

Annual Report

1996-97

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
ACM	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
Y	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>

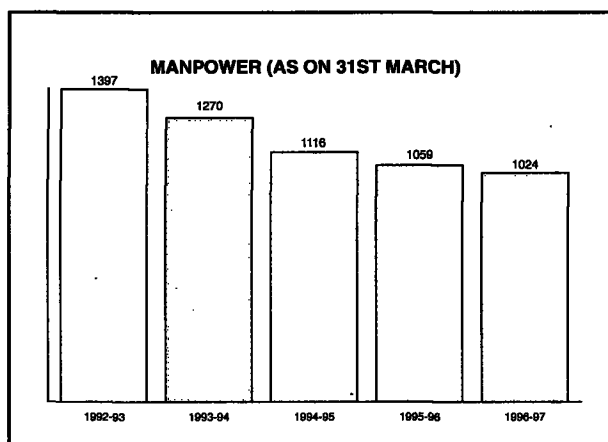
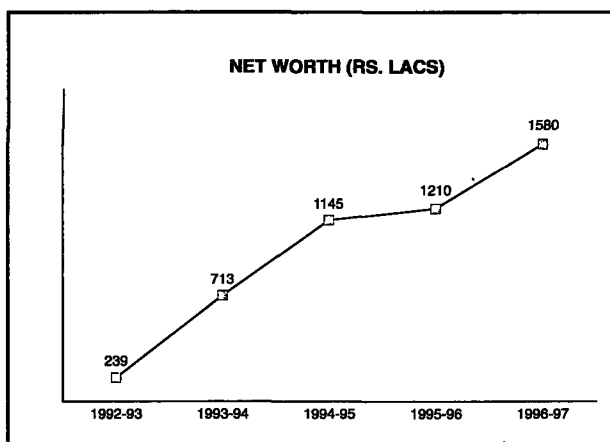
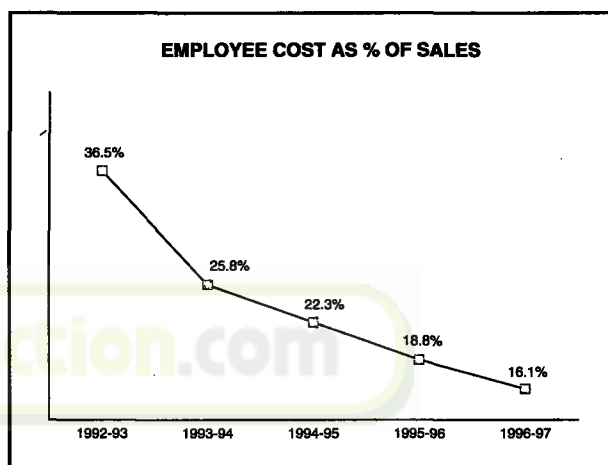
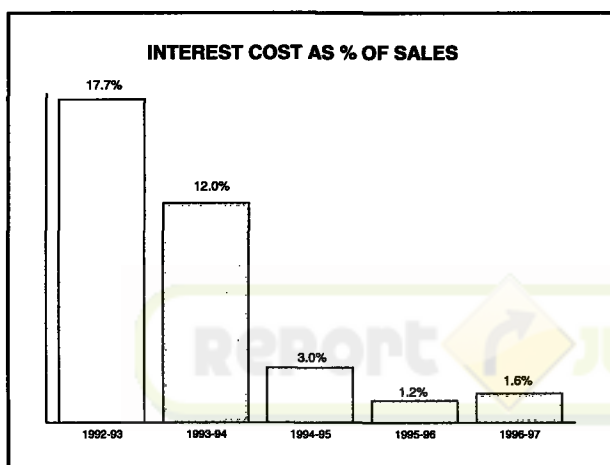
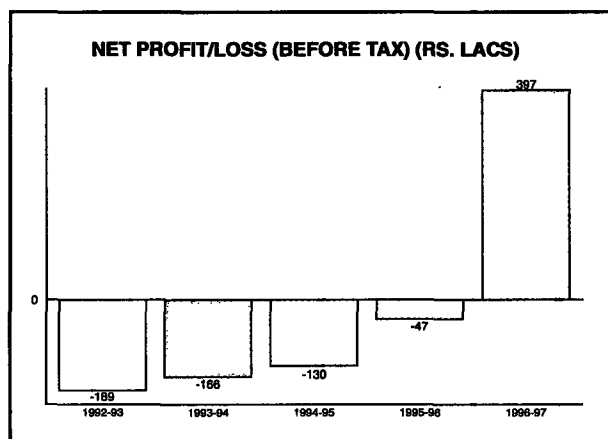
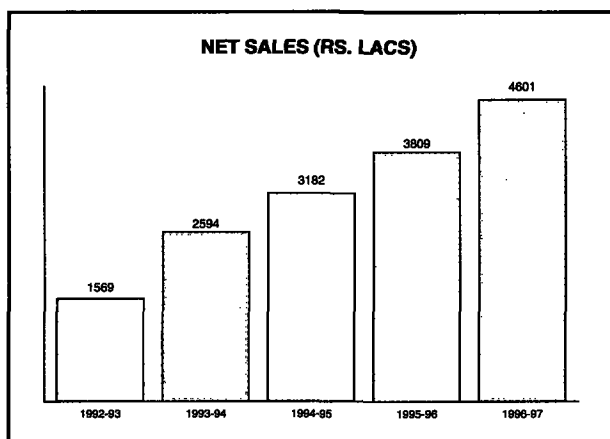


4EHB4G NATURAL GAS BOOSTER COMPRESSOR



K. G. Khosla Compressors Limited

Five Years At A Glance



Particulars	Unit	1992-93	1993-94	1994-95	1995-96	1996-97
Net Sales	Rs. Lacs	1569	2594	3182	3809	4601
Interest Cost as % of Sales	%	17.7	12.0	3.0	1.2	1.6
Net Worth	Rs. Lacs	239	713	1145	1210	1580
Net Profit/(Loss) (Before Tax)	Rs. Lacs	(189)	(166)	(130)	(47)	397
Employees Cost as % of Sales	%	36.5	25.8	22.3	18.8	16.1
Manpower (as on 31st March)	Nos.	1397	1270	1116	1059	1024

K.G. Khosla Compressors Limited

22nd Report of the Directors and Accounts for the year ended 31st March, 1997

Report

CONTENTS

Board of Directors	1
Notice	2-5
Directors' Report	6-9
Auditors' Report	10-11
Balance Sheet	12
Profit and Loss Account	13
Schedules and Notes forming part of Accounts	14-26
Balance Sheet Abstract	27
Cash Flow Statement	28-30
Subsidiary - Khosla Indair Limited	31-43
Statement under Section 212 of the Companies Act, 1956	44

BOARD OF DIRECTORS

Mr. B.N. Kalyani	Chairman
Mr. K.G. Khosla	
Mr. Sanjay C. Kirloskar	
Mr. Rahul C. Kirloskar	
Mr. Ravi Shankar Raman	Nominee of ICICI
Mr. Deepak Khosla	
Mr. M. Raghavendra	Nominee of LIC
Mr. S.B. Singh	Whole-time Director

Regd. Office :

Munot Bhavan, 2nd Floor,
321/1, Shanti Nagar Society,
Timber Market Road,
Bhawani Peth,
Pune - 411 042

Investors' Service Centre :

1 Deshbandhu Gupta Road,
New Delhi - 110 055
Phone : 7515125
Fax : 011-7516641
Gram : KHOSLACO

Works :

18.8 Km Delhi-Mathura Road,
Faridabad - 121 003 (Haryana)
Phones : 0129-275681-82, 84, 85
Fax : 0129-275351

Branches :

New Delhi, Mumbai, Calcutta, Chennai, Bangalore,
Hyderabad, Baroda, Dibrugarh

NOTICE

Notice is hereby given that the **22nd Annual General Meeting** of the Shareholders of **K.G. Khosla Compressors Limited** will be held on Thursday, the 25th day of September, 1997 at 3.30 P.M., at **Pudumjee Hall of the Mahratta Chamber of Commerce & Industries, Tilak Road, Pune- 411002**, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 1997 and the Profit & Loss Account for the year ended on that date and the Reports of the Auditors and Directors.
2. To appoint a Director in place of Mr. B.N. Kalyani, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Deepak Khosla, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification, the following Resolution, as a Special Resolution:-

"Resolved that M/s. Raghu Nath Rai & Co., Chartered Accountants, be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company.

Mr. S.B. Singh, Whole-time Director, be and is hereby authorised to fix their remuneration in consultation with them but not exceeding Rs.70,000/-."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following Resolution, with or without modification, as a Special Resolution:-
 "Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and are hereby altered in the following manner:
 - a) The existing Article No. 67 be deleted and the following Article be substituted in place thereof:

Chairman of General Meeting	The Chairman of the Board shall be entitled to take the Chair at every General Meeting. If at any
-----------------------------------	---

meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or if he shall be unable or unwilling to take the Chair, then the Vice Chairman of the Board of Directors shall be entitled to take the Chair at such General Meeting. If at any General Meeting the Vice Chairman shall not be present within fifteen minutes after the time appointed for holding such meeting or if he shall be unable or unwilling to take the Chair, then the Directors present shall elect any Director present and willing to take the Chair, and if no Director be present within fifteen minutes after the time appointed for holding such meeting or if all the Directors present decline to take the Chair, then the members present shall, on a show of hands or on a poll if properly demanded, elect one of their members being a member entitled to vote, to be the Chairman of such meeting.

- b) The existing Article No. 107 be deleted and the following Article be substituted in place thereof:

Chairman and Vice Chairman	The Board shall appoint from amongst its members a Chairman and a Vice Chairman and determine the period for which they are to hold office. The Chairman of the Board shall be entitled to take the Chair at every meeting of the Board. If at any meeting of the Board the Chairman shall not be present within five minutes after the time appointed for holding the meeting or if he be unable or unwilling to take the Chair then the Vice Chairman shall be entitled to take the Chair at such meeting. If none of the persons mentioned above shall be present within five minutes after the time appointed for holding the meeting then Board may elect one of their members to act as the Chairman of that meeting."
----------------------------------	--



K.G. Khosla Compressors Limited

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

"Resolved that consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions of the Companies Act, 1956, to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company together with power to take over the management of the business and concern of the Company, in certain events, to or in favour of The Industrial Credit & Investment Corporation of India Limited (ICICI) as agent of Punjab National Bank (PNB) and ANZ Grindlays Bank to secure the following Working Capital facilities sanctioned by them to the Company which limits may interchange between PNB and ANZ Grindlays Bank within the total limit of Rs.1735 lac of these banks:

- i) PNB - for working capital facilities of Rs.1565 lac (including performance guarantees/export performance guarantees etc. upto Rs.500 lac which is already secured by second charge).
- ii) ANZ Grindlays Bank - for working capital facilities of Rs.170 lac.

together with interest, compound interest, additional interest, further interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange of foreign currencies involved payable under their respective Heads of Agreement/Loan Agreements/Letters of Sanction/Trust Documents/Memorandum of Terms and Conditions etc.

Resolved Further that Board of Directors of the Company be and is hereby authorised to finalise with ICICI, ICICI acting as agent of PNB and ANZ Grindlays Bank for creating aforesaid mortgage and/or charge and to do all such acts, deeds and things, as may be necessary for giving effect to the above Resolution."

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

"RESOLVED that pursuant to Section 198, 269, 309, 310, 311 read with Schedule XIII and other applicable

provisions, if any, of the Companies Act, 1956, the present remuneration of Mr. S.B. Singh, Whole-time Director of the Company, be and is hereby increased to the remuneration mentioned below with effect from April 1, 1997:

Salary : Rs.5,76,000/- per annum or Rs.48,000/- per month including dearness and all other allowances.

Commission on Net Profits : One per cent of the net profits of the Company, subject to a ceiling of Rs.2,40,000/- per annum.

Leave : One month's paid privilege leave for each 11 months of service. Unavailed leave may be accumulated upto a maximum of 3 months. The leave not availed of shall not be allowed to be encashed.

PERQUISITES

Category - A

Housing : The expenditure by the Company on hiring/leasing the unfurnished accommodation in Delhi, Bombay, Calcutta and Madras will be subject to 60% and for other places 50% of the salary, over and above 10% payable by the appointee.

The expenditure incurred by the Company on gas, water, electricity, furnishings shall be valued as per Income-Tax Rules, 1962. This shall, however, be subject to the ceiling of 10% of the salary.

Medical Reimbursement : Expenses incurred for self and family, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

Leave Travel Concession: For self and family once in a year incurred in accordance with the Rules of the Company.

Club Fees : Fees of clubs subject to a maximum of two clubs provided that admission and life membership fee not being allowed.

Personal Accident Insurance : Premium not to exceed Rs.4,000/- per annum.

Category - B

Contribution to Provident Fund, Superannuation Fund, Annuity, etc. : The contribution to Provident Fund, Superannuation Fund, Annuity etc. will be limited to 25% of the salary.

Gratuity : As per Payment of Gratuity Act, 1972 as amended from time to time.

Category - C

Car Facility : Use of Company maintained car. Use of car for private purpose shall be billed by the Company to the Appointee.

Telephone : Telephone facility at his residence. Personal long distance calls on telephone shall be billed by the Company to the Appointee.

Minimum Remuneration : The remuneration of Mr. S.B. Singh, Whole-time Director of the Company, in case of inadequacy or absence of profits, will be determined in accordance with Schedule XIII of the Companies Act, 1956.

Mr. S.B. Singh shall continue to be the Director of the Company only so long as he continues to be the Whole-time Director of the Company."

By Order of the Board of Directors

R.K. Rastogi

Company Secretary

Dated: August 29, 1997.

Registered Office :

Munot Bhavan, 2nd Floor,
321/1, Shanti Nagar Society,
Timber Market Road,
Bhawani Peth,
Pune-411042.

Notes :

1. Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956 in respect of item Nos. 4 to 7 of the Notice is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.
3. The Proxy Form duly executed and properly stamped should reach the Company at its Registered Office at least 48 hours before the time of the Meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from September 24, 1997 to September 25, 1997 (both days inclusive).
5. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days upto the date of the Annual General Meeting.
6. Members are requested to notify immediately any change in their address to the Company's Registered Office with their ledger folio number(s).



K.G. Khosla Compressors Limited

Annexure to the Notice

Explanatory Statement

(Pursuant to Section 173 (2) of the Companies Act, 1956)

Item No. 4

A Special Resolution is required for appointment of Auditors where Public Financial Institutions hold, in aggregate, not less than 25% of the Subscribed Share Capital as in the case of your Company.

As required, M/s. Raghu Nath & Co., have forwarded a certificate to the Company stating that the appointment, if made, will be within the limit specified in sub-section (1-B) of Section 224 of the Companies Act, 1956.

The Directors recommend the appointment of M/s. Raghu Nath Rai & Co., as Auditors of the Company.

None of the Directors is in any way concerned or interested in the Resolution.

Item No. 5

The existing Article Nos. 67 & 107 of the Articles of Association of the Company provide for the appointment of the Chairman of the General Meetings and the Chairman of the Board. At present, there is no provision in the Articles of Association of the Company for the appointment of Vice Chairman of the Board. The Board of Directors at its meeting held on November 4, 1996, resolved to alter the Articles of Association of the Company, subject to the approval of the shareholders, to make provision therein for the appointment of Vice Chairman of the Board. It is, therefore, proposed to amend the existing Article Nos. 67 and 107 of the Articles of Association of the Company. Hence, the resolution.

None of the Directors is in any way concerned or interested in the Resolution.

Item No. 6

The Company has been sanctioned the following working capital facilities:

- i) PNB - for working capital facilities of Rs.1565 lac (including performance guarantees/ export performance guarantees etc. upto Rs.500 lac which are already secured by second charge).
- ii) ANZ Grindlays Bank - for working capital facilities of Rs.170 lac.

The above facilities were, inter-alia, to be collaterally secured by second charge on the fixed assets of the Company as required/may be required by the Banks. In order to create the second charge in favour of the Banks, consent of the Company is required under Section 293(1)(a) of the Companies Act, 1956. Hence, the resolution. Pending approval from shareholders, the Company has already created securities to secure the above facilities from Punjab National Bank on May 12, 1997.

None of the Directors is in any way concerned or interested in the Resolution.

Item No. 7

Mr. S.B. Singh was appointed as Whole-time Director of the Company on a Salary of Rs.35,000 per month with other usual perks w.e.f. September 28, 1994. His Salary was last revised w.e.f. April 1, 1996 from Rs.35,000 to Rs.40,000 per month. The operations of the Company have improved considerably as the turnover for the year ended March 31, 1997 increased to Rs.4801 lac as against Rs.3809 lac during the previous year and the Company earned a profit of about Rs.397 lac during the year as against a loss of Rs.47 lac during the previous year. The remuneration of Officers and Sr. Managers of the Company has also been revised w.e.f. April 1, 1997.

In view of the above, the Board of Directors at its meeting held on June 28, 1997 decided to increase the remuneration of Mr. S.B. Singh, Whole-time Director as set out in the Resolution, subject to the approval of shareholders. The proposed increase in the remuneration of Mr. S.B. Singh would be within the limit specified in Schedule XIII to the Companies Act, 1956. Hence, the resolution.

None of the Directors, except Mr. S.B. Singh himself, is in any way concerned or interested in this Resolution.

By order of the Board of Directors
R.K. Rastogi

Company Secretary

Dated: August 29, 1997

Registered Office :

Munot Bhavan, 2nd Floor,
321/1, Shanti Nagar Society,
Timber Market Road,
Bhawani Peth,
Pune-411042.

DIRECTORS' REPORT

The Directors have pleasure in presenting their 22nd Annual Report together with the audited Statement of Accounts of the Company for the year ended March 31, 1997.

FINANCIAL RESULTS

The Financial Results for the year ended March 31, 1997 are summarised below :-

	1996-97 (Rs.)	1995-96 (Rs.)
Gross Profit (before depreciation & taxation)	4,30,54,725	(10,69,578)
Deducting therefrom:		
Depreciation	33,30,215	36,67,475
Provision for Taxation	44,00,000	—
	<u>3,53,24,510</u>	<u>(47,37,053)</u>
Balance Brought forward	(3,32,55,977)	(3,79,39,694)
Adding thereto :		
Income Tax for earlier years	16,35,681	—
Transferred from Investment Allowance (utilised) Reserve	—	10,20,770
Gratuity Provision Written Back	—	48,00,000
Superannuation Provision Written Back	—	36,00,000
	<u>37,04,214</u>	<u>(3,32,55,977)</u>
Appropriations:		
Debenture Redemption Reserve	35,08,333	—
Balance carried forward	1,95,881	(3,32,55,977)
	<u>37,04,214</u>	<u>(3,32,55,977)</u>

OPERATIONS

During the year under report, the Company achieved a turnover of Rs.4601 lac (previous year Rs.3809 lac), registering a growth of 21% over previous year. The operations of the Company resulted in a net profit of Rs.397 lac as against net loss of Rs.47 lac during the previous year.

DIVIDEND

Net profit earned during the year has been appropriated to wipe out carried forward losses and therefore Board

of Directors do not recommend payment of dividend for 1996-97.

SUBSIDIARY COMPANY

The Company has a subsidiary company "Khosla Indair Ltd." (KIL). The Annual Accounts of Khosla Indair Ltd., a hundred per cent subsidiary of the Company, are annexed to the Annual Accounts of the Company.

FIXED DEPOSITS

The Company has repaid all public fixed deposits which had matured and were claimed by the depositors. However, 50 depositors with a total deposit of Rs.2.90 lac have not claimed or renewed their deposits for more than 12 months.

DEBENTURES

The Company has redeemed all the 15% Non-Convertible Debentures which were sent to the Company for redemption by the Debenture-holders. However, 81 Debenture-holders with a total amount of Rs.63,725 have not yet surrendered the Debenture Certificates to the Company for redemption.

The Company has made payment of Rs.10,40,550 towards 1st Instalment of redemption in the case of Non-Convertible Non-Interest Bearing Debentures and Rs.58,83,256 towards the 1st Instalment in the case of Optionally Partly Convertible Debentures during the year. The Company has also made payment of Rs.10,40,550 towards the 11nd and final instalment of redemption in the case of the above Non-Convertible Non-Interest Bearing Debentures on June 5, 1997.

BOARD OF DIRECTORS

Mr. B.N. Kalyani was appointed as Chairman of the Board in the meeting of the Board of Directors held on November 4, 1996.

Mr. Ravi Shankar Raman has been nominated by The Industrial Credit & Investment Corporation of India Ltd. in place of Ms. Ramni Bhalla with effect from May 31, 1997.

Mr. M. Raghavendra has been nominated by General Insurance Corporation of India in place of Mr. A. Narayanan with effect from May 23, 1997.



K.G. Khosla Compressors Limited

The Board of Directors place on record their appreciation for the valuable contributions made by Ms. Ramni Bhalla and Mr. A. Narayanan during their association with the Company.

In accordance with the requirements of the Companies Act, 1956 and Company's Articles of Association, Mr. B.N. Kalyani and Mr. Deepak Khosla retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS

The Auditors of your Company, M/s. Raghu Nath Rai & Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The requisite certificate pursuant to Section 224(1-B) of the Companies Act, 1956 has been received.

AUDITORS' OBSERVATIONS

The Auditors have drawn the attention of the shareholders regarding certain points arising in the Accounts. The relevant notes to the accounts pointed out by the Auditors in their Report are self-explanatory and therefore no comments are called for on their observations.

PERSONNEL

During the year under report, the relations with employees were cordial. The Directors take this opportunity to place on record their appreciation for the devoted services rendered by the employees at all levels.

WORDS OF APPRECIATION

The Directors take this opportunity to express their gratitude for the valued and timely support from the Company's Bankers and Financial Institutions and wish to place on record their appreciation for the continued trust of confidence in the operations of the Company by its large number of members, depositors, customers and suppliers.

Information required under Section 217 (1) (e) and Section 217 (2A) of the Companies Act, 1956 and the Rules framed thereunder is annexed and forms part of this Report.

For and on behalf of the Board of Directors

B.N. KALYANI
Chairman

Pune

Dated : June 30, 1997

Statement showing the particulars as required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended March 31, 1997.

A) CONSERVATION OF ENERGY

(a) Energy Conservation measures taken

A number of steps have been taken for the conservation of energy specially in the areas of optimising usage of power and fuel. Efforts are continuing to eliminate leaks, ensuring effective heat transfer as well as minimum transmission losses.

- i) 1 No. New 750 KVA fuel efficient DG Set has been installed in place of the old 1450 KVA SKL DG Set which was consuming high fuel.
- ii) 1 No. 1100 KVA SKL DG Set has been re-commissioned after re-conditioning. The fuel consumption is now reduced by 30%.
- iii) Installation of 200 KVA Voltage Stabilizer for lighting has saved energy and improved life of the equipment.
- iv) Installation of a CNC Turning Centre has replaced several old high energy consuming conventional machines and has also increased the productivity.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy

- i) 1 No. New 40 KVA Voltage Stabilizer is being procured for Spare Parts Department and for Effluent Treatment Plant. This will reduce energy losses and electrical maintenance costs.
- ii) Installation of modern energy efficient and more productive machines.

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

As we manufacture a very wide and diverse range of custom engineered compressors, it is

difficult to calculate the impact of energy consumption measures on the cost of production.

- (d) **Total energy consumption and energy consumption per unit of production as per Form 'A' of the Annexure in respect of industries specified in the schedule thereto**

Not Applicable.

B) TECHNOLOGY ABSORPTION

(e) Form 'B'

Form for disclosure of particulars with respect to absorption of Research and Development (R&D).

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

- Development of High Pressure Compressors.
- Development of special Portable Screw Compressors.
- Development of small Electric Screw Compressors.
- Packaging of Five-Stage Diesel Engine driven, skid mounted High Pressure Reciprocating Compressors.
- Development of High Pressure Screw Compressors - Electrical/Diesel.

2. Benefits derived as a result of the above R&D

- To meet customers' requirements for improving business.
- Import substitution.

3. Future plan of action

The following projects are in progress:-

- Development of High Pressure Screw Compressors -Electrical/Diesel.
- Development of Process Gas Compressors (IHI-Design).
- Development of Small High Pressure Reciprocating Compressors.

4. Expenditure on R&D

- | | |
|--|------------|
| a) Capital | Nil |
| b) Recurring | Rs. 25,175 |
| c) Total | Rs. 25,175 |
| d) Total R&D expenditure as a percentage of total turnover | 0.005% |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adaptation and innovation

Air Compressors for Oxygen plants successfully developed.

2. Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.

Such Compressors are now being sold and the Company has generated adequate business for this Product.

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished

- Technology imported
- Year of import
- Has technology been fully absorbed.
- If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.

We have not imported any technology during the last five years, hence (a) to (d) are not applicable.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Activities relating to exports, initiative taken to increase exports; development of new export markets for products and services; and export plans

So far, the Company does not have any worthwhile exports. However, efforts are being made for increasing exports.

(b) Total foreign exchange used and earned

Foreign Exchange outgo	Rs.1,85,61,209
Foreign Exchange earned	Rs. 56,52,755