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Snowcem India Ltd.

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**45th Annual Report
2002-2003**



DIRECTORS :

R. J. Paymaster
Chairman

T. B. Ruia
Managing Director

P. J. Cook

Michael D. Simmons

D. T. Ruia

Pavan G. Morarka

Resigned on March 28, 2003

Dr. Manfred Krauth

A. V. Kale
Executive Director

Retired on June 04, 2003

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BANKERS

Allahabad Bank
State Bank of Hyderabad
The Federal Bank Limited
Abu Dhabi Commercial Bank Limited

AUDITORS

M/s. R. S. Shah & Associates

ADVOCATES

M/s. Crawford Bayley & Co.
M/s. Malvi Ranchoddas & Co.

REGISTERED OFFICE

Killick Estate,
Baji Pasalkar Marg,
Chandivli,
Mumbai-400 072



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NOTICE

NOTICE is hereby given that the Forty-fifth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at Killick Estate, Baji Pasalkar Marg, Chandivli, Mumbai 400 072 on Tuesday, December 30, 2003 at 2.30 P.M to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended March 31, 2003 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Manfred Krauth who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors 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 subject to the approval of the Central Government, consent of the Company be and is hereby given for waiving the recovery of an amount of Rs.44,04,487 paid to Mr. T. B. Ruia, the Managing Director of the Company for the year ended March 31, 2003 in excess of the limits prescribed in Part II of Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER that subject to the approval of the Central Government, consent of the Company be and is hereby given to continue to pay the same remuneration to Mr. T. B. Ruia, the Managing Director of the Company as payable for the financial years ending March 31, 2004 and March 31, 2005 under the Agreement dated January 23, 2001 though the remuneration may be found to be in excess of the limits prescribed in part II of Schedule XIII."

"RESOLVED FURTHER that Mr. B. M. Jhaveri, Company Secretary, be and is hereby authorised to make the necessary application to the Central Government to obtain the approval for the payment of remuneration to Mr. T. B. Ruia."

5. Voluntary de-listing of the Company's Equity Shares from Stock Exchanges at Ahmedabad, Chennai, Kolkata, New Delhi and Interconnected Stock Exchange, Navi Mumbai.

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

"RESOLVED that subject to compliance with the applicable statutes and regulations, including the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, the consent of the Company be and is hereby accorded for de-listing of Equity Shares from Stock Exchange, Ahmedabad at Ahmedabad, Madras Stock Exchange Association Limited, at Chennai, The Calcutta Stock Exchange Association Limited, at Kolkata, The Delhi Stock Exchange Association Limited, at New Delhi and Interconnected Stock Exchange of India Limited at Navi Mumbai."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the above resolution and to do all other ancillary and consequential matters thereto."

Registered Office:

Killick Estate, Baji Pasalkar Marg,
Chandivli, MUMBAI 400 072.

November 07, 2003,

By order of the Board,
FOR SNOWCEM INDIA LIMITED,

B. M. JHAVERI,
SECRETARY.

**NOTES :**

1. A Member entitled to attend and vote on a poll is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, December 24, 2003 to Tuesday, December 30, 2003, both days inclusive.
3. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business set out in the Notice is annexed herewith and forms part of the Notice.
4. The Company has obtained the approval under Sub-Section (1) of Section 166 of the Companies Act, 1956 from the Registrar of Companies, Maharashtra, Mumbai for extension of time for holding the Annual General Meeting of the Company up to December 31, 2003.
5. Members who have not claimed the dividend for the financial year ended March 31, 1997, and/or subsequent financial years are requested to forward their claim to the Company for encashment of unclaimed dividend.
6. Members are requested to address all communication regarding transfer of shares, change of address etc. directly to the Registrars, viz. Bigshare Services Pvt. Ltd, E-2 Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Mumbai 400 072 and in case their shares are held in the dematerialised form, this information should be passed on to their respective Depository Participants without any delay.
7. Members desirous of availing nomination facility may send their nomination in the prescribed form. Nomination forms can be obtained from the Registrars/Company.
8. On dematerialisation of shares, the nomination registered by the Company automatically stands cancelled. In the case of shares held in electronic (dematerialised) form, the Members are given an option of nomination at the time of opening a demat account. If no nomination is made at the time of opening the demat account, they should approach their respective Depository Participant.

EXPLANATORY STATEMENT :

Pursuant to Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all the material facts relating to the Special Business under Items No.4 and 5 mentioned in the accompanying Notice dated November 07, 2003.

ITEM NO.4

The shareholders of the Company are aware that by agreement dated January 23, 2001, Mr. T. B. Ruia was appointed as Managing Director with effect from January 23, 2001 on the terms and conditions and upon the remuneration payable as mentioned in the Agreement and approved by the shareholders at the Forty-third Annual General Meeting held on November 27, 2001. The remuneration payable in terms of the Agreement has been within the limits prescribed by Schedule XIII of the Companies Act, 1956. However, during the year ended March 31, 2003, the Company suffered losses and the remuneration payable to Mr. Ruia was found to be in excess of the limits prescribed under the Schedule XIII.

In view of the measures taken by the Company, it is expected that the Company will recoup its losses and resume generating profits in future years. The Directors have initiated number of corrective measures and rigorous cost cutting exercise. The Company has submitted to the Lead Bank a comprehensive scheme of Corporate Debt Restructuring (CDR). As advised by the bankers and as a part of restructuring exercise, the Company is taking effective steps to dispose of the surplus assets that are not required for its core business. Further various business options for the infusion of funds are being examined and aggressively



pursued. These measures are expected to restore normalcy in Company's working at the earliest.

It is considered that Mr. T.B. Ruia, Managing Director of the Company continues to receive the remuneration in accordance with the Agreement even though it may be in excess of the limits prescribed by Schedule XIII of the Companies Act, 1956. However, this will be subject to the approval of the Central Government in terms of Section 198 of the Companies Act, 1956. In view of this, the Directors recommend this resolution for adoption by the shareholders.

Mr. T. B. Ruia and Mr. D. T. Ruia son of Mr. T. B. Ruia are concerned or interested in item No.4 of the Notice.

ITEM NO.5

It has been observed that trading in shares of the Company at the Stock Exchange, Ahmedabad, Madras Stock Exchange Limited, Chennai, The Calcutta Stock Exchange Association Limited, Kolkata, The Delhi Stock Exchange Association Limited, New Delhi and Interconnected Stock Exchange of India Limited, Navi Mumbai is negligible for the last few years. Moreover, the shares of the Company are listed at the National Stock Exchange of India Limited in addition to the Stock Exchange, Mumbai, which provides wider access to the investors nationwide. The Board of Directors in its meeting held on June 04, 2003 has, therefore, decided to apply for voluntary de-listing of the Company's Equity Shares from the Stock Exchange, Ahmedabad, Madras Stock Exchange Limited, Chennai, The Calcutta Stock Exchange Association Limited, Kolkata, The Delhi Stock Exchange Association Limited, New Delhi and Interconnected Stock Exchange of India Limited, Navi Mumbai. The proposed voluntary de-listing of the Company's Equity Shares from the said Stock Exchanges will not adversely affect any investors including the members located in the regions where the said Stock Exchanges are situated. Pursuant to the guidelines issued by Securities and Exchange Board of India on voluntary de-listing by companies of their securities from the Stock Exchanges, it is now proposed to seek the Members' approval by way of Special resolution for voluntary de-listing the Company's Equity Shares from the said Stock Exchanges as set out in the Resolution at item No.5. None of the Directors of the Company is, in any way, concerned or interested in the resolution.

By Order of the Board,
FOR SNOWCEM INDIA LIMITED,

B.M.JHAVERI,
SECRETARY.

Registered Office :

Killick Estate,
Baji Pasalkar Marg,
Chandivli,
MUMBAI 400 072.

November 07, 2003.

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting 45th Report on the operation of your company together with audited accounts for the year ended March 31, 2003.

1) FINANCIAL RESULTS

	Rupees	Rupees	Previous year Rupees	Rupees
The Profit for the year ended March 31, 2003 before providing for interest, depreciation and taxation amounts to		74,397,142		220,528,810
Deducting therefrom -				
Interest	226,254,824		53,972,273	
Provision for Depreciation	26,322,064		21,864,456	
Provision for taxation	<u>(59,017,799)</u>		<u>51,512,169</u>	
		<u>193,559,089</u>		<u>127,348,898</u>
The Net Profit(Loss) for the year amounts to		(119,161,947)		93,179,912
Reversal of earlier years interest income		173,924,541		---
Reversal of earlier year Provision for Taxation		(52,000,000)		---
Provision for Taxation of prior years		5,475,242		1,441,104
Balance brought forward from previous year		<u>400,327,310</u>		<u>316,588,502</u>
The amount available for appropriation is		153,765,580		408,327,310
Appropriation to General Reserve	Nil		8,000,000	
Proposed Dividend	Nil		Nil	
Tax on Dividend	<u>Nil</u>		<u>Nil</u>	
		<u>Nil</u>		<u>8,000,000</u>
Leaving a balance to be carried forward to next year		<u>153,765,580</u>		<u>400,327,310</u>

2) DIVIDEND :

In view of the loss for the year, the Directors have not recommended the dividend.

3) PERFORMANCE DURING THE YEAR UNDER REVIEW :

The year under report was a difficult one perhaps one of the most difficult years in the history of the Company. Acute shortage of working capital created by the non-receipt of export receivables caused production to drop to a very low level. This brought about a steep decline in turnover from Rs.120.06 crores in the preceding year



to Rs.75.69 crores in the year under report. High financial costs completely eroded the healthy operating profit of Rs.7.43 crores and converted it into a loss of Rs.11.91 crores. That the Company could achieve operating profit at lower levels of production indicates the inherent strength of the Company's products and great profit making potential. Once the working capital problem is satisfactorily resolved, there will positively be a turnaround in the working of the Company.

During the year the Company, under legal advice, reversed the interest income on export receivables booked in the earlier years. This led to enhancement of the loss.

4) **WORKING :**

Your Directors have initiated number of corrective measures, which it is hoped, will restore normalcy in working in the foreseeable future. Various business options for the infusion of funds are being examined and aggressively pursued. Rigorous cost cutting exercise has been put in place. The Company has submitted to the Lead Bank a comprehensive scheme of Corporate Debt Restructuring (CDR), which is being actively processed by them in consultation with the auditors appointed for the purpose and in co-ordination with the bankers.

As advised by the bankers and as a part of restructuring exercise, the Company is taking effective steps to dispose of the surplus assets that are not required for its core business activity. The Company is also aggressively pursuing recovery proceedings against the debtors. These steps, it is hoped, would help the Company to reduce the bank loans and consequently lessen the interest burden.

Your Directors wish to place on record their grateful appreciation for the unstinted cooperation extended by Allahabad Bank and other banks and for the hard work and innovative ideas of the employees for keeping the wheels of production moving in spite of heavy odds.

The Wind Mills functioned well and generated revenue of Rs.1.65 Crores as against Rs.0.92 Crores last year. However, your Directors regret to report the inability of the Government to release in time payments for the power sold to them. This has put severe strain on the Company's liquidity making it extremely difficult to service the loans taken for the purpose of investment in the Wind Mills. Because of this and in furtherance of its objective of disposing of surplus assets, the Company has sold five Wind Mills for a total consideration of Rs.223 lacs and has utilized the money realized for the repayment of loans. The Company has also for the same reasons returned 3 Nos. Wind Mills to the suppliers. This has mitigated the pressure on the financial resources of the Company and has given much needed relief.

5) **SUBSIDIARY COMPANIES :**

PELICAN PAINTS LIMITED :

Liquidity crunch prevented the Company from utilising production facilities of its Subsidiary. With the easing of pressure on the finances of the Company, it is hoped, to restart the operations of the Company to manufacture products other than paints used in the construction industry.

KILLICK HALCO LIMITED :

Efforts to dispose of the Company's property belonging to the Company are continuing. When sold the proceeds would be utilised to reduce the loans.

Pursuant to the provisions of Section 212 of the Companies Act, 1956, financial statements of Subsidiary Companies are annexed.

SNOWCEM PRODUCTS (LANKA) PVT. LTD., SRI LANKA :

Being troubled by myriad problems, the Company was not able to pursue the business activities of the joint venture with the Sri Lankan Company. However, the Company is optimistic that the investment in the joint venture will start yielding dividends in the foreseeable future particularly in view of the improvement in the relations of SAARC countries inter se and because of expansion of trade amongst the said countries.



6) OUTLOOK FOR THE CURRENT YEAR :

All the micro-economic factors such as good monsoon, low rate of inflation, low interest regime point to a significant growth in the demand for paints products. The Company, however, because of financial constraints will not be able to fully utilize its potential and take advantage of its strong Equity Brand. With several corrective measures, which have been initiated and with the possible infusion of some additional funds, your Directors hope that the current year will end on a positive note.

7) AUDITORS' NOTES AND OBSERVATIONS :

Auditors have made certain observations on the accounts. These have been appropriately dealt with in the notes to accounts which are self-explanatory and do not require any further elaboration.

8) PUBLIC DEPOSITS:

As on March 31, 2003, the outstanding public deposits aggregated to Rs. 23.96 crores. There were 684 deposits aggregating to an amount of Rs.1,58,58,696/- inclusive of interest of Rs.17,58,696/- lying unclaimed with the Company. There were 1534 deposits aggregating to an amount of Rs. 3,58,97,450/- inclusive of interest of Rs.43,76,450/- matured and claimed, but unpaid. For the reasons set out hereinafter the Company could not make payment on due dates. Since January 2003 the Company has discontinued renewing or accepting fresh deposits.

Liquidity crisis made it impossible for the Company to adhere to the schedule for the repayment of fixed deposits. The Company by a letter addressed to the fixed deposit-holders apprised them of the critical financial position of the Company. While assuring them that their deposit amounts would be repaid in full though in a staggered manner, the Company promised to pay the interest up to the date of maturity. The letter also outlined the various measures taken by the Company to restore normalcy in its operations. The Company has approached Company Law Board with the scheme for the repayment of principal amount. The said scheme has been formulated in concurrence with the Company's bankers, who are processing the comprehensive Debt Restructuring Scheme prepared by the Company.

Since April 2003 till date, the Company has already made payments to 529 deposit holders aggregating to an amount of Rs.1,28,82,809/- inclusive of interest of Rs.18,04,809/- on such fixed deposits.

Further as assured by the Company in the letter to the fixed deposit holders, the Company has started paying interest on fixed deposits which have already matured and paid an amount of Rs.80,63,368/- to 2105 fixed deposit holders. Thus the Company has made total payment to the fixed deposit holders aggregating to Rs.2,09,46,177/-

9) SALES TAX DEFERMENT :

The Company was granted Eligibility Certificate for Sales Tax benefit for Rs.188.22 lacs under 1993 Package Scheme of incentives announced by the Government of Maharashtra in respect of Wind Mills set up at Chalkewadi, Dist. Satara, Maharashtra. During the year benefit of Rs.188.22 lacs was availed of taking the total amount of deferment availed up to March 31, 2003 to Rs.1180.84 lacs.

10) ADDITIONAL INFORMATION :

In terms of 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, the relevant information is given below :

A. Conservation of Energy :

Energy conservation continues to be major area of emphasis and is closely monitored with every manufacturing unit of the Company. Installation of adequate capacitor banks have already been undertaken to maximise power factor.

B. Technology Absorption, Adaptation and Innovation :

George Lillington & Co. Ltd. U.K. the Company's collaborators, continue to provide the necessary inputs and technical assistance to the Company.



C. Foreign Exchange Earnings and Outgo :

i) Activities relating to exports :

Initiative taken to increase exports, development of new export markets for products and services and exports plans.

Exploration of export markets is being vigorously undertaken.

ii) Foreign Exchange earned and used :

a) Used	2002-2003 Rs.	2001-2002 Rs.
Used towards import of Raw Materials and other Expenditure	27,372,206	39,106,91
Amount remitted during the Year in foreign currency on Account of dividend		
For the year ended 31 st March 2000	NIL	9,072,00
For the year ended 31 st March 2001	NIL	5,637,000
Number of non-resident Shareholder.	1	1
Number of shares held on which the dividend was due		
for the year ended 31 st March, 2000	—	3,024,000
for the year ended 31 st March, 2001	—	1,879,000
b) Earned		
Export of Goods		
F.O.B. basis	—	—
Exchange Gain	—	63,478,160

11) PARTICULARS OF EMPLOYEES :

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 the names and other particulars of the Employees are set out in the Annexure forming part of the report.

12) DIRECTORATE :

Mr. Pavan G. Morarka resigned as a Director of the Company with effect from March 28, 2003. The Board wishes to place on record its appreciation of valuable services rendered by Mr. Pavan G. Morarka.

Mr. A. V. Kale, Whole-time Director, designated as the Executive Director of the Company has taken premature retirement with effect from June 04, 2003. The Board wishes to place on record its appreciation of valuable services rendered by Mr. A. V. Kale during his tenure as a Director of the Company.

In accordance with the Articles of Association of the Company, Dr. Manfred Krauth retires by rotation at the ensuing Annual General meeting and, is eligible, for re-appointment.

The Company's efforts to induct additional independent Directors are continuing. However, because of the difficult financial position of the Company, the Company is not receiving adequate response.

13) AUDITORS :

Messrs R. S. Shah & Associates, Chartered Accountants, the Auditors of the Company retire and are eligible