

ANNUAL  
REPORT  
1999-2000

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**KANORIA CHEMICALS & INDUSTRIES LIMITED**

## 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.N. Kundu,  
*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 - 700 001

### BANKERS

Allahabad Bank  
UCO Bank

### REGISTERED OFFICE

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

### RENUKOOT CHEMICAL WORKS DIVISION

Renukoot  
Dist. Sonebhadra, (U.P.)

### POWER GENERATION DIVISION

Renukoot  
Dist. Sonebhadra, (U.P.)

### ANKLESHWAR CHEMICAL WORKS DIVISION

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

### SALT WORKS

Gandhidham, (Gujarat)

## DIRECTORS' REPORT

### TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the 40<sup>th</sup> Annual General Report alongwith the Audited Statements of Accounts of the Company for the year ended 31st March, 2000.

### FINANCIAL HIGHLIGHTS

The sales turnover of the Company during the year under review improved to Rs. 290.40 crores as compared to Rs. 268.40 crores in the previous year. Notwithstanding continued adverse market conditions, it is a matter of satisfaction that the company was able to improve both its turnover as well as profitability. Sustained emphasis on quality, improvement in manufacturing yields, energy conservation, targeted cost reduction and the promotion and development of new products was the core strategy of operations in another difficult year of low demand and over capacity.

### Working Results:

|                                              | (Rs. in lakhs) |                |
|----------------------------------------------|----------------|----------------|
|                                              | 1999-2000      | 1998-1999      |
| Operating profit                             | 4821.73        | 4423.05        |
| <i>Less : Interest</i>                       | 2708.45        | 2722.05        |
| Profit before depreciation                   | 2113.28        | 1701.00        |
| <i>Less : Depreciation</i>                   | 1503.47        | 1390.95        |
| Net Profit                                   | 609.81         | 310.05         |
| <i>Add: Balance as per last Accounts</i>     | 790.92         | 1277.49        |
|                                              | <u>1400.73</u> | <u>1587.54</u> |
| Appropriation                                |                |                |
| Proposed Dividend (inclusive of tax thereon) | 456.03         | 359.87         |
| Debenture Redemption Reserve                 | 412.92         | 421.25         |
| General Reserve                              | 30.50          | 15.50          |
| Balance carried forward to next year         | 501.28         | 790.92         |
|                                              | <u>1400.73</u> | <u>1587.54</u> |



## DIVIDEND

The Directors recommend payment of Preference Dividend amounting to Rs. 135 lakhs to IDBI on 10,00,000 – 13.5% Cumulative Preference Shares privately placed with it. The Directors also recommend a dividend at the rate of Rs. 1.50 per Equity Share for 1999-2000. If approved by the members at the ensuing Annual General Meeting, the dividend shall be paid out of provision for dividend.

## SECURED DEBENTURES

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.

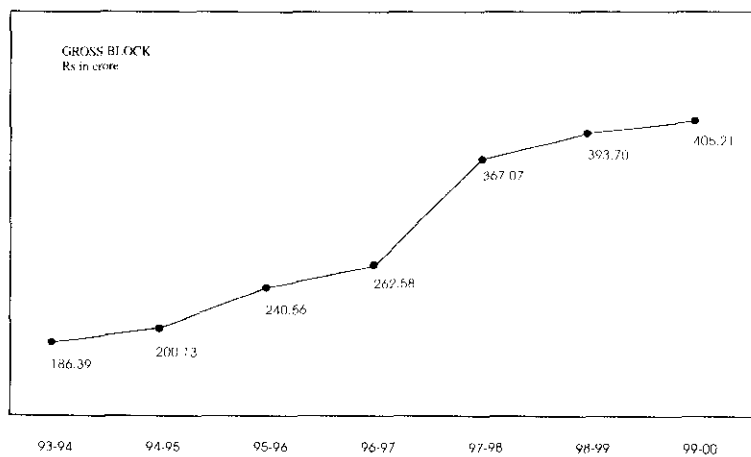
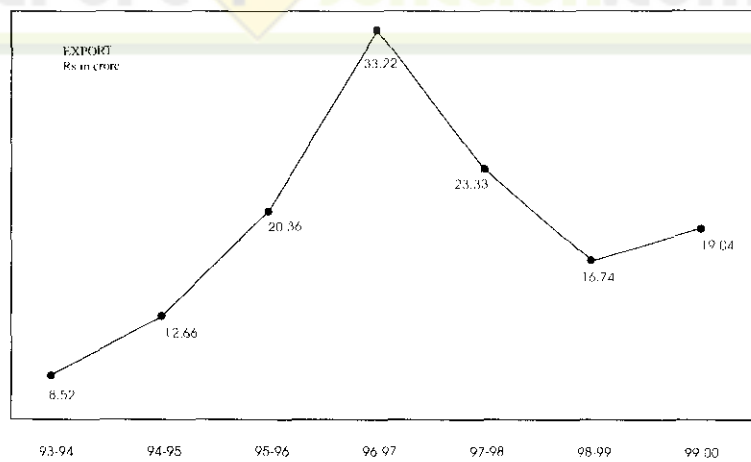
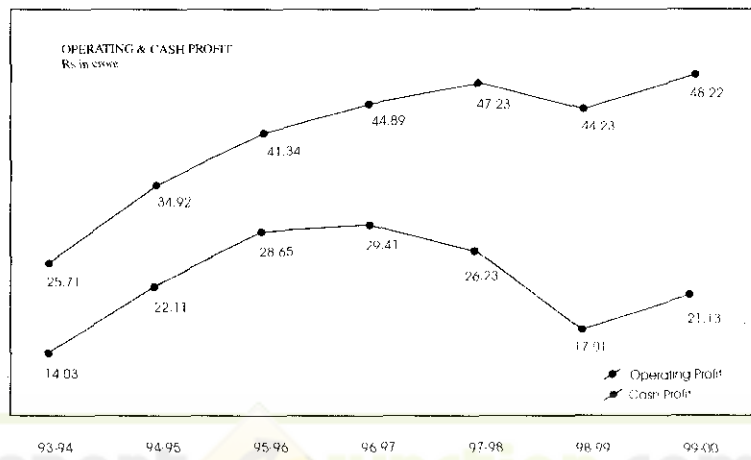
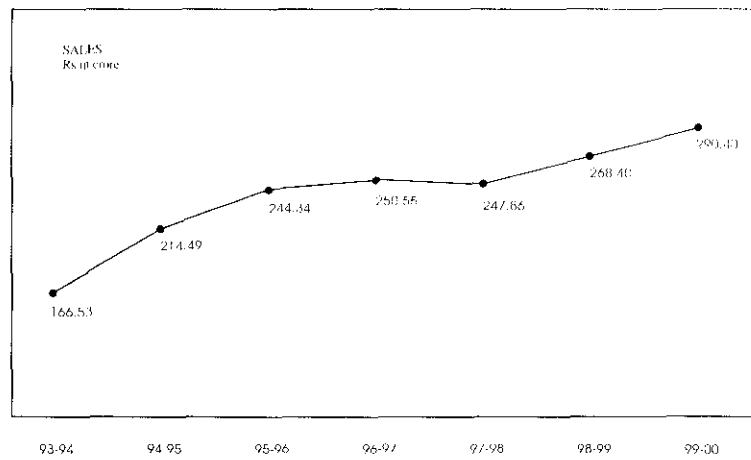
## FIXED DEPOSITS

During the year the Company has not accepted and/or renewed any fresh Fixed Deposits. The deposits accepted by the company stood at Rs. 161.68 lakhs as on 31<sup>st</sup> March, 2000. There were no overdue deposits as on 31<sup>st</sup> March, 2000 except for unclaimed deposits amounting to Rs. 2.07 lakhs from 16 depositors.

## DIRECTORS

Shri B.K.Gupta was nominated as Director by IFCI Limited with effect from 29<sup>th</sup> October, 1999, in place of Shri R.V.Rao. The Directors inform you, with deep regret, of the sudden and tragic demise of Shri B.K.Gupta, who met with a car accident on 13<sup>th</sup> November, 1999. The Directors place on record their deep appreciation of the services rendered both by Shri R.V. Rao and Shri B.K.Gupta during their tenure as Directors of the Company. Shri R.N. Kundu has been nominated by IFCI Limited as Director of the Company with effect from 30<sup>th</sup> May, 2000.

Sarvashree S.S.Kanoria, B.D.Sureka and A.Vellayan retire by rotation, and being eligible, offer themselves for re-appointment.



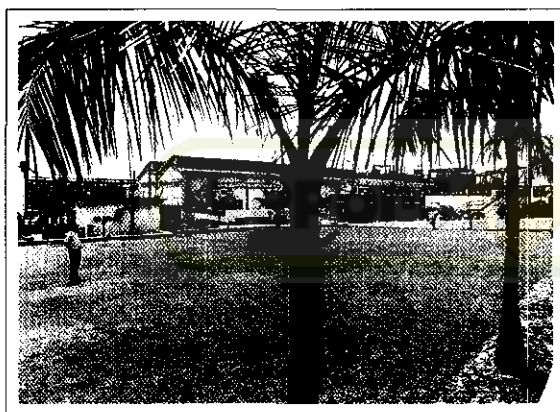


## OPERATIONS

Capacity utilisation in all the Divisions was maintained during the year. The production of all major products was higher as compared to the previous year. Operational efficiencies improved and as a quality conscious manufacturer, the Company continued to retain ISO 9002 certification for all its products.

### Renukoot Chemical Works Division

The profitability of this division continued to remain adversely affected. Depressed margins caused by demand recession and over capacity continued to affect the Chlor-Alkali industry. Locational advantage, stringent cost cutting measures including those recommended by Andersen Consulting, conservation of energy, contribution from new products and better efficiency in procurement and consumption of inputs helped in minimising the impact of low margins.



*Renukoot Chemical Works Division - Renukoot*

The company consolidated its presence in Aluminium Chloride with sales increasing to 5809 MT from a level of 3729 MT, registering a growth of over 55%. During the year a consolidated thrust on exports resulted in the introduction of the company's Aluminium Chloride into European and other markets. Efforts are being made for further penetration both into overseas as well as domestic markets.

Despite the fact that Lindane sales have improved significantly during the year to 619 MT as against 520 MT in the previous year, the current year is likely to witness lower demand due to certain restrictions on import of Lindane by buyer countries. The domestic market, however, is likely to absorb some of the lost export markets.

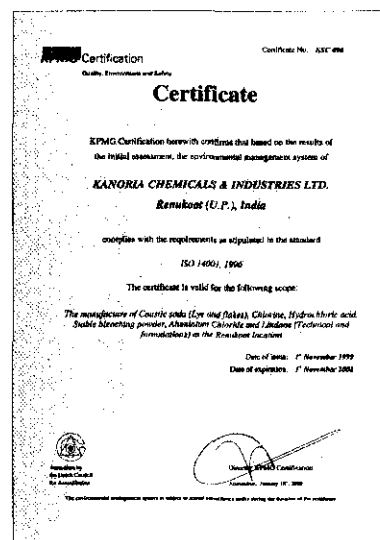
The Hydrogen bottling plant for the production and marketing of surplus hydrogen gas released during the Chlor-Alkali manufacturing process was commissioned during the year. This gas has been well received in the market. The company is further



*Hydrogen Bottling Plant - Renukoot*

exploring the possibility of introducing new products which can be manufactured out of waste and also based on by-products produced during the manufacturing process.

The highlight of this Division has been the ISO 14001 certification for environmental management system awarded to it after thorough audit by the certifying agency namely KPMG Certification. This reflects the company's priority towards sound environmental management.



ISO 14001 Certification

### Power Generation Division

The plant load factor improved to 84.30% as against 81.79% during the previous year. The division continued to run smoothly during the year contributing handsomely to the bottomline of the company. The low cost and quality supply of power from this Division continues to impact significantly the operations of the Chlor-Alkali Section, for which power is the single-most important input.

### Ankleshwar Chemical Works Division

The Division successfully completed ISO-9002 re-certification audit during the year under report. All the products of this Division continue to be well accepted in the domestic and overseas markets. Despite further drop in global prices and the resultant stagnant market conditions, this Division has been able to perform better than the previous year, due to all round improvement in efficiency.



Hexamine, Formaldehyde, Acetaldehyde & Acetic Acid Plants-Ankleshwar



Sulphur Removal System - Bio Gas Power Plant

As is the philosophy of the company, yet another step towards fulfilling its commitment to a healthy environment was made by the installation of a multi stage evaporation system for management of liquid effluent from the company's distillery. The bio-gas generation plant set up last year continues to work quite satisfactorily. New land is being acquired with a



view to further expanding this division's activities in the area of production of bio-compost using solid waste from the distillery.

### **Salt Works Division**

The production of Salt during the year under review was 57422 MT as compared to 31373 MT in the previous year.

The strategic cost reduction exercise undertaken during the year has resulted in substantial savings in production cost.

### **YEAR 2000**

The Company had a smooth transition to the year 2000 without any disruption in the Company's systems, receipt of inputs from suppliers and deliveries to customers.

### **ENERGY CONSERVATION**

As required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the statements containing necessary information in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo are annexed hereto, as a part of the Directors' Report.

### **LABOUR RELATIONS**

The relationship between the management and the employees in all the Divisions remained cordial during the year. As required under Section 217 (2A) of the Companies Act, 1956 and the rules made therein, particulars of concerned employees are annexed hereto and form a part of the Directors' Report.



### **SOCIAL CONTRIBUTION**

As a part of the company's commitment to its larger stake holders, the company got itself enrolled as a member of Business and Community Foundation, an associate of the prestigious 'The Prince of Wales Business Leaders Forum' of London. Under its guidance, the company is enriching the quality of life of villagers in and around its plant areas through various income generation programmes aimed at making adopted villages self reliant.





## SUBSIDIARIES

The statement required under Section 212 of the Companies Act, 1956, in respect of Subsidiary Companies is appended to this report.

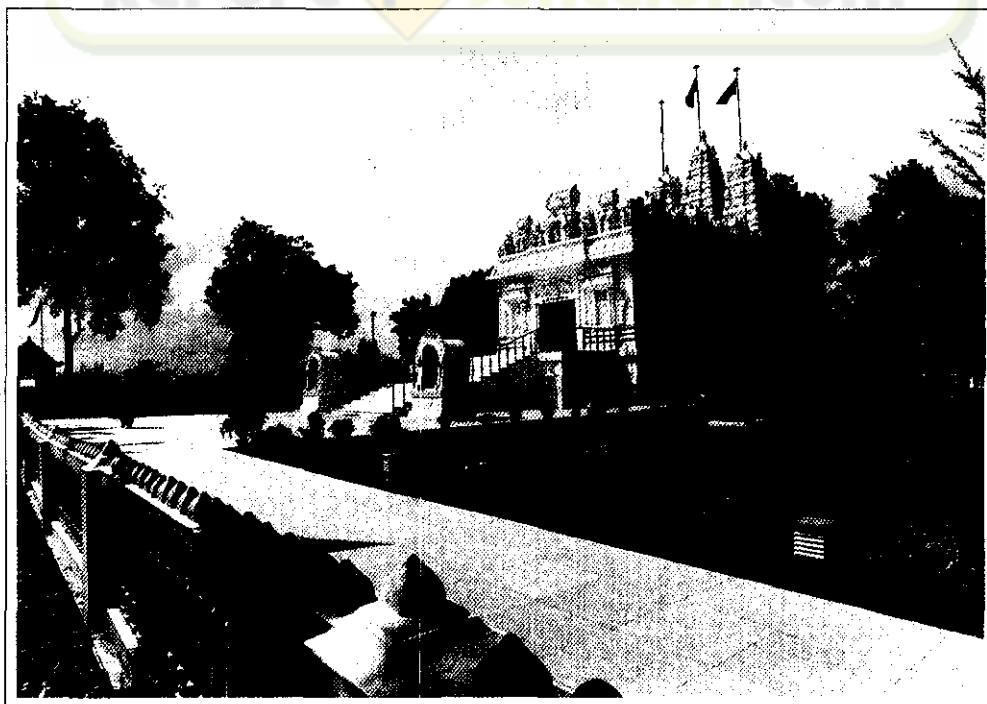
## AUDITORS

Messrs Singhi & Co., Chartered Accountants, Auditors of the Company, retire and are eligible for re-appointment.

For and on behalf of the Board,

"Park Plaza"  
71, Park Street  
Calcutta-700 016.  
31<sup>st</sup> May, 2000

S.S. Kanoria  
Chairman



Shri Ram Mandir - Renukoot

## ANNEXURE TO THE DIRECTORS' REPORT

### INFORMATION AS PER SECTION 217 (1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2000

#### I. CONSERVATION OF ENERGY :

##### Measures taken, additional investments and impact of the measures :

Energy conservation has been an important thrust area of our Company and is being continuously monitored which has resulted in improvement in current efficiency, power factor and decrease in power and fuel consumption. Bio-gas based power plant set up last year at Ankleshwar continues to work quite satisfactorily. Some of the areas out of various endeavours to reduce energy consumption are listed as under :-

Old type Aluminium blades of ten CT fans have been replaced by energy efficient aerodynamic FRP blades.

11 electrical drives have been provided with energy saving devices called "supermisers".

Water pumping energy has been reduced by optimizing cooling water utilization in Crude Lindane plant.

Running of cooling oil pumps of 25 MVA transformer has been optimized.

Operation of Flash dryer of Crude Lindane plant has been optimized.

Operation of CA blowers and LP blower in the PGD has been optimized.

| A. Power and Fuel Consumption :                   |      | 1999-2000 | 1998-1999 |
|---------------------------------------------------|------|-----------|-----------|
| Electricity                                       |      |           |           |
| i) a) Purchased (includes inter unit transfer)    |      |           |           |
| Unit (KWH in lakhs)                               |      | 1743.61   | 1728.43   |
| Total Amount (Rs. in lakhs)                       |      | 7202.89   | 7710.71   |
| Rate/Unit (Rs.)                                   |      | 4.13      | 4.46      |
| b) Own Generation                                 |      |           |           |
| Through Diesel Generator                          |      |           |           |
| Units (KWH in lakhs)                              |      | 42.19     | 53.24     |
| Units per litre of Diesel Oil                     |      | 3.17      | 3.33      |
| Cost/Unit (Rs.)                                   |      | 3.97      | 2.89      |
| ii) Power Generation Division                     |      |           |           |
| (Through steam turbine/generator)                 |      |           |           |
| Units (KWH in lakhs)                              |      | 1851.19   | 1789.98   |
| Cost/Unit (Rs.) (Coal & Fuel oil)                 |      | 0.71      | 0.63      |
| (Through Bio-Gas Based Generator)                 |      |           |           |
| Units (KWH in lakhs)                              |      | 101.89    | 54.53     |
| Cost/Unit (Rs.)                                   |      | 1.69      | 1.48      |
| Coal                                              |      |           |           |
| i) Coal (used for generation of steam in boilers) |      |           |           |
| Quantity (M.T.)                                   |      | 11092     | 9247      |
| Total Amount (Rs. in lakhs)                       |      | 89.36     | 67.74     |
| Average Rate (Rs.)                                |      | 805.56    | 732.58    |
| ii) Coal (used for generation of Electricity)     |      |           |           |
| Quantity (M.T.)                                   |      | 163954    | 151047    |
| Total Amount (Rs. in lakhs)                       |      | 1296.45   | 1105.99   |
| Average Rate (Rs.)                                |      | 790.74    | 732.22    |
| Furnace Oil                                       |      |           |           |
| Quantity (K. Litres)                              |      | 1904      | 6742      |
| Total Cost (Rs. in lakhs)                         |      | 128.91    | 397.87    |
| Average Rate/Ltr. (Rs.)                           |      | 6.77      | 5.90      |
| Natural Gas                                       |      |           |           |
| Quantity (SM3 in lakhs)                           |      | 75.28     | 14.69     |
| Total Cost (Rs. in lakhs)                         |      | 546.48    | 83.61     |
| Cost/Unit (Rs.)                                   |      | 7.26      | 5.69      |
| B. Consumption per unit of production :           |      |           |           |
| Electricity (KWH)                                 |      |           |           |
| Caustic Soda                                      | M.T. | 3272      | 3308      |
| Lindane                                           | M.T. | 8796      | 7929      |
| Stable Bleaching Powder                           | M.T. | 183       | 176       |
| Aluminium Chloride                                | M.T. | 40        | 61        |
| Pentaerythritol                                   | M.T. | 1379      | 1605      |