



KANCO

KANCO ENTERPRISES LIMITED


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(Formerly : Tuscon Resources Limited)

Annual Report & Accounts 1998-99

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BOARD OF DIRECTORS
Sri U. Kanoria
Chairman & Managing Director
Sri Atul Doshi
Wholetime Director
Sri K. K. Bajoria
Sri G. Momen
Directors
COMPANY SECRETARY
Kavita Bhavsar
AUDITORS
M/s. Jain & Co.
Chartered Accountants
BRANCH AUDITORS
M/s. Dalal & Shah
Chartered Accountants
COST AUDITORS
M/s. N D Birla & Co.
Cost Accountants
BANKERS
State Bank of India
Punjab National Bank
ICICI Banking Corporation Ltd.
REGISTERED OFFICE

 9, Biplabi Trailokya Maharaj Sarani
 (Formerly Brabourne Road), 5th Floor
 Calcutta 700 001, India

BRANCH OFFICE

207, Shitiratna

2nd Floor, Panchavati Circle

Ahmedabad 380 006

TEA DIVISION
Mackepore Tea Estate

P.O. Nazira

Dist. Sibsagar (Assam)

Poloi Tea Estate

P.O. Poloi

Dist. Cachar (Assam)

TEXTILE DIVISION
Asarwa Overseas

Village : Walthera

Taluka : Dholka

Dist. Ahmedabad (Gujarat)

SHARE REGISTRARS
ABC Computers Private Limited

Jadavpur University Campus

Jadavpur, Calcutta 700 032



NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the EIGHTH ANNUAL GENERAL MEETING of the Members of KANCO ENTERPRISES LIMITED will be held at "KALAKUNJ", 48, Shakespeare Sarani, Calcutta - 700 017 on Friday, the 3rd day of September, 1999 at 11.30 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive and adopt the Audited Balance Sheet as at March 31, 1999, Audited Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Sri K. K. Bajoria who retires by rotation, being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

4. SALE OF POLOI TEA ESTATE

To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other consents, sanctions, approvals or permissions, as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board") to sell and transfer as a going concern the Poloi Tea Estate comprising of agricultural land and other related assets, situated at P.O. Poloi, District : Cachar in the State of Assam, in favour of Assam Poloi Tea Plantation Private Limited for a consideration of Rs. 2,71,00,000/- (Rs. two crore seventy one lacs only) on the terms and conditions contained in the Agreement dated July 14, 1999 made between the Company as the Vendor of one part and Assam Poloi Tea Plantation Private Limited of the other part."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, for giving effect to the agreement and to sign and execute all such applications, deed of conveyance, other documents and writings as they may consider necessary, fit and proper for the purpose of giving effect to the Agreement and the Board be and is hereby also authorised to make and accept such modifications in the foregoing as it may, in the best interest of the Company and the shareholders, deem appropriate."

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

"RESOLVED THAT the Board of Directors be and is hereby authorised to appoint individual(s) or firm other than the Company's Auditors at Head Office, as Branch Auditors pursuant to Section 228 of the Companies Act, 1956 and to fix their remuneration for the audit of accounts of its Textile Division at Ahmedabad for the financial year ending 31st March, 2000."

Registered Office :
9, B.T.M. Sarani,
Calcutta-700 001
15th day of July, 1999

By Order of the Board
For KANCO ENTERPRISES LIMITED

KAVITA BHAVSAR
Company Secretary



NOTICE OF ANNUAL GENERAL MEETING (Contd.)

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL, INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is appended below.
4. The Register of Members and Share Transfer Register shall remain closed with effect from August 24, 1999 to September 3, 1999 (both days inclusive).
5. Members are requested to bring their copy of the Annual Report to the meeting.

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

Item No. 4

SALE OF POLOI TEA ESTATE

Your Directors conducted strategic review of all businesses and processes and it has been concluded that the future prospects of Poloi Tea Estate located in Cachar District are not very bright in view of shift in perception of market in favour of quality teas. Cachar teas are perceived to be of common medium type and fetch lower realisation. Considering all aspects, it has been decided to dispose of Poloi Tea Estate.

As such the Company has entered into an Agreement for sale dated July 14, 1999 with Assam Poloi Tea Plantation Private Limited on the terms and conditions contained therein. The proposed sale of Poloi Tea Estate is subject to the necessary approval from the shareholders and relevant authorities and due compliance with the provisions of other acts as may be applicable.

Section 293(1)(a) of the Companies Act, 1956 stipulates your approval to the Board of Directors' decision to sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company. Your Directors recommend, for your approval, the proposed resolution.

A copy of the aforesaid Agreement setting out the terms and conditions for the sale is available for inspection at the Registered Office of the Company between 10.30 A.M. and 12.30 P.M. on any working day and will also be available for inspection at the meeting.

None of the Directors is concerned or interested in the resolution.

Item No. 5

The Company has decided to appoint Branch Auditors other than the Auditors appointed at Head Office for carrying out audit of the accounts of its Textile Division at Ahmedabad in Gujarat. The resolution seeks to obtain the Members' consent as required under Section 228 of the Companies Act, 1956. The Directors recommend the resolution for your acceptance.

None of the Directors is concerned or interested in the said resolution.



DIRECTORS' REPORT

Dear Shareholders,

The Directors present their Eighth Annual Report and Audited Accounts for the year ended on 31st March, 1999.

FINANCIALS

Financial performance is as follows :

	1998-99 (Rs. in lacs)	1997-98 (Rs. in lacs)
Profit before Interest, Depreciation and Tax	820.06	974.00
Less : Interest	500.28	503.28
Gross Profit for the year	319.78	470.72
Less : Depreciation	378.90	357.89
: Taxation	36.14	39.80
(Loss)/Profit after tax	(95.26)	73.03
Add : Balance Brought Forward from Last Account	40.81	0.13
Less : Short Provision of Tax for earlier year	—	0.01
(Loss)/Profit Available for Appropriation	(54.45)	73.15
Appropriation :		
Dividend on Preference Shares	—	0.54
Tax on Dividend	—	0.05
Transfer to Debenture Redemption Reserve	—	31.25
Transfer to Preference Share Redemption Reserve	—	0.50
Balance Carried to Balance Sheet	(54.45)	40.81
	(54.45)	73.15

DIVIDEND

Due to loss, your Directors regret their inability to recommend any dividend on shares for the year under review.

REVALUATION OF ASSETS

Book Value of assets of Mackeypore and Poloi Tea Estates bore no relation to replacement cost and therefore your Directors decided to revalue them to show realistic value of the said assets. Upon revaluation, aggregate value of these assets stands increased by Rs. 1344.87 lacs as on April 1, 1998.

LISTING OF SHARES

Your Company has applied to the Calcutta Stock Exchange for exemption under Section 19(2)(b) of the Securities Contracts (Regulations) Rules, 1957. All efforts are being made to get Equity Shares listed as early as possible.

OPERATIONS

Tea Division

For the year ended on March 1999, Tea Industry produced 850.2 million kgs. which was a record crop. During early part of the year, the prices ruled firm but started declining towards later half of the year in view of increased supply of tea. Your Directors are happy to report that the developmental efforts of the previous years have now started yielding crop as a result of which production of this division was higher at 19.50 lac kgs. against production of 17.45 lac kgs. for the previous year. It needs to be borne in mind that production of both the years is not comparable in view of severe hail storm in the first week of April 1997 which affected the crop of Poloi Tea Estate. Higher crop coupled with lower realisation and increased costs resulted in marginally lower profits which is in line with industry trend.


KANCO ENTERPRISES LIMITED

DIRECTORS' REPORT (Contd.)

Severe drought in the North-east during March to May of current year resulted in huge loss of crop. All India crop declined by about 50 million kgs. till end May. Your Company also lost crop till end May but with proactive steps there has been no further loss in crop when compared on a month to month basis after May. With sluggish market and lack of Russian Orders, the prices of common medium teas were affected adversely. Your Company caters to premium segment and has been able to realise its premium owing to strong focus on manufacturing quality produce. With Russian Orders expected in near future, it is expected that prices of teas should rule firm, resulting in improved margins for this division.

Fiscal incentives under Section 33 AB of the Income Tax Act, 1961 is being availed and the funds would be deployed for the development of tea estate in accordance with the provisions and Company's policy.

During the year ended on March 31, 1999 the Company planted over 15 hectares and it plans to continue to add new areas under tea by planting about 30 hectares per annum.

Textile Division

Recessionary conditions prevailing in the major export market coupled with high raw material costs severely affected working results of this division. The division continued to operate at optimum capacity levels and the quality of products was well received in the international markets, but prices were low on account of depressed market conditions.

It is very heartening to note that the efforts of this division in the field of exports have been appreciated and Export House Status has been conferred in recognition of the same.

The division also undertook a developmental programme the salient features of which are :

- a) Reduction in cost of power by setting up a HFO based generator.
- b) Debottlenecking its plant to obtain higher productivity.
- c) Higher value addition by setting up more combers and yarn clearers to produce contamination free yarn.

These programmes were funded by loans from IDBI and IFCI. Work on this front progressed satisfactorily and will be completed well within schedule. The prospects of this division appears to be brighter with full benefits of the new capital expenditure expected to improve margins and with more favourable raw material prices as compared to last year.

SALE OF POLOI TEA ESTATE

Your Directors conducted strategic review of all businesses and processes and it has been concluded that the future prospects of Poloi Tea Estate located in Cachar District are not very bright in view of shift in perception of market in favour of quality teas. Cachar teas are perceived to be of common medium type and fetch lower realisation. Considering all aspects, it has been decided to dispose of Poloi Tea Estate and a resolution seeking Shareholders' permission to disposal of this undertaking is included in the Notice of the ensuing Annual General Meeting.

YEAR 2000 (Y2K) COMPLIANCE

Your Company has undertaken a detailed review of the implications of the Y2K issue and has taken all steps to be fully Y2K compliant by October, 1999. The cost of such compliance has been estimated at Rs. 4 lakhs, which will be entirely funded through internal accruals.

DIRECTORS

Pursuant to Section 256 of the Companies Act, 1956, Shri K. K. Bajoria retires by rotation and being eligible, offers himself for re-appointment.

AUDITORS

Messrs Jain & Company, Chartered Accountants, Auditors of the Company retire at the conclusion of the Eighth Annual General Meeting and express their willingness to continue if so appointed.

AUDITORS' REPORT

As regards the Auditors' comments, the Note No. 14 & 17.7(c) and (d) in the Notes on Accounts covered under Schedule 20 are self explanatory.

**KANCO ENTERPRISES LIMITED****DIRECTORS' REPORT (Contd.)****PERSONNEL**

The Board expresses its appreciation of the contribution of employees at all levels. A statement pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to and forms part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement showing additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo, as required pursuant to 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 is annexed herewith forming part of this Report.

ACKNOWLEDGEMENT

The Directors wish to record their appreciation for co-operation and assistance extended by the Banks and Participating Financial Institutions, Suppliers and all employees.

For and on behalf of the Board

Calcutta,
15th day of July, 1999

U. KANORIA
Chairman





KANCO ENTERPRISES LIMITED

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER 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 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1999

(a) Energy Conservation measures taken :

In order to stop wastage of energy, the Company has given a great deal of importance for conserving energy which could keep the energy cost of manufacturing process under a tight control. The Textile Division has taken various steps to reduce consumption of energy by increasing productivity levels etc. However, reduction in per unit consumption of energy has been effected in the following manner.

During the year under review :

- (i) We have conducted energy conservation studies with the help of ATIRA (Ahmedabad Textile Industry's Research Association) to identify the areas where there is scope for reduction in the energy consumption.
- (ii) Installed Auto Voltage Regulator in lighting circuit for energy conservation.
- (iii) Switched over to energy efficient spindle oils in the Spinning Department which will reduce energy consumption upto 1.5 percent.
- (iv) We have started replacement of motors wherever the energy efficient motors are necessary instead of ordinary induction motors.

(b) Total energy consumption per unit of production is furnished in the prescribed Form "A" annexed hereto.

FORM-A
Particulars with respect to Conservation of Energy

	TEA		TEXTILE	
	Current Year	Previous Year	Current Year	Previous Year
(A) POWER & FUEL CONSUMPTION				
(1) Electricity				
(a) Purchased (Units)	9,81,122	8,04,691	89,16,180	87,97,980
Total Amount (Rs.)	38,51,895	30,29,339	3,44,92,737	3,13,54,937
Rate/Unit (Rs.)	3.93	3.76	3.87	3.56
(b) Own Generation				
i) Through Diesel (Units)	5,12,250	3,80,346	84,17,616	78,64,654
Unit per ltr. of Diesel	4.44	3.68	3.51	3.52
Cost/Unit (Rs.)	2.35	2.61	2.26	2.73
ii) Through Steam Turbine/Generator (Units)	—	—	—	—
Unit per ltr. of Fuel/Gas (cm3)	—	—	—	—
Cost/Unit (Rs.)	—	—	—	—
(2) Coal (Specify quality and where used)				
Quantity (Tonnes)	290	215	—	—
Total Cost (in Rs.)	3,17,522	2,82,067	—	—
Average Rate (Rs.)	1,095	1,312	—	—
Quality : Dust khasi, 4500 kilo calories/kg. used in drier : Ash 40% to 60% and 30% to 35%				
(3) Furnace Oil				
Quantity (K. Ltr.)	16	5	—	—
Total Amount (Rs.)	1,37,289	37,528	—	—
Average Rate (Rs.)/K.Ltr.	8,414	7,217	—	—
(4) Others/Internal Generation				
(a) Gas :				
Quantity (cm3)	14,72,330	15,44,831	—	—
Total Cost (Rs.)	18,07,139	15,58,057	—	—
Rate/Unit (Rs./cm3)	1,227	1,009	—	—



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ANNEXURE TO DIRECTORS' REPORT (Contd.)

FORM-A (Contd.)

(B) CONSUMPTION PER UNIT OF PRODUCTION

	Unit	Current Year	Previous Year
(i) Black Tea	Kgs.		
Electricity	Unit	0.77	0.68
Furnace Oil	Ltrs.	0.04	0.02
Coal (Quality as above)	Kgs.	0.74	0.85
Gas	CM3	0.94	1.04
(ii) Yarn	Kgs.		
Electricity	Unit	4.79	4.86
Coal	Kgs.	—	—

For the above, there is no prescribed standard.

FORM-B

RESEARCH & DEVELOPMENT (R & D)

- (1) Specific areas in which R & D carried out by the Company

TEA

The Division subscribes to Tea Research Association which is registered u/s 35(1) (ii) of the Income Tax Act, 1961.

- (2) Benefits derived as a result of the above R & D

The Division benefits from the suggestions received from the Association out of R & D activities.

- (3) Future plan of action

The Division wishes to continue the membership of Tea Research Association.

- (4) Expenditure on R & D

Nil

- (a) Capital
(b) Recurring
(c) Total

TEXTILE

Cost conservation in raw material mixing conducted to reduce product manufacturing cost.

Improvement in machine productivity, reduced wastage and better and consistent quality of end product.

- (a) Install advanced fibre information system, better selection of raw materials and enhancing life of metallic wires.
(b) Add Yarn Master 900 for improving and producing contamination free yarn.

1998-99	1997-98
Rs. 5,99,226	Rs. 36,46,478
Rs. 6,34,120	Rs. 5,76,603
Rs. 12,33,346	Rs. 42,23,081

- (d) Total R & D Expenditure as a percentage of total turnover

0.27%

0.91%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- (1) Efforts, in brief, made towards technology absorption, adaptation and innovation.

Managerial staff attended seminars and training programme in addition to regular discussions with Advisor. Technical circulars are being issued from time to time to update the staff.

D.G. Sets were converted to operate on Light Diesel Oil in place of High Speed Diesel Oil.

- (2) Benefits derived as a result of the above efforts

Increase in productivity and cost reductions were achieved by optimisation of inputs.

Power generation cost of our D. G. Sets has reduced.

- (3) There is no imported technology involved.