

Sical



South India Corporation (Agencies) Limited
45TH ANNUAL REPORT 1999 - 2000

OPERATING RESULTS AT A GLANCE

(Rs. in Lakhs)

	1999-2000	1998-99	1997-98	1996-97	1995-96
Sales & Other Income	1,93,960.04	1,79,286.99	79,478.62	46,202.32	13,827.10
Profit Before Depreciation, Interest and Tax	10,785.32	9,632.47	6,170.24	4,925.44	2,012.23
Interest	5,775.27	5,367.27	2,828.03	2,450.25	1,234.53
Profit before Depreciation and Tax	5,010.05	4,265.20	3,342.21	2,475.19	777.70
Depreciation	1,448.90	1,173.10	1,008.46	846.21	126.33
Provision for Taxation	960.14	689.62	814.10	223.77	108.89
Profit after Tax	2,601.01	2,402.48	1,519.65	1,405.21	542.48
Transfer to:					
Capital Redemption Reserve	23.50	0.00	0.00	0.00	200.00
Contingency Reserve	150.00	150.00	0.00	165.00	0.00
Debenture Redemption Reserve	471.00	481.33	302.00	0.00	0.00
General Reserve	289.71	500.00	500.00	500.00	66.00
Networth	19,033.48	18,375.93	12,829.84 *	13,648.29	8,720.85

*After conversion of Preference Shares into Equity.

BOARD OF DIRECTORS

Dr. A.C. MUTHIAH
Chairman

Shri ASHWIN C. MUTHIAH
Deputy Chairman

Shri S. CHANDRA DAS
Director

Shri R. MUTHU
Director

Shri DHANANJAY NARENDRA MUNGAL
Director

Shri JAWAHAR VADIVELU
Director

Shri TONY ADAM
Managing Director

Shri R. RAVINDRAN
Finance Director

Shri S. VASUDEVAN
Director - Commercial

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
GLOBAL TRUST BANK LTD
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
UCO BANK
UTI BANK LTD

REGISTERED OFFICE

“Adyar House”, Chennai 600 085

PRINCIPAL OFFICE

“South India House”
New No. 73 (Old Nos. 36-40),
Armenian Street, Chennai 600 001.
Telephone : 5229341 (16 Lines)
Fax : 044 - 5224202
Email : sicaedp@md2.vsnl.net.in
Website : www.sical.com

FROM THE DESK OF THE DEPUTY CHAIRMAN

Dear Shareholder,

In the environment of the "New Economy", our Government Policies based on liberalization and WTO guidelines, combined with recently introduced economic and financial reforms are bound to open up wider opportunities for the Industry and business to grow at a rapid pace. Furthermore, the E-commerce and E-business would virtually demolish all trade barriers and remove constraints, thus facilitating global trading. For India to become an economic power in the region, future opportunities will need to be encashed in time, maximising all our strengths.

While the fiscal deficit may still continue for quite sometime, the increased business opportunities will invite FDIs and also attract Government funding, particularly in large infrastructural projects for optimal utilisation of our resource potential and to support industrial growth. With the government setting its aim at 7% to 8% annual growth, and the worst of the recession behind us, the future for Corporate India does indeed look brighter and will open flood gates to global trading where development of infrastructural and service sectors are bound to get a big boost.

We all know that competition in every sphere of business activity is increasing by the day and every Company is doing its utmost to cut back on costs and improve the quality of its products and services as this alone can pave the way for a sustained business growth. Well aware of this, SICAL, has been working hard towards strengthening its core business activities with a long term view and I must say that the efforts put in has been reflected in the fairly impressive results, the Company has achieved.

- *Turnover has touched Rs. 1940 crores up 8% from Rs. 1793 crores.*
- *PBT has jumped to Rs. 35.61 crores from Rs. 30.92 crores.*
- *EPS is Rs.7.53 from Rs. 6.66.*
- *The Book value has risen to Rs. 75.30 from Rs. 66.70.*

In this emerging economic and business scenario, SICAL's strategy to focus on total logistics with the aim to become India's largest supply chain management service provider is a realistic vision, given our strengths and experience, in our core business. SICAL has bagged a few long term contracts in the logistics business, one

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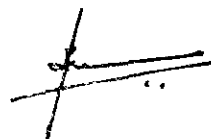
of which is the 20 year BOOT contract for handling TNEB's coal volumes through the new port of Ennore. The second is the LOI received from M/s. Videocon Power Limited for a similar operation, also for 20 years at Ennore. SICAL's logistics division continues to maintain its leadership position in the handling of bulk cargo having attained a volume of 27.4 million MT's of cargo handling in 1999-2000, an all time record. Several new milestones in cargo handling have been set by the Company. I am confident that the steps taken in this division will see it posting even better results in the current year.

The performance of the Company overall would have been even better but for the losses we continue to suffer in the Sugar division. We have initiated several measures in the Sugar division to improve the recovery through a change in varieties and a retrofitting of the plant through an introduction of a 5th mill which will significantly improve the recovery and reduce losses.

As far as the Refractory division is concerned, we have been able to cut back on the losses suffered in the preceding year and have been able to curtail them to almost a third of what it was. We are hopeful that this year this division would start generating profits.

SICAL has released its results for the first quarter and have been in line with the budgeted targets we have set down. A lot of hard decisions have been taken and the divisions which do not fit into the future business strategy of SICAL will be hived off and efforts are already on the way to achieve this objective. Ultimately, it is my intention to place SICAL in the forefront of its chosen business lines, and as a Company that earn the admiration of its stake holders, through its commitment to deliver value through sustained growth.

I sincerely acknowledge with gratitude and thanks the support of all our shareholders who have stood solidly behind the Company all these years. You have been a source of great strength to this Company.



Ashwin C. Muthiah

DIRECTORS' REPORT

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS OF THE COMPANY ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2000

The Board of Directors of your Company have great pleasure in presenting the 45th Annual Report together with the Audited Accounts for the year ended 31st March 2000.

FINANCIAL RESULTS

Your Company has achieved higher turnover and profits during the year under review with sales and other income having gone upto Rs.1939.60 crores from Rs.1792.87 crores in the previous year and gross profit from Rs.96.32 crores in 1998-99 to Rs.107.85 crores in 1999-2000.

	(Rs. in crores)	
	Year ended 31.03.2000	Year ended 31.03.1999
Sales & Other Income	1939.60	1792.87
Profit before interest,		
Depreciation and tax	107.85	96.32
Interest	57.75	53.67
Cash Profit	50.10	42.65
Depreciation	14.49	11.73
Profit before tax	35.61	30.92
Provision for tax	9.49	6.99
Tax relating to prior year	0.11	(0.09)
Net Profit	26.01	24.02
Earnings per Share (EPS) (Rs.)	7.53	6.66
Book Value per Share (Rs.)	75.30	66.70

DIVIDEND

Your Directors have pleasure in recommending a dividend of 25 % on the Equity Share Capital of the Company. Preference dividend at agreed rates on the Preference Shares issued on private placement basis had been paid as per covenants entered into with the preference shareholders.

SHARE CAPITAL

Consequent to the amalgamation of MAC Agro Industries Ltd., with your Company w.e.f. 1st April, 1998, as per orders dated 25th June, 1999, of Hon'ble High Court of Madras, 22,38,198 Equity Shares of Rs.10/- each were issued and allotted to the shareholders of erstwhile MAC Agro Industries Limited and as a result of which the Equity Share Capital has increased from Rs.25.31 crores to Rs.27.55 crores and 1,70,00,000 preference shares of Rs.10 each were issued and allotted on private placement basis to the preference shareholders of erstwhile MAC Agro Industries Limited.

During the year under review, 14% Redeemable Preference Shares for Rs.10 crores and 15% Redeemable Preference Shares for Rs. 3 crores were redeemed and the Company has issued and allotted 9% Redeemable Preference Shares for Rs.5 crores and 13% Redeemable Preference Shares for Rs.5 crores on private placement basis.

PERFORMANCE OF THE COMPANY

Your Company for the year under review has put in a performance much better than the previous year both in terms of turnover and profits. While some divisions performed exceedingly well viz. Logistics, Ship Repair and Boat Building, Marketing and Auto Components, the continuing down trend in Sugar was a main concern, losses of which, pulled down an otherwise impressive bottomline.

LOGISTICS GROUP

Being the core business activity of the Company, this group has put in an excellent performance for the period ended March'2000. Turnover for the Logistics group has crossed the Rs.1000 crores mark for the very first time touching Rs.1216.32 crores.

Profits before tax were substantially higher reflecting the very high performance standards attained during the year. This division handled 27.4 million MT's of cargo during the year which would have been even higher but for the suspension of operations at Paradip port due to the devastating cyclone which paralysed operations for well over a month.

The Jawahar Dock 5th berth (JD5) taken on a long term lease under a berth reservation scheme for 20 years has performed much better than even anticipated with throughput at the berth recording a new high of 1.52 million MT's as against the guaranteed throughput of 0.82 million MT's which is almost double the committed quantity. We have been able to achieve this only by setting very high standards in productivity and quick evacuation of cargo to prevent congestion.

The Logistics group added another feather to its cap by bagging the first mega BOOT tender floated by the Tamil Nadu Electricity Board (TNEB) in handling of coal at the new port of Ennore. This contract was bagged amidst stiff competition and your Company will be sourcing state-of-the-art shore based unloaders from M/s Samsung Heavy Industries of Korea and operations at the new port of Ennore is slated for May 2001.

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When in full operations, this terminal will be required to handle 8 million tons of coal per annum over the next 20 years.

The **Stevedoring division** of this group has crossed a million ton in product handling at the port of Goa in only its second year of operations at that port.

The **Shipping and Warehousing divisions** of the Logistics group continued to maintain their momentum of growth and the **Trucking division** has after passing through difficult times bounced back with a much better performance and as a part of our supply chain management philosophy, has begun operations on the west coast and has moved 75,000 MT's of cargo in this region in the last year.

MARKETING GROUP

Comprising of the **Building Materials and Vehicle Sales divisions**, the performance has been in line with the targets set down. The Building Material division has performed quite creditably and has raised the volume of traded materials sold, quite substantially. This division continues to hold the coveted position of the single largest dealer for Tata pipes in India. This apart, this division, in a short span, after being appointed as dealer for Finolex Cables, has garnered a 30 percent market share in South India.

The **Vehicle Sales division** did reasonably well and the OPEL dealership received the "best of the best" dealer awards-All India for sales, spares and service. This division attained the number one position in sales of spares of Hindustan Motor's range of vehicles in the dealer category and has crossed the Rs.5 crores mark last year. This achievement won them apart from the incentives, a Mitsubishi Lancer Car as a reward.

AGRO GROUP

Unfortunately, the continuing downward trend in the performance of the **Sugar division** had a dampening effect on the otherwise excellent performance of the Company. Losses in the sugar division was Rs.16 crores for the year gone by which was mainly on account of increase in price of cane and a lower recovery. Steps have been initiated to arrest this problem through planting of high yielding cane varieties which would be available over the next season increasing the recovery by atleast 1% and the introduction of the 5th mill which would also augment the recovery as well. Several cost cutting measures have been initiated including an exit policy for employees and all these decisions cumulatively will ensure that the current year's performance improves remarkably.

Plans are also afoot to go in for a 22 MW Bagasse fired Co-generation plant which would be installed by

January, 2002 and would improve significantly the viability of the sugar division.

The **Distillery division's** operations as well as the production of **IMFS** has been very good last year and in all 14.6 lakh cases were bottled against 13 lakh cases in the previous year. Our market share has shown an increase of 1% over the previous year. We have received approval from the government to introduce our own brands from this year and steps have been initiated.

Due to the failure of the monsoon, production of **Coffee** dropped. This coupled with low prices had a dampening effect on the performance of the division with a result that there was a marginal loss.

Due to a fall in international price of **Palm Oil** by 50%, the division could not achieve its targeted profits despite exceeding production, by 81% (2182 tonnes to 3948 tonnes) as compared to last year.

MANUFACTURING GROUP

This group comprising the Auto Components, Refractories, Flexible Shafts and the Barrels manufacturing divisions, has performed reasonably well, save for the **Refractory division** which is yet to recover from the sharp down turn witnessed in the last three years. However, due to several cost cutting measures initiated and a better product mix, the losses sustained by this division were sharply lower at only a third of that recorded in the preceding year. The Company is confident that the current year 2000-2001 will turn positive.

The **Auto Components division** has performed remarkably well with a sharp rise in turnover and a healthy improvement to the bottom line. To strengthen our business in the auto component field, it was considered desirable to bring in our collaborator M/s Mitsuba Corporation as an equity partner to ensure that this division benefits from most modern and updated technology and efforts are on to finalise a JV agreement, wherein the Auto Component division dealing with Mitsuba's range of products would be spun off into a separate entity with the Japanese partner taking a majority stake in view of the technical expertise that they would be bringing in.

ENGINEERING GROUP

While there has not been any significant activity in the **Property Development division** in view of the sluggish market condition, the **Civil Engineers division** has performed well and has bagged orders worth Rs.11.58 crores. This division also successfully completed the construction and commissioning of the 7th berth

(container terminal) at Tuticorin port for PSA SICAL Terminals Limited in a record time.

The Ship repair and Boat Building division has been recording a consistent improvement in profits and the Boat Building division has bagged quite few orders which would ensure that the current year's performance is even better.

OTHER INTEREST

SICAL - COECLERICI LOGISTICS LIMITED

Your Company has entered into a Joint venture agreement with M/s Coeclerici Logistics s.p.a. of Italy to strengthen its presence in offering off-shore logistics solutions in Indian Ports. The Joint venture Company "SICAL - COECLERICI LOGISTICS LTD" has been incorporated and it is at an advanced stage of securing a couple of valuable contracts. Your Company has proposed to inject Rs.3 crores as its share capital.

SICAL - CWT DISTRI PARKS LIMITED

During the year under review, this Company had significantly increased its operations in the warehouse and container handling. It has handled 10415 TEUs in 1999-2000 registering a growth of 204% over the last year. This Company had posted a net profit of Rs.29.19 lakhs in its second year of operations since commencement of business. The Company has improved the market share substantially and even in the current year the prospects are excellent with substantial improvement in the bottom line.

PSA-SICAL TERMINALS LIMITED

This Company which is into container Terminal operations at Tuticorin, has commenced its operations in December, 1999. Since the start of commercial operations, it has been able to maintain high levels of productivity and has recorded an impressive growth in throughput of 39405 TEUs from 107 ships.

DIRECTORS

The Board of Directors inform with regret the sudden demise of our Founder Chairman Dr. M.A. Chidambaram on 19.1.2000. The Board of Directors also recalled the invaluable services rendered by him during the tenure of his service over 5 decades and placed the same on record.

Mr. V.K.Gopalakrishnan, Director (Refractories), retired on 31st July, 1999 and Mr. S.Krishnaswami, Director (Marketing) and Mr. R.Vaidyanathan, Director (Shipping) also retired from the services of the Company on 21st December, 1999. Your Directors placed on record the valuable services rendered by them.

Mr. R.Muthu, Mr. Jawahar Vadivelu and Mr. Tony Adam, Directors retire by rotation, at this Annual General Meeting and being eligible, offer themselves for re-election.

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 the current financial year 2000-2001.

FIXED 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 2000 amounted to Rs. 32.82 lakhs in 194 accounts out of which 49 accounts amounting to Rs.9.33 lakhs have since been renewed/refunded during current year.

Y2K COMPLIANCE

Your Company has achieved a smooth transition of Y2K Compliance of information system.

DEMATERIALISATION (DEMAT) OF EQUITY SHARES

Regarding DEMAT of shares, the facility is available from 7th March, 2000 and it would become compulsory w.e.f. 28th August 2000, as per SEBI guidelines. Hence the shareholders are advised to DEMAT their shares to avoid risks associated with holding the share certificates in physical form.

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.

SUBSIDIARY COMPANIES

a. PEARL SHIPS LTD.

The recessionary trend in the shipping industry continues and as a result the Company could not perform well during the year under review. The Company earned an

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income of Rs.58 crores, and has incurred a loss of Rs.22.24 crores for the year ended on 31st March 2000. This Company is exploring the prospects of replacing the existing bulk carriers with younger vessels and with the upturn in the market, it is expected to do reasonably well in the coming years.

b. SOUTH INDIA HOUSE INVESTMENTS LTD

During the year under review, this Company has reported a loss of Rs.1.61 crores.

c. MAC PLANTATIONS PRIVATE LTD.

The Board of Directors of your Company had withdrawn the nominee Directors namely Shri Ashwin C Muthiah, and Shri. R.Ravindran from the Board of Directors of the MAC Plantations Pvt. Ltd., w.e.f. 28.1.2000. The earlier agreement dated 03.03.1997 entered into with the above Company to manage, control and administer the whole affairs of it, had also been cancelled. As a consequence

of the above, MAC Plantations Pvt. Ltd., ceases to be a subsidiary of your Company.

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 : 20th June, 2000

Dr. A.C. MUTHIAH

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:

The Company continues its policy of giving priority to Energy conservation measures including regular review of energy generation and consumption and effective control on utilisation of energy.

b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy:

Installation of a cogeneration power plant based on bagasse is under consideration.

c) Impact of the measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The measures taken by the Company have contributed to reduction in energy consumption and related cost. Efforts continue to further reduce the consumption of energy.

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 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. 145.61 lakhs

Earned : Rs. 2427.73 lakhs

FORM "A"

DISCLOSURE OF PARTICULARS WITH REFERENCE TO CONSERVATION OF ENERGY

Sl. No.	PARTICULARS	DIVISIONS	
		REFRACTORIES	SUGAR
1.	Power & Fuel Consumption		
a)	Purchased units (kwh.)	3133798 (2810762)	659208 (880528)
	Total Amount Rs.	14211123 (11308635)	3374720 (2584754)
	Rate per unit (Rs./kwh)	4.53 (4.02)	5.12 (2.94)
b)	Own Generation (Thro' Generator)		
	Unit/kwh produced	149437 (124668)	24586 (34878)
	Unit per litre of Diesel oil	2.96 (2.73)	1.60 (0.83)
	Through Steam turbine/Generator (unit)	— —	12921611 (12423625)
	Cost per Unit Rs.	4.25 (3.67)	7.20 (5.22)
2.	Coal used in Gas producer / DD Kiln		
	Tonnes	2696 (2129)	— —
	Total Cost Rs.	7348179 (5939492)	— —
	Average Rate/M.T.	2726 (2790)	— —
3.	Furnace oil used in S.C., H.T. Kiln & Tunnel Kiln		
	Quantity in Ltrs	1961300 (1678690)	— —
	Total Amount Rs.	17714359 (9677775)	— —
	Average Rate/Ltr.	9.03 (5.77)	— —
CONSUMPTION PER UNIT PRODUCTION			
1.	Produced (in M.T.)	(Gross)	
		33355 (28095)	— —
		(Net)	
		31120 (25557)	— —
	Electricity (kwh/Tonne of output) (Sugar per Qtl.)	Units	
		98 (104)	29.00 (27.13)
2.	Refractory produced thro' Gas producer (M.T.)	(Gross)	
		14274 (13050)	— —
		(Net)	
		13340 (11431)	— —