

KANORIA CHEMICALS & INDUSTRIES LIMITED.

Annual Report 1998 - 1999



KANORIA CHEMICALS & INDUSTRIES LIMITED

NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the Thirty-ninth Annual General Meeting of the Shareholders of Kanoria Chemicals & Industries Limited will be held at 'Sripati Singhania Hall', in Rotary Sadan, 94/2, Chowringhee Road, Calcutta-700 020, on Tuesday, the 7th day of September, 1999 at 11.00 A.M., to transact the following business:-

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet of the Company as at 31st March, 1999, and the Profit & Loss Account for the year ended on that date, together with Auditors' and Directors' Reports thereon.
2. To approve and declare Dividend on the Preference and Equity Shares for the year ended 31st March, 1999.
3. To appoint Directors in place of those who retire by rotation.
4. To appoint Auditors and to fix their remuneration and, in this connection, to pass the following as a Special Resolution :-

"RESOLVED that, pursuant to the provisions of Section 224A of the Companies Act, 1956, Messrs Singhi & Co., Chartered Accountants, be and are hereby re-appointed Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, at a remuneration of Rs. 1,75,000 plus travelling and other incidental expenses to be incurred by them in course of their audit".

SPECIAL BUSINESS

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

As Ordinary Resolutions

5. "RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors of the Company, in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging of all the immovable and movable properties of the Company pertaining to its Renukoot Chemical Works Division, wheresoever situate, both present and future, and the whole of the undertaking of the Company and/or conferring power, to enter upon, and take possession of, the assets of the Company in certain events to, or in favour of the UCO Bank, Allahabad Bank and Deutsche Bank (hereinafter collectively referred as "the Lenders") to secure the working capital facilities/financial assistance not exceeding Rs. 1575 lakhs (Rupees One thousand

five hundred seventy five lakhs only) for Fund Based and Rs. 450 lakhs (Rupees Four hundred fifty lakhs only) for Non Fund Based lent and advanced/agreed to be lent and advanced by the lenders above mentioned to the Company."

"RESOLVED FURTHER that the mortgage/charge created/to be created and/or all agreements/documents executed/to be executed and all acts done, in terms of the above Resolution by, and with the authority of, the Board of Directors of the Company, are hereby confirmed and ratified".

6. "RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors of the Company, in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging of all the immovable and movable properties of the Company pertaining to its Ankleshwar Chemical Works Division, wheresoever situate, both present and future, and the whole of the undertaking of the Company and/or conferring power, to enter upon, and take possession of, the assets of the Company in certain events to, or in favour of the UCO Bank and Deutsche Bank (hereinafter collectively referred as "the Lenders") to secure the working capital facilities/ financial assistance not exceeding Rs. 900 lakhs (Rupees Nine hundred lakhs only) for Fund Based and Rs. 300 lakhs (Rupees Three hundred lakhs only) for Non Fund Based lent and advanced/agreed to be lent and advanced by the lenders above mentioned to the Company."

"RESOLVED FURTHER that the mortgage/charge created/to be created and/or all agreements/documents executed/to be executed and all acts done, in terms of the above Resolution by, and with the authority of, the Board of Directors of the Company, are hereby confirmed and ratified".

Registered Office :

"Park Plaza"

71, Park Street,

Calcutta - 700 016

27th May, 1999

By order of the Board,

B.P. DHANUKA

Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting.

2. The Explanatory Statement, as required under Section 173 of the Companies Act, 1956, is annexed hereto.

3. The Register of Members and Share Transfer Books in respect of Equity Shares of the Company will remain closed from 10th August, 1999 to 7th September, 1999 (both days inclusive).
4. The Dividend, as recommended by the Board, if declared at the meeting, will be payable to eligible members whose names are on the Company's Register of Members on 7th September, 1999.
5. Members may inform the Company the details of their Bank account number, Branch so that the same may be included in the dividend warrants.
6. In accordance with the provisions of Section 205A of the Companies Act, 1956, the Company has, from time to time, transferred unclaimed/unpaid dividends relating to the years upto 31st March, 1995, to the General Revenue Account of the Central Government. Members who have a valid claim to any of the unclaimed/unpaid dividends, as aforesaid, may claim the same from the Registrar of Companies, West Bengal, Nizam Palace, Calcutta in the prescribed manner.
7. In accordance with the provisions of Section 205A of the Companies Act, 1956, the unclaimed/unpaid dividends relating to years ended 31st March, 1996, 1997 and 1998 will be transferred to Investor Education & Protection Fund on 25th October, 2003, 6th November, 2004 and 12th October, 2005 respectively. Members who have a valid claim to any of the unclaimed/unpaid dividends, for these three years are requested to lodge their claim with the Share Department of the Company at its Registered Office.
8. a) The Stock Exchanges where the Company's Equity Shares are listed are :-
 1. The Calcutta Stock Exchange Association Ltd.
7 Lyons Range, Calcutta-700 001.
 2. The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001.
 3. National Stock Exchange of India Ltd.
World Trade, Senapati Bapat Marg, Lower Parel, Mumbai-400 013.
 4. The U.P. Stock Exchange Association Ltd.
Padam Towers, 14/13, Civil Lines, Kanpur-208 001.
- b) Up-to-date listing fees have been paid on time for all the above stock exchanges.

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 :

Re : Item No. 4 :

Messrs. Singhi & Co., Chartered Accountants, the retiring Auditors have intimated that their appointment for the ensuing year, if made, would be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956. As more than 25% of subscribed share capital of the Company is held by Public Financial Institutions etc., this Resolution is proposed as a Special Resolution, as required by Section 224A of the Companies Act, 1956.

Re : Item Nos. 5 & 6 :

UCO Bank, Allahabad Bank and Deutsche Bank (hereinafter collectively referred as "the Lenders") have sanctioned the working capital facilities/financial assistance not exceeding of Rs. 1575 lakhs for Fund Based and Rs. 450 lakhs for Non Fund Based mentioned in item No. 5 of this Notice, which shall be/have been secured by mortgage(s) and/or charge(s) on the movable and immovable properties of the Company pertaining to its Renukoot Chemical Works Division at Renukoot, Dist. Sonbhadra (U.P.) as and by way of first charges basis on movable properties and second and subsequent charges basis on immovable properties together with interest, additional interest, cost charges etc..

UCO Bank and Deutsche Bank (hereinafter collectively referred as "the Lenders") have also sanctioned the working capital facilities/financial assistance not exceeding of Rs. 900 lakhs for Fund Based and Rs. 300 lakhs for Non Fund Based mentioned in item No. 6 of this Notice, which shall be/have been secured by mortgage(s) and/or charge(s) on the movable and immovable properties of the Company pertaining to its Ankleshwar Chemical Works at Ankleshwar, Dist. Bharuch (Gujarat) as and by way of first charges basis on movable properties and second and subsequent charges basis on immovable properties together with interest, additional interest, cost charges etc..

Section 293 (1) (a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a Public Limited Company shall not, without the consent of the Company in General Meeting, sell, lease or otherwise dispose off, the whole or substantially the whole of the undertaking of the Company or, where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertakings. Since the mortgage(s)/charge(s) created/to be created by the Company on its movable and immovable properties, as stated in item nos. 5 & 6 of this Notice, may be considered to be a disposal of the Company's properties/undertaking within the meaning of Section 293(1)(a) of the Companies Act, 1956. It is, therefore, necessary to obtain consent for the proposed creation of such mortgage(s) and/or charge(s).

The Board, therefore, recommends both the resolutions for approval of the Shareholders.

Copies of the relevant documents are open for inspection at the Registered Office of the Company on any working day between 11 A.M. and 1 P.M..

None of the Directors of the Company is concerned or interested in the said Resolutions.

Registered Office :

"Park Plaza"

71, Park Street,

Calcutta - 700 016

27th May, 1999

By order of the Board,

B.P. DHANUKA

Secretary

KANORIA CHEMICALS & INDUSTRIES LIMITED



S.S. KANORIA
Chairman

BOARD OF DIRECTORS

S.S. Kanoria,
Chairman

R.V. Kanoria,
Vice-Chairman & Managing Director

S.V.S. Juneja,
Nominee IDBI
R.V. Rao,
Nominee IFCI
H.K. Khaitan
P.M. Narielvala
D.N. Patodia
B.D. Sureka
A. Vellayan
T.D. Bahety,
Wholetime Director
O.P. Patodia,
Wholetime Director

SECRETARY
B.P. Dhanuka

AUDITORS

Singhi & Company
Chartered Accountants, Calcutta

BANKERS

Allahabad Bank
Deutsche Bank
UCO Bank

REGISTERED OFFICE

'Park Plaza'
71, Park Street,
Calcutta - 700 016

RENUKOOT CHEMICAL WORKS DIVISION

Renukoot
Distt. Sonbhadra (U.P.)

POWER GENERATION DIVISION

Renukoot
Distt. Sonbhadra (U.P.)

ANKLESHWAR CHEMICAL WORKS DIVISION

3407, GIDC Industrial Estate
P.O. Ankleshwar
Distt. Bharuch (Gujarat)

DIRECTORS' REPORT

TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the 39th Annual General Report alongwith the Audited Statements of Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL HIGHLIGHTS

The Sales turnover of the Company during the year under review was Rs. 268.40 crores as compared to Rs. 247.86 crores in the previous year.

Working Results :

| | (Rs. in lakhs) | |
|--|----------------|----------------|
| | 1998-99 | 1997-98 |
| Operating Profit | 4423.05 | 4722.85 |
| Less : Interest | 2722.05 | 2099.42 |
| Profit before Depreciation | 1701.00 | 2623.43 |
| Less : Depreciation | 1390.95 | 1036.37 |
| Profit before Tax | 310.05 | 1587.06 |
| Less : Income Tax | — | 11.00 |
| Profit after Tax | 310.05 | 1576.06 |
| Add : Balance as per last Account | 1277.49 | 597.41 |
| | <u>1587.54</u> | <u>2173.47</u> |
| Appropriation : | | |
| Proposed Dividend (inclusive of Tax thereon) | 359.87 | 460.12 |
| Debenture Redemption Reserve | 421.25 | 278.25 |
| General Reserve | 15.50 | 157.61 |
| Balance Carried Forward to next year | 790.92 | 1277.49 |
| | <u>1587.54</u> | <u>2173.47</u> |

In consonance with its philosophy of focus on core competence, the company's activities are now primarily confined to the business of organic and inorganic chemicals, including agro-chemicals and the generation of power. In the face of extremely difficult market conditions, compounded by a global downturn in commodity chemicals, the company's performance in terms of market share, production volume, sales turnover and profits can be considered satisfactory. The benefit of continued and concentrated focus on cost control through integration and technology upgradation as also by physical cost cutting measures have helped the company in this year of unprecedented adversity. Your company remained relatively less affected than other players in similar businesses.

PREFERENCE SHARES

10,00,000 - 13.5% Cumulative Redeemable Preference Shares of Rs. 100 each of the aggregate value of Rs. 10 Crores have been allotted to Industrial Development Bank of India on 15th September, 1998 on private placement basis.

DIVIDEND

The Directors recommend payment of pro-rata Preference Dividend amounting to Rs. 73.23 lakhs for the year on 10,00,000 - 13.5% Cumulative Preference Shares. The Directors recommend a Dividend at the rate of Rs. 1.50 per Equity Share for 1998-99. If approved by the members at the ensuing Annual General Meeting, the dividend shall be paid out of provision for dividend.

SECURED DEBENTURES

To augment requirement for Working Capital as well as to meet needs of normal Capital Expenditure, Non-Convertible Debentures (10th series) of Rs. 5.00 Crores and Non-Convertible Debentures (11th Series) of Rs. 10.00 Crores have been privately placed on 6th January, 1999 with Industrial Investment Bank of India Limited and The Industrial Finance Corporation of India Limited respectively. The Board of Directors confirm that the money raised through issue of Non-Convertible Secured Debentures have been utilised in accordance with their relevant terms of issue.

FIXED DEPOSITS

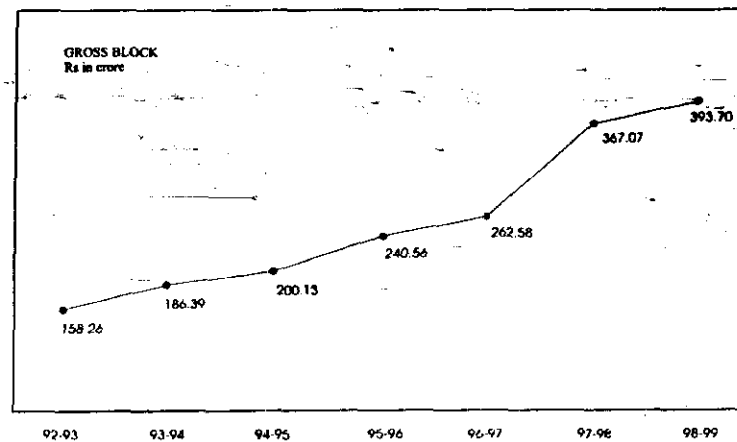
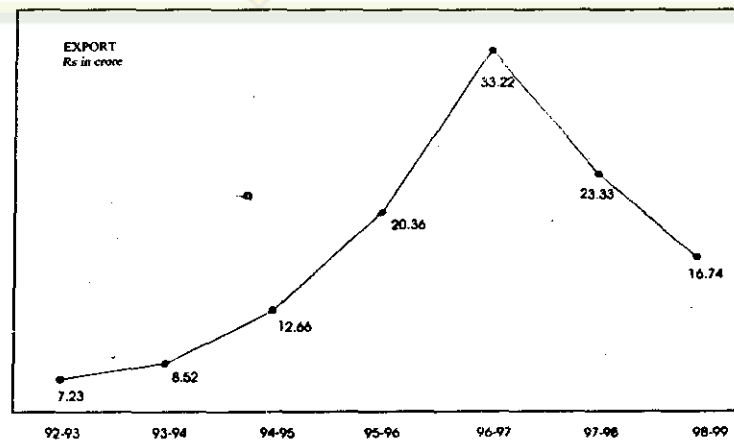
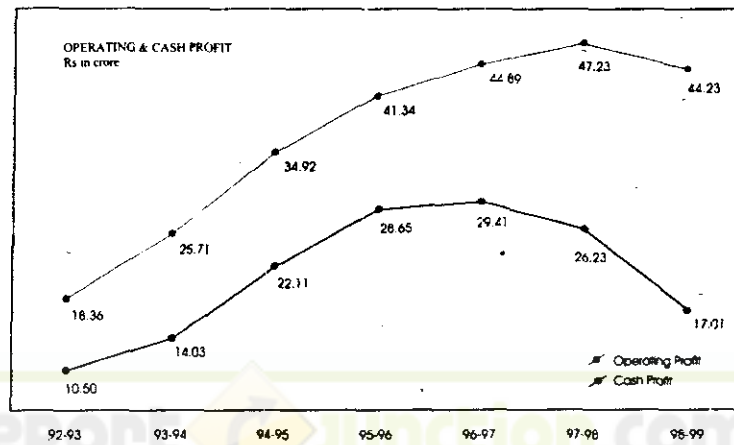
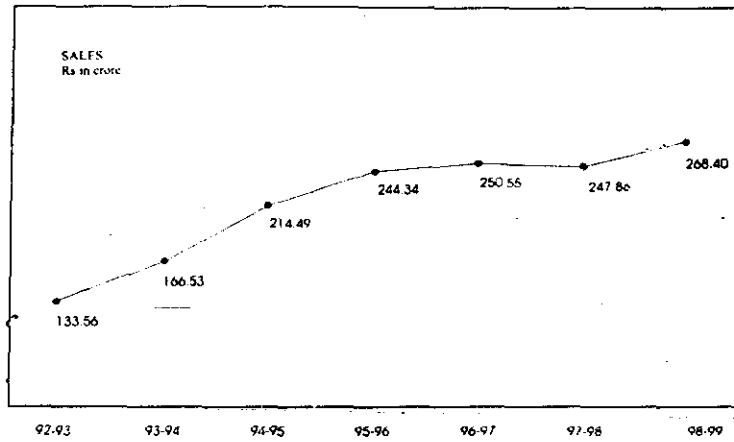
During the year the company has not accepted and/or renewed any fresh Fixed Deposits. The deposits accepted by the company stood at Rs. 205 lakhs as on 31st March, 1999. There were no overdue deposits as on 31st March, 1999 except for unclaimed deposits amounting to Rs. 1.41 lakhs from 20 depositors.

DIRECTORS

Shri K.N. Mookerjee resigned from the Board with effect from 23rd October, 1998 due to his age and failing health. As a senior member of board his knowledge and counsel were of immense value to the company. Your Directors wish to place on record their deep appreciation of the valuable services, sagacious guidance and commitment of Shri Mookerjee to the company ever since its inception.

Shri R.V. Rao was nominated as Director by The Industrial Finance Corporation of India Limited with effect from 29th January, 1999 in place of Shri B.P. Mishra. Your Directors wish to place on record their deep appreciation of the valuable services rendered by Shri B.P. Mishra during his tenure as Director of the Company.

Sarvashree P.M. Narielvala, D.N. Patodia and H.K. Khaitan, retire by rotation, and being eligible, offer themselves for re-appointment.



OPERATIONS

Capacity utilisation was marginally affected during the year. Operational efficiencies, however continued to improve.

Renukoot Chemical Works Division

The problem of excess domestic capacity creation as mentioned in our last report, remained unmitigated and the demand supply imbalances continued during the year. International prices of commodity chemicals were unusually depressed. The Chlor-Alkali industry went through a second consecutive year of unfavourable terms of trade. The continuous availability of power at a competitive rate from the company's own 25 MW Power Plant, locational advantage of the division as well as cost cutting measures undertaken during the year helped this division to cope with the adverse situation to a large extent.

In order to further strengthen the competitiveness of this division, top priority is being accorded for reduction of cost and improvement in operational efficiency. Anderson Consulting Pvt. Ltd. has been engaged for specifically undertaking a strategic cost reduction exercise. The implementation of

recommendations will bring about substantial cost savings which will be reflected in the working of the coming years.

Continuous efforts including technical research and development are being made by the company for identifying and creating new segments for use of 'Lindane' an agro-chemical which has



Agrochemical section - Renukoot

found wide acceptance both in the domestic as well as in the international markets. The company is hopeful of further improving its market share and maintaining its leadership. During the year Lindane has been registered in one more European country. Encouraged by these developments, the company has expanded its manufacturing capacity of this pesticide. Due to an accidental fire during the year, the production of Lindane was affected and stood at 592 MT as against 692 MT last year.



As expected and mentioned in last year's report, both the production and sale of Aluminium Chloride have improved considerably. The production this year was 4035 MT as compared to 832 MT in



Aluminium Chloride section - Renukoot