

kilburn 

**ANNUAL
REPORT
AND
ACCOUNTS**

2002 - 2003


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KILBURN OFFICE AUTOMATION LTD.

DIRECTORS

SANDEEP KUMAR JALAN
 V. VANCHI
 A. KHAITAN
 RAJIV KHAITAN
 C.R. PAUL
 MANMOHAN SINGH
 A. D NANAIYA
 M. SEN
 A. GUHA SARKAR

-CHAIRMAN
 -MANAGING DIRECTOR

COMPANY SECRETARY

D. K. GHOSH

**REGISTRARS & SHARE
TRANSFER AGENTS**

MAHESHWARI DATAMATICS PVT. LTD.
 6, MANGOE LANE, 2ND FLOOR
 SURENDRA MOHAN GHOSH SARANI
 KOLKATA 700 001

AUDITORS

LOVELOCK & LEWES
 CHARTERED ACCOUNTANTS

SOLICITORS

KHAITAN & CO.

BANKERS

CANARA BANK
 UNITED BANK OF INDIA
 CENTRAL BANK OF INDIA

**REGISTERED & CORPORATE
OFFICE**

'SHANTINIKETAN'
 15TH & 16TH FLOOR
 8, CAMAC STREET,
 KOLKATA - 700 017

FACTORY

'BHASA' DIAMOND HARBOUR ROAD
 P.O BISHNUPUR
 DIST. 24 - PARGANAS (S)
 PIN - 743 503

REGIONAL OFFICES

EASTERN REGIONAL OFFICE
 7, RED CROSS PLACE
 KOLKATA - 700 001

WESTERN REGIONAL OFFICE
 GRESHAM ASSURANCE HOUSE
 SIR PHIROZESHAH MEHTA ROAD
 (ABOVE ANZ GRINDLAYS BANK)
 FORT, MUMBAI - 400 001

SOUTHERN REGIONAL OFFICE
 200, PETERS ROAD, ROYAPETTAH,
 CHENNAI - 660 014

NORTHERN REGIONAL OFFICE
 B-161/4, GAUTAM NAGAR
 GULMOHAR HOUSE, 4TH FLOOR
 NEW DELHI - 110 049

KILBURN OFFICE AUTOMATION LTD.

NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the Company will be held at Gyan Manch, 11, Pretoria Street, Kolkata 700 071, on Friday, the 26th day of September, 2003 at 11.00 a.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended as on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S. K. Jalan, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. Khaitan, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution with or without modification(s) as an Ordinary Resolution :-
"RESOLVED THAT Mr. M. Sen, who was appointed as an Additional Director by the Board of the Company on 30th January, 2003 pursuant to Section 260 of the Companies Act, 1956 and Article 103 of the Articles of Association of the Company, be and is hereby appointed a Director of the Company."
6. To consider and if thought fit, to pass the following resolution with or without modification(s) as an Ordinary Resolution :-
"RESOLVED THAT Mr. A. Guha Sarkar, who was appointed as an Additional Director by the Board of the Company on 30th January, 2003 pursuant to Section 260 of the Companies Act, 1956 and Article 103 of the Articles of Association of the Company, be and is hereby appointed a Director of the Company."
7. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution by means of a Postal Ballot:-
"RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions of the Companies Act, 1956 and subject to such other approvals, sanctions, permissions and consents, as may be required, consent of the Company be and is hereby accorded to the Board of Directors of the Company to dispose off the whole, or substantially the whole of one or more of the undertaking(s) of the Company on such terms and conditions and with effect from such date and in such manner and to finalise and execute all requisite documents, writings and others papers as may be required from time to time and to do all acts, deeds, matters and things as may be deemed necessary and / or expedient in its discretion including power to delegate for completion of the transaction as aforesaid in the best interest of the Company".

By Order of the Board

S. K. JALAN

CHAIRMAN

Date: 30th June, 2003

Place: Kolkata

NOTES

1. The Register of Members of the Company will remain closed from 15th September, 2003 to 22nd September, 2003 (both days inclusive).
2. A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote thereat instead of himself and a proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at its Registered and Corporate Office at "Shantiniketan", (15th & 16th Floor), 8 Camac Street, Kolkata 700 017 not less than forty eight hours before the meeting.
3. Shareholders are requested to bring the admission slip alongwith their Copy of the Annual Reports at the Annual General Meeting.
4. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
5. As per Section 192A of the Companies Act, 1956 read with The Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the consent of the shareholders in respect of Resolution No.7 is required to be obtained by means of Postal Ballot.
6. The Postal Ballot Form and the Self-addressed business reply envelope have already been forwarded to the shareholders separately.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT,1956**ITEM NO.5**

Mr.M.Sen was appointed as an Additional Director pursuant to Section 260 of the Companies Act,1956 and Article 103 of the Articles of Association of the Company, at the Board Meeting held on 30th January,2003. In accordance with the Section 260 of the Companies Act, 1956, the term of appointment of Mr. M. Sen ends on the date of the ensuing Annual General Meeting. The Company has received a notice in writing alongwith the requisite deposit under Section 257(1) of the Companies Act,1956 from a shareholder proposing the appointment of Mr.M.Sen, as the Director of the Company at the ensuing Annual General Meeting.

The Board recommends the resolution for the approval of the shareholders.

Apart from Mr.M.Sen, no Director is interested or concerned in the said resolution.

ITEM NO.6

Mr.A.Guha Sarkar was appointed as an Additional Director pursuant to Section 260 of the Companies Act,1956 and Article 103 of the Articles of Association of the Company, at the Board Meeting held on 30th January,2003. In accordance with the Section 260 of the Companies Act, 1956, the term of appointment of Mr. A. Guha Sarkar ends on the date of the ensuing Annual General Meeting. The Company has received a notice in writing alongwith the requisite deposit under Section 257(1) of the Companies Act,1956 from a shareholder proposing the appointment of Mr.A.Guha Sarkar, as the Director of the Company at the ensuing Annual General Meeting.

The Board recommends the resolution for the approval of the shareholders.

Apart from Mr.A.Guha Sarkar, no Director is interested or concerned in the said resolution.

ITEM NO.7

The Company is in the process of restructuring its operations so as to keep pace with the fast changing business environment. The Company is engaged in four distinct Product areas viz., Mailing Systems, Plain Paper Copiers, Drawing Office Equipments and other Office Automation Products. The Company is evaluating the option of disposing off one or more of these product areas with a view to reducing the high-cost debts and for ameliorating the bottomline of the business, thereby to create environments for development of the Company in the remaining lines of business and to achieve the targets of performance. In this connection, consent of the shareholders is being sought for disposal of the whole, or substantially the whole of one or more of the undertaking(s) of the Company in terms of Section 293(1)(a) of the Companies Act,1956 which shall be obtained by means of a Postal Ballot pursuant to the provisions of Section 192A of the Companies Act,1956 read with The Companies (Passing of the Resolution by Postal Ballot) Rules,2001.

The Board recommends the resolution for the approval of the shareholders.

No Director is concerned or interested in the said resolution.

Details of Directors seeking appointment/ re-appointment in the Annual General Meeting scheduled to be held on 26th September, 2003

Name of the Director (s)	MRS.K.JALAN	MRA.KHAITAN	MR.M.SEN	MRA.GUHA SARKAR
Age	40 Years	35 Years	61 Years	48 Years
Date of Appointment	29th March,1989	14th November, 1994	30th January, 2003	30th January,2003
Expertise in specific functional areas.	Having rich and varied experience in business and commerce.	Having considerable business and industrial experience with exposure in Tea and Engineering Industry	Having rich and varied experience in sales and Marketing in Office Automation Industry	Having rich and varied experience in Secretarial and legal functions, capital market activities, dealing with banks and financial institutions and various other corporate matters.
Qualification	B.Com (Hons.), MBA	B.Com (Hons.)	B.Sc. (Hons.)	B.Com. (Hons.), LLB, ACS.
List of outside Directorship held	<ol style="list-style-type: none"> 1. Kilburn Chemicals Ltd., Managing Director 2. Shree Durga Agencies Ltd., 3. KRL Finance & Investments Limited 4. Just Desserts Ltd 5. Sandeep Investments Limited 6. Free India Dry Accumulators Limited 7. Amritsar Estates Ltd 	<ol style="list-style-type: none"> 1. Williamson Magor & Co. Ltd. 2. Eveready Industries India Limited 3. Williamson Financial Services Limited 4. Babock Borsig Ltd. 5. Macneill Engineering Limited 6. India Foils Limited 7. International Development & Engg. Association Limited 8. Woodside Parks Ltd 9. The Moran Tea Company (India) Ltd 10. One Two Three India. Com Limited 	NIL	<ol style="list-style-type: none"> 1. PortSide Estates Ltd 2. Majerhat Estates & Developers Limited
Memberships/ Chairman of Committees held in other public companies	Shareholders' / Investors Grievance Committee Member Kilburn Chemicals Ltd.	Audit Committee Member <ol style="list-style-type: none"> 1. Williamson Magor & Company Ltd. 2. Williamson Financial Services Ltd. 	NIL	NIL

DIRECTORS' REPORT**FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2003**

Your Directors submit their Report together with the Audited Accounts of the Company for the Financial Year ended 31st March, 2003.

FINANCIAL RESULTS

Your Company recorded the following results for the Financial Year ended 31st March, 2003.

	Financial Year Ended		Financial Year Ended	
	31st March, 2003		31st March, 2002	
	Rs.	Rs.	Rs.	Rs.
Gross Operating Profit	46,97,096		24,41,040	
Depreciation	21,60,583		20,22,225	
Net Profit Before Taxation	25,36,513		4,18,815	
Less: Taxation for the year				
Current Tax (Net off Earlier year excess provision written back)	—	(25,32,334)		
Deferred Tax(Credit)	19,13,798	(17,54,196)	(42,86,530)	
Net Profit After Taxation	6,22,715		47,05,345	
Loss brought forward from previous year	(4,08,00,613)		(4,54,05,958)	
Transfer to Debenture Redemption Reserve	1,00,000		1,00,000	
Deficit carried to Balance Sheet	(4,02,77,898)		(4,08,00,613)	

PERFORMANCE REVIEW

Despite difficult conditions prevailing in the office equipment sector, the Company was able to sustain its level of turnover. The Company was able to redefine its commitment as market leader on Mailing Products, with the tie-up of Pitney-Bowes Inc., U.S.A. The Company received several prestigious orders during the year and for the first time ended the year with a back-log of orders aggregating Rs. 280 Lacs. The Company also implemented various steps oriented towards cost-control and improving overall performance.

FUTURE PROSPECTS

The decision of the Department of Posts, Government of India on discontinuance of service postage stamps is providing substantial business opportunity for the Company on Postal Franking Machines. Various States have approved the use of advanced Digital Franking Machines for Tax Revenue Applications and the products are finding good demand in the said States for both departmental and non-departmental usage, offices, finance, banking and insurance sectors.

The Company's foray on Multi-Functional Digital Networking Products in tie-up with Kyocera Mita Singapore Pte Ltd., has met with initial success. The Company is in the process of expanding the Product range.

Your Company is also exploring possibilities for better utilisation of its India-wide marketing and servicing infrastructures. Various Banking related products are under evaluation.

DISPOSAL OF THE WHOLE, OR SUBSTANTIALLY THE WHOLE OF ONE OR MORE OF THE UNDERTAKING(S)

The Company is in the process of restructuring its operations so as to keep pace with the fast changing business environment. The Company is engaged in four distinct Product areas viz., Mailing Systems, Plain Paper Copiers, Drawing Office Equipments and other Office Automation Products. The Company is evaluating the option of disposing off one or more of these product areas with a view to reducing the high-cost debts and for ameliorating the bottomline of the business, thereby to create environments for development of the Company in the remaining lines of business and to achieve the target of performance. The consent is being sought from the shareholders of the Company under Section 293(1)(a) of the Companies Act, 1956 read with The Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, by means of a Postal Ballot at the ensuing Annual General Meeting.

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.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Statement Pursuant to the Provisions of Sec.217(1)(e) of the Companies Act, 1956 Read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in - Annexure "A"

DIRECTORS

Mr.S.K.Jalan and Mr. A Khaitan retire from office by rotation in accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, and being eligible, offer themselves for re-appointment.

Mr.M.Sen and Mr.A.Guha Sarkar were appointed by the Board as Additional Directors on 30th January,2003 pursuant to Section 260 of the Companies Act,1956 and Article 103 of the Articles of Association of the Company till the date of the ensuing Annual General Meeting and are eligible for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) inserted by Companies (Amendment) Act, 2000, your Directors have :

- a) followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanations relating to material departures;
- b) 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 your Company at the end of the financial year and of the profit of your Company for that period;
- c) 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 your Company and for preventing and detecting frauds and other irregularities; and
- d) prepared the Annual Accounts on a going concern basis.

AUDITORS

Messrs. Lovelock & Lewes, Chartered Accountants, the Auditors of the Company, retire and being eligible, shall subject to Section 224 of the Companies Act, 1956 offer themselves for re-appointment.

The Directors are of the view that notes to the Accounts adequately provide the necessary information and answer the observations of the Auditors in their Report.

CORPORATE GOVERNANCE

A Separate section on Corporate Governance is included in the Annual Report alongwith the Certificate from the Statutory Auditors confirming compliance of the conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

DEMATERIALISATION OF SHARES

The Company's Equity Shares are available in Compulsory Dematerialisation Form. The ISIN No. allotted to the Company is INE793E01014.

ACKNOWLEDGEMENT

Your Directors acknowledge the recognition given and trust reposed in your Company by the Depositors, Financial Institutions, Banks, Registrar of Companies, Reserve Bank of India, Stock Exchanges and other Government Agencies and record appreciation for their support and look forward to their continued confidence in the Company. Your Directors also place on record their appreciation for the valuable contribution and co-operation of all categories of employees of the Company

Place: Kolkata

Date: 30th June, 2003

For and on behalf of the Board

S. K. JALAN
CHAIRMAN

Annexure 'A' to the Directors' Report
Statement Pursuant to the Provisions of Sec. 217(1)(e) of the Companies Act, 1956
Read with Companies (Disclosure of Particulars in the Report of
Board of Directors) Rules, 1988

A. Conservation of Energy

a) Energy Conservation measures taken:

The existing plant and machinery of the Company and construction of Factories have been planned to avail of the maximum natural light facilities as ventilation. The Company does not have intense requirements of energy.

b) Additional investments and proposals, if any being implemented for reduction of Consumption of energy.

No substantial investments required for reduction of consumption of energy at present.

c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production goods:

Our existing energy consumption itself is not substantial and impact of measures taken as per para (a) above cannot be gauged accurately.

B) Technology Absorption

Research & Development (R&D)

1) Specific areas in which R&D carried out by the Company.

Table Top Stamp Cancelling Machines both manual and electrically operated is being developed to suit the requirement of Postal Authorities.

2) Benefits derived as a result of above R&D :

The Table Top Stamp Cancelling Machines will help in liquidating the inventory of manual Franking Machines.

Four Models of the aforesaid machines have been developed and the Company has taken rate contracts with National Consumer Co-operative Federation.

3) Future plan of action :

Keeping in view the fast changing scenario in the Industry, the Company will carry out research and development for introduction of new products, in response to the market need by way of modification and improvement of its existing products and curtail the cost of production by way of value engineering and import substitution.

4) Expenditure on R&D :

a) Capital

b) Recurring

c) Total

d) Total R&D expenditure
as Percentage of total
turnover

| Research & Development is carried out by the Company
| as part of Production Process and therefore, no separate
| cost has been booked under the head "Research
& development".

Technology, absorption, adaption and innovation:

As a consequence of the continuing efforts of the Company towards upgradation of technology, the Company has had no occasion to import any technology, during the last year. R&D activities are being directed mainly towards expanding the existing product range.

Imported Technology :

The Company has not imported any technology.

C) Foreign Exchange Earnings & Outgo

Foreign Exchange Earnings : Nil

a) Total Foreign exchange used :

The expenditure in foreign exchange has been equivalent to Rs. 9,74,64,173 comprising of Rs.9,58,81,197 being the CIF value of imports consisting of raw materials, finished goods and components and Rs.15,82,976, for travelling and others.

Place: Kolkata

Date: 30th June, 2003

For and on behalf of the Board

S. K. JALAN
CHAIRMAN

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

The Directors present the Company's Report on Corporate Governance:

A. MANDATORY REQUIREMENTS**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company firmly believes in transparency, professionalism and accountability in its dealings and lays emphasis on integrity and compliance of regularity provisions and has constantly endeavoured to practice good Corporate Governance. The above policies adopted by the Company recognise 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.

2. BOARD OF DIRECTORS

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

The Company did not have any pecuniary relationship or transactions with the Non - Executive Directors during the period under review.

The remuneration, in the form of sitting fees, of Non -Executive Directors is decided by the Board of Directors.

During the year, five Board Meetings were held on 27th June, 2002, 31st July, 2002, 18th September, 2002, 30th October, 2002 and 30th January, 2003.

The composition of Directors and the attendance at the Board meetings during the year and at the last Annual General Meeting and also number of other Directorships/ Committee Memberships are given below :

Names of Directors	Category of Directorship	Directorships held in other Companies**		Committee Membership held in Other Companies ***		No of Board meetings attended	Attendance at last A.G.M
		As Director	As Chairman	As Member	As Chairman		
1. Sri S.K. Jalan	Chairman Non Executive Chairman	7	—	1	—	5	Yes
2. Mr. V. Vanchi	Executive Managing Director	3	—	—	3	5	Yes
3. Mr. A. Khaitan	Non-Executive Independent Director	10	—	2	—	—	No
4. Mr. R. Khaitan	Non-Executive Independent Director	6	—	1	1	—	No
5. Mr. A. D. Nanaiya	Non-Executive Independent Director	1	—	2	—	—	No
6. Mr. C. R. Paul	Non-Executive Independent Director	1	—	2	1	5	Yes
7. Mr. M. Singh	Non-Executive Independent Director	—	—	—	—	—	No
8. Mr. M. Sen *	Non-Executive Independent Director	—	—	—	—	—	—
9. Mr. A. Guha Sarkar*	Non-Executive Independent Director	2	—	—	—	—	—

- * Appointed as Additional Directors of the Company with effect from 30th January 2003.
- ** Excludes Directorships held in Private Limited Companies, Foreign Companies, Companies under section 25 of the Companies Act, 1956 and Memberships of Managing Committees of various Chambers/ Institutions.
- *** Memberships / Chairmanships of Audit Committee, Remuneration Committee and Shareholders / Investors Grievance Committee have been considered.

Particulars of Directors retiring by rotation and seeking reappointment are given in the Notice convening the 22nd Annual General Meeting and Explanatory Statement thereto.

3. AUDIT COMMITTEE

The Audit Committee, which was constituted on 29th June 2001 pursuant to Section 292A of the Companies Act, 1956, as inserted by the Companies (Amendment) Act, 2000 comprising Mr. S.K. Jalan, Mr. V. Vanchi and Mr. A.D. Nanaiya, was reconstituted on 30th January 2003 in accordance with Clause 49 of the Listing Agreement comprising Mr. M. Sen, Mr. A. Guha Sarkar, Mr. A.D. Nanaiya, all Non-Executive Independent Directors and Mr. S.K. Jalan, Chairman and Non-Executive Director.

The terms of reference of the Audit committee complies with the requirements of the Section 292A of the Companies Act, 1956 and the role, power and conduct of the Committee are governed by Clause 49 of the Listing Agreement.

The Audit Committee met four times during the year on 27/06/2002, 31/07/2002, 28/11/2002 and 30/01/03. After re-constitution by the Board, there was no committee meeting during the year under review.

Mr. S.K. Jalan, Chairman and Mr. V. Vanchi attended the four meetings and Mr. A.D. Nanaiya could not attend any of the meetings during the year.

Mr. D.K. Ghosh, Secretary of the Company, acts as the Secretary of the said committee.

4. REMUNERATION COMMITTEE

The Board of Directors has constituted the Remuneration Committee in accordance to the requirements of the Listing Agreements read with Schedule XIII of the Companies Act, 1956 on 30th January 2003 comprising Mr. M. Sen, Mr. A. Guha Sarkar and Mr. A.D. Nanaiya, who are Non-Executive Independent Directors.

The Committee is empowered to recommend/ fix/revise the remuneration packages of the Whole Time / Managing Director based on performance and other defined criterias.

The remuneration policy generally consists of basic remuneration, perquisites and performance incentives.

The Committee did not meet during the year.

The details of remuneration paid to Directors for the year ended March 31, 2003 is as follows :

Name of Director	Sitting Fees (Rs.)	Salary (Rs.)	Perquisites (Rs.)	Retirement Benefits (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. S. K. Jalan	13,500	—	—	—	—	13,500
Mr. V. Vanchi, Managing Director	—	6,00,000	2,15,915	1,82,850	—	9,98,765
Mr. A. K. Khaitan	—	—	—	—	—	—
Mr. R. Khaitan	—	—	—	—	—	—
Mr. A. D. Nanaiya	—	—	—	—	—	—
Mr. C. R. Paul	7,500	—	—	—	—	7,500
Mr. M. Singh	—	—	—	—	—	—
Mr. M. Sen	—	—	—	—	—	—
Mr. A. Guha Sarkar	—	—	—	—	—	—

The Company does not have any Employee Stock Option Scheme.

The agreement with the Managing Director is contractual in nature and is for a period of three years (i.e. from 14th November, 2000 to 13th November, 2003). The agreement may be terminated by either party by giving a notice of not less than six months in writing.

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Shareholders/Investors Grievance Committee was constituted on 30th January 2003 comprising Mr. S. K. Jalan, Non-Executive Director, Mr. V. Vanchi, Managing Director and Mr. A. Guha Sarkar, Non-Executive Independent Director. The said committee will look into Investors' complaints/grievances and redressal thereof and also any other matter