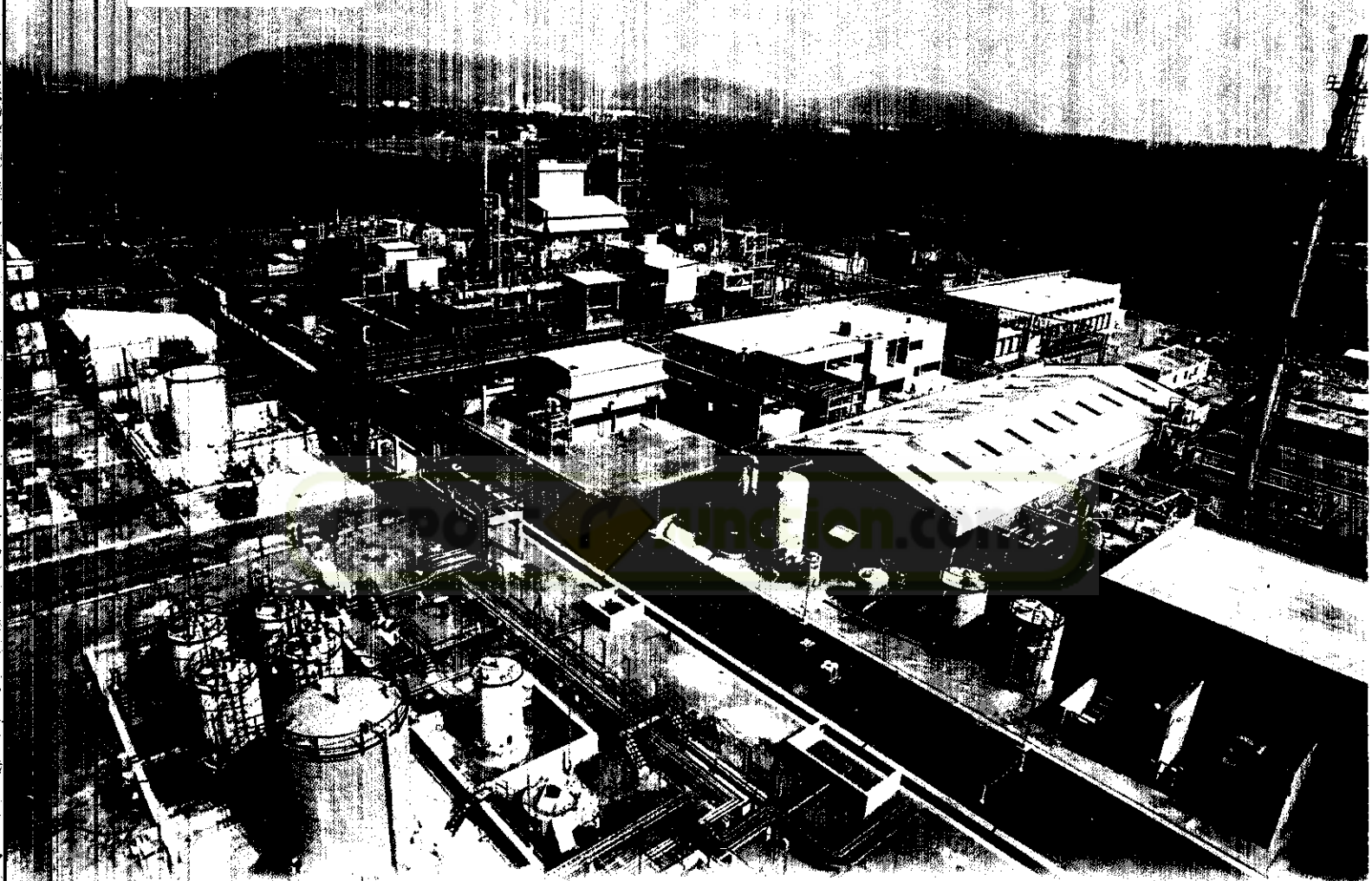


HIKAL



HIKAL CHEMICAL INDUSTRIES LIMITED

ANNUAL REPORT
1998 - 99

HIKAL CHEMICAL INDUSTRIES LIMITED**NOTICE**

Notice is hereby given that the 11th Annual General Meeting of the members of Hikal Chemical Industries Limited will be held on Saturday, 31st July 1999 at 2.00 p.m., at Sunflower Suite No. I & II, 30th floor at World Trade Centre No. 1, Cuffe Parade, Mumbai -400 005.

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended 31st March, 1999 and the Reports of the Directors and the Auditors.
2. To appoint a Director in place of Mr. Prakash Mehta, Director who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mrs. Sugandha J. Hiremath, Director, who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

5. To consider and if, thought fit, to pass with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED THAT Mr. Shuntaro Tanaka, who was appointed as an Additional Director of the company by the Board of Directors and who ceases to hold office u/s 260 of Companies Act, 1956, and in respect of whom the company has received a notice in writing proposing his candidature for the office of the Director be and is hereby appointed as a Director of the company".

6. To consider and if, thought fit, to pass with or without modifications, the following resolution as a special resolution.

"RESOLVED THAT pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby amended/ altered by way of substitution of clause No 12 as described below.

Buy back of own shares by the company. The new substituted clause stands as mentioned below.

12. The company shall have power, subject to and in accordance with all applicable provisions of the Companies Act, 1956 and other applicable laws and regulations as may be in force to buy back, hold or re-sell or to finance the buy back of the company's own fully/partly paid up shares or securities, as it may think

necessary, subject to such alterations and upon such terms and conditions as the Board may at its discretion decide & deem fit, and subject to such approvals as may be required, as per the Companies Act, 1956".

- 7 (a) To consider and if, thought fit, to pass with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED THAT Mr. Sameer Hiremath, relative of Mr. Jai Hiremath, Managing Director and Mrs. Sugandha Hiremath, Director, who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office u/s 260 of the Companies Act, 1956, and in respect of whom the company has received a notice in writing proposing his candidature for the office of the Director be and is hereby appointed as a Director of the company.

- 7 (b) To consider and if, thought fit, to pass with or without modifications, the following resolution as a special resolution.

"RESOLVED THAT the sanction of the company be and is hereby accorded to the appointment of Mr. Sameer Hiremath (who was appointed as an Additional Director and Whole Time Director of the company with effect from 26.5.99, vide Board resolution passed on 26.5.99) as Whole Time Director to be designated as Executive Director, for a period of 2 years from 26th May, 1999 pursuant to the provisions of Sections 198, 269, 309, 310 & 311 read with Schedule XIII to the Companies Act, 1956, on the remuneration and on terms and conditions as follows:

SALARY:

Salary of Rs. 15,000/- per month.

PERQUISITES:

In addition to the above, the Whole Time Director shall be entitled to the following perks:

CATEGORY 'A'

- (i) Housing I: The expenditure by the company on hiring furnished accommodation for the Whole Time Director will be subject to the following ceiling.

Sixty per cent of the salary, over and above ten per cent payable by the Whole Time Director.

- Housing II: In case the accommodation is owned by the company, ten per cent of the salary of the Whole Time Director shall be deducted by the company.

Housing III: In case no accomodation is provided by the company, the Whole Time Director shall be entitled to the ceiling laid down in Housing I.

Explanation : The expenditure incurred by the company on gas,electricity,water and furnishing shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten per cent of the salary of the Whole Time Director.

(ii) **Medical Reimbursement :** Expenses incurred for the Whole Time Director and the family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

(iii) **Leave Travel Concession :** For the Whole Time Director and his family once in a year incurred in accordance with the rules specified by the company.

(iv) **Club Fees :** Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.

(v) **Personal Accident Insurance :** Premium not to exceed Rs. 4,000/- per annum.

Explanation: For the purpose of category 'A' family means the spouse, the dependent children and dependent parents of the Whole Time Director.

CATEGORY 'B'

1. Contribution to Provident Fund, Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity payable will not exceed half a month's salary for each completed year of service.

2. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY 'C'

Provision of car for the use on company's business and telephone at residence will not be considered perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the Whole Time Director "

COMMISSION :

"Remuneration by way of commission will also be allowed in addition to salary and perquisites. The amount of it based on the net profits of the company in a particular year, shall be subject to the overall ceilings laid down in Section 198 and Section 309 of the Companies Act, 1956."

"RESOLVED FURTHER THAT the aforesaid remuneration and perquisites be paid as minimum remuneration in the event of loss or inadequacy of profits, for any year,during the term of his office".

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to increase the aforesaid remuneration and perquisites within the limits prescribed by schedule XIII during the term of his appointment of 2 years i.e. from 26th May,1999 to 25th May, 2001"

"RESOLVED FURTHER THAT in the event of any statutory amendment or modifications or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, or otherwise, the Board of Directors be and is hereby authorised to vary or increase the aforesaid remuneration and perquisites within the prescribed limits".

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to take such steps expedient or necessary to give effect to the above resolutions".

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to enter after approval at the Annual General Meeting of the company, into an agreement on behalf of the company with Mr. Sameer Hiremath, Whole Time Director for the appointment and fixing the terms of remuneration and perquisites as mentioned in the foregoing resolutions".

**BY ORDER OF THE BOARD OF DIRECTORS
for HIKAL CHEMICAL INDUSTRIES LIMITED**

**S.V.WAHLEKAR
COMPANY SECRETARY**

Place : Mumbai
Date : 2nd July, 1999.

NOTES :

1. An explanatory statement as required under Section 173(2) of the Companies Act, 1956 in respect of special business is annexed.
2. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the company.
3. The Register of Members and Share Transfer Books of the company will remain closed from 22nd July, 1999 to 31st July, 1999 (both days inclusive).

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT AS REQUIRED
U/S 173(2) OF THE COMPANIES ACT, 1956****Item No 5**

Mr. Shuntaro Tanaka was appointed as an Additional Director of the company with effect from 26th May, 1999 as per the provisions of Section 260 of the Companies Act, 1956. He holds office upto the date of this Annual General meeting, but is eligible for reappointment. Notice in pursuance of section 257 of the Companies Act, 1956 has been received from the member of the company signifying his intention to propose him as Director of the company. Mr. Shuntaro Tanaka has wide experience in business, finance, commercial activities and it is in the interest of the company to receive the benefit of his advice as Director.

The Directors recommend the resolution set out at Item No. 5 to the members for approval

None of the other Directors is concerned or interested in the proposed resolution except Mr. Shuntaro Tanaka.

Item No 6

Article No 12 on page No 5 of the Articles of Association of the company restricts the purchase of own shares by the company and providing the financial assistance for or in connection with purchase or subscription of own shares/shares in the holding company. In view of the recent amendment to the Companies Act, 1956, by way of insertion of Sections 77 A & 77 B, companies are permitted to buy back own shares & securities subject to the terms & conditions and guidelines of SEBI in this regard. It is therefore proposed to amend the Articles of

Association of the company by deletion of the present clause No. 12 and insert therein new clause No. 12, empowering the company to buy back or to finance the buy back of the company's own fully/partly paid up shares or securities. The new clause is set out in the resolution at item No. 6, which the Board recommends for approval by the members as special resolution.

None of the Directors of the company is in any way concerned or interested in the resolutions.

A copy of the Articles of Association of the company together with the proposed alteration is available for inspection by the members at the registered office of the company during office hours on all the working days upto the date of the meeting.

Item No 7 (a)

Mr. Sameer Hiremath was appointed as an Additional Director of the company with effect from 26th May, 1999 as per the provisions of Section 260 of the Companies Act, 1956. He holds office upto the date of this Annual General Meeting, but is eligible for reappointment. Notice in pursuant of Section 257 of the Companies Act, 1956 has been received from the member of the company signifying his intention to propose him as Director of the company.

Mr. Sameer Hiremath is a relative of Mr. Jai Hiremath, Managing Director and Mrs. Sugandha Hiremath, Director. He is a Chemical Engineer (1st Class) from Pune University.

Mr. Sameer J. Hiremath was appointed as Executive (Planning & Co-ordination) in the company with effect from 13.8.1996, vide resolution passed in the Board Meeting held on 13.8.1996. Presently, he is designated as Deputy Manager (Planning & Co-ordination).

The Directors recommend the resolution set out at Item No 7 (a) to the members for approval.

None of the Directors of the company other than Mr. Jai Hiremath, Mrs. Sugandha Hiremath and Mr. Sameer Hiremath is concerned or interested in the resolution at the Item No 7(a) of the notice

Item No. 7 (b)

The Board of Directors, in their meeting held on 26.5.1999, appointed Mr. Sameer J. Hiremath as an Additional Director and also as Whole Time Director to be designated as Executive Director of the company for a period of 2 years from 26th May, 1999 to 25th May, 2001 on a remuneration as set out in the resolution at Item No. 7(b) of the notice.

The remuneration, perquisites, allowances and benefits payable to Mr. Sameer J. Hiremath, Whole Time Director may be varied or increased by the Board of Directors of the company in the event of any statutory amendment or modifications or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956 or otherwise within the ceiling limits prescribed therein. Pursuant to the provisions of paragraph 1 of part III of Schedule XIII to the Act, the appointment and terms of remuneration payable to Whole time Director are to be approved by the members in General meeting and the Directors recommend this resolution for approval of the members.

The draft agreement proposed to be entered into between the company and Mr. Sameer J. Hiremath, may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

None of the Directors of the company other than Mr. Jai Hiremath, Mrs. Sugandha J. Hiremath and Mr. Sameer J. Hiremath is interested or concerned in the resolution at the Item No.7(b) of the notice.

**By order of the Board of Directors
For Hikal chemical Industries Limited**

**S.V.WAHLEKAR
COMPANY SECRETARY**

Place : Mumbai

Date : 2nd July, 1999.

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NIKAL**DIRECTORS' REPORT**

To:

The Members,

The directors have pleasure in presenting their 11th annual report together with the audited accounts for the financial year ended 31st March, 1999.

1. FINANCIAL RESULTS

	(Rs. in lacs)	
	1998-99	1997-98
	Rs.	Rs.
Turnover	4890.0	1901.4
Profit before interest and depreciation	1299.8	411.8
Interest	785.4	170.8
Profit before depreciation	514.4	241.0
Depreciation	787.9	138.5
Profit before taxation	(273.5)	102.5
Provision for taxation	—	10.2
Net profit after tax	(273.5)	92.3
Reserves & Surplus	1379.4	1640.9
Dividend on equity share capital	—	39.4
Dividend on preference share capital	—	23.8
Tax on dividend	—	6.3
Transfer to general reserve	—	4.6

2. OPERATIONS

The directors are pleased to inform the members that the new state-of-the-art 100% EOU unit for the manufacture of Thiabendazole at Taloja has been successfully commissioned. The quality matches Merck & Co. Inc, USA standards and is now being sold all over the world.

The company faced initial teething troubles in the start-up of the plant. These problems have been overcome and now the plant is operating satisfactorily. The company has incurred loss for the year, mainly on account of the increased depreciation charged for the new plant. Based on the current performance, the company is confident of making profit for the current year.

Sales from the Mahad factory were 13% lower compared to previous year. This was mainly due to the sluggish demand and competition from cheap imports.

The company has undertaken several measures to improve the profitability of the Mahad unit. The company has started manufacturing and exporting Isoproturon, which is a forward integration of its main product Para Cumidine. Mahad unit received ISO 9000 certification.

3. EXPORTS

Exports for the year increased substantially to Rs. 40 crores compared to Rs. 9 crores in the previous year. This is mainly due to the commissioning of the TBZ facility. The company has applied to the Government for Export House status.

4. DIVIDEND

The directors regret their inability to declare any dividend on Equity Shares and on Preference Shares, because of losses suffered by the company for the year.

5. YEAR 2000(Y2K) COMPLIANCE

I. In the company, Y2K readiness is in an advanced stage of completion, (nearly 80%) scheduled to be achieved by October, 1999.

II. The areas Y2K bug affects are internal information management system, distribution control system, utility service systems, etc. products supplied by the company as well as suppliers of raw materials, components and services.

III. The total cost of Y2K replacement is estimated at Rs. 20 lakhs.

IV. The contingency plans are in the process of being firmed up to ensure that the impact on business operations as a result of Y2K non-compliance is minimal.

6. DIRECTORS

Mr. Hiroshi Morikawa, nominee director of Sumitomo Corp. Japan, ceased to be a director w.e.f. 5th February, 1999. The Board places on record his valuable contribution to the company during the tenure of his office.

Mr. S. Tanaka, nominee director of Sumitomo Corp. Japan, has been appointed w.e.f. 26th May, 1999.

Mr. Sameer Hiremath has been appointed as whole time director w.e.f. 26th May, 1999.

Mr. Prakash Mehta and Mrs. Sugandha J. Hiremath, directors of the company, retire by rotation and being eligible offer themselves for reappointment.

7. AUDITORS

Messrs. P.M. Kathariya & 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, 1999.

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