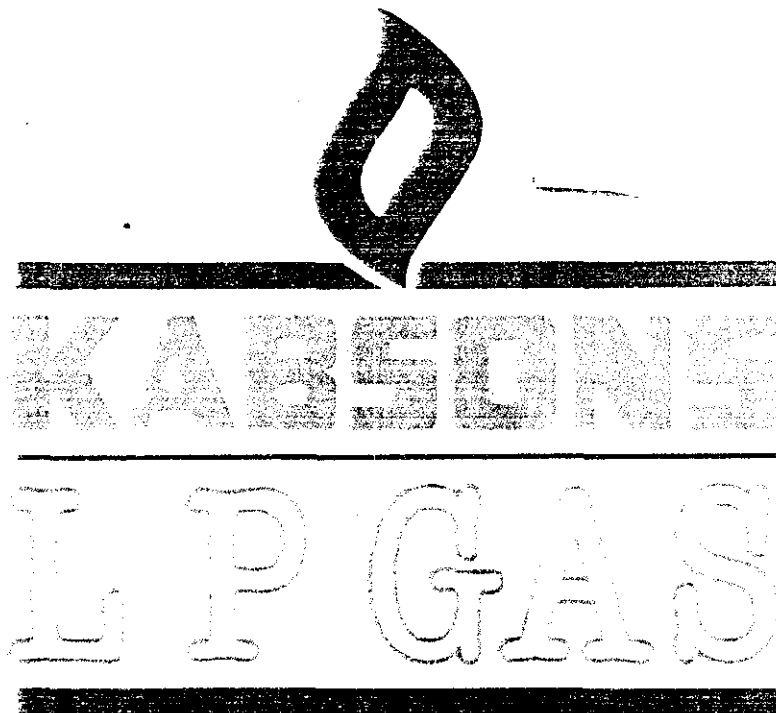


7th Annual Report 1998-99



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Kabsons Industries Limited

FORGET THE HASSLES OF KEROSENE!

GET KABSONS LP GAS

AFFORDABLE

AVAILABLE

PORTABLE



Please
check the
seal before
you buy

• **The Right Size** - The 5.5 Kg Kabsons LP Gas brings you convenience with its low refill cost and portable size. It lasts 20-25 days - ideal for an average family of 4-5 members.

• **Readily Available** - Assured refills through a countrywide dealer network and 17 bottling plants.

• **Trusted Kabsons Name** - Kabsons Industries Limited, a member of the 20 year old Kabsons Group, India's leading LPG company, brings you Kabsons LP Gas in collaboration with SHV Energy, a world leader in the LPG business.

Ask your dealer
about the
**Anand Anubhav
Offer**



KABSONS
LP GAS
THE SENSIBLE CHOICE

Available at all leading stores

MEMBER KABSONS GROUP



KABSONS INDUSTRIES LIMITED

BOARD OF DIRECTORS : G.K. KABRA *Chairman*
 HUBERTUS LOUIS
 MARIE VAN DE VEN *Director (upto 19-08-'99)*
 B. SHANKAR *Director*
 PATRIK G. LIBIHOUL *Director (from 19-08-'99)*
 SOUMO BOSE *Director*
 FRANK SCHRETLEN *Director (from 25-01-'99)*
 RAJIV KABRA *Executive Director*

COMPANY SECRETARY : S.J. RAO

AUDITORS : M/s. BRAHMAYYA & CO.,
 Chartered Accountants,
 4-1-920, Tilak Road,
 Abids, Hyderabad - 500 001.

BANKERS : ANDHRA BANK,
 Balanagar,
 Hyderabad - 500 037.

STATE BANK OF INDIA,
 Yellareddyguda,
 Hyderabad - 500 073.

REGISTERED OFFICE : Plot No. 48, 8-3-1087,
 Srinagar Colony,
 Hyderabad - 500 073.

SHARE TRANSFER AGENTS : M/s. SHWETA COMPUTERS LIMITED,
 "Devaki Chambers",
 1-7-74/79, S.D. Road,
 Secunderabad - 500 003.

FACTORY : Plot No. B-3,
 Phase 1, MIDC,
 Waluj, Aurangabad - 431 133.

FILLING PLANTS : Aurangabad, Dharwad, Jaipur, Jalpaiguri, Nagpur,
 Rajkot, Rohtak, Baroda, Bhubaneswar, Kanpur,
 (Pudukottai), Patna, Ranchi, (Vizianagaram)



KABSONS INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the 7th Annual General Meeting of the Members of the Company will be held on Monday, the 27th September, 1999, at Surana Udyog Auditorium, Federation of A.P. Chamber of Commerce and Industry at 11-6-841, P.B.No.14, Red Hills, Hyderabad - 500 004, at 4.30 PM to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1999 and Profit and Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. B. Shankar, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office, from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorise the Board of Directors of the Company to fix their remuneration. Messrs Brahmayya & Co., Chartered Accountants, Hyderabad, retire and are eligible for reappointment.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass the following Resolution with or without modifications, as an Ordinary Resolution :
 "RESOLVED THAT in accordance with his request and to comply with Article 104A of the Articles of Association, Mr. G.K. Kabra is and will henceforth be a Director who is liable to retire by rotation."
 "RESOLVED FURTHER THAT it be and is hereby confirmed that Mr. Rajiv Kabra, Executive Director continues to be a non-retiring Director representing "Kabra" in accordance with Article 104A of the Articles of Association of the Company."
5. To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :
 "RESOLVED THAT pursuant to Article 104A of the Articles of Association of the Company, Mr. Patrik G. Libihoul be and is hereby appointed as non-retiring Director with effect from 19th August, 1999, in place of Mr. H.L.M. Van de Ven who was a non-retiring Director representing SHV on the Board of Directors of the Company from 13th June, 1998 and who resigned on 19th August, 1999."
6. To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :
 "RESOLVED THAT Mr. Frank Schretlen be and is hereby appointed as a Director whose Term of Office is liable for retirement by rotation."
7. To consider and, if thought fit, to pass the following Resolution, with or without modification(s), as a Special Resolution :
 "RESOLVED THAT deletion of the words "of an Additional Director" and "and 104" in fifth and sixth lines of Article 108 of the Articles of Association of the Company respectively, be and is hereby approved, whereafter the amended Article 108 shall read as under.
 "At the Annual General Meeting of the Company to be held in every year, one-third of such of the Directors as are liable to retire by rotation for the time being or, if their number is not three or a multiple of three, then the number nearest to one third shall retire from office, and they will be eligible for re-election provided nevertheless that the Managing Director or a Director appointed under Article 117 or the Director appointed as Special Director or ex-officio Director under Article 102 hereof shall not retire by rotation under this Article nor shall they be included in calculating the total number of Directors of whom one-third shall retire from office under this Article."
8. To consider and, if thought fit, to pass the following Resolution, with or without modification(s), as a Special Resolution :
 "RESOLVED THAT insertion of a new Article 104B after existing article 104A, reading as under, be and is hereby approved."
 "104B. The Board shall have the right to appoint Directors nominated by either "Kabra" or "SHV" as non-retiring Directors as per Article 104A. Such appointment shall be made immediately upon receipt of communication of such nomination in the Registered Office, either in a Board Meeting or by approving a circular resolution. Such appointment would not require approval from shareholders in a general meeting."

Place : Hyderabad,
Date : 31.07.1999.

By order of the Board,
S.J. RAO
Company Secretary



KABSONS INDUSTRIES LIMITED

NOTES:

- a) A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company. Proxies in order to be effective, the proxy form must be duly completed, stamped and signed and shall be deposited at the Corporate Office of the company, not less than 48 hours before the commencement of the Meeting.
- b) The Members are requested to notify immediately any change of address to the Corporate Office quoting their Registered Folio No.
- c) The Members are requested to bring the Annual Report along with them at the time of Annual General Meeting and are also requested to send their queries, if any, on the adoption of accounts, well in advance, so as to enable the Company to place relevant records and information at the Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

Item No. 4 : In accordance with the provisions of Article 104A of the Articles of Association ("AOA") of the Company, both "SHV" and "Kabra" have a right to appoint one non-retiring Director each. In accordance with Article 117 of the AOA, the Executive Director would be a Director not liable to retire by rotation. Kabra had nominated Mr. G.K. Kabra to be the non-retiring Director and he had been appointed as such. However, in his capacity as Executive Director, Mr. Rajiv Kabra would also be a non-retiring Director.

In order to comply with Joint Venture Agreement, and considering Articles 104-A and 117 of the Articles of Association of the Company, Mr. G.K. Kabra who was appointed as Non-retiring Director by the Shareholders at the 4th Annual General Meeting of the Company, has opted to become a Director liable to retire by rotation. The Company has received a letter from Mr. G.K. Kabra to this effect.

A resolution is, therefore, proposed to note the status of Mr. G.K. Kabra from non-retiring Director to a retiring Director and to confirm the continuance of Mr. Rajiv Kabra, Executive Director as the non-retiring Director representing Kabra. The Directors whose appointment is being confirmed in the resolution may be deemed to be interested in the proposed resolution. None of the Directors are personally interested in the resolution.

Item No. 5: As per the terms of the Joint Venture Agreement between SHV Energy India Limited and the Kabras, and in accordance with Article 104A of the Articles of Association, SHV Energy India Limited have nominated Mr. Patrick G. Libihoul as a non-retiring Director, consequent to the resignation of Mr. H.L.M. Van de Ven as a Director of the Company. Mr. H.L.M. Van de Ven was appointed as the non-retiring Director by filling the casual vacancy caused by the resignation of Mr. Robert West in the Board meeting held on 13th June, 1998. The members are requested to consider the same. None of the Directors have any personal interest in the proposed resolution.

Note: No separate proposal under Section 257 of the Companies Act, 1956 is deemed necessary in respect of above item Nos. 4 and 5, by virtue of Joint Venture Agreement.

Item No. 6: Mr. Frank Schretlen nominated by SHV Energy India Ltd., pursuant to provision of Joint Venture Agreement has been co-opted as Additional Director of the Company on 25-01-1999. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as a Director upto the date of this Annual General Meeting.

Mr. Frank Schretlen is a post Graduate in Business Management with more than 12 years experience in sales and marketing. The Board considers that the continuation of Mr. Frank Schretlen on the Board would be beneficial to the Company.

Mr. Patrik G. Libihoul, Mr. Soumo Bose and Mr. Frank Schretlen are deemed to be interested in the above Resolution.

Item No. 7: In order to make the meaning of Article 108 clear the amendments in the Article were proposed.

Item No. 8: The Articles of Association of the Company presently do not provide any authority to the Board to appoint the non-retiring Director though the AOA very clearly restricts the number of non-retiring Directors to be appointed (two in number) and who may nominate such non-retiring Directors (one each by SHV and Kabra, as the term is defined in the AOA). Therefore, there is adequate control in the number and manner of appointing non-retiring Directors. To ensure that the Board is empowered to fill in any vacancy caused in the office of the non-retiring Director, it is proposed that the AOA be amended to give the Board the power to appoint the non-retiring Directors. None of the Directors have any personal interest in the proposed resolution.

The Directors commend the above resolutions for your consideration.



KABSONS INDUSTRIES LIMITED

DIRECTORS' REPORT

To

The Members of Kabsons Industries Limited,

Your Directors have pleasure in presenting the 7th Annual Report and Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS :

	(Rs. in Lakhs)	
	Year ended	Year ended
1. Sales & Other Income	31.3.99	31.3.98
2. Profit before Interest, Financial Charges and Depreciation	479.79	366.65
3. Interest and Financial Charges	(148.21)	(11.11)
4. Depreciation	40.35	33.95
5. Profit after Interest, Financial Charges and Depreciation.	116.48	74.46
	(305.04)	(119.52)

PROJECT IMPLEMENTATION :

The management of the Company has reviewed the economics of the various bottling plants, in light of the medium to long term LPG market scenario, competition and policy/fiscal environment. As a result of this review, the Board of Directors decided not to pursue the implementation of plants at Vizianagaram and Pudukkottai where further capital investment shall be uneconomical. The management would, as part of an ongoing exercise, continue to review capacity utilisation of all bottling plants/cylinder manufacturing unit and take necessary steps to increase utilisation and efficiency to improve returns from capital employed in future.

PERFORMANCE :

During the year, the LPG markets have been extremely difficult for the private marketeers. Against the backdrop of economic slowdown, industrial recession and political uncertainties, there was no significant progress in the liberalisation of the energy sector which would have provided an even playing field for private marketeers of LPG. The position was further accentuated by oversupply situations in certain markets, which put pressure on prices as well as margins. The private LPG industry at large was adversely affected by these external market factors, against which your company could not insulate itself.

PRODUCTION, PROCUREMENT AND TRANSPORTATION :

Production at your Company's cylinders plant has been dovetailed to suit marketing plan. Besides, indigenous procurement, LPG has been imported in two parcels to meet the requirement. Your Company's LPG tanker fleet has been put to optimum use which supplemented the revenue income besides meeting Company's transportation requirements.

MARKETING OPERATIONS :

During the year under review, your Company commenced marketing operations in Bihar and Madhya Pradesh. This is in addition to existing operations in Andhra Pradesh, Karnataka, Maharashtra, Gujarat, West Bengal and Orissa. The expansion of marketing/distribution network has resulted in additional investment. The management continues to review the returns from these investments. Necessary steps will be taken to restructure the network/reallocate resources to focus on profitable segments/markets and to withdraw from markets with little or no profit potential in the near term.

PERSPECTIVE :

Your Directors are committed to take necessary steps to improve the company's profitability and financial position. While the external markets and policy environment are difficult, the management is reviewing various options to restructure the company's business to deliver improved shareholder returns. Strategies are being evolved which include focussing on niche markets which has reasonable profit potential, controlled