

ANNUAL
REPORT
2001-2002

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KANORIA CHEMICALS & INDUSTRIES LIMITED

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KANORIA CHEMICALS & INDUSTRIES LIMITED

CHAIRMAN EMERITUS
S.S. Kanoria

BOARD OF DIRECTORS

R.V. Kanoria,
Chairman & Managing Director

Supriya Gupta

H.K. Khaitan

R.N. Kundu,

Nominee IFCI

P.M. Mukherjee,

Nominee IDBI

Ravinder Nath

D.N. Patodia

B.D. Sureka

A. Vellayan

T.D. Bahety,

Wholetime Director

O.P. Patodia,

Wholetime Director

COMPANY SECRETARY
B.P. Dhanuka

AUDITORS
Singhi & Company
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 world shall never be the same again. Societal and psychological changes in the aftermath of 11th September, 2001, threaten the very ethos of globalisation. It is all the more important that trade and commerce redouble their efforts to keep the world united. The success of Doha needs to be emulated over and over again to forcefully demonstrate that the agenda for governments and businesses around the world will not deviate from the path of global integration. Terrorism is to be condemned and effectively combated.

The world of business has been subjected to turmoil and chaos. The collapse of companies like Enron was the first indication of the problems to follow. A Pandora's box of accounting and ethical issues related to corporate governance has been opened up. The investing public is in jitters over their lack of trust in transparency and disclosure standards adopted by the corporate world. In this background of fear induced, risk averse behaviour, a new era of corporate responsibility and long term credibility is being ushered in.

For Kanoria Chemicals & Industries Ltd., the year under review, has been a year of challenge. The primary objective of remaining competitive through sustained cost reduction and the added objective of developing long term credibility have, in my opinion, been addressed effectively. The company continues to stress on becoming the lowest cost producer of its basket of commodity chemicals. It also strives to build an image of long term trust by adopting the true spirit of good corporate governance.

The volatility of markets and the vicissitude in prices continued unabated even during the period under review. Markets for most of the company's products remained depressed, particularly so in the Alco Chemicals segment. Imbalance in demand and supply, as well as indiscriminate dumping in a liberalised trade environment have taken their toll on volumes and margins. Whereas the Company was able to sustain and even better its capacity utilisation in the Chloro Chemicals segment, it was constrained to regulate output in its Alco Chemicals segment.

In my last communication to you in the Annual Report for the year ended 31st March, 2001, as Managing Director of KCIL, I had categorically talked about "building on the product base through development, expansion and through technological and strategic alliances". In this direction, I am glad to report that the company has signed a Memorandum of Understanding

with Sachtleben Chemie GmbH of Germany to add to its product line a new set of Water Treatment Chemicals. The company is also pursuing enhancement of power generating capacity in the form of a new independent coal based power plant producing electricity for commercial use. The Formaldehyde Plant has been de-bottlenecked. Further expansion by setting up a new plant is under active consideration.

A change in mind set is visible throughout the organisation. The use of external agencies in supplementing cost reduction efforts and the implementation of the ERP Programme at Renukoot has brought in a new respect for knowledge enhancement. The focus of the Company to develop its human resources has received a great deal of encouragement from within. The performance of the company is a reflection of the commitment of its people.

This being my first statement after becoming the chairman of the Company, I would like to place on record my deep appreciation for Mr. S.S.Kanoria, from whom I have been handed over a company of sound ideology and ethics. I am happy that he has agreed to continue his association with the company, that he founded, as Chairman Emeritus.

The future growth of the company looks promising, the foundation of sustained profitability has been well laid. Initiatives for growth are being taken. In my opinion, the company is reasonably well-equipped to handle adverse market situations.

I look forward to the coming years with confidence.

R.V. Kanoria





DIRECTORS' REPORT

TO THE SHAREHOLDERS

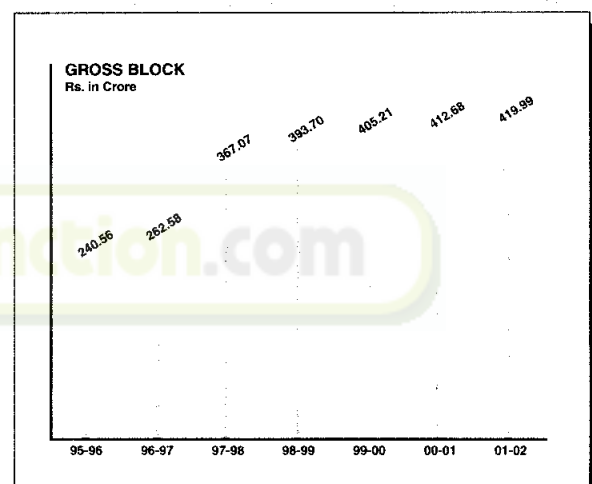
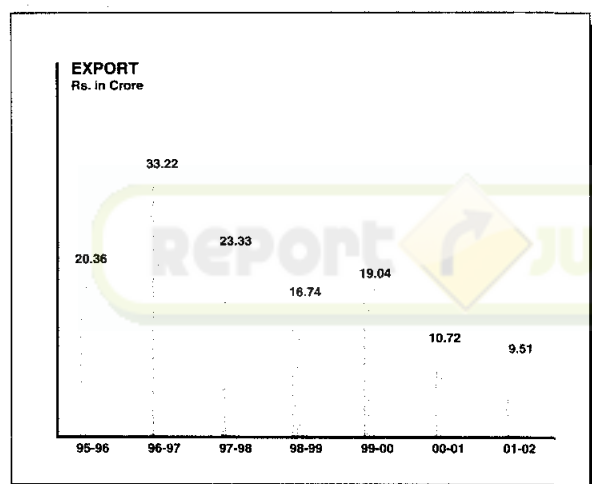
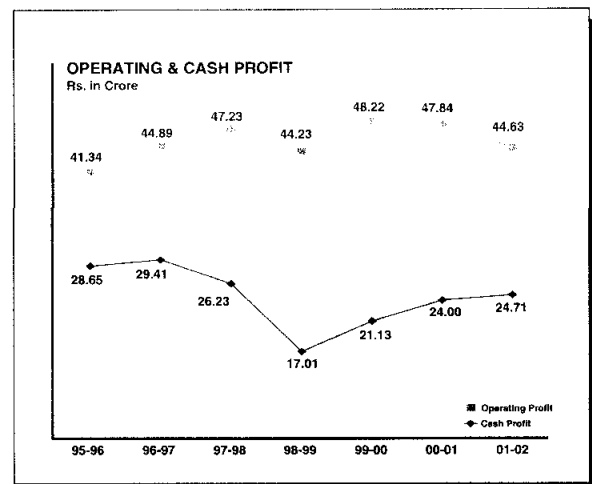
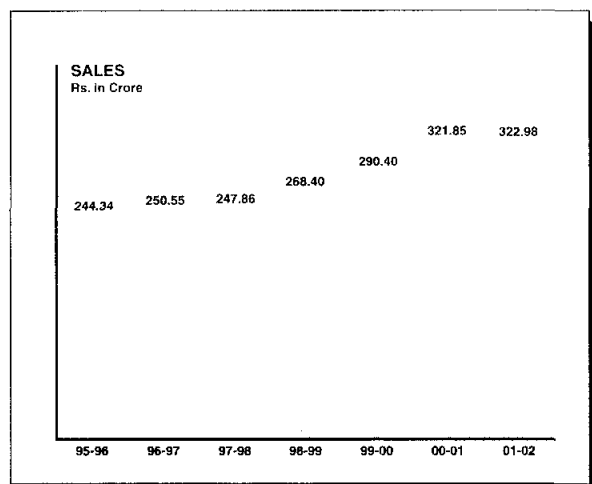
Your Directors have pleasure in presenting the 42nd Annual General Report along with the Audited Statements of Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL HIGHLIGHTS

The sales turnover of the company during the year under review improved to Rs. 322.98 crores as compared to Rs. 321.85 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 and targeted cost reduction was the core strategy of operations in another difficult year of low demand and over capacity.

Working results :

	(Rs. in lakhs)	
	2001-2002	2000-2001
Operating profit	4463.47	4784.40
Less : Interest	1992.61	2383.91
Profit before depreciation & Tax	2470.86	2400.49
Less : Depreciation	1577.04	1564.00
Profit before tax	893.82	836.49
Less : Provision for Tax (including Deferred Tax)	185.74	59.00
Net Profit	708.08	777.49
Add : Income Tax for earlier years (Net)	6.09	-
Add : Balance as per last account	710.21	501.28
	<u>1424.38</u>	<u>1278.77</u>
Appropriation		
Proposed Dividend	469.63	480.66
Debenture Redemption Reserve	-	29.58
General Reserve	53.11	58.32
Balance carried forward to next year	901.64	710.21
	<u>1424.38</u>	<u>1278.77</u>





DIVIDEND

The Directors recommend payment of Preference Dividend amounting to Rs. 135 lakhs on 10,00,000 -13.5% Cumulative Preference Shares privately placed with IDBI. The Directors also recommend a dividend at the rate of Rs. 2.00 per Equity Share (subject to Tax) for 2001-02. The Dividend amounting to Rs. 334.63 lakhs is subject to approval of the Financial Institution from whom the Company has taken long term loans, which, if approved by the members at the ensuing Annual General Meeting, will be paid out of the provision for Dividend.

SECURED DEBENTURES

The 7th Series of Debentures of Rs.300 lakhs has been redeemed in full during the year 2001-02. 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.

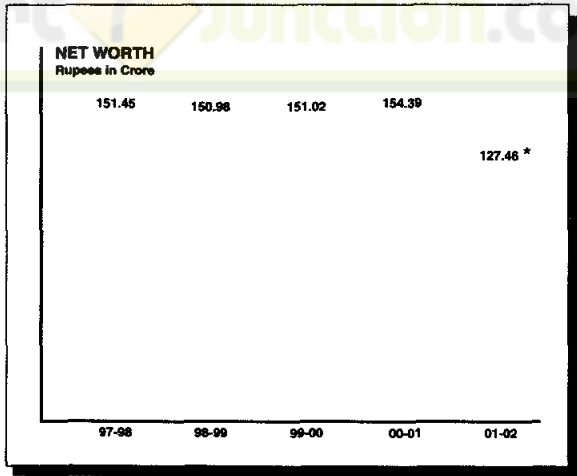
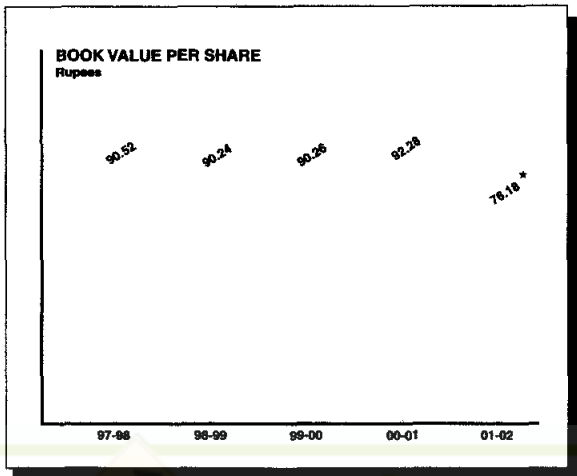
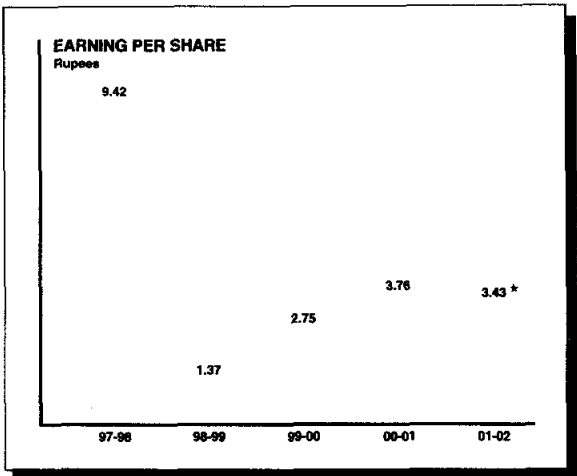
FIXED DEPOSITS

During the last four years, the company has not accepted and/or renewed any fresh Fixed Deposits. There were no overdue deposits as on 31st March, 2002 except for unclaimed deposits amounting to Rs. 2.64 lakhs from 8 depositors.

OPERATIONS

Renukoot Chemical Works Division :

In spite of improved margins in the first half of the year, the profitability of the division remained under pressure. Profit was affected due to an abnormal collapse of prices of Caustic Soda during the second half of the year. Production of Caustic Soda was higher by 3,422 MT and consequently also of Chlorine & Chlorinated derivatives as compared to 2000-01. The market for Hydrogen Gas has been further developed and production during the year was higher by 19% as compared to 2000-01. The ERP Programme was successfully implemented assuring the company of fast communication, real time data availability and of possible cost reduction in the years to come. Optimization of sourcing of Salt thereby reducing inward transportation costs resulted in substantial savings in manufacturing cost of Caustic Soda.



* Lower due to provision for Deferred Tax Liability



Regulating Chlorine feeding to the reactors improved overall quality of Anhydrous Aluminium Chloride and the life of reactors.

Power Generation Division :

The performance of Power Plant was better during this year as compared to last year. PLF increased to 83.67% from 82.85%. Generation was higher by 17,96,160 Kwh as compared to the previous year. Import of power was also less at 5,80,225 Kwh as compared to 8,34,913 Kwh last year.

Ankleshwar Chemical Works Division :

There has been a set back in the working of Ankleshwar Division primarily due to lower realization on account of indiscriminate dumping of Pentaerythritol and Hexamine in the domestic market by countries such as Taiwan, Japan, Canada, Saudi Arabia and Russia. The resultant depressed market conditions forced the Division to curtail its production during the year under review. A provisional anti-dumping duty on import of Pentaerythritol has been levied based on an application filed by the Company. As a result, there has been reduced dumping of the product in the country since April, 2002. The de-bottlenecking exercise aimed at increasing capacity of the existing Formaldehyde Plants has been successfully completed during the year. The capacity has gone up by 20%.

Salt Works Division :

The production of Salt during the year under review was lower at 39,664 MT as compared to 45,233 MT in the previous year due to devastating Earthquake on 26th January, 2001 in the Kutch Area (Gujarat) which affected the production for 3 months of peak season for salt production.

FUTURE PLANS

A Memorandum of Understanding has been entered by the Company on 11th April, 2002 with Sachtleben Chemie GmbH of Germany for supply of know-how and basic engineering and to provide technical and marketing assistance to the Company for manufacturing and marketing of Water Treatment Chemicals. The Company