



KUNSTSTOFFE INDUSTRIES LTD.

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15TH ANNUAL REPORT 2000

KUNSTSTOFFE INDUSTRIES LTD.

BOARD OF DIRECTORS

Mr. BHADRESH H. SHAH
Mr. A. K. AGGARWAL
Mr. Y. J. SHABIR (Upto 30.01.2001)
Mr. SUDHIR V. SHETH
Mr. S. C. ASNOTKAR

AUDITORS

P. M. TURAKHIA & ASSOCIATES,
Chartered Accountants, Mumbai

SOLICITORS

KANTILAL UNDERKAT & CO. MUMBAI
DIVYAKANT MEHTA & ASSOCIATES, MUMBAI

REGISTERED OFFICE

C/o. P. Sheth & Co.
(Chartered Accountants)
17, Parekh Vora Chambers,
66, N. Master Road, Fort,
Mumbai - 400 023.

WORKS

Airport Road,
Kadaiya Village,
Nani Daman,
Daman, (U.T.)

REGISTRAR & TRANSFER AGENTS

SHAREX (INDIA) PVT. LTD.
Luthra Industrial Premises,
Unit No. 1, Andheri-Kurla Road,
Safed Pool, Andheri (E),
Mumbai-400 072.

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NOTICE

NOTICE is hereby given that the FIFTEENTH ANNUAL GENERAL MEETING of the Shareholders of the Company will be held at 11.00 a.m. on Thursday, the 28th June, 2001 at Basant Court, Opp. Sion Railway Station, Sion (West), Mumbai - 400 022 to transact the following business :

ORDINARY BUSINESS

- (1) To receive, consider and adopt the Directors' Report and Audited Balance Sheet and Profit and Loss Account for the year ended 31st December, 2000 and the Report of the Auditors thereon.
- (2) To appoint a Director in place of Shri S.C. Asnotkar who retires from office by rotation, but being eligible, offers himself for re-election.
- (3) To appoint a Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

- (4) To consider and, if thought fit, to pass with or without modification the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered as under :

Insert the following Heading and Article as Article, 42 A after Article 42 :

- (i) **42 A DEMATERIALISATION OF SECURITIES**

- (a) Definitions : For the purpose of this Article :

"Beneficial Owner" means a person or persons whose name is recorded as such with a depository ;

"SEBI" means the Securities and Exchange Board of India ;

"Bye-laws" means by-laws made by depository under Section 26 of the Depositories Act, 1996;

"Depository" means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as depository under the Securities and Exchange Board of India Act, 1992, and shall, inter-alia, include the National Securities Depository Ltd., and/or Central Securities Depository Ltd., or any other such depository set up in future as the case may be;

"Record" includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by Regulations;

"Regulations" means the regulations made by the SEBI Board;

"Security" means shares, debentures and such security as may be specified by the SEBI Board from time to time.

- (b) **Dematerialisation of Securities**

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to and to accordance with the Depository Act, 1996 and other Rules, Regulations and Guidelines as may be applicable in this behalf.

KUNSTSTOFFE INDUSTRIES LTD.**(c) Option for inventors**

Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository, if permitted by law, in respect of any security in the manner provided by the Depository Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of the securities.

Provided that if a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security and, on receipt of the information, the depository shall enter in its record, the name of the allottee as the beneficial owner of the security.

(d) Securities in depositories to be in fungible form.

All Securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

(e) Rights of Depositories and Beneficial Owners.

(1) Notwithstanding anything contrary contained in the Act or these Articles, a depository shall be deemed to be registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

(2) Save as otherwise provided in (a) above, the depository as the

registered owner of the securities shall not have any voting rights or any other rights in respect of the Securities held by it.

(3) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the Securities shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of his securities which are held by a depository.

(f) Service of Documents

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

(g) Option to Opt out in respect of any security

(1) If a beneficiary owner seeks to opt out of a depository in respect of any security, he shall inform the Company.

(2) The Depository shall on receipt of such intimation make appropriate entries in its records and shall inform the Company.

(3) The Company shall, within thirty (30) days of the receipt of intimation from a depository and on fulfilment of such conditions and on payment of such fees as may be specified by the

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Regulations, issue the certificate of securities to the beneficial owners or the transferee, as the case may be.

- (h) Section 83 and 108 of the Act not to apply

(1) Section 83 of the Act shall not apply to securities held with a depository.

(2) Nothing contained in Section 108 of the Act shall apply to a transfer of securities effect by the transferee and the transferee both of whom are entered as beneficial owners in the records of a depository.

- (i) Allotment of Securities dealt with by a Depository.

Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

- (j) Distinctive number and securities held in a Depository

Nothing contained in the Act or these Articles regarding the necessity of having distinctive number for securities issued by the Company shall apply to securities held in a depository.

- (k) Register and Index of Beneficial Owners.

The Register and Index of Beneficial Owners, maintained by depository under the Depository Act, 1996 shall be deemed to be Register and Index of Members and Security holders for the purpose of these Articles.

- (l) Power of the Board.

The Board shall have full powers to take all such steps as may be required for the purpose

of dematerialisation of the existing securities, as may be deemed expedient and/or may be directed by the Competent Authority in this regard and to decide in respect of all matters incidental to this Article as may be required from time to time including inter-alia, the joining of one or more depositories as may be deemed expedient by the Board.

- (II) New Article No. 43A be inserted after the present Article No. 42 & 42A as under heading.

43A NOMINATION FOR SHARES AND DEBENTURES

Every holder or joint holder(s) of shares in the Company or holder or joint holder(s) of debenture of the Company, may nominate, in accordance with the provisions of Section 109A of the Companies Act, 1956 (including any amendment thereto or any re-enactment thereof) and in the manner prescribed thereunder, any person to whom all the rights in the shares in or debentures of the Company shall vest in the event of death of such holder(s). Any nomination so made shall be dealt with by the Company in accordance with and in the manner prescribed under the provisions of section 109B of the Companies Act, 1956 or any statutory modifications or re-enactment thereof for the time being in force".

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

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, the Articles of Associations of the Company be and are here by altered by the

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addition of a new Article 59A after the existing Article 59 as follows :

59A BUY BACK OF SHARES

Notwithstanding anything contained in the preceding Article 59, but subject to the provisions of the Act and all other applicable provisions of law, as may be in force at any time and from time to time, the Company may acquire, purchase, hold, resell, reallocate any of its own fully/partly paid shares and may make payment out of funds at its disposal for and in respect of such acquisition/purchase on such terms and conditions and at such times as the Board may in its discretion decide and deem fit."

BY ORDER OF THE BOARD

BHADRESH H. SHAH

Chairman

Place : DAMAN

Date : 28th April, 2001.

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

A proxy form duly completed and stamped, must reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

Members/Proxies should bring the Attendance Slip sent herewith, duly filled in, for attending the Meeting.

2. The relative Explanatory Statement pursuant to Section 173 (2) of the

Company Act. 1956, in respect of Items 4 and 5 is annexed.

3. The Register of Members and Transfer Books in respect of the Equity Shares of the Company will remain closed from Tuesday, the 19th June, 2001 to Thursday, the 28th June, 2001 (both day inclusive).
4. The Governing Board of the Mumbai Stock Exchange has decided that all B2 group companies including your Company on the said Exchange, who have not signed agreements with both the depositories, viz, National Securities Depository Limited (NSDL) and with Central Depository Services (India) Limited (CDSL) should be advised to sign agreement and establish the required connectivity with the Depositories, failing which trading in scrips of your Company may be shifted to trade to trade basis and accordingly, as per the advise of Mumbai Stock Exchange, your Company had entered into an agreement with National Securities Depository Limited (NSDL) and with Central Depository Service (India) Limited (CDSL) to facilitate the shareholders to hold and trade Company's equity shares in electronic form. Interested shareholders can avail this facility by opening a beneficiary account with the depository participants. For more detail shareholders may contact the Company's Depository Transfer Agents for NSDL and CDSL, Sharex (India) Pvt. Ltd. Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai - 400 072.
5. Members who hold shares in physical form can nominate a person in respect of all the shares held by them singly or jointly.

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Members who hold shares in single name are advised, in their own interest to avail the nomination facility by filing Form 2B. Blank forms will be supplied by Company's Registrar & Transfer Agent on request. Members holding shares in the dematerialised form may contact their Depository Participant for recording nomination in respect of their shares.

6. Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant shares certificates to the Company for doing the needful.
7. Members are hereby informed that the Registered Office's address has been changed from 4/A, Rajiv, B.K. Complex, Bandra, Mumbai - 400 051 to C/o. P. Sheth & Co., (Chartered Accountants), 17, Parekh Vora Chambers, 66, N. Master Road, Mumbai - 400 023. w.e.f. 12th April, 2001.
8. Members are requested to notify change in address, if any, immediately to the Company at its Registered Office quoting their folio numbers.
9. The equity shares of the Company are listed at the following Stock Exchange :
 - (1) The Stock Exchange, Mumbai.
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

The listing fee to the above Exchange has been paid.

10. As a measure of economy, copies of the Annual Report shall not be distributed at the Meeting and therefore, Members are requested to bring their copy of the Annual Report to the Annual General meeting.

ANNEXURE TO THE NOTICE**I. Explanatory Statement under Section 173 (2) of the Companies Act, 1956.****Item No. 4**

- (I) With the enactment of the Depositories Act, 1996 and the introduction of the Depository System, certain provisions of the Companies Act, 1956, pertaining to issue, holding, transfer and dealing in shares and other securities as also issue of certificates thereof have been amended with a view to facilitating the operation of the Depository System.

In view of this, consequential changes are required to be incorporated in the Articles of Association of the Company. This is sought to be done by introduction of a new Article 42A in terms of the resolution at item No. 4(I) so that the Articles of Association of the Company are in line with the provisions of the Depositories Act, 1996. The Special Resolution at item No. 4 (I) is therefore proposed pursuant to section 31 of the Companies Act, 1956.

None of the Directors is interested in this resolution except as members of the Company. The Directors accordingly commands the resolution mentioned in this item of the notice for your acceptance and approval.

The Articles of Association of the Company together with the proposed alterations will be open for inspection by any member of the Company at the Registered Office of any working day between 2.00 p.m. and 4.00 p.m. till the date of the ensuing Annual General Meeting.

KUNSTSTOFFE INDUSTRIES LTD.**Item No. 4**

(II) The Companies Act, 1956 has been amended and a new Sections 109A and 109B have been inserted making available the nomination facility to the shares and debentures holders in respect of the shares and debentures of the Company held by them. Accordingly a new Article 43A is proposed to be inserted in the Articles of Association of the Company as mentioned in this item No. 4(II) of the Notice so as to bring the same in line with the provisions of Section 109A and 109B of the Companies Act, 1956.

None of the Directors is interested in this resolution except as members of the Company. The Directors accordingly commends the resolution mentioned in this item of the notice for your acceptance and approval.

The Articles of Association of the Company together with the proposed alterations will be open for inspection by any member of the Company at the Registered Office of any working day between 2.00 P.M. and 4.00 P.M. till the date of the ensuing Annual General Meeting.

not permit the Company to buyback its own shares and, therefore, need to be amended and this amendment would enable the Company to buyback its shares or other securities, if so required, at any time. This is sought to be done by introduction of a new Article 59A in terms of the resolution at item No. 5 so that the Articles of Association of the Company are in line with the amended provisions of Section 77A, 77AA and 77B of the Companies Act, 1956 read with the provisions of the (Buy Back of Securities) Rules, 1998.

The Articles of Association of the Company together with the proposed alterations will be open for inspection by any member of the Company at the Registered Office of any working day between 2.00 P.M. and 4.00 P.M. till the date of the ensuing Annual General Meeting.

The Directors accordingly commends the resolution mentioned in this item of the notice for your acceptance and approval. None of the Directors is interested in this resolution except as members of the Company.

BY ORDER OF THE BOARD

Item No. 5

The Companies (Amendment) Act, 1999 and the Securities & Exchange Board Of India (Buy Back to Securities) Regulations, 1998 allow a Company to buy-back its own shares subject to the conditions laid down therein. In view of this, consequential changes are required to be incorporated in a new Article No. 59A in the Articles of Association of the Company. Presently, the Articles of Association of the Company do

BHADRESH H. SHAH

Chairman

Place : DAMAN

Date : 28th April, 2001.

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To

THE MEMBERS,

Your Directors have pleasure in submitting their report together with the Audited Accounts of the Company for the year ended 31st December, 2000 :

FINANCIAL RESULTS

	(Rs. in lakhs)	
	2000	1999
Sales & Other Receipts	135.71	95.33
Gross Profit (Loss)		
before depreciation	(50.91)	(24.54)
Less : Depreciation	(32.42)	(30.50)
Net Profit/(Loss)	(83.33)	(55.04)
Add : Balance carried		
from earlier year	(431.84)	(376.80)
Profit available		
for appropriation	—	—
Balance Carried forward		
to next year.	(515.17)	(431.84)

OPERATIONS

During the year the sales turnover of the Company has increased compared to the sales of the previous year. However, due to lack of demand for the products of the Company and increase in the cost of raw materials, the Company could not achieve higher sales turn-over. Efforts are being made to penetrate in the different segments of the market to increase the sale of the Company's products. The prospects for the year look reasonable promising.

DIVIDEND

In view of continues loss, your Directors are unable to recommend payment of any dividend for the year under review.

DIRECTORS

Mr. Y. J. Shabbir, Director of the Company resigned during the year.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Associations of the Company, Mr. S.C. Asnotkar retires by rotation and being eligible offer himself for reappointment. Your Directors recommend that re-election of the aforesaid Director will be interest of the Company.

THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

None of the Company's employees were covered by the disclosure requirement pursuant to provisions of Section 217 (2A) of the Companies Act, 1956 and rules framed thereunder.

AUDITORS

M/s. P. M. Turakhia & Associates, Chartered Accountants, Mumbai retire at the conclusion of this ensuing Annual General Meeting. They have given their consent to act as Auditors of the Company and being eligible under section 224(1B) of the Companies Act, 1956 offer themselves for re-appointment. You are requested to consider their re-appointment as Auditors of the Company for the Current Year and fix their remuneration.