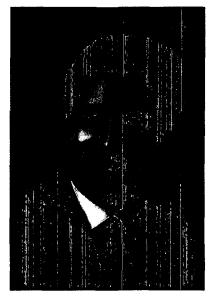


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We strongly believe that the way to improve our country's GDP is to boost agricultural productivity. Agriculture forms 25% of India's GDP while 80% of our population is dependent on agriculture. However, our productivity's are way below the Asian and the World averages in nearly all major crops i.e. paddy, wheat, cotton, cereals and pulses, maize, tea etc. The solution lies in increase in irrigation facilities (only 32% of arable land is irrigated) and increase in fertiliser production.

We at KCFL have done our mite: Our SSP (Single Super Phosphate) capacity which was doubled to 132000 TPA as on 31.03.96 has further been doubled to 264000 TPA as on 31.03.98. Likewise the Sulphuric Acid capacity which was increased to 49500 TPA as on 31.03.96 has been more than doubled (increased by 133%) to 115500 TPA.

The Government's overall policy on fertiliser though, is directed to increase consumption of phosphates in the next five years, but being an important sector of the economy has been subject to

frequent reviews. We have however ingrained in our mind and work culture that,

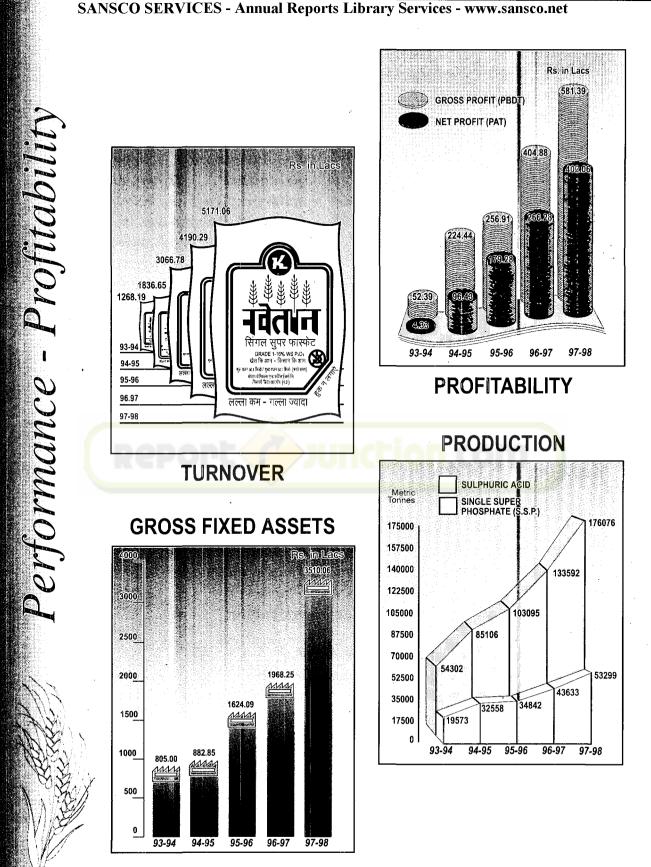
"We cannot direct the wind... But we can adjust our sails ." and our team has accordingly been able to successfully remain amongst the front runners of the SSP industry, generating cash profits (PBDT) every year since the

1

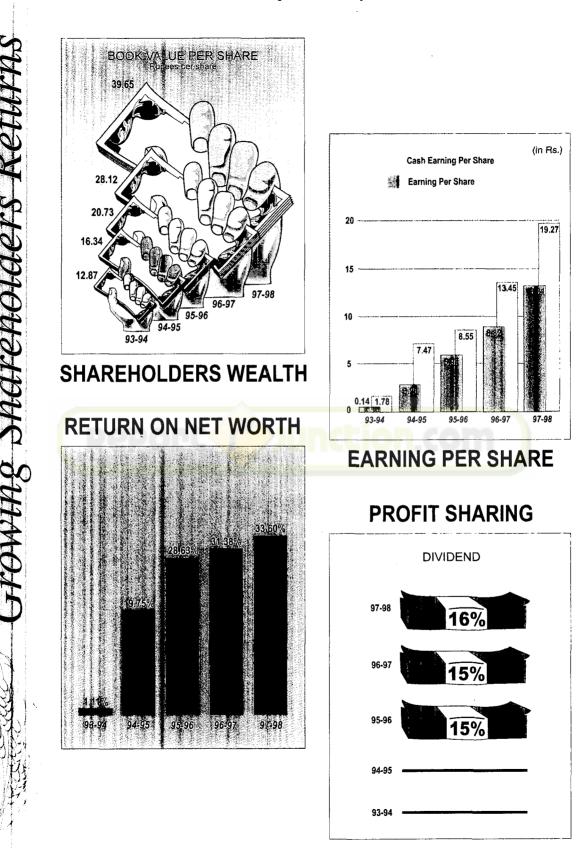


commencement of commercial operations 10 years ago.

Shailesh Khaitan Vice Chairman & Managing Director



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Gesterday...

Sulphuric Acid Plant 49500 TPA

Fertilising Growth

KCF

Single Super Phosphate (SSP) Plant 132000 TPA

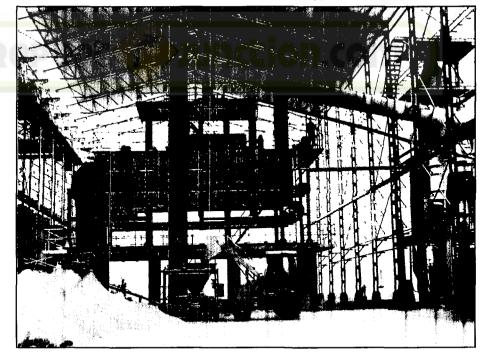
4

Fertilising Growth



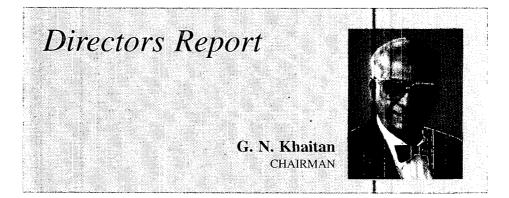
New Sulphuric Acid Plant capacity 66000 TPA, total capacity 115,500 TPA.

New SSP Plant 132,000 TPA adjacent to existing plant taking capacity to 264,000 TPA.





Fertilising Growth CFI

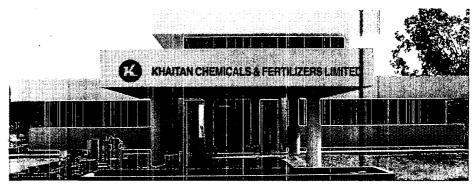


#### To the members,

Your directors have pleasure in presenting the Sixteenth Annual Report of the company together with the Audited accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS		
	1997-98	1996-97
	(Rs. in lacs)	(Rs. in lacs)
Surplus before interest and depreciation	877.39	600.91
Less : Interest	296.00	194.76
Cash Profit before tax	581.39	406.15
Less : Depreciation	121.20	93.57
Preliminary Exp. Written off	-	1.27
Surplus before tax	460.19	311.31
Less : Provision for Income Tax	49.03	40.16
Prior Period adjustments	9.10	4.87
Net Profit / Loss for the year	402.06	266.28
Add : Profit B/F from last year's account	<b>366.26</b>	159.25
Less : Transfer to -		
- General Reserves	32.00	14.00
- Proposed Dividend @ 16%	53.11	45.27
(Including Corporate Dividend tax)		
Surplus Carried Forward	683.21	366.26
Carpias Carried Forward	000.21	500.20

Administrative Office at Works, Village Nimrani, District Khargone, (M.P.)



### **DIVIDEND:**

Your Directors are pleased to recommend 16% dividend on Equity Shares subject to approval of the Financial Institutions/ Bank.

**PROJECT & FINANCE:** 

Your Directors are pleased to inform you that the Company had undertaken expansion of manufacturing capacities of Single Super Phosphate & Sulphuric Acid during the year alongwith installation of 2.80 MW Turbo Generator for generation of energy from waste steam of the Sulphuric Acid Plant.

It is a matter of great satisfaction that the new 400 TPD Single Super Phosphate Plant based on Benificiated Rock phosphate & 200 TPD Sulphuric Acid plant has been commissioned in March 1998, three months ahead of target of June, 1998

The Turbo Generator of 2.80 MW capacity is expected to be commissioned by Sept.'98 as per schedule. This generator shall be using waste steam of the Sulphuric Acid Plant and will make the Company more than self sufficient in power.

The above project is financed by way of Term Loan of Rs. 985 lacs from IFCI, internal accrual of Rs. 288 lacs and Rights Issue of Rs. 452 lacs. The Rights Issue has been fully subscribed.

The Company had also got financial assistance of Rs. 200 lacs under Asset Credit Scheme from IDBI to strengthen the production capacities.

Existing Turbo Generator set.

The State Bank of India has sanctioned increased working capital limits to take care of the increase in the working capital requirements resulting from increase in production capacities. Further the Company has also availed of a Corporate Loan of Rs. 400 lacs from IDBI to augment the long term working capital.

#### PERFORMANCE AND FUTURE PLAN:

In the current year 1997-98 i.e. the very first year after the commissioning of expansion, the Company could achieve a capacity utilisation of 133% in SSP Plant and 107% in Sulphuric Acid Plant. Increased capacity utilisation and economy of scale have helped the Company achieve significantly better financial results.

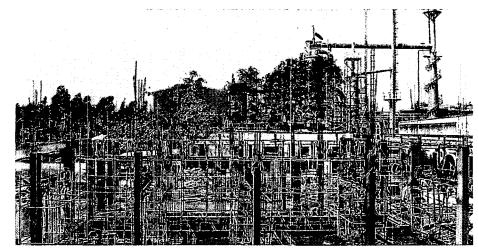
During the year the Company has also initiated a small diversification into soybean processing and is expected to play a bigger role in the years to come.

Further the management is in the process of identifying a suitable project to utilise the surplus energy expected to be available to the Company after the commissioning of the Turbo Generator by September, 1998.

The management strongly believes in the demand potential of Single Super Phosphate. This is upheld by the declared policy of the Government to encourage increased use of phosphatic fertilisers for restoring the NPK balance in the soil. Thus with the expected increase in demand, the higher production capacities put in place by the Company, availability







Work in progress for Turbo Generator of 2.8 MW, expected to be commissioned by 30th. September, 1998.

of uninterrupted power, economy of scale, better utilisation of waste steam, alongwith brand acceptability, your directors are of opinion that your Company shall continue to perform better in the current year.

#### DIRECTORS:

The IFCI has nominated Shri H.S. Tyagi in place of Shri R.K.M. Prasad.

The Board places on record their appreciation for the valuable guidance received from Shri R.K.M. Prasad.

Shri G.N. Khaitan and Shri J.L. Jajoo retire by rotation and, being eligible, offer themselves for reappointment.

#### AUDITORS:

M/s S.S. Kothari & Co., Chartered Accountants, New Delhi, Auditors of the Company hold office till the conclusion of this Annual General Meeting and being eligible, we recommend their reappointment.

The note on accounts referred to and the Auditors Report are self explanatory and therefore do not call for any explanatory note.

GENERATION OF ENERGY AND TECHNOLOGY ABSORPTION:

The Turbo Generator installed last year had saved Rs. 33 lacs, besides facilitating uninterrupted operation of the plant and consequently leading to increased production. The existing T.G. Set could not give desired efficiency.

On commissioning of the New Turbo

Generator of 2.80 MW by September, 1998, the Company shall be able to use total waste heat generated from both the Sulphuric Acid Plant in most economical way.

Other information as specified U/S 217 (1) (e) of the Companies Act, 1956 is given in Annexed Form-A.

Your Directors are of the opinion that the Company has already opted for latest technology for producing Single Super Phosphate & Sulphuric Acid. Hence, information specified to be given in Form-B is not applicable.

# FOREIGN EXCHANGE EARNING AND OUTGO:

The Company has spent Rs. 135.27 lacs (Previous year Rs. 27.38 lacs) on import of Raw Material and Foreign Travelling.

#### PARTICULARS OF EMPLOYMENT:

Information as per requirement of Section 217 (2A) of the Companies Act, 1956 is annexed.

#### ACKNOWLEDGEMENT:

Your Directors would like to thank IFCI, IDBI, ICICI, State Bank of India, various Departments/Agencies of Central/State Govt., Shareholders, Employees and Business Associates of the Company for their continued cooperation received during the year.

For and on behalf of the Board.

Place: New Delhi	G.N. KHAITAN	
Date: 30.04.1998	(Chairman)	