

KEI

**KEI
INDUSTRIES
LIMITED**

ANNUAL
REPORT
1998-99

ANNUAL REPORT 1998-99**BOARD OF DIRECTORS**

Mr. Anil Gupta
 Mr. Sunil Gupta
 Mr. Pawan Bholusaria
 Mr. K. G. Somani
 Mr. Vijay Bhushan
 Mr. Vikram Bhartiya

Managing Director
 Whole Time Director
 Director
 Director
 Director
 Director

AUDITORS

M/s JAGDISH CHAND & COMPANY
 Chartered Accountants,
 96, Model Basti,
 New Delhi-110 005

BANKERS

DENA BANK
 PUNJAB NATIONAL BANK

SHARE TRANSFER AGENT

SRG INFOTEC (INDIA) LIMITED
 A-256, Okhla Industrial Area Phase-I,
 New Delhi-110 020.
 Tel.: 6811977/6811978/6811979

REGISTERED OFFICE

D-90, Okhla Industrial Area
 Phase-I, New Delhi-110 020

KEY	MANAGEMENT	PERSONNEL
A.R. Ghose		General Manager Works
P.C. Dalvi		Chief Manager Marketing
S.K. Chadda		Manager Marketing
Rajeev Gupta		Manager A/C & Finance
Pawan Aggarwal		Dy. Gen.Mngr. Administration
K.C. Sharma		Manager Production
V.P. Gupta		Manager Works
Anil Khera		Manager Marketing
Manoj Kakkar		Regional Manager Marketing
K. Sunder Rajan		Regional Manager Marketing
Alok Shah		Regional Manager Marketing

KEI INDUSTRIES LIMITED**NOTICE**

The 7th Annual General Meeting of the Members of the Company will be held at Hamdard Convention Center (Hall No. 1) Jamia Hamdard, Hamdard Nagar, Near Batra Hospital New Delhi-110 062 on Monday the 20th day of September, 1999 at 10.00 A.M to transact the following business.

1. To consider and adopt balance sheet as at 31st March, 1999 Profit & Loss Account for the Year ended on that date and the report of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Sunil Gupta, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Pawan Bholusaria, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary Resolution :

"RESOLVED THAT M/s JAGDISH CHAND & CO. Chartered Accountants, New Delhi be and are hereby appointed Auditors of the company from the conclusion of this Annual General Meeting of the company until the conclusion of the next Annual General Meeting of the company on such remuneration as shall be fixed by the Board of Directors of the Company."

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint: a proxy or proxies to attend and vote instead of himself and the proxy need not to be a member of the company. Proxy form is attached herewith.
2. The instrument appointing the proxy should however be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
3. Member/Proxies should bring the attendance slip sent here with duly filled in for attending the meeting.
4. The Register of Members and Share Transfer Books will remain close from 14.9.99 to 20.9.99 both days inclusive.
5. Members are requested to address all their correspondence including change of address, to the Registrar- and Share Transfer Agent S.R.G. Infotech Ltd. A-256, Okhla Industrial Area Phase-I, New Delhi - 110 020.

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By Order of Board
For KEI INDUSTRIES LIMITED

(ANIL GUPTA)
Managing Director

PLACE : NEW DELHI
DATED : 20th July, 1999.

KCI INDUSTRIES LIMITED**DIRECTOR'S REPORT****To The Members**

Your Directors take pleasure in presenting their 7th Annual Report for the year ended 31.03.99. Briefly stated the financial results of operation are :-

	Amount in Rs. 1.4.98 to 31.3.99	Amount in Rs. 1.4.97 to 31.3.98
Sales and other income	56,34,37,987	46,96,78,124
Profit before interest, Depreciation and tax	5,46,75,701	5,81,77,156
Less: Financial Charges	3,27,74,488	2,78,38,667
Depreciation	1,16,46,636	1,01,79,279
Profit before tax	1,02,54,577	2,01,59,210
Provision for Taxation	11,00,000	20,00,000
Profit after tax	91,54,577	1,81,59,210
Add : Profit & Loss Brought Forward	4,93,18,555	3,12,23,705
Add : Transfer from Investment Allowance Reserve	5,80,473	—
Less : Provision for earlier years	-13,14,068	-64,360
Amount available for Appropriations	5,78,39,537	4,93,18,555
Appropriations	NIL	NIL
Balance Carried Forward	5,78,39,537	4,93,18,555

Despite recessionary trends prevailing in the Indian economy and world over, the company managed to improve its turnover as compared to last year. However, due to severe competition in the market, the profit for the year after tax has gone down sharply. During the year the company amongst other competitors faced anti-dumping inquiry by the European Commission for its stainless steel wire products. This led to slow down in procurement of orders for the stainless steel wire division as major buyers in Europe were reluctant to place orders till finalisation of anti-dumping proceedings. The anti-dumping duty of 32.60% was imposed on company's product 1 mm and above and for below 1 mm "No" anti-dumping duty has been imposed, imposition of anti-dumping duty is totally unjustified and the company has submitted its representation for waiver of anti-dumping duty imposed on its stainless steel wires above 1 mm. Imposition of anti-dumping duty has set back operations of stainless steel wire unit. However, company is hopeful that it will be able to get the anti-dumping duty imposed on above 1 mm product waived off.

Due to tight monitoring conditions and prevailing recession, payment realisation from customers is taking longer time. Margins on future orders have come under pressure due to increased competition and lack of demand. Hence, the Board of Directors have not proposed any dividend on equity capital under review in order to conserve financial resources of the company.

REVIEW OF OPERATIONS :**A) OVERALL PERFORMANCE :**

Turnover of Company has gone up from Rs. 4696.78 lacs to Rs. 5634.38 lacs and profit after tax has decreased from Rs. 181.59 lacs to Rs. 91.54 lacs. Company improved quality of products at its stainless steel wire division at Bhiwadi (Rajasthan) and production has stabilised during the year under review. Company has tapped new marks for its stainless steel wire division and had it not been for imposition of anti-dumping duty, this division's performance would have been much better. The company's cable division at New Delhi and Bhiwadi (Rajasthan) continue to do well and despite slow down in the economy the turnover has increased due to better product mix.

B) FUTURE OUTLOOK :

The Hon'ble Finance Minister has initiated various steps in the present budget which will hopefully lead to recovery in the economy and with that the demand for the company's products will be increasing along with the profit margins.

The company has now put special thrust on export of stainless steel wire products and is exploring possibilities of opening representative offices in USA and other European countries. Company is also increasing its product range of stainless steel wire products in order to increase its turnover and market share. To improve quality of its products and to reduce rejection rate, the company has obtained consultancy from a reputed Korean company. With all these steps company is hopeful that this division will be able to vastly improve its performance during the current year.

The company has also got its cable product approved from Directorate of Mines and ISRO. Due to all this the management is hopeful that the cable division will be able to show improved performance during the current year.

Y2K PREPAREDNESS :

The Company has undertaken a comprehensive review of its internal operation and has made changes/modified systems to make them Y2K compliant.

KEI INDUSTRIES LIMITED**LISTING OF SHARES :**

The company's equity shares are listed at Delhi, Mumbai & Calcutta Stock exchanges and the company has paid its upto date listing fees. During the year, trading in the company's equity shares was suspended for few days due to short notice of book closure. The company immediately took steps to get the trading commenced in its shares.

DIRECTORS:

Shri Pawan Bholusaria, Director of the company retires by rotation at the end of 7th AGM and being eligible offers himself for reappointment.

Shri Sunil Gupta, Director of the company retires by rotation at the end of 7th AGM and being eligible offers himself for reappointment.

SUBSIDIARIES :

As REQUIRED UNDER THE Companies Act, 1956, a copy of the Annual Accounts of KEI International Limited along with director's report, auditors report for the year 1998-99 are attached herewith. A statement pursuant to section 212 the Companies Act, 1956 is attached.

FIXED DEPOSITS:

There are no overdue fixed deposits as on 31st March, 1999.

AUDITORS :

M/s Jagdish Chand & Co., Chartered Accountants, auditors of the company will retire at the conclusion of the ensuing AGM and are eligible for reappointment as per certificate furnished by them under section 224 (1B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES :

There are no employees whose particulars are required to be given under section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules 1975.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :

The information as regards conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1) of the Companies Act, 1956 read with the companies (disclosure of Directors) rules, 1988 is annexed hereto as per annexure and forms an integral part of the report.

ACKNOWLEDGMENT :

Your Directors express their deep appreciation and sincere thanks to various departments of central & state governments, Dena Bank & Punjab National Bank for their valuable assistance and cooperation

Industrial relations remained cordial during the year. The Directors wish to place on record their appreciation for the contributions made by employees at all levels during the year.

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FOR AND ON BEHALF OF THE BOARD

(ANIL GUPTA)
Managing Director

PLACE : NEW DELHI

DATED : 20th July, 1999.

NRI INDUSTRIES LIMITED**ANNEXURE TO THE DIRECTOR'S REPORT**

Disclosure of particulars with respect to conservation of energy, technology absorption, foreign exchange earning and outgo under section 217(1)(e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of Director's report for the period ended 31st March, 1999.

1. CONSERVATION OF ENERGY

(a) Energy conservation measures taken

Power Consumption is continuously monitored. In view of measures taken in earlier years no measures taken during the year.

(b) Additional investments and proposal if any, being implemented for consumption of energy

No major additional investment is required.

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

Power Consumption is within norms.

(d) Total energy consumption & energy consumption per unit of production as per Form A of the Annexure.

Not Applicable

2. TECHNOLOGY ABSORPTION

(a) Research & Development : Detailed inhouse analytical laboratory is there for the fine tuning of operations. Accordingly, success has been achieved increasing the quality goods with higher yield percentage.

(b) Technology Absorption : The company neither entered into any technical foreign collaboration nor received/imported any technology from any foreign organisation.

3. FOREIGN EXCHANGE EARNING AND OUTGO

(a) Activities relating to exports initiatives taken to increase exports, developments of new export markets for products and export plans.

Cables

Exports is not priority area for the company in view of better price realisation in domestic market.

Stainless Steel Wires

The company was able to develop new customers, new markets with its thrust on export during the year. Foreign customers were regularly followed up by visits as well as by other means.

(b) Total foreign exchange used & earned :

Earnings	:	Rs. 613.91 Lacs
Outgo	:	Rs 249.14 Lacs

PLACE : NEW DELHI

DATED : 20th July, 1999

KEI INDUSTRIES LIMITED**AUDITOR'S REPORT****TO THE MEMBERS OF
KEI INDUSTRIES LIMITED**

We have audited the attached Balance Sheet of **KEI INDUSTRIES LIMITED** as at March 31, 1999 also the annexed Profit and Loss Account of the Company for the year ended on that date and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in term of section 227 (4A) of the Companies Act, 1956, we annex hereto 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, we report that:
 - (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 the books;
 - (c) The Balance sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) No provision for leave encashment has been made (Amount Unascertained) Refer Accounting Policy No. h(ii) Schedule U.
 - (e) Subject to Para (d) In our opinion the attached Balance Sheet and Profit & Loss Account comply with the Mandatory Accounting Standards referred to in Sub-Section (3) of Section 211 of the Companies Act, 1956.

Subject to Para (d) above In our opinion and to the best of our information and according to the explanations given to us, the accounts read with notes thereon, give the information required by the Companies Act, 1956 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 the Company as at March 31, 1999 ; and
- (ii) in case of the Profit and Loss account of the Profit of the Company for the year ended on that date .

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For JAGDISH CHAND & CO.
CHARTERED ACCOUNTANTS

PLACE : NEW DELHI
DATED : 20th July, 1999

(J. C. GUPTA)
PARTNER

KEI INDUSTRIES LIMITED

Annexure referred to in paragraph '1' of the Auditor's Report to the Members of KEI INDUSTRIES LIMITED on the accounts for the year ended March 31, 1999.

1. The Company is maintaining proper fixed assets register showing full particulars including quantitative details and situation of fixed assets. A major portion of the assets has been physically verified by the management. No discrepancies have been noticed on such verification. In our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its fixed assets.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
6. 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 normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has taken unsecured loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956, the rates of interest and other terms and conditions of such loans are prima facie not prejudicial to the interest of Company.
8. According to the information and explanations given to us, the Company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or to the Companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
9. In respect of loans and advances in the nature of loans given by Company to employees and others, the parties are repaying the principal amounts as stipulated and are also regular in the payment of interest, where charged.
10. In our opinion and according to the 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 purchases of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
11. In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the registered maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. (i) In respect of deposits/ unsecured loans taken over from "Krishna Electrical Industries" the Company is of the view that section 58A of the Companies Act, 1956 does not apply Refer Note No. 5 of notes on accounts.
(ii) Subject to (i) above in our opinion and according to the information and explanation given to us, the company has complied with the provisions of section 58A of the companies Act, 1956 and the companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
14. In our opinion reasonable records have been maintained by the Company for the sale and disposal of realisable scrap where applicable and significant. The company has no by-product.
15. In our opinion, Company has an internal audit system commensurate with its size and nature of its business.
16. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of cable division and are of the opinion that, prima facie, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records. In respect of wire division we have been informed that the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
17. According to the records of the Company, provident fund and employees state insurance dues have generally been deposited regularly during the year with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, sales tax, custom duty and excise duty were outstanding as at March 31, 1999 for the period of more than six months from the date they become payable.
19. According to the information and explanations given to us no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. 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 Provision) Act, 1985.

**For JAGDISH CHAND & CO.
CHARTERED ACCOUNTANTS**

PLACE : NEW DELHI
DATED : 20th July, 1999

(J. C. GUPTA)
PARTNER

KCI INDUSTRIES LIMITED**BALANCE SHEET AS AT 31ST MARCH, 1999**

	Schedule		As at 31st March 99 Rupees	As at 31st March 98 Rupees
I SOURCES OF FUNDS :				
1. SHAREHOLDER'S FUNDS :				
a) Share Capital	"A"	48440430	48440430	
b) Reserves & Surplus	"B"	105874049	154314479	106224871
				154665301
2. LOAN FUNDS :				
a) Secured Loans	"C"	98665202		115576452
b) Unsecured Loans	"D"	43375767	142040969	37264124
			296355448	152840576
				307505877
II APPLICATION OF FUNDS :				
1. FIXED ASSETS	"E"			
a) Gross Block		192285099		197678739
b) Less : Depreciation		41722677		31297919
			150562422	166380820
2. INVESTMENTS	"F"		1074300	1074300
3. CURRENT ASSETS, LOAN & ADVANCES :				
a) Inventories	"G"	70365379		60726978
b) Sundry Debtors	"H"	113241243		106624035
c) Cash & bank Balances	"I"	25964105		24403239
d) Loans & Advances	"J"	20398338		31703744
		229989065		223457996
Less : Current Liabilities and Provisions	"K"	86943896		85434134
Net Current Assets			143025169	138023862
4. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	"L"		1693557	2026895
			296355448	307505877
NOTES ON ACCOUNTS	"U"			

As per our Separate report of even date attached
for Jagdish Chand & Co.
Chartered Accountants

ANIL GUPTA
Managing Director

SUNIL GUPTA
Whole Time Director

(J. C. GUPTA)
Partner

RAJEEV GUPTA
Manager (Accounts & Finance)

PLACE : NEW DELHI
DATED : 20th July, 1999

KCI INDUSTRIES LIMITED**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1999**

	Schedule	Year Ended 31st March 99 Rupees	Year Ended 31st March 98 Rupees
I. INCOME			
Sales Less Returns		560939985	468412379
Job Work		1333596	1241232
Other Income	"M"	1164406	24513
Increase/[Decrease] in Stock	"N"	11128313	13289378
		<u>574566300</u>	<u>482967502</u>
II. EXPENDITURE			
Materials	"O"	415185988	337708065
Manufacturing, Selling & Other Expenses	"P"	64139256	53656815
Excise Duty		19324472	14848015
Payments to and Provision for Employees	"Q"	20221574	17560542
Managerial Remuneration	"R"	978400	976000
Financial Charges	"S"	32774488	27838667
Depreciation & Amortisation	"T"	11646636	10179279
Miscellaneous Expenditure Written off		40909	40909
		<u>564311723</u>	<u>462808292</u>
III. PROFIT BEFORE TAX [I-II]		10254577	20159210
Less : Provision For Taxation		<u>1100000</u>	<u>2000000</u>
IV. PROFIT AFTER TAX		9154577	18159210
Add : Balance Brought Forward From Last year's Account		49318555	31223705
Add : Investment Allowance Reserve Transferred		580473	—
Less : Taxation for earlier years		<u>1314068</u>	<u>64360</u>
V. AMOUNT AVAILABLE FOR APPROPRIATION		57739537	49318555
VI. APPROPRIATION		—	—
VII. BALANCE CARRIED TO BALANCE SHEET		<u>57739537</u>	<u>49318555</u>

NOTES ON ACCOUNTS

"U"

As per our Separate report of even date attached
for Jagdish Chand & Co.
Chartered Accountants

ANIL GUPTA
Managing Director

SUNIL GUPTA
Whole Time Director

(J. C. GUPTA)
Partner

RAJEEV GUPTA
Manager (Accounts & Finance)

PLACE : NEW DELHI
DATED : 20th July ,1999