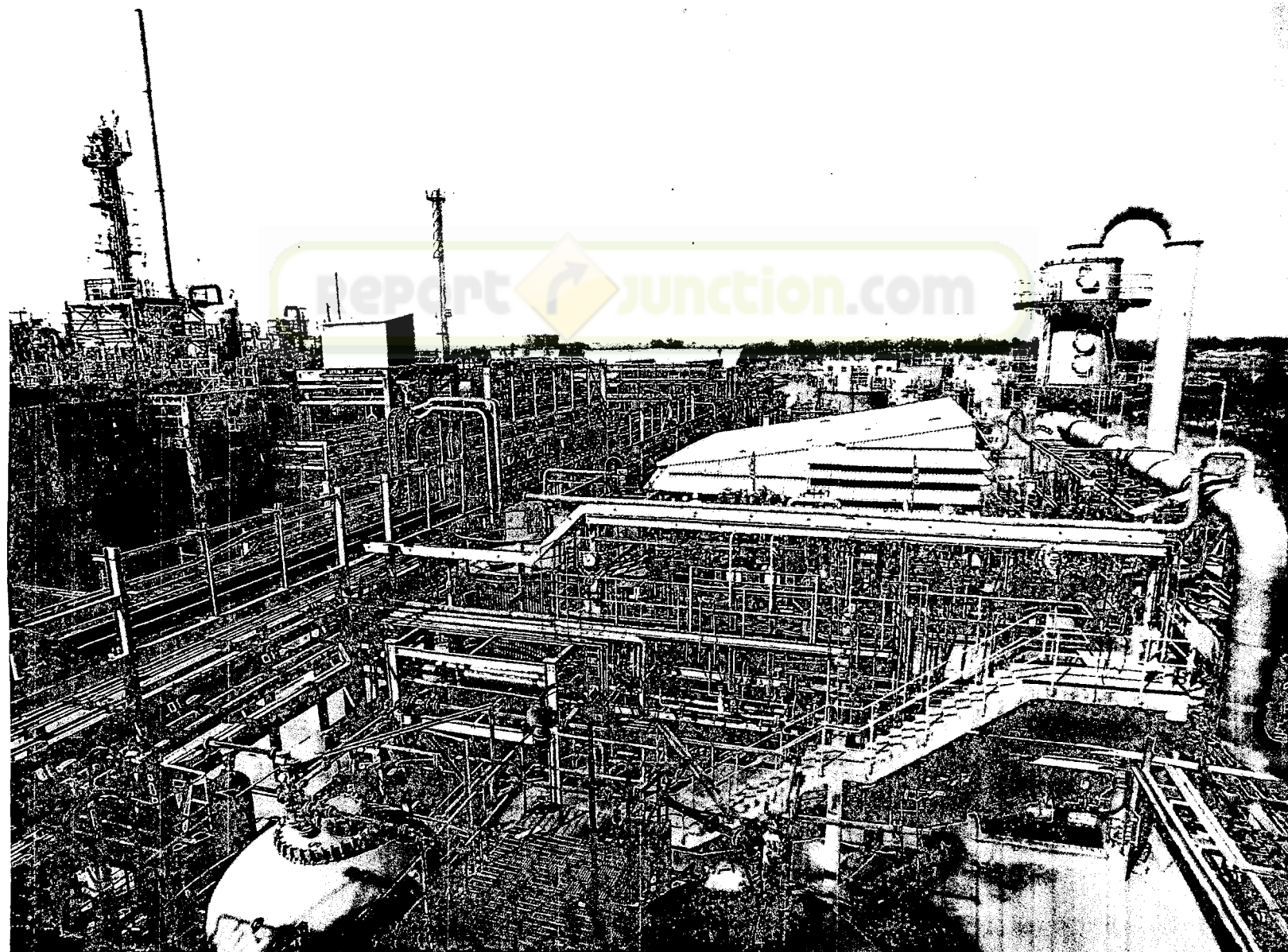


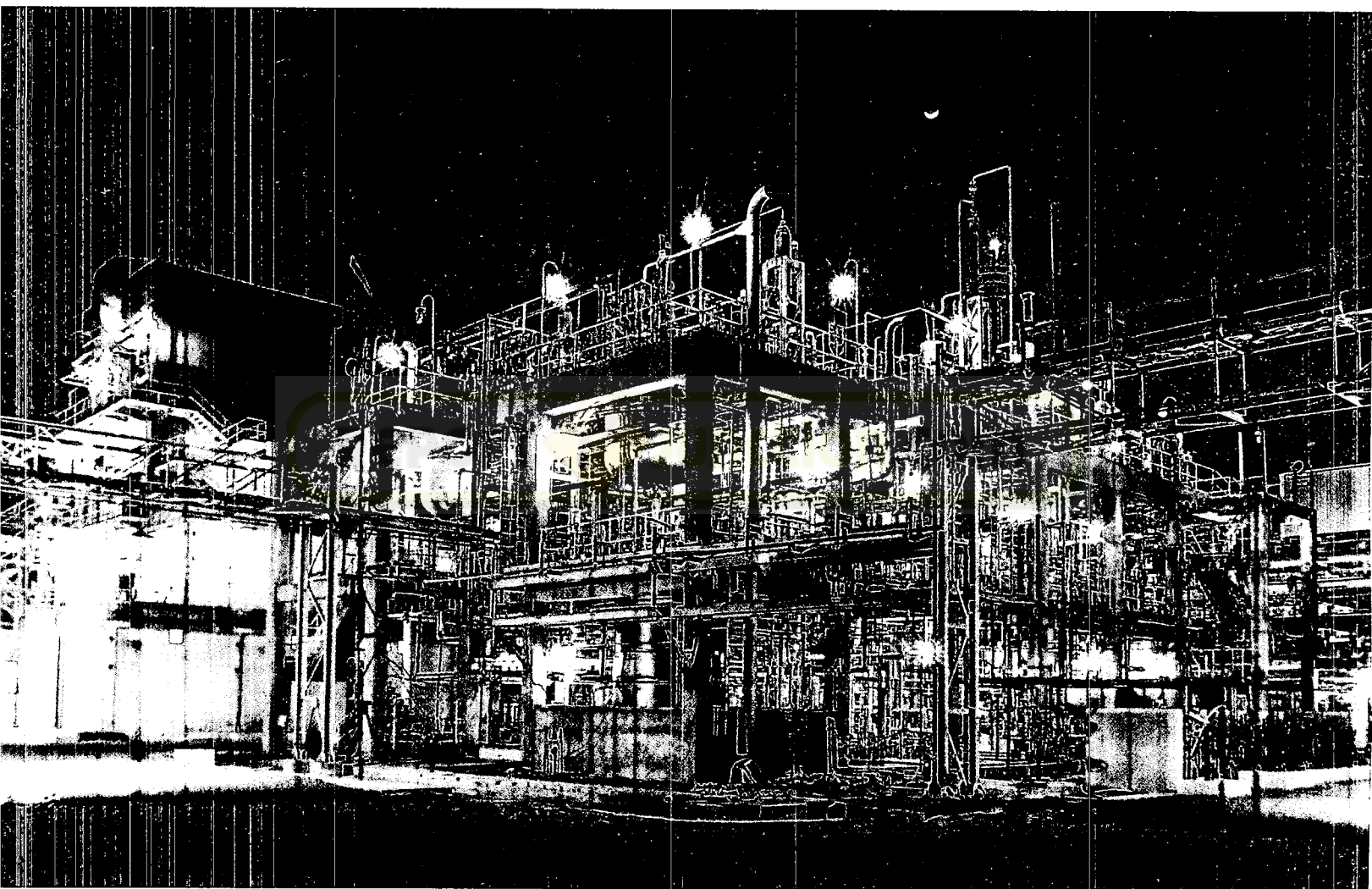
**HIKAL**

MD	✓		BKC	NA
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	NA		SHI	✓
YE	✓			



ANNUAL REPORT 1997 - 98

**HIKAL CHEMICAL INDUSTRIES LIMITED**



*TBZ Plant at Taloja*

Mr.B.N.Kalyani - *Chairman*  
Mr.V.G.Yennemadi  
Mr.Prakash Mehta  
Mr.S.M.Kheny  
Mr.H.Morikawa - *Nominee Director*  
*(Sumitomo Corpn.,Japan)*

Mrs.S.J.Hiremath  
Mr.Jai Hiremath - *Managing Director*

Mr.S.V.Wahalekar

P.M.Kathariya & Co.  
Chartered Accountants

Bank of Baroda  
Union Bank of India  
Sumitomo Bank

Export Import Bank of India  
Industrial Credit and Investment  
Corporation of India

Malvi Ranchoddas & Co.

6,Nawab Building,  
327,Dr.D.N.Road,  
Fort,Mumbai - 400 001.

Great Eastern Chambers,  
6th Floor, Sector 11,  
C.B.D. Belapur,  
Navi Mumbai - 400 614.

A-18,M.I.D.C., Industrial Area,  
Mahad - 402 301  
Dist.Raigad , Maharashtra

T-21, M.I.D.C., Industrial Aera,  
Taloja,- 410 208.  
Dist. Raigad, Maharashtra

Mondkar Computers Pvt.Ltd.  
21,Shakil Niwas,  
Mahakali Caves Road,  
Andheri (E), Mumbai - 400 093.  
Tel :838 2236 -836 6620  
Fax : 821 1996

## DIRECTORS' REPORT

To:

The Members,

The directors have pleasure in presenting their 10th annual report together with the audited accounts for the financial year ended 31st March, 1998.

### 1. FINANCIAL RESULTS

	(Rs. in lacs)	
	1997-98	1996-97
	Rs.	Rs.
Turnover	1901.4	2094.3
Profit before interest and depreciation	411.8	491.8
Interest	170.8	197.1
Profit before depreciation	241.0	294.7
Depreciation	138.5	138.9
Profit before taxation	102.5	155.8
Provision for taxation	10.2	20.1
Net profit after tax	92.3	135.7
Reserves & Surplus	1640.9	1104.9
Proposed dividend on equity share capital	39.4	50.7
Proposed dividend on preference share capital	23.8	—
Tax on dividend	6.3	5.1
Transfer to general reserve	4.6	16.5
Surplus retained in profit & loss account	182.0	163.9

### 2. OPERATIONS

The turnover was Rs.1901 lacs for the year. This was lower by 9% compared to previous year. The company had to lower prices of Para Cumidine to compete with imports, which became cheaper due to lower import duties. This has also affected the profitability for the year. Exports increased from Rs.245 lacs to Rs.903 lacs. The company is aggressively developing the export market and has obtained substantial orders for the coming year.

### 3. DIVIDEND

The directors recommend a dividend of 10 % prorata (Previous year 15 %) on equity shares of the company. Your directors also recommend dividend of 14% prorata for the period 28th October 1997 to 31st March, 1998 on the Cumulative Redeemable Preference Shares issued by the company.

### 4. SHARE CAPITAL

The company has issued 4,00,000 14% Non Convertible Cumulative Redeemable Preference Shares of Rs.100/- each on 28/10/1997 for 3 years to IDBI Bank Ltd.

The company has allotted 14,66,700 equity shares of Rs. 10/- each, at premium of Rs.35/- on 26th December, 1997 to promoters & Sumitomo Corporation, Japan on Preferential allotment basis

### 5. TALOJA PROJECT

The company has completed the construction of the 100% "Export Oriented Unit" at Taloja for the manufacture of Thiabendazole (TBZ). The company has a long-term contract for 100% "buy -back" with Merck & Co. Inc., USA. Merck, in turn will sell the entire production to Novartis AG, Switzerland for world-wide distribution. Hikal is the only producer of TBZ in the world.

The directors are pleased to inform that commercial production started in May 1998 and shipments have commenced.

This new project will substantially increase the turnover and profitability of the company.

### 6. DIRECTORS

Dr.S.Ramnathan, Technical Director ceased to be a Director w.e.f. 31/12/1997 due to completion of the term of his appointment. The Board places on record his valuable contribution to the Company during the tenure of his office.

Mr.V.G. Yennemadi and Mr. S.M. Kheny, directors of the company, retire by rotation and being eligible, offer themselves for reappointment.

### 7. AUDITORS

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

### 8. PUBLIC DEPOSITS

The company has no overdue deposits outstanding other than those unclaimed as on 31st March, 1998.

### 9. 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.

### 10. 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 the part of the director's report, is given in the enclosed annexure which forms part of this report.



## ANNUAL REPORT 1998

## 11. SAFETY &amp; ENVIRONMENT

The company maintained highest standards of safety and environmental control.

## 12. 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., Sumitomo Bank & IDBI Bank.

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

Date : 26th June, 1998.

**B. N. Kalyani**  
**CHAIRMAN**

INFORMATION AS PER SECTION 217 (1) (g) 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, 1998.

## 1. 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 &amp; FUEL CONSUMPTION

1997-98 1996-97

## 1. Electricity

a. Purchased			
Unit(KWH in thousands)	5882	3400	
Total amount (Rs.in lacs)	258.97	118.88	
Rate/ KWH (Rs.)	4.40	3.50	
b. Own Generation			
i) Through diesel generator	—	—	
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 cost	—	—	

## 3. Furnace oil

Quantity (K.Ltrs.)	1807	1605	
Total cost (Rs. in lacs.)	105.10	101.88	
Average rate / K. Ltrs. (Rs.)	5.82	6.35	

## 4. Others

LSHS/ LDO / HSD			
Quantity (K.Ltrs.) (HSD)	10.00	—	
Total cost (Rs.in lacs)	1.09	—	
Rate / K. Ltrs. (Rs.)	11.28	—	

## B. Consumption per unit of Production

Product	Unit		
(Intermediate for dyes,pesticides and pharmaceuticals)			
Electricity	KWH	1.52	1.97
Furnace oil	Ltrs.	0.81	0.89
Coal	—	—	—
LSHS / LDO	Ltrs.	—	—

## II TECHNOLOGY ABSORPTION

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

## 1. Research &amp; development ( R&amp;D)

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

The process for Hydrogenation was 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.

	1997-98 (Rs.in lacs)	1996-97 (Rs.in lacs)
Expenditure on R & D		
i) Capital	43.69	6.00
ii) Recurring	16.09	13.57
iii) Total	59.78	19.57
iv) Total R & D expenditure as a percentage of total turnover	3.14%	0.93%

2. Technology absorption, adoption and innovation:

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

The development of Hydrogenation 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.

### 111 FOREIGN EXCHANGE EARNINGS & OUTGO:

a. Activities relating to exports, initiative taken to increase exports, developments 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% buy back arrangement.

b. Total foreign exchange used and earned :

Used :	Rs. 725.53 lacs	( Previous year Rs. 490.00 lacs)
Earned :	Rs. 3507.23 lacs	( Previous year Rs. 4360.82 lacs)

For and on behalf of the  
Board of Directors

Place : Pune  
Date : 26th June, 1998

**B. N. Kalyani**  
**CHAIRMAN**

## ANNUAL REPORT 1998

We have audited the attached Balance Sheet of Hikal Chemical Industries Limited as at 31st March, 1998 and also the profit & loss Account of the company for the year ended 31st March, 1998 annexed thereto and report that :

1. As required by the Manufacturing and other companies (Auditor's Report) order, 1988 issued by the company law board in terms of section 227(4A) of the Companies Act, 1956, we give in the annexure statement on the matters specified in the paragraphs 4 and 5 of the said order, to the extent applicable to the company.
2. Further to our comments in the annexure referred to in paragraph 1 above :
  - 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 it appears from our examination of the books.
  - c. The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account.
  - d. In our opinion and to the best of our information and according to the explanations given to us, the accounts read with and subject to the notes thereon 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 balance sheet, of the state of affairs of the company as at 31st March, 1998 and
    - ii) In the case of profit and loss account, of the profit of the company for the year ended on 31st March, 1998.

For **P.M.Kathariya & Co.**  
Chartered Accountants

Place : Mumbai  
Date : 26th June, 1998

(**P.M.Kathariya**)  
Proprietor

(Referred to in Paragraph 1 of our report of even date)

1. The company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the year. We are informed that no discrepancies were noticed by the management on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores spares, raw materials, have been physically verified by the management at reasonable intervals during the year.
4. The procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on verification between physical stocks and the book records were not material and the same have been properly dealt with in the books of account.
6. In our opinion, the value of stocks is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of the stocks is the same as that in the preceding year.
7. The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or from companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956.
8. The Company has not granted loan to companies, firms or other parties listed in the register maintained under section 301 and to companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956.
9. The parties to whom loans or advances in the nature of loans have been given by the company, and interest charged thereon, wherever applicable, have been repaying the same regularly.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipments and other assets, and for the sale of goods.