

MD	✓		BKC	✓
CS	NA		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

J. K. CHEMICALS LIMITED

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Forty Ninth Annual Report & Accounts 1996-97



J. K. CHEMICALS LIMITED

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DIRECTORS

Shri VIJAYPAT SINGHANIA	<i>Chairman</i>
Shri M. R. SHROFF	
Shri GAUTAM HARI SINGHANIA	
Shri HARISH BHARGAVA	<i>(Nominee of ICICI)</i>
Shri K. K. TEWARI	
Shri K. V. IYER	
Shri H. P. KEDIA	

BANKERS

STATE BANK OF INDIA
PUNJAB NATIONAL BANK
BANK OF AMERICA N.T. & S.A.

AUDITORS

MESSRS LODHA & CO. *Chartered Accountants*

REGISTERED OFFICE

New Hind House,
3, Narottam Morarjee Marg,
Ballard Estate,
Mumbai 400 001.

FACTORY

JEKEGRAM, POKHRAN ROAD,
THANE 400 606.

CONDOM DIVISION

PLOT G-35 & G-36,
WALUJ INDUSTRIAL AREA,
M. I. D. C.,
AURANGABAD 431 136.

J. K. CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the 49th Annual General Meeting of J.K. CHEMICALS LIMITED will be held on Wednesday, 3rd September, 1997 at 3.30 p.m. at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd floor, 18/20 Kaikhushru Dubash Marg, Mumbai 400 001 to transact the following business :

ORDINARY BUSINESS;

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1997 and Profit and Loss Account for the year ended as on that date along with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri H.P. Kedia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri K.K. Tewari, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint and to fix the remuneration of Messrs. Lodha & Company, Chartered Accountants as Auditors of the Company from the conclusion of this meeting till the conclusion of the next Annual General Meeting.

REGISTERED OFFICE :

New Hind House,
3 N.M. Marg,
Ballard Estate,
Mumbai 400 001
Dated: 2.6.97.

By Order of the Board

GAUTAM HARI SINGHANIA
DIRECTOR

NOTES :

- i) ANY MEMBER OF A COMPANY ENTITLED TO ATTEND AND VOTE AT A MEETING SHALL BE ENTITLED TO APPOINT ANOTHER PERSON (WHETHER A MEMBER OR NOT) AS HIS PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. MEMBERS ARE REQUESTED TO DEPOSIT THE PROXY FORM NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
- ii) The Register of members and the Share Transfer Books shall remain closed from 25th August, 1997 to 3rd September 1997 (both days inclusive.)
- iii) Members are requested to intimate the change in their address, if any.
- iv) Members are requested to intimate their queries, if any, relating to the accounts or in any other matters atleast seven days in advance so that the information can be made readily available and furnished at the meeting.

J. K. CHEMICALS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors present their 49th Report for the year ended 31st March, 1997.

FINANCIAL RESULTS

	Year ended 31.3.97 (Rs. in lacs)	Previous year ended 31.3.96 (Rs. in lacs)
Income during the year	2,382.48	1,844.39
Profit for the year before depreciation, interest and taxes	331.79	382.56
Depreciation	77.08	73.87
Interest	109.96	195.84
Profit during the year	144.75	112.85
Adjustment in respect of prior year	3.26	2.89
Balance (Loss) carried forward to the Balance sheet	(182.82)	(324.31)

PERFORMANCE FOR THE YEAR 1996-97

The income for the year increased significantly by 29% to Rs. 2,382 lacs from last year's Rs. 1,844 lacs. There was a healthy growth in sales volume in the domestic market - the commercial as well as the Government segments. Exports grew by 40% to Rs. 628 lacs this year from Rs. 449 lacs last year.

The profit for the year increased by 28% to Rs. 145 lacs from previous year's Rs. 113 lacs. The loss carried forward to the balance sheet declined from Rs. 324 lacs to Rs. 183 lacs. However, in view of the brought forward losses the Directors regret their inability to declare any dividend on preference and equity capital.

JOINT VENTURE WITH PACIFIC DUNLOP LIMITED

The condom business has only recently started making cash profits. However, these profits are entirely due to interest free loans from the holding Company, Raymond Limited.

With a view to put this business on a long term growth path, the Company has entered into a joint venture with a world major in condoms, Ansell International, a division of Pacific Dunlop Limited of Australia which is a multi product company with an annual turnover exceeding US Dollars 5 billion.

Ansell is committed to provide its full technical support in significantly upgrading quality thus making it possible for the joint venture company not only to enhance its share in the commercial segment of the domestic market, but to also expand exports to various markets at more remunerative prices than obtained currently.

The joint venture agreement envisages the formation of a separate company, viz. J. K. Condoms Private Limited, to which the assets and liabilities of the condom division as on 1st July, 1996 would be transferred by way of a High Court approved Scheme of Arrangement under sections 391 and 394 of the Companies Act, 1956 and that J. K. Chemicals Limited and Pacific Dunlop Limited will each hold 50% of the equity capital of the new company. Accordingly, the assets and liabilities of the condom division as on June 30, 1996 would be transferred to the new company at its net asset value of Rs. 551.42 lacs.

The new company will issue equity shares of Rs. 100 lacs to J. K. Chemicals Limited and will discharge the balance purchase consideration of Rs. 451.42 lacs. Thereafter, the new Company will issue equity shares to Pacific Dunlop Limited of the face value of Rs. 100 lacs at a premium of Rs. 738 lacs aggregating Rs. 838 lacs. On receipt of this subscription money, the balance amount due to J. K. Chemicals Limited of Rs. 451.42 lacs towards the purchase consideration will be paid. Further, an amount of Rs. 386.62 lacs due to Raymond Limited will also be repaid by the new company.

After implementation of the proposals as aforesaid, J. K. Chemicals Limited and Pacific Dunlop Limited will come to hold 50% each of the issued and subscribed capital of the new company and will become partners with equal ownership and control over the condom operations.

The Scheme of Arrangement in respect of the transfer of the condom division to J. K. Condoms Pvt. Ltd. at book values as aforesaid has been already approved at the General Meetings of equity and preference shareholders held pursuant to the Bombay High Court order on March 31, 1997. The approval of the Bombay High Court for the Scheme is awaited. Consequent adjustments would be made in the next year accounts, after receipt of the High Court order.

PROSPECTS FOR 1997-98

As a result of the joint venture, your company will be able to repay its loans and emerge financially a much sounder company. It will have income from warehousing and dividend from its 100% subsidiary, J. K. Helene Curtis Limited, which continues to do well in the current year with a turnover of Rs. 34 crores and pre-tax profit of Rs. 1.27 crores.

J. K. CHEMICALS LIMITED

SUBSIDIARY

The working of J. K. Helene Curtis Limited for the year ended 31st March, 1997 resulted in a net profit of Rs. 72.36 lacs. The accounts of the subsidiary company for the year ended 31st March, 1997 are annexed as required under section 212 of the Companies Act, 1956.

PERSONNEL

There is no employee of which particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956.

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

The additional information relating to conservation of energy, technology and foreign exchange earnings and outgo are annexed to this Report.

DIRECTORS

Shri H. P. Kedia and Shri K. K. Tewari, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS

The Company's Auditors, Messrs. Lodha & Company, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment. You are requested to appoint Auditors and fix their remuneration.

ACKNOWLEDGEMENTS

The Directors express their appreciation for the support and co-operation extended by the employees, banks, financial institutions, shareholders, suppliers and customers of the Company.

Place : Mumbai.
Dated : 2nd June, 1997.

On behalf of the Board
M. R. SHROFF
GAUTAM HARI SINGHANIA
)
) Directors

ANNEXURE (1) TO THE DIRECTORS' REPORT

A) Conservation of Energy

As a part of the energy conservation measures, additional controllers have been introduced in continuous process operation to optimise heat loads. Modifications were made to the Boiler to give better efficiencies. The impact of the above measures on the cost of production is not precisely ascertainable.

B) Technology Absorption

a) Research and Development (R&D) (Please refer Form B)

The Company does research and development work in areas relating to improving condom quality, manufacturing processes and packaging.

b) Technology absorption, adaptation and innovation (Please refer Form B)

The Technology supplied by the collaborators in 1991 has been fully absorbed and adapted.

C) Foreign Exchange Earnings and Outgo

Foreign Exchange Earnings - Rs. 498.59

Foreign exchange Outgo - Rs. 158.41

J. K. CHEMICALS LIMITED

FORM A

A. Power and Fuel consumption :

	Purchased		Own generation	
	Current Year	Previous Year	Current Year	Previous Year
1. Electricity				
Total Units : (in lacs)	34.25	32.49	NIL	NIL
Total Amounts : (Rs. in lacs)	124.12	99.67	N.A.	N.A.
Units/Litre of diesel oil	NIL	NIL	N.A.	N.A.
Cost per unit (Rs.)	3.62	3.07	N.A.	N.A.
		Total Quantity	Total Cost (Rs. in lacs)	Average Rate (Rs.)
2. Coal (M.T.)				
Current year		NIL	NIL	N.A.
Previous year		NIL	NIL	N.A.
3. Furnace Oil (KL)				
Current year		243.60	17.13	7.03
Previous year		167.37	9.16	5.47
4. Diesel Oil (KL)				
Current year		NIL	NIL	NIL
Previous year		NIL	NIL	NIL

B. Consumption Per Unit of Production :

	Standard (if any)	Current Year	Previous Year
1. Electricity			
Units/million pieces Condoms	---	17953	20598

FORM B

A. Research and Development :

- | | | |
|---|---|---|
| i) Specific areas in which R & D carried out by the Company | : | R&D work is carried out in areas relating to condom quality, manufacturing processes and packaging. |
| ii) Benefits derived as a result of the above R&D | : | The Company's products enjoy a high reputation in terms of quality and innovative packaging. |
| iii) Future plan of action | : | Further improvement in condom quality, energy consumption and productivity. |
| iv) Expenditure on R&D | : | Currently not separately ascertainable. |

B. Technology Absorption, Adaptation and Innovation :

- | | | |
|--|---|--|
| i) Efforts in brief made towards technology absorption, adaptation and innovation | : | Please refer Annexure (1) to Director's Report. |
| ii) Benefits derived as a result of the above efforts for e.g. product development, import substitution etc. | : | There has been a continuous improvement in product quality. Further, there is reduced reliance on imported chemicals and spares. |
| iii) In case of imported technology (imported during the last five 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 |) | Not applicable. |
| (d) If not fully absorbed areas where this has not taken place, reasons thereof and future plan of action. |) | |

On behalf of the Board

Place : Mumbai.

Dated : 2nd June, 1997

M. R. SHROFF

GAUTAM HARI SINGHANIA

} Directors

J. K. CHEMICALS LIMITED

AUDITORS' REPORT

To The Members
J. K. CHEMICALS LIMITED

We have audited the attached Balance Sheet of J.K. Chemicals Limited as at 31st March, 1997 and the Profit & Loss Account of the Company for the year ended on that date, annexed thereto. We report as follows :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, (hereinafter referred to as the 'Act') we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies, contingent liabilities and other notes in Schedule '18', give the information required by the Act, in the manner so required and give a true and fair view :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997 and
 - (ii) in the case of the Profit and Loss Account, of Profit of the Company for the year ended on that date.

For LODHA & COMPANY
Chartered Accountants

Place : Mumbai
Date : 2nd June, 1997

(N. KISHORE BAFNA)
Partner

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our Report of even date)

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that the fixed assets of the Company have been physically verified by the Management at reasonable intervals during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification. (Attention is invited to Note No. B.6 in Schedule 18 attached to the accounts).
2. None of the Fixed Assets of the Company have been revalued during the year.
3. a) The stock of finished goods, stores, spare parts and raw materials have been physically verified by the Management at reasonable intervals during the year.
b) In our opinion, the procedures of physical verification of the above referred stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.

J. K. CHEMICALS LIMITED

- c) The discrepancies noticed on physical verification of stocks as compared to book records were not material and these have been properly dealt with in the books of account.
- d) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
4. The terms and conditions of the interest free loans taken by the Company from its Holding Company are *prima facie*, not prejudicial to the interest of the Company. Except above, the Company has neither taken nor granted any loans, secured or unsecured, from/to Companies, firms or other parties listed in the registers maintained under Section 301 and Section 370 (1-C) of the Act.
5. The principal amounts and interest wherever applicable thereon in respect of advances in the nature of loans given to employees are being recovered regularly as stipulated.
6. In our opinion and according to the best of our information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of finished goods, stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
7. In our opinion and according to the information and explanations given to us, the transactions of sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act, and aggregating during the year to Rs.50,000 or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials and services. The Company had no purchases of goods and materials from such parties.
8. In our opinion and according to the explanations given to us, the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials or finished goods and no provision for any loss was considered necessary.
9. The Company has not accepted any deposits from the public within the meaning of Section 58-A of the Act, and the rules framed thereunder.
10. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. We are informed that the Company has no by-products.
11. In our opinion, the company has an adequate internal audit system commensurate with the size of the Company and the nature of its business.
12. The Central Government has not prescribed for the maintenance of cost records for the products of the Company under Section 209(1)(d) of the Act.
13. According to the records of the Company, Provident Fund and Employees' State Insurance dues have generally been regularly deposited with the appropriate authorities.
14. There were no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months as at the end of the year from the date they became payable.
15. In our opinion and as per the explanations given to us, the Company has not charged any personal expenses to revenue account, other than those payable under contractual obligations and as per the generally accepted business practice.
16. The Company is not a Sick Industrial Company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
17. In respect of the trading activities of the Company, we are informed that there were no damaged goods during the year.

For LODHA & COMPANY
Chartered Accountants

(N. KISHORE BAFNA)

Partner

Place : Mumbai

Date : 2nd June, 1997

J. K. CHEMICALS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 1997

	Schedule No.	As at 31st March, 1997 Rs.	As at 31st March, 1996 Rs.
SOURCES OF FUNDS :			
Shareholders's Funds			
Share Capital	1	6,19,57,000	6,19,57,000
Reserves and Surplus	2	91,50,709	91,50,709
		7,11,07,709	7,11,07,709
Loan Funds			
Secured Loans	3	7,58,01,083	11,10,56,795
Unsecured Loans	4	5,74,63,551	3,54,09,846
		13,32,64,634	14,64,66,641
TOTAL		20,43,72,343	21,75,74,350
APPLICATION OF FUNDS :			
Fixed Assets			
Gross Block	5	15,50,35,917	15,19,84,769
Less : Depreciation		4,79,64,211	4,03,21,543
Net Block		10,70,71,706	11,16,63,226
Capital Work-in-progress		1,15,421	2,07,808
		10,71,87,127	11,18,71,034
Investments	6	20,98,932	20,97,912
Current Assets, Loans and Advances			
Inventories		2,30,26,759	2,56,31,942
Sundry Debtors		3,76,23,584	2,92,71,841
Cash and Bank balances		1,25,77,526	3,52,157
Other Current Assets		1,19,45,203	1,18,53,648
Loans and Advances		2,16,54,684	1,67,79,813
		10,68,27,756	8,38,89,401
Less : Current Liabilities and Provisions	8	3,00,23,412	2,17,24,101
Net Current Assets		7,68,04,344	6,21,65,300
Miscellaneous Expenditure - to the extent not written off or adjusted	9	--	90,09,245
Profit and Loss Account *		1,82,81,940	3,24,30,859
TOTAL		20,43,72,343	21,75,74,350
Notes on accounts and significant accounting policies forming part of the accounts	18		

As per our attached report of even date

For LODHA & COMPANY
Chartered Accountants(N. KISHORE BAFNA)
Partner

Place : Mumbai

Dated : 2nd June, 1997.

On behalf of the Board

M. R. SHROFF)
GAUTAM HARI SINGHANIA) Directors
HARISH BHARGAVA)