GULF OIL India Ltd.

ANNUAL REPORT 1998-99

the genuine association ....

GULF OIL India Limited
Annual Report 1998-99

Board of Directors

K. N. Venkatasubramanian — *Chairman*
K. Das Gupta — *Managing Director*
S. G. Hinduja
R. P. Hinduja
B. D. Punjabi
H. C. Asher
E. G. Mahadevan (Dr.)
A. K. Das
(Alternate S. G. Hinduja)
S. S. Pramanik
(Alternate to R. P. Hinduja)
S. K. Asher
(Alternate to H. C. Asher)

Company Secretary
S. B. Joshi

Bankers
State Bank of India
IndusInd Bank Limited

Auditors
Shah & Company, Mumbai

Internal Auditors
Sharp & Tannan Associates, Mumbai

Solicitors
Crawford Bayley & Co., Mumbai

Registered Office
Hinduja House,
171, Dr. Annie Besant Road,
Worli,
Mumbai 400 018.

Share Department
IN Centre, 49/50, M.I.D.C.,
12th Road, Marol,
Andheri (East),
Mumbai 400 093.

Contents

DIRECTORS' REPORT

The Directors present their Eighteenth Annual Report and Audited Accounts for the year ended 31st March, 1999.

2. FINANCIAL HIGHLIGHTS

	Year ended 31st March, 1999 (Rupees in Lacs)	Year ended 31st March, 1998 (Rupees in Lacs)
Sales	**260,02.55**	251,00.76
Other Income	**83.66**	99.27
	260,86.21	252,00.03
Profit before Depreciation	**14,08.64**	11,09.56
Profit before Tax	**11,74.40**	8,90.72
Provision for Taxation	**18.00**	21.50
Net Profit for the year	**11,56.40**	8,69.22
Less: Income Tax for previous year	**8.42**	—
Add: Surplus brought forward from previous year	**2,39.81**	2,29.11
Profit available for Appropriation	**13,87.79**	10,98.33
Appropriations:		
— Proposed Equity Dividend (including tax)	**4,61.31**	3,86.24
— Proposed CCPS Dividend (including tax)	**13.49**	22.28
— Transfer to General Reserve	**4,99.87**	4,50.00
Surplus carried to Balance Sheet	**4,13.12**	2,39.81
	13,87.79	10,98.33

3. DIVIDEND

Your Directors are pleased to recommend payment of 40% as dividend for the year ended 31st March, 1999 (previous year 37%). The payment will be subject to approval of shareholders at the ensuing Annual General Meeting.

4. PERFORMANCE

On the background of a global slowdown prevailing for the last three years and adverse development in the South East Asian countries, the Indian Economy in 1998-99 recovered and posted a GDP growth of 5.8% as against 5% in the previous year. The industrial growth, however, declined to 3.9% for the period April 98 to March 99 from 6.9% recorded in the previous year.

Against this backdrop, your Company has posted a net profit Rs. 11.56 crores (previous year Rs. 8.69 crores). The sales turnover form the year under review increased to Rs. 260.02 crores (previous year Rs. 251.00 crores).

Your Company during the financial year registered a growth of 6% despite the downtrend in the automotive industry, particularly in the commercial vehicles segment, which contributes significantly to industry volumes.

Inspite of the adverse market conditions, it is significant that your Company's profitability increased substantially due to aggressive and innovative marketing strategies particularly in the Industrial and Institutional segment. Your Company also focussed its attention to the supply chain management and this has started yielding good results.

Your Company with its well established Regional infrastructure coupled with the strength of its distribution network has been able to leverage better performance for the year under review.

Marketing

Your Company's recently launched 'XHD 20000', a long-drain engine oil has been a resounding success. The Company has also embarked on a scheme of product pack rationalisation and introduction of new grades and packs in tune with the changing market requirements.

Production

The factories at Silvassa and Calcutta continued to provide quality products and achieved production of 51,590 kl (previous year 48,629 kl). Your Company is ensuring continuous upgradation and modernisation to operate at desired levels of efficiency, optimum productivity and quality.

Personnel and Administration

Employee relations continued to remain cordial at all locations throughout the year. The Board wishes to place on record its appreciation of the contribution made by all employees for achieving growth in business under such extreme market conditions.

5. OUTLOOK FOR THE CURRENT YEAR

The current year continues to be challenging. With a view to broad base its market, your Company has decided to launch Genuine Oils for leading Original Equipment Manufacturers (OEMs). Your Company has already launched Ford Tractors and Ashok Leyland Genuine Oils and have been well accepted in the market. You will see many more such tie-ups which are scheduled during the course of the year.

The business environment continues to be difficult. Your Company, however, is well geared to meet the challenges posed by the market, and is confident of maintaining a trend of improving performance and posting consistent good results. With a view to improve quality standards, your Company is embarking on QS-9000 certification for the Silvassa plant and expects to have the same before the end of the financial year.

6. DIRECTORS

Mr. J. Joseph, Director resigned with effect from 28th April, 1999. The Directors place on record their appreciation for his guidance and active participation.

In accordance with the Articles of Association of the Company, Mr. S. G. Hinduja and Mr. R. P. Hinduja retire by rotation and being eligible offer themselves for re-appointment.

7. CONSERVATION OF ENERGY AND R&D ACTIVITIES

Details of energy conservation and research and development activities undertaken by the Company along with the information in accordance with the provision of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars is in the Report of Board of Directors Rules, 1988) are given in Annexure "A" to the Directors' Report.

8. FOREIGN EXCHANGE EARNINGS AND OUTGO

For the details of foreign exchange earnings and outgo, members are requested to refer to Note No. 11 to 14 of Schedule 14 forming part of the Balance Sheet and Profit and Loss Account for the year ended March 31, 1999.

9. INFORMATION TECHNOLOGY, YEAR 2000 COMPLIANCE (Y2K)

In pace with the developments in the environment, your Company has been constantly upgrading its hardware and software to keep its competitive edge. It has also drawn up plans for better communication networking.

On the year 2000 compliance (Y2K), various steps have been initiated to negate the effect of Y2K on your Company. Various hardwares and softwares have already been suitably upgraded and your Company expects to be Y2K compliant shortly.

10. SUBSIDIARY COMPANY

Gulf Carosserie India Ltd. continued to record improved performance for the year 1998-99. It achieved a turnover of Rs. 11.83 Crores (previous year Rs. 11.77 Crores) and a net profit of Rs. 0.33 Crores (previous year Rs. 0.48 Crores). In spite of recording profits for the last two years, a reference has to be made under Section 23(1) of the Sick Industrial Companies (Special Provisions) Act, 1985, since the accumulated losses amounting to Rs. 1.07 Crores exceeds the networth of the Company. Gulf Carosserie India Ltd. has to report this fact to the Board for Industrial and Financial Reconstruction (BIFR). Your Company, however, is confident that the subsidiary will be able to wipe out the accumulated losses and the investment made in it will be fruitful in the long run.

11. PARTICULARS OF EMPLOYEES

As required by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, a Statement of information relating to employees is given in Annexure B to the Report.

12. AUDITORS

Shareholders are requested to appoint auditors and fix their remuneration. M/s. Shah & Co., Chartered Accountants, the retiring Auditors having furnished the required Certificate under Section 224(1B) of the Companies Act, are eligible for re-appointment.

With reference to note 15 of Manufacturing and Other Companies (Auditor's Report) Order, 1988, your Company's Internal Audit function has been upgraded and we expect to increase the scope of audit of the external firm. The Company's own internal audit department is being suitably strengthened to meet the challenging requirements of the business needs.

13. ACKNOWLEDEMENTS

The Board wishes to thank the bankers, suppliers, transporters, dealers and consignment stockists for their continued support during the year.

The Board also wishes to place on record its appreciation of the co-operation received from the Administration of the Union Territories of Dadra & Nagar Haveli, Daman & Diu during the year.

For and on behalf of the Board

Mumbai
22nd July, 1999.

K.N. Venkatasubramanian
Chairman

ANNEXURE 'A' TO DIRECTORS' REPORT

INFORMATION UNDER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31ST MARCH, 1999.

A. (1) Energy Conservation measures taken:

Energy conservation during the financial period has accrued as a result of :

(a) Use of optimum thickness of insulation on the pipelines, storage tanks and blending kettles to minimise the heat losses.

(b) Periodic inspection and checking of thermic fluid heaters to ensure its optimal operations.

(c) Measurement and analysis of stack outlet at regular intervals and monitoring of the exhaust of thermic fluid heaters continuously.

(d) Scientifically designed lighting layout in the production department as well as in the warehouse ensures optimum use of artificial light.

(e) Use of translucent sheets on the roof of the main plant building and the warehouse at the appropriate distances to maximise the use of natural light during daytime.

(f) Lighting requirement in office block was critically evaluated and lighting load was reduced by 54%.

(2) Additional investments and proposal being implemented for reduction of energy consumption:

Replacement of insulation of all the additive storage tanks and some of the pipelines and vessels which got damaged during the plant working.

(3) Impact of measures taken:

The above investments/measures will reduce the fuel and electrical consumption as well as the batch cycle time thereby reducing the production costs.

B. Research and Development and Technology Absorption:

(1) Research and Development (R & D):

The Company conducted research and development to augment the product range with high performance products and specialties in addition to the work of improving quality of existing products to maximise the equipment life. Efforts were also made to reduce the input costs of the products by reducing the import content in the product.

(a) Specific areas in which R & D is carried on by the Company:

The Company developed high performance products for lubricating the new technology engines and low smoke oils for two stroke engines. To cater to requirements of specific OEMs the company developed engine oils & transmission oils. The Company also developed new high performance transformer oils with high electrical properties and specialties products.

(b) Benefits derived as a result of above R & D:

The Company has been able to get approvals from major OEMs like TELCO and Cummins International for the new products. The Company has been able to develop and launch genuine oils for New Holland India Ltd., Kirloskar Oil Engines Ltd., and Ashok Leyland Ltd. The Company has also been able to get approval from defence for special oils and have been able to offer industry specialised cutting oils & rust preventives.

(c) Future action plan:

The Company would continue the development of specific products required by Original Equipment Manufacturers. The Company would give main thrust for development of new generation cutting oils, rust preventives and greases. Reduction of import content in the products, indigenisation of the chemical components and optimisation of the formulations would be the main thrust in the areas of R & D that would be carried out in Silvassa and Bangalore.

(d) Expenditure on R & D:

(i)	Capital	:	Rs. 36.20 Lacs
(ii)	Recurring	:	Rs. 12.51 Lacs
(iii)	Total	:	Rs. 48.71 Lacs
(iv)	Total R & D expenditure as a Percentage to total turnover		0.19%

(2) Technology Absorption, Adaptation and Innovation

The Company received technology from the collaborators in formulating new industrial lubricating oils for international OEMs. New cost effective formulations were received to substitute some costly raw materials.

ANNEXURE 'B' TO DIRECTORS' REPORT

STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1999.

Name	Age	Designation/ Nature of Duties	Qualification	Gross Remuneration (Rs.)	Commencement of Employment	Last Employment held by such Employees before joining the Company	Total Experience (Years)
(A) Employed throughout the financial year							
Das Gupta K.	56	Managing Director	M.Sc., FGMS	14,37,932	26.06.1997	General Manager (Spare Parts) Ashok Leyland Ltd. (19 years)	34
Bhojwani Lalit	42	Vice President — Sales & Marketing	B.Tech., PGDBM	9,89,477	08.09.1997	Vice President & Location Head DSS Mobile Communications Ltd. (2 years)	17
Phalak K. S.	43	Senior General Manager — Works (Silvassa Plant)	B.Chem., DMM, DMS, DFM	9,43,375	09.03.1995	Production Manager Bayer India Ltd. (16 years)	21
Singh M. P.	41	General Manager (North)	B.E. (Mech.)	8,02,353	03.05.1993	Manager — Marketing Automobile Products of India Ltd. (3 years)	20
(B) Employed for a part of the financial year							
Puri Navin	48	General Manager (West)	B.E., Dip in Mech. & Electrical	4,66,436	12.02.1998	Regional Manager (Sales) Bharat Petroleum Corp. Ltd. (6 years)	20
Pramanik S. S.	49	Executive Director — Commercial	B.Ch.E.(Hons.), MFM, CAIIB, FICWA, ACS	7,75,813	01.09.1996	Group Vice President (Finance) Hinduja Group India Pvt. Ltd. (2 years)	26
Sumithran A. K.	53	General Manager — P & A	B.A., Dip. in HRD, Dip. in MGT.	4,18,321	15.06.1998	Manager (HR & ADMIN) Videocon International Ltd. (4 years)	31
Venkatraman R.	43	Vice President — Finance & Secretarial	B.Com., LL.B., MFM, ACA, ACS, ICWA	4,56,109	19.08.1998	Group Finance Manager GETCO Group of Companies (8 months)	18

Notes:
1. Gross remuneration includes Salary, Allowances, Commission, taxable value of perquisites and Company's contribution for Provident Fund and Superannuation Fund.
2. The nature of employment of Mr. K. Das Gupta, Managing Director is contractual for a period of three years with effect from 26th June, 1997.
3. None of the Employee is related to any Director of the Company.

AUDITORS' REPORT

To The Members of GULF OIL India Limited

We have audited the attached Balance Sheet of GULF OIL India Limited as at 31st March, 1999 and also the Annexed Profit & Loss Account for the year ended 31st March, 1999 and report as under:

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said order.

2. Further to our comments in the Annexure referred to in Paragraph (1) above we report that:

   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books.

   c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts and comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.

   d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to note No. 5 (a) in respect of non-provision for erosion in value of investments and loans and advances to the subsidiary company read together with the other notes in Schedule 14 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

      i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 1999;

      AND

      ii) in the case of the Profit & Loss Account of the 'PROFIT' for the year ended on that date.

For **Shah & Company**
Chartered Accountants

Mumbai
22nd July, 1999

H. N. Shah
Partner