



KILBURN CHEMICALS LIMITED

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ANNUAL
REPORT
AND
ACCOUNTS
1997-98





KILBURN CHEMICALS LTD.

DIRECTORS

DEEPAK KHAITAN – *Chairman*
S.K. JALAN
H. KHAITAN
A.D. NANAIYA
V. VANCHI
S. MUKHERJEE
U. K. SHARMA
PRADIP ROY (*IDBI Nominee*)

PRESIDENT

THOMAS MATHEW

GENERAL MANAGER (FIN. & ADMN.)
& COMPANY SECRETARY

S. NADARAJAN

BANKERS

INDIAN BANK
STATE BANK OF TRAVANCORE

AUDITORS

G.P. KEJRIWAL & ASSOCIATES
CHARTERED ACCOUNTANTS
CALCUTTA

REGISTERED OFFICE

768 ANNA SALAI
CHENNAI - 600 002

FACTORY AND
ADMINISTRATION

A-81 SIPCOT INDUSTRIAL COMPLEX
MILAVITTAN
TUTICORIN - 628 002

SHARE TRANSFER AGENTS

ABC COMPUTERS PVT. LTD.
FLAT 'C' AMC CENTRE
29/5 VISWANATHAPURAM MAIN ROAD
KODAMBAKKAM
CHENNAI - 600 024

2/12/94

KILBURN CHEMICALS LTD.

NOTICE FOR THE EIGHTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 8th Annual General Meeting of the Company will be held on Tuesday, the 29th December, 1998 at 11.00 A.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, 1998 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 V. Vanchi, 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 Supriya Mukherjee, co-opted as a Director of the Company, in the casual vacancy caused by the resignation of Shri.R. Sikand, from 08.03.97 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 a Special Resolution.

"RESOLVED THAT in partial modification of the Special Resolutions passed in the 6th Annual General Meeting held on 20th September, 1996 with respect to appointment and payment of remuneration and pursuant to the provisions of Sections 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded for payment of increased remuneration to Mr.Thomas Mathew, President (Manager under Section 269 of the Companies Act, 1956) of Rs.25,000/- per month in the pay scale of Rs.20,000/- – Rs. 30,000/- w.e.f. 01.10.97 with all other perquisites as detailed in the Board Meeting held on 27th November, 1997.

"RESOLVED FURTHER THAT Mr. Thomas Mathew is entitled to Perquisites and other payments and provisions as approved by the Members at their 6th Annual General Meeting held on 20th September, 1996.

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

"RESOLVED THAT sanction of the Company be and is hereby accorded in terms of Sections 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, for the re-appointment of Mr. Thomas Mathew, President (Manager under Section 269 of the Companies Act, 1956) of the Company for a period of 3 years with effect from 01.11.98.at a basic salary of Rs.30,000/- in the pay scale of Rs. 30,000/- – Rs. 40,000/- with the other perquisites as detailed in the notice.

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to alter and vary the terms and conditions of the said appointment and/or agreement in accordance with the laws in force from time to time as may be agreed to between the Board of Directors and Shri Thomas Mathew"

7. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution.

"RESOLVED THAT pursuant to Section 100 and other applicable provisions, if any, of the Companies Act, 1956 and subject to confirmation by the Hon'ble High Court at Chennai, the paid-up Equity Share Capital of the Company as at 31st March, 1998 be reduced from Rs. 14,85,00,000/- (Rupees Fourteen Crore Eighty

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Five Lacs only) divided into 14850000 Equity Shares of Rs. 10/- each to Rs. 7,42,50,000/- (Rupees Seven Crores Forty Two Lacs Fifty Thousand only) divided into 14850000 Equity Shares of Rs. 5/- each and that such reduction be effected by cancelling paid-up share capital to the extent of Rs. 5/- per Equity Share and by reducing the nominal amount from Rs.10/- to Rs.5/- per Equity Share upon each of the 14850000 Equity Shares in the Share Capital of the Company as at 31st March, 1998.

"RESOLVED FURTHER THAT upon such reduction being effected, the holdings of each shareholder, as on a Record Date to be fixed for the purpose in consultation with Madras Stock Exchange Ltd., where the Company's Equity Shares are listed, without any further act or deed, shall stand compulsorily and automatically consolidated to 1 (one) new Equity Share of Rs.10/- each fully paid up in the Company for every 2 (two) Equity Shares of Rs.5/- each fully paid up held in the Company.

"RESOLVED FURTHER THAT fractional entitlements, if any, resulting from the aforesaid process of reduction, shall be consolidated into whole Equity Shares by rounding off the fractions, wherever required, and vested in Trustees consisting of Directors/such other persons as the Board of Directors of the Company ("the Board") may determine in this respect and the said Trustees shall be authorised to sell and distribute the net proceeds of such consolidated Equity Shares amongst the persons entitled thereto, in proportion to their respective fractional entitlements.

"RESOLVED FURTHER THAT upon such reduction and consolidation having become operative and effective, each shareholder as on the said Record Date, shall surrender to the Company his old Equity Share Certificate in respect of the shares held by him for exchanging with new Equity Share Certificates and/or net sale proceeds for his fractional entitlements, if any, consequent upon the said process of reduction/consolidation.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be required and to settle any questions or difficulties whatsoever that may arise for the implementation of the aforesaid Resolution."

8. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution.

"RESOLVED THAT the Authorised Share Capital of the Company be and is hereby increased from Rs. 16 Crores divided into 16000000 equity shares of Rs. 10/- each to Rs. 20 Crores by creation of 400000 Cumulative Redeemable Preference Shares of Rs. 100/- each."

"RESOLVED FURTHER THAT Clause V of the Memorandum of Association of the Company be amended to read as follows :

The Share Capital of the Company is Rs. 20 Crores divided into 16000000 equity shares of Rs. 10/- each and 400000 Cumulative Redeemable Preference Shares of Rs. 100/- each with the rights, privileges and conditions attached thereto as are provided by the regulations of the Company for the time being, with power to increase and reduce the capital of the Company and to divide the shares in the Capital for the time being in accordance with the provisions of the Act and the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company."

9. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution.

"RESOLVED THAT the Article 4 of the Articles of Association of the Company be amended to read as follows :

The Share Capital of the Company is Rs. 20 Crores divided into 16000000 equity shares of Rs. 10/- each and 400000 Cumulative Redeemable Preference Shares of Rs. 100/- each."

10. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution.

"RESOLVED THAT pursuant to Section 81(1-A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof), the relevant provisions of the Memorandum and Articles of Association of the Company and subject to the approvals, consents, permissions and

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sanctions as may be necessary, from the appropriate authorities or bodies, if any and subject to such conditions as may be prescribed by them while granting such approvals, consents, permissions and sanctions and subject to such terms, conditions and alterations which the Board of Directors of the Company (hereinafter referred to as the "Board") may in its absolute discretion think fit in the interest of the Company, the Board and is hereby authorised to issue, offer and allot Preference Shares of the face value of Rs. 100/- each of the aggregate value of upto Rs. 4 Crores (Rupees Four Crores only) inclusive of such premium, if any, as may be determined by the Board, in one or more private offerings including private placement, to the investors [whether institutions/banks and/or incorporated bodies (including Companies) and/or any other body corporate and/or trusts and/or mutual funds and/or local bodies and/or any combination thereof] and whether or not such investors are the holders of the equity shares of the Company, on such terms and conditions and in such tranche(s) as may be decided by the Board in its absolute discretion."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the Board be and is hereby authorised to determine as to when the said Preference Shares are to be issued/re-issued, the type or types of the Preference Shares to be issued/re-issued, the types and classes of investors to whom the Preference Shares are to be offered, the number and value of the Preference Shares to be issued/re-issued in each tranche, the terms or combination of terms subject to which the Preference Shares are to be issued (including combination of terms for Preference Shares issued/re-issued at various points of time), including but not limited to terms relating to dividend, premium on redemption or premature or early redemption at the option of the Company and/or the investor, terms for cumulation of dividends and all such terms as are provided in the offerings of like nature."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable and pay fees and commission and incur expenses in relation thereto."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue/re-issue, offer or allotment of the Preference Shares and utilisation of the issue proceeds, as it may in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members or otherwise, to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors of the Company to give effect to the aforesaid resolutions."

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

2nd December, 1998.

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

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 24th December 1998 to 29th December, 1998 (both days inclusive).
- 4) The relative Explanatory Statment pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.

KILBURN CHEMICALS LTD.**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 4**

Shri Supriya Mukherjee was co-opted as Director of the Company w.e.f. 08.03.97 in the casual vacancy caused due to the resignation of Shri R. Sikand. Shri Supriya Mukherjee aged 43 years is a qualified Finance Professional. He is having more than 22 years post qualification experience in Finance, Secretarial, Commercial, Taxation, Projects, monitoring Shop Floor operations etc. He served as Director in some other companies earlier. 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 Supriya Mukherjee 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 Supriya Mukherjee to the extent of fees payable to him.

ITEM No. 5 & 6

Shri Thomas Mathew was appointed as President (Manager under Section 269 of the Companies Act, 1956) with effect from 01.11.1995 for a period of 3 years and approved by the shareholders in the General Body Meeting of the Company held on 20/09/96. He was fixed in the pay scale of Rs. 15000-1000-20000 and subsequently, his basic pay has been increased to Rs. 25,000/- p.m. in the payscale of Rs. 20,000/- Rs. 30,000/- w.e.f. 01/10/97 by the Directors in their meeting held on 27th November, 1997. Further, it is decided by the Board of Directors in their meeting held on 28/11/1998 to re-appoint him for a further period of 3 years with a salary and other perquisites as follows:

Remuneration :

a) Salary :-

Rs. 30,000/- per month in the grade of Rs. 30,000/- – Rs. 40,000/-.

b) Contribution to Provident & Pension fund :-

As per Provident Fund Rules.

Category A :-

- i) Housing : The company will provide leased accommodation equivalent to not exceeding 40% of salary.
- ii) Gas, Electricity, Water and Soft Furnishing, Provision of Servants : These expenditure shall be valued as per Income Tax Rules 1961 not to exceed 10% of basic salary.
- iii) Medical expenses incurred for self and family will be re-imbursed by the company. This shall however be subject to a ceiling of one month's salary in a year.
- iv) Leave Travel Assistance : For self and family once in a year incurred in accordance with the rules of the company.
- v) Club Fees : Re-imburement of membership fees of one club.
- vi) Entertainment : Re-imburement of entertainment expenses on Company's business upto Rs. 600/- per month.
- vii) Personal Accident Insurance : Personal Accident Insurance of an amount the premium of which shall not exceed Rs. 1000/- Per annum.

Category B :

- i) Gratuity at a rate of half a month's salary for each completed year of service subject to a ceiling of Rs. 3,50,000/-
- ii) Leave at the rate of one month for every 11 months' service. Leave encashment is permissible only at the end of the service.

KILBURN CHEMICALS LTD.**Category C :**

Car provided for use on the Company's business and telephone at residence will not be considered as perquisites. However use of company car for personal purpose and personal long distance calls will be billed by the Company.

During his service as President of the Company, the Company has removed all the bottlenecks and teething problems in the production stage and the production level is also substantially improved. Hence, it is decided to re-appoint Shri Thomas Mathew as President (Manager under Section 269 of the Companies Act, 1956) for a further period of 3 years in the interest of the Company.

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

ITEM No. 7

In view of the erosion of more than 50% Net Worth, the Company submitted a Rehabilitation Package to the Term Lending Institutions seeking some fiscal reliefs and concessions from its lenders and share holders with a view to improving its viability. These Financial Institutions have approved a package envisaging certain benefits, viz, waiver of compound interest and liquidated damages, reduction in the rate of interest on Term Loans and Unsecured Loans, reschedulement of repayment obligations, reduction of share capital etc. The above said package will enable the company to improve its operating results.

The above package involves capital reduction by 50% on the equity capital as on 31/03/1998 and issue of Cumulative Redeemable Preference Shares in place of 50% of unsecured loans brought in by the promoters group companies.

Since the above package is very much advantageous for the Company's sustained growth, the Directors decided to accept it. In order to give effect to the above, this resolution is required to be passed. The Capital Reduction is also in conformity with the Articles of Association of the Company. In view of the above the Directors recommend to pass this resolution.

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

ITEM No. 8 & 9

As mentioned under Item No. 7, 50% of the unsecured loans brought in by the Promoters group Companies is to be converted into Cumulative Redeemable Preference Shares. In order to give effect to the above proposal, the Company has to allot Cumulative Redeemable Preference Shares to the lenders of unsecured loans. Hence it is required to increase the Authorised Share Capital of the Company by creating 400000 Cumulative Redeemable Preference Shares of Rs.100/- each.

Since it involves alteration of Memorandum and Articles of Association of the Company, the above resolutions are required to be passed.

None of the Directors is concerned or interested in the above resolutions.

ITEM No. 10

As mentioned earlier, Cumulative Redeemable Preference Shares is to be allotted to the lenders of unsecured loans in order to give effect to the conversion of 50% of unsecured loans into Cumulative Redeemable Preference Shares. The members have to authorise the Directors to decide the terms and conditions for issue and redemption of Cumulative Redeemable Preference Shares. Since this involves issue of shares on private placement basis, whether the lender of unsecured loans are existing holders of equity shares or not. In terms of the proposed resolution, the Board is being empowered to issue and allot Preference Shares on a private placement basis to investors whether or not holders of equity shares of the Company with such terms and conditions as they deem fit in the interest of the Company.

The Board recommends to pass the above resolution.

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

KILBURN CHEMICALS LTD.

DIRECTORS' REPORT

Your Directors take pleasure in presenting the 8th Annual Report together with the Audited Accounts of the Company for the Financial Year ended 31st March, 1998.

OPERATIONS

The plant operations during the year improved significantly and the Company was able to achieve a satisfactory capacity utilisation of 72% during the year against 55% in the previous year. This improvement in production was achieved despite the fact that the water supply from the State Industries Promotion Corporation of Tamil Nadu Ltd. (SIPCOT) was not satisfactory due to frequent failure of committed supply. Besides, your Company was able to reduce overall water consumption by taking suitable conservation and re-cycling measures.

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	2828	2933
Ferrous Sulphate	4588	4042
Heptha Hydrate		
Mixed Sulphate Salts	2913	2812

The quality of products manufactured by the company remain satisfactory and more than 50% of the production of Titanium Dioxide conformed to ISI Grade. Though the production and quality thereof increased appreciably, the selling price of Titanium Dioxide remained sluggish throughout the year. This was mainly due to the impact of dumping resorted to by various foreign countries and misuse of the Value Based Advanced Licensing Scheme. However, from June '98 onwards after the Union Budget for the year 1998-99, the selling price realisation improved. The levy of 4% additional Customs Duty coupled with depreciation of the Indian Rupee arrested the free flow of imports leading to better sales realisation.

REHABILITATION PACKAGE

As mentioned in the previous report, in view of the erosion of more than 50% Net Worth, the Company submitted a Rehabilitation Package to the Term Lending Institutions seeking some fiscal

reliefs and concessions from its lenders and Share-holders with a view to improving its viability.

These Financial Institutions have approved a package envisaging certain benefits, viz, waiver of compound interest and liquidated damages, reduction in the rate of interest on Term Loans and Inter Corporate Deposits, reschedulement of repayment obligations, reduction of share capital etc. The above said package will enable the Company to improve its operating results.

The proposal of capital reduction and conversion of part of the Inter Corporate Deposits into Cumulative Redeemable Preference Shares will be given effect in due course after complying with the required legal and other formalities. All other reliefs and concessions have been given effect to in the accounts for the Financial Year ended 31st March, 1998.

FINANCIAL RESULTS AND PERFORMANCE Vs PROJECTIONS :

The Financial Performance vis-a-vis Projections made in the Prospectus dated 02.06.94 is given below :

	Actuals for the year (Rs. in lacs)	Projections as per Prospectus (Rs. in lacs)
Total Income	1841	2097
Profit/(Loss) before tax	(16.61)	536
Profit/(Loss) after tax	(16.61)	372

FUTURE OUTLOOK

The Company has been able to significantly improve its production during the current year. The Selling Price of Titanium Dioxide has also undergone upward revision during the period. The Company expects to maintain its improved trend of production and sales realisation.

The market for Titanium Dioxide is encouraging and the Company does not envisage difficulty in selling its entire production. The other two by-products manufactured by the Company are also being marketed without any major difficulty. Given the overall efficiency of operations, the relative stability in Selling Price of Titanium Dioxide and