



MD	✓			BKC	✓
CS	✓			DPY	NA
RO	✓			DIV	NA
TRA	NA			AC	✓
ACM	✓	✓		SHH	✓
YE	✓	✓	✓		

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## ANNUAL REPORT AND ACCOUNTS 1997-98

# National Peroxide Limited





## Annual Report 1997-98

(Registered — 16th March, 1954)

### **DIRECTORS**

NUSLI N. WADIA

*Chairman*

H.C. BIJAWAT

*Vice-Chairman*

B. L. PARANJPE

R.K. PITAMBER

K.N. SUNTOOK

Y.J. MOGRELIA

*Nominee Director*

D.S. ALVA

S. SARDANO

O. FERRARY

K.R. ALPAIWALLA

*Alternate to O. FERRARY*

NESS N. WADIA

F.E. BROWN

D.B. ENGINEER

*Alternate to F.E. BROWN*

S.R. LOHOKARE

*Wholetime Director*

### **SECRETARY & FINANCIAL CONTROLLER**

J.N. THAKKAR

### **BANKERS**

STATE BANK OF INDIA

CANARA BANK

STATE BANK OF INDORE

### **SOLICITORS AND ADVOCATES**

CRAWFORD BAYLEY & CO.

### **AUDITORS**

S.B. BILLIMORIA & Co.

*Chartered Accountants*

### **REGISTERED OFFICE**

NEVILLE HOUSE,

BALLARD ESTATE,

MUMBAI-400 001.

### **KALYAN FACTORY**

N.R.C. ROAD, P.O. ATALI,

VIA MOHONE,

KALYAN-421 102,

DIST. THANE,

MAHARASHTRA.

### **DEWAS FACTORY**

INDUSTRIAL AREA No. 3,

AGRA-BOMBAY ROAD,

DEWAS-455 001,

MADHYA PRADESH.

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## NOTICE

NOTICE is hereby given that the Forty Fourth Annual General Meeting of NATIONAL PEROXIDE LIMITED will be held at Patkar Hall, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020 on Tuesday, 4th August, 1998 at 3.30 p.m. to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the Balance Sheet of the Company as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date together with the Reports of the Board of Directors and Auditors.
2. To appoint a Director in place of Mr. R. K. Pitamber who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. O. Ferrary who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K. N. Suntook who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mrs. Y. J. Mogrelia who retires by rotation and being eligible, offers herself for re-appointment.
6. To appoint Messrs. S. B. Billimoria & Co. as Auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

### Special Business:

7. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:  
  
"RESOLVED THAT Mr. S. R. Lohokare be and is hereby appointed a Director of the Company whose period of office shall be liable to retirement by rotation."
8. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the terms of appointment and remuneration of Mr. S. R. Lohokare as Wholtime Director of the Company for a period of 5 years with effect from May 1, 1998 on the terms and conditions set out in the draft Agreement to be entered into between the Company and Mr. S. R. Lohokare, placed before this Meeting and initialled by the Chairman for the purpose of identification.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary, increase, expand, enhance, enlarge, widen or alter the scope of the remuneration and perquisites, including the monetary value thereof, as specified in the draft Agreement to the extent to which it may be varied, increased, expanded, enhanced, enlarged, widened or altered in accordance with the provisions relating to the payment of managerial remuneration under the Companies Act, 1956, or any amendment thereto or reenactment thereof and that the aforesaid draft Agreement between the Company and Mr. Lohokare be suitably amended to give effect to the same in such manner as may be agreed to between the Board of Directors and Mr. Lohokare.



## Annual Report 1997-98

"AND RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Directors of the Company be and are hereby authorised to enter into an Agreement on behalf of the Company with Mr. Lohokare in terms of the aforesaid draft Agreement and to do all such acts, deeds, matters and things as they may, in their absolute discretion deem usual, necessary or proper."

By Order of the Board of Directors  
For NATIONAL PEROXIDE LIMITED  
J. N. THAKKAR  
Secretary & Financial Controller

*Registered Office:*  
Neville House  
Ballard Estate  
Mumbai 400 001

*Mumbai, 12th June, 1998*

### NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER.
- (b) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to Item Nos. 7 and 8 is annexed hereto.
- (c) The Share Transfer Books and the Register of Members of the Company will remain closed from Saturday, 25th July, 1998 to Thursday, 30th July, 1998, both days inclusive.
- (d) Members are requested to notify immediately any change of address to the Company.
- (e) The unclaimed dividends, for the year ended 31st March, 1994 and previous years, declared by the Company have been transferred to the general revenue account of the Central Government in terms of Section 205(A) of the Companies Act, 1956. Shareholders who have not encashed the dividend warrants for the aforesaid years are requested to claim the amount from the Registrar of Companies, Maharashtra, Hakoba Compound, 2nd Floor, Dattaram Lad Marg, Kalachowki, Chinchpokli (E), Mumbai 400 033.



## ANNEXURE TO THE NOTICE

### Explanatory Statement as required under Section 173 of the Companies Act, 1956.

The following Explanatory Statement sets out the material facts relating to the business mentioned at Item Nos. 7 and 8 of the accompanying Notice of the Annual General Meeting dated 12th June, 1998.

#### Item No. 7

Mr. S. R. Lohokare was appointed as an Additional Director on the Board of the Company with effect from 1st May, 1998 pursuant to Section 260 of the Companies Act, 1956 read with Article 137 of the Articles of Association of the Company. Mr. Lohokare holds office upto the date of this Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member, proposing Mr. Lohokare as a candidate for the office of a Director alongwith a deposit of Rs. 500/- which will be refunded to such Member if Mr. Lohokare is elected as a Director.

The services of Mr. Lohokare will be useful to the Company. The Directors, therefore, recommend that he be appointed a Director of the Company.

Mr. Lohokare is interested in the Resolution at item no. 8 since it relates to his own appointment.

#### Item No. 8

Mr. S. R. Lohokare was appointed as a Wholetime Director of the Company by the Board w.e.f. 1st May, 1998. Considering Mr. Lohokare's wide and varied experience in technical and marketing area, his business acumen, the Board considers it desirable that the Company appoint Mr. Lohokare as Wholetime Director for a period of 5 years with effect from 1st May, 1998.

The remuneration and perquisites proposed to be paid to Mr. Lohokare are in conformity with the requirements of Schedule XIII of the Companies Act, 1956. The material terms of the draft Agreement referred to in the Resolution at item no. 9 of the accompanying Notice are as follows:

1. The appointment of Mr. Lohokare as Wholetime Director of the Company shall be for a period of five years commencing from 1st May, 1998 and ending on 30th April, 2003 subject to the same being previously determined as provided in the Agreement.
2. Mr. Lohokare shall be responsible for the entire operations of the Company and shall exercise such powers and perform such duties as may be entrusted to him by the Board of Directors of the Company.
3. Mr. Lohokare shall devote his whole time, attention and ability during business hours to the business of the Company and undertake travelling in India and abroad for the same.
4. Mr. Lohokare shall be subject to retirement by rotation in accordance with and subject to Section 256 of the Companies Act, 1956 and Article 132 of the Articles of Association of the Company.
5. Mr. Lohokare's remuneration and perquisites shall be as follows:

The Company shall pay to Mr. Lohokare in consideration of the performance of his duties as Wholetime Director, the following emoluments, benefits and perquisites, subject to the limits laid down under Schedule XIII of the Companies Act, 1956 (hereinafter referred to as "the Act"):

- (a) A salary of Rs. 30,000/- (Rupees Thirty Thousand only) per month or such other sum not exceeding Rs. 50,000/- per month as may be determined by the Board of Directors of the Company (hereinafter referred to as "the Board") from time to time.



## Annual Report 1997-98

- (b) A minimum commission of 50% of his actual salary. Payment of any commission beyond 50% of his annual salary may be paid at the sole discretion of the Board. Payment of commission shall be subject to the ceiling prescribed under Section 309 read with Section 198 and Schedule XIII of the Companies Act, 1956.

The Board of Directors of the Company may, from time to time, alter, vary and modify the terms and conditions of the Agreement in such manner as may be agreed to by the Board and Mr. Lohokare, within and in accordance with the limits prescribed in Schedule XIII to the Act and any amendments thereto or reenactments thereof, subject to a remuneration limit by way of salary, allowances, commission on profits and/or bonus of Rs. 15 lacs per annum, without requiring any further resolutions or consents of the members of the Company.

- (c) In addition to the above remuneration, Mr. Lohokare shall also be entitled to perquisites such as furnished accommodation, gas, electricity, water, furnishings, medical reimbursement, leave travel concession for self and family, club fees, medical insurance and other benefits and amenities in accordance with the Rules of the Company, the monetary value of such perquisites being restricted to Rs. 8 lacs per annum.

For the purpose of computing the aforesaid ceiling, perquisites would be valued as per the Income Tax Rules, 1962, wherever applicable. Provision for use of Company's Car for official duties and telephone at residence (including payment for local calls, long distance official calls) shall not be included in the computation of perquisites for the purpose of computing the aforesaid ceiling.

- (d) Contribution to Provident Fund, Superannuation Fund or Annuity Fund shall not exceed 27% of the remuneration and shall not be included in the computation of the ceiling of the remuneration payable as aforesaid.
- (e) Where in any financial year during the currency of the tenure of Mr. Lohokare as the Wholetime Director, the Company has no profits or its profits are inadequate, in respect of such financial year, Mr. Lohokare shall be paid such remuneration by way of salary, dearness allowance, perquisites and any other allowances as the Board thinks fit, within the limits prescribed in Section II of Part 2 of Schedule XIII of the Act, apart from:

- (1) contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent, these either singly or put together are not taxable under the Income Tax Act, 1961,
- (2) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- (3) encashment of leave at the end of the tenure.

- (f) The total remuneration including perquisites and contribution to Provident Fund and Superannuation Fund shall not exceed 5% for one such Wholetime Director and if there is more than one such Wholetime Director, 10% for all of them together, of the net profits, calculated in accordance with Section 198 and Section 309 of the Companies Act, 1956.
- (g) The Board may in its discretion pay to Mr. Lohokare, lower remuneration than the maximum remuneration hereinabove specified and revise such remuneration from time to time, within the maximum limits specified therein.

**General Service Conditions :** The Rules of the Company as are applicable to the other Senior Executives of the Company.

Mr. Lohokare shall not be paid any sitting fees for meetings of the Board or any Committee(s) thereof attended by him.



## National Peroxide Limited

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Your Directors recommend this Resolution for acceptance.

The foregoing material terms may also be treated as an abstract of the terms of Mr. Lohokare's appointment as a Wholetime Director for the purpose of Section 302 of the Companies Act, 1956.

The draft Agreement referred to at item 9 of the accompanying notice will be available for inspection by the Members at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on any working day except Saturday.

Mr. S. R. Lohokare is interested in this resolution since it relates to his own appointment and remuneration.

By Order of the Board of Directors  
For NATIONAL PEROXIDE LIMITED  
J. N. THAKKAR  
*Secretary & Financial Controller*

*Registered Office:*  
Neville House  
Ballard Estate  
Mumbai 400 001

*Mumbai, 12th June, 1998*







## Annual Report 1997-98

### DIRECTORS' REPORT TO THE MEMBERS

The Directors hereby present their Annual Report on the business and operations of the Company and the Financial Accounts for the year ended March 31, 1998.

#### 1. FINANCIAL RESULTS

	Rs. in lacs	Previous Year Rs. in lacs
Gross Operating (Loss)/Profit .....	(527.67)	523.02
Less: Depreciation on Fixed Assets .....	585.64	587.92
(Loss) / Profit before Taxes .....	(1113.31)	(64.90)
Less: Provision for Taxes .....	—	—
(Loss) / Profit after Taxes .....	(1113.31)	(64.90)
Add: Previous year's adjustments (Net) .....	(6.72)	21.93
Add: Transfer from Investment Allowance Reserve .....	—	98.00
Add: Profit brought forward from last year's Account .....	2122.09	2092.35
Surplus available for appropriation .....	1002.06	2147.38
Appropriations to:		
Proposed Dividend .....	—	22.99
Corporate Tax on Dividend .....	—	2.30
Transfer to General Reserve .....	—	—
Balance carried to Balance Sheet .....	1002.06	2122.09
	<u>1002.06</u>	<u>2147.38</u>

#### 2. DIVIDEND

In view of the loss for the year, your Directors regret their inability to recommend payment of any dividend for the year.

#### 3. ACCOUNTS

The current year's operations have resulted in a gross operating loss of Rs. 527.67 lacs after absorbing the interest burden of Rs. 1161.37 lacs. The gross operating profit in the previous year was Rs. 523.02 lacs. There is a net loss of Rs. 1113.31 lacs compared to net loss of Rs. 64.90 lacs in the previous year on account of substantial reduction in sales price of Hydrogen Peroxide.

#### 4. OPERATIONS

##### PEROXYGENS DIVISION:

The country's annual production capacity for Hydrogen Peroxide (50%) is almost 79,000 tonnes whereas demand is only 40,000 tonnes. This gross over-capacity caused by the entry of two new producers during the last 12 months has created a very volatile situation characterised by a scramble for market share among the four players. This has resulted in cut throat competition driving prices down to unremunerative levels at which all domestic producers are incurring losses on Hydrogen Peroxide sales.

In this difficult and over-supplied market, your Company has been able to retain its dominant market share by virtue of being the pioneer producer of Hydrogen Peroxide in India with an established market reputation and customer loyalty. Furthermore, it is the only producer able to provide technical service to its customers.



However, your Company has not escaped the ravages of the price war as is apparent from the sharp decline in its profits.

To improve profitability special effort has been focussed on cost reduction measures. Significant economies had been achieved during the year in power consumption and manpower costs.

As mentioned in the last Annual Report a heavy interest burden has depressed the Company's profitability. This will be progressively mitigated by the generation of funds from the sale of flats which has already commenced at the Company's Wadala property.

Domestic sale of Hydrogen Peroxide (50%) at 21,535 tonnes was maintained at virtually the same level as last year (21,705 tonnes) despite the mounting glut of product in the market. Exports amounted to 2,004 tonnes as against 2,335 tonnes last year.

To control stock levels production of Hydrogen Peroxide (50%) was marginally reduced to 23,528 tonnes from 24,479 tonnes last year. Capacity utilisation was 78% reflecting the over-capacity prevailing in this industry.

A wage accord was signed with the Worker's Union during the year and employee relations at the Plant continue to be cordial.

## PLASTICS ADDITIVES DIVISION:

Plastics Additives plant produced 3,465 MT against 4,148 MT in the previous year. The sales during the year dropped by 11% to 3,495 MT as compared to 3,928 MT in the previous year. This was mainly due to reduction in the State Government aided institutional sales. Export was only 43 MT as against 318 MT in the previous year.

As indicated at the time of the Extra-Ordinary General Meeting held on January 8, 1998 the Company has entered into an agreement with Barlocher GmbH, Germany for sale of this Division subject to legal, financial and technical due diligence. All due diligence formalities have been completed except that final clearance is awaited from Barlocher in respect of certain environmental tests.

Employee relations at the Plant are cordial.

## 5. DEVELOPMENT OF WADALA PROPERTY

The company's real estate project, namely NAPEROL TOWER is expected to be completed by August 1998. The Company has started selling the flats. Negotiations for sale of additional 70 flats to various banks and financial institutions are in advanced stage. The Company is hopeful that it would be able to sell most of its flats soon after the completion of the building. During the financial year the Company has booked profit made on sale of 4 flats on the basis of work completed method.

## 6. RESEARCH & DEVELOPMENT

The Research and Development department of the company has continued its efforts to develop new applications for use of Hydrogen Peroxide in various industries. Considerable emphasis is being given to effluent treatment which is now being seriously pursued by process industries. The Company has already introduced a value added product based on Hydrogen Peroxide and expects the market for this product to grow in the coming years. The Company's Collaborators Solvay Interlox have been actively supporting the Research and Development efforts.

In the area of Plastics Additives due to our Research and Development effort new formulations were introduced during the year. These have been well received in the domestic markets.

## 7. SAFETY & ENVIRONMENT

The company continues to maintain a good safety record and has worked 309 days without Lost Time Injury as on June 1, 1998. Necessary equipments have been installed at both plants for protection of air, water and soil pollution to meet the requirements of State Pollution Control Boards.