JAYKAY

J. K. Synthetics LTD.

BOARD OF DIRECTORS

Dr. Gaur Hari Singhania	*Chairman & Managing Director*
Govind Hari Singhania	*Vice Chairman & Managing Director*
Yadupati	*Wholetime Director*
Ramapati	*Wholetime Director*
Shiromani Sharma	
V.B.L. Mathur	
Dr. K.B. Agarwal	
A. Karati	*Nominee of I.C.I.C.I.*
B. Surender Naidu	*Nominee of G.I.C.*
S.C. Malik	*Nominee of S.B.I.* *Director (Finance)*

President (H.O.) & Secretary
J.P. Bajpai

BANKERS

State Bank of India
Central Bank of India
The Bank of Tokyo-Mitsubishi Limited
The Bank of Rajasthan Limited
Syndicate Bank
Punjab National Bank
State Bank of Bikaner & Jaipur
Bank of Baroda
ANZ Grindlays Bank
The Hongkong and Shanghai Banking-
Corporation Limited

AUDITORS
Messrs. P.L. Tandon & Co.
Chartered Accountants

REGISTERED OFFICE
Kamla Tower,
KANPUR-208 001

WORKS

Kota (Rajasthan)	Padam Synthetics J.K. Staple & Tows Gopal Synthetics Sir Padampat Research Centre J.K. Tyre Cord J.K. Acrylic
Jhalawar (Rajasthan)	J.K. Fibres J.K. Industrial Yarn J.K. Utilities & Technical Development
Kanpur (Uttar Pradesh)	Syntex Tube Works
Nimbahera (Rajasthan)	J.K. Cement Works
Gotan (Rajasthan)	J.K. White Cement Works
Bamania Shambhupura (Chittorgarh)	J.K. Power

NOTICE

NOTICE is hereby given that the adjourned Annual General Meeting of the Members of J.K. Synthetics Ltd., will be held in the Auditorium of the Merchants' Chamber of Uttar Pradesh, 14/76, Civil Lines, Kanpur on Monday, the 28th June, 1999 at 10.30 A.M. to transact the following business, for which the Annual General Meeting held on 28th December, 1998 was adjourned:

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 1998 and the Reports of the Directors and Auditors thereon.

By Order of the Board

(J.P. BAJPAI)
Secretary

Regd. Office:
Kamla Tower, Kanpur
Dated: 30th April, 1999

NOTES:

i) Members are requested to bring their copy of the Annual Report, as copies of the Report will not be distributed again at the meeting.

ii) Members seeking any information with regard to the accounts of the Company are requested to write to the Company at its Registered Office so as to reach at least 10 days before the date of meeting to enable the Management to keep the information ready.

iii) Intimation of any change in address of members should be sent to the Company immediately.

iv) For the purpose of accepting registration of transfer to entitle shareholders to receive notice of, attend and vote at this meeting, 1st June, 1999 has been fixed as the Record date.

v) **A MEMBER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors submit the Annual Report and Audited Statements of Account for the year ended 31st March, 1998.

2. **FINANCIAL RESULTS**

	31.3.1998 (Rs./Lacs)
Sales	55164
Other Income	511
(Loss) before Interest and Depreciation	(4000)
Add: Interest	6245
(Loss) before Depreciation	(10245)
Add: Depreciation	4255
(Loss) for the year	(14500)
Add: Expenses relating to earlier year	45
(Loss) before tax	(14545)
Provision for Wealth tax	6
(Loss) after tax	(14551)
Balance from previous year	(21164)
Balance carried to Balance Sheet	(35715)

3. **OVERALL PERFORMANCE**

3.1 The performance during the financial year under review further worsened with sharp decline in sales on account of closure of the Company's man made fibre plants at Kota and Jhalawar for major part of the year. In the absence of contribution from the closed man-made fibre plants the fixed overheads resulted in loss, which had adverse impact on the Company's performance. Over supply situation and continued recession in Grey Cement during the year under review, resulted in reduced contribution, which was not sufficient to cover the fixed cost fully. The situation in Northern Zone was even worse due to mis-match in demand and supply position. New units with substantial tax benefits and incentives had an edge over the older plants and thus, they were in better position to face the competition. Cut throat competition perpetuated a situation of price war among the producers which affected the profitability of the older units most. White Cement unit though could maintain reasonable parity, but increased cost of production, which could not be passed on, reduced the margins, which resulted in lower profit as compared to the previous year. The year under review resulted in net loss of Rs. 145.45 crores. The Company's inherent strength has been shakened due to continued losses and overall declining performance for the last five years. Its revival lies only through a rehabilitation package to be implemented under the aegis of BIFR.

3.2 In compliance to the provisions of Section 166 of the Companies Act, 1956 the Annual General Meeting of your Company was held on 28.12.1998. After transacting all other business as stated in the Notice dated 27.11.1998, the said meeting was adjourned sine-die for consideration of Directors' Report and audited Statements of Account for the various reasons mentioned in the said Notice dated 27.11.1998.

4. **DIVIDENDS**

In view of the loss for the year, your Directors regret their inability to recommend payment of any dividend for the year.

5. **FINANCE**

5.1 **PREFERENCE SHARE CAPITAL**

During the period under report, your Company:

(i) Pursuant to the order dated 13th May, 1997 of the Hon'ble Company Law Board, allotted new 1,45,562 - 11% Cumulative Redeemable Preference Shares of Rs. 100/- each on 16.7.1997 effective from 23rd May, 1994 in lieu of existing 1,00,000 – 11% Cumulative Redeemable Preference Shares of Rs. 100/- each and arrears of dividend upto the date of maturity i.e. 22nd May, 1994 on the same terms and conditions as were applicable to existing 1,00,000 – 11% Cumulative Redeemable Preference Shares of Rs. 100/- each. Consequent upon this, 1,00,000 – 11% Cumulative Redeemable Preference Shares of Rs. 100/- each issued earlier stood redeemed, extinguished and cancelled.

(ii) Pursuant to the order dated 13th May, 1997 of the Hon'ble Company Law Board, allotted new 1,49,294 – 15% Cumulative Redeemable Preference Shares of Rs. 100/- each on 16.7.1997 effective from 23rd July, 1993 in lieu of existing 1,00,000 – 15% Cumulative Redeemable Preference Shares of Rs. 100/- each and arrears of dividend upto the date of maturity i.e. 22nd July, 1993 on the same terms and conditions as were applicable to existing 1,00,000 – 15% Cumulative Redeemable Preference Shares of Rs. 100/- each. Consequent upon this, 1,00,000 – 15% Cumulative Redeemable Preference Shares of Rs. 100/- each issued earlier stood redeemed, extinguished and cancelled.

5.2 **REDEMPTION OF DEBENTURES AND INTEREST THEREON**

Due to liquidity/financial crunch faced by the Company during the last several years, your Company could neither pay interest nor the redemption amount due on various series of Debentures. Major part of this interest and redemption amount are payable to the Financial Institutions, Banks, Mutual Funds. Repayment plan is being worked out as a part of Rehabilitation Package, which is under preparation in consultation with Industrial Development Bank of India (IDBI), the Operating Agency appointed by BIFR, Financial Institutions, Debenture Trustees and other Concerned Authorities.

5.3 However, your Company as far as possible has been redeeming Debentures of 3rd, 5th, 6th, 'A', 'B', and 'PCD' series received from the small holders from time to time.

These Debentures have been kept alive for the purpose of reissue.

5.4 The deposits received from the public remaining unclaimed as on 31.3.1998 amounted to Rs. 62.44 lacs in the accounts of 1,110 depositors against which deposits are being paid as and when claimed. Your Directors are happy to report that all public deposits are being regularly repaid by the Company.

6. RESTRUCTURING

As reported last year, the Company as a part of restructuring exercise was in process of implementation of the revised management structure as per the guidelines of the Financial Institutions and also was in process for scouting of a potential buyer with the help of Merchant Banker for the Company's man made fibre plants. However, in the month of November, 1997 ICICI, the lead Financial Institution, filed a recovery suit against the Company before Hon'ble Mumbai High Court and got an order for appointment of the Court Receiver to the Company's properties charged with the Financial Institutions, Banks, Trustees etc. on 7.1.1998 with a further directive that the Company may act as an Agent. The Court Receiver accordingly took over possession of the Company's Grey and White Cement plants during January, 1998 and man made fibre plants at Kota and Jhalawar during February, 1998. The Company opted to act as an Agent in respect of two running plants i.e. Grey and White Cement. The Court Receiver had demanded adhoc royalty of Rs. 25 lacs each for Grey and White Cement plants from January, 1998, which was disputed by the Company at various stages. However, finally the Company is required to deposit the aforesaid amount with the Court Receiver as per time schedule fixed by the Hon'ble Mumbai High Court.

7. REFERENCE TO BIFR

As reported last year, the Company's net worth as per the audited accounts as at 31.3.1997 stood fully eroded and accordingly a mandatory reference was made to BIFR u/s 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 on 12.1.1998, which was duly registered on 10.2.1998.. BIFR in its order declared the Company as a Sick Industrial Company on 2.4.1998 and appointed IDBI as an Operating Agency for preparation of a rehabilitation package. The Company was required to submit a rehabilitation proposal to IDBI based on the audited accounts as at 31.3.1998. Due to non-availability of books of account of man made fibre units, which were under the possession of the Court Receiver, the Company could not finalise the audited accounts and, therefore, had submitted a rehabilitation proposal based on tentative data/figures available with it. However, IDBI insisted that the Company should submit the proposal based on the audited figures as at 31.3.1998. In the meantime, as per the directive of BIFR, IDBI has appointed M/s. Tata Economic Consultancy Services (TECS) to carry out the techno-economic viability study of each and every plant of the Company. Their report is likely to be available soon. The Company, therefore, proposes to submit the revised rehabilitation proposal based on the audited accounts and also after due consideration of the recommendations of the TECS report in due course of time.

8. OPERATIONS

8.1 MAN-MADE FIBRE PLANTS

Global recession in synthetic fibre industry and liberal import policy of Government of India has crippled the indigenous players and small players like us have been compelled to be out of the market. Our units at Kota and Jhalawar, which were already suffering from shortage of working capital, became so unremunerative that the management was compelled to suspend/curtail the production/close down the plants. Partial running of the plants during the year, unremunerative prices, labour agitations, fixed overheads during the closure of plants resulted in substantial losses.

KOTA COMPLEX

The production in Acrylic and Tyre Cord units at Kota continued to be suspended throughout the year under review. Despite substantial losses in operation due to unremunerative prices the production of Nylon, Polyester Yarn, Polyester Fibre was continued for part of the year but the militant activities and behaviour of the workmen and employees' unions at Kota compelled the management to declare lock-out in these plants from 12th September, 1997. During the period upto 12.9.1997, there was production of 1166 MT of Nylon Yarn, 2424 MT of Polyester Yarn and 368 MT of Polyester Fibre.

JHALAWAR COMPLEX

Production in Jhalawar complex continued for part of the year and Acrylic plant produced 593 MT, while Tyre Cord plant produced 914 MT. However, these plants had to be closed due to shortage of working capital coupled with labour agitation. Lower capacity utilisation, unremunerative prices and reduced margins affected the working results of these units.

8.2 CEMENT PLANTS

GREY CEMENT

The Cement Industry continued to pass through its worst phase during 1997-98 . The general recessionary trend coupled with addition of new capacities without related surge in demand led to over-supply position, which was more profound in the Northern Region. This together with poor sales realisation led to squeezed margins and dismal performance of almost all the major players. Due to poor demand, increase in cost of production could also not be passed on to the customers, which further affected the bottom-line. Despite adverse market conditions the Unit could achieve capacity utilisation of 107.39%, which was marginally lower from 110.84% of last year at the Cement production of 16.54 lacs MT (Previous Year-17.07 lacs MT).

WHITE CEMENT

During the year clinker production was 1.66 lacs MT, which is slightly lower than last year (1.70 lacs MT) but the Cement production was 1.76 lacs MT as compared to 1.75 lacs MT of last year. Due to general recessionary trend coupled with the increase in production capacities, sales realisations recorded downward trend. The present installed capacities far exceed the demand, which adversely affected profitability during 1997-98. The Company has already strengthened market efforts and have also taken effective steps for cost reduction to meet the challenge and maintain its leadership position.

8.3 **SYNTEX TUBE WORKS**

Insufficient order position for metallic cops due to recession in synthetic fibre industry, surplus labour and with no diversification plan in hand, continued to affect the working of the unit adversely. In view of increasing losses and uncertain future of metallic cops, the management has declared the closure of the plant w.e.f. 22.3.1999. The majority of workers have already been paid their legitimate dues.

8.4 **EXPORTS**

Exports during the year amounted to Rs. 173.37 lacs only.

9. **RESEARCH & DEVELOPMENT**

The research activities have been suspended on account of lock-out declared by the management since September, 1997.

10. **WORKING 1998-99**

There has been no respite from the over-supply situation during the current year in case of Grey Cement, which resulted in squeezed margins. The increased cost of various inputs could not be met fully by increased sales realisations.

However, the performance of White Cement plant continued at the past level and the Company could sustain the operations in both the plants due to profitability from White Cement operations. Since there has been no production in the Company's man-made fibre plants, the fixed cost has been a burden on the Company's profitability and resources.

11. **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUT GO**

Particulars with regard to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo in accordance with the provisions of 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 in respect of Cement plants are annexed and form part of the Report. The information in respect of man made fibre plants at Kota and Jhalawar could not be collected despite best efforts.

12. **PROJECTS UNDER IMPLEMENTATION CEMENT PROJECTS – SIDHI AND MANGROL**

Due to severe liquidity crunch, as well as due to restrictions imposed by the Financial Institutions, the Company is not making any capital expenditure on the new projects, except for ongoing works to put the equipments already lying at site or in pipeline to save them from deterioration due to vagaries of weather. Any capital expenditure on new projects, therefore, will be reviewed as a part of the rehabilitation proposal only.

13. **SUBSIDIARIES**

The accounts of J.K. Satoh Agricultural Machines Ltd., Subsidiary Company, are annexed alongwith Statement pursuant to Section 212 of the Companies Act, 1956. However, the accounts of other Subsidiary Company namely Jaykay Tech Ltd. are yet to be finalised.

14. **CONTRIBUTION TO THE EXCHEQUER**

Contribution to the Exchequer during the year under report by way of Excise duty, Customs duty, Sales tax etc. aggregated Rs. 141.36 crores.

15. **PERSONNEL**

15.1 **INDUSTRIAL RELATIONS**

Industrial relations during the year and also after the close of the year generally remained cordial in both Cement Complexes. Due to agitation by the employees of Acrylic and Tyrecord plants on account of non-payment of their dues, after suspension of manufacturing activities in these plants during 1995-96, the work of Nylon, Polyester Yarn, Polyester Fibre plants was also badly affected. The labour unions being the same in all the plants at Kota stopped clearance of goods from these plants. The attitude of the unions and representatives of staff associations had been non-cooperative, unreasonable and adamant. This forced the management to declare lock-out w.e.f. 12th September, 1997 in all these plants. Since the workers and staff members have not been paid their remuneration since the closure/lock-out, the total Industrial Relation climate at Kota and Jhalawar is extremely tense.

15.2 **PARTICULARS OF EMPLOYEES**

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956 the Report and Accounts are being sent to all Shareholders of the Company excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may write to the Company.

16. **AUDITORS' REPORT**

16.1 As stated earlier, while taking over the possession of the properties of man-made fibre plants at Kota and Jhalawar, the Court Receiver also took the books of account and other records lying there under his charge. In respect of man-made fibre plants, major accounting work was being handled at the plants. There has been a staff agitation due to non-payment of wages and salaries to workers and staff members at Kota and Jhalawar. During agitation, the staff members put the pass word in the computers and corrupted the data and also destroyed the basic documents. Therefore, at the time, when the books of account and other records were made available by the Court Receiver to the Company, most of the basic records and data, especially relating to Jhalawar Complex, were missing. Therefore, the accounts of these units had to be reconstructed/updated at Head Office on the basis of the information available and based on certain assumptions and estimates. Physical verification of the assets and inventories was not possible due to non-accessibility to the Company's plants, which continued to be under the possession of the Court Receiver. Although a list of such assets and inventories was prepared by the Court Receiver and the valuer appointed by the Court Receiver at the time of taking over the possession, but inspite of various requests the copy of the said report has not been made available to the Company. Under the circumstances, which were beyond the control of the management, there was no option except to prepare the books of account of these units on the basis of best information available with the Company.

16.2 With regard to the provision of interest liability as referred to in para 2 (d) (ii) of the Auditors' Report, the Directors state that determination of this liability is to be finally worked out as a part of the revival package for the Company and as the exact amount of such liability is not ascertainable as on date, the required provision could not be made in the books of account.

16.3 The other observations of the Auditors are self- explanatory and have been properly dealt with in the Notes on Accounts.

17. COST AUDIT

Cost accounting records have been maintained in respect of Grey Cement and White Cement and the cost audit could be completed in respect of this Unit. The cost audit in respect of Nylon and Polyester Units could not be taken up due to non-availability of various informations required and also due to the fact that these Units were closed during the year.

18. DIRECTORS

18.1 During the period since last report, the following changes have occurred:

i) Shri S.C. Malik has joined the Board as a Nominee Director of State Bank of India vice Shri A.C. Jain.

ii) Shri A. Karati has joined the Board as a Nominee Director of ICICI Ltd. vice Shri N.C. Singhal.

iii) Shri A.K. Thakur and Shri A.C. Ahuja, Nominee Directors of UTI and IFCI respectively have since resigned.

iv) Shri Arun Sinha has joined the Board as Special Director, as per directive of BIFR on 29.5.1998 and has since resigned on 8.1.1999.

18.2 Your Directors while welcoming the new incumbents, wish to place on record their warm appreciation for the valuable services rendered by Shri A.C. Jain, Shri N.C. Singhal, Shri A.C. Ahuja, Shri A.K. Thakur and Shri Arun Sinha.

18.3 Two of your Directors namely Shri Shiromani Sharma and Shri V.B.L. Mathur retired from the Board and have been re-elected in the Annual General Meeting held on 28.12.1998.

19. AUDITORS

M/s. P.L. Tandon & Company, Chartered Accountants, Kanpur, Auditors of the Company, have been re-appointed as statutory auditors in the Annual General Meeting held on 28.12.1998.

20. COST AUDITORS

Pursuant to the directives of the Central Government and provisions of Section 233(B) of the Companies Act, 1956, qualified Cost Auditors have been appointed to conduct the cost audit of Cement and all the products covered under man-made fibres and yarns except Acrylic Staple Fibre for the year ended 31st March, 1998.

21. LISTING ARRANGEMENTS

As per the latest amendment made in Clause 32 of Listing Agreement with U.P. Stock Exchange, the details regarding Stock Exchanges at which the Company's Securities are listed, alongwith other required details, are summarised below:

Sl. No.	Name of the Stock Exchange Where securities are quoted.	Listing Fee paid upto	Remarks
1.	The Stock Exchange, Mumbai	1996-97	Trading suspended w.e.f. 22.12.97 by the Stock Exchange, Mumbai as conveyed vide letter No. MOD/SUSP/SC-NC/96-97 dated 17.12.97 due to shorter Book Closure Notice.
2.	Calcutta Stock Exchange, Calcutta	1996-97	
3.	Delhi Stock Exchange, Delhi	1996-97	
4.	U.P. Stock Exchange, Kanpur	1997-98	

22. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the valuable support received from the Financial Institutions, Bankers, Suppliers and Customers. The Board also thanks the employees at all levels for their contribution.

FOR AND ON BEHALF OF THE BOARD

Kanpur
Dated : 30th April, 1999

CHAIRMAN

INFORMATION REQUIRED UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken

Grey Cement

- Efforts were made to improve plant performance to bring down power consumption.
- High efficiency fans installed in Kiln 3 & 1.
- Increase in production in line 3 by 300 Tons. Power reduced by 4-5 KWH/Ton.
- Kiln inlet seal modification.

(b) Additional investments & proposals being implemented for reduction in conservation of energy.

Grey Cement

- High efficiency fan in place of conventional fan in preheater exhaust gases.
- L P twin cyclone for power saving in line 4.
- Kiln outlet seal.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

Grey Cement

- Nil (Measures are under observation).

B. TECHNOLOGY ABSORPTION

(i) Research & Development, specific area in which R & D has been carried out.

White Cement

- Installation of second heat exchanger, PA fan and steam exhaust optimisation.
- Optimisation of Raw mill and Kiln equipment and process balance.
- Balancing of chemical modules.

(ii) Benefits derived as a result of above R & D.

White Cement

- The power consumption reduced from 128.15 units per ton of cement during 1996-97 to 121.34 units per ton of cement in 1997-98. Saving of 5.31% on power consumption.
- The fuel consumption for clinkerisation reduced from 140.26 litres per ton of clinker in 1996-97 to 133.32 litres per ton of clinker in 1997-98. Saving of 4.95% on fuel consumption.
- Consistency in product quality.
- Economise energy consumption.

(iii) Future Action Plan

Grey Cement

- Detailed Engineering for mechanical transport system for CM 3,4.
- Continued efforts for output enhancement of each section.
- Dynamic separator for vertical raw mill.
- External circulation for vertical raw mill.
- Close circuiting of cement mills.
- Removal of Dampers from the system.
- High efficiency fan for raw mill-4.
- Swirlex burner for Kilns.
- Folex cooler retrofit for heat saving and increase the production of Kiln no. 3.
- LP twin cyclone for power saving in line 3.
- Variable speed drive in selected equipment to reduce power.

White Cement

- Installation of tertiary crusher and dryer at raw mill for output maximisation & energy conservation at crusher and raw mill.
- Installation of gypsum washing arrangement for consistency in quality.
- Installation of third heat exchanger for further waste heat recovery.
- Installation of high efficiency separator at cement mill for quality improvement and energy conservation.
- Installation of fuel blender to economise DG operation.

(iv) Expenditure on R&D

Cement	Rs./Lacs
(a) Capital	Nil
(b) Recurring	12.37
(c) Total	12.37
(d) Total R&D expenditure as % of total turnover of Cement group only	0.03

(v) Efforts in brief, made towards Technology Absorption, Adaptation and Innovation.

Cement

- Daily monitoring of power consumption.
- Condition monitoring of all critical equipments.
- Better "Inventory control" by computer.

(vi) Details of Imported Technology

- NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(i) Activities relating to exports, initiatives taken to increase exports development of new export market for products and services and export plans.	Mentioned in the main report
(ii) Total foreign exchange used and earned:	
(a) Total foreign exchange used (b) Total foreign exchange earned	Mentioned in Notes on Accounts

REMARK : **The informations in respect of man made fibre plants at Kota and Jhalawar are not readily available.**