

12TH ANNUAL REPORT 1998-99



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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 *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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HERDILLIA OXIDES AND ELECTRONICS LIMITED

NOTICE

NOTICE is hereby given that the Twelfth 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 24th September, 1999 at 1.30 p.m. to transact the following business :

ORDINARY BUSINESS

1. To consider, receive and adopt the Audited Accounts for the Nine Months Period ended 31st March, 1999 together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. R.M. Pandia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. K.S.B. Sanyal, who retires by rotation and being eligible, offers himself for re-appointment.
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.

By Order of the Board

B. M. RAUL

General Manager

Corporate Affairs & Secretarial

Dated : 26th May, 1999

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 and vote instead of himself and the proxy need not be a member of the Company.
2. 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.
3. All documents referred to in the accompanying Notice 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.
4. The Register of Members and Share Transfer Book of the Company will remain closed from Friday, 10th September, 1999 to Friday, 24th September, 1999 (both days inclusive).
5. Members who attend the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
6. Members are requested to bring their copies of Annual Report at the time of attending the Meeting.

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ANNUAL REPORT 1998-99

REPORT OF THE DIRECTORS

The Directors present herewith their Twelfth Annual Report together with the Audited Accounts of the Company for the nine months period ended March 31, 1999.

1. FINANCIAL RESULTS

	(Rs. in lacs)	
	1998-99	1997-98
	(9 Months)	
Sales	760.28	1298.17
Other Income	63.51	10.63
	<u>823.79</u>	<u>1308.80</u>
Profit/(Loss) before depreciation	(82.63)	(76.07)
Depreciation	131.82	174.99
Less : Transferred from Revaluation Reserve	26.91	33.95
	<u>104.91</u>	<u>141.04</u>
Amortisation of Miscellaneous Expenditure	2.20	2.93
Profit/(Loss) for the year	(189.74)	(220.04)
Prior period adjustments (net)	(0.56)	2.28
Income tax provision for earlier year	--	--
Balance of (loss) brought forward from previous year	(217.75)	--
Loss Carried to Balance Sheet	<u>408.05</u>	<u>217.76</u>

2. CHANGE OF ACCOUNTING YEAR

The Company's Accounting year has been changed to end on March 31 every year to coincide with the accounting year under Income Tax Act, 1961. Consequently, the accounts under review have been prepared for a period of nine months period ended March 31, 1999.

3. OPERATIONS

The Sales turnover dropped by 22% annualised over previous year due to lower demand and lower realisation specially in the last quarter of the period.

Due to new brands and reduction of international rates, market share in India for the Company's main product, Magnetic Iron Oxides (MIO) reduced. Sales at Rs. 760.28 Lacs were 25% lower than those for comparative period in the previous year. Exports of MIO was low due to lower demand in the region and influx of many competing grades and brands at very low rates.

Sales of Synthetic Yellow Iron Oxide Pigment (IOP) introduced in the previous year showed a growth of 22% in the domestic markets though the consumption in India still remains restricted to a few demanding paint manufacturers. The other new product Ferrous Fumarate (FF) exported mainly to USA showed a good progress in the first five months but exports thereafter had to be suspended pending approval of the product as per a new specification introduced in USA late in 1998.

The Company has in recent months upgraded the facilities for manufacture of IOP and FF to meet new standards. A new grade of MIO was introduced in 4 months to combat imports of a grade imported into India in October 1998.

The surveillance audits for ISO 9002 and renewal of FDA licences reassure the commitment to Quality Systems and good manufacturing practices for drug manufacturing facilities.

The Plants at Lote-Parshuram in District Ratnagiri had remained idle for few months due to inadequate

availability of materials and to reduce inventories due to lower demand.

During the Period the loss was Rs. 190 Lacs (Previous year loss Rs.220Lacs) evidencing the need to operate at higher capacities in view of the reduction in margins due to reduced international offers and reducing import duties.

4. PARTICULARS OF EMPLOYEES

During the year or part of the year there were no employees drawing remuneration which falls within the limits specified under Section 217(A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975. Therefore, statement of information relating to the employees is not required.

5. 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 outgo are given in Annexure to the Directors' Report.

6. DIRECTORS

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

7. 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.

8. AUDITORS' REPORT

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

9. Y2K COMPLIANCE

The Company does not have major dependence on computerised systems for operations, quality management, information transfer or accounting. The company has so far received confirmations from some of the suppliers/manufacturers of software, instruments and equipments including PCs in use that the systems are Y2K compliant. The company will complete its Y2K compliance verification by September 30, 1999 and the expense for the same are not expected to be significant.

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, Associates and Promoters.

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 : May 26, 1999

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:

The Company is examining proposals for purchasing power from private generators to offset ongoing increase in electricity tariffs by MSEB.

(c) Impact of energy conservation measures :

The energy conservation measures have resulted in restricting consumption of electricity and saving in expenditure inspite of higher production and increased tariff. The company has reduced its contract demand for power from 2000 KVA in 1991 to 650 KVA in 1998.

(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 new grade of MIO and further improvement in pigment to suit requirements of customers.

2. Benefit derived as a result of the above R & D :

Wider range of Magnetic Iron Oxides for audio tapes have been introduced. Developed Synthetic Yellow Iron Oxide Pigment and Ferrous Fumarate and product commercialised.

3. Future plan of action :

Proposal to put a bench scale facility and testing equipment for process optimisation and developmental work on other applications of iron oxides and for development of new 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	:	N. A.
(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. 64.66 lakhs
2. Outgo	:	Rs. 9.50 lakhs