

KEBALA CHEMICALS & PROTEINS LIMITED

Report Junction.com

22nd ANNUAL REPORT 1997 - 98







KERALA CHEMICALS & PROTEINS LTD.



Board of Directors : K. Vijayachandran,
Chairman

A. K. Nair,
Managing Director

T. Kondo

N. Muraki,
Technical Director

K. Uchida

T. Yamaguchi

James K. Joseph

Revi Karuna Karan

K. Ramakrishnan

Secretary &
Executive Director (F & A): **Koshy Mathew**

Auditors : Varma and Varma,
Ernakulam

Bankers : State Bank of India
State Bank of Travancore
Canara Bank
Export Import Bank of India
South Indian Bank Ltd.

Legal Advisor : M. Pathrose Mathai,
Advocate, Ernakulam.

Registered Office : Post Bag No. 4262,
XXVII/1030, Panampilly Nagar,
Ernakulam, Kochi - 682 036

Factory : Kathikudam P. O.
(Via) Koratty,
Trichur District - 680 308

CONTENTS

Board of Directors, etc	1
Financial Highlights	2
Notice	3
Directors' Report	8
Balance Sheet	13
Profit and Loss Account	14
Schedules to the Balance Sheet	15
Schedules to the Profit & Loss Account	22
Notes on Accounts	24
Auditors' Report	31
Cash Flow Statement	33
Annual Report of Banni Proteins Pvt. Ltd.	36

KERALA CHEMICALS & PROTEINS LTD.

FINANCIAL HIGHLIGHTS (12 Years)

(Rs.in Lakhs)

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
			(18 m)										
Total Income	551.01	620.98	1225.87	1082.53	1216.95	1757.39	2485.54	2978.75	2820.84	2904.62	4390.99	4755.45	
Sales	501.87	613.27	1182.32	1026.39	1086.39	1618.88	2290.32	2705.67	2669.70	2424.70	3774.30	4365.03	
Exports	421.73	530.82	1086.21	917.76	1022.23	1444.25	2002.92	2387.74	2297.54	1842.55	2733.84	3495.91	
Pre-tax Profit	45.54	66.24	228.28	220.51	232.17	552.71	635.06	752.07	747.86	1100.37	865.49	853.91	
Profit after tax	36.75	55.24	213.28	203.51	226.17	526.14	587.56	680.03	691.84	874.25	688.49	753.91	
Earnings per share (Rs.)	2.63	3.95	15.23	14.54	16.16	37.58	27.98	32.34	32.38	41.63	32.79	17.95	
Dividend per share (Rs.)	1.00	1.50	3.75	3.00	3.50	5.00	5.00	5.00	5.00	6.00	4.50	3.00	
Reserves &													
Retained Earnings	201.54	235.78	396.55	558.06	735.23	1191.37	1603.93	2178.97	2765.81	3514.06	4098.60	4503.91	
Share Capital	140.00	140.00	140.00	140.00	140.00	140.00	210.00	210.00	210.00	210.00	210.00	210.00	420.00
Shareholders' Funds	341.54	375.78	536.55	698.06	875.23	1331.37	1813.93	2388.97	2975.81	3724.06	4308.60	4923.91	
Return on Equity(%)	10.76	14.70	39.75	29.15	25.84	39.52	32.39	28.47	23.25	23.48	15.98	15.31	
Book Value/share(Rs.)	24.40	26.84	38.33	49.86	62.52	95.10	86.38	113.76	141.71	177.34	205.17	117.24	
Gross Block	322.86	342.67	420.78	430.14	472.71	486.28	882.78	903.94	966.50	1019.50	1235.61	1662.48	
Net Block	124.84	121.38	167.01	158.02	178.44	169.80	498.76	450.75	455.22	451.23	575.60	880.81	

**NOTICE TO MEMBERS**

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of Kerala Chemicals & Proteins Limited will be held on Wednesday, the 2nd September 1998 at 10.30 a.m. at Hotel Avenue Regent, M.G. Road, Ernakulam, Kochi-682 016 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March, 1998 and Profit & Loss Account for the year ended on that date and the Auditors' Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. T. Kondo, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this connection to pass, with or without modification, the following resolution as a special resolution.

"RESOLVED that pursuant to the provisions of Sec. 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. Varma & Varma, Chartered Accountants, Ernakulam, Cochin-682 016, be and are hereby reappointed Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on a remuneration that may be fixed in this behalf by the Board of Directors".

Note: Since not less than 25% of the subscribed share capital of the Company is collectively held by Public Financial Institutions and a State Government Company, the reappointment of Auditors is being proposed as a Special Resolution in accordance with Section 224A of the Companies Act, 1956.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions

of the Companies Act, 1956, the approval of the Company be and is hereby accorded for appointment of Shri A.K. Nair, as Managing Director of the Company under Article 127(1) of the Articles of Association of the Company for a period of five (5) years from 01.04.98 on terms and conditions set out in the contract of appointment and detailed in the explanatory statement to this notice".

6. To consider and if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to the Provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions of the Companies Act, 1956, the approval of the Company be and is hereby accorded for the appointment of Mr. Nobuo Muraki as Wholetime Technical Director of the Company under Article 127 (1) of the Articles of Association of the Company for a period of two years from 01.03.98 on terms and conditions set out in the contract of appointment and detailed in the explanatory statement to this notice".

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution :

"RESOLVED THAT Mr. K. Ramakrishnan, be and is hereby appointed a Director of the Company liable to retire by rotation."

8. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution :

"RESOLVED THAT Mr. T. Yamaguchi, be and is hereby appointed a Director of the Company liable to retire by rotation."

9. To consider and if thought fit to pass with or without modifications, the following resolution as a special resolution.

"RESOLVED THAT pursuant to the provisions of Section 163 and other applicable provisions of the Companies Act, 1956, the approval of the Company be and is hereby accorded for keeping the Register of Members, the Register and index of Debenture holders, copies of Annual Returns



together with the copies of Certificates and documents required to be annexed thereto under Sections 159, 160 and 161 of the Companies Act, 1956 at the premises of the Registrars and Share Transfer Agents of the Company M/s. OCL Infomatics Ltd., at Thykoodom, Vyttila, Kochi-682 019, Ernakulam District with effect from 1st September 1998."

By Order of the Board,

KOSHY MATHEW
Executive Director (F&A)
& Secretary.

Kochi,
29.05.98.

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on a poll on his behalf and a proxy need not be a member. The proxy forms duly completed, stamped and signed must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 18th August 1998 to 28th August 1998 both days inclusive.
3. The dividend, if declared at this meeting will be paid on or after 30.9.1998, to those shareholders whose names appear on the

KERALA CHEMICALS & PROTEINS LTD.

Register of Members as on 28th August 1998. A/c. Payee Dividend Warrants will be posted within the statutory time limit to the address of such members or their mandatees as registered with the Company. No tax will be deducted at source in accordance with the provisions of Finance Act, 1997.

4. Members are requested to notify immediately of any change in their address to our Registrars and Share Transfer Agents, viz. M/s. OCL Infomatics Ltd., Post Box No. 1958, Thykoodam, Vyttila P.O., Kochi-682 019, Kerala State.
5. In terms of Section 205A(5) of the Companies Act, 1956, all dividend declared for and upto the financial year ended 31st March 1994 which remained unpaid/unclaimed, have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the aforesaid year are requested to claim such dividends from the Registrar of Companies, Kerala, Ernakulam, Kochi - 682 011.
6. Members are requested to notify the Registrars and Share Transfer Agents immediately of their Bank Account Number and name of Bank and Branch, if not informed earlier, so that the Dividend Warrants can be drawn indicating Account Number therein, in order to avoid possible fraud.



ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Sec.173(2) of the Companies Act, 1956.**Item No.5**

Kerala State Industrial Development Corporation Ltd., the main promoter of KCPL, in exercise of their rights under Article 127 (1) of the Articles of Association of the Company, proposed Mr. A.K. Nair, their nominee Director in the Board, to be appointed as Managing Director of the Company for a period of 5 years with effect from 01.04.98. Mr. A.K. Nair was on the Board of Directors of the Company for over 1-1/2 years and thus generally familiar with the operations of the Company. Considering his long and successful innings at KSIDC where he was the Managing Director on the date of his changeover, his leadership skills, managerial ability, qualifications, knowledge and involvement in the affairs of the Company, the Board at its meeting held on 4.2.1998 appointed him Managing Director of Kerala Chemicals & Proteins Ltd., with effect from 1st April 1998. Pursuant to the provisions of Section 302 of the Companies Act, 1956, members have already been informed vide circular dated 06.04.1998 of the Board's decision of the appointment and payment of remuneration to Mr. A.K. Nair. The terms of appointment which are in conformity with the provisions of Schedule XIII of the Companies Act are as under :

I. Salary : Rs.37,500/- per month with annual increase of Rs.2,500/- per month

II. Perquisites

1. (i) Housing : (a) He will be eligible for company hired accommodation subject to a ceiling of 50% of the Salary over and above 10% payable by him, or ;
(b) If the accommodation is owned by the Company a deduction @ 10% shall be made from his salary, or ;
(c) If the Company does not provide accommodation, he will be given House Rent Allowance @ 50% of his Salary.
(ii) Furnishing : Reimbursement of actual expenditure incurred on gas, electricity, water and furnishings subject

to a ceiling of 10% of the salary. These will be evaluated in terms of Income Tax Rules, 1962.

2. Medical benefits : Expenses actually incurred for self and family subject to a ceiling of one month's salary in a year or 3 month's salary in the block of three years.
 3. Personal Accident Insurance : The annual premium not to exceed Rs.4,000/- to the Company.
 4. Leave Travel Concession : Return passage for self and family once in a year by business class to any place in India.
 5. Car : Free use of company car with driver for official and personal use. Use of car for personal purpose will be billed for.
 6. Telephone : Free telephone facility at the residence.
 7. Leave and Leave encashment : On full pay and allowances not exceeding 30 days for every year of service. Leave accumulated and unavailed, if any, at the end of his tenure as Managing Director will be allowed to be encashed on the basis of last pay drawn.
 8. Club Membership : Membership fee of any two clubs will be reimbursed. No admission or life membership fees will be paid.
 9. Entertainment Expenses : Entertainment expenses actually incurred in the course of the business of the Company will be reimbursed subject to the limits fixed by the Board.
 10. (i) Company's contribution to Provident Fund : At the rates as per Company Rules.
(ii) Gratuity : At the rate of half month's salary at the last drawn pay for each completed year of service.
- III. Minimum Remuneration : In the event of loss or inadequacy of profits in any financial year, the Managing Director shall be paid remuneration by way of salary and perquisites as specified above.



- IV. The Company shall have the right to terminate the term of office of the Managing Director at any time by giving notice of not less than 3 months in writing or 3 months salary and allowances in lieu thereof. The Managing Director shall also have the right to relinquish his office at any time before the expiry of his term by giving notice of not less than 3 months."

Except Mr. A.K. Nair, no other Director is concerned or interested in this resolution.

Item No.6

In terms of the Joint Venture Agreement among the promoters of the Company and Article 127 (1) of the Articles of Association of the Company, the foreign collaborators have the right to appoint the Wholtime Technical Director. In exercise of this power, they have proposed Mr. Nobuo Muraki, Additional Director, to be appointed Technical Director of the Company for a period of two years from 1st March 1998. They have also recalled Mr. Takayoshi Wakasa, before the expiry of his term of one year from 1.9.97. This was done in order to avoid a changeover during the commissioning stage of the Gelatine Project. The Board at its meeting held on 8.11.97 accepted the proposal particularly in view of Mr. Muraki's expertise in both Ossein and Gelatine manufacture and his position in Nitta Gelatin Inc., and appointed him as Technical Director of the Company for a period of two years with effect from 1st March 1998, subject to the approval of the Central Government, Reserve Bank of India, other bodies, if any, and the Company in General Meeting, on the following terms and conditions, which are in conformity with the provisions of Schedule XIII of the Companies Act, 1956.

1. Basic Salary : Rs. 35,000/- per month
2. Housing : Mr. N. Muraki will be provided with a Company owned accommodation for which 10% of the salary shall be deducted by the Company. The Expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per Income Tax Rules and shall be subject to a ceiling of 10% of the Salary.
3. Other benefits : Motor Car for personal and official use (personal use will be billed for),

KERALA CHEMICALS & PROTEINS LTD.

telephone at residence, leave, leave travel facility (business class) every year for self and family, medical benefits, personal accident insurance, club membership, entertainment expenses, holiday travel for children studying in Japan etc. as per existing practice.

4. Passage : From/to Japan (home town) for joining duty and return including packing and forwarding and Customs duty on household articles and domestic appliance and package once a year to and from Japan for Mr. Muraki and family by Business Class or once in two years by First Class."

Except Mr. Muraki, no other Director is concerned or interested in this resolution.

Item No.7

Mr. K. Ramakrishnan, Managing Director (Retd.) of the State Bank of Travancore, was appointed a Director of the Company by the Board at its meeting held on 16.4.1997 in the casual vacancy caused by the resignation of Mr. P.C. Mathew, Director. Considering his vast experience in banking/ financial sector and the positions he held, your Directors are of the opinion that his services will be of immense use to the Company particularly at this phase of growth and hence they recommend the resolution appointing him as a Director of the Company liable to retire by rotation to be adopted by the Company in General Meeting. The Company has received his nomination alongwith the requisite deposit of Rs.500/-

Except Mr. Ramakrishnan, no other Director is concerned or interested in this resolution.

Item No.8

According to the understanding amongst the promoters, Nitta Gelatin Inc., the technical collaborator, can nominate three Directors in the Board of the Company. On NITTA withdrawing Mr. T. Wakasa and in his place appointing Mr. Muraki as Technical Director of the Company, a vacancy arose and to fill it up, NITTA nominated Mr. T. Yamaguchi, their Executive Director to the Board of the Company. The Directors at their meeting held on 30.3.1998 appointed him as an additional Director and as such he has to relinquish his office at the expiry of the ensuing general meeting of the Company.

**KERALA CHEMICALS & PROTEINS LTD.**

Mr. T. Yamaguchi has been with NITTA for a number of years and held very senior positions there in Gelatine manufacturing and marketing. His involvement and participation in the affairs of this Company will be therefore highly beneficial and hence the Directors recommend that the resolution appointing him a Director of the Company be adopted by the Company in General Meeting. The Company has received his nomination alongwith the requisite deposit of Rs.500/-.

Except Mr. Yamaguchi, no other Director is concerned or interested in this resolution.

Item No.9

The Company has been carrying out the share transfer work in-house since 1988. With the recent

increase in the volume of transfers coupled with the need to appoint Registrars to the Rights Issue, it was considered prudent to appoint a SEBI approved Registrars and Share Transfer Agents to handle the entire work. Accordingly the work was entrusted with M/s. OCL Infomatics Ltd., Thykoodam, Vyttila, Kochi - 682019. The Register of members etc. are now kept in the Regd. Office of the Company which causes lot of inconvenience to the Company as well as to the Transfer Agents. In order to transfer the Registers to the office of the transfer agents, which is located in the city of Kochi, the Company has to get approval of the members in General Meeting by a Special Resolution, the advance copy of which was submitted to the Registrar of Companies. Hence this resolution.

Report  junction.com



DIRECTORS' REPORT

To the Shareholders,

Your Directors have pleasure in presenting their 22nd Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1998.

FINANCIAL HIGHLIGHTS

	(Rs. in lakhs)	
	1997-98	1996-97
Profit before depreciation and tax	974.12	960.35
Depreciation	120.21	94.86
Profit before tax	853.91	865.49
Provision for Income tax	100.00	177.00
Profit after tax	753.91	688.49
Investment Allowance reserve transferred	11.40	-
Balance of profit brought forward	113.20	128.66
Amount available for appropriation	878.51	817.15
Appropriations:		
General Reserve	600.00	600.00
Proposed Dividend	126.00	94.50
Corporate Dividend Tax	12.60	9.45
	738.60	703.95
Retained profits carried forward	139.91	113.20

DIVIDEND

Keeping in view all aspects of the Company's working - present and future - and the need for conserving resources for the expansion project, your Directors recommend, for your consideration a dividend of 30% (Rs.3/- per share). This will absorb Rs.126 Lakhs. In accordance with the provisions of the Finance Act, 1997 no tax will be deducted at source on the dividend, but your Company will absorb Rs.12.60 Lakhs towards Tax on distributed profit. The

dividend is on the enhanced capital after the 1:1 bonus issue in October 1997.

REVIEW OF OPERATIONS

As mentioned in the previous Report, severe power cut and consequential non-availability of hydrochloric acid during the first four months of the year forced your Company to curtail its production for three months during the year. The price of raw materials especially Crushed Bone which recorded a continual increase during the major part of the year started showing nominal decline towards the end of the year. However, concerted efforts to increase capacity utilisation helped to achieve an overall capacity utilisation of 94.6% as against 92% during last year and reduce the impact of the adverse factors on the overall working. With significant increase in the volume of exports of Ossein and unit prices of Ossein and DCP the turnover increased by 15.65%. The profit after tax, recorded an increase of 9.5%.

We have continued to pay under protest Excise Duty on DCP without passing on the same to the consumers. The duty so paid during the year was Rs.121.70 lakhs. Your Company has approached appellate authorities seeking redressal and recently got a stay from the Hon. High Court of Kerala from paying duty till final disposal of the petitions filed by us.

EXPANSION

a) Liming Project

As reported at the last meeting, trial production of Limed Ossein commenced in February 1997 and by June 1997, NGI gave the final clearance for continuous production. Thus from 1st July 1997, your Company started regular production of limed Ossein and exported 629 MT of limed Ossein during the year under consideration. Construction of the remaining liming pits is under progress and is expected to be completed by September 1998. On commissioning of the remaining Liming pits, the daily production capacity will be 8.5 MT of limed Ossein.

b) Gelatine Project

The construction of the Gelatine Project is progressing well. At the last meeting we reported