

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		ENV	NA
TRA	NA		VC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		



SIP INDUSTRIES LIMITED

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TWELFTH
ANNUAL REPORT
1997-98



TWELFTH ANNUAL REPORT 1997-98

ANNUAL GENERAL MEETING

On Monday the 28th December 1998

at

Bharathiya Vidya Bhavan
37-39 East Mada Street, Mylapore,
Chennai - 600 004.

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.

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.

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 SUBSIDIARY COMPANIES	
SIP Technologies & Exports Ltd.	37
SIP Florals Ltd.	51

FACTORY

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

FLORICULTURE FARM

Suligunta Village
Berikai, Firka, Hosur Taluk,
Dharmapuri District, Tamil Nadu

BANKERS

Indian Overseas Bank
Indian Bank

AUDITORS

P.B. Vijayaraghavan & Company
Chartered Accountants



NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of the Members of SIP INDUSTRIES LIMITED, will be held at Bharatiya Vidya Bhavan, 37-39, East Mada Street, Mylapore, Chennai 600 004, on Monday, the 28th December, 1998 at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.98 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 appoint a Director in place of Mr. T.M. Srinivasan, who retires by rotation and being eligible, offers himself for re-appointment.
3. 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., being eligible, offer themselves for re-appointment.

CHENNAI
November 30, 1998

By Order of the Board
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 Share Transfer Books of the Company will remain closed from 24.12.98 to 28.12.98 (both days inclusive).
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 of the Meeting Hall.
6. 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 Share/Debenture Registry is being handled in-house at the Company itself.

7. Pursuant to Section 205A of the Companies Act, 1956, the Dividend remaining unclaimed in respect of Dividend for the years 1993-94 and 1994-95, have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the Dividend Warrants for the said periods are requested to claim the amount from the Registrar of Companies, Tamil Nadu, Shastri Bhavan, Haddows Road, Chennai-600 006.

Twelfth Annual Report

DIRECTORS' REPORT

Your Directors present their Twelfth Annual Report to the Shareholders together with the Audited Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS:

The year ended March 31, 1998 recorded an aggregate loss of Rs. 186.61 lakhs as against profit of Rs. 105.65 lakhs during the previous year. In spite of recession and tight monetary condition, the resin division made a moderate profit of Rs. 42.90 lakhs whereas the performance of the Floriculture division resulted in a loss of Rs. 229.51 lakhs.

	1997-98 (Rs. in lacs)	1996-97
Profit before depreciation, Interest and Tax	182.04	295.19
Less:		
Interest	240.66	105.56
Depreciation	127.99	83.98
Profit/(Loss) before taxation	(186.61)	105.65
Provision for Taxation	—	—
Net Profit/(Loss) after tax	(186.61)	105.65
Transfer from Debenture	—	10.00
Redemption Reserve	352.83	297.89
Balance brought forward	166.22	413.54
Amount available for appropriation	166.22	413.54
APPROPRIATIONS:		
General Reserve	—	17.94
Proposed Dividend	—	38.88
Provision for tax on distributed profits	—	3.89
Balance carried to Balance Sheet	166.22	352.83
	166.22	413.54

ISSUE OF BONUS SHARES:

As approved by the Members at the last Annual General Meeting held on 29.09.97, your Company issued 17,53,543 Bonus Shares and the same was allotted on 09.02.98.

DIVIDEND:

In the absence of profit during the year, your Directors express their inability to recommend payment of dividend for the year.



PERFORMANCE AND PROSPECTS:

Resins:

The general slow down in the industrial growth and dumping by overseas companies have a telling effect on the overall performance of the Resin industry, in general, and your Company in particular. All efforts are being taken to counter the same and improve the performance.

Floriculture:

Your company was unable to hive off this division during the year as the necessary permission from the Financial Institution concerned could not be obtained inspite of the best efforts put in this regard.

However, the division has achieved the targetted sales in terms of quantity of about 7 million cut-stem flowers of good quality. Lack of infrastructural facilities resulted in degradation of quality at destination thereby leading to lower realisation.

The company is exploring the possibility of making the Floriculture division a profitable one in the coming years.

Wind Mills:

The Wind Mills are continuing to perform satisfactorily, though one of them had a breakdown during the year resulting in lower generation.

Information Technology:

The Company's subsidiary - SIP Technologies & Exports Ltd, (SIP TECH) has successfully completed "State-of-the-Art", software facilities at Elnet Software City, Taramani, and has commenced commercial production in November, 1997.

It has signed a five-year contract with World IT Major M/s. Sun Microsystems Inc., U.S.A. for Engineering and software development services and a three-year-contract with M/s. Kernkraftwerk Leibstadt., Switzerland for digitising their technological informations. An overseas branch has been opened in San Francisco, U.S.A.

In view of the thrust being given by the Government and the enormous potential for the software development in the international market, the company expects considerable returns from SIP TECH in the coming years.

RIGHTS ISSUE:

As required under Clause 43 of the Listing Agreement with the Stock Exchanges, a comparison of the Projected Profitability Projections as mentioned in the Letter of Offer of the aforesaid Rights Issue of shares and the corresponding actual performance is given below:

- | | | |
|---|---|---------------------|
| 1. Type of issue | : | Rights Equity Issue |
| 2. Date on which issue was opened | : | 4th October, 1995 |
| 3. Financial year for which Projection
v/s Actual are provided | : | 1997-98 |

Particulars	As per Letter of offer dated 06.09.95	Actuals 1997-98
Net Sales (Rs. in lakhs)		
Exports	554	117
Domestic	1965	1835
TOTAL	2519	1952
PBDIT (Rs. in lakhs)	685	182
Profit After Tax (Rs. in lakhs)	480	(187)
Annualised EPS (Rs.)	12.00	—

Twelfth Annual Report

DIRECTORS:

Mr. T.M. Srinivasan retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

AUDITORS:

M/s. P.B. Vijayaraghavan & Company, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

SUBSIDIARIES :

SIP Technologies & Exports Ltd and SIP Florals Ltd are subsidiaries of your Company and a Statement of the Holding Company's interest in the Subsidiary Companies in accordance with Section 212(2)(a) of the Companies Act, 1956, is enclosed.

PARTICULARS OF EMPLOYEES:

The Statement concerning the employees as required by sub-section 2A of Section 217 of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, is attached and forms part of this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars as to (a) Conservation of Energy, (b) Technology Absorption and (c) Foreign Exchange Earnings and Outgo, as required by Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are attached and form part of this report.

COST AUDIT:

The Government of India has ordered the Cost Audit of records relating to Resins division of the Company for every year under Section 233B of the Companies Act, 1956. Pursuant to this M/s. GEEYES & COMPANY, Cost Accountants, have been appointed to conduct audit of the Cost Accounts.

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their grateful appreciation of the valuable assistance and support extended by Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI) and Indian Overseas Bank. The Directors also wish to place on record their appreciation for the hard work put in by the employees at all levels.

CHENNAI
November 30, 1998

On behalf of the Board of Directors

K.G. RAGHUNATHAN
Chairman and Managing Director

**FORM - A**

Form for disclosure of particulars with respect to conservation of energy.

CONSERVATION OF ENERGY

Company's operations involve moderate energy consumption. Wherever possible, energy conservation measures have been taken.

(A) Power and Fuel Consumption:**ELECTRICITY:**

(a) Purchased	Current Year	Previous Year
Unit/(KWH)	462074	439175
Total Amount (Rs.)	1653224	1334302
Rate/Unit	3.58	3.04
(b) Own Generation		
(i) Through Diesel Generator Unit (KWH)	20891	9848
Units per ltr. of Diesel Oil	2.09	1.95
Cost/Unit (Rs.)	5.11	4.55
(ii) Through WindMill		
No. of Units (KWH)	498193	752222
Value (Rs.)	1380241	1732016

FURNACE OIL/LDO

Qty. (K. Ltrs.)	131.912	136.924
Total Amount (Rs.)	1254744	1215843
Average Rate	9512	8880

(B) Consumption per unit of Production Products (with) details per unit

Electricity	485.78	432
Furnace Oil	138.68	132
Coal	—	—
Others	—	—

FORM - B**(A) TECHNOLOGY ABSORPTION AND RESEARCH AND DEVELOPMENT****TECHNOLOGY ABSORPTION:**

Following Technologies emerged from inhouse R&D:

- High temperature Resistant Novolac Phenolic Resin BAN-099 for export.
- Epoxy System for Pultrusion - EPS-267/EH-167/EA-046 for Composite profiles.
- Epoxy Systems for Low-Bake Flame Retardent Powder Coating Resin (EPP-203 FRFM) for capacitor coatings.
- Water Dispersible Epoxy Resin EMW - 819.

(B) BENEFITS DERIVED:

- Import substitution of costly reactive diluents, ED-067 and ED-064 for Captive Consumption.
- Epoxite Epoxy Novolac (EPG-5038N) for vinylester and coating application.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo are shown in Notes to Accounts. To avoid repetition, Members are requested to refer to those Notes.

Twelfth Annual Report

ANNEXURE TO DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND
THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Name & Age	Quali- fication	Designation /Nature of duties	Date of commen- cement of employ- ment	Expe- rience in years	Remune- ration received (Rs.)	Last Employment held	
						Name of the Company	Desig- nation
K.C. Raghunathan 50 Yrs	B.Sc.	Chairman & Managing Director	01.06.87	28	10,95,154	Southern Indl. Polymers P Ltd.	Director
K.C. Sukumar 47 Yrs	B.Sc.	Joint Managing Director	01.06.87	26	10,95,154	Southern Indl. Polymers P Ltd.	Director

NOTES:

1. In case of Chairman & Managing Director and Joint Managing Director, nature of employment is contractual.
2. The above remuneration includes, HRA, Allowances, reimbursements, contribution to Provident Fund etc.
3. Mr. K.C. Raghunathan and Mr. K.C. Sukumar are related to each other.



AUDITORS' REPORT

TO THE SHAREHOLDERS OF SIP INDUSTRIES LIMITED, CHENNAI

We report as follows:

We have audited the attached balance sheet of SIP INDUSTRIES LIMITED as at 31st March, 1998 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto.

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order 1998 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
3. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of books.

The Company's Balance Sheet and Profit and Loss Account are in agreement with the books of accounts.

5. In our opinion and to the best of our information and according to the explanations given to us, the Company's Profit and Loss Account for the year ended 31st March, 1998 and the Balance Sheet as at that date read with the notes thereon, give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view.
 - a) In the case of Balance Sheet of the state of affairs of the company as at 31st March, 1998,
 - b) In the case of Profit and Loss Account, of the Loss of the Company for the year ended on that date.

for **P.B. VIJAYARAGHAVAN & COMPANY**
CHARTERED ACCOUNTANTS

P.B. SANTHANAXRISHNAN
Partner

CHENNAI
November 30, 1998