



K. G. Khosla Compressors Limited
(An ISO 9001 Company)

K.G. Khosla Compressors Limited

24th Report of the Directors and Accounts for the year ended 31st March, 1999

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Board of Directors :

Mr. Sanjay C. Kirloskar	Chairman (w.e.f. 6.7.1999)
Mr. Rahul C. Kirloskar	
Mr. Ravi Shankar Raman	Nominee of ICICI
Mr. M. Raghavendra	Nominee of GIC
Mr. Sunil Shah Singh	(w.e.f. 6.7.1999)
Mr. H.R. Mustikar	Managing Director (w.e.f. 6.7.1999)

Mr. G.P. Kulkarni	Company Secretary
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Bankers :

Punjab National Bank
ANZ Grindlays Bank

Auditors :

M/s. Raghu Nath Rai & Co. Chartered Accountants

Regd. Office :

Plot No. 1,
Hadapsar Industrial Estate,
Pune - 411 013
Phone : 020-612822
E-mail : kgkclpne@ndf.vsnl.net.in

Corporate Office :

2/1, Deshbandhu Gupta Road,
P.N.B. House, 1st Floor,
New Delhi - 110 055
Phone : 011-7515125
Fax : 011-7516641
Gram : KHOSLACO
E-Mail : kgkcldel@ndf.vsnl.net.in

Works :

18.8 Km Delhi-Mathura Road,
Faridabad - 121 003 (Haryana)
Phones : 0129-275682, 84, 85
Fax : 0129-275351
E-Mail : kgkcl@del3.vsnl.net.in

Branches :

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

NOTICE

Notice is hereby given that the **24th Annual General Meeting** of the Shareholders of **K.G. Khosla Compressors Limited** will be held on Friday, the 20th day of August, 1999 at 11:30 A.M., at the Registered Office of the Company at **Plot No. 1, Hadapsar Industrial Estate, Pune-411013**, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1999 and the Profit & Loss Account for the year ended 31st March, 1999 and the Auditors' and Directors' Reports thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. S.C. Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of the Annual General Meeting till the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modifications, the following Resolutions as an Ordinary Resolutions:

A) "RESOLVED that Mr. H.R. Mustikar who was appointed as Additional Director by the Board of Directors w.e.f. July 6, 1999 pursuant to Article 88 of the Articles of Association of the Company and who holds office of Director upto the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, be and is hereby appointed a Director of the Company."

B) "RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII to the Companies Act, 1956 and subject to such other approvals as may be necessary, consent of the Company be and is hereby accorded to the appointment of Mr. H.R. Mustikar as the Managing Director of the Company for a period of five years beginning from 6th July, 1999 on the terms and conditions including remuneration as set out as under:

Salary : Rs.10,80,000/- per annum at Rs.90,000/- per month including dearness and all other allowances.

Housing : Unfurnished Accommodation : The expenditure incurred by the Company shall be subject to 50% of salary over and above 10% payable by the Managing Director.

Medical Reimbursement : Reimbursement of all Medical expenses incurred for self and family as per the schemes of the Company.

Leave Travel Concession: For self and family, once in two years, as per the rules of the Company.

Club Fees : Fees of clubs, subject to maximum of two clubs. This will not include admission and life membership fees.

Personal Accident Insurance : Premium on suitable personal accident insurance coverage shall be taken by the Company.

Contribution to Provident Fund, Superannuation Fund or Annuity Fund : As per the prevailing rules of the Company.

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

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.

Provision of Car with Driver for use of Company's business.

Telephone, Telefax and other communication facilities at residence for Company's business. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

RESOLVED FURTHER that the Managing Director shall also be paid commission on net profits to the extent of such amount as may be decided by the Board of Directors provided that the amount of commission together with salary and other perquisites and cost of other benefits paid or incurred by the Company shall not exceed 5% of the net profits of the Company, computed as per provisions of Section 349 of the Companies Act, 1956.

RESOLVED FURTHER that in case of loss or inadequacy of profits in any financial year of the Company during the tenure of the Managing Director, the remuneration payable by way of salary and perquisites would be determined in accordance with schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to vary, alter, amend any of the terms and conditions including revision in remuneration of the Managing Director from time to time as they may, at their sole discretion, deem fit and proper PROVIDED, however, that the



remuneration payable to the Managing Director and any revision thereof shall be within the limits specified in schedule XIII to the Companies Act, 1956 including any amendment thereto".

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

"RESOLVED that pursuant to section 293 (I) (d) of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company, to borrow from time to time, subject to such restrictions as may be imposed, for the purpose of carrying on the business of the Company, an amount of upto Rs. 35 crores (Rs. Thirty Five Crores) not withstanding that the moneys so borrowed together with the moneys already borrowed by the Company (apart from temporary loans, if any, obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up Share Capital of the Company and its Free Reserves, that is to say, reserves not set apart for any specific purpose."

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

"RESOLVED that consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecation's in addition to the existing mortgages, charges and hypothecation's created by the Company, on such movable and immovable properties of the Company, both present and future, and the whole of the undertaking of the Company together with a power to takeover the management of the Company in certain events, to or in favour of Financial Institutions, Investment Institutions, Banks, Mutual Funds, Trusts and other bodies corporate, to secure rupee term loans, working capital facilities, foreign currency loans and other facilities including Bank Guarantees, Bills discounting, Letters of Credit of an aggregate value not exceeding Rs. 3500 lacs together with interest thereon at the agreed rates, further interest, compound interest, additional 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 and all other monies

payable by the Company to the Financial Institutions, Banks under Agreements, Loan Agreements, Letters of Sanction, Trust documents to be entered into by the Company in respect of the said borrowings.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with the Financial Institutions, Investment Institutions, Banks, Mutual Funds, Trusts, the documents for creating the aforesaid mortgages, charges and/or hypothecation's and to accept any modifications to, or to modify, alter or vary the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to the above Resolution."

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

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable and subject to such approvals, consents, permission and sanctions as may be necessary from the appropriate authorities, the Articles of Association of the Company be and are hereby altered as under :

1. In Article 1

After the definition of the word "The Company" and before the definition of the word "The Directors", the following two definitions be added:

"Depositories Act" means the "Depositories Act, 1996 and any statutory modification or re-enactment thereof for the time being inforce in India."

"Depository" means a Depository as defined in the Depositories Act.

2. In Article 9,

The following provision be added at the end of the Article:

"Provided that where any shares are held in a depository, the persons so entitled to the absolute right to the entirety thereof shall be the persons appearing as beneficial owners as per the Register maintained by the depository and the depository shall be deemed to be the registered owner of such shares only for the purpose of effecting transfer of ownership of such shares on behalf of beneficial owners. A depository may, however, make such entries in the record of beneficial owners of any pledge or hypothecation intimations given in respect of any shares held in depository, as may be permitted under the Depositories Act."

3. After the present Article 11, the following new Article be added thereafter as Article 11A :

"Securities may be held in Depository

11A The Company may dematerialise/rematerialise its shares, debentures and other securities pursuant to the Depositories Act and offer its shares, debentures or other securities for subscription/allotment in a dematerialised form. The provisions of Articles 11 of the Articles of Association of the Company shall not apply to shares, debentures or securities held in a Depository in a dematerialised form. However, the Board of Directors at their discretion and subject to any prevailing Regulation in that behalf, may charge and recover from the Shareholder, Debentureholder or securitiesholder such amount on dematerialisation/rematerialisation of each Certificate as they may deem fit."

4. In Article 16

After the words "....On the Register" and before the words.... as a holder....", the following words be added:

"or on the Register of Beneficial Owners in case of shares held in a Depository."

5. After Article 44, the following new Article to be added as Article 44A "Transfer and transmission of shares held in depository"

44A The provisions of Articles 33, 34, 35, 37, 38, 40, 41, 42, 43 and 44 shall not apply to transfer of shares, debentures or securities held in a depository. The provisions of Articles 36 and 39 shall apply to such transfers subject to and consistent with the provisions of the Depositories Act and the Companies Act, 1956."

6. In Article 75, the following sub-para be added, at the end: Joint Beneficial Owners

Any reference in this Article to Register of Members shall also mean and include the Register of Beneficial Owners maintained by a Depository in respect of the shares or securities held in dematerialised form and the provisions relating to jointholders shall mutatis mutandis apply to the joint beneficial owners."

7. In Article 72, the following be added at the end of the Article : as clause iv

"A depository as a registered owner shall not have any voting rights in respect of shares and securities held by it in dematerialised form. However, the beneficial owner as per the Register of Beneficial Owners maintained by a Depository shall be entitled to such rights in respect of the shares or securities held by him in the Depository. Any reference to the member or joint members in Articles 72 to 82 shall include a reference to Beneficial Owner or Joint Beneficial Owners in respect of the shares held in a Depository."

By order of the Board of Directors

G.P. Kulkarni
Company Secretary

Registered Office :

Plot No. 1,
Hadapsar Industrial Estate,
Pune-411013
Date: July 6, 1999

Notes :

1. Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956 in respect of item Nos. 5 to 8 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 July 23, 1999 to July 30, 1999 (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).

**Annexure to the Notice****Explanatory Statement****(Pursuant to Section 173 (2) of the Companies Act, 1956)****Item No. 5**

Mr. S.B. Singh, the Managing Director resigned on personal grounds on 1st July, 1999. The Board of Directors of the Company at their meeting held on 6th July, 1999 appointed Mr. H.R. Mustikar as an Additional Director under Article 88 of the Articles of Association of the Company. Under Section 260 of the Companies Act, 1956, Mr. H.R. Mustikar holds office of the Additional Director till the date of the ensuing Annual General Meeting. The Company has received a Notice from a member under Section 257 of the Companies Act, 1956 alongwith required deposit of Rs. 500/- proposing Mr. H.R. Mustikar as candidate for the office of Director.

The Board of Directors also appointed Mr. H.R. Mustikar as the Managing Director of the Company for a period of Five years with effect from July 6, 1999 on terms & conditions mentioned in the Resolution.

Mr. H.R. Mustikar, an Engineering graduate, has more than 30 years of rich & varied experience in the fields of materials, marketing & production. Prior to joining the Company, he was President, Demag Kirloskar Compressors Ltd.

The approval of shareholders is solicited for the said resolution at item 5(A) & (B).

Except Mr. H.R. Mustikar, no other Director is concerned or interested in these resolutions. The Resolutions and this explanatory statement be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

Item No. 6

The Board of Directors of the Company can borrow money for carrying on business of the Company to the extent of aggregate of paid up Share Capital and Free Reserves. So the amount the Board of Directors can borrow works out to Rs. 18.7 crore.

Considering the expansion plans in the near future, it is felt that the borrowing may exceed the amount of Rs. 18.7 crore. Hence, it is proposed to authorise the Board of Directors to borrow an amount of upto Rs. 35 crore.

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

Item No. 7

Considering the expansion plans, Company may be required to avail enhanced credit facilities from Bankers and/or Term Loans from Financial Institutions. Company may be required to create charges by way of mortgage/hypothecation of Company's movable and immovable properties.

Considering the above, the resolution is proposed to authorise the Board of Directors to create mortgages etc., upto an amount of Rs. 3500 lacs.

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

Item No. 8

Consequent to the passing of the Depositories Act, 1996, a facility has been provided to the Investor shareholders for holding securities in the form of electronic entries instead of paper scrips. The Company has approached The National Securities Depositories Ltd. (NSDL) for obtaining a recognition to dematerialise its shares. The approval is expected shortly.

The new automated system of holding and trading in the securities of the Company side by side with the paper based system has necessitated certain alterations in the Articles of Association of the Company, especially in matters such as the Register of Members to cover the Beneficial Owners as per the records of the Depository, fungibility of the shares held in depository, transfer of shares held in depository etc. Appropriate alterations as set out in the Special Resolution in the Notice are accordingly proposed for the approval of the shareholders.

It may be clarified that while additional facility as above has been provided within the new legal framework, Shareholders have been given an option to join this system. The existing provisions in respect of the shares held in the form of paper scrips will continue without any change.

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

By order of the Board of Directors

G.P. Kulkarni

Company Secretary

Registered Office :

Plot No. 1,

Hadapsar Industrial Estate,

Pune-411013

Date: July 6, 1999

DIRECTORS' REPORT

The Directors have pleasure in presenting their 24th Annual Report together with the audited Statement of Accounts of the Company for the year ended March 31, 1999.

FINANCIAL RESULTS

The Financial Results for the year ended March 31, 1999 are summarised below :-

	1998-99 (Rs.)	1997-98 (Rs.)
Gross Profit (before depreciation & taxation)	4,32,08,284	3,71,89,796
Deducting therefrom:		
Depreciation	46,95,677	39,34,912
Provision for Taxation	1,33,17,000	1,15,00,000
	2,51,95,607	2,17,54,884
Adding thereto :		
Income Tax for earlier years	26,545	—
Provision no longer required	7,04,175	38,10,689
Balance Brought forward	1,04,87,224	1,95,881
	3,64,13,551	2,57,61,454
Appropriations:		
Proposed Dividend	1,02,49,300	1,02,49,300
Dividend Tax thereon	10,24,930	10,24,930
General Reserve	1,35,00,000	40,00,000
Balance carried forward to Balance Sheet	1,16,39,321	1,04,87,224
	3,64,13,551	2,57,61,454

OPERATIONS

During the year under review, the Company achieved a turnover of Rs.4,320 lac (previous year Rs.4,753 lac), registering a decline of 9% over previous year. The operations of the Company resulted in profit before tax of Rs.385 lac as against Rs.333 lac during the previous year. The turnover has been affected due to continued recessionary trends in the market. However, Company improved the profitability due to better operations and control on costs.

DIVIDEND

The Directors have recommended payment of dividend of Re.1/- per equity share for the consideration of shareholders. Dividend, if approved, would amount to Rs.1,02,49,300/-.

ACQUISITION OF SHARES

During the year under review, Kirloskar Pneumatic Company Ltd. had acquired additional 20,51,000 Equity Shares of the Company pursuant to Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 1997.

ISO 9001

The Directors are glad to report that your Company has been accredited with ISO 9001 Certification by 'DET NORSKE VERITAS' for Design, Manufacture and Supply of Air & Gas Compressors.

SUBSIDIARY COMPANY

Pursuant to Section 212 of the Companies Act, 1956, the details in respect of Khosla Indair Ltd., a wholly owned subsidiary Company, are annexed to and form part of the Annual Report.

FIXED DEPOSITS

The Company has repaid all public fixed deposits which had matured and were claimed by the depositors. However, 40 depositors with a total deposit of Rs.1.95 lac have not claimed or renewed their deposits for more than 12 months. The Company has sent reminders to such depositors.

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.

During the year, the Company has redeemed Optionally Partly Convertible Debentures from Financial Institutions to the extent of Rs.46.50 lacs. Your Company has fully redeemed all Optionally Partly Convertible Debentures. With this the Company has repaid all long term debts and is a "Zero Debt Company".

PROSPECTS

The Recessionary trends in India continues due to the political instability leading to a loss of business confidence which is affecting investments. The Industrial growth rate has been only 4%. This has affected the Order Board position.

However, your Company is striving to sustain the present level of turnover, with marginal rise during the Current Year. This would be possible due to better product mix and strict control on material consumption.



K.G. Khosla Compressors Limited

Similarly, the Agreements with IHI Limited, Japan, for Gas Compressors and KOBELCO for Dry Screw Compressors would fetch additional business, during the current year. Under these circumstances, the Company would strive to maintain the profitability level with various measures including cost reductions and enter the next millennium.

10. DIRECTORS

Mr. Sanjay C. Kirloskar retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. K.G. Khosla and Mr. Deepak Khosla, Directors of the Company, have resigned vide letters dated 26.5.1999 due to personal reasons.

The Board wish to place on record its deep sense of appreciation for the valuable services rendered by them during their tenure.

Mr. B.N. Kalyani, Chairman and Mr. S.B. Singh, Managing Director resigned on June 13, 1999 and July 1, 1999 respectively due to personal reasons. The Board wishes to place on record its deep sense of appreciation for the guidance provided by them in transforming a loss making Company to profit making - dividend paying Company.

The Board at its meeting held on July 6, 1999 have appointed Mr. Sanjay C. Kirloskar as Chairman of the Company.

The Board at its meeting held on July 6, 1999 have appointed Mr. H.R. Mustikar as the Managing Director and Mr. Sunil Shah Singh as a Director of the Company.

Mr. H.R. Mustikar is an Engineer with around three decades of experience in Compressors industry. The Company would be benefited with his expertise.

A resolution is proposed for the appointment of Mr. H.R. Mustikar as the Managing Director for the approval of shareholders.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, pertaining to Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo is given in the Annexure to this Report and forms a part of this Report.

YEAR 2000 (Y2K) PREPAREDNESS LEVEL

Pursuant to clause 32 of the Listing Agreement, as amended, executed with the Stock Exchanges, Directors wish to inform Status of Year 2000 preparedness level as under :-

The Company has been addressing its Y2K compliance issues since 1998. All computer Hardware has been tested for Y2K compliance and are found to be Y2K compliant. Major operating system are Y2k compliant. The remaining system will be fully Y2K compliant by October, 1999. The Company is in the process of monitoring of Y2K compliance by all related parties dealing with the Company.

Company has incurred a cost of Rs. 2.5 lac to achieve Y2K compliance. Further estimated expenses is Rs. 1 lac.

AUDITORS

The Auditors of your Company, M/s. Raghu Nath Rai & Co., Chartered Accountants, retire at the conclusion of ensuing 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.

PERSONNEL

During the year under report, the relations with employees remained cordial. The Wage Agreement was signed during the year. This is valid till the year 2001. The Directors take this opportunity to place on record their appreciation for the devoted services rendered by the employees at all levels.

PARTICULARS OF EMPLOYEES

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees), Rules, 1975, as amended, is not given since the Company do not have any employee other than the Managing Director who is not considered as an employee for the purpose of Section 217 of the Companies Act, 1956, drawing a remuneration in excess of the limits prescribed by the section.

AUDITORS' OBSERVATION

Note No. C-2 in schedule O of Accounts is self-explanatory and therefore no comments are called for on their observations.

ACKNOWLEDGMENT

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 and confidence in the Company by its large number of members, depositors, customers and suppliers.

For and on behalf of the Board of Directors

S.C. Kirloskar

Chairman

Pune

Date : July 6, 1999.

ANNEXURE TO THE DIRECTORS' REPORT

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, 1999.

A) CONSERVATION OF ENERGY

(a) Energy Conservation measures taken

Efforts undertaken to eliminate compressed air leaks, ensure effective heat transfer and minimise transmission losses.

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

4. Expenditure on R&D

a) Capital	Rs. 1,87,748
b) Recurring	Rs. 19,44,299
c) Total	Rs. 21,32,047
d) Total R&D expenditure as a percentage of total turnover	0.49%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

Gas Compressors developed.

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

Better market share.

3. In case of imported technology (imported during

8. The Company has not granted any loans, Secured or Unsecured to the Companies, firms or other parties listed in the register maintained under section 301 and to the Companies under the same management as defined under Sub-Section (1-B) of the Section 370 of Companies Act, 1956.

9. In respect of Loans and Advances in the nature of loans, where interest and repayment terms have been stipulated, the parties have generally repaid the principal amount as stipulated and are also generally regular in payment of interest.

10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw material including components, plant & machinery, equipment and other assets and with regard to the sale of goods.

11. According to the explanations given to us, there has been no transactions of purchase of goods, and materials and sale of goods, materials and services made in pursuance of Contracts or Arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more.

12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.

13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58 A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regards to the deposits

where significant. There are no by-products arising out of the manufacturing process of the Company.

15. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.

16. The Company is not required to maintain cost records under section 209 (1) (d) of the Companies Act, 1956.

17. According to the records of the Company, Provident Fund and Employees State Insurance dues have been deposited in time during the year with the appropriate authorities.

18. According to the information and explanations given to us, no undisputed amounts payable in respect of Income-Tax, Wealth-Tax, Sales Tax, Custom Duty and Excise Duty were outstanding as at 31st March, 1999, for a period of more than six months from the date they became payable.

19. According to the information and explanations given to us, and the records of the Company examined by us, no personal expenses of the employees or Directors have been charged to the revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.

20. The Company is not a sick industrial company within the meaning of clause (O) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **Raghu Nath Rai & Co.**
Chartered Accountants



K.G. Khosla Compressors Limited

Similarly, the Agreements with IHI Limited, Japan, for Gas Compressors and KOBELCO for Dry Screw Compressors would fetch additional business, during the current year.

Under these circumstances, the Company would strive to maintain the profitability level with various measures including cost reductions and enter the next millennium.

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Mr. H.R. Mustikar is an Engineer with around three decades of experience in Compressors industry. The Company would be benefited with his expertise.

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Pursuant to clause 32 of the Listing Agreement, as amended, executed with the Stock Exchanges, Directors wish to inform Status of Year 2000 preparedness level as under :-

The Company has been addressing its Y2K compliance issues since 1998. All computer Hardware has been tested for Y2K compliance and are found to be Y2K compliant. Major operating system are Y2k compliant. The remaining system will be fully Y2K compliant by October, 1999. The Company is in the process of monitoring of Y2K compliance by all related parties dealing with the Company.

Company has incurred a cost of Rs. 2.5 lac to achieve Y2K compliance. Further estimated expenses is Rs. 1 lac.

AUDITORS

The Auditors of your Company, M/s. Raghu Nath Rai & Co., Chartered Accountants, retire at the conclusion of ensuing 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.

PERSONNEL

During the year under report, the relations with employees remained cordial. The Wage Agreement was signed during the year. This is valid till the year 2001. The Directors take this opportunity to place on record their appreciation for the devoted services rendered by the employees at all levels.

PARTICULARS OF EMPLOYEES

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees), Rules, 1975, as amended, is not given since the Company do not have any employee other than the Managing Director who is not considered as an employee for the purpose of Section 217 of the Companies Act, 1956, drawing a remuneration in excess of the limits prescribed by the section.

AUDITORS' OBSERVATION

Note No. C-2 in schedule O of Accounts is self-explanatory and therefore no comments are called for on their observations.

ACKNOWLEDGMENT

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 and confidence in the Company by its large number of members, depositors, customers and suppliers.

For and on behalf of the Board of Directors

S.C. Kirloskar

Chairman

Pune

Date : July 6, 1999.