

51st

ANNUAL REPORT

**DIRECTORS' REPORT AND AUDITED STATEMENT OF
ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2001**

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THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

ANNUAL REPORT 2000-2001

BOARD OF DIRECTORS : DR. SHANTILAL K. SOMAIYA
SHRI KALYANRAY P. OZA
SHRI TARACHAND V. SHAH
SHRI RAMESH S.IYER
SHRI PRABHULAL M. KAPADIA
SHRI AMIT P. HARIANI

AUDITORS : Messers AMBALAL THAKKAR & CO.
Chartered Accountants

BANKERS : BANK OF INDIA, MUMBAI

SOLICITORS : Messers HARIANI & COMPANY, MUMBAI

WORKS : KANDLA & JAKHAU

REGISTERED OFFICE : 48, Prospect Chambers Annexe,
5th Floor,
317, Dr. Dadabhoy Naoroji Road,
Fort, Mumbai - 400 001.

ANNUAL REPORT 2000-2001**NOTICE**

NOTICE is hereby given that the Fifty-first Annual General Meeting of the members of the KUTCH SALT & ALLIED INDUSTRIES LIMITED, will be held on Friday the 28th September, 2001 at 4.00 p.m. at the Registered Office of the Company, at 48, Prospect Chambers Annexe, 5th Floor, 317, Dr. Dadabhoy Naoroji Road, Mumbai - 400 001 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri K. P. Oza who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri R. S. Iyer who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT Shri Amit P. Hariani, be and is hereby appointed as Director of the Company."

Registered Office :
48, Prospect Chambers Annexe,
5th Floor, 317, Dr. D. N. Road.
Mumbai - 400 001.

By the Order of the Board of Directors

K. P. OZA
Director

Mumbai, 4th September, 2001

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members are requested to bring their copy of Annual Report at the meeting.
3. The register of Members and Share Transfer Books of the Company will remain close on 27.9.2001 & 28.9.2001.
4. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Resolution under item No. 5 is annexed herewith and forms part of this Notice.
5. Members are requested to notify immediately any change in their address to the Company.

THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE NOTICE.

ITEM No. 5

The Board of Directors of the Company had appointed Shri Amit P. Hariani as an Additional Director of the Company on 30.10.2000. Shri Amit P. Hariani will hold office as such only upto the date of the Fifty-first Annual General Meeting of the Company. The Company has received notice in writing from a shareholder under Section 257 of the Companies Act, 1956, signifying his intention to propose the name of Shri Amit P. Hariani as a candidate for the office of the Director.

Shri Amit P. Hariani is a Solicitor by profession. The Directors consider that his services will be useful to the Company and therefore, recommend his appointment as a Director of the Company.

The Board recommends the Resolution No. 5 for approval of the Shareholders.

Except Shri Amit P. Hariani, no other Director is concerned or interested in this Resolution.

By the Order of the Board of Directors

K. P. OZA

Director

Mumbai, 4th September, 2001

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ANNUAL REPORT 2000-2001**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting their Fifty-first Annual Report alongwith Audited Statement of Accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS :

	2000-01	1999-00
	Rs.	Rs.
Profit before Depreciation	17,39,631	13,60,785
Less : Depreciation	13,88,504	10,69,905
Profit before tax	3,51,127	2,90,880
Less : Provision for taxation	29,758	-
Profit after tax	3,21,369	2,90,880
 Add : Profit brought forward from previous year	 35,31,232	 32,40,352
Add : Excess Provision of tax for earlier year	49,860	-
Balance carried to Balance Sheet	39,02,461	35,31,232

OPERATING RESULTS :

The financial results of the Company during the year under report have been reasonably satisfactory looking to the fact that the Company was a victim of nature's fury for the consecutive third year as the Kandla Salt Works was again damaged due to Earth-quake measuring at 8.3 Richter-scale on 26th January, 2001. The tremor-quakes have been continuing for 2 months in entire Kutch region. Fortunately, there was no loss of human lives at both the Salt Works. However the quake and the aftermath shock led to suspension of production activities for 2 months. This was so because the pump houses, office premises and other installations which were rebuilt after cyclone got again damaged at Kandla Salt Works on account of Earth-quake.

SALES/DESPATCHES :

Sales during the year under review increased by 41% in comparison to previous year from Rs. 186.13 to Rs. 262.71 lac, and despatches of salt increased by about 147% from 0.49 lac tonnes to 121.14 lac tonnes.

PRODUCTION :

As reported earlier, due to vigorous efforts put in by the Company, your Company was able to achieve a production of 1,12,928 tonnes at Kandla Works inspite of all odds as against production of 92,017 tonnes last year. With completion of the first phase of rehabilitation, the annual production capacity of around 1.20 lac tonnes is now re-established. On completion of second and third phase, the annual capacity of the Kandla Salt Works would be around 3.5 lac tonnes.

Production activities at Jakhau Salt Works were discontinued after the cyclone hit Jakhau very badly during the month of May, 1999 and rendered its, Sagarpura non-operational. However, we could take production of around 2,000 tonnes lying from crystallizers during the year under report.

DIVIDEND :

Owing to what has been stated in the foregoing paras, your Directors' regret their inability to recommend any Dividend for the year under report.

RECONSTRUCTION AND MODERNISATION PROGRAMME OF OUR KANDLA AND JAKHAU SALT WORKS :

Your Company is rebuilding its Salt Works on modern lines and has taken up programme for "Mechanisation" to improve the overall operations leading to quality and yield per acre in future. The measures being taken now will enable the Company to substantially augment the production in the long run.

THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

The Company has approached the Gujarat Industrial Investment Corporation Ltd., (GIIC) for a "Term Loan" to finance the Reconstruction/ Rehabilitation of project. GIIC has sanctioned the Term Loan of Rs. 303 lac for modernisation and reconstruction of Kandla Salt Works. All efforts are being made to comply the requirements of GIIC for eventual disbursement of loan.

RENEWAL OF LEASE AGREEMENTS OF KANDLA AND JAKHAU WORKS :

The Directors are happy to report that after persistent efforts, the lease Agreements of Kandla and Jakhau Works have been renewed by both Kandla Port Trust and State Government of Gujarat for 20 and 10 years respectively from the date of expiry of previous Lease Agreements. The renewed Lease Agreements have been signed by the Company with KPT authorities for Kandla Salt Works and with the Collector of Kutch for Jakhau Salt Works.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE :

The particulars prescribed by the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are furnished in the Annexure to this report.

PERSONNEL :

There were no employees employed during the year or part thereof drawing remuneration as mentioned in Section 217 (2) of the Companies Act, 1956.

Industrial Relations continued to be cordial and harmonious during the year under report. The Directors wish to place on record their appreciation of the valuable services rendered by the Workmen, Staff and Officers at all levels.

DIRECTORS :

Shri K. P. Oza and Shri R. S. Iyer, Directors of the Company retire by rotation and being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE :

In terms of the Listing Agreement with Stock Exchange, the Company is required to comply with the Corporate Governance provisions by 2002-2003. The Company is taking steps towards complying with the requirements.

DIRECTORS' RESPONSIBILITIES STATEMENT :

The Board of Directors states :

- 1) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 2) the accounting policies of the Company have consistently followed and estimates have been made reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- 3) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and their irregularities;
- 4) that the Directors had prepared the Annual Accounts on a going concern basis.

AUDITORS :

You are requested to appoint auditors for the current year and fix their remuneration. M/s. Ambalal Thakkar & Co., Chartered Accountants, retire and are eligible for re-appointment.

AUDITORS' REPORT :

The Comments of the Auditors in their report have been explained and replied in the respective Notes on Accounts given in Schedule 20 annexed to the Balance Sheet and Profit and Loss A/c. which are self explanatory.

COMPLIANCE REPORT :

The Compliance Report as per Sec. 283 A of the Companies Act, 1956 from Practicing Company Secretary enclosed herewith.

ACKNOWLEDGMENT :

Your Directors would like to place on record their sincere appreciation for the continuous support and co-operation extended to the Company by the Salt Department, our bankers Bank of India, Gujarat Industrial Investment Corporation Ltd., and employees at all levels in the conduct of its operations.

For and on behalf of the Board of Directors,

S. K. SOMAIYA
Chairman

Mumbai, 4th September, 2001

ANNUAL REPORT 2000-2001

REPORT of the AUDITORS to the MEMBERS

THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

on the

ACCOUNTS for the year ended 31st March, 2001

We have audited the attached Balance Sheet of **M/s. KUTCH SALT AND ALLIED INDUSTRIES LIMITED** as at 31st March, 2001 and also the Profit & Loss Account of the Company for the year ended on that date and we report as under :

1. As required by the Manufacturing and other Companies (Auditors' Report) Order 1988 issued by the Company Law Board in terms of Section 227 4(A) of the Companies Act, 1956, we annexe hereto a statement on the matters specified in paragraph 4 and 5 of the said Order;
2. Further to our comments in the annexed report under MAOCARO :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) Subject to Note No. 1f(a) and 1f(b) of schedule 20 annexed to the final accounts regarding non provision of Gratuity and leave encashment as per Accounting Standard 15 "Accounting of Retirement Benefits", the Balance Sheet and Profit and Loss A/c., are prepared as per the Accounting Standards referred to in Section 211(3c) of the Companies Act, 1956.
 - d) On the basis of the written representation received from the Directors and taken on record by the Board of Directors, we report that none of the said Directors are disqualified as on 31st March, 2001 from being appointed as Directors in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
 - e) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of accounts of the Company.
 - g) In our opinion and to best of our information and according to explanations given to us, the said accounts, subject to -
 - i) Our remark in para 2 (c) above,
 - ii) Note No. 4 of schedule 20 annexed to the final accounts regarding non-provision of enhanced demand of Rs. 4,19,965.80 pertaining to Gujarat Water Supply and Sewerage Board.
 - iii) Note No. 5 of schedule 20 annexed to the final accounts regarding non-provision of depreciation of Rs. 80,54,377/-

and read together with other notes thereon give the information required by the Act in the manner so required and present a true and fair view :

- a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2001 and
- b) in the case of Profit and Loss Account, of the Profit of the Company for the year ended on that date.

For AMBALAL THAKKAR & CO.
Chartered Accountants

G. P. BHATT
Partner

Mumbai, 4th September, 2001

THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2001 OF THE KUTCH SALT & ALLIED INDUSTRIES LTD.

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during normal course of audit, which were necessary to the best of our knowledge and belief we report that :-

1. The Company has generally maintained proper records showing full particulars including quantitative details and situation of its fixed assets. The physical verification of all the assets has been conducted by the management at the regular intervals and no material discrepancies were noticed.
2. None of the Fixed Assets of the Company has been revalued during the year.
3. Physical verification has been conducted by the Management at reasonable intervals in respect of finished goods stores, spare-parts and raw material and no material discrepancies have been noticed on such physical verification as compared to book records. In our opinion the procedures followed by the Management for physical verification are reasonable and adequate in relation to the size of the Company and the nature of its business. On the basis of our examination, we are satisfied that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles applied on the same basis as in the previous year except as mentioned in Note No. 8 of Schedule 20 annexed to the final accounts.
4. The Company has taken loans from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and from the Companies under the same Management as defined in Section 370 (1-B) of the Companies Act, 1956. The rate of interest and terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
5. The Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in the Register maintained under Section 301 or to the Companies under the same management as defined in Section 370 (1-B) of the Companies Act, 1956.
6. The parties/employees to whom loans and advances in the nature of loans have been given by the Company, are repaying principal amounts as stipulated and also regular in paying the interest, wherever applicable, as stipulated.
7. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for the purchase of Stores, Plant and Machineries, Equipments and other Assets and for the sale of goods.
8. According to the information and explanations given to us, there are no transaction of purchase and sale of goods, materials and services made in pursuance of contract or arrangements entered in the register(s) maintained under Section 301 of the Companies Act, 1956, aggregating during the year to Rs. 50,000/- or more in respect of each party.
9. As informed to us and as per the usual practice of the Company, the unsalable and obsolete stock of stores is shown at nil value and no provision for the loss has been made in the books of account.