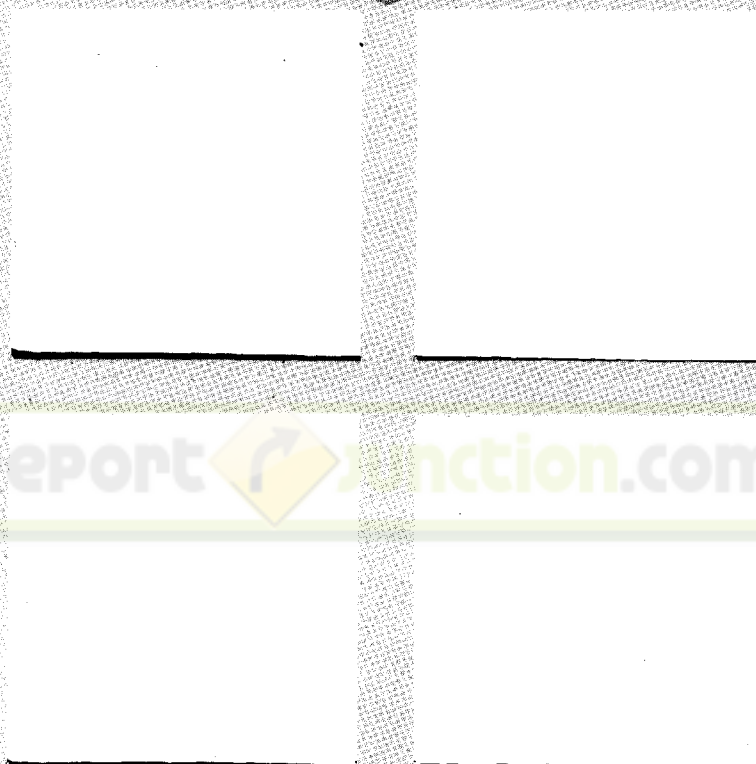


## ANNUAL REPORT 2003-04



# ANNUAL REPORT 2003-04



Kanoria Chemicals & Industries Limited



Kanoria Chemicals & Industries Limited



# Kanoria Chemicals

## Industries Limited

### CHAIRMAN EMERITUS

S.S. Kanoria

### BOARD OF DIRECTORS

R.V. Kanoria,  
*Chairman & Managing Director*

Supriya Gupta

H.K. Khaitan

P.M. Mukherjee,  
*Nominee IDBI*

Ravinder Nath

G. Parthasarathy

S.L. Rao

B.D. Sureka

A. Vellayan

T.D. Bahety,  
*Wholetime Director*

O.P. Patodia,  
*Wholetime Director*

### COMPANY SECRETARY

S.K. Daga

### AUDITORS

Singhi & Co.  
Chartered Accountants  
Kolkata - 700 001

### BANKERS

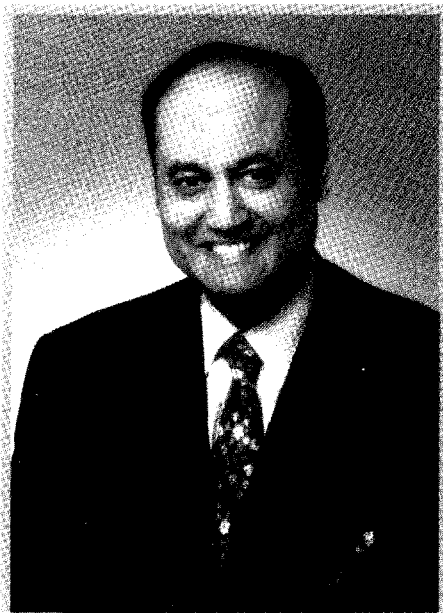
Allahabad Bank  
UCO Bank

### REGISTERED OFFICE

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



S.S. Kanoria  
*Chairman Emeritus*



## Chairman's statement

The spectre of insufficient monsoons notwithstanding, the Indian economy continues to display robust fundamentals spearheaded by a strong comeback of the manufacturing sector. With a strong focus on agriculture and rural infrastructure in the Union Budget for 2004-05, it is expected that the targeted 7-8% growth in the Gross Domestic Product (GDP) would be achieved.

The broad policy thrust of the new government at the Centre would be under close scrutiny. While there is a general belief that economic reforms would continue and strengthen, Indian industry would be keenly awaiting a favourable policy for competitive manufacturing. In this context, constitution of

the Investment Commission and the National Manufacturing Competitiveness Council are positive moves.

The delivery system in India has been under debate for a long time now. This is a particular cause of concern regarding funds allocated under different developmental projects. It is encouraging to note that the Budget seeks to reform the Public Distribution System. Nonetheless, this area would continue to merit urgent attention for wider and long lasting improvements.

An important element of the policy framework of the government is fiscal simplification through introduction of a Value Added Tax system. Announcement of firm dates for its nationwide implementation and the promise of the Finance Minister to introduce widespread tax reforms in the next year's budget would ensure greater global integration of the Indian economy.

As interest rates remain steady, several companies have put their investment plans into action. Although inflation levels have shown an upward trend in the fiscal 2004-05 compared to the 4.6% annual average of 2003-04, it is envisaged that interest rates are unlikely to firm up more than 0.5%.

Amidst these developments sweeping the country, KCI has silently embarked on the next phase of quantum growth. Financial restructuring carried over the past two years has imparted more effective capital deployment while at the same time de-risking the financial base of the company. The results of this restructuring have begun to be felt and has provided additional leverage to the company to activate its expansion plans.

In my last year's communication I had mentioned briefly about the various expansion plans. I am happy to report that all these plans are now either complete or are at an advanced stage of implementation.

The capacity for manufacturing Formaldehyde at our Ankleshwar Works was augmented by 50% and commissioned in January 2004. With this expansion, our capacity is now

75,000 tonnes per annum (TPA) and would help us to further consolidate our market leadership in this segment.

Last year I had also mentioned about our experimentation with the Reverse Osmosis (RO) technology for treatment of distillery effluent at Ankleshwar. We have achieved heartening success in this pioneering effort in the country. The treatment plant is up and running and has received accolades from several quarters including the Central Pollution Control Board.

Several projects at our Renukoot Works were also completed during the year. The Aluminium Chloride manufacturing capacity was enhanced to 11,680 TPA from about 7,000 TPA. The Poly Aluminium Chloride (PAC) plant acquired as a part of our inorganic growth has been installed at the Renukoot Works. Trial runs for production have begun. The plant with a capacity up to 60,000 TPA gives the company a new direction in the business of speciality chemicals for water treatment.

In the coming months investment plans are in place for a new 25 MW captive thermal power plant at Renukoot. A turnkey contract has been awarded to Thermax Limited. Civil construction has been initiated and the plant is expected to be commissioned in the later part of 2005.

Last year I had reported about the progressive changeover from Mercury Cell technology for manufacture of Chlor-Alkalis at Renukoot to the more environment friendly Membrane Cell technology. While there are no compulsions from the government to do this, I am happy to highlight that our core ethos of sustainable development urged us to invest Rs. 93 crore to commission additional capacity for manufacturing Chlor-Alkalis. The plant based on the latest Membrane Cell technology from Uhde India Limited is also expected to be ready by end 2005.

I foresee an extremely busy year ahead for KCI with the pace of activity going up significantly. However, with economic conditions in the country looking up and our investment initiatives, I am confident of a renewed impetus to our growth drivers. I believe our activities this year would reshape KCI to emerge much stronger and would bring the company closer to our vision of becoming the leading manufacturer of chemical intermediates in the country.

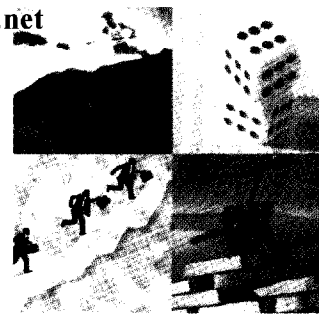
July 2004

R.V. Kanoria





# Spirit



anoria Chemicals & Industries Limited (KCI) has entered the next phase of quantum growth.

Many things change yet the credo of sustainable development continues to guide the activities and operations of the company. While the company has embraced change in technologies, business processes and the increasing forces of globalisation, the corporate ethos has remained the same.

KCI continues to steadfastly believe in the core values of sustainability, transparency, ethical business practices, and maintaining high standards of corporate governance.

The company's vision statement *"To be India's leading manufacturer of chemical intermediates with a focus on sustainability and transparency"* summarises our ethos. (See Box in Page 9)



## Corporate Social Responsibility

KCI's policies on economic development, protection of the environment and promotion of community development, have evolved on the dictates of the heart rather than the mind. As a responsible corporate citizen, KCI has developed excellent relationship with people in and around its manufacturing locations and is perceived as a catalyst for improving their income generating abilities and overall living conditions.



KCI's township and manufacturing plant at Renukoot are located in an economically backward area where the local population faces acute shortage of water, health services and employment opportunities. In a tripartite approach, KCI partners with the Business & Community Foundation - an NGO that is part of the Prince of Wales Business Leaders Forum, UK - and the local population. The thrust is on several areas to foster community development. The most widely acclaimed initiative is the water-harvesting programme through construction of check dams. The programme has enabled irrigation on a large part of the hitherto fallow land spread over 2000 acres, as well as making drinking water more accessible. The programme is run in 14 villages that KCI has adopted within a 50 kilometres radius of its manufacturing location. The company also helps in creating self-employment opportunities through training facilities and imparting market know-how.

In recognition of the importance of education and the limited facilities that exist in the region, KCI runs the Bhavan's Kesari Devi Kanoria Vidya Mandir, a CBSE affiliated high school within the Renukoot township, in partnership with Bharatiya Vidya Bhavan. During last year a new block was added in the school through donation by KCI and supplemented by the school's own funds. KCI also supports the privately run Dakshinanchal Gramodaya Vidya Mandir, an intermediate school in village Babhani near Renukoot that has about 400 students.

## Safety

The basis of sustainable development at KCI encompasses various facets rather than being only restricted to environment protection or growth in the company's profitability. KCI believes that the productivity of the company largely depends on safe and healthy working environment.

During the year, KCI's Renukoot Works was awarded the prestigious OHSAS 18001 certification for organisational health and safety. The OHSAS 18001 certification for the Ankleshwar Works is also at an advanced stage of maturity and is expected soon.

