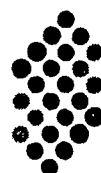


note

MD	✓		BKC	NA
CS	NA		DPY	NA
RO	✓		DIV	NA
TRA	✓		AC	✓
AGM	✓		SHH	✓
YE	✓			

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SERENE INDUSTRIES LIMITED



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BOARD OF DIRECTORS :

Shri Rajesh J. Sarvaiya
Shri Samir D. Sarvaiya
Dr. Jaykumar D. Mehta

- Chairman & Managing Director
- Director
- Director (Nominee of ICICI)

BANKERS :

State Bank Of India
Dena Bank
Bank of Baroda
Oriental Bank of Commerce

SOLICITORS :

M/s. Manilal Kher Ambalal & Co.
Advocates, Solicitors and Notary.

AUDITORS :

M/s. Bharat Shroff & Co.
Chartered Accountants.

REGISTERED OFFICE :

Plot Nos. B-1/2 & B-1/3/1,
M.I.D.C.,
Lote Parshuram,
Tal. Khed, Near Chiplun,
Dist. Ratnagiri, Maharashtra.

CORPORATE OFFICE :

Vinaya Bhavya Complex,
159-A, C.S.T. Road,
(Ashok Steel Mfg. Compound)
Kalina, Santacruz (E),
Mumbai - 400 098.

REGISTRARS & TRANSFER AGENTS :

M/s. Consolidated Share Services Private Limited
Shanti Nagar, Cross Road A,
Near M.I.D.C., Bus Depot,
Andheri (East),
Mumbai - 400 093.

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Shareholders are requested to bring their copy of the Annual Report alongwith them at the Annual General Meeting, as the practice of distributing copies of the Report at the Meeting has been discontinued.

Any correspondence regarding shares should be forwarded to the Company's Registrars & Transfer Agents.



NOTICE

NOTICE is hereby given that the 28th Annual General Meeting of SERENE INDUSTRIES LIMITED will be held on Wednesday, the 30th December, 1998, at 12.30 P.M. at Plot No. B-1/2 & 1/3/1, M.I.D.C., Lote Parshuram, Tal. Khed, Near Chiplun, Dist. Ratnagiri, Maharashtra to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 1998, and Profit and Loss Account of the Company for the period ended on that day and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Samir D. Sarvaiya who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of section 198, 269, 309 and other applicable provisions of the Companies Act, 1956 and read with and in accordance with the conditions specified in Schedule XIII to the said Act, the approval of the Company be and is hereby accorded to the re-appointment of Shri Rajesh J. Sarvaiya as Chairman & Managing Director of the Company for a further period of 5 years commencing from 17th November, 1998 on the following terms and conditions :-

- 1 Period : 17th November, 1998 to 16th November, 2003.
- 2 Nature of duties : He shall devote sufficient time and attention to the business of the Company and will look after all the affairs of the Company under the supervision, guidance and control of the Board of Directors of the Company.
- 3 Remuneration : He will be entitled to the following emoluments, benefits and perquisites, subject to the ceilings laid down in schedule XIII of the Companies Act, 1956 and any Statutory amendments, re-enactments etc.

The Company may in its discretion increase the remuneration payable to the Chairman & Managing Director subject to the ceilings laid down in schedule XIII of the Companies Act, 1956.

(a) Salary : Rs. 40,000 per month.

(b) Perquisites as follows :

- i. Housing :- House Rent Allowance shall be paid to the extent of 60% of Salary.
- ii. The expenditure incurred by the appointee on gas, electricity, water and furnishings shall be reimbursed by the Company subject to a ceiling of Ten percent of his salary.
- iii. Medical Reimbursement :- All medical expenses incurred for him and his family shall be reimbursed subject to a ceiling of one month's salary in a year or three months salary over a period of three years.
- iv. Leave Travel Concession :- Expenses incurred for visiting any place in India on him and his family shall be reimbursed once in a year in accordance with any rules specified by the Company.
- v. Club Fees :- Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.

- vi. Personal Accident Insurance :- Premium not to exceed Rs. 4000/- p.a.
- vii. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the rules or the Company to the extent these either singly or put together are not taxable under the provisions of Income Tax Act, 1961.
- viii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- ix. Encashment of Leave at the end of the tenure.
- x. Provision of Car for use on Company's business and telephone at residence. Personal long distance calls and use of car for private purpose shall be billed by the Company to the Chairman & Managing Director.

Note :- Family means wife, dependent children and dependent parents of the Chairman & Managing Director.

Other Terms :-

- (1) He shall not be paid any fees for attending the meetings of the Board of Directors or Committees thereof.
- (2) He shall be entitled to reimbursement of all actual expenses including entertainment and travelling, incurred in the course of the Company's Business."

REGD. OFFICE :
Plot No. B-1/2 & B-1/3/1,
M.I.D.C. Lote Parshuram,
Tal. Khed, Near Chiplun,
Dist. Ratnagiri, Maharashtra

Mumbai:
Dated 24th September, 1998

By Order of the Board
For SERENE INDUSTRIES LIMITED

RAJESH J. SARVAIYA
Chairman & Managing Director

NOTES :

- 1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy / ies need not be a member of the Company.
- 2. The Proxies, in order to be effective, should be lodged with the Company at least 48 hours (forty eight hours) before the Commencement of the Meeting.
- 3. An Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the business at Item No. 4 hereinabove is annexed hereto.

ANNEXURE TO NOTION

Explanatory statement as required under section 173(2) of the Companies Act, 1956.

ITEM NO. 4

The Resolution at Item No. 4 of the Agenda seeks the approval of members in respect of reappointment of Shri Rajesh J. Sarvaiya as Chairman & Managing Director of the Company.

The current tenure of Shri Rajesh J. Sarvaiya will expire on 16th November, 1998. At the Meeting of the Board of Directors of the Company held on 24th September, 1998 he has been reappointed for a further term of 5 years with effect from 17th November, 1998 and this reappointment as well as remuneration payable to him has to be approved by the members in General Meeting and hence the Resolution at Item No. 4 is placed for your approval.

The monthly salary and other perquisites payable to Shri Rajesh J. Sarvaiya are same as he was being paid earlier. Looking into the financial conditions of the Company, no increase in the same has been effected. The Company is now left with only one whole time Director viz. Shri Rajesh J. Sarvaiya as the term of the other whole time Director Mr. Samir D. Sarvaiya expired on 15th September, 1998 and he was not reappointed because he did not seek reappointment.

Therefore the Directors consider the reappointment of Shri Rajesh J. Sarvaiya absolutely necessary and in the interest of the Company and commend the Resolution for your approval.

Shri Rajesh J. Sarvaiya is interested in the Resolution. None of other Directors is interested in the Resolution.

This may be treated also as an abstract pursuant to section 302 of the Companies Act, 1956.

By Order of the Board
For SERENE INDUSTRIES LIMITED

Mumbai:
Dated 24th September, 1998

RAJESH J. SARVAIYA
Chairman & Managing Director

DIRECTORS' REPORT

TO,

The Members,

Yours Directors present their Report for the six month period ended on 30th June, 1998.

FINANCIAL RESULTS

The highlights of the financial Results are:

	(Rs. In Lacs)
	For the period ended 30th June, 1998 (six months)
	For the period ended 31st Dec., 1997 (eighteen months)
Loss before Tax & Prior Period Adjustments	(3005.15)
Prior Period Adjustments (Net)	(3579.29)
Extra Ordinary Items	(3744.85)
Net Loss	(10329.29)

OPERATIONS

In the light of the continuing liquidity problems, no improvement could be effected in the operations. The Company continued its operations at a low level at its Lote parshuram unit, while Vapi Unit No. 2 is closed. Vapi unit No. 3 is taken over by G.I.I.C. under section 29. This is due to Gujarat Pollution Control Board's restrictions imposed at Vapi and Financial constraints faced by the Company.

The Company could achieve a very low sale volume of Rs. 7.11 crores for the six month period ended 30th June, 1998., as against Rs. 60.23 crores for the eighteen month period ended 31st December, 1997. The Company incurred loss to the tune of Rs. 103.29 crores, mainly on account of interest costs, non-realizable/recoverable inventories and receivables, prior year adjustments of interest and depreciation and extraordinary items etc. Thus, the Company eroded its net-worth completely, with the accumulated losses at Rs. 111.60 Crores, as at the end of June, 1998.

Your Directors fully share your anxiety on the present state of affairs of the Company and the severe problems that confronted the Company and its operations, during the past two years period ended on 30th June, 1998.

DIVIDEND

Your Directors regret their inability to declare any dividend for the period ended 30th June, as the financial results do not permit the same.

AUDITORS

M/s. Bharat Shroff & Co., Chartered Accountants, our present Auditors shall cease to be Auditors from the conclusion of this Meeting. They have pursuant to Section 224 (1) of the Companies Act, 1956 furnished a Certificate regarding their eligibility for re-appointment as the Company's Auditors. You are requested to appoint them as our Auditors for the current year and fix their remuneration.

AUDITORS' REPORT

Auditors' Report to the Accounts have been considered by the Board and clarified, wherever necessary, in the schedule 15 : Notes on Accounts.

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**PERSONNEL**

During the period under review, the relationship between the Management and employees was cordial. The particulars of employees to be furnished as required under Section 217 (2A) of the Companies Act, 1956, are enclosed.

STATUTORY INFORMATION

Information on the conservation of energy, technology absorption, foreign exchange earnings and out-go required to be disclosed under the provisions of Section 217 (1) (e) of the Companies Act, 1956 are enclosed.

COST AUDIT

The Central Government has prescribed Cost Audit for the Company under Section 233 (B) of the Companies Act, 1956. The cost audit is completed for the period ended 30th June, 1996.

FOREIGN EXCHANGE EARNINGS AND OUT-GO

The relevant figures relating to the foreign exchange used and earned are given in the statement of additional information appended to the accounts.

SUBSIDIARY COMPANY

As required by the provisions of Section 212(1) of the Companies Act, 1956 documents of its Subsidiary Company, M/s. Seribright Colours Ltd., U.K. are annexed to the Balance Sheet.

DIRECTORS

Mr. Samir D. Sarvaiya retires by rotation and being eligible offers himself for reappointment.

REPORT TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION PURSUANT TO SECTION 15 OF SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

The Management in the process of giving quarterly/half yearly results for the period ended 30th June, 1998 to the Stock Exchanges, realised that the Company has suffered heavy losses and its net worth stands eroded based on the figures given hereunder.

	(Rs. in Lacs)
Paid Up Capital	2680.75
Promoters advance	170.00
Reserves & Surplus	3437.20
Net Worth	6287.95
Accumulated loss	11160.00

Hence to comply with the requirements of the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 at the earliest it was decided to close the accounting Period of the Company at 30th June, 1998. The Company is in the process of filing an application to the BIFR.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the co-operation received by the Company from various Departments of the Central and State Governments, Company's Bankers and Financial Institutions and all employees of the company for their services and untiring continued support during the period under review.

Your Directors also express their gratitude to the Shareholders of the Company for the confidence reposed in the Management.

For and On Behalf of the Board

Mumbai:
Dated: 24th September, 1998.

RAJESH J. SARVAIYA
Chairman & Managing Director



Annexure to the Directors' Report

Information as per section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the period ended 30th June, 1998.

A) CONSERVATION OF ENERGY

The Company continues to lay emphasis on conservation of energy. Plant level committees have been set up for monitoring of consumption, maintaining systems etc. is being adhered to :

Form 'A'

a) Power & Fuel Consumption	1998	1996-97
1) Electricity		
i) Purchased Units (KWH)		
(IN THOUSANDS)	988.95	7190.13
Total Amount Rs. in Lacs	39.62	218.93
incl. minimum demand (M. D.) charges		
ii) Rate / Unit Rs./ KW (Average)	4.00	3.04
2) Furnace oil (incl). L.D.O.)		
Quantity Ltrs.	265225.00	1717772
Total Cost (Rs. in lacs)	20.22	131.13
Average rate (Rs./ltrs.)	7.62	7.63
b) Consumption per unit of production per M. T. of Dyestuff & Intermedlates		
1) Electricity (KWH)	2987.98	2423.64
2) Furnace Oil (incl. L. D. O.) (ltrs.)	801.30	579.04

B) TECHNOLOGY ABSORPTION

1. Research & Development

The management is pleased to inform that the Company has set-up a full-fledged Research & Development facility at its unit at Lote Parshuram, Maharashtra. It is also in the process of establishing similar facility at its other unit at Vapi. The emphasis on R. & D. is on :-

- Technological Improvements
- Process equipment modernisation
- Cost reduction procedures
- Optimisation of the reaction conditions to result higher output
- Optimisation of batch process to reduce fixed cost and improve productivity
- Introduction of new products to replace existing outdated products
- Introduction of high value products to yield higher margin of profit

The Company's main objective in the future is to continue its Research & Development work on innovation and to bring out new breed of dyes to help the process industry to reduce their operational cost and make them eco friendly.

2. Technology Absorption

The Company has indigenous knowhow and therefore this clause does not apply.

C) FOREIGN EXCHANGE EARNINGS/OUTGO :

The Company's foreign exchange earnings on account of exports (FOB Value) is Rs. 57.50 lacs. (Previous period Rs. 65.45 lacs). The Company has imported certain raw materials and has spent foreign exchange on the credit abroad of its Directors and employees in connection with the development of the Company's export market. The details of the expenses are as given below:

	(Rs. in lacs)
1) Raw materials Imported (CIF value)	12.30
	(346.32)
2) Expenditure on Travelling/Others	---
	(1.52)

3. STATEMENT OF DIRECTORS' REMUNERATION (TO BE READ WITH THE COMPANIES (PARTICULARS) OF DIRECTORS' REPORT FOR THE PERIOD ENDED 31.12.1995.

No.	Designation	Qualification	Experience Years	Date of Joining/ Appointment	Designation Nature of Duties	Remuneration (Rs. in lacs)
1.	Mr. B. J. Sarvaiya (50)	B. Com.	20	July, 1976	Chairman-Mg. Director	Rs. 4.50
2.	Mr. B. D. Sarvaiya (34)	B. Com.	10	Sept, 1988	Jt. Mg. Director	Rs. 3.50

Notes: Remuneration as shown includes salary, taxable allowances, value of perquisites as per Income Tax Rules 1962 and Company's contribution to Provident Fund.

a. The appointment of Mr. B. J. Sarvaiya and Mr. S. D. Sarvaiya are contractual and they are related to each other.

For and on behalf of the Board:

Witness:
Dated 24th September 1996.

RAJESH J. SARVAIYA
Chairman & Managing Director

SERENE INDUSTRIES LIMITED

AUDITORS' REPORT

TO

The Members,

We have audited the attached Balance Sheet of SERENE INDUSTRIES LIMITED as at 30th June, 1998 and the Profit & Loss Account for the period ended on that date annexed thereto. We report as follows :

1. As required by the Manufacturing and Other Companies (Auditors' Report Order 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 we annex hereto 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 Paragraph (1) above,
 - i) 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.
 - ii) In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of such books, except cost accounts which have not been produced before us for our verification.
 - iii) The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of account.
 - iv) In our opinion and to the best of our information and according to the explanations given to us, the accounts read together with notes thereon and Subject to following notes appearing in schedule 15 :
 - a) Note No. 2(d) regarding non-provisions of commitment charges, liquidated damages and penal interest on Term Loans/NCD's from banks amount being unascertainable.
 - b) Note No. 2(e) regarding non-provision of interest on cash credit facility with consortium of banks for which interest has been suspended. The effect of the same on loss for the period and reserves is presently unascertainable.
 - c) Note No. 3 regarding depreciation amounting to Rs. 563.75 lacs (Net) pertaining to earlier period debited to profit & loss account during the current period and hence current period loss has been overstated by Rs. 563.75 lacs.
 - d) Note No. 4 regarding appreciation on conversion of plot of land into stock in trade which was treated as revenue income in the previous period now correctly transferred to capital reserve account and hence loss for the current period has been overstated by Rs. 750 lacs.
 - e) Note No. 5 regarding write off of preliminary expenses pertaining to previous period amounting to Rs. 44.99 lacs (Net) if not written off, the loss for the current period would have been lower by Rs. 44.99 lacs.
 - f) Note No. 6 wherein the Company has written off interest of Rs. 1976.11 lacs on term loans from financial institutions and NCD's pertaining to earlier periods and treated as capital work in progress. If the same was not written off loss for the period would have been lower by Rs. 1976.11 lacs.
 - g) Note No. 7 as stated therein Company has not accounted gains on account of fluctuations in foreign exchange rates amounting to Rs. 5.94 lacs. The same is in contravention of accounting standard-11 of Institute of Chartered Accountants of India, if accounted the loss for the period would have been lower by Rs. 5.94 lacs.
 - h) Note No. 11 as stated therein Company has not provided for doubtful debts amounting to Rs. 108.23 lacs, if provided, loss for the period would have been more by Rs. 108.23 lacs.
 - i) Note No 19(c), in respect of investments in wholly owned subsidiary M/s. Seribright Colours Ltd., U.K. provision for diminution in value has not been made as in the opinion of the Board, these investments are long term in nature and diminution is temporary. The impact on the loss for the period and reserves is presently not ascertainable.
 - j) Note No. 19(d), regarding prior period adjustments/Extraordinary items amounting to Rs. 3579.29 lacs and Rs. 3744.85 lacs respectively debited to profit & loss account as per the management decision.
 - k) Note No. 19(e) regarding loans/ICD's granted to parties, earlier period interest has been waived by the company amounting to Rs. 550.64 lacs, hence current period loss has been overstated by Rs. 550.64 lacs.
 - l) Note No 19(f) regarding non-provision for import duty for non-fulfilment of export obligations under advance licence scheme, the impact of the same on the loss for the period under review is unascertainable.
 - m) Note No. 19(g) as indicated therein the Company has written off capital work in progress amounting Rs. 225 lacs to the extent loss for the period has been overstated by Rs. 225 lacs.