



EIGHTH ANNUAL REPORT

2000-2001

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BOARD OF DIRECTORS

Shri Ashish Kanoria
 Shri K.P. Padmanabha
 Shri R.C. Sharaf
 Shri R. Thiruvengadam
 Shri Rajiv Khaitan
 Shri Siddarth Kanoria
 Shri Ashok Kumar Vyas

Chairman & Managing Director

SHARE TRANSFER AGENTS

M/s. Alpha Systems Pvt. Ltd.
 30, "Ramana Residency"
 Ground Floor, 4th Cross,
 Sampige Road, Malleswaram,
 Bangalore – 560 003.

AUDITORS

M/s. Gowthama & Company
 Chartered Accountants
 Bangalore 560 069

BANKERS

STATE BANK OF HYDERABAD

REGISTERED OFFICE

103, 1st Main, 7th Cross,
 Lower Palace Orchards,
 Bangalore 560 003.

FACTORY

121A, Bommasandra Industrial Area,
 Hebbagodi Village,
 Bangalore – 562158.

CONTENTS	PAGE NO
Notice	1
Directors' Report	2-3
Auditor's Report	4-6
Balance Sheet	7
Profit & Loss Account	8
Schedules	9-20
Balance Sheet Abstract and Company's General Business Profile	21
Cash Flow Statement	22-23

EIGHTH ANNUAL GENERAL MEETING

Day : Thursday, 6th September 2001
 Time : 9.00 A.M.
 Place : New Shanthi Sagar
 4, P&T Colony, R.T. Nagar,
 Bangalore – 560 032



NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Eighth Annual General Meeting of the Company will be held on Thursday, 6th September, 2001 at 9.00 A.M. at New Shanti Sagar, 4, P & T Colony, R.T. Nagar, Bangalore – 560 032 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31.03.2001 and the Profit and Loss Account for the year ended as on that date together with the report of the Director and Auditor's thereon.
2. To appoint a Director in the place of Shri Siddhartha Kanoria who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Shri P. Thiruvengadam who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold Office from the conclusion of this meeting until the conclusion of the next Annual General Meeting.

M/s. Gowthama & Company retires at this Annual General Meeting and are eligible for re-appointment.

By Order of the Board

Place : Bangalore
Date : 23.06.2001

ASHISH KANORIA
Managing Director

NOTE :

1. A member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote the Meeting instead of himself. The Proxy so appointed need not be a member of the Company. Proxy forms in Order to be effective should be deposited at the Registered Office of the Company at least 48 hrs. before the Meeting.
2. The Register of Members and Share Transfer Book will remain closed from 1st September 2001 to 6th September 2001 (both days inclusive).
3. Members are requested to notify immediately any change in their address to M/s. Alpha Systems (P) Ltd., 30, Ramana Residency, Ground Floor, 4th Cross, Sampige Road, Malleswaram, Bangalore – 560 003, Share Transfer Agents of our Company.
4. Members are requested to bring their copy of the Annual Report and Attendance Slip duly filled in the meeting.

EIGHTH ANNUAL REPORT 2000-2001

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors place before you the Eighth Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2001.

1. PERFORMANCE OF THE COMPANY DURING THE YEAR UNDER REVIEW

The financial performance during the year ended March 31, 2001 is briefly summarized below :

PARTICULARS	(Rs. In Lacs)	
	For the Current Year ended 31.03.2001	For the Previous Year ended 31.03.2000
Total Income	524.28	546.59
Gross Profit After Interest & Before Depreciation and Preliminary Expenses	(28.90)	30.93
Depreciation & Preliminary Expenses	31.14	30.12
Profit (-Loss) After Tax	(60.05)	0.81

2. DIVIDEND

In view of loss, your Directors regret their inability to recommend dividend for the year 2000-2001.

3. DEPOSITS

The Company has not accepted deposits from the public during the year under review.

4. DIRECTORS

During the year Shri Rajiv Khaitan Resigned. The Board places their appreciation for the valuable guidance given by him during his tenure as a Director.

Shri Siddhartha Kanoria and Shri P. Thiruvengadam retire by rotation and being eligible offer themselves for re-appointment.

5. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 your Directors state that :

- (i) While preparing Annual Accounts for the year ending 31st March 2001, the applicable Accounting Standards have been followed;
- (ii) Company had selected such accounting policies and applied them consistently and made judgements that are reasonable and prudent which gives true and fair view of affairs of the Company;
- (iii) Company had taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) Company had prepared accounts for the year ending 31st March 2001 on a going concern basis.

6. REPLY TO AUDITOR'S QUALIFICATIONS

Company Secretary

In so far as Auditor's Qualification with regard to the appointment of Company Secretary is concerned, the Company is attempting to appoint a Company Secretary. Since regular appointments costs heavy expenditure on the Company, due financial



difficulties and continued loss, the Company is not in position to pay high salaries. However, the Company is taking services of qualified practicing Company Secretary, who looks after all statutory requirements of the Company relating to Company Law matters.

Leave Encashment

With regard to Auditor's Qualification relating to non-provision of Leave Encashment, the Company has no system of carry forward of accumulated leave. The Management is considering making the rule relating to the encashment of leave and same will be implemented during the subsequent years.

7. CORPORATE GOVERNANCE

Since the paid-up capital of the Company is less than Rs.5 Crores, Corporate Governance with regard to Audit Committee and related matters is not applicable.

8. AUDITORS

M/s. Gowthama and Company, Chartered Accountants, Bangalore, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

9. INFORMATION OF EMPLOYEES

There were no employees attracting the provisions of Section 217 (2A) of the Companies Act, 1956 who were in receipt of remuneration of not less than Rs.12,00,000/- per annum or employed for a part of the year and who were in receipt of the remuneration not less than Rs.1,00,000/- per month.

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

The Company has taken adequate steps to conserve energy. There has been no technology absorption during the year under review. Foreign Exchange earning/outgo during the year explained in notes to accounts Item No.11.

11. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the support and assistance received from all Shareholders, Banks, Financial Institutions, Central and State Government and employees of the Company.

For and on Behalf of the Board.

Place : Bangalore
Date : 23.06.2001

(ASHISH KANORIA)
Chairman

EIGHTH ANNUAL REPORT 2000-2001

AUDITOR'S REPORT

We have Audited the attached Balance Sheet of M/s. KANORIA PLASCHEM LIMITED, BANGALORE, as at March 31st 2001, and also the Profit & Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act 1956, we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above :
 - a. We have obtained all the informations and explanations, which to the best of our knowledge and belief were necessary for our audit.
 - b. In our opinion, proper Books of Accounts as required by the law have been kept by the Company so far as it appears from our examination of such books.
 - c. The Balance Sheet and the Profit & Loss Account referred to in this report are in agreement with the Books of Account.
 - d. In our opinion, the Balance Sheet and Profit & Loss Account comply with the Accounting Standards referred to in Sub-Section (3c) of the Section 211 of the Companies Act 1956, *subject to Note No.9, regarding non-provision for Leave Encashment*, to the extent applicable.
 - e. As per representation made by the Company and all its Directors, none of the Directors are disqualified from being appointed as Directors U/s. 274(1) (g) of the Companies Act 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes and Statement on Accounting Policies attached thereto, *subject to Note No.8, regarding non-appointment of Company Secretary and Note 9 regarding non-provision for Leave Encashment*, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view :
 - (i) in case of the Balance Sheet of the State of Affairs of the Company as at March 31st 2001, and
 - (ii) in the case of Profit & Loss Account of the Loss of the Company for the year ended on that date.

FOR GOWTHAMA AND COMPANY
CHARTERED ACCOUNTANTS

Place : Bangalore
Date : 23.06.2001

H.V. GOWTHAMA
PROPRIETOR

ANNEXURE TO AUDITOR'S REPORT

With reference to the annexure referred to in the paragraph 1 of the Auditors Report to the member of Kanoria Plaschem Limited on the financial statement for the year ended 31st March, 2001, we report the following :

INTERNAL CONTROLS

1. In our opinion, and according to the information and explanations given to us, there are adequate internal controls procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment, other assets and for the sale of goods.
2. In our opinion, the Company has an internal audit system which is commensurate with its size and the nature of its business.

FIXED ASSETS

3. The Company has maintained proper records of fixed assets showing full particulars including quantitative details and situation. The Company has carried out physical verification of fixed assets at reasonable intervals and no material discrepancies have been noticed on such verification.
4. The fixed assets have not been revalued during the year.

INVENTORIES

5. The inventories of finished goods, stores, spare parts and raw materials excluding materials in transit, have been physically verified by the management at reasonable intervals during the current year.
6. The procedures for the physical verification of inventories followed by the management are reasonable and adequate and in relation to the size of the Company and the nature of its business.
7. We are informed that the discrepancies identified on physical verification of inventories as compared to the books recorded were not material and have been properly dealt with in books of accounts.
8. On the basis of our examination of inventory records, we are of the opinion that the valuation of inventory is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
9. The Company has a regular procedure for determining unserviceable or damaged stores, raw materials, finished goods, and components and adequate provisions has been made in the financial statements for the losses arising on the items so determined.
10. In our opinion reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company has no by-products.
11. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.

LOANS AND ADVANCES

12. The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and / or from Companies under the same management within the meaning of the Section 370 (1B) of the Companies Act, 1956.

EIGHTH ANNUAL REPORT 2000-2001

13. The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and / or from companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
14. The parties to whom loans and advances in the nature of loans have been given by the Company are regular in repaying the principal amounts as stipulated / restipulated and interest where applicable. The Company has given loans to staff members which are interest free and they are regular in repaying the principal amounts.

RELATED PARTIES

15. In our opinion and according to the information and explanations, given to us, the transactions of purchase of goods and materials and sale of goods and materials, made in pursuance of contracts or arrangement entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices as available with the Company of such goods or the prices at which transactions for similar goods have been made with other parties.

FIXED DEPOSIT

16. The Company has not accepted any deposits from the public and as such, compliance with directives issued by the Reserve Bank of India and provisions of Section 58A of Companies Act, 1956 and the rules thereunder does not arise.

STAFF WELFARE

17. The Company has been regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
18. On the basis of examination of the books of accounts carried out by us in accordance with the generally accepted auditing practices, and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to the Profit and Loss Account, other than those payable under Contractual obligations or accordance with generally accepted business practice.

TAXATION

19. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, sales tax, wealth tax, customs duty and excise duty which were outstanding at 31st March 2001 for a period of more than six months from the date that they become payable.

OTHERS

20. The Company is not a sick industrial company within the meaning of Clause (o) of Sub-Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

FOR GOWTHAMA & COMPANY
CHARTERED ACCOUNTANTS

Place : Bangalore
Date : 23.06.2001

H.V. GOWTHAMA
PROPRIETOR