



Sical

Marching confidently into the next Millennium

South India Corporation (Agencies) Limited

Fortyfourth Annual Report 1998-99

OPERATING RESULTS AT A GLANCE

(Rs. in Lakhs)

	1998-99	1997-98	1996-97	1995-96	1994-95
Sales & Other Income	179,406.68	79,478.62	46,202.32	13,827.10	7,209.11
Profit Before Depreciation, Interest and Tax	9,752.16	6,170.24	4,925.44	2,012.23	893.92
Interest	5,486.96	2,828.03	2,450.25	1,234.53	295.58
Profit before Depreciation and Tax	4,265.20	3,342.21	2,475.19	777.70	598.34
Depreciation	1,173.10	1,008.46	846.21	126.33	128.46
Provision for Taxation	689.62	814.10	223.77	108.89	200.00
Profit after Tax	2,402.48	1,519.65	1,405.21	542.48	269.88
Transfer to:					
Capital Redemption Reserve	0.00	0.00	0.00	200.00	0.00
Contingency Reserve	150.00	0.00	165.00	0.00	0.00
Debenture Redemption Reserve	481.33	302.00	0.00	0.00	0.00
General Reserve	500.00	500.00	500.00	66.00	150.00
Networth	18,375.93	12,829.84 *	13,648.29	8,720.85	3,240.93

*After conversion of Preference Shares into Equity.

BOARD OF DIRECTORS

Dr. M.A. CHIDAMBARAM
Chairman Emeritus

Dr. A.C. MUTHIAH
Chairman

Shri ASHWIN C. MUTHIAH
Deputy Chairman

Shri S. CHANDRA DAS
Director

Shri R. MUTHU
Director

Shri DHANANJAY NARENDRA MUNGALE
Director

Shri JAWAHAR VADIVELU
Director

Shri TONY ADAM
Managing Director

Shri V.K. GOPALAKRISHNAN
Director - Refractories

Shri S. KRISHNASWAMI
Director - Marketing

Shri R. VAIDYANATHAN
Director - Shipping

Shri R. RAVINDRAN
Director - Finance

Shri S. VASUDEVAN
Director - Agri Business

COMPANY SECRETARY

Shri S. SIVARAMAN

AUDITORS

M/s. FRASER & ROSS
Chartered Accountants,
4-A, Kences Towers, North Usman Road,
T. Nagar, Chennai 600 017.

BANKERS

ALLAHABAD BANK
BANK OF INDIA
CENTURION BANK LTD
CORPORATION BANK
HDFC BANK LTD
IDBI BANK LTD
INDIAN BANK
STATE BANK OF INDIA
STATE BANK OF MAURITIUS LTD
THE FEDERAL BANK LTD
THE KARNATAKA BANK LTD
THE KARUR VYSYA BANK LTD
TIMES BANK LTD
UCO BANK
UTI BANK LTD

REGISTERED OFFICE

"Adyar House", Chennai 600 085

PRINCIPAL OFFICE

"South India House"
36-40, Armenian Street,
Chennai 600 001.
Telephone : 5229341 (16 Lines)
Fax : 044 - 5224202 / 5223495

FROM THE DESK OF THE DEPUTY CHAIRMAN

Dear Shareholder,

The financial year 1998-99 will go down in the annals of Corporate India of being a year which will be remembered in more ways than one. The recessionary impact was near total in almost every sector of the economy, and save for a few industries, most companies were reeling under its impact. Money supply was severely restricted, inventories were piling up, export growth declined and the number of companies that went under the purview of the BIFR was quite alarming.

However post budget, the current year has shown signs of a positive improvement in certain critical areas. The threat of a full-scale war with Pakistan has now abated and hopefully Corporate India should be able to march forward given the right impetus from the Government of India.

I am indeed proud to state that despite these very difficult times, SICAL has registered an excellent performance with turnover up at Rs. 1794 crores and profits after tax being Rs. 24 crores. The Earnings per share has gone up to Rs. 6.66 from Rs. 4.86 and the book value of the Company's share to Rs. 66.70 from Rs. 50.80. At this juncture, I would like to extend a warm welcome to the shareholders of MAC Agro Industries who have joined the SICAL shareholder fraternity consequent to the merger now completed.

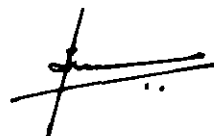
Going on to the performance of the Company, I must inform you that the Logistics division has continued to be a star performer having transported 25 million MTs of bulk cargo through the ports they operate in and have set

qualitative milestones in handling. The key to maintaining or increasing profits in these testing times is to cut back on costs which we have successfully done.

While the Sugar and Refractories divisions were hardest hit last year, we have worked out a strategy through which both these divisions should begin to show a vastly improved performance this year. The Refractories division has already shown positive changes and the Sugar division will definitely do so during the next crushing season.

I am very closely involved in the business affairs of the Company and am working towards ensuring that SICAL strides confidently into the next millennium. The results for the 1st quarter have shown a profit growth with a cut back on expenditure and I am confident that 1999 -2000 will see SICAL post its best ever performance till date.

I have always firmly believed that a Company must direct all its efforts at maximising shareholders' wealth and it is this vision that drives me to work towards this end and I am sure with SICAL's current performance indicators, I shall be successful in my endeavour. I am grateful to all shareholders who have stood solidly behind the Company all these years but for which we would not have come this far.



Ashwin C. Muthiah

DIRECTORS' REPORT

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS OF THE COMPANY ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 1999

The Board of Directors of your Company have great pleasure in presenting the 44th Annual Report together with the Audited Accounts for the year ended 31st March 1999.

Your Directors wish to inform that the amalgamation of Trichy Everest Automobiles & Agencies Private Limited effective 1st April 1997 and that of MAC Agro Industries Limited effective 1st April 1998, as cleared by the shareholders, has duly been approved by the Hon'ble High Court of Judicature, Chennai on 25.08.98 and 25.06.99 respectively. The financial results of the Company include the merged accounts of both the companies as of 31st March 1999.

FINANCIAL RESULTS

Your Company has registered a remarkable performance during the year under review with sales and other income having gone upto Rs.1794.07 crores from Rs.794.79 crores in the previous year.

Profit before tax has risen to Rs.30.92 crores from Rs.23.34 crores and after providing for taxation, the Net Profit is Rs.24.02 crores as against Rs.15.20 crores in 1997-98.

(Rs. in crores)

	Year ended 31.03.1999	Year ended 31.03.1998
Sales & Other Income	1794.07	794.79
Profit before interest, Depreciation and tax	97.52	61.70
Interest	54.87	28.28
Cash Profit	42.65	33.42
Depreciation	11.73	10.08
Profit before tax	30.92	23.34
Provision for tax	6.99	7.50
Tax relating to prior year	(0.09)	0.64
Net Profit	24.02	15.20
Earnings per Share (EPS) (Rs.)	6.66	4.86
Book Value per Share (Rs.)	66.70	50.80

DIVIDEND

Your Directors have pleasure in recommending a Dividend of 25% on the Equity Share Capital and Preference Dividend at agreed rates on the Preference Shares issued on Private Placement basis.

PREFERENCE SHARES

On 30.11.98 your Company has raised and redeemed 1,00,00,000 14% Redeemable Cumulative Preference Shares of Rs.10/- each to Housing Development Finance Corporation Limited, by way of Private Placement.

PERFORMANCE OF ALL DIVISIONS

The performance of the Company for the year ended March '99 has been quite remarkable especially since most of the divisions were affected in one way or the other due to the recessionary trends in the economy. The Sugar, Transportation, Car Sales and Refractory divisions were most affected. However, due to a series of measures initiated in time, the Company was able to ensure that profitability levels were not abnormally affected.

With the merger of MAC Agro Industries Limited into SICAL, the Company has re-structured itself into 5 distinct business groups, viz.,

1. The Logistics Group, comprising Shipping, Clearing & Forwarding, Stevedoring, Trucking, Warehousing and Travels.
2. The Marketing Group, comprising Building Materials and Vehicle Sales.
3. The Agro Group, comprising Sugar, Coffee, Palmoil, Speciality Chemicals, Cytozyme, Distillery & IMFL.
4. The Manufacturing Group, comprising Auto Components, Flexible Shafts, Drums and Refractories.
5. The Engineering Group, comprising Construction, Property Development and Boat Building.

LOGISTICS GROUP

This Group has done exceedingly well for the year despite directly feeling the effects of the economic slow-down with sluggish demand, drop in imports, falling freight rates, etc. The performance of the TNEB coal transportation contract continues to be on target and we have achieved new milestones in ship-loading, discharge and wagon loading, building up adequate stock levels at the thermal stations. But for strikes at Chennai Port during May, July and September 1998, volumes would have been higher.

The Jawahar Dock (JD) V berth taken on lease under the Berth Reservation Scheme for 20 years also performed well in the first year with throughput at 11.54 lakh MT's as against 6.80 lakhs MT's required to be done. This was possible due to the Company achieving consistently high discharge rates.

The Shipping division also performed creditably and was able to rope in new principals besides increasing revenues through chartering.

The Transportation division has been going through very difficult times with increased operating costs and falling two-way loads. The Company is now contemplating a downsizing of fleet-strength and re-focussing on port-based logistics rather than mere inland logistics.

The Warehousing division continues to perform consistently at targeted levels with full occupancy at all its godowns.

MARKETING GROUP

Comprising the Building Materials and Vehicle Dealership divisions, has had a mixed performance in the year gone by. The Building Materials division performed very well notwithstanding the perceptible fall in the construction business. This division continues to retain its position as the single largest distributors of Tata pipes in the country. The dealership for Finolex cables continues to be a profitable acquisition.

With the automobile industry passing through very difficult times, the Vehicle Dealership division has not performed as one would have expected. The entry of newer models of cars, increased competition and the recessionary impact took its toll on off-take. However, this division, in the current year, has begun on a better note and hopefully the worst is behind it.

AGRO GROUP

The total production of sugar during the year was 49166.70 MT's. Due to commissioning of new Single Milling Tandem Plant (SMT) the Company was able to crush 3900 MT's of cane per day as against 3500 MT's earlier. However, due to very depressed prices for sugar for most part of last year, the entire industry was severely affected. Import of sugar continues even today causing great concern and hardship for all producers as both input and sale prices are regulated by the Government.

Palm Oil division has commercialised the milling activities with effect from 12.12.98 and crushed 11989 MT's of Fresh Fruit Bunches (FFBs) and produced 2182 MT's of Crude Palm Oil during the year under review. The Company has also brought in an additional 300 acres of land for Oil Palm cultivation in Krishna and Godavari Districts.

The Company has harvested 576 MT's of Coffee and earned an income of Rs.293.91 lakhs, but due to a sharp fall in coffee prices, the profitability dropped below last year's levels.

During the financial year, the Distillery division at Mundiampakkam produced 31.28 lakh litres of potable alcohol and bottled 13.04 lakh cases of IMFS. The Company stepped up the production of IMFS during the year 1998-99 from 8.12 lakh cases to 13.04 lakh cases. The international prices for Furfural is low and hence the production of Furfural has been affected.

The production and sale of Cytozyme liquid and granules continued to be good during the year under review.

The Speciality Chemicals division has developed flocculents and anti-scalents for cooling towers and manufacturing units. The turnover was Rs.220.84 lakhs.

MANUFACTURING GROUP

Save for the barrels unit, the other divisions, viz., Auto-Components, Refractories and Flexible Shaft did not perform as expected. The Refractories division was the worst hit as its fortunes were directly linked to that of the cement and steel industry bore the brunt of the economic downturn. However, since March '99, there

has been a remarkable improvement consequent to the relocation of the unit at Virugambakkam to Vanagaram and consolidation thereafter, downsizing of workforce and improvement in product-mix. The performance of this division in the current year is expected to be far better.

The Auto-Components division, after a sluggish start last year has begun to show improvement and the performance in the first 3 months of the current year has been excellent with substantial orders flowing in. The Flexible Shafts division was affected for 2 months by an industrial unrest which has since been resolved and performance is back on target.

ENGINEERING GROUP

There has not been significant activity in the Property Development division in view of the sluggish market. However, the Civil Construction division was able to bag orders worth Rs.20 crores and work is in progress. The creditable performance has been from the Boat-building division which bagged a prestigious order for building three passenger-cum-cargo vessels for Andaman & Nicobar Shipping Administration. This division has been doing well in all its activities, viz., Woodward Governor, Ship Repair and Boat Building.

SUBSIDIARY COMPANIES

PEARL SHIPS LTD.

Due to very depressing market conditions for the shipping industry, the Company earned an income of Rs.27.51 crores, and has declared a loss of Rs.18.05 crores for the year ended 31st March 1999. The Company is going through a restructuring phase and there should be a marked improvement in the performance in the current year.

SOUTH INDIA HOUSE INVESTMENTS LTD.

The Company has earned a Net Profit of Rs.54.07 lakhs for the year ended 31st March 1999.

MAC PLANTATIONS PRIVATE LTD.

The Company continues to be a subsidiary under Sec. 4(1)(a) of the Companies Act, 1956, in terms of an agreement dated 3.3.97 entered into with the Company and consequent to the approval of the shareholders of MAC Plantations Pvt. Ltd. (MPPL) vide an EGM resolution dated 27.3.97, the majority directors of MPPL have been nominated from the Board of Directors of your Company.

The management, control and administration of the Company has been vested with the nominee Directors of SICAL.

SDB CISCO (India) LTD.

The Company ceases to be a subsidiary of SICAL in view of disinvestment of shares in favour of M/s.CISCO of Singapore and consequent to increase in the issued capital of the subsidiary Company.

OTHER INTERESTS

PSA SICAL Terminals Limited : The Company had signed a joint venture agreement with PSA India Pte. Ltd., Singapore and Nur Investments and Trading Pte. Ltd., in July 1998 for development, management and operation of the seventh berth at Tuticorin as a full fledged container terminal on BOT basis. The Civil Engineers division of SICAL has been awarded a turnkey contract for civil, electrical and mechanical works. The construction activities are in progress and the terminal operations will commence by November 1999. On completion, it will be the most modern and efficient container handling terminal in the country.

New project in the Auto Components Division : A technical assistance agreement was signed with United Technologies Automotive Inc., USA for the manufacture of engine cooling modules. The factory is situated at Maraimalai Nagar, near Chennai. The civil work is progressing on schedule and installation of plant and machinery will be completed by mid October, 1999. This unit will go into commercial production by first week of November, 1999. UT Gate, a division of UT Automotive Inc., which had provided the technical know-how for the manufacture of engine cooling modules has been acquired by Johnson Electric Automotive Inc., of Hongkong and a fresh agreement is being entered into.

MAC-CWT Distriparks Limited : A joint venture between SICAL, CWT Distribution of Singapore and Nur Investments and Trading Pte. Ltd., Singapore has set up a state-of-the-art container freight station at Chennai and has been performing fairly well keeping in view the sluggish marketing conditions. Your Company has proposed to inject additional capital alongwith other promoters to enable MAC CWT Distriparks Limited to meet its growth Plan.

Y2K COMPLIANCE OF OUR INFORMATION SYSTEMS

The impact of the Y2K bug on our Information Systems has been assessed to be insignificant due to appropriate strategic measures taken by us over the past couple of years and plans being pursued during the current year.

However, we have embarked on a Y2K Compliance Audit Programme, whereby detailed Impact Analysis of individual Application Software Programs, and Remediation work, wherever required, have been completed. On-site System Testing and Implementation work are being carried out at the various End-User locations.

As a result, we are confident that we shall be fully prepared to meet the Y2K, and carry on with our normal business operations without any interruption, well into the new millennium.

DIRECTORS

Mr. S.Pichaiah, Director (Manufacturing) resigned from the Directorship of the Company w.e.f. 28.2.99.

Mr. R.Muthu, Mr. Tony Adam, and Mr. R.Ravindrar Directors retire by rotation and being eligible offer themselves for re-election.

Mr. S. Chandra Das, Mr. Dhananjay Narendra Mungale and Mr. S. Vasudevan were inducted as additional Directors with effect from 10.7.99. As per Section 260 of the Companies Act, 1956, they will hold office as Directors only upto the date of this Annual General Meeting and as per Section 257 of the Companies Act, 1956 notices have been received from members signifying their intention to propose them as Directors alongwith the deposit of Rs. 500/- each (refundable if appointed).

AUDITORS

The Company's Auditors M/s.Fraser & Ross, Chartered Accountants, Chennai, retire at the conclusion of this annual general meeting and are eligible for re-appointment as auditors of the Company for 1999-2000.

PUBLIC DEPOSITS

The Provisions of Section 58-A of the Companies Act 1956, with regard to the acceptance/renewal of Fixed Deposits have duly been complied with.

The number of Fixed Deposits matured and unclaimed as on 31st March 1999 amounted to Rs.34.68 lakhs in 178 accounts out of which 76 accounts amounting to Rs.9.35 lakhs have since been renewed/refunded during current year.

LISTING OF SHARES

The Company's Equity shares are listed on Madras and Mumbai Stock Exchanges.

The Company has also admitted its equity shares on National Stock Exchange w.e.f. 28.4.99 for listing.

INFORMATION PURSUANT TO SEC.217 OF THE COMPANIES ACT, 1956

Particulars required under Section 217 (1)(e) of the Companies Act, 1956, read with the Rules framed thereunder are given in Annexure I, which forms part of this Report.

The particulars required under Section 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975 are given in Annexure II, which forms part of this Report.

RELATION WITH EMPLOYEES

Your Directors wish to place on record, their appreciation of the efficient and loyal services rendered by the employees at all levels throughout the Company.

ACKNOWLEDGEMENT

Your Directors wish to thank the Company's Bankers Financial Institutions, Port and Customs Authorities Customers and the Suppliers for their unstinted support extended to the Company.

For and on behalf of the Board

Place : Chennai
Dated : 10th July, 1999

Dr. A.C. MUTHIAF
Chairman

ANNEXURE I TO DIRECTOR'S REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY:

- a) Energy Conservation measures taken:
Soft Starters are installed to reduce high starting consumption of energy in the Power Presses.
- b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy:
Energy conservation measures are being continued as suggested by C.I.I.
- c) Impact of the measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
General improvement in fuel efficiency and energy consumption.
- d) Total energy consumption per unit of production given in the enclosed FORM A:

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per FORM B of the Annexure. Form B Enclosed.

C. FOREIGN EXCHANGE, EARNINGS AND OUTGO

- i) Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services and export plans.
- ii) Total Foreign Exchange:
Used : Rs. 171.98 lakhs
Earned : Rs. 574.59 lakhs

FORM "A"

DISCLOSURE OF PARTICULARS WITH REFERENCE TO CONSERVATION OF ENERGY

Sl.	PARTICULARS	DIVISIONS				SPECIALITY CHEMICALS
		REFRACTORIES	SUGAR	IMFS	PALM OIL	
1.	Power & Fuel Consumption					
a)	Purchased units (kwh.)	2810762 (2394665)	8805228 (955764)	— (918542)	266294 (4141)	77309 (105430)
	Total Amount Rs.	11308635 (9038141)	2584754 (4110769)	— (3353567)	1188297 (12423)	389070 (489948)
	Rate per unit (Rs./kwh)	4.02 (3.77)	2.94 (4.30)	— (3.65)	4.46 (3.00)	5.03 (4.65)
b)	Own Generation (Thro' Generator)					
	Unit/kwh produced	124668 (95133)	34878 (30128)	— (12708)	59546 (188255)	894 (361)
	Unit per litre of Diesel oil	2.73 (2.35)	0.83 (7.25)	— (2.11)	4.39 (2.37)	1.02 (16.44)
	Through Steam turbine/Generator (unit)	— —	12423625 (7481322)	— —	— —	— —
	Cost per Unit Rs.	3.67 (4.73)	5.22 (5.28)	— (5.12)	4.39 (4.92)	— —
2.	Coal used in Gas producer / DD Kiln					
	Tonnes	2129 (2448)	— —	— —	— —	— —
	Total Cost Rs.	5939492 (6557346)	— —	— —	— —	— —
	Average Rate/M.T.	2790 (2679)	— —	— —	— —	— —

Sl.	PARTICULARS	REFRACTORIES	SUGAR	DIVISION			SPECIALITY CHEMICALS
				IMFS	PALM OIL		
3.	Furnace oil used in S.C., H.T. Kiln & Tunnel Kiln						
	Quantity in Ltrs	1678690 (1479641)	— —	— —	— —	— —	— —
	Total Amount Rs.	9677775 (10282281)	— —	— —	— —	— —	— —
	Average Rate/Ltrs.	5.77 (6.95)	— —	— —	— —	— —	— —
CONSUMPTION PER UNIT PRODUCTION							
1.	Produced	(Gross)	28095 (22785)	— —	— —	— —	— —
		(Net)	25557 (20451)	— —	— —	— —	— —
	Electricity (kwh/Tonne of output) (Sugar per (Qtl.)	Units	104 (109)	27.13 (18.94)	— —	— —	— —
2.	Refractory produced thro' Gas producer (Tons)	(Gross)	13050 (11643)	— —	— —	— —	— —
		(Net)	11431 (9906)	— —	— —	— —	— —
	Coal (Kgs/Tonne of Output)	in Kgs	163 (210)	— —	— —	— —	— —
	Furfural (Units/MT)		— —	— (1649.09)	— —	— —	— —
3.	Produced thro' S.C. Kiln. High Temp. and Turnnel Klin (Tons)	(Gross)	15596 (12069)	— —	— —	— —	— —
		(Net)	14126 (10545)	— —	— —	— —	— —
	Furnace Oil (Ltr/Tonne of output) Ltrs.	108 (123)	— —	— (34144)	— —	— —	— —
	Total Amount	— —	— —	— (12964579)	— —	— —	— —
	Average Rate (Rs./KL)	— —	— —	— (6817)	— —	— —	— —
4.	Enery Conservation Measures	The installed Economisers in use					

Coal, Furnace Oil and L.D. Oil consumption include calcination of certain Raw Materials and Electricity, Coal and Oil consumption rates are worked on Gross production.

* As the furfural plant was under shut down during the year, the above information is not applicable/required.

** Previous year's figures have been re-classified wherever necessary.

*** The figures mentioned in brackets are related to previous year.