



KILBURN CHEMICALS LIMITED

AD	✓		ENG	✓
CS	✓		DPY	NA
FO	✓		DIV	NA
IM	✓		AC	✓
ACM	✓	✓	NE	✓
Ye	✓	✓		✓

ANNUAL REPORT AND ACCOUNTS 1996-97

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KILBURN CHEMICALS LTD.

NOTICE FOR THE SEVENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 7th Annual General Meeting of the Company will be held on Thursday the 4th day of September 1997 at 2.30 p.m. at The Madras School of Social Work Auditorium (1st Floor) 32, Casa Major Road, Egmore, Chennai - 600 008, to transact the following :

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date together with reports of the Directors and Auditors thereon.
2. To elect a Director in the place of Shri. A. D. Nanaiya, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint Auditors and to authorise the Board to fix their remuneration.

AS SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT Shri. Haigreve Khaitan, co-opted as a Director of the Company, in the casual vacancy caused by the sudden demise of Shri. D. Maitra, from 29.06.96 who holds office upto the date of this meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."

5. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution.

"RESOLVED THAT in supersession of the resolution passed at the General Meeting of the Company held on 27th August, 1993 and pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, the Company hereby accords its consent to the Board of Directors borrowing any sum or sums of money from time to time from any one or more of the Company's Bankers and/or from any one or more other persons, firms, bodies corporate or financial institutions whether by way of cash credit, advance or deposits, loans or bill discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties whether movable or stock-in-trade (including raw materials, stores, spare parts and components in stock or in transit) and work-in-process and all or any of the undertakings of the company notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose but, so, however, that the total amount upto which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs.40 Crores (Rupees Forty Crores only) exclusive of interest, and the Directors are hereby authorised to execute such deeds of debentures and debenture trust deeds or mortgages, charge, hypothecation, lien, Promissory Notes, deposit receipt and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the Directors may think fit."

6. To consider and, if thought fit, to pass with or without modification, the following as an Ordinary Resolution.

"RESOLVED THAT in addition to the existing mortgages and charges, consent of the Company be and is hereby accorded in terms of Section 293(1)(a) of the Companies Act, 1956, and other applicable provisions, if any, to the Board of Directors of the company for mortgaging and/or charging the whole or substantially the whole of the Company's undertaking or any part thereof including present and future properties whether movable or immovable to or in favour of the lenders including debentureholders or their agents and trustees for securing any loan, debenture or any other borrowing,

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provided that total amount secured including amounts already secured, at any point of time shall not be in excess of Rs.40 Crores (Rupees Forty Crores only).

Registered Office :
768, Anna Salai,
Chennai-600 002.

By Order of the Board
KILBURN CHEMICALS LIMITED
S. NADARAJAN
*General Manager (Fin. & Admn.)
and Company Secretary*

30th June, 1997.

NOTES

- 1) A member entitled to attend and vote at the meeting may appoint a proxy to attend, and to vote in his place. A Proxy need not be a member of the Company.
- 2) The Proxy Form to be valid, should be duly stamped, executed and deposited at the Registered Office of the Company atleast forty eight hours before the time fixed for the commencement of the meeting.
- 3) The Register of Members and Share Transfer Books of the Company will remain closed from 26th August, 1997 to 4th September, 1997 (both days inclusive)
- 4) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 :**ITEM No. 4**

Shri. Haigreve Khaitan was co-opted as Director of the Company w.e.f. 29.06.96 in casual vacancy caused by the sudden demise of Shri. D. Maitra. Shri. Haigreve Khaitan aged 27 years is an Advocate of a reputed firm of Solicitors and he is a Director of many other Companies. His service to the Company as a Director is considered more beneficial to the Company. Notice has been received from a shareholder proposing to appoint Shri. Haigreve Khaitan as Director liable to retire by rotation.

A fee of Rs.500/- is also received in this regard.

Hence, the Board recommends to pass the above resolution.

None of the Directors is interested or concerned in the said resolution except Shri. Haigreve Khaitan to the extent of fees payable to him.

ITEM No. 5

The members authorised the Board of Directors by a resolution at the General Meeting held on 27th August, 1993 to borrow money exceeding the aggregate of the paid-up capital and Free Reserves upto a maximum of Rs.30 Crores. With a view to increase the production capacity of Titanium Dioxide, the Company is planning to instal some balancing equipments with borrowings from financial institutions and banks. Considering the requirements of the Company, your Directors feel that it would be proper and reasonable to fix the borrowing limit at Rs.40 Crores for the time being. Accordingly, the resolution set out in Item No.5 has been proposed and the Directors recommend its acceptance.

None of the Directors is concerned or interested in the said resolution.

ITEM No. 6

Section 293(1)(a) of the Companies Act, 1956 requires the consent of the Company at a general meeting for the sale, lease or disposal in any manner of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking of the whole or substantially the whole of any such undertaking.

To meet its funding requirements, the Company is required, from time to time, to borrow moneys on the security of Company's assets. The mortgaging/charging by the Company of its fixed assets in favour of the lenders including debentureholders or their agents and trustees, may in certain circumstances be regarded as exercise of power for the disposal of the Company's properties. It is, therefore, necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956, as set out in the notice, to authorise the Directors to create the said mortgage/charge, for the funds borrowed by mortgage/charging of assets. Under the authority sought, the total amount secured including amounts already secured, at any point of time shall not be in excess of Rs.40 Crores (Rupees Forty Crores only).

No Director of the Company is concerned or interested in the above resolution.

KILBURN CHEMICALS LTD.

DIRECTORS' REPORT

Your Directors take pleasure in presenting the 7th Annual Report together with the Audited Accounts of the Company for the Financial Year ended 31st March 1997.

OPERATIONS :

The plant operations during the year improved consistently and almost all technical deficiencies in the process, which affected production during the past 1½ years have been duly corrected. Production improved substantially during the year and the Company was able to achieve an overall capacity utilisation of 55% during the year against 36% in the previous year. The plant production could have been still better but for the fact that :

the plant operations continued to suffer due to frequent failure of committed supply of water from the State Industries Promotion Corporation of Tamil Nadu Ltd. (SIPCOT).

The plant was inoperative for 15 days due to closure notice served by the Tamil Nadu Pollution Control Board (TNPCB) and for another fortnight thereafter to bring the plant operations to normalcy after re-starting.

Given the constraints under which the plant operated, the production recorded during the year was satisfactory.

The production and sales of Titanium Dioxide and other by-products during the year were as follows:

Product	Production (In Tonnes)	Sales (In Tonnes)
Anatase Grade Titanium Dioxide	2166	2059
Ferrous Sulphate Hepta hydrate	3050	2812
Mixed Sulphate Salts	1368	1801

The quality of the products manufactured by the Company also substantially improved. It is heartening to note that the Company got the much awaited ISI Certification for Titanium Dioxide.

However, even with an improved capacity utilisation, the Company's operations were unprofitable as there was a steep fall in the Selling Price of Titanium Dioxide from a ruling level of Rs. 70,000/- per tonne to around Rs.56,000/- per tonne from October/

November '96. This was due to the impact of dumping resorted to by various foreign countries and misuse of the value Based Advanced licensing Scheme. Based on repeated representations by the Indian Titanium Dioxide Manufacturers Association, the Central Government has been kind enough in responding partially to the request of the Association. The customs duty for Titanium Dioxide has been maintained at the then existing level of 40%. Further, Titanium dioxide has been placed in the Sensitive List in the Import & Export Policy. As a consequence of these measures, it is expected that the Selling price will go up in the months to come.

FINANCIAL RESULTS AND PERFORMANCE VS PROJECTIONS :

The Financial Performance vis-a-vis Projections made in the prospectus dated 2.6.94 is given below:

	Actuals for the year (Rs. in lacs)	Projections as per prospectus (Rs. in lacs)
Total Income	1419	2097
Profit/Loss before tax	(448)	485
Profit/Loss after tax	(448)	438

PERFORMANCE DURING THE CURRENT YEAR :

Production during the current year is satisfactory but the Selling Price of Titanium Dioxide is still to improve. The turnover achieved upto 26.6.97 has been Rs. 455.80 lacs against Rs. 303.42 lacs during the corresponding period in the last year.

The Company has achieved the following production during the period 1.4.97 to 26.6.97 :

Product	Production 1.4.97 to 26.6.97 (M.T.)	Corresponding period last year (M.T.)
Titanium Dioxide	637	418
Ferrous Sulphate Hepta-hydrate	1081	665
Mixed Sulphate Salts	397	291

KILBURN CHEMICALS LTD.**PROSPECTS :**

The price of Titanium Dioxide has gone up for both Rutile and Anatase Grades in the international market in recent times. It is expected that because of this and the other relief measures announced by the Central Government, the domestic Selling Price will also move up. The market for Titanium Dioxide is promising and the Company does not anticipate any difficulty in selling its entire production. The other two by-products manufactured by the Company are also being marketed without any major difficulty.

SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT :

Since the accumulated loss of the Company as at 31.03.97 resulted in erosion of more than 50% of the Peak Net Worth of the Company, the Company has to submit a report to the "Board for Industrial And Financial Reconstruction" (BIFR) under Section 23(1)(a)(i) of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company is arranging a separate General Body Meeting for considering such erosion.

CONSERVATION OF ENERGY :

Your Company is taking steps to minimise power, fuel and water consumption by optimising the production capacity and resorting to various conservation measures. The required information with regard to energy conservation and technology absorption as required under Section 217(i)(e) of the Companies Act is given in Annexure—A attached to this report.

DIRECTORS :

Shri Haigreave Khaitan was appointed, in the casual vacancy caused due to the sudden demise of Shri D. Maitra, w.e.f. 29.06.96. He will retire at the conclusion of this Annual General Meeting and is eligible for re-appointment. Notice has been received from a Shareholder proposing to appoint Shri Haigreave Khaitan as a Director liable to retire by rotation.

Shri A D Nanaiya, retires by rotation at this Annual General Meeting and being eligible, offers himself for re-election.

The Board regret to inform the resignation of one of the Directors, Shri R Sikand on 08.03.97. The Directors place on record their appreciation for the valuable contribution of Shri R Sikand during his tenure on the Board.

The Board co-opted Shri Supriya Mukherjee in the vacancy arising due to the resignation of Shri R. Sikand, who shall hold office upto the date Shri R. Sikand would have held office had it not been vacated.

AUDITORS :

M/s G. P. Kejriwal & Associates, Chartered Accountants, retire at the conclusion of this meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES :

Particulars of employees in terms of Section 217(2A) of the Companies Act, 1956 are set out in Annexure B which forms part of this report.

ACKNOWLEDGEMENT :

Your Directors are grateful for the co-operation and continued guidance and support extended by Industrial Development Bank of India, Industrial Credit and Investment Corporation of India Limited, Indian Bank, State Bank of Travancore and the State Industries Promotion Corporation of Tamil Nadu Ltd. The Directors greatly appreciate the dedicated and sincere services rendered by the employees at all levels. Finally, the Directors owe a debt of gratitude to all the Shareholders for their support.

For and on behalf of the Board

Place: Calcutta
Date : 26th June, 1997

DEEPAK KHAITAN
Chairman

KILBURN CHEMICALS LTD.

ANNEXURE "A"**FORM — A**

(See Rule 2)

Disclosure of particulars with respect to conservation of energy.

A. Power and Fuel Consumption :		Current Year 1996-97	Last Year 1995-96
1. Electricity :			
(a) Purchased :			
Units		41,21,772	32,70,810
Total Amount		Rs. 85,98,339	Rs. 58,80,318
Rate/Unit		Rs. 2.09	Rs. 1.80
(b) Own Generation :			
(i) Through Diesel Generator			
Units		56,792	1,15,205
Units per litre of Fuel		2.96	3.67
Cost per unit		Rs. 2.62	Rs. 1.92
(ii) Through Steam Turbine/Generator		NIL	NIL
2. Coal :		NIL	NIL
3. Furnace Oil :			
Quantity (K. Ltrs.)		1220.540	940.095
Total Amount		Rs. 79,57,127	Rs. 51,53,042
Average Rate		Rs. 6519.35	Rs. 5481.41
4. Others :			
HSD Oil for Production :			
Quantity (K. Ltrs.)		1411.697	1187.972
Value		Rs. 1,09,59,749	Rs. 83,59,239
Average Rate		Rs. 7763.52	Rs. 7036.56
B. Consumption per unit of production :			
i) Titanium Dioxide :			
a) Power		1800 Units	2136 Units
b) Furnace Oil		552 Litres	538 Litres
c) Diesel Oil		652 Litres	841 Litres
ii) Ferrous Sulphate Heptha Hydrate :			
Power		82 Units	100 Units
iii) Mixed Sulphate Salt :			
a) Power		21 Units	61 Units
b) Furnace Oil		19 Litres	140 Litres

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ANNEXURE "B"

Statement required to be furnished under Sec. 217(2A) of the Companies Act, 1956 as amended by the Companies (Amendment) Act 1988 and read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year 1996-97.

Employee of the Company who was employed throughout the year and in receipt of remuneration which in the aggregate was not less than Rs. 25,000/- per month.

Sl. No.	Name of the employee	Designation/ Nature of Duties	Remuneration received	Qualifica- tion	Experience of Employment (in years)	Date of commence- ment of employment	Last employment held Designation and organisation	Age years
1.	Shri Thomas Mathew	President	Rs. 3,52,928/-	M. Sc., (Engg).	34	15.09.95	Chief Commercial Manager, Travancore Titanium Products Ltd., Trivandrum.	57

1. The above employee is neither related to any of the Directors nor holding 2% of the Share Capital.
2. The employment is contractual for a period of 3 years.

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AUDITORS' REPORT

TO THE MEMBERS

We have audited the attached Balance Sheet of KILBURN CHEMICALS LIMITED as at 31st March, 1997 and the annexed Profit and Loss Account for the year ended on that date and report that :

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, in our opinion and to the best of our knowledge and belief and on the basis of such checks as we considered appropriate and according to the information and explanations furnished to us and the books and records examined by us in the normal course of audit, we give 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 information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books;

- (c) The Balance Sheet and Profit and Loss Account are in agreement with the books of account as submitted to us;

- (d) In our opinion and to the best of our information and according to the explanations given to us the annexed accounts, subject to and read together with the "Notes and Observations" thereon and attached thereto, give the information required by the Companies Act, 1956, in the manner so required, and subject to Note-6 in Schedule 22 regarding non-provision of depreciation and change in method of accounting of lease rentals and resultant effect thereof on the loss for the year, give a true and fair view;

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997.

- (ii) in the case of the Profit and Loss Account of the Loss for the year ended on that date.

For G.P.KEJRIWAL & ASSOCIATES
Chartered Accountants

5, Clive Row,
Calcutta, 26th June, 1997.

(K.K.SINGHAL)
Partner

KILBURN CHEMICALS LTD.

ANNEXURE**TO THE AUDITORS' REPORT**

(Referred to in Paragraph (1) of our Report of even date).

1. The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management at the year end and no material discrepancies were noticed on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The Stocks of finished goods, Stores and Spare parts and raw materials lying with the company have been physically verified by the management at the year end.
4. The procedures of physical verification followed by the management are reasonable and adequate considering the size of the Company and the nature of its business.
5. No material discrepancies were noticed on physical verification of stocks as compared to book records.
6. The valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in preceding year.
7. The Company has not taken/granted any loans, secured or unsecured from/to companies, firms or parties listed in the register maintained under Section 301 of the Companies Act, 1956. There are no companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
8. The only loans or advances in the nature of loans given by the Company are advances given to employees who are repaying the principal amounts as stipulated/rescheduled.
9. On the basis of test checks carried out by us, there are adequate internal control 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 and other assets, and for the sale of goods.
10. The Company has not made any transactions of purchases of goods and materials made in pursuance of contracts or arrangements 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.
11. There are no unserviceable or damaged stores, raw materials or finished goods as on 31.03.1997.
12. The Company has not accepted any deposits from the public during the year under the provisions of Section 58A of the Companies Act, 1956 and the relative rules framed thereunder.
13. The Company has maintained reasonable records for sale and disposal of by-products and scrap sold during the year.
14. The company has an internal audit system which is being further strengthened to make it commensurate with the size of the Company and nature of its business.
15. Maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 for the products of the company.
16. Provident Fund Act is not applicable to the Company. The Company has regularly deposited during the year Employees State Insurance dues with the appropriate authorities. There were no outstanding arrears as on 31.03.1997.
17. There were no amounts outstanding as on 31.03.1997 in respect of undisputed Income tax, Sales tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.
18. No personal expenses have been charged to the accounts other than those payable under contractual obligations or in accordance with generally accepted business practice.
19. The Company is not a sick Industrial Company within the meaning of Clause (O) of sub-section (1) of Section 3 of the Sick Industries Companies (Special Provisions) Act, 1985.

For G.P.KEJRIWAL & ASSOCIATES
Chartered Accountants
(K.K.SINGHAL)
Partner

5, Clive Row,
Calcutta, 26th June, 1997.