

### SAVITA OIL TECHNOLOGIES LIMITED

51st Annual Report 2011-2012





# Partnering with NATURE For sustained and GCO-friendly development

SAVI

## We understand.





We invest.

# We all gain.





## Savita Oil Technologies Limited

# Fifty-first Annual Report 2011-2012

BOARD OF DIRECTORS	Mr. G. N. Mehra - Chairman and Managing Director Mr. C. V. Alexander - Executive Director Mr. N. B. Karpe Mr. S. R. Pandit Mr. H. A. Nagpal
GROUP CHIEF FINANCIAL OFFICER	Mr. S. M. Dixit
COMPANY SECRETARY & EXECUTIVE VP – LEGAL	Mr. U. C. Rege
BANKERS	State Bank of India Corporation Bank DBS Bank Limited ICICI Bank Limited IDBI Bank Limited Standard Chartered Bank Union Bank of India
AUDITORS	G. M. Kapadia & Co. Chartered Accountants Mumbai
REGISTERED OFFICE	66/67, Nariman Bhavan, Nariman Point, Mumbai - 400 021 Tel. No.: 91-22-6624 6200 / 6624 6228 Fax No.: 91-22-2202 9364
FACTORIES	17/17A, Thane Belapur Road, Turbhe, Navi Mumbai - 400 703
	Survey No. 10/2, Kharadpada, Post Naroli, Silvassa, Dadra and Nagar Haveli - 396 230
SHARE TRANSFER AGENT	Sharepro Services (India) Pvt. Ltd. 13 AB, Samhita Warehousing Complex, Near Sakinaka Telephone Exchange, Andheri-Kurla Road, Sakinaka, Andheri (East), Mumbai – 400 072 Tel: 91-22-6772 0300/6772 0400 Fax: 91-22-2859 1568/2850 8927 E-mail: sharepro@shareproservices.com

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#### NOTICE

NOTICE is hereby given that the **Fifty-first Annual General Meeting** of the Members of **SAVITA OIL TECHNOLOGIES LIMITED** will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4<sup>th</sup> Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001 on **Saturday**, 18<sup>th</sup> August 2012 at 11.00 A.M. to transact the following business:

#### ORDINARY BUSINESS:

- 1. To receive and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2012, Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
- 2. To declare dividend on Equity Shares.
- 3. To appoint a Director in place of Mr. S. R. Pandit, who retires by rotation and being eligible, offers himself for re-appointment.
- 4. To appoint a Director in place of Mr. N. B. Karpe, who retires by rotation and being eligible, offers himself for re-appointment.
- 5. To appoint Auditors to hold office from the conclusion of this Meeting until conclusion of the next Annual General Meeting and to fix their remuneration.

#### SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modifications, the following as Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Act, the re-appointment of Mr. Gautam N. Mehra as Managing Director of the Company from 1<sup>st</sup> October 2012 up to 30<sup>th</sup> September 2015 upon terms and conditions including remuneration as set out in the Agreement executed by the Company with Mr. Gautam N. Mehra be and is hereby approved and ratified."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration, perquisites and any other entitlements including the monetary value thereof as specified in the said Agreement to the extent the Board of Directors may consider appropriate, as may be permitted or authorised in accordance with the provisions of the Companies Act, 1956 or re-enactment thereof and/or Rules or Regulations framed there under and the terms of the aforesaid Agreement between the Company and Mr. Gautam N. Mehra shall be suitably modified to give effect to such variation or increase as the case may be."

7. To consider and if thought fit, to pass with or without modifications, the following as Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Act, the re-appointment of Mr. C. V. Alexander as the Whole-time Director of the Company from 1<sup>st</sup> October 2012 up to 30<sup>th</sup> September 2013 on remuneration and perquisites and other terms and conditions as set out in the Agreement executed by the Company with Mr. C. V. Alexander be and is hereby approved and ratified."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration, perquisites and any other entitlements including the monetary value thereof as specified in the said Agreement to the extent the Board of Directors may consider appropriate, as may be permitted or authorised in accordance with the provisions of the Companies Act, 1956 or re-enactment thereof and/or Rules or Regulations framed there under and the terms of the aforesaid Agreement between the Company and Mr. C. V. Alexander shall be suitably modified to give effect to such variation or increase as the case may be."

8. To consider and if thought fit, to pass with or without modifications, the following as Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Article 161 of Articles of Association of the Company relating to affixing Seal be and is hereby amended by substituting in its place and stead, the following amended Article 161:

161. Every deed or other instrument, to which the Seal of the Company is required to be affixed, shall, unless the same is executed by a person duly authorised by the Board, be signed by a Director or the Managing Director or the Company Secretary. Such signature shall be conclusive evidence of the fact that the seal has been properly affixed. Provided that in respect of the Share Certificate the seal shall be affixed in accordance with Article 20(a)."

"FURTHER RESOLVED THAT the Board be and is hereby authorised to do and perform all such acts, matters, deeds and things, as may be necessary, without further referring to the Members of the Company, in its own discretion and in the best interest of the Company, to give effect to this Resolution."

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#### NOTES:

- 1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not be a member.
- 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 time of holding the Meeting.
- 3. The Register of Members and the Share Transfer Books of the Company will remain closed from 13.8.2012 to 18.8.2012 (both days inclusive).
- 4. The payment of dividend, if approved, will be made to the shareholders whose names stand on the Register of Members on 18.8.2012. For shares held in the electronic form, dividend will be paid on the basis of beneficial ownership as per details received from the Depositories.
- 5. The shareholders are requested to (a) intimate, if shares are held in the same name or in the same order and names, but more than one folio to enable the Company to consolidate the said folios into one folio, and (b) notify immediately any change in their recorded address, along with pin code numbers, to the Company.
- 6. The shareholders are requested to forward shares for transfer and related communication to the Share Transfer Agent or to the Registered Office of the Company.
- 7. The shareholders seeking information on Accounts published herein are requested to kindly furnish their queries to the Company at least seven days before the date of the Meeting to facilitate satisfactory replies.
- 8. The shareholders who attend the Meeting are requested to fill in the attendance slip and deliver the same at the entrance of the Meeting hall. The shareholders holding shares in dematerialised form should indicate the DP ID and Client ID numbers in the attendance slip.
- 9. The shareholders are requested to bring their copy of the Annual Report to the Meeting.

By Order of the Board U. C. Rege Company Secretary & Executive VP - Legal

#### EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956

#### Item No. 6

21st July 2012

Mumbai

The Board of Directors in its meeting held on 30<sup>th</sup> May 2012 re-appointed Mr. Gautam N. Mehra as the Managing Director of the Company for a period from 1<sup>st</sup> October 2012 up to 30<sup>th</sup> September 2015, subject to the approval of the Members by Special Resolution at the ensuing Annual General Meeting. Separate Agreement in this regard has been executed between the Company and Mr. Gautam N. Mehra on 21<sup>st</sup> July 2012.

The appointment of Mr. Gautam N. Mehra is subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Act.

The terms and conditions as contained in the Agreement executed with **Mr. Gautam N. Mehra** are as under: Remuneration:

- (i) Salary: ₹ 3,00,000/- (Rupees Three Lakh only) per month, in the scale of ₹ 3,00,000- ₹ 35,000- ₹ 3,70,000.
- (ii) Commission: One per cent of the net profits of the Company subject to overall ceilings as laid down in Sections 198 and 309 of the Companies Act, 1956.
- (iii) Perquisites and Allowances: As classified into three categories A, B and C as follows:

#### CATEGORY A

(a) Housing:

(i) Rent free furnished residential accommodation shall be provided by the Company. In case the accommodation is owned by the Company, an amount equivalent to 10 per cent of the salary shall be taken as the perquisite value.

In case no accommodation is provided by the Company, the Managing Director shall be entitled to House Rent Allowance at the rate of 60 per cent of the salary.

(ii) The Company shall bear the expenses incurred on upkeep and maintenance of Managing Director's residence and provide and maintain household appliances and bear expenses on furnishings, gas, electricity, water and all utilities, facilities and amenities in the residential accommodation, the monetary value of which may be evaluated as per the Income Tax Rules.



- (b) Education Allowance and Special Allowance as per the Rules of the Company.
- (c) Medical Expenses Reimbursement:

Reimbursement of medical expenses incurred on himself and his family subject to a ceiling of two month's salary in a year, which entitlement may be carried forward up to the expiry of the contract.

(d) Leave Travel Allowance:

For himself and his family once in a year in accordance with the Rules of the Company for the time being in force.

- (e) Bonus as per the Rules of the Company.
- (f) Performance Linked Incentive as per the Policy of the Company.
- (g) Club Fees:

Provision of Membership of any two Clubs including entrance fees.

(h) Medical/Personal Life/Accident Insurance as per the Rules of the Company.

#### CATEGORY B

(a) Provident Fund:

Contribution to Provident Fund as per the Company's Rules applicable from time to time to the extent that this is not taxable under the Income Tax Act.

(b) Gratuity:

Gratuity shall be as per the Company Rules.

(c) Leave Entitlement & Encashment:

Leave entitlement shall be as per Company Rules. He shall be permitted to encash unavailed leave.

#### CATEGORY C

(a) Conveyance:

Provision of car with driver for Company's business and personal use subject to the perquisite value being added as per the Income Tax Act.

(b) Telephone:

Provision of telephone facility subject to he being billed for personal long distance calls.

#### Item No. 7

The Board of Directors in its meeting held on 30<sup>th</sup> May 2012 re-appointed Mr. C. V. Alexander, as the Whole-time Director of the Company from 1<sup>st</sup> October 2012 up to 30<sup>th</sup> September 2013, subject to the approval of the Members by Special Resolution at the ensuing Annual General Meeting. Separate Agreement in this regard has been executed between the Company and Mr. C. V. Alexander on 21<sup>st</sup> July 2012.

The appointment of Mr. C. V. Alexander is subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Act.

The terms and conditions as contained in the Agreement executed with Mr. C. V. Alexander are as under:

#### **Remuneration**:

- (i) Salary: ₹ 1,10,000/- (Rupees One Lakh Ten Thousand only) per month.
- (ii) Perquisites and Allowances: As classified into three categories A, B & C as follows:

#### CATEGORY A

- (a) House Rent Allowance at the rate of 25% of the salary.
- (b) Education Allowance and Special Allowance of ₹ 100/- and ₹ 4,500/- per month respectively.
- (c) Medical Expenses Reimbursement:

Reimbursement of medical expenses incurred on himself and his family subject to a ceiling of 5% of the salary.

(d) Leave Travel Allowance:

For himself and his family once in a year in accordance with the Rules of the Company for the time being in force.

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- (e) Bonus as per the Rules of the Company.
- (f) Performance Linked Incentive as per the Policy of the Company.
- (g) Medical/Accident Insurance:

For himself and his spouse in accordance with the Rules of the Company.

#### CATEGORY B

(a) Provident Fund:

Contribution to Provident Fund as per the Company's Rules applicable from time to time to the extent that this is not taxable under the Income Tax Act.

(b) Gratuity:

Gratuity shall be as per the Company Rules.

(c) Leave Entitlement & Encashment:

Leave entitlement shall be as per Company Rules. He shall be permitted to encash unavailed leave.

#### CATEGORY C

(a) Conveyance:

Provision of car with driver for Company's business and personal use.

(b) Telephone:

Provision of telephone facility subject to he being billed for personal long distance calls.

Where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay to the Managing Director and the Whole-time Director, minimum remuneration as provided in Section II of Part II of Schedule XIII to the Companies Act, 1956 as notified from time to time.

This Notice along with Explanatory Statement be treated as Abstract of the terms of re-appointment of Mr. Gautam N. Mehra as the Managing Director and Mr. C. V. Alexander as the Whole-time Director of the Company as required under Section 302 of the Companies Act, 1956.

The appointments and remuneration of the Managing Director and the Whole-time Director are required to be approved by the Shareholders in the ensuing General Body Meeting and accordingly these resolutions are placed before the Members of the Company.

None of the Directors of your Company except Mr. Gautam N. Mehra and Mr. C. V. Alexander is in any way concerned or interested in these Special Resolutions.

#### Item No. 8

The Board in its meeting held on 30<sup>th</sup> May 2012 has resolved to amend the existing Article 161 of Articles of Association of the Company related to affixing Seal of the Company to various documents and deeds, subject to the approval of the Members by Special Resolution at the ensuing Annual General Meeting.

The existing Article stipulates that the Company needs a Director or the Managing Director or a constituted attorney of the Company to witness the affixing of the Seal on any of the deeds/documents/agreements by putting his signature thereon. The Board wishes to amend the Article 161 of Articles of Association of the Company for administrative convenience by substituting the words "constituted attorney" with the words "person duly authorised by the Board or the Company Secretary".

The Agreements entered into between the Company and the two Directors as well as the copy of the Memorandum and Articles of Association are available for inspection to the Members at the Registered Office of the Company during business hours on any working day up to and including the date of the Annual General Meeting or any adjournments thereof.

Your Directors recommend these Special Resolutions for your approval.

By Order of the Board

Mumbai 21<sup>st</sup> July 2012 U. C. Rege Company Secretary & Executive VP - Legal

#### REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors have pleasure in presenting the Fifty-first Annual Report, together with the Audited Accounts for the year ended 31<sup>st</sup> March 2012.

#### 1. FINANCIAL RESULTS

	Year ended 31.3.2012	Year ended 31.3.2011
Total Income	1,92,136	1,56,449
Profit before Depreciation & Tax	12,545	18,568
Depreciation	2,520	2,530
Profit before Tax	10,025	16,038
Provision for Taxation:		
Current	4,875	5,075
Deferred	(1,653)	30
Profit for the year after Tax	6,803	10,933
Balance brought forward from previous year	25,488	19,049
Profit available for appropriation	32,291	29,982
Appropriations:		
Proposed Dividend	2,190	2,920
Tax on Dividend	355	474
General Reserve	690	1,100
Balance carried to Balance Sheet	29,055	25,488

#### 2. DIVIDEND

Your Directors are pleased to recommend a dividend of 150% (₹15/- per equity share of ₹10/- each) for the year ended 31<sup>st</sup> March 2012 as against 200% (inclusive of 50% recommended on the occasion of completion of Golden Jubilee last year) for the previous year on the paid up Equity Share Capital of ₹1,460 lacs, resulting in an outgo of ₹25.45 crore inclusive of dividend tax.

#### 3. OPERATIONS

Your Company's sales turnover touched a new high of ₹2,11,757 lacs against ₹1,72,047 lacs in the year 2010-11 resulting in a growth of 23%. The sales volume remained more or less steady at 2,54,799 KLs/MTs during 2011-12 as against 2,56,837 KLs/MTs achieved in 2010-11. The net profit of the Company however decreased to ₹6,803 lacs as against ₹10,933 lacs for the previous year, recording a decline of 38%. Both the sales volume and the profitability were adversely impacted due to the sharp depreciation of the Indian Rupee *vis-a-vis* the US Dollar commencing from September 2011.

During the Financial Year 2011-12, your Company's Wind Power Plants situated in the states of Maharashtra, Karnataka and Tamil Nadu generated 87.54 million units as against 73.10 million units generated in the previous year.

During the year under review, your Company added 5 MW of wind power by commissioning four wind turbines of 1,250 KW capacity each in the state of Tamil Nadu. With this, the total installed capacity of Wind Power of your Company now stands at 48.15 MW.

₹ in lacs

Also during this year, your Company's 8.25 MW Wind Power Projects situated in the states of Maharashtra and Tamil Nadu have been registered with UNFCCC under CDM. This is expected to generate approximately 15,000 CERs annually for a period of 10 years.

The National Load Dispatch Centre (NLDC), the central nodal agency for the Renewable Energy Certificate (REC) scheme, issued 2,057 RECs to your Company's 3 MW Wind Power Project at Satara, Maharashtra in the year under review, which were traded on the IEX Power Exchange.

During the year under review, your Company's Technical Collaboration Agreement for Idemitsu Products was terminated. Your Company has the right to manufacture and market the Idemitsu Products for a further period of 3 years at its discretion post this termination. The termination of this agreement would only marginally impact the sales volume of the Company. This impact will be less than 2% of the total sales volume of the Company based on the sales figure for the Financial Year 2011-12. The Technical Collaboration Agreement for Genuine Products with the same collaborators however, continues to remain in force.

#### 4. FIXED DEPOSITS

The Company has no overdue / unpaid fixed deposits.

#### 5. RESEARCH AND DEVELOPMENT

A note on the R & D activities and Technology Absorption is given in Form 'B' by way of an Annexure to this Report.

#### 6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to 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 relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is furnished by way of Annexure to this Report.

#### 7. DIRECTORS

Mr. S. R. Pandit and Mr. N. B. Karpe retire by rotation u/s 256 of the Companies Act, 1956 and being eligible, offer themselves for re-appointment.

In its meeting held on 30<sup>th</sup> May 2012, the Board of Directors re-appointed Mr. G. N. Mehra as the Managing Director and Mr. C. V. Alexander as the Whole-time Director of your Company. Their re-appointments as the Directors of the Company are subject to the approval of the members at the ensuing Annual General Meeting. Relevant items of the Notice regarding their appointments along with the Explanatory Statement be treated as Abstracts of the terms and conditions under Section 302 of the Companies Act, 1956 of their appointments.

The Board of Directors recommends their re-appointment as Directors of the Company.

#### 8. CORPORATE GOVERNANCE

A statement on Corporate Governance along with the Auditors' Certificate regarding its compliance and Management Discussion and Analysis are given separately as part of the Annual Report.

#### 9. TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

During the year, your Company has transferred a sum of ₹6.69 lacs to the Investor Education and Protection Fund, which was the dividend amount due and payable for the year 2003-04 and remained unclaimed and unpaid for a period of 7 years, as provided in Section 205A (5) of the Companies Act, 1956.

#### 10. RISK ASSESSMENT AND MANAGEMENT

Your Company has been on a continuous basis reviewing and streamlining its various operational and business risks involved in its business. Your Company also takes all efforts to train its manpower from time to time to handle and minimise these risks.