

# kunal

ENGINEERING  
COMPANY  
LIMITED

MD	/		BKC	/
CS	/		DPY	/
RO	/		DTV	/
TRA	/		AC	/
AGM	/	/	SHI	/
VE	/	/		/

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32nd  
Annual Report  
1996 - 97



shall be fixed in accordance with the guidelines of Securities and Exchange Board of India (SEBI) in this behalf and in force for the time being and on such terms and in such manner and within such period and or such time or times as the Board may in its absolute discretion decide, in accordance with, and subject to guidelines of SEBI including lock-in period for the shares so allotted.

**"RESOLVED FURTHER THAT** the aforesaid new Equity Shares shall rank pari passu in all respects with the then existing fully paid up equity shares except that they shall rank for dividend, pro-rata, from the respective date of allotment of the shares".

**"RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all acts and deeds as may be required to give effect to the aforesaid Resolutions and/or to

decide and settle any question or difficulty that may arise in regard to the issue and allotment of the new equity shares as aforesaid".

**A Member entitled to attend and vote is entitled to appoint a Proxy to attend and on a poll, to vote instead of himself. The proxy need not be a member of the Company.**

(By Order of the Board)  
for KUNAL ENGINEERING COMPANY LTD.,

**B.S.DORAISWAMY**  
Secretary

Registered Office:  
202 Prestige Point  
16 Haddows Road  
Chennai 600 006

Date: 20th June 1997.

#### NOTE:

1. The relevant Explanatory Statements in respect of item nos. 5 & 6 are enclosed.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 5th August 1997 to Friday, the 8th August 1997 (both days inclusive).
3. The Company has transferred to the General Revenue Account of the Central

Government the amounts of unclaimed dividends declared upto the financial year 1992-93 and the same can be claimed by shareholders concerned from the Registrar of Companies, Tamil Nadu, Shastri Bhavan, Haddows Road, Chennai 600 006.

4. Members are requested to notify any change in their addresses.

EX-1

#### ITEM No.5

The Board of Directors of Mr. Kunal D Banerjee for a further period of June 1997 on applicable prior below pursuant to Companies Act, of the shareholders.

- a) Salary
- b) Commission

- c) Perquisite

PROVIDED, that the remuneration payable to any wholetime employee shall not exceed the limit specified in Section 198 and Schedule XIII thereon.

#### CATEGORY A

**Housing:** Furnishment with other amenities, water and furniture subject to a ceiling.

The expenditure on gas, electricity and other items shall be valued as per the prevailing rates.

## NOTICE TO THE MEMBERS

The 32nd Annual General Meeting of the Members of the Company will be held as scheduled below.

Date : Friday, the 22nd August 1997

Time : 10.15 AM

Venue : Sathguru Gananananda Hall  
(Narada Gana Sabha)  
254 TTK Road, Alwarpet  
Chennai-600 018

The Agenda for the Meeting will be as follows:

1. To receive and adopt the Profit and Loss Account for the year ended 31st March 1997 and the Balance Sheet as at that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr.K.R.Ramamani who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Mr.G.S.A.Saldanha who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr.Kunal D Banker be and is hereby reappointed as Joint Managing Director of the Company for a period of five years with effect from 22nd June 1997 on the same terms and

conditions as were applicable prior to the said date, and as detailed in the Memorandum tabled at the meeting and initialled by the Chairman for identification, subject to the limits of remuneration contained in Section 198 and 309 of the Companies Act, 1956 read with Schedule XIII thereof"

6. To consider and if thought fit, to pass, with or without modification, the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the required approvals of Financial Institutions and any other authority or body and subject to such conditions and modifications as may be prescribed in the grant of such approval and consent, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include any duly authorised Committee thereof) be and is hereby authorised to issue and allot to Mr.Deepak Banker, Mr.Kunal D Banker, their relatives, associates and friends (hereinafter referred to as the "Promoter Group") whether or not members of the Company, Equity Shares of Rs. 10/- each and /or share warrants, each warrant vesting on the holder and irrevocable and absolute right to subscribe to and be allotted within 18 months from the date of issue of warrants, one equity share of Rs.10/- each and THAT the total number of Shares so allotted either by conversion of warrants or otherwise shall not exceed 9,00,000 Equity Shares of Rs. 10/- each, in the capital of the Company for cash, the said equity shares to be allotted at the price as

salary and perquisites and allowances as specified above.

All the terms and conditons contained in the statement referred to in the Resolution under Item No. 5 of the Notice have been embodied in this Explanatory Statement.

Schedule XIII read with Sec.198 and 309 of the Companies Act, 1956 prescribe the over all limits on remuneration payable to Managing/Whole time Directors as well as minimum remuneration payable in the event of the Company having no or inadequate profits.

Mr. Kunal D Banker, has obtained Degree in Bachelor of Arts (Economics) and Bachelor of Business Administration, from the University of New Hampshire U.S.A. He joined the Company as Management Trainee in Sep. 1988.

Your Board recommends the Resolution for approval.

Mr.Kunal D Banker is interested in the Resolution as it concerns his re-appointment. Mr.Deepak Banker, Managing Director, being related to Mr.Kunal D Banker is also deemed to be interested in the Resolution.

None of the other Directors is interested or concerned in the Resolution.

#### ITEM No.6

The Special Resolution concerns issue of Equity Shares to Mr.Deepak Banker, Mr.Kunal D Banker, their associates, friends and relatives (Promoter Group). Under Section 81(1-A) of the Companies Act, a Company may offer further shares to any person whether or not they are existing equity shareholders of the Company, if a Special Resolution to that effect is passed by the Company in General Meeting.

The proposed equity issue to the Promoters on preferential basis will help: (a) to bring in additional funds into the Company which is undergoing financial and liquidity constraints and (b) to ensure the stability in the operations of the Company as well as the stability of the existing management and strengthen their commitment to the continued growth and prosperity and in the interests of the Company and its shareholders.

The pricing of the shares and conditions of the issue particularly with reference to lock-in period shall be in accordance with the Guidelines laid down by Securities and Exchange Board of India (SEBI) dated 4th August 1994 as amended from time to time and for the time being in force.

In accordance with these Guidelines the issue of shares on preferential basis shall be made at a price not less than the higher of (a) the average of the weekly high and low of the closing prices of the shares quoted on the Stock Exchange during the six months preceding the relevant date or (b) the average of the weekly high and low of the closing prices quoted on the Stock Exchange during the two weeks preceding the relevant date. The relevant date for this purpose means the date thirty days prior to the date on which the meeting of General Body of shareholders is convened to consider the proposed issue.

A Certificate of the Auditors of the company stating that the issue of the proposed Equity Shares is in accordance with the requirements contained in the SEBI Guidelines shall be placed before the meeting.

Mr.Deepak Banker, Chairman and Managing Director, and Mr.Kunal D Banker, Joint Managing Director are deemed to be interested in this Resolution to the extent of shares allotted in pursuance of the Resolution.

The 32nd Annual Meeting of the Members of the Company is scheduled below:

Date : Friday

Time : 10.30 AM

Venue : Sankar Hotel  
(Nehru Road)  
25th Floor  
Chennai

The Agenda for the Meeting is as follows:

1. To receive and consider the Accounts for the year 1997 and the Report thereon.
2. To appoint Mr.K.R Ramani as Auditor and being reappointed.
3. To appoint Mr.G.S.A. Sankar as Auditor and being reappointed.
4. To appoint Mr.K.R Ramani as Auditor and being reappointed.

#### SPECIAL BUSINESS

5. To consider and pass the Special Resolution and to appoint Mr.K.R Ramani as Auditor and being reappointed.

"RESOLVED  
and is hereby  
Managing Director  
period of five  
June 1997

## EXPLANATORY STATEMENT PURSUANT TO SECTION 172(2) OF THE COMPANIES ACT, 1956

### ITEM No.5

The Board of Directors have reappointed Mr. Kunal D Banker as Joint Managing Director for a further period of 5 years effective from 22nd June 1997 on the same terms as were applicable prior to that date and as detailed below pursuant to Schedule XIII of the Companies Act, 1956 subject to the approval of the shareholders.

- a) Salary : Rs.35,000 per month
- b) Commission : At the rate of 2% on the net profits of the Company, computed in the manner laid down in the Companies Act, 1956.
- c) Perquisites : The perquisites are classified into three categories as follows:

PROVIDED, however, that the overall remuneration payable to all the Directors in wholtime employment of the Company shall not exceed the limits specified under Section 198 and Section 309 of the Act read with Schedule XIII thereof.

### CATEGORY A

**Housing:** Furnished accommodation together with other amenities including gas, electricity, water and furnishings or House Rent allowance subject to a ceiling of 60% of the Salary.

The expenditure incurred by the Company on gas, electricity and water and furnishings shall be valued as per the Income Tax Rules 1962.

b. **Medical Reimbursement:** Expenses incurred by the Joint Managing Director and his family.

c. **Leave Travel Concession:** For the Joint Managing Director and his family once in a year incurred in accordance with Leave Travel Rules specified by the Company.

d. **Club Fees:** Fees of clubs.

e. **Personal Accident Insurance:** Premium not to exceed Rs.10,000/- per annum.

For the purpose of determining the perquisites the family means the spouse, the dependent children and dependent parents.

### CATEGORY B

Contribution to Provident Fund, superannuation fund or annuity will not be included in the computation of perquisites to the extent these either singly or put together are not taxable under the Income-tax Act. Encashment of leave at the end of tenure and Gratuity payable shall not exceed half a month's salary for each completed year of service.

### CATEGORY C

Provision of Car for use on the Company's business and telephone at residence will not be considered as perquisites. However, the Joint Managing Director will be billed by the Company for personal long distance calls or telephone and use of car for private purpose only.

**Minimum Remuneration :** In the event of absence or inadequacy of profits in any financial year, company will pay remuneration by way of

**Board of Directors**

DEEPAK BANKER *(Chairman & Managing Director)*

KUNAL D BANKER *(Joint Managing Director)*

R S PEDDAR

K R RAMAMANI

G S A SALDANHA

T KANNAN

R VENKATARAGHAVAN *(Nominee of ICICI)*

R V KANORIA

D LAKSHMINARAYANASWAMY

CHANDRAHAS K THACKERSEY

DEEPAK NAVANITLAL

**Bankers**

UNION BANK OF INDIA

STATE BANK OF INDIA

INDIAN BANK

THE CATHOLIC SYRIAN BANK LTD

**Auditors**

SHAH & DESAI *Chartered Accountants*

FRASER & ROSS *Chartered Accountants*

**Registered Office**

202, Prestige Point

16, Haddows Road

Chennai - 600 006

**Administrative Office & Factory**

22, Industrial Estate

Ambattur, Chennai-600 058

**Sales Offices**

505, Aniket Building

5th Floor

Navarangpura

Ahmedabad-380 009

85, C/7, North Gate Road

(New Colony Road)

S S Colony

Madurai-625 016

Mittal Towers

616, 'B' Wing

47(6), M G Road

Bangalore-560 001

901, Vikram Towers

16, Rajindra Place

New Delhi-110 008

Mittal Court 'B' Wing

14th Floor

No.141, Nariman Point

Bombay-400 021

Raheja Centre, 2nd Floor

Block 'A', Office No.201 & 202

P.B. No.3935, 1074, Avanashi Road

Coimbatore-641 018

## SUMMARISED ACCOUNTS

BALANCE SHEET AS AT  
31ST MARCH, 1997

	1997	1996
	(Rs. in Lacs)	(Rs. in Lacs)
<b>APPLICATION OF FUNDS :</b>		
Fixed Assets	4117.34	4272.01
Less: Depreciation	2119.22	1895.79
Net Block	1998.12	2376.22
Investments	13.54	22.03
Net Current Assets	1638.73	1687.96
Misc. Expenditure	68.23	77.16
<b>TOTAL</b>	<b>3718.62</b>	<b>4163.37</b>

## SOURCE OF FUNDS :

Share Capital	654.81	653.17
Reserves & Surplus	1114.57	1513.86
Shareholders' Funds	1769.38	2167.03
Loans	1949.24	1996.34
<b>TOTAL</b>	<b>3718.62</b>	<b>4163.37</b>

PROFIT AND LOSS ACCOUNT FOR  
THE YEAR ENDED 31ST MARCH, 1997

	1997	1996
	(Rs. in Lacs)	(Rs. in Lacs)
<b>INCOME :</b>		
Sales(including Excise Duty)	2746.86	3653.81
Other Income	143.01	115.88
<b>TOTAL</b>	<b>2889.87</b>	<b>3769.69</b>
<b>EXPENDITURE :</b>		
Raw materials, stores, wages & other expenses	2653.68	3348.37
Interest	380.55	270.17
Depreciation	245.64	217.62
<b>TOTAL</b>	<b>3279.87</b>	<b>3836.16</b>
Profit/(Loss)	-390.00	-66.47
Provision for Tax	0.00	0.00
Profit after Tax	-390.00	-66.47
<b>Less:</b>		
Provision for tax relating to prior years	12.58	0.00
<b>Add :</b>		
Profit b/f from previous year	5.79	127.74
Dividend	0.00	55.48
Balance carried to Balance Sheet	-396.79	5.79

## FINANCIAL

## Particulars

## PRODUCTION

Spindles  
Inserts  
Rings  
Tapes (Sq.  
Yarn Carrier

## SALES (NOS)

Spindles  
Inserts  
Rings  
Tapes (Sq.  
Yarn Carriers

## RESULTS FROM

Turnover (incl  
Gross Earn  
Depreciation  
Profit before  
Interest  
Profit/(loss)  
Tax  
Profit after tax

## FINANCIAL STAT

Fixed Asset  
Net Current  
Net Worth  
Loans  
Capital Em

## MEASUREMENT

PBIT/Net Sale  
PBT/Net Sale

## MEASUREMENT

Debt Equity  
Current Ratio  
Asset Cove  
Earnings per sh



## FINANCIAL HIGHLIGHTS

Particulars	1997	1996	1995	1994	1993
<b>PRODUCTION (NOS IN LACS)</b>					
Spindles	4.89	6.24	8.66	6.93	4.77
Inserts	4.53	6.15	8.35	7.09	4.57
Rings	6.99	5.74	5.92	7.09	8.35
Tapes (Sq. mts lacs)	0.00	0.02	0.02	0.02	0.03
Yarn Carriers	61.40	72.31	78.13	79.15	75.73
<b>SALES (NOS IN LACS)</b>					
Spindles	4.63	6.19	8.86	7.24	4.67
Inserts	4.52	6.09	8.35	7.14	4.72
Rings	6.57	5.66	5.99	7.38	8.01
Tapes (Sq. mts lacs)	0.00	0.02	0.02	0.03	0.03
Yarn Carriers	59.65	72.25	79.36	77.68	77.36
<b>RESULTS FROM OPERATION (RS IN LACS)</b>					
Turnover (including Excise duty)	2889.87	3769.69	3963.80	3346.44	2734.29
Gross Earnings	236.19	421.32	840.56	680.57	609.79
Depreciation	245.64	217.62	207.02	198.15	259.10
Profit before interest	-9.45	203.70	633.54	482.42	350.69
Interest	380.55	270.17	313.80	252.61	223.00
Profit/(loss) before tax	-390.00	-66.47	319.74	229.81	127.69
Tax	0.00	0.00	70.00	65.00	25.00
Profit after tax	-390.00	-66.47	249.74	164.81	102.69
<b>FINANCIAL STATUS</b>					
Fixed Assets - Gross	4117.34	4272.01	3602.95	3423.39	3131.50
- Net	1998.12	2376.22	1924.07	1950.49	1704.34
Net Current Assets	1638.73	1687.96	1257.72	790.28	955.64
Net Worth	1701.15	2089.87	1571.44	1184.10	949.72
Loans	1949.24	1996.34	1647.62	1578.70	1732.29
Capital Employed	3650.39	4086.21	3219.06	2762.80	2682.01
<b>MEASUREMENT OF PERFORMANCE</b>					
PBIT/Net Sales (%)	—	5.92	17.92	15.96	14.46
PBT/Net Sales (%)	—	—	9.04	7.60	5.27
<b>MEASUREMENT OF FINANCIAL STATUS</b>					
Debt Equity Ratio	0.75:1	0.60:1	0.75:1	1.09:1	1.40:1
Current Ratio	1.57	1.13	1.69	1.43	1.55
Asset Coverage	1.92	2.05	1.88	1.65	1.29
Earnings per share	—	—	7.18	6.54	4.08

## CHAIRMAN'S STATEMENT

We have passed through yet another year of dismal performance of the Textile Spinning Industry. The Industry, to my recollection, has not faced such unfavourable conditions, for such a prolonged period. Except Spinning Mills which are wholly or predominantly export oriented, the rest are facing extreme adverse market conditions, with low offtake, high input costs and unprofitable realizations. This situation has badly affected every company which caters to this Industry.

For your Company, which is the largest supplier of spindles to the replacement market the adverse situation in the Textile Industry has translated into poor capacity utilization — about 45%, resulting in vastly reduced profit before interest and depreciation of Rs. 236 lakhs; with a steep increase in interest charges to Rs. 380 lakhs, and depreciation provision of Rs. 246 lakhs, there was a loss of Rs. 390 lakhs for the year.

We had initiated stringent measures to curtail costs, but for which the loss would have been even higher. In this context, I must compliment our employees at all levels who have readily responded to these economy measures with cooperation and understanding. They have readily accepted, that in times of difficulty such as now, all have to play their part and contribute their mite however small it may be.



In the unfavourable domestic situation the only shining factor for your Company was increasing exports. The Company continues to search for new markets while strengthening existing ones and hopefully succeed in greater exports in the near future. These efforts to materialise into orders is time consuming, but I am confident that in the current year itself, we will see the beginning of the fruition of these efforts. We have in the first three months of the current year achieved about fifty percent of the total exports of the previous year. This is a good augury.

Kunal Engineering is a quality-driven Company. Our entire focus is on constant improvement of quality. We are trying to bring about continuous improvement in the design of the products, enabling our customers achieve increased productivity and better realisation on sales of yarn. Our employees, members of the House of Kunal, take pride in the fact that quality comes before everything else. We do make mistakes. As with the case of any one who constantly strives for betterment, there have been set backs. We have never been deterred by these, on the contrary the failures have only made Kunal men and women more determined to succeed, by learning from the mistakes and to keep up the pace of development.

It is this constant effort that has put us ahead of the rest in the industry. It is that our own country or outside that anything can be inferior to us is a challenge you are prepared to overcome. It takes time, and experience.

During the year, we conducted a field test, a successful one which gives Mill to 5% compaction.

We are working to expect to be at the second half of the new spinners' substantial benefit in productivity, and pollution. In truly international.

We are also continuing to work on improving scheduled for current financial.

It is my firm belief that the textile industry Government has created a Model.