



KILBURN CHEMICALS LTD.

**ANNUAL
REPORT
AND
ACCOUNTS
2003-2004**

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KILBURN CHEMICALS LTD.

DIRECTORS

DEEPAK KHAITAN – *Chairman*
 S. K. JALAN – *Managing Director*
 V. VANCHI
 S. MUKHERJEE
 A. D. NANAIYA
 PADAM KUMAR KHAITAN
 R. CHAUDHRI

PRESIDENT

P. S. VENKATESH

BANKERS

STATE BANK OF TRAVANCORE
 UTI BANK LIMITED

AUDITORS

G. P. KEJRIWAL & ASSOCIATES
 CHARTERED ACCOUNTANTS
 KOLKATA

REGISTERED OFFICE

200, PETERS ROAD, ROYAPETTAH
 CHENNAI - 600 014

**FACTORY AND
 ADMINISTRATION**

A-81 SIPCOT INDUSTRIAL COMPLEX
 MILAVITTAN
 THOOTHUKKUDI - 628 002

SHARE TRANSFER AGENTS

MAHESHWARI DATAMATICS PVT. LTD.
 6, MANGOE LANE, 2ND FLOOR
 KOLKATA - 700 001

KILBURN CHEMICALS LTD.**NOTICE FOR THE 14TH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 14th Annual General Meeting of the Company will be held on Monday, the 2nd day of August, 2004 at 10.00 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, 2004 and the Profit and Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.
2. To declare dividend on Equity and Preference Shares.
3. To elect a Director in the place of Shri V. Vanchi who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Shri Supriyo Mukherjee who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and to authorise the Board to fix their remuneration.

AS SPECIAL BUSINESS

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

"RESOLVED THAT Shri.Ranjit Chaudhri, an Additional Director of the Company, who holds office upto the date of this meeting under Section 260 of the Companies Act, 1956 be and is hereby re-appointed as a Director of the Company liable to retire by rotation."

Registered Office :
200, Peters Road,
Chennai 600 014
Dated : 11th May, 2004.

By Order of the Board
KILBURN CHEMICALS LTD.
DEEPAK KHAITAN
CHAIRMAN

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 at least 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 27th July, 2004 to 2nd August, 2004 (both days inclusive).
- 4) Members are informed that consequent to the issue of Notification by the Department of Company Affairs, they can now avail the nomination facility in respect of their Shares/ Debentures/Deposits held in the Company. Members may kindly send the Nomination Form to the Share Transfer Agents of the Company at the earliest.

KILBURN CHEMICALS LTD.**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 3**

Shri V. Vanchi, the Director, retires by rotation and being eligible, offers himself for re-appointment. Pursuant to requirement of the Listing Agreement of the Stock Exchanges relating to Corporate Governance, a statement furnishing details of the above Director is attached herewith.

ITEM NO. 4

Shri Supriyo Mukherjee, the Director, retires by rotation and being eligible, offers himself for re-appointment. Pursuant to requirement of the Listing Agreement of the Stock Exchanges relating to Corporate Governance, a statement furnishing details of the above Director is attached herewith.

ITEM NO. 6

Shri.Ranjit Chaudhri was co-opted as an Additional Director on the Board of the Company with effect from 30th June, 2003. Shri. Ranjit Chaudhri aged 38 years is a Graduate in Economics from Brandeis University, USA & the London School of Economics. He is an industrialist and having an extensive experience in the field of industries. His service to the Company is considered more effective to the interest of the Company. Your Company has received Notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing the candidature of Shri.Ranjit Chaudhri as Director of your Company liable to retire by rotation.

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

Details of Directors seeking appointment/reappointment in the Annual General Meeting scheduled to be held on 2nd August, 2004

Name of the Director (s)	Shri V. Vanchi	Shri Supriyo Mukherjee	Shri Ranjit Chaudhuri
Age	57 years	49 years	38 years
Date of Appointment	30th January, 1992	8th March, 1997	30th June, 2003
Expertise in specific Functional Areas	Professional with over 35 years experience in projects, finance & general management	Professional with over 27 years experience in overall management of several corporate entities; Specialised in areas related to finance, commercial, taxation, corporate laws etc.	Industrialist
Qualification	B.M.E. (Hons), D.C.M.	B.Com (Hons.) F.C.A.	Bachelors Degree in Economics from Brandeis University, USA & the London School of Economics
List of outside Directorship held	1. Kilburn Office Automation Ltd. 2. Nirvan Commercial Co. Ltd. 3. KRL Finance & Investments Ltd. 4. Sandeep Investments Ltd. 5. Latika Financers Pvt. Ltd. 6. Dover Park Builders Pvt. Ltd.	1. WPIL Ltd.	1. Holtzman Systems Ltd. 2. Holtzman International Ltd. 3. Eriabarrie Properties (P) Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	Member : 1. Shareholders'/Investors Grievance Committee	Member : Nil	Member : Nil
Chairman/Member of the Committees of Director of other Companies in which he is a Director			
(a) Audit Committee	Nil	Nil	Nil
(b) Remuneration Committee	Nil	Nil	Nil
(c) Shareholders'/Investors Grievance Committee	Kilburn Office Automation Ltd.	Nil	Nil

KILBURN CHEMICALS LTD.**DIRECTORS' REPORT**

Your Directors take pleasure in presenting the 14th Annual Report together with the Audited Accounts of the Company for the Financial Year ended 31st March, 2004.

FINANCIAL HIGHLIGHTS

(Rs. in lacs)

	2003-04	2002-03
Turnover (Net)	4593.78	4215.65
Gross Profit (PBIDT)	937.82	1008.58
Interest	255.29	337.10
Depreciation for the year	209.02	201.54
Profit Before Tax (PBT)	473.51	469.94
Provision for Income Tax	37.02	37.00
Provision for Deferred Tax	212.61	9.76
Profit After Tax (PAT)	223.88	423.18
Add : Excess provision for Income Tax for earlier year written back	—	0.32
Add : Surplus/(Loss) brought forward from previous year	318.57	94.26
Profit available for Appropriation	542.45	517.76
Transferred to General Reserve	25.00	25.00
Proposed Dividend	154.41	154.41
Dividend Tax	19.78	19.78
Balance carried forward to next year	343.26	318.57

OPERATIONS

Your Company has continued to maintain the trend of improved performance both in terms of higher production and sales. During the year under review, the production and sales of Titanium Dioxide increased by 10% and 24% respectively over the previous year. The sale of its by-product viz. Ferrous Sulphate Hepta-hydrate also registered significant growth of 27% over the previous year.

Product	Production (In Tonnes)	Sales (In Tonnes)
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Anatase Grade Titanium Dioxide	6876.000	7280.275
Ferrous Sulphate Hepta Hydrate	14022.000	13750.560

Your Directors are pleased to report to you that the Company's entire production conformed to the quality criteria as applicable to ISI grade. The Company was able to enter export market during the year.

The Government of India, Ministry of Commerce & Industries (Department of Commerce) has imposed final Anti-dumping Duty on Anatase Grade Titanium Dioxide imports from China vide its notification dated 15th March, 2004.

PREFERENCE DIVIDEND

Your Directors recommend the Preference Dividend of 11% on the Cumulative Redeemable Preference Shares for the period from 1st April, 2003 to 31st March, 2004 amounting to Rs. 43.03 lacs.

EQUITY DIVIDEND

Your Directors are pleased to recommend a Dividend of 15% on the equity shares of Rs.10/- each subject to the approval of the shareholders in the Annual General Meeting.

FUTURE OUTLOOK

The Company is confident of achieving superior performance in the years ahead. It is continuing to incur capital expenditure in a phased manner in order to debottleneck the sectional capacities and ultimately to maximise its plant utilisation. The end-user industries are upbeat and the trend is expected to gain ground. The overall bullish demand will further lead to higher volume of sales and price realization during the current year.

CONSERVATION OF ENERGY

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.

KILBURN CHEMICALS LTD.**CORPORATE GOVERNANCE**

Pursuant to the provisions contained in the Listing Agreement with Stock Exchanges, a Management Discussion and Analysis Report and a Report on Corporate Governance together with the Auditors' Certificate on the compliance of the conditions of the Corporate Governance are annexed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (1) That in the preparation of the Annual Accounts for the financial year ended 31st March, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (2) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit of the Company for year under review;
- (3) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (4) That the Directors have prepared the Annual Accounts on a going concern basis.

COST AUDITOR

The Board of Directors have appointed Shri R. Subramanian, Cost Accountant, Tirunelveli, to audit the cost accounts of the Company related to manufacture of Titanium Dioxide for the financial year ended 31st March, 2004, in compliance with the Central Government directives in this regard.

DIRECTORS

Shri Ranjit Chaudhri was inducted as an Additional Director with effect from 30th June, 2003. 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 Ranjit Chaudhri as a Director liable to retire by rotation.

Shri V. Vanchi and Shri Supriyo Mukherjee, retire by rotation at this Annual General Meeting and being eligible offer themselves for re-election.

AUDITORS

M/s. G.P. Kejriwal & Associates, Chartered Accountants, retire at the conclusion of this meeting and being eligible, offer themselves for re-appointment. The Directors are of the view that Notes to the Accounts provide the necessary explanation to the observations of the Auditors in their report.

PARTICULARS OF EMPLOYEES

Industrial relations in the Company continued to be cordial and satisfactory. There is no employee in the Company falling within the requirements of Section 217(2a) of the Companies Act, 1956 and hence the statement giving such information is not furnished.

ACKNOWLEDGEMENT

Your Directors are grateful for the co-operation and continued guidance and support extended by Industrial Development Bank of India, State Bank of Travancore, UTI Bank Ltd. and the State Industries Promotion Corporation of TamilNadu 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 : Kolkata,
Date : 11th May, 2004

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	Last Year
	2003-2004	2002-2003
1) Electricity :		
(a) Purchased:		
Units	68,64,120	54,97,870
Total Amount	Rs. 2,96,40,505	Rs. 2,39,52,084
Rate/Unit	Rs. 4.32	Rs. 4.36
(b) Own Generation :		
(i) Through Diesel Generator		
Units	16,80,750	26,11,431
Units per litre of Fuel	2.96	3.05
Costs per unit	Rs. 5.15	Rs. 4.42
(ii) Through Steam Turbine/Generator	NIL	NIL
2) Coal :	NIL	NIL
3) Furnace Oil :		
Quantity (K.Ltrs)	1916.76	1860.450
Total Amount	Rs. 1,97,90,897	Rs. 1,97,22,262
Average Rate	Rs. 10,325.18	Rs. 10,600.80
4) Others		
Fuel Oil for Production :		
Quantity (K.Ltrs)	2,563.810	2495.224
Value	Rs. 3,78,83,611	Rs. 3,25,91,020
Average Rate	Rs. 14,776.29	Rs. 13,061.36
B) Consumption per unit of production :		
i) Titanium Dioxide :		
a) Power	1,082 Units	1,159 Units
b) Furnace Oil	279 Litres	297 Litres
c) Fuel Oil	373 Litres	398 Litres
ii) Ferrous Sulphate Heptha Hydrate :		
Power	79 Units	73 units

ANNEXURE - B

REPORT ON CORPORATE GOVERNANCE
(Pursuant to Clause 49 of the Listing Agreement)

The following is a report on Corporate Governance code as implemented by your Company.

A. MANDATORY REQUIREMENTS**1. CORPORATE GOVERNANCE**

Your Company firmly believes in transparency, professionalism and accountability in its dealings and lays emphasis on integrity and compliance of regulatory provisions and has constantly endeavoured to practice good Corporate Governance. The above policies adopted by the Company recognize the accountability of the Board and assist its top management in the efficient conduct of the business of the Company and at the same time in meeting its social obligations.

The Company has taken a series of steps to put in place appropriate Corporate Governance Policies for your Company and to comply with many of the regulations framed in this regard by the Securities & Exchange Board of India.

2. BOARD OF DIRECTORS

The Board of Directors of your Company consists of Seven Directors, one of whom is the Managing Director. All other Directors are non-executive Directors and not less than one third of the Board comprises of independent Directors.

The details of composition, status, attendance at the Board Meetings and the last Annual General Meeting (AGM), outside Directorships and other Board Committees as at 31st March, 2004 is as under :

Name of the Director	Status i.e., Executive, Non Executive and Independent	No. of Membership in other Boards or other Committees as a Member or Chairman (other than Private Limited Companies and Kilburn Chemicals Ltd.)		Number of Board Meetings		Whether attended last A.G.M.
		Board	Committee	Held during the year	Attended during the year	
Shri Deepak Khaitan	Non Executive Chairman	9	3	4	3	NO
Shri S. K. Jalan	Executive Managing Director	6	2	4	3	YES
Shri V. Vanchi	Non Executive Independent Director	4	1	4	4	YES
Shri Supriyo Mukherjee	Non Executive Independent Director	1	—	4	4	NO
Shri A. D. Nanaiya	Non Executive Independent Director	1	—	4	3	YES
Shri Padam Kumar Khaitan	Non Executive Independent Director	9	4	4	2	NO
Shri Ranjit Chaudhuri	Non Executive Independent Director	3	—	4	3	NO

Number of Board Meetings held and the dates on which held :

Four Board Meetings were held during the year 2003-2004 on 30/06/2003; 28/07/2003; 21/10/2003 & 29/01/2004.

KILBURN CHEMICALS LTD.**3. REMUNERATION TO DIRECTORS**

The Board of Directors has constituted the Remuneration Committee which includes Mr. V. Vanchi (Chairman), Mr. A.D. Nanaiya and Mr. Supriyo Mukherjee.

The Details of Remuneration paid to Directors for the year ended 31st March, 2004 is as follows :

Name of the Director	Sitting Fees	Salaries & Perquisites	Commission
Mr. Deepak Khaitan	Rs.6,000/-	—	—
Mr. S.K. Jalan	—	Rs.10,49,814/-	—
Mr. V. Vanchi	Rs.16,000/-	—	—
Mr. A.D. Nanaiya	Rs. 6,000/-	—	—
Mr. Supriyo Mukherjee	Rs. 16,000/-	—	—
Mr. Padam Kumar Khaitan	Rs. 4,000/-	—	—
Mr. Ranjit Chaudhuri	Rs. 10,000/-	—	—

The Company does not have any Employee Stock Option Scheme.

The agreement with the Managing Director is for a period of three years, notice period is of 6 months and Service Contract is from 14th November, 2003 to 13th November, 2006.

The remuneration of the Managing Director is determined by the Board within the statutory limits subject to shareholder's approval and on the basis of recommendation of the Remuneration Committee.

4. AUDIT COMMITTEE

The Board of Directors of the Company has constituted Audit Committee, which comprises of Mr. V. Vanchi (Chairman), Mr. Supriyo Mukherjee and Mr. Ranjit Chaudhuri, all of whom are Non Executive Independent Directors. Mr. Supriyo Mukherjee has adequate financial and accounting qualifications. The terms of reference of the Audit Committee covers the matter specified for Audit Committee under the Listing Agreement and the Companies (Amendment) Act, 2000 and is vested with the following powers :

- To investigate any activity within its terms of reference
- To seek information from any employee
- To obtain outside legal or other professional advices.
- To seek attendance of outsiders with relevant expertise, if considered necessary.
- Review of Company's Financial reporting process.
- Review of Half yearly and annual financial statements, before submission to the Board.
- Review with External Auditors, on areas of concern.
- Review the adequacy of internal control systems.