





## KERALA CHEMICALS &amp; PROTEINS LTD.



Board of Directors : T.K.A. Nair,  
*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.

Registrars & Share  
Transfer Agent : OCL Infomatics Ltd.,  
P.B. No. 1958,  
Thykoodam,  
Vyttila P.O.,  
Kochi-682 019

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

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

Gelatin Division : KINFRA Export Promotion  
Industrial Parks Ltd.,  
P.B. No. 3109, Kusumagiri.P.O.,  
Kakkanad, Kochi - 682 030



## KERALA CHEMICALS &amp; PROFITS LTD.

## FINANCIAL HIGHLIGHTS (12 Years)

(Rs.in Lakhs)

	1986-87	1987-89 (18 m)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Total Income	620.98	1225.87	1082.53	1216.95	1757.39	2485.54	2978.75	2820.84	2904.62	4390.99	4755.45	5604.53
Sales	613.27	1182.32	1026.39	1086.39	1618.88	2290.32	2705.67	2669.70	2424.70	3774.30	4365.03	4963.43
Exports	530.82	1086.21	917.76	1022.23	1444.25	2002.92	2387.74	2297.54	1842.55	2733.84	3495.91	3640.04
Pre-tax Profit	66.24	228.28	220.51	232.17	552.71	635.06	752.07	747.86	1100.37	865.49	853.91	768.38
Profit after tax	55.24	213.28	203.51	226.17	526.14	587.56	680.03	691.84	874.25	688.49	753.91	677.38
Earnings per share (Rs.)	3.95	15.23	14.54	16.16	37.58	27.98	32.34	32.38	41.63	32.79	17.95	8.06
Dividend per share (Rs.)	1.50	3.75	3.00	3.50	5.00	5.00	5.00	5.00	6.00	4.50	3.00	2.50
Reserves & Retained Earnings	235.78	396.55	558.06	735.23	1191.37	1603.93	2178.97	2765.81	3514.06	4098.60	4503.91	7731.52
Share Capital	140.00	140.00	140.00	140.00	140.00	210.00	210.00	210.00	210.00	210.00	420.00	840.00
Shareholders' Funds	375.78	536.55	698.06	875.23	1331.37	1813.93	2388.97	2975.81	3724.06	4308.60	4923.91	8571.52
Return on Equity(%)	14.70	39.75	29.15	25.84	39.52	32.39	28.47	23.25	23.48	15.98	15.31	7.90
Book Value/share(Rs.)	26.84	38.33	49.86	62.52	95.10	86.38	113.76	141.71	177.34	205.17	117.24	102.04
Gross Block	342.67	420.78	430.14	472.71	486.28	882.78	903.94	966.50	1019.50	1235.61	1662.48	10152.12
Net Block	121.38	167.01	158.02	178.44	169.80	498.76	450.75	455.22	451.23	575.60	880.81	9159.12



## NOTICE TO MEMBERS

NOTICE IS HEREBY GIVEN that the 23rd Annual General Meeting of Kerala Chemicals & Proteins Limited will be held on Saturday, the 25th September 1999 at 10.30 a.m at HOTEL AVENUE REGENT, M.G. Road, Ernakulam, to transact the following business.

### ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March 1999 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:
  - i) Mr. K. Uchida who retires by rotation and being eligible, offers himself for re-appointment.
  - ii) Mr. Revi Karuna Karan 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 re-appointed 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 held by a State Government Company (KSIDC), the re-appointment of Auditors is being proposed as a Special Resolution in accordance with Section 224A of the Companies Act, 1956.

## KERALA CHEMICALS & PROTEINS LTD.

### SPECIAL BUSINESS

#### 5. AMENDMENT TO THE ARTICLES OF ASSOCIATION

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 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/bodies the Articles of Association of the Company be and is hereby altered in the following manner.

- I. After Clause No.49, the following new clause numbered 49A. be incorporated.

#### Clause No.49A - NOMINATION OF SHARES

The Company shall conform to the requirements of the Companies (Amendment) Act, 1999, with regard to nomination of shares.

- II. After Clause No.52(3) the following new Clause numbered 52(4), be incorporated:

(i) Any person who becomes a nominee by virtue of the provisions of Section 109A, upon production of such evidence as may be required by the Board and subject as hereinafter provided, be either

- (a) get registered himself as holder of the share or debenture, as the case may be; or
- (b) authorised to transfer the share or debenture, as the case may be, as the deceased shareholder or debenture holder, as the case may be could have made.

(ii) if the person being a nominee, so becoming entitled elects to be registered as holder of the share or debenture himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certifi-



cate of the deceased shareholder or debenture holder, as the case may be.

(iii) All the limitations, restrictions and provisions of this Act, relating to the right to transfer and the registration of transfers of shares or debentures shall be applicable to any such notice or transfer as aforesaid.

(iv) a person, being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to the same dividends and other advantage to which he would be entitled if he were the registered holder of the share or debenture except that he shall not, before being registered a member, in respect of his share or debenture, be entitled in respect of it, to exercise any right conferred by membership in relation to meetings of the Company

*Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with, within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the shares or debentures, until the requirements of the notice have been complied with.*

III. Under the existing Clause No.152(4), Section 205(A) be substituted as Section 205(C).

IV. The following new Article 55A be inserted after the existing Clause No.55

#### **55A - Dematerialisation of Securities**

The Company in conformity with the Depositories Act, 1996 and Securities and Exchange Board of India Act, and such other statutes, as may be applicable from time to time, shall accept the dematerialisation of its securities, present and future in electronic form and the members/shareholders have an option to exercise the rights of dematerialisation/rematerialisation of securities held by them. Except as specifically provided in the said Acts, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture

of shares and transfer and transmission of shares shall be applicable to shares held in Depository also, as far as they apply to shares held in physical form subject to the provisions of the Depositories Act.

By Order of the Board,

Kochi,  
17.07.1999

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

#### **NOTES**

1. Relevant Explanatory Statement of material facts pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No.5 of the Notice is annexed hereto.
2. 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.
3. The Register of Members and Share Transfer Books of the Company will remain closed for 25 days from 1.9.1999 to 25.9.1999 inclusive of both days.
4. The dividend, if declared at this meeting will be paid on or after 5th November 1999 to those shareholders whose names appear on the Register of Members as on 25th September 1999. A/c. Payee Dividend Warrants will be posted within the statutory time limit to the addresses of such members or to their mandatees as registered with the Company without deduction of tax at source.
5. Members are requested to notify immediately of any change in their address or dividend mandatees to the Registrars and Share Transfer Agents, viz. M/s. OCL INFOMATICS LTD., POST BOX No. 1958, THYKODAM, VYTTILA P.O., KOCHI-682 019, KERALA STATE.
6. Consequent upon amendment to Sec.205A of the Companies Act, 1956 and introduction of Sec.205C by the Companies (Amendment)





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Ordinance 1999, the amount of dividend unpaid/unclaimed in the dividend account for the year ended 31.3.1996 will be kept in the Companies unpaid dividend Account with the Bankers for a period of seven years and will thereafter be transferred to the Investor Education and Protection Fund. Members who have not encashed their dividend warrants yet are requested to claim such dividends immediately.

7. 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.
8. Members are requested to furnish the details of their nomination in the nomination form enclosed so as to enable the Company to take note of the same in the Register.
9. The Company proposes to dematerialise its shares and the matter is expected to be finalised shortly. The members are requested to avail of the facility of dematerialisation of shares, when introduced.
10. Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of said folios to the Company's Registrar and Share Transfer Agents, at the address as stated in Note No. 5 above.
11. Members, desiring any information as regard the Accounts are requested to write to the Company so as to reach the Regd. Office at least 5 days before the date of the meeting,

to enable the management to keep the information ready.

## ANNEXURE TO THE NOTICE

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.**

**Item No.5**

I & II Consequent upon the Companies (Amendment) Act, 1999, it is proposed to incorporate a new Clause "Nomination of Shares" in the Articles of Association of the Company.

III Section 205A of the Companies Act, 1956, has been amended by Companies (Amendment) Act, 1999, and accordingly any money transferred to the unpaid dividend Account of a Company in pursuance of this Section, which remains unpaid or unclaimed for a period of seven (7) years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund. Therefore it is proposed to incorporate the said Clause in the Articles of Association of the Company.

IV Though Dematerialisation of shares is not compulsory in our case, your directors thought it expedient to get our shares dematerialised in the interests of the shareholders. It is therefore, proposed to incorporate a new Clause in the Articles of Association of the Company.

None of the directors is concerned or interested in the above resolution.



## DIRECTORS' REPORT

To the Shareholders,

Your Directors have pleasure in presenting their 23rd Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1999.

## FINANCIAL HIGHLIGHTS

	(Rs. in lakhs)	
	1998-99	1997-98
Profit before depreciation and tax	982.23	974.12
Depreciation	213.85	120.21
Profit before tax	768.38	853.91
Provision for Income tax	91.00	100.00
Profit after tax	677.38	753.91
Investment Allowance reserve transferred	-	11.40
Balance of profit brought forward	139.91	113.20
Amount available for appropriation	817.29	878.51
Appropriations:		
General Reserve	315.00	600.00
Proposed Dividend	161.96	126.00
Corporate Dividend Tax	17.81	12.60
	494.77	738.60
Retained profits carried forward	322.52	139.91

## DIVIDEND

Keeping in view, the overall performance of the Company and its outlook for the present and the immediate future and the need for conserving resources to meet the increased working capital requirements of Gelatin operations, your Directors recommend, for your consideration, a dividend of 25% (Rs.2.50 per share), fully on the pre-rights portion and proportionately on the Rights Shares issued on 15.9.1998. This will absorb Rs.179.8 lakhs including tax on dividends and the payout ratio for the year will be 26.6% as against 18.4% last year.

## REVIEW OF OPERATIONS

Your Directors are pleased to report that during the year under review, your Company achieved record production of Ossein and Dicalcium Phosphate without suffering any loss on account of power cuts or other problems. During the year, all raw materials were available in sufficient quantities at reasonable prices and as a result, the unit raw material cost was less than that of the previous year. However, these advantages were more than offset by the higher incidence of financing costs and depreciation.

Your Directors are happy to inform you that the 2000 MT Gelatin Plant at Kakkanad, commenced commercial operations on the 8th March, 1999. Last year it was reported that commercial production could start from November 1998 but for reasons beyond the control of the Company, trial production could be started only from the 29th December 1998 and consequently the delay in commencing commercial operations. The actual investment for the project was Rs.83.78 crores as against the projected cost of Rs.77.82 crores. Your Directors take this opportunity to thank Nitta Gelatin Inc. and their technical experts for their full support to put up a state of the art plant and facilities meeting with international sanitary, hygienic and operational standards.

Despite teething troubles, the plant has so far produced 188 MT of Gelatin of which the Company exported 10 MT and got export orders from Nitta Gelatin Inc./Mitsubishi Corporation for 100 MT more. Your Company has executed a Memorandum of Understanding with Nitta Gelatin Inc./Mitsubishi Corporation for export of 50% of the annual production. Discussions are in an advanced stage with Mitsubishi Corporation for exporting the balance 50% under the brand name of Nitta, to countries where Nitta Gelatin Inc., is not directly marketing. The combination of the brand name of Nitta and marketing support of Mitsubishi Corporation will definitely help achieve your Company's export targets. Your Company did not therefore enter the domestic market in a big way but started dialogues with few of the major hard/soft capsule manufacturers in the Country. The domestic market for Gelatin is quite subdued at present and hence this approach.



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During the year under review your Company has commissioned the remaining pits of the Liming Plant. The Company now has the capacity to lime 11 MT of Ossein per day in order to meet the requirement of Gelatin Plant when in full production.

The financial results of the year's operation vis-a-vis that of the previous year are given in the beginning of our report. Because of the increase in the unit realisation of Dicalcium Phosphate and nominal increase in the volume of exports the overall turnover increased by 13.71%. There is a 10% decrease in the net profit mainly because of the incidence of higher financing costs and depreciation. The financial results of the Company for the first quarter of the current year has shown a net loss of Rs.312 lakhs mainly on account of the 45 days maintenance shutdown during the quarter. While there is a possibility of a nominal drop in profits, we are hopeful of the Company making profits more or less in line with what was indicated in the letter of offer issued in connection with the Rights Issue.

**THE ISO CERTIFICATION**

Your Directors are pleased to inform you that the Ossein division has got ISO 9002 certification from KEMA, Netherlands, on 1.5.1999.

**RIGHTS ISSUE**

As you are aware, your Company made a Rights Issue in the ratio of 1:1 on a premium of Rs.65 per share. Though the response from the shareholders was disappointing, the promoters subscribed to the entire unsubscribed portion of the issue in proportion to their shareholding. The Company could thus raise the entire equity funds required for funding the Gelatin Project.

**BAMNI PROTEINS LTD.**

On becoming a subsidiary of your Company, the word 'private' was deleted from the name of Bamni Proteins Private Ltd., and a Certificate to this extent obtained from the Registrar of Companies, Kerala. As reported at the 22nd Annual General Meeting, the Company started commercial operations from 5.4.1998 and side by side took up expansion/modernisation also. Further modernisation and upgradation needed to bring it in line with KCPL standards will be taken up and completed during the current year.

The Directors' Report, Balance Sheet and Profit & Loss Account of Bamni Proteins showing a loss of Rs.49.70 lakhs for the year 1998-99 is attached as required under Section 212 of the Companies Act, 1956. Under-utilisation of capacity and accumulation of Ossein stocks have been cited as reasons for the loss made by the Company.

**AUDITORS' REPORT**

Note No.17(B) of Schedule 20 to the Accounts referred to in the Auditors' Report are self-explanatory and hence no further comments are called for.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.**

The information 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 is annexed.

**Y2K COMPLIANCE**

All the Systems at the Gelatin plant of the Company is already Y2K compliant. The Ossein plant is in the process of updating its hardware and software to be Y2K compliant and it will be completed by end November, 1999. The investment required to become Y2K compliant is estimated to be Rs. 20 lakhs.

**PARTICULARS OF EMPLOYEES**

None of the employees of the Company is coming under the purview of Section 217(2A) of the Companies Act, 1956 as amended per Notification dated 12th March, 1999. The details of managerial remuneration under section 198 of the Act, are furnished under Note 6 of Schedule 20 forming part of the Accounts.

**INDUSTRIAL RELATIONS**

Throughout the year industrial relations in your Company have generally been satisfactory.

**DIRECTORS**

The Kerala State Industrial Development Corporation Ltd. has appointed its Chairman Mr. T.K.A. Nair, as a director in place of Mr. K. Vijayachandran. Mr. Nair was elected Chairman





## KERALA CHEMICALS &amp; PROTEINS LTD.

of the Board/Company with effect from 16.3.1999. Your Directors wish to place on record their appreciation of the valuable services rendered by Mr. Vijayachandran during his tenure.

Under the provisions of the Articles of Association of the Company and the Companies Act, 1956, the following Directors retire by rotation and are eligible for re-election.

1. Mr. Revi Karuna Karan
2. Mr. K. Uchida

**AUDITORS**

M/s. Varma & Varma, the retiring auditors are eligible for re-appointment and a Special Resolution is being proposed for their re-appointment.

For and on behalf of the Board,

Kochi,  
17th July 1999

T.K.A. NAIR,  
Chairman.

**ANNEXURE TO THE DIRECTORS' REPORT****1. (a) Conservation of Energy**

During the year we continued with the implementation of the recommendations of the energy auditor

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

NIL

(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.

The above measures will result in energy saving in future and consequently reduce cost of production.

(d) Total energy consumption and energy consumption per unit of production.

As per Form 'A' attached.

**II. (A) Technology Absorption etc.**

The in-house R&D efforts towards improvement of product quality and effluent discharge systems have been generally successful. Other areas of waste utilisation, improve-

ment of compound glue etc. are also continued as in house activity. The benefits from these activities will manifest in due course through cost reduction, product improvement and miscellaneous revenue.

**Expenditure on R&D**

	(Rs.in lakhs)	
	Current Year	Previous Year
a. Capital	1.30	1.91
b. Development Expenses	6.64	4.37
c. Recurring Expenses	2.52	4.32
Total	10.55	10.60
Percentage to turnover	0.21%	0.24%

**(B) Technology Absorption**

The technology for Ossein, Dicalcium Phosphate, Compound Glue & Limed Ossein obtained from our foreign collaborators has been fully absorbed and improved upon. Our Collaborators have now given technology for manufacture of Gelatin. Your company is making continuous efforts towards technology absorption, adaptation and innovation in respect of Gelatin.



## KERALA CHEMICALS &amp; PROTEINS LTD.

## III. Foreign Exchange Earnings and Outgo

	(Rs.in lakhs)	
	Current Year	Previous Year
a. Earnings	3653.93	3566.36
b. Outgo	189.84	1120.10

## FORM 'A'

Form for disclosure of particulars with respect to conservation of energy

	Current Year	Previous Year
A. Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (KWH in lakhs)	77.92	41.60
Total amount (Rs.in Lakhs)	151.39	179.19
Rate/Unit (Rs.)	1.94	1.90
(b) Own generation		
(i) Through Diesel Generator		
Unit (KWH in lakhs)	7.36	30.41
Unit per ltr of diesel Oil	2.80	3.46

Cost/Unit (Rs.)	3.95	3.11
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(ii) Through steam turbine/*generator	Nil	Nil
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2. Coal	Nil	Nil
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3. Furnace Oil		
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Quantity (in KL.)	2586.00	1656.00
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Total amount (Rs.in Lakhs)	175.94	120.16
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Average rate (Rs.per KL.)	6803.00	7255.00
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4. Others/Internal generation	Nil	Nil
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## B. Consumption per unit of Production:

## Product-Ossein

1. Electricity (KWH) Per MT	1480.00	1522.00
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2. LSHS/Furnace Oil (KL) per MT	0.37	0.36
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## Product -Gelatin

1. Electricity (KWH) per MT	13172.00	Nil
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2. LSHS/Furnace Oil (KL) per MT	15.07	Nil
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\*We have not assigned any cost for production of power using the Turbine Generator Set because the steam is primarily meant for the process.