial Year and the Profit/Loss of the Company for that period.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
- iv) The annual accounts have been prepared on a going concern basis.

8. LISTING

The shares of the company are listed at Kanpur, New Delhi and Mumbai Stock Exchange . The Company has paid Listing fee to the stock exchanges till 2003-04

9. AUDITORS

M/s. Kansal & Associates, Chartered Accountants, Auditors of the Company hold office until conclusion of the forthcoming annual General Meeting and are recommended for re-appointment.

10. AUDITORS REPORT

The observation made by the auditors in their report are explained in the respective notes to be accounts which are self-explanatory and do not call for further explanation.

11. PERSONNEL

Your Directors also place on record their appreciation of the all round co-operation & contributions made by the employees at all levels. The statement of Employees u/s 217 (2A) of the Companies Act, 1956 is not annexed since none of the employees falls in this category.