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10TH ANNUAL REPORT 1996-97



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**HERDILLIA OXIDES
AND
ELECTRONICS LIMITED**

DUNCAN GOENKA



HERDILLIA OXIDES AND ELECTRONICS LIMITED

BOARD OF DIRECTORS

N. S. PARULEKAR

S. K. DIWANJI

K. S. B. SANYAL

A. K. GOENKA

K. M. Bhole

R. M. PANDIA

A. DEB

Managing Director

B. M. RAUL

*Deputy General Manager -
Corporate Affairs & Secreterial*

BANKERS

State Bank of India

Janata Sahakari Bank Limited, Pune

AUDITORS

Lodha & Company

REGISTERED OFFICE & WORKS

F-1, MIDC, Lote Parshuram
Tal. Khed,
Dist. Ratnagiri (Mah.) - 415 722

HEAD OFFICE

Earnest House, 13th Floor
Nariman Point
Mumbai - 400 021.

REGISTRAR & TRANSFER AGENTS

PCS Industries Limited
Hyfa Building No. 2, 1st floor,
Near Johnson & Johnson,
Kurla Andheri Road,
Safed Pool,
Mumbai - 400 072

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NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of the members of the Company will be held at the Registered Office of the Company at F/1, MIDC, Lote Parshuram, Tal. Khed, Dist. Ratnagiri (Mah.) - 415 722 on Friday, the 12th December, 1997 at 1.30 p.m. to transact the following business:

Ordinary Business

1. To consider, receive and adopt the Audited Accounts for the year ended 30th June, 1997 together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr N S Parulekar, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. K.S.B. Sanyal, who retires by rotation and being eligible, offers himself 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 modification, the following resolution as a Special Resolution.

"RESOLVED THAT In partial modification of the resolution passed at the 7th Annual General Meeting of the members of the Company, held on 9th December, 1993 and subject to the provisions of Section 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and limits laid down therein read with Schedule XIII thereto as amended by further Notifications and subject to such other approvals as may be necessary, the approval of the Members be and is hereby accorded to the payment of enhanced remuneration and perquisites as mentioned hereunder to Mr. A. Deb, Managing Director, with effect from 1st April 1997 till completion of the unexpired term i.e. till 23rd August, 1998.

(a) Salary :

Rs. 35,000/- (Rupees Thirty Five Thousand only) per month with such annual increments as may be decided by the Board of Directors.

(b) Commission :

@1% of the Net Profits of the Company for every financial year subject to overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956 or such amount as may be decided by the Board of Directors.

(c) Perquisites and Allowances :

In addition to the salary and commission payable, the Managing Director shall also be entitled to perquisites and allowances comprising inter alia furnished / partially furnished residential accommodation (or house rent allowance in lieu thereof), together with reimbursement of expenses or allowances for gas, electricity, water, house upkeep and repairs, house furnishing reimbursement / allowance, special allowance, reimbursement of medical expenses incurred for self and family, leave travel assistance / allowance for self and family, club fees, premium on medical and personal accident insurance and such other benefits and allowances as per the rules of the Company or as may be agreed between the Board of Directors and the Managing Director. The perquisite value of these will be determined according to Income-Tax Rules, 1962. The annual value of all these perquisites evaluated as per Income Tax rules shall not exceed Rs. 2,25,000/- (Rupees Two lacs twenty five thousand only) or such enhanced amount as may be approved by the Board of Directors from time to time.

Provision and use of Company car with driver for official use and telephone, fax at residence shall not be included in the computation of perquisites for the purpose of the above ceiling.

Note : For the purpose of the above terms and conditions, 'Family' means the spouse, dependent children and dependent parents of the Managing Director.

In addition, the following benefits will also be extended as per the rules of the Company applicable to the senior staff, which shall not be included in the computation of the ceiling on perquisites specified above :

- (i) 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.
- (ii) Gratuity.
- (iii) Leave with full salary and allowances, including the right to accumulate it to encash it.
- (iv) Housing and other loan facilities.

"RESOLVED FURTHER THAT subject to the provisions of Section 309 read with section 198 and other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, if required, where in any financial year during the currency of tenure of the Managing Director, the Company has no profit or its profit is inadequate, remuneration be paid by way of salary and perquisites as stated above but, not exceeding the limit specified in Schedule XIII of the Companies Act, 1956 as amended by relevant Notifications from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised further to increase, enlarge, vary and/or modify the remuneration payable to the Managing Director, including the monetary value thereof, upto the limits prescribed in this behalf under Schedule XIII of the Companies Act, 1956 as amended from time to time or any further statutory revision, modification, clarifications, or re-enactment thereof from time to time in force and/or the guidelines for managerial remuneration issued by the Central Government from time to time and from the date of the statutory provisions and/or the guidelines coming into force."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this Resolution."

By Order of the Board
B. M. RAUL
Dy. General Manager
Corporate Affairs & Secretarial

Dated : September 12, 1997

Registered Office:

F-1, MIDC Area
Lote Parshuram, Tal. Khed
Dist. Ratnagiri
MAHARASHTRA 415 722

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under item No.5 is annexed hereto.



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3. The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the meeting.
4. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on all working days except Saturday and holidays upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Book of the Company will remain closed from 2nd December, 1997 to 12th December, 1997 (both days inclusive).
6. Members who attend the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
7. Members are requested to bring their copies of Annual Report at the time of attending the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

ITEM NO. 5

Mr. A. Deb was appointed as Managing Director of the Company for a period of five years with effect from August 24, 1993, at the Sixth Annual General Meeting held on 29th September, 1993. While appointing Mr. A. Deb, the shareholders had also authorised the Board of Directors of the Company to alter and vary the terms and conditions of the appointment and/or agreement relating to remuneration payable to Mr. A. Deb, if changes were to be effected in Schedule XIII to the Companies Act, 1956, and / or any amendments and / or modifications made by the Central Government in that behalf from time to time.

The Central Government issued a notification GSR No. 48(E) dated 1st February, 1994, wherein it enhanced the limits upto which remuneration and perquisites could be paid to Managing and Wholtime Directors, under amended Schedule XIII to the Companies Act, 1956. Accordingly remuneration to the Managing Director was revised with effect from January 1, 1995.

The Board of Directors have deemed fit to review and increase the monthly salary payable to Mr. A. Deb to Rs. 35,000/- with applicable perquisites with effect from April 1, 1997 as set out in the special resolution.

The draft agreement to be entered into between the Company and Mr. A. Deb, is available for inspection at the Registered Office of the Company on any working day excluding Saturdays

upto the date of the Tenth Annual General Meeting between 10.30 a.m. and 12.30 p.m.

Directors recommended the resolution set out at Item No. 5 of the Notice for approval of the shareholders as a Special Resolution.

The terms and conditions stipulated in the said special resolution may be treated as an abstract of the variations of the terms of contract / appointment between the Company and Mr. A. Deb, pursuant to Section 302 of the Companies Act, 1956, when executed.

Mr. A. Deb may be deemed to be concerned or interested in the resolution which pertains to increase of the remuneration payable to him.

None of the other Directors of the Company, is in any way, concerned or interested in the resolution.

By Order of the Board
B. M. RAUL
Dy. General Manager
Corporate Affairs & Secretarial

Dated : September 12, 1997

Registered Office:

F-1, MIDC Area
 Lote Parshuram, Tal. Khed
 Dist. Ratnagiri
 MAHARASHTRA 415 722

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REPORT OF THE DIRECTORS

The Directors present herewith their Tenth Annual Report together with the Audited Accounts of the Company for the year ended 30th June, 1997.

1. FINANCIAL RESULTS

	(Rs. in lacs)	
	1996-97	1995-96
Sales	1226.36	1236.47
Other Income	5.35	17.40
	<u>1231.71</u>	<u>1253.87</u>
Profit/(Loss) before depreciation	(130.93)	56.27
Depreciation	171.71	93.66
Less : Transferred from Revaluation Reserve	77.78	-
	<u>93.93</u>	<u>93.66</u>
Amortisation of Miscellaneous Expenditure	2.93	2.93
Profit/(Loss) for the year	(227.79)	(40.32)
Income tax provision for earlier year	(0.46)	-
Balance of (loss) brought forward from previous year	(569.96)	(529.64)
Balance transferred from Revaluation Reserve	798.21	-
Balance Carried to Balance Sheet	<u>Nil</u>	<u>(569.96)</u>

2. OPERATIONS

During the year the sales turnover or the loss do not fully reflect the performance of the Company. The sales income of Rs. 1226 lacs was marginally lower than the corresponding figure of Rs. 1236 lacs for the previous year. However, the Company was able to average better realisation on its sales due to better proportion of domestic sales.

Amongst the main products, the Company achieved a sales growth of 12% in quantity over previous year for supplies of audio grade Magnetic Iron Oxides (MIO) for the Indian market. Further, after successful negotiations, the Company now has independent rights to pursue exports all over the world. The export and deemed export supplies of 204 MTs of MIO during this year constituted 22% of the quantity sold. Sales of new products included introduction of colour pigments in the domestic markets and exports of Ferrous Salts to USA.

Total production volumes of oxides and salts showed a decline of 9% to reflect the fall in demand. Even though the plant was idle during many months, during campaigned production runs, capacity utilisation averaged 85 to 90 % daily.

Energy conservation and efficiency improvement were once again the prime focus for the year 1996 - 97 as in 1995 - 96. Laudable improvements were once again experienced in unit consumption of power and fuels.

The Company's new products were well received by the industry. Iron oxide pigments found acceptance by leading Indian paint companies while ferrous salts were purchased by leading companies in USA.

The Company has thought it prudent to provide for debit balances of Rs. 113 lacs for supplies made in previous years as most of these debts pertain to companies who are almost out of business and appear in difficulty to settle these dues promptly.

3. FINANCE

The Company has allotted Unsecured Non - Convertible Debentures on private placement basis on 1st July, 1997 to the promoters amounting to Rs. 70 lacs to fund its capital expenditure.

4. REVALUATION OF FIXED ASSETS

The Company for the first time has revalued its lease hold land, Buildings, Plant & Machinery as at 1st July 1996, which has resulted in a net increase of Rs. 1555 lacs in the gross block.

The Company has adjusted on June 30, 1997 the debit in the Profit & Loss Account against the revaluation reserve.

5. PARTICULARS OF EMPLOYEES

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

6. THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

Particulars under Section 217(1)(e) of the Companies Act, 1956, relating to the conservation of energy, technology absorption, foreign exchange earnings and outgoings are given in Annexure to the Directors' Report.

7. DIRECTORS

Mr. N.S.Parulekar and Mr. K.S.B. Sanyal, Directors, retire by rotation at the Annual General Meeting and being eligible, offer themselves for re-appointment.

8. FIXED DEPOSITS

During the period under review, the Company has not accepted any deposits from the public pursuant to Section 58-A of the Companies Act, 1956.

9. AUDITORS' REPORT

The notes referred to in Auditors' Report are self explanatory and do not require any further elaboration.

10. AUDITORS

The Auditors, M/s. Lodha & Company, Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting and are eligible for re-appointment. The members are requested to appoint Auditors for the current year and fix their remuneration.

11. ACKNOWLEDGEMENTS

The Directors acknowledge with gratitude and place on record their appreciation of the support and co-operation received by the Company from Financial Institutions, Banks, Promoters, Suppliers, Associates and Customers.

The Directors also wish to place on record their appreciation of the contribution made by employees at all levels for the operation of the Company during the year and look forward to their continued support.

By Order of the Board

N.S. PARULEKAR
DIRECTOR

A. DEB
MANAGING DIRECTOR

Dated: 12th September, 1997



HERDILLIA OXIDES AND ELECTRONICS LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTORS' REPORT.

A. CONSERVATION OF ENERGY:

- (a) Energy Conservation Measures taken:
The plant is so designed as to conserve energy at optimum level of operation. Energy losses were kept at minimum level.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
During the year steps had been taken for conservation of energy, benefits of which have started accruing.
- (c) Impact of energy conservation measures :
The energy conservation measures have resulted in restricting consumption of electricity and saving in expenditure.
- (d) Total energy consumption and energy consumption per unit of production :
Form 'A' of the Annexure to the Rules is not applicable as the Company is not covered under the list of specified industries.

B. TECHNOLOGY ABSORPTION:

I. Research and Development (R & D)

1. Specific areas in which R & D carried out by the company :
Product upgradation and magnetic particles studies. Development of pigments for colouring and surface coatings.
2. Benefit derived as a result of the above R & D:
Superior grades of audio and video have been introduced. Developed High Grade Toner Oxide and product seeded in the market.

3. Future plan of action:

Proposal to put a bench scale facility for process optimisation and developmental work on various applications of iron oxides and chemicals.

4. Expenditure on R & D: —

II. Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

The technology received from collaborator has been fully absorbed and adapted to Indian conditions.

2. Benefits derived as a result of the above efforts:

Complete range of Magnetic Iron Oxide produced for audio, video, computer tapes and floppies.

3. Information in case of technology imported during the last 5 years reckoned from the beginning of the financial year:

(a) Technology	:	Nil
(b) Year of import	:	N. A.
(c) Has technology been fully absorbed ?	:	N. A.
(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action	:	N. A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

1. Earnings	: Rs. 33.55 lakhs*
2. Outgo	: Rs. 7.11 lakhs

* Excludes Rs. 151.75 lacs earnings as deemed exports and through third parties

Particulars of Employees in terms of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 for the year ended 30th June, 1997.

Name	Age	Designation/ Nature of duties	Remuneration Rupees	Qualification	Date of Joining	Exp. in yrs.	Details of last employment	
							Name of previous Employer	Position held
Mr. A. Deb	52	Managing Director	4,99,912	B. Tech, Hons., (Chem.Eng)	24.08.93	30	Rallis India Limited	Gen. Manager (Commercial) Pharmaceutical Division

NOTES:

1. The employment of Managing Director is contractual.
2. Remuneration includes salary, contribution to Provident Fund, Superannuation Fund, Medical Reimbursement and other perquisites in accordance with the provisions of the Income -Tax Act, 1961 and rules made thereunder.