


SIP INDUSTRIES LIMITED

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**ELEVENTH
ANNUAL REPORT
1996-97**



An array of Consumer Products



SIP TECH – Prominent Player in Information Technology



ELEVENTH ANNUAL REPORT 1996-97

ANNUAL GENERAL MEETING

On Monday the 29th September 1997
at

**Kasturi Srinivasan Hall,
The Music Academy, Chennai
at 10.00 A.M.**

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

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BOARD OF DIRECTORS

K.C.Raghunathan
(Chairman & Managing Director)
K.C.Sukumar (Joint Managing Director)
T.M.Srinivasan (Director)
N.Raghunathan (Director)
U.Prabhakar Rao (Director)
Dr. J. Venkataramana (Director)

Technical Director

D.K.Mukherjee

Company Secretary

Valliammai Muthiah

REGISTERED OFFICE

116, Dr. Radhakrishnan Salai,
III Floor, Chennai - 600 004.

FACTORY

Plot No. 46
SIPCOT Industrial Complex
Ranipet, Tamil Nadu
Pin Code - 632 403.

BANKERS

Indian Overseas Bank
Indian Bank

AUDITORS

P.B.Vijayaraghavan & Company
Chartered Accountants



NOTICE

Notice is hereby given that the ELEVENTH Annual General Meeting of the Members of **SIP INDUSTRIES LIMITED**, will be held at KASTURI SRINIVASAN HALL, THE MUSIC ACADEMY, 306, T.T.K.Road, Chennai - 600 014, on Monday, the **29th September 1997** at 10.00 A.M. to transact, with or without modifications, as may be permissible, the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.97 and the Profit and Loss Account for the year ended on that date, together with the Reports of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr U Prabhakar Rao, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint and fix remuneration of Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting. The retiring Auditors M/s P.B.Vijayaraghavan & Co., are eligible for re-appointment and offer themselves for re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit to pass the following Resolution, with or without modification, as "ORDINARY RESOLUTION".

"RESOLVED that Dr J Venkataramana, be and is hereby appointed as a Director of the Company, liable to retire by rotation under Section 255 of the Companies Act, 1956."

6. To consider and if thought fit, to pass with or without modification, the following resolution as an "ORDINARY RESOLUTION":

"RESOLVED that the Authorised Share Capital of the Company be increased from 5,00,00,000 (Rupees Five Crores) to Rs.10,00,00,000 (Rupees Ten Crores) divided into 70,00,000 Equity shares of Rs.10/- each and 3,00,000 Preference Shares of Rs.100/- each and that Clause V of the Memorandum of Association of the Company be altered accordingly."

7. To consider, and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION.

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification or re-enactment thereof, the Articles of Association of the Company be altered as under:

- i) In lieu of existing Article 2, the following new Article be inserted incorporating the sub clauses (a) & (b):

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2. (a) "The Authorised Share Capital of the Company is Rs.10,00,00,000 (Rupees Ten Crores) divided into 70,00,000 Equity Shares of Rs.10/- each and 3,00,000 Preference Shares of Rs.100/- each with power to increase or reduce capital in accordance with the provisions of the Companies Act, 1956."
- (b) Notwithstanding anything contained in any other Article, but subject to the provisions of the Companies Act, 1956 or any statutory modification or re-enactment thereof, the Company may, from time to time, and at any time, issue to any person(s) as it may deem proper shares, whether Equity, Preference or any other class or any other Financial Instruments or Securities, by whatever name called, with non-voting rights and the shares/ Instruments/ Securities so issued may carry rights as to voting, dividend, capital or otherwise which may be disproportionate to the rights attached to the other Shares or Securities of the Company as the Board may deem fit, in the interest of the Company."
- ii) In lieu of existing Article 3, the following new Article be inserted incorporating sub clauses (a) & (b):
3. "(a) Subject to the provisions of these Articles and of the Act, the shares shall be under the control of the Board who may allot or transfer to such persons, on such terms and conditions, at such times, either at par or at a premium and for such consideration as the Board thinks fit. Provided that the option or right to call of shares shall not be given to any person except with the sanction of the Company in General Meeting."
- "(b) Subject to the provisions of the Companies Act, 1956 as amended from time to time permitting the Company in this behalf and notwithstanding anything contained in any other Articles, the Company may from time to time, subject to such approvals as may be necessary, purchase such quantity or quantities of the fully paid shares of the Company whether or not they are redeemable, at such rate and on such terms as the Board may deem proper and make payment(s) for such purchases and to cancel them or keep them alive for the purpose of treasury operations and/or re-sell from time to time such number(s) of the shares so purchased, at such rate(s) and on such terms as the Board may deem proper."
8. To consider and, if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION

"RESOLVED that pursuant to the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment to or re-enactment thereof), and in accordance with the provisions of the Memorandum and Articles of Association of the Company and subject to such other approvals, permissions and sanctions as may be necessary, the consent of the Company, be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including the powers conferred by this Resolution) to issue/reissue, offer and allot, Preference shares of the face value of Rs 100/- each, provided that the aggregate paid-up preference capital at any point of time does not exceed Rs.3 crores and Equity share of the face value of Rs.10/- each, provided that the aggregate paid-up equity capital at any point of time does not exceed Rs.7 crores, as the Board at its sole discretion may at any time or times hereinafter decide, to the Members or Nonmembers, Debentureholders, Employees, Non-Resident



Indians, Overseas Corporate Bodies, Financial Institutions, Mutual Funds, Foreign Institutional Investors, Companies and or other entities/ authorities/ persons, whether through public issue or private placement, for general corporate purposes including capital expenditure, working capital requirements etc. at such price or prices, and on such terms and conditions including the number of shares to be issued, rate of dividend, redemption period, manner of redemption, notice for redemption, redemption price, put and/or call option and fixing of the record date or dates of book closure and related or incidental matters as the Board may, in its absolute discretion, determine in consultation with the Lead Managers, other Financial Advisors, Stock Exchanges or any other statutory authorities as may be necessary."

"FURTHER RESOLVED that the Board be and is hereby authorised to issue the aforesaid preference shares on different terms and conditions to different investors as it deems fit subject to the provisions of the Companies Act, 1956 (including any amendment or re-enactment thereof) and the Company's Memorandum and Articles of Association."

"FURTHER RESOLVED that for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to take all such actions and to give all such directions, or to do all such acts, deeds, matters and things as may be necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilisation of the proceeds of such shares issued and further to do all such acts, deeds, matters and things and to execute all such deeds, documents and writings as may be necessary, desirable or expedient in this connection as it may deem fit."

9. To consider and, if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION

"RESOLVED that upon the recommendation of the Directors and subject to the approval of Reserve Bank of India and other appropriate authorities wherever applicable, a sum of Rs 1,75,67,480 (Rupees One Crore Seventy Five lakhs Sixty Seven Thousand Four Hundred and Eighty Only) out of the sums standing to the credit of Share Premium Account be and the same is hereby capitalised and accordingly the Directors be and are hereby authorised to appropriate the said sum for distribution to and amongst the members of the company whose names appear in the Register of Members of Equity Shares as on such date and to apply the said sum in paying up in full 17,56,748 Equity Shares of Rs.10/- each at par in proportion of **3 Shares for every 5** of the existing equity shares then held by such members respectively on the basis that members become entitled to the new Equity Shares as capital and not as income."

"FURTHER RESOLVED that the new Equity shares shall be allotted subject to the Memorandum and Articles of Association of the Company and shall in all respects rank pari passu with the existing fully paid up Equity shares of the Company, except for dividend for the financial year in which it is allotted wherein the dividend will be payable proportionately."

"FURTHER RESOLVED that no fractional certificate shall be issued to the members in respect of their respective fractional entitlement of Bonus shares but all the fractions remaining after allotment of the Bonus Shares as aforesaid shall be consolidated into full bonus shares which shall be allotted at the discretion of the Directors to any person or persons in trust for the benefit of those members who are entitled to fractional entitlements of bonus shares, for the purpose of selling

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such consolidated full bonus shares as soon as possible in the market and that the net sale proceeds of such consolidated full bonus shares after deducting therefrom the costs, charges, and expenses of sale, shall be divided and distributed proportionately amongst those members who would be entitled to fractional entitlements of such full bonus shares."

"FURTHER RESOLVED that no letter of allotment shall be issued in respect of the said bonus shares but the certificates in respect of the new Equity shares to be allotted as fully paid bonus shares as aforesaid shall be delivered within such stipulated time or within such extended time as may be allowed by appropriate authorities."

"FURTHER RESOLVED that the issue and allotment of the said bonus shares and/ or payment of any sum in cash in lieu of fractional shares as aforesaid to the extent they relate to the non-resident members of the Company, will be subject to the approval of RBI, as may be necessary."

"FURTHER RESOLVED that for the purpose of giving effect to this resolution and for removal of any doubts or difficulties, the Board be and is hereby authorised to do all such acts, deeds, matters and things and to give from time to time such directions as may be necessary, expedient usual or proper and to settle any question or doubt that may arise in relation thereto or otherwise reconsider the matter with the changed circumstances, if any, as the Board in its absolute discretion may think fit and its decision shall be final and binding on all members and other interested persons."

"FURTHER RESOLVED that the present intention of the Board of Directors to recommend, barring unforeseen circumstances and subject to the provisions of the Companies (Transfer of Profits to reserves) Rules, 1975 that the dividend to the members on the expanded Equity capital of the Company in the year immediately after the bonus issue shall not be less than 15% , be and is hereby recorded."

"RESOLVED that the Board of Directors be and is hereby authorised to take such steps as may be necessary or desirable to give effect to this resolution."

By Order of the Board

CHENNAI
August 13,1997

K C RAGHUNATHAN
CHAIRMAN & MANAGING DIRECTOR



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SEC.173(2) OF THE COMPANIES ACT,1956.

ITEM NO 5.

Dr J Venkataramana was appointed as a Director on the Board of the Company with effect from 13th August 1997. He holds office as an Additional Director upto the ensuing Annual General Meeting. Notice in writing has been received from a Member of the Company under Section 257 of the Companies Act, 1956 signifying his intention to propose Dr J Venkataramana as a candidate to the office of the Director of the Company.

Dr J Venkataramana is a B.Tech (Chemical Engineering), M.Sc.(Chemical Engineering) and has done Post Doctoral Research (Petro Chemicals). He is the President of Andhra Chamber of Commerce and past President of Madras Stock Exchange and Ex-Executive Committee Member and National Stock Exchange, Mumbai. It would be in the interest of the Company to continue to avail of his valuable experience and guidance. The Board recommends his appointment.

Except Dr J Venkataramana none of the Directors of the Company are in any way concerned or interested in the resolution.

ITEM NO 6 & 7.

In order to facilitate the issue of Equity and Preference as set out in Resolution No.8, the Authorised Share Capital of the Company needs to be increased and reclassified. The Authorised Share Capital of the Company is therefore proposed to be increased and reclassified as Rs.10,00,00,000 (Rs 10 Crores) divided into 70,00,000 Equity shares and 3,00,000 Preference Shares of Rs.100/- each. Consequently, Clause V of the Memorandum of Association and Article 2 of the Articles of Association are required to be altered.

The existing provisions of the Companies Act,1956 prohibits the Company to purchase its own Shares and prohibits the issue of non-voting Shares or issue of Shares with disproportionate voting rights. Whereas this is not so as in the case of most of the European and other Countries whose Laws permit the Companies to purchase their Shares subject to certain safeguards and issue of Shares with non-voting rights.

The Working Group which has been set up to redraft the Companies Act, 1956 has submitted its report and recommended that the companies could buy back its own shares subject to prior approval of the shareholders and permits the companies, the issue of non-voting shares or issue of shares with disproportionate voting rights.

This recommendation for the buy-back of Shares will be beneficial both to the Company and to the Shareholders, particularly when they are confronting with the problem of disposing off their odd lot Shares. The issue of Shares with non-voting rights is also beneficial both to the shareholders and to the Company. However, these powers to purchase shares of the Company and issue of shares with non-voting rights can be exercised, by providing enabling provisions in the Articles of Association and which come into effect only after the Companies Act, 1956 is amended permitting the Companies to exercise these powers.

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It is therefore, thought fit to insert these enabling provisions in the Articles of Association of the Company keeping in view the recommendations of the working group set up to redraft the Companies Act, 1956.

The Directors may be deemed to be interested in the resolution to the extent of their shareholding in the Company.

The Board recommends the resolution to the members for their approval.

ITEM NO 8.

Section 81 of the Companies Act, 1956 provides inter alia that whenever it is proposed to increase the Subscribed Capital of a Company by allotment of further shares, such further shares shall be offered to the persons who on the date of offer are holders of the Ordinary shares of the Company in proportion to the Capital paid-up on that date unless the members in General Meeting decide otherwise. The Listing Agreements executed by the Company with the Stock Exchanges also provide that the Company shall, in the first instance, offer all securities for subscription pro rata to the ordinary share holders unless the members in the General Meeting decide otherwise. The consent of the members are, therefore, sought to authorise the Board of Directors as set out in Resolution No.8 to issue Equity and preference Shares to residents and/or non residents (whether institutions and /or incorporated bodies and/or individuals and/or Trustees or otherwise), and whether or not such investors are members of the Company, in such form, manner and within such period, upon such conditions as the Board may, in its absolute discretion, deem fit.

The Directors may be deemed to be interested in the resolution to the extent of their shareholding in the Company.

The Board recommends the resolution to the members for their approval.

ITEM NO 9.

The Company has to the credit of its Share Premium Account, a sum of Rs 179,18,710 as on 31 st March 1997. The present share capital of the Company is Rs 292,79,140 divided into 29,27,914 equity shares of Rs 10/- each. In the circumstances it is felt that it will be advantageous to the Company and the members if a portion of the Share Premium Account is capitalised. It is recommended that bonus equity shares be issued and allotted in the proportion of 3 Shares for every 5 of the existing Equity Shares held. The said bonus shares shall rank pari passu with the existing equity shares except for dividend for the financial year in which it is allotted wherein the dividend will be payable proportionately. Barring unforeseen circumstances, the Board is of the opinion that the dividend on the enhanced capital would not be less than 15% in the year immediately after the bonus issue.

The Directors may be deemed to be interested in the resolution to the extent of their shareholding in the Company.

The Board recommends the resolution to the members for their approval.

By Order of the Board

CHENNAI
August 13,1997

K C RAGHUNATHAN
CHAIRMAN & MANAGING DIRECTOR

**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 SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Duly completed Proxy Form in order to be effective, should be deposited at the Registered Office of the company not less than forty-eight hours before the time fixed for the commencement of the meeting. Proxy Form is enclosed.
3. Register of members and the Share Transfer Books of the company will remain closed from 24.09.97 to 29.09.97 (both days inclusive), for the purpose of calculating entitlement for Dividend. Transfer of shares received before 24.09.97 by the company which are found to be in order will be registered.
4. Members are requested to immediately inform the company if there is any change in their addresses.
5. Members are requested to bring the enclosed attendance slip duly filled in and hand over to the representative of the company at the entrance to the Meeting Hall.
6. All documents referred in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on all working days between 11 a.m. and 1 p.m. up to the date of Annual General meeting.
7. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Share Department enclosing their Share Certificates, to enable the Company to consolidate their holdings in one folio.
It may please be noted that the Shareholder/Debenture Registry is being handled in-house at the Company itself.
8. Pursuant to Section 205A of the Companies Act, 1956, the Dividend remaining unpaid/unclaimed in respect of dividend 1992-93, have been transferred to the General Revenue Account of the Central Government during the year (on 4.12.96). Members who have not encashed the Dividend Warrants for the said period are requested to claim the amount from the Registrar of Companies, Shastri Bhavan, Haddows Road, Chennai - 600 006.