

HIKAL

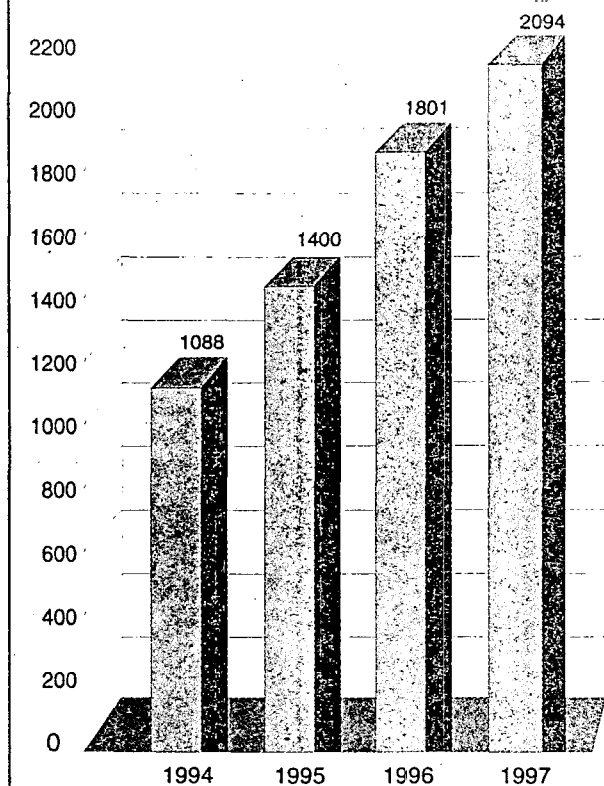


HIKAL CHEMICAL INDUSTRIES LIMITED

ANNUAL REPORT
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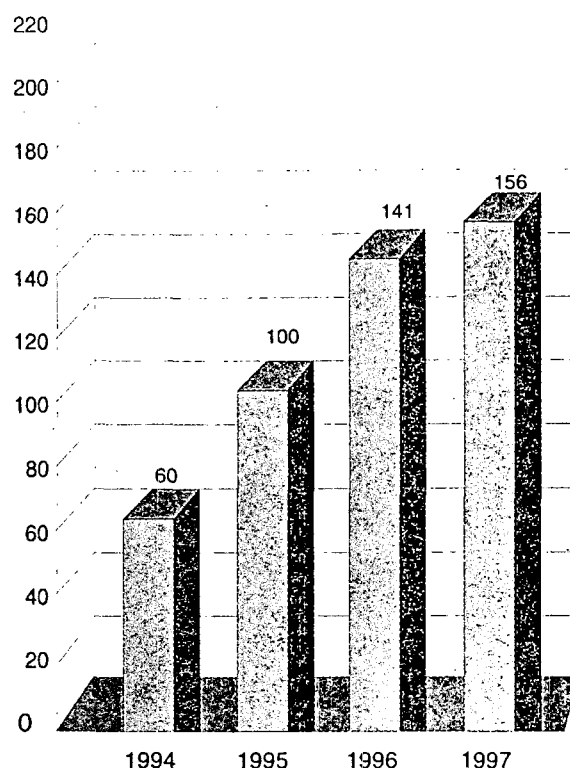
TURNOVER

Rs. in lacs



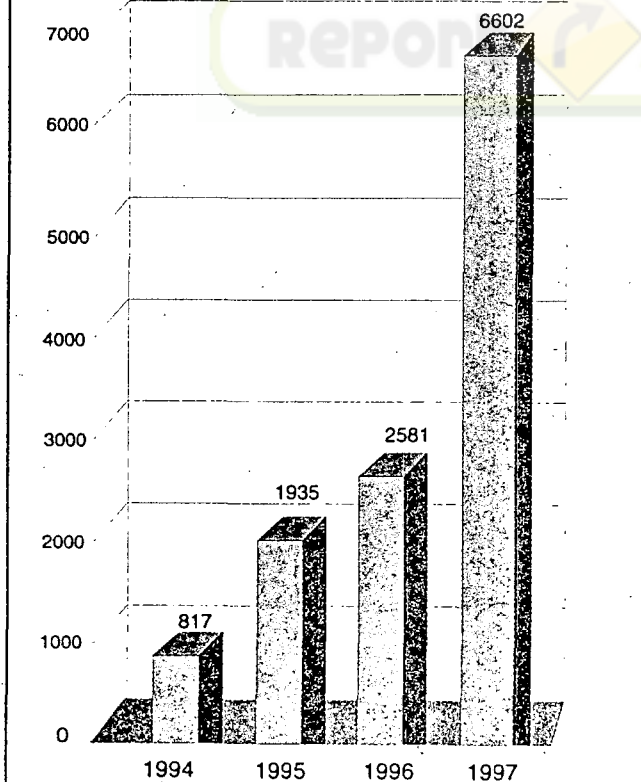
PBT

Rs. in lacs



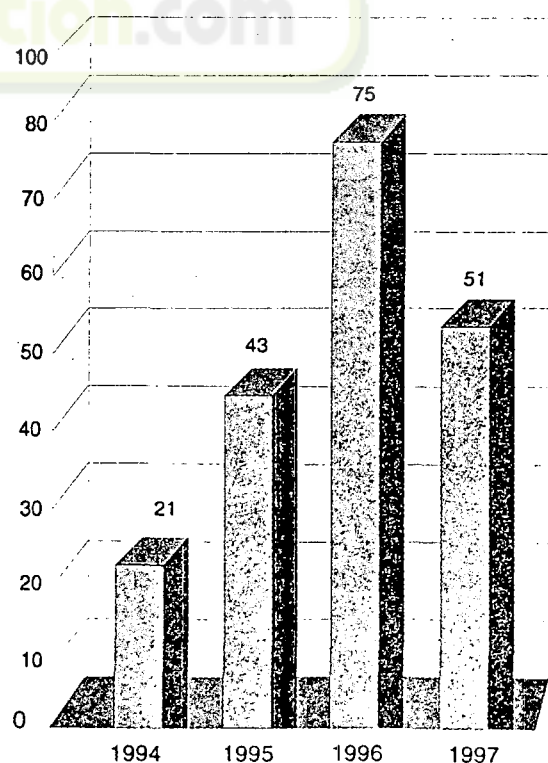
GROSS FIXED ASSETS

Rs. in lacs



DIVIDEND PAYMENT

Rs. in lacs



ADD	✓		BKSC	✓
CS	✓		DPY	✓
DO	✓		DIV	✓
TRA	✓		AC	✓
ARM	✓		SHI	✓
MC	✓			



DIRECTORS' REPORT

To:

The Members,

The directors have pleasure in presenting their 9th annual report together with the audited accounts for the financial year ended 31st March, 1997.

1. FINANCIAL RESULTS

	(Rs. in lacs)	
	1996-97	1995-96
	Rs.	Rs.
Turnover	2094.3	1801.3
Profit before interest and depreciation	491.8	390.9
Interest	197.1	158.1
Profit before depreciation	294.7	232.8
Depreciation	138.9	92.1
Profit before taxation	155.8	140.7
Provision for taxation	20.1	12.0
Net profit after tax	135.7	128.7
Reserves	1104.9	520.9
Proposed dividend on equity share capital	50.7	74.9
Tax on dividend	5.1	—
Transfer to general reserve	16.5	21.9
Surplus retained in profit & loss account	163.9	100.6

2. OPERATIONS

During last year Company's turnover increased by 16% (from Rs.1801 lacs to Rs.2094 lacs), profit after taxation increased by 5% (from Rs.128.7 lacs to Rs.135.7 lacs). The margins were affected due to competition from imports.

3. DIVIDEND

The directors recommend a dividend of 15% (Previous Year 25%) on equity shares.

4. NEW PROJECT

The company is setting up a 100% Exported Oriented Unit for manufacture of Thiabendazole (TBZ) at Taloja (Near New Mumbai). The Company has a 100% buy-back arrangement with Merck & Co. Inc., USA. The project is at an advanced stage of completion and the trial runs will commence in the 4th quarter of 1997. Hikal will be the only producer of TBZ in the world. Merck has recently discontinued the manufacturing of the product. The plant will be one of the best in the country, in terms of automization, safety & environmental controls.

This is a major project which will make a very significant impact on the profitability and growth of the company.

5. DIRECTORS

Mr. B.B. Hattarki has resigned as a Director with effect from 8th August, 1997. The Board places on record his valuable contribution since the inception of the Company.

Mrs. S.J. Hiremath and Mr. B.N. Kalyani, directors of the company, retire by rotation and being eligible, offer themselves for reappointment.

Mr. Hiroshi Morikawa of Sumitomo Corporation Japan, has been appointed as an additional director from 30th November 1996. He will hold office till the forthcoming Annual General Meeting of the company.

6. AUDITORS

Messrs. P.M. Kathariya & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.

7. PUBLIC DEPOSITS

The Company has no overdue deposits outstanding other than those unclaimed on 31st March, 1997.

8. EMPLOYEES

Relations between the employees and the management continued to be cordial during the year.

As required by the provisions of the section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees form part of the director's report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the report and accounts is being sent to all shareholders of the company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the company secretary at the corporate office of the company.

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

In accordance with the requirements 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 a statement showing particulars with respect to conservation of energy, technology absorption and foreign earnings and outgo forming part of the directors report, is given in the enclosed annexure which forms part of this report.

ANNUAL REPORT 1997

10. SAFETY & ENVIRONMENT

The company maintained highest standards of safety and environmental control. Safety measures have been given very high priority in the new project at MIDC Talaja.

11. ACKNOWLEDGEMENTS

The board of directors place on record their appreciation for the co-operation and support extended to the company by Bank of Baroda, Union Bank of India, Exim Bank of India & I.C.I.C.I.

The board also places on record its appreciation for the continued hardwork put in by the employees.

For and on behalf of the
Board of Directors

Place : Pune

B. N. Kalyani

Date : 13th August, 1997

CHAIRMAN

INFORMATION AS PER SECTION 217 (1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1997.

I. CONSERVATION OF ENERGY**a. Energy conservation measures taken :**

- Daily monitoring of boiler efficiency.
- Installation of capacitors to improve power factor.
- Streamlining of boiler and steam system, optimum use of chilling units.
- Energy efficient insulation for hot and cold services.

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

Condensate recovery system is implemented to reduce furnace oil consumption.

c. Impact of the measure at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The scheme is under implementation and therefore it is not yet possible to quantify savings and its effect on cost of production of goods.

d. Total energy consumption and energy consumption per unit as per Form-A of the annexure to the rules in respect of industries specified in the schedule thereto.

A. POWER & FUEL CONSUMPTION

	1996-97	1995-96	
1. Electricity			
a. Purchased			
Unit (KWH in thousands)	3400	3340	
Total amount (Rs. in lacs)	118.88	96.93	
Rate/KWH (Rs.)	3.50	2.90	
b. Own Generation			
i) Through diesel generation	—	—	
Unit	—	—	
Units per ltr. of diesel	—	—	
Oil cost/Unit	—	—	
ii) Through steam turbine/Generator	—	—	
Units	—	—	
Units per ltr. of fuel	—	—	
Oil/Gas	—	—	
Cost/Unit	—	—	
2. Coal	N.A.	N.A.	
Quantity	—	—	
Total cost	—	—	
Average rate	—	—	
3. Furnace oil			
Quantity (K. Ltrs.)	1605	1709	
Total cost (Rs. in lacs)	101.88	95.42	
Average rate / K. Ltrs. (Rs.)	6.35	5.58	
4. Others	N.A.	N.A.	
LSHS/LDO	—	—	
Quantity (K. Ltrs.)	—	—	
Total cost (Rs. in lacs)	—	—	
Rate / K. Ltrs. (Rs.)	—	—	
B. Consumption per unit of production			
Product	Unit		
(Intermediates for dyes, pesticides and pharmaceuticals)			
Electricity	KWH	1.97	1.78
Furnace oil	Ltrs.	0.89	0.91
Coal	—	—	—
LSHS/LDO	Ltrs.	—	—

HIKAL**II. TECHNOLOGY ABSORPTION:**

Efforts made in technology absorption as per Form-B of the annexure to the rules.

1. Research & Development (R&D)

- a. Specific areas in which R & D carried out by the company.

The process for Metoxuron and other products developed at in-house R & D facilities.

The R&D is playing an important role in the absorption of technology for the manufacture of Thiabendazole for 100% export to Merck.

- b. Benefits derived as a result of above R & D. The technology absorption for Thiabendazole has helped in various aspects connected with the new plant at Talaja.

- c. Future plan of action :

New products will be introduced to improve the profitability as well as improvement of existing operation.

	1996-97 (Rs. in lacs)	1995-96 (Rs. in lacs)
Expenditure on R & D		
i) Capital	6.00	6.30
ii) Recurring	13.57	11.81
iii) Total	19.57	18.11

iv) Total R & D expenditure as a

percentage of total turnover **0.93 %** 1.01 %

2. Technology absorption, adoption and innovation:

- a. Efforts, in brief made towards technology absorption, adoption and innovation.

The development of Metoxuron process is an example of adoption and innovation technology.

Hikal's R&D is playing an important role for the absorption of technology for Thiabendazole from Merck USA.

- b. Benefits derived as a result of the above efforts:

Improved productivity through improvement in technology, new products, better safety and environmental control.

- c. Imported technology:

Technology Transfer from Merck USA for Thiabendazole free of cost.

III. FOREIGN EXCHANGE EARNINGS & OUTGO:

- a. Activities relating to exports initiative taken to increase exports, development of new export markets for products and services and export plans:

The company has appointed a representative in England, to identify our efforts to increase export. The company has entered into a 10 year agreement with Merck & Co. Inc. U.S.A. for exclusive supply of Thiabendazole on 100% buyback arrangement.

- b. Total foreign exchange used and earned:

Used	Rs. 490.00 lacs	(Previous year Rs. 322.08 lacs)
Earned	Rs. 4360.82 lacs	(Previous year Rs. 1183.03 lacs)

For and on behalf of the
Board of Directors

Place : Pune

Date : 13th August, 1997

B. N. Kalyani
CHAIRMAN