

Snowcem India Ltd.

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**46th Annual Report
2003-2004**

DIRECTORS :

R. J. Paymaster
Chairman

T. B. Ruia
Vice-Chairman & Managing Director

P. J. Cook

Michael D. Simmons

D. T. Ruia

Dr. Manfred Krauth

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.

CONTENTS

Notice	3
Directors' Report	6
Management Discussion Analysis	13
Report on Corporate Governance	
Auditors' Report	21
Balance Sheet	26
Profit and Loss Account	27
Schedules	28
Notes to Accounts	37
Balance Sheet Abstract	45
Cash Flow Statement	47
 Subsidiary Companies	
Summarised Financial Position of Subsidiary Companies	
Accounts of Subsidiary Companies	
Pelican Paints Limited	49-63
Killick Halco Limited	64-79
Auditors' Report on Consolidated financial statements	80
Consolidated Balance Sheet	82
Consolidated Profit Loss Account	83
Schedules forming part of the Consolidated Balance Sheet and Profit & Loss Account	84-91
Notes on Consolidated Accounts	92



NOTICE

NOTICE is hereby given that the Forty-sixth 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, September 28, 2004 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, 2004 and the reports of the Directors and Auditors thereon.
2. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

3. To consider, and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:
 "RESOLVED That the decision of the Board of Directors to make a reference to the Board for Industrial and Financial Reconstruction, New Delhi in the circumstances set out in the explanatory statement be and is hereby approved, ratified and confirmed."
 "RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to implement such scheme as may be framed by the Board for Industrial and Financial Reconstruction for restructuring of the Company in consultation with the operating agency."
4. To consider, and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:
 "RESOLVED that Mr. D. T. Ruia who was appointed as a Director of the Company with effect from January 01, 2004 and who holds office up to the date of the forthcoming Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
5. To consider, and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:
 "RESOLVED that Mr. R. J. Paymaster who was appointed as a Director of the Company with effect from January 03, 2004 and who holds office up to the date of the forthcoming Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By order of the Board,
FOR SNOWCEM INDIA LIMITED,

B. M. JHAVERI,
 SECRETARY.

Registered Office:

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

July 30, 2004.

**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 Monday, September 20, 2004 to Tuesday, September 28, 2004, 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. 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.
5. 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.
6. Members desirous of availing nomination facility may send their nomination in the prescribed form. Nomination forms can be obtained from the Registrars/Company.
7. 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 Item No.3 to 5 mentioned in the accompanying Notice dated July 30, 2004.

ITEM NO.3

Delay in the receipt of export receivables and discontinuation of bank facilities by reason of default in the repayment of interest and principal had started impacting the working of the Company in an adverse manner from 2001-2002 onwards. Acute shortage of working capital caused production to drop sharply and led to a drastic fall in turnover. These together with heavy interest costs resulted in huge losses. Persistent demand from the creditors and fixed deposit holders for the payment of their dues left totally inadequate resources for production process. The Directors, therefore, reviewed the financial position of the Company and after careful deliberation came to the conclusion that because of the insignificant recovery by the Sheriff of London, the Net Worth of the Company would be completely eroded. Therefore, the Directors felt that the only option left with the Company to come out from this financial morass, was to make a reference to the Board for Industrial and Financial Reconstruction, New Delhi which would appoint an operating agency to work out a suitable scheme for restructuring of the Company's operations. Accordingly an application was made to the Board for Industrial and Financial Reconstruction, New Delhi and the Company had received communication bearing No.F-3(S-55)/BC/2003 dated January 28, 2004 intimating that the Company has been registered as BIFR Company under Registration No.73/2004.

The shareholders are requested to approve, ratify and confirm the decision of the Board of Directors to make the aforesaid reference and further empower the Directors to implement such scheme as may be framed by the Board for Industrial and Financial Reconstruction. Accordingly, the Directors commend this resolution for adoption by the shareholders.



None of the Directors is concerned or interested in this resolution.

ITEM NO.4

Mr. D. T. Ruia was appointed as a Director of the Company with effect from October 06, 1994. Mr. D. T. Ruia had resigned on December 31, 2003. However, he was persuaded to rejoin the Board. Accordingly, Mr. D. T. Ruia was appointed as a Director of the Company with effect from January 01, 2004. In terms of the relevant provisions of the Companies Act, 1956, he will hold the office of Director up to the date of this Annual General Meeting. The Company has received Notice from a member under Section 257 of the Companies Act, 1956 proposing Mr. D. T. Ruia's candidature for the office of the Director retiring by rotation at this Annual General Meeting. Resolution No. 4 is sought to be passed for approval of appointment of Mr. D. T. Ruia as a Director retiring by rotation. None of the Directors except Mr. D.T. Ruia and Mr. T. B. Ruia is interested in the resolution.

ITEM NO.5

Mr. R. J. Paymaster was appointed as a Director of the Company with effect from January 09, 2002 in the casual vacancy caused by the resignation of Mr. P. C. D. Nambiar in accordance with Section 262 of the Companies Act, 1956. Mr. R. J. Paymaster had resigned on January 01, 2004. However, he was persuaded to rejoin the Board. Accordingly, Mr. R. J. Paymaster was appointed as a Director of the Company with effect from January 03, 2004. In terms of the relevant provisions of the Companies Act, 1956, he will hold the office of Director up to the date of this Annual General Meeting. The Company has received Notice from a member under Section 257 of the Companies Act, 1956 proposing Mr. R. J. Paymaster's candidature for the office of the Director retiring by rotation at this Annual General Meeting. Resolution No.5 is sought to be passed for approval of appointment of Mr. R. J. Paymaster as a Director retiring by rotation. None of the Directors except Mr. R. J. Paymaster is 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.

July 30, 2004.



DIRECTORS' REPORT

Your Directors have pleasure in presenting 46th Report on the operation of your company together with audited accounts for the year ended March 31, 2004.

1) FINANCIAL RESULTS

	Rupees	Rupees	Rupees	Previous year Rupees
Sales and Other Income		489,482,873		686,772,674
Less				
Expenditure				
Consumption of Materials	174,242,112		238,886,085	
Employees Cost	30,179,873		38,162,147	
Operating and Other Exp.	<u>236,111,674</u>	440,533,659	<u>335,224,007</u>	612,272,239
Operating Profit		48,949,214		74,500,435
Deducting therefrom –				
- Bad debts written off	65,076,027		—	
- Reversal of Wind Mill income	11,474,363		—	
- Loss on sale of Fixed Assets	<u>16,996,209</u>	93,546,599	<u>103,293</u>	103,293
Profit / (Loss) before interest, depreciation and Taxation amount		(44,597,385)		74,397,142
- Interest	119,610,367		226,254,824	
- Provision for Depreciation	18,418,057		26,322,064	
- Deferred Tax	<u>(2,581,304)</u>		<u>(59,017,799)</u>	
		(135,447,120)		193,559,089
The Net Profit(Loss) for the year amounts to		(180,044,505)		(119,161,947)
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		395,798		5,475,242
Depreciation written back		(4,209,100)		—
Balance brought forward from previous year		<u>153,765,580</u>		<u>400,327,310</u>
The amount available for appropriation is		(22,465,623)		153,765,580
Appropriation to General Reserve	—		—	
Proposed Dividend	—		—	
Tax on Dividend	—		—	
Leaving a balance to be carried forward to next year		<u>(22,465,623)</u>		<u>153,765,580</u>



	<u>2003-2004</u>	<u>%</u>	<u>2002-2003</u>	<u>%</u>
INCOME				
Sales and Other Income	<u>489,482,873</u>	<u>100.00</u>	<u>86,772,674</u>	<u>100.00</u>
EXPENDITURE				
Material Consumption	<u>174,242,112</u>	<u>35.60</u>	<u>238,886,085</u>	<u>34.78</u>
Employee Cost	<u>30,179,873</u>	<u>6.16</u>	<u>38,162,147</u>	<u>5.56</u>
Operating and Other expenses	<u>236,111,674</u>	<u>48.24</u>	<u>35,224,007</u>	<u>48.81</u>
Total Expenditure	<u>440,533,659</u>	<u>90.00</u>	<u>612,272,239</u>	<u>89.15</u>
Operating Profit	<u>48,949,214</u>	<u>10.00</u>	<u>74,500,435</u>	<u>10.85</u>

2 DIVIDEND :

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

3 PERFORMANCE DURING THE YEAR UNDER REVIEW :

During the year the Company continued to pass through financially critical phase. For a greater part of the year, production level remained low on account of financial stringency caused by non-receipt of export receivables. Persistent demand from the suppliers and fixed deposit holders for the payment of their dues continued to drain the scarce resources available to the Company for deployment in production process. Therefore, there was a steep decline in turnover from Rs.75.69 crores in the preceding year to Rs.48.55 crores in the year under report. Although there was an operating profit of Rs.4.89 crores the year ended in loss of Rs.18.26 crores because of overheads and heavy financial costs.

4 REFERENCE TO BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR) NEW DELHI :

The Company had entered into an agreement with the Lead Bank for Corporate Debt restructuring. Continuing losses and lack of further response and communication from the bank and growing realization that the recovery proceedings instituted by the Company against the export debtor are not likely to result in substantial recovery began to cast on the Company shadows of sickness. Distinct signs of potential sickness becoming real sickness made it necessary for the Company to make application to the Board of Industrial and Financial Reconstruction (BIFR). Pursuant to the application submitted on November 17, 2003, the Company was registered as BIFR Company under Registration No.73/2004 as per the communication dated January 28, 2004 received from BIFR.

5. OUTLOOK FOR THE CURRENT YEAR :

The Directors have initiated number of corrective measures and rigorous cost cutting exercise to restore normalcy in working in the foreseeable future. All efforts are being made by the Company to step up production levels to enable the Company to recover and make profits in the coming years. The Company has engaged the services of Ernst & Young India Pvt. Ltd. leading firm of Consultants to advise the Company on the steps to be taken for restructuring to come out from the present critical financial position.

The Company is also working out certain arrangement for infusion of additional funds into working of the Company. If this goes through, your Directors are reasonably hopeful about the good improvement in the working of the Company. Since the Company's products still enjoy good reputation in the market, the Company does not envisage any problems in restoring normalcy once the additional funds become available.

6 SUBSIDIARY COMPANIES :

PELICAN PAINTS LIMITED :

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

Snowcem India Ltd.

KILLICK HALCO LIMITED :

Efforts for the disposal of the property of the Company have not materialized, as the Company has not been able to locate suitable customer. However, efforts are continuing.

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 :

Sri Lankan Company with its small range of products and limited exterior paint domestic market has not made substantial growth. The Company saddled with the problems has not been able to devote much attention to the business activities of the joint venture Sri Lankan Company. Once the Company's operations are restored to normalcy, it is hoped, the Company will be able to pursue the business activities with Sri Lankan Company.

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. However, the Directors wish to emphasise that the Company is relentlessly pursuing the recovery of export receivables. Recently the Company has been advised by the Solicitors in London to file a winding up petition against the export debtor. Necessary action will be taken in due course.

Your Directors reiterate that the liability to the Global Trust Bank Limited stands extinguished in view of adjustments made in the accounts and as set out in the notes pursuant to the Memorandum of Understandings entered into between the parties. These MOUs have not so far been repudiated by the bank. One of the parties to the MOUs has recently filed a suit against the bank for specific performance under the MOU.

The Auditors have reported that the Directors of the Company have incurred disqualification under Section 274(1)(g) of the Companies Act, 1956 by reason of the Company having committed a default in the repayment of fixed deposits. The Company has been advised that the said provision has been challenged in the Bombay High Court. The Company has been advised to file Writ Petition challenging the constitutional validity of the said provision and the Company's solicitors has been instructed to prepare necessary papers in this behalf.

8 FIXED DEPOSITS :

The Company suspended acceptance of fresh deposits and renewal of existing deposits since January 2003.

The outstanding fixed deposits as on March 31, 2004 aggregated to Rs.22.14 crores. There were 316 deposits aggregating to an amount of Rs.90.02 lacs inclusive of interest of Rs.22.36 lacs lying unclaimed with the Company. There were 5013 deposits aggregating to an amount of Rs.1141.00 lacs inclusive of interest of Rs.157.00 lacs matured and claimed, but unpaid.

Liquidity crisis made it impossible for the Company to adhere to the schedule for repayment of fixed deposits. Certain fixed deposit holders have approached Economic Offence Wing (EOW) with the complaint regarding non-receipt of their fixed deposits. The Company has been advised that Maharashtra Protection of Interests of Depositors (In Financial Establishments) Act 1999 is not applicable to the Company. Some of the deposit holders have approached the Company Law Board with similar complaints and the Company has been making payments to them in accordance with the directions given by the Company Law Board. The Company has submitted application to the Company Law Board for the re-scheduling of payments, but due to non-availability of Bench Member in Mumbai, the Company has approached and submitted the said proposal to the Company Law Board, New Delhi. The application is pending for hearing.

The Company commenced payment of interest in respect of matured fixed deposits.

After the close of the year, the Company has also started making payments by instalments towards the principal.

Since April 2004 till date, the Company has made payment of Rs.110.39 lacs towards repayment of fixed deposits and interest.

9 SALES TAX DEFERMENT

The Company was granted during the year Eligibility Certificate under the 1993 Package Scheme of Incentives announced by the Government of Maharashtra in respect of Wind Mills set up at Chalkewadi, Dist. Satara, Maharashtra for Rs.108.56 lacs for Sales Tax benefit. During the year benefit of Rs.108.56 lacs was availed of taking the total amount of deferment benefit availed up to March 31, 2004 to Rs.1289.41 lacs. The Present Net Value of assistance is Rs.503.90 lacs. The balance amount of Rs.361.39 lacs is still available to the Company for future years under the Deferment Benefit Scheme.

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 a major area of emphasis and is closely monitored with every manufacturing unit of the Company. Adequate capacitor banks have already been installed to maximize power factor.

B. Technology Absorption, Adaptation and Innovation :

The Company has fully absorbed the technologies from its collaborators. The Company's Research and Development Division has been working on various ways and means of improving the quality of the products as well as cutting down the cost of production and has introduced efficient cost effective packaging for some of the products of 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 will be undertaken once the working capital problem is resolved satisfactorily.

ii) Foreign Exchange earned and used:

Used	2003-2004	2002-2003
	Rs.	Rs.
Used towards import of Raw Materials and other Expenditure	17,81,277	27,372,206

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. A. V. Kale, Whole-time Director, designated as the Executive Director of the Company has taken premature retirement with effect from June 04, 2003. He therefore ceased to be a Director of the Company with effect from the said date.