



SIP INDUSTRIES LIMITED

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**THIRTEENTH
ANNUAL REPORT
1998-99**

THIRTEENTH ANNUAL REPORT 1998-99**ANNUAL GENERAL MEETING**

On Monday the 27th September 1999

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.

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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

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 Thirteenth 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 27th September, 1999 at 10.00 A.M. to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.99 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 N Raghunathan, who retires by rotation and, being eligible, offers himself for reappointment.
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 reappointment.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to section 293(1)(a) of the Companies Act, 1956, and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals and consents as may be required including the approval of Financial Institutions and Banks, the consent of the Company be and is hereby accorded to the Board of Directors to sell, transfer or otherwise dispose of the whole or substantially the whole of the Undertaking of the Company's Floriculture Division including its buildings, plant and machinery, other fixed assets/equipment, etc., situated at Berikai Firka Village, Tamil Nadu, to such individual(s), firm(s)/ body corporate(s), for such consideration, on such terms and conditions and in such manner as the Board may, in its absolute discretion, deem fit in the interest of the Company, and the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary in connection therewith and incidental thereto."

CHENNAI
August 18, 1999

By Order of the Board
K.C. RAGHUNATHAN
Chairman & Managing Director

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ANNEXURE TO THE NOTICE

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

ITEM NO 4.

An Ordinary Resolution was passed at the Extra Ordinary General Meeting of the Company held on 23rd March 1998 giving consent for hiving off the Company's Floriculture Undertaking situated at Berikai Firka Village to the Subsidiary SIP Florals Ltd. However, it could not be achieved then due to factors beyond the control of the Company. The Company is still making its endeavour to hive off the said unit to facilitate better performance of the Resins Division. Since the earlier resolution was for transferring the Floriculture Unit to SIP Florals Ltd, specifically for a fixed consideration with effect from 01.04.97 and it did not materialise, a fresh resolution is being recommended now to enable the Board transfer the Unit at the appropriate time to any person, firm or body corporate as the Board of Directors may deem fit in the interest of the Company, pursuant to Section 293(1)(a) of the Companies Act, 1956.

None of the Directors are interested in the Resolution.

CHENNAI
August 18, 1999

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 meeting. Proxy Form is enclosed.
3. Register of Members and Share Transfer Books of the Company will remain closed from 23rd September, 1999 to 27th September, 1999 (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 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 205C of the Companies (Amendment) Act, 1999, the Unpaid Dividend pertaining to the Dividend for 1995-96 (paid in October 1996) is due to be transferred to the Fund established under Sub-section (1) of Section 205C of the Companies Act, 1956, in November, 2003. Members who have not encashed the Dividend Warrants for the said period are requested to claim the amount from the Company at the earliest.



DIRECTORS' REPORT

Your Directors present their Thirteenth Annual Report to the Shareholders together with the Audited Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS:

The year ended March 31, 1999 recorded an aggregate loss of Rs.515.40 lakhs as against the loss of Rs.186.61 lakhs during the previous year.

	1998-99	1997-98
	(Rs. in lacs)	
Profit before depreciation, Interest and tax	12.33	182.04
Less:		
Interest	330.10	240.66
Depreciation	130.37	127.99
Profit/(Loss) before taxation	(448.14)	(186.61)
Income tax paid	(67.26)	—
Net Profit/(Loss) after tax	(515.40)	(186.61)
Transfer from Debenture Redemption Reserve	50.00	—
Balance in General Reserve adjusted against Profit and Loss deficit	59.70	—
Balance brought forward	166.21	352.82
Balance Profit/(Loss) carried to Balance Sheet	(239.49)	166.21

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 Company incurred loss during the year under review due to the labour unrest by workmen for about three months. The consequential effect due to non-supply of material has had its adverse implications in the months beyond April 1999. In view of the current liquidity crunch and the irregular supply of raw materials, your Company is unable to work to its full capacity. However, steps are being taken to counter all the problems.

Floriculture:

Your Company is taking necessary steps to undertake direct marketing of flowers instead of through Auction Houses as low realisations per stem poses a problem. The Company has represented to financial institutions for basically revising the terms and cost of finance in line with international norms.

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• **Wind Mills:**

The Wind Mills are continuing to perform satisfactorily.

• **DIRECTORS:**

Mr N Raghunathan 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 LIMITED (SIPTECH)

The Company's Infotech subsidiary's progress has been very much in line with the envisaged plans and its performance during the year has been good.

SIP FLORALS LIMITED

The Company is yet to commence its activities.

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.

Y2K COMPLIANCE :

The Company has taken appropriate and effective steps to be Y2K compliant. The expenditure to ensure Y2K compliance is not expected to have any material financial impact.

ACKNOWLEDGEMENTS:

Your Directors thank the Bankers and Financial Institutions for their continued support to the Company.

The Directors also wish to place on record their appreciation for the hard work put in by the employees, at all levels.

CHENNAI
August 18, 1999

By Order of the Board
K.C. RAGHUNATHAN
Chairman & 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
Units/(KWH)	104115	233358
Total Amount (Rs.)	699890	1039927
Rate/Unit (Rs.)	6.72	4.46
(b) Own Generation		
(i) Through Diesel Generator Unit	30706	20891
Units per ltr. of Diesel Oil	2.32	2.09
Cost/Unit (Rs.)	4.72	5.11
(ii) Through WindMill		
No. of Units (KWH)	272472	234394
Value (Rs.)	846771	656303

FURNACE OIL/LDO

Qty. (K. Ltrs.)	109.987	131.912
Total Amount (Rs.)	1016300	1254744
Average Rate (Rs.)	9240	9512

(B) Consumption per unit of Production

Product	Unit/M.T.	Current Year	Previous Year
Epoxy Resin :			
Electricity	KWH	568.67	490.19
Furnace Oil	Litres	153.57	132.33
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.
- Epoxide 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 the Accounts. Members are requested to refer to those Notes.

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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-	Expe- rience in years ment	Remune- ration received (Rs.)	Last Employment held	
						Name of the Company	Desig- nation
K.C. Raghunathan 51 Yrs	B.Sc.	Chairman & Managing Director	01.06.87	29	10,82,000	Southern Indl. Polymers P Ltd.	Director
K.C. Sukumar 48 Yrs	B.Sc.	Joint Managing Director	01.06.87	27	10,82,000	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.





AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SIP INDUSTRIES LIMITED, CHENNAI

We report as follows:

We have examined the attached Balance Sheet of M/s. SIP INDUSTRIES LIMITED, Chennai as at 31st March, 1999, and the Profit & Loss Account for the year ended on that date with the books of the Company and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 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 the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in the paragraph 1 above we state that :
 - a) 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;
 - b) 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 the books;
 - c) The Company's Balance Sheet and Profit & Loss Account are in agreement with the books of accounts;
 - d) In our opinion the Profit & Loss Account and Balance Sheet referred to in this report are drawn up so far as to comply with the requirements of Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) In our opinion and to the best of our information and according to the explanations given to us, the Company's Profit & Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date, read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.
 - i) In the case of Balance Sheet of the state of affairs of the Company as at 31st March, 1999.
 - ii) In the case of Profit & Loss Account, of the Loss of the Company for the year ended on that date.

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

CHENNAI
August 18, 1999

P.B. SANTHANAKRISHNAN
Partner

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ANNEXURE TO THE AUDITOR'S REPORT

REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets have been physically verified by the management during the year. No material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stock of finished goods, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. The procedure for physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceeding year.
7. The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956, or from Companies under the same management within the meaning of section 370(1-B) of the Companies Act, 1956, where the rate of interest and other terms and conditions are, in our opinion, prima facie prejudicial to the interest of the Company.
8. The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, or to Companies under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956, where the rate of interest and other terms and conditions are, in our opinion, prima facie prejudicial to the interest of the Company.
9. In respect of loans and advances in the nature of loans given by the Company, parties have repaid the principal amounts as stipulated and have also been regular in the payment of interest, wherever applicable.
10. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
11. As explained to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 and aggregating during the year to Rs.50,000/- or more.
12. As explained to us, the value of unservicable or damaged stores, raw materials and finished goods are not significant.
13. The Company has not accepted deposits from the public.