

ANNUAL REPORT

2008-2009

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J. K. Synthetics LTD.

Board of Directors

Dr. Gaur Hari Singhania Chairman

Govind Hari Singhania Vice Chairman

Yadupati Managing Director &
Chief Executive Officer

Ramapati

Dr. K. B. Agarwal

Jagendra Swarup

Kailash Nath

N. K. Jhajharia

R. K. Tandon

K. V. Murthy

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President (F & A) & CFO

K. N. Khandelwal

AUDITORS

Messrs P. L. Tandon & Co.
Chartered Accountants
Westcott Building,
The Mall, Kanpur-208 001

REGISTERED OFFICE

KAMLA TOWER,
Kanpur-208 001

BANKER

Oriental Bank of Commerce

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Annual Report 2008-2009

NOTICE

NOTICE is hereby given that the Annual General Meeting of the Members of J.K. Synthetics Ltd. will be held in the Conference Hall of the Merchants' Chamber of Uttar Pradesh, 14/76, Civil Lines, Kanpur on Saturday, the 19th September, 2009 at 12.00 Noon to transact the following business :-

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Ramapati Singhania, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. K.B. Agarwal, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring Auditors, M/s. P.L. Tandon & Company, Chartered Accountants, Kanpur are however, eligible for reappointment.

AS SPECIAL BUSINESS :

To consider and, if thought fit, to pass with or without modification(s), the following resolutions :

AS SPECIAL RESOLUTIONS :

5. "RESOLVED THAT pursuant to and in accordance with the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to the appointment of Shri Yadupati Singhania as Managing Director & Chief Executive Officer (CEO) of the Company for a further period of 5 (Five) years with effect from 1st September, 2009 to 31st August, 2014, without any remuneration/ perquisites and upon other terms and conditions as set out in the Agreement to be entered into between the Company and Shri Yadupati Singhania, a draft whereof is placed before this meeting, duly initialed by the Chairman, for the purpose of identification, which Agreement is hereby specifically sanctioned/ approved with the authority to the Board of Directors (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee, which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment or Agreement, if any, and agreed to by the Board of Directors of the Company and Shri Yadupati Singhania."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution and matters incidental thereto."

6. "RESOLVED THAT pursuant to and in accordance with the provisions of Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the appointment of Dr. Gaur Hari Singhania as the Non- Executive Chairman of the Company for a further period of 5 (five) years with effect from 1st September, 2009 to 31st August, 2014, without any remuneration/Perquisites, with the authority to the Board of Directors (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee, which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms of his appointment during continuance of his appointment as Chairman."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution and matters incidental thereto."

7. "RESOLVED THAT pursuant to and in accordance with the provisions of Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the appointment of Shri Govind Hari Singhania as the Non- Executive Vice-Chairman of the Company for a further period of 5 (five) years with effect from 1st September, 2009 to 31st August, 2014, without any remuneration/Perquisites but with certain facilities, as set out in the Explanatory Statement annexed to this Notice, with the authority to the Board of Directors (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee, which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms of his appointment during continuance of his appointment as Vice-Chairman."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution and matters incidental thereto."

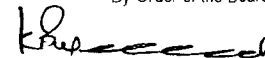
8. "RESOLVED THAT in accordance with the provisions of Section 100 read with Section 78 and other applicable provisions, if any, of the Companies Act, 1956, enabling provisions in the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges, where the securities of the Company are listed, and subject to confirmation of the Hon'ble Allahabad High Court/ BIFR and other concerned authorities, if any,
 - (1) The issued, subscribed and paid up Equity Share Capital of the Company be reduced in the following manner and extent -
 - (a) The aggregate issued, subscribed and paid up Equity Share Capital be reduced from Rs 7426.95 lacs divided into 7,42,69,503 Equity Shares of Rs. 10/- each fully paid up to Rs 371.35 lacs divided into 3,71,34,752 Equity Shares of Re 1/- each;
 - (b) The number of Equity Shares held by each Shareholder be reduced to half of the existing number and the face value and paid up value of each existing Equity Share of Rs.10/- be reduced to Re.1/- per share by cancellation of remaining value and number of Shares;
 - (c) The entire amount of reduction in Equity Capital so effected i.e. Rs.7055.60 lacs, shall be set off/adjusted against the accumulated losses of the Company;
 - (d) The Equity Shares (after reduction) shall continue to be listed and traded on Bombay and U.P. Stock Exchanges.
 - (2) The Securities Premium Account be reduced from Rs.7063.66 lacs to Rs. NIL by adjustment and set off against the accumulated losses of the Company;
 - (3) The Capital Redemption Reserve Account be reduced from Rs.704.86 lacs to Rs. NIL by adjustment and set off against the accumulated losses of the Company."

"RESOLVED FURTHER THAT the existing balance in Capital Reserves A/c amounting to Rs.1.56 lacs and existing balance in Forfeited Shares A/c amounting to Rs.7.78 lacs be also reduced to Rs. NIL by adjustment and set off against accumulated losses of the Company."

"RESOLVED FURTHER THAT no part of the aforesaid reduction in the Equity Capital, Securities Premium Account, Capital Redemption Reserve Account and other Reserves, as mentioned above, shall be refunded /returned/paid to any of the Shareholders or any other persons in cash or in kind."

"RESOLVED FURTHER THAT the Board of Directors of the Company (or any Committee of the Board or any Director or Officer of the Company, if so empowered by the Board) be and is hereby authorized to do all such acts, deeds and things as may be necessary or required or thought fit including filing of petitions, applications, affidavits, other documents in the Hon'ble High Court at Allahabad/ BIFR or before any other authority, appointment of advocates and fixing their fees and remuneration, for obtaining the requisite sanction, approval or confirmation, to agree to and accept conditions and modifications as may be imposed by any of the aforesaid authorities while granting such approvals, permissions and sanctions and to take all such steps and execute all such deeds and documents as may be required for giving effect to the above decisions and to settle any question, difficulty or doubt that may arise in this regard."

By Order of the Board



(K. B. AGARWAL)

Director

Dated : 28th July, 2009

Place : Kanpur

NOTES :

- i) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business under Item Nos. 5 to 8 of the accompanying Notice dated 28th July, 2009 is annexed hereto.
- ii) Copy of the Agreement/ other documents referred to in the Notice is available for inspection of the Members at the Registered Office of the Company between 3.00 p.m. and 5.00 p.m. on any working day except Saturday till the conclusion of the Annual General Meeting.



- iii) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING 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.**
- iv) The Register of Members and Share Transfer Books of the Company will remain closed from 15th September, 2009 to 19th September, 2009 both days inclusive.
- v) Members are requested to notify immediately change of address, if any, to their Depository Participants (DPs) in respect of their shareholding in Demat Accounts and to the Company at its Share Department, Kamla Tower, Kanpur-208001 in respect of their shareholding in physical segment by mentioning folio nos., if any.
- vi) Members are requested to bring their copies of the Annual Report, as Copies of the Report will not be distributed again at the Meeting.
- vii) 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 the Meeting to enable the Management to keep the information ready.

- viii) **Members, who also hold debentures of the Company and who have not so far claimed the payment as per OTS Scheme are requested to surrender the debenture certificate(s) duly discharged to the Company at its Registered Office for getting the payment.**
- ix) Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting. Members, who hold shares in Dematerialised Form are requested to bring their Depository Account Number and Client I.D. Number for identification.
- x) Pursuant to clause 49 of the Listing Agreement relating to the Code of Corporate Governance, the particulars of Directors retiring and being re-appointed are given in the Report on Corporate Governance attached to the Directors' Report.
- xi) The particulars as set out in the Explanatory Statement may be treated as abstract of the terms of the appointment of managerial personnel pursuant to Section 302 of the Companies Act, 1956.

EXPLANATORY STATEMENT

As required under Section 173 of the Companies Act, 1956, the Explanatory Statement sets out all material facts concerning the Special Business referred to in the accompanying Notice dated 28th July, 2009.

ITEM NO. 5

The present term of Shri Yadupati Singhania as Managing Director & CEO is expiring on 31st August, 2009. He has been associated with the Company for about 25 years and considering the past services rendered by him including onerous responsibility of rehabilitation of the Company successfully handled by him, the Board of Directors in its meeting held on 28th July, 2009, on the basis of recommendation of Remuneration Committee has re-appointed him as Managing Director & CEO of the Company for a further period of 5 (Five) years w.e.f. 1st September, 2009.

Shri Yadupati Singhania has agreed to accept the assignment without any remuneration/perks except that the Housing facility is to be provided to him. However, he shall also be entitled to reimbursement of expenses actually incurred for the business of the Company. The perquisite value of Housing facility to be provided to him will be realized from him on actual basis. Shri Yadupati Singhania shall not, while he continues to hold the office of Managing Director & CEO, be subject to retirement by rotation.

Shri Yadupati Singhania shall have the powers of general conduct and management of the business and affairs of the Company subject, however, to superintendence, control and directions of the Board of Directors in general and in particular he shall exercise the powers subject to the provisions of Companies Act, 1956.

None of the Directors except Dr. Gaur Hari Singhania, who is related to Shri Yadupati Singhania is deemed to be concerned or interested in the resolution.

Special Resolution at Item No.5 is, therefore, commended for your approval.

ITEM NO. 6

Dr. Gaur Hari Singhania's term as Chairman of the Company is expiring on 31st August, 2009. Considering his vast experience, the Board of Directors in its meeting held on 28th July, 2009, on the basis of the recommendation of Remuneration Committee, has re-appointed him as Non-Executive Chairman of the Company for a further period of 5 (Five) years w.e.f. 1st September, 2009, without any remuneration, perks and benefits. However, he shall be entitled to reimbursement of expenses actually incurred for the business of the Company.

Dr. Gaur Hari Singhania shall not, while he continues to hold the office of Chairman, be subject to retirement by rotation.

None of the Directors except Shri Govind Hari Singhania and Shri Yadupati Singhania, who are related to Dr. Gaur Hari Singhania is deemed to be concerned or interested in the resolution.

Special Resolution at Item No.6 is, therefore, commended for your approval.

ITEM NO. 7

Shri Govind Hari Singhania's term as Vice-Chairman of the Company is expiring on 31st August, 2009. He has been associated with the Company since 1980 holding various important positions. In view of his long association, the Board of Directors in its meeting held on 28th July, 2009, on the basis of recommendation of Remuneration Committee, has re-appointed him as Non-Executive Vice Chairman of the Company for further period of 5 (Five) years w.e.f. 1st September, 2009. His appointment is without any salary and perquisites. However, he shall be given certain facilities as under :-

- (a) **Medical Reimbursement** : Expenses incurred for self and family subject to a ceiling of Rs.30,000/- in a year or Rs.90,000/- over a period of three years.
- (b) **Club Fees** : Fees of clubs, subject to a maximum of two clubs, provided that no life membership or admission fee is paid.

- (c) **Personal Accident Insurance** : Premium not to exceed Rs.15,000/- p.a.
- (d) **Car with Driver and Telephone** : The Company will provide a car with driver and telephone at the residence of Vice-Chairman. The provision of car for use of Company's business and telephone at residence will not be considered as perquisites. Use of car for private purposes shall be billed by the Company to the Vice-Chairman.
- (e) The Vice-Chairman shall be entitled to reimbursement of expenses actually incurred for the business of the Company.

Shri Govind Hari Singhania shall not, while he continues to hold the office of Vice-Chairman, be subject to retirement by rotation.

None of the Directors except Dr. Gaur Hari Singhania, who is related to Shri Govind Hari Singhania, is deemed to be concerned or interested in the resolution.

Special Resolution at item No.7 is, therefore, commended for your approval.

ITEM NO. 8

In the Balance Sheet of the Company as at 31.03.2008, there is paid up Equity Share Capital amounting to Rs.7426.95 lacs and Share Forfeited A/c. Rs.7.78 lacs. Besides Rs.7770.08 lacs are also appearing under Reserves and Surplus A/c. On the other hand accumulated losses amounting to Rs.16075.72 lacs are shown under Profit & Loss A/c. (debit balance). Thus the net worth of the Company as at 31.03.2008 was negative at Rs.870.91 lacs, which increased to Rs.1537.70 lacs as at 31.03.2009.

In view of huge amount of accumulated losses in the Balance Sheet, the Company may face difficulties in planning the future course of action and in dealing with various suppliers, lenders and customers etc. and that it may not also be able to raise working capital other finance for business purpose as and when needed. Further, the Company has limited resources available with it to take up any new activities and therefore, it is bound to take recourse to the external borrowings. It is, therefore, in the interest of the Company and Shareholders that the Company's Balance Sheet is restructured in such a manner, which helps it to undertake new activities in future.

To reflect the true and fair position with respect to the net worth of the Company, it was thought advisable by the Board of Directors in its meeting held on 28th July, 2009 to reduce the paid up capital of the Company by adjusting the same against accumulated losses and reserves, if any. It will not even affect the rights of the Shareholders also as after reduction of share capital, their percentage stake in the Company will remain the same, as before such reduction.

In view of the above, it is proposed to reduce the paid up equity capital of the Company by 95% and simultaneously to consolidate every two equity shares of Re.0.50 each into one equity share of Re.1/- each fully paid up so as to bring down its paid up capital to Rs.371.35 lacs divided into 3,71,34,752 equity shares of Re.1/- each.

The Company has already moved an application to the Hon'ble BIFR seeking their approval for the aforesaid reduction in equity share capital of the Company, which is pending for approval. The Special Resolution as set out at Item No. 8 is therefore, commended for your approval.

None of the directors of the Company is concerned or interested in the resolution except to the extent of their Shareholding in the Company.

By Order of the Board

(K. B. AGARWAL)
Director

Dated : 28th July, 2009
Place : Kanpur