

Snowcem India Ltd.

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**47th Annual Report
2004-2005**



DIRECTORS :

R. J. Paymaster
Chairman

T. B. Ruia
Vice-Chairman & Managing Director

Michael D. Simmons

D. T. Ruia

Vilas S. Paranjape

Appointed on March 15, 2005

Sharad K. Pachapurkar

Appointed on March 30, 2005

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-seventh 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 Friday, September 30, 2005 at 12.30 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, 2005 and the reports of the Directors and Auditors thereon.
2. To appoint Auditors and to fix their remuneration.
3. To appoint a Director in place of Mr. R. J. Paymaster who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS :

4. To consider, and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution: "RESOLVED that Mr. Vilas S. Paranjape who was appointed as a Director of the Company with effect from March 15, 2005 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. Sharad K. Pachapurkar who was appointed as a Director of the Company with effect from March 30, 2005 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."
6. To consider, and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution: "RESOLVED that pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, the consent of the Company be and is hereby accorded for payment of Rs.10,000/- (Rupees ten thousand) or such other amount as may be approved by the Board of Directors from time to time subject to the ceiling prescribed under the Companies Act, 1956 or such rules framed thereunder, as sitting fees for each meeting of the Board of Directors or the Committee(s) thereof, attended by Non-Executive Directors of the Company."

By order of the Board,
FOR SNOWCEM INDIA LIMITED,

B. M. JHAVERI,
SECRETARY.

Registered Office:

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

August, 02, 2005.

**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 26, 2005 to Friday, September 30, 2005, 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. In terms of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed or unpaid for a period of seven years from the date of transfer to the unpaid dividend account is required to be transferred to the Investor Education and Protection Fund. Accordingly, in the year 2005, the Company would be transferring the unclaimed or unpaid dividend for the year ended March 31, 1998 to the Investor Education and Protection Fund on or before November 06, 2005. Shareholders are requested to ensure that they claim the dividend from the Company before transfer to the Investor Education and Protection Fund.
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-2/3 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.
8. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to write to the Company at least one week before the date of the meeting so that the information required may be made available at the meeting.
9. Members are requested to bring their copy of Annual Report for the meeting.
10. Members/Proxies are requested to bring the Attendance Slip sent with the Annual Report duly filled-in for attending the meeting

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. 4 to 6 mentioned in the accompanying Notice dated August 02, 2005.

ITEM NO.4

Mr. Vilas S. Paranjape was appointed as an Additional Director of the Company with effect from March 15, 2005. 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. Vilas S. Paranjape'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. Vilas S. Paranjape as a Director retiring by rotation. None of the Directors except Mr. Vilas S. Paranjape is interested in the resolution.

ITEM NO.5

Mr. Sharad K. Pachapurkar was appointed as an Additional Director of the Company with effect from March 30, 2005. 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. Sharad K. Pachapurkar's candidature for the office of the Director retiring by rotation at this Annual General Meeting. Resolution No.5 is sought for approval of appointment of Mr. Sharad K. Pachapurkar as a Director retiring by rotation. None of the Directors except Mr. Sharad K. Pachapurkar is interested in the resolution.

ITEM NO.6

The Securities and Exchange Board of India has issued a circular to all the Stock Exchanges advising them to amend the Listing Agreement by inserting the revised clause 49 relating to Corporate Governance requirements to be fulfilled by the Companies. The Stock Exchanges have accordingly to amend the Listing Agreement with the Company. The said amendment is to be effective from December 31, 2005. One of the requirements as per the revised clause stipulates is that all the fees/compensation payable to Non-Executive Directors including the independent Directors, shall be fixed by the Board of Directors and shall require approval of the Members in General Meeting.

At present the Company is paying Rs.10,000/- for each meeting. The Board proposes to continue payment of the said amount of remuneration.

In view of the revised clause 49 of the Listing Agreement, the approval of the Members is requested for the payment of sitting fees to the Non-Executive Directors of the Company. The Directors recommend adoption of the said resolution.

All the Directors other than Mr. T. B. Ruia are interested in the resolution to the extent of sitting fees to be received. Mr. T. B. Ruia is also interested in the resolution as Mr. D. T. Ruia is relative.

By Order of the Board,
FOR SNOWCEM INDIA LIMITED,

B.M. JHAVERI,
SECRETARY.

Registered Office :

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

August 02, 2005.



DIRECTORS' REPORT

Your Directors have pleasure in presenting 47th Report on the operation of your company together with audited accounts for the year ended March 31, 2005.

1) FINANCIAL RESULTS

	Rupees	Rupees	Rupees	Previous year Rupees
Sales and Other Income		603,804,356		484,747,161
Less				
Expenditure				
Consumption of Materials	187,271,183		169,506,400	
Employees Cost	30,002,435		30,179,873	
Operating and Other Exp.	<u>295,518,637</u>	512,792,255	<u>236,111,674</u>	435,797,947
Operating Profit		91,012,101		48,949,214
Deducting there from –				
- 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
Profit / (Loss) before interest, depreciation and Taxation amount		91,012,101		(44,597,385)
- Interest	110,145,066		119,610,367	
- Provision for doubtful Loans & Advances	15,269,086		—	
- Provision for doubtful Export Debts	1,335,454,617		—	
- Provision for Depreciation	16,737,501		18,418,057	
- Deferred Tax	<u>(2,162,070)</u>		<u>(2,581,304)</u>	
		1,475,444,200		135,447,120
The Net Loss for the year amounts to		1,384,432,099		180,044,505
Reversal of earlier years income		(174,209)		—
Reversal of earlier year Provision for Taxation		—		—
Provision for Taxation of prior years		—		395,798
Depreciation written back		—		(4,209,100)
Balance brought forward from previous year		22,465,623		(153,765,580)
Transferred from General Reserve		(146,750,993)		—
The Loss before appropriation		<u>1,259,972,519</u>		<u>22,465,623</u>
The Loss to be carried forward to next year		<u>1,259,972,519</u>		<u>22,465,623</u>



	<u>2004-2005</u>	<u>%</u>	<u>2003-2004</u>	<u>%</u>
<u>INCOME</u>				
Sales and Other Income	603,804,356	100.00	484,747,161	100.00
<u>EXPENDITURE</u>				
Material Consumption	187,271,183	31.02	169,506,400	34.97
Employees Cost	30,002,435	4.97	30,179,873	6.22
Operating and Other expenses	295,518,637	48.94	236,111,674	48.71
Total Expenditure	512,792,255	84.93	435,797,947	89.90
Operating Profit	91,012,101	15.07	48,949,214	10.10

2 DIVIDEND :

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

3) REVIEW OF FINANCIAL PERFORMANCE :

The Company achieved a sales turnover of Rs.58.97 crores for the year ended March 31, 2005 corresponding to Rs.48.55 crores in the previous year. Although there was an operating profit of Rs.9.10 crores the year ended in substantial loss because of financial costs and provision for doubtful debts, loans and advances.

4) EXPORT RECEIVABLES :

Non-receipt of export receivables has mainly been responsible for the financial woes of the Company. The Company has been relentlessly pursuing the recovery of outstanding amount of export dues. As the execution of decrees did not bring about the desired results in the matter of recovery, the Company filed Winding-up Petition in the London Court against the debtor. After examination of all relevant facts, the Court has ordered the Debtor Company, Freeway Supplies Limited to be compulsorily wound up. In the meanwhile the Company has been able to lay its hands on the abbreviated accounts of the export debtor company for the years 2001 and 2004. The comparison of two sets of accounts has revealed that receivables of approx. Rs.1,000 crores which were shown in the accounts for the year 2001 did not find reflection in the accounts for the year 2004. The accounts did not contain any explanation for reduction in the receivables. As it was felt that there has been a fraudulent manipulation of accounts including fraudulent movement of funds to some other parties outside England, the Company has instructed its solicitors in London to take all possible legal steps for tracing the diversion of funds. The Solicitors have also been specifically instructed to approach Embassy in London and U.A.E. for necessary assistance in the matter including giving direction for impounding of passports of the Directors of the Export Debtor. The Company is awaiting the outcome of all these proceedings. In the meanwhile since the accounts for the year 2004 did not show any significant assets of the debtor company, the Directors considered it prudent to make suitable provision in the accounts in respect of outstanding export dues particularly in view of the liquidation proceedings. The Directors wish to emphasise that though provision has been made in the accounts, there is going to be no relaxation in the Company's efforts to pursue the recovery of the amount due even though chances looks to be remote. The Company's solicitors have been specifically instructed to approach various agencies for collection of all the information regarding the debtor.

5) OTHER LOANS AND ADVANCES AND DEBTS :

While the Company has initiated legal steps for the recovery of outstanding loans and advances and has been pursuing the matter aggressively, it has considered it prudent to write off of some of them and make a suitable provision in respect of others.

6) OUTLOOK FOR THE CURRENT YEAR :

As evident from the financials there has been a slight improvement in the working of the Company for the year under review despite several operational and financial constraints.

Snowcem India Ltd.

The Company continues to be registered with the Board of Industrial and Financial Reconstruction (BIFR) and is burden with huge liabilities.

The Company's proposal for Corporate Debt Restructuring (CDR) was submitted but not approved by the Consortium Banks. Allahabad Bank, the Lead Bank have on behalf of all the consortium banks issued Notice under Section 13(4) of the Securitisation and Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002 (hereinafter referred to as "THE ACT") to recover their dues otherwise intimating their decision to take possession of assets. The total dues of the secured lenders are approximately over Rs.70 crores (including unprovided interest). Currently the Company's financial condition doesn't permit it to explore the possibility of considering any payment. Till last year there were some expectations whereby the Company was trying to repay the secured lenders their dues by aggressively pursuing the realization of the export receivables. Unfortunately, in view of Export Debtor being wound up under liquidation, the possibility of any dues being realized is very remote (Refer item No.4).

It is known that the Company was marketing products under licensed trademarks and the registered user agreement had expired 3 years ago. Unfortunately the Company has not succeeded in getting the licence renewed for the Trade Marks usage. This is primarily due to the weak financial health of the Company, which has also resulted in adversely impacting its goodwill. The non-renewal is likely to result in discontinuation of Trade Marks particularly in case the trademark owner ventures into the paints business in India. These may result in the manufacturing assets become redundant as 90% of the revenues accrues from the product sold under these Trade Marks licenced to the Company.

The Company was informed about the secured lenders its decision to sell the assets under THE ACT to potential buyer who may be the owner of the trademarks and settle the dues of the Company in full and final settlement provided the process of sale and settlement is completed in a reasonable time frame and not impeded. In view of the above, the Company has sought professional and legal advice regarding the implication of sale by the secured lenders of the Company and whether any legal recourse is available.

In view of the professional advice by a Chartered Accountant firm received and the non-capacity to pay and the trademarks not being available with the Company, the company has decided not to interfere with the process and consider a reduction of secured liability provided the dues get settled which are significantly more than the fair value of the assets. The liability of the secured lenders which may be approximately to the tune of Rs. 70 crores as on date will be settled against the assets of the Company currently valued at a distress price of Rs. 12 -15 crores. The Company is in talks with the secured lenders for them to issue a no dues certificate post possession and sale of assets of the Company and is confident of procuring the same. Moreover the legal advice given to the Company suggests it may be futile to challenge the notice given under THE ACT by the secured lenders.

Currently the secured lender has not taken possession of the assets and the Company continues with its business activities. The Board is also exploring the possibility of diversifying into construction industry related trading activities to scale up its operations and business prospects.

The Company has installed six Wind Mills at Chankewadi, Dist. Satara, Maharashtra, having a total capacity of 1400 KW. The carbon credits are available for sale against the generation of wind energy from these Wind Mills. The Company intends to sell the carbon credits and when money received will be utilized for repayment to the deposit holders and the creditors.

7) AUDITORS' NOTES AND OBSERVATIONS :

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

8) SUBSIDIARY COMPANIES :**PELICAN PAINTS LIMITED :**

Due to non-availability of finance, the Company could not utilize the manufacturing facility. In view of this, the Management has decided to retrench the workmen.

KILLICK HALCO LIMITED :

For want of finance, the Company could not resume business activity.

During the year the Greater Bombay Co-Operative Bank Limited enforced the Guarantee against Killick Halco Limited to recover the dues from Snowcem India Limited. The property which was mortgaged to the bank, was disposed off by them for Rs.150 lacs.

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

9. 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 in Sri Lankan Company. Once the Company's operations are restored to normalcy, it is hoped, the Company will be able to aggressively pursue the business activities with Sri Lankan Company.

10. 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, 2005 aggregated to Rs. 21.11 crores. There were 541 deposits aggregating to an amount of Rs. 1.64 crores inclusive of interest of Rs. 49.20 lacs lying unclaimed with the Company. There were 7583 deposits aggregating to an amount of Rs. 23.12 crores inclusive of interest of Rs. 6.27 crores matured and claimed, but unpaid.

The Company's application with the Company Law Board for the re-scheduling of payments is pending with them. However, the Company continues to pay interest in respect of matured fixed deposits and also the repayment of principal amount in instalments.

During the year, the Company has paid Rs. 198 lacs towards interest and Rs. 103 lacs towards repayment of fixed deposits by instalments.

Since April 2005 till date, the Company has made further payment of Rs. 32.32 lacs towards repayment of fixed deposits and Rs. 39.78 lacs towards interest.

11) SALES TAX DEFERMENT

The total amount of deferment benefit availed up to March 31, 2005 under the 1993 Package Scheme of Incentives announced by the Government of Maharashtra in respect of Wind Mills set up at Chalkewadi, District Satara, Maharashtra was Rs. 1289.41 lacs. The Present Net Value of assistance is Rs. 512.99 lacs. The balance amount of Rs. 205.22 lacs is still available to the Company for future years under the Deferment Benefit Scheme.

12) 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.