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19TH ANNUAL REPORT 1997-98

SUDAL

INDUSTRIES LIMITED

(FORMERLY SUDARSHAN ALUMINIUM INDUSTRIES LTD.)

AN ISO 9002 COMPANY



SUDAL INDUSTRIES LIMITED - FINANCIAL STATISTICS

(Rupees in Lacs)

	1993-1994	1994-1995	1995-1996	1996-1997	1997-98
Income	1354.56	2717.57	2769.17	3203.35	3154.02
Raw Materials	795.06	1673.92	1657.14	1960.47	1939.44
Stores & Spares	38.56	62.74	59.42	72.13	83.39
Packing Charges	9.64	10.86	8.57	14.52	17.57
Power & Fuel	106.12	134.84	140.78	194.24	219.73
Excise Duty	249.25	341.32	313.82	371.29	375.53
Salary & Wages	54.96	68.48	78.04	101.37	108.62
Other Expenses	75.26	165.95	171.99	176.99	199.52
Interest	89.66	166.63	159.23	181.03	182.58
Depreciation	17.86	21.03	31.25	32.82	21.76
Prior Year Adjustments	112.63	6.23	(32.58)	(18.05)	13.23
Profit / (Loss)	30.82	77.32	116.37	80.44	19.51

SUDAL INDUSTRIES LIMITED**SUDAL'S**

Vision: To bring up SUDAL to be one of the premier Aluminium Extruder and preferred supplier of Quality Extrusion and to exceed customer expectation and achieve customer delight.

Mission: To work together and to provide our customers with uncompromising quality, innovation and continuous improvement which will result in the profitable growth and financial strength of our company.

Focus: To expand & diversify into manufacture of quality and sophisticated aluminium extrusions mainly for Industrial Customers and achieve International competitiveness and standards comparable in the world in Extrusion for :-

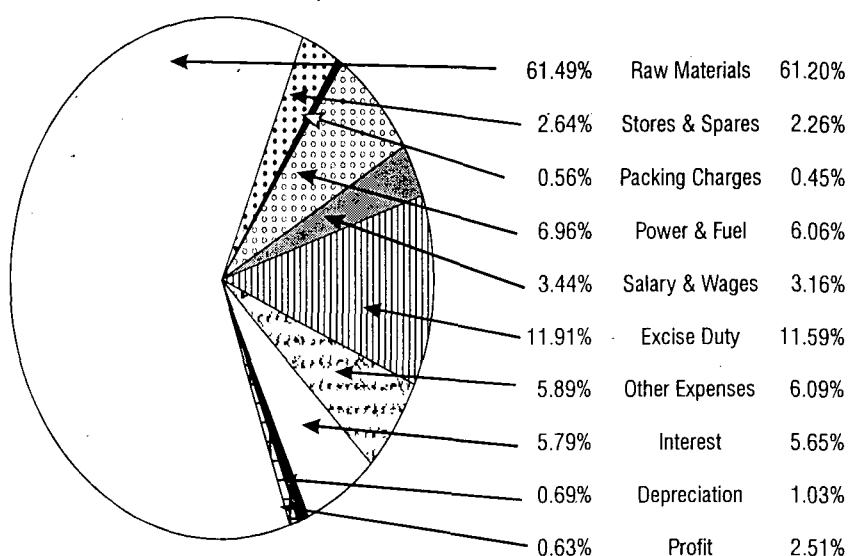
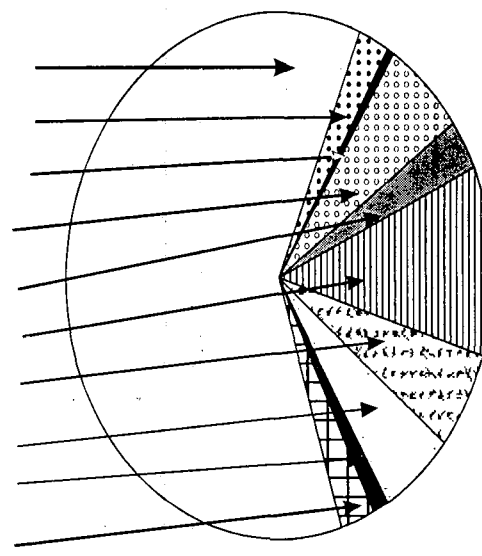
1. Transportation Systems & Automotive Components.
2. Building & Construction and Architectural Systems.
3. Infrastructure.
4. Consumer Durables.

Strategy: Leveraging our core capabilities and developing flexible, market driven, high performance organization.

Values: SUDAL committed to :-

1. Employ honesty, openness & integrity in all relationship with fellow employees, customers & suppliers and obtain their involvement.
2. Continuous improvement.
3. Exceed customer expectation.
4. Stock-holders satisfaction.
5. Social responsibility.

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SUDAL INDUSTRIES LIMITED
FRACTION OF A RUPEE**1997 - 1998****1996 - 1997**



BOARD OF DIRECTORS

Shri Balkrishna Binani

Shri Rajendra Somani

Shri Satyanarayan Saraf

Shri I. C. Jain

Smt S. Kamal Surya
(ICICI Nominee)

Shri Sudarshan S. Chokhani
Jt. Managing Director

Shri C. M. Maniar (Addl. Director)

Shri H. R. Rao

Shri Deokinandan Ajitsaria

Shri Shriram C. Chokhani
Chairman and Managing Director

(Syndicate Bank Nominee)

AUDITORS

Lodha & Company — Chartered Accountants, Karim Chambers, 40, Ambalal Doshi Marg, Mumbai 400 023.

SOLICITORS AND ADVOCATES

Crawford Bayley & Co., State Bank Building, N. G. N. Vaidya Marg, Mumbai 400 023.

BANKERS

Syndicate Bank

SECRETARY

Shri K. G. Inamdar

REGISTERED OFFICE

26, Nariman Bhavan, 227, Nariman Point, Mumbai 400 021.
Phone No : 2023845 ; 2024053.

PLANT

A-5, M.I.D.C. Ambad Industrial Area, Nashik 422 010. Maharashtra.
Phone No : 382396 / 397.

REGISTRARS AND SHARE TRANSFER AGENTS

Sharepro Services, 912, Raheja Centre, Nariman Point, Mumbai 400 021.
Members' Register, Index etc. are kept only at the office of Registrars and Share Transfer Agents,
M/s. Sharepro Services

Request to Members

Annual Reports will not be distributed at the Annual General Meeting in view of the high cost of paper and printing. Members are, therefore, requested to bring their copies of the Annual Report to the Meeting.

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that Nineteenth Annual General Meeting of the members of Sudal Industries Limited will be held on 20th August, 1998 at 11.00 A.M. at the Walchand Hirachand Hall The Indian Merchants Chambers, Near Churchgate Station, Mumbai - 400 020 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors Report, Audited Statement of Profit & Loss Account for the year ended 31st March, 1998 and Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Shri D.N. Ajitsaria who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Shri S.N. Saraf, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from conclusion of this meeting until conclusion of the next Annual General Meeting and to fix their remuneration. The retiring Auditors, M/s. Lodha & Company, Chartered Accountants, are eligible for reappointment.

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass, with or without modifications, the following resolution as Special Resolution.

"RESOLVED THAT pursuant to the provisions of Sections 269, 309, 311 & Section 198 (4) as & when applicable and other provisions if any, of the Companies Act, 1956 or applicable amendments thereof and subject to the approval as may be required from the concerned authorities, the Company hereby approves of the terms of reappointment and remuneration including minimum remuneration, as per the applicable provisions of schedule XIII of the Companies Act, 1956 amended/to be amended from time to time, to Shri Sudarshan S. Chokhani who has been reappointed by the Board of Directors as the Jt. Managing Director of the Company for a further period of 5 years from the date of expiry of his present term of Office viz. 1st November, 1998 upon the terms & conditions as contained in the Agreement proposed to be entered into between the Company and Shri Sudarshan S. Chokhani, a draft whereof is placed before the meeting and, for purpose of identification, subscribed by the

Chairman of the Board of Directors and broadly set out in explanatory statement with liberty to the Board of Directors to alter and vary the terms & conditions of the said reappointment in such manner as may be agreed to between the approving authorities and the Board of Directors of the Company and acceptable to Shri Sudarshan S. Chokhani".

"AND RESOLVED FURTHER THAT, the Board of Directors of the Company be & is hereby authorised to do all acts, deeds, matters and things as may be considered necessary or desirable to give effect to this resolution".

6. To consider, and if thought fit, to pass, with or without modifications, the following resolution as the Ordinary Resolution.

"RESOLVED THAT Shri Chaitan M. Maniar, be an is hereby appointed as Director of the Company liable to retire by rotation".

NOTES

A. An explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business under Item No. 5 and 6 above set out, is annexed hereto.

B. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of him. A proxy need not be a member.

C. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting duly Completed, Stamped and Signed.

D. The Register of members and the share transfer register of the company will remain closed from 13th August, 1998 to 20th August, 1998 (both days inclusive).

By order of the Board

K.G. INAMDAR
COMPANY SECRETARY

REGISTERED OFFICE:
26, Nariman Bhavan,
227, Nariman Point,
MUMBAI - 400 021.

Place : Mumbai
Dated : 26th June, 1998.

ANNEXURE TO THE NOTICE

Explanatory Statement under Section 173 (2) of the Companies Act, 1956.

Item No. 5.

Shri Sudarshan S. Chokhani is the Jt. Managing Director of the Company whose term of appointment as Jt. Managing Director is expiring on 31st October, 1998.

Despite the various unforeseen constraints faced by the Company, due to his perseverance, efforts and able support to Shri Shriram C. Chokhani, Managing Director in day-to-day working and also in policy decisions; Company could withstand and sail through the troubled waters. The Board of Directors had in view of his undoubted sincerity and ability, decided to re-appoint him as the Jt. Managing Director of the Company.

His association as Jt. Managing Director will be beneficial to the Company.

The draft Agreement *inter alia*, contain the following terms & conditions:

Period: 5 years from 1st November, 1998.

Remuneration:

1] Salary: Not exceeding Rs. 28,500/- per month, such amount as the Board may determine.

2] Commission: Subject to the ceiling prescribed in this behalf under the Companies Act, 1956.

3] Perquisites:

Accommodation (Furnished or otherwise), or House Rent Allowance in lieu thereof, House Maintenance Allowance, together with utilities thereof, Education Allowance for dependent children, Entertainment and News Paper & Periodicals Allowance, Medical Reimbursement; Leave Travel Allowance for himself & his family; Club Fees (Maximum two clubs), Medical Insurance etc., in accordance with rules of the Company or as agreed by the Board of Directors, the total value thereof such perquisites shall be restricted to an amount maximum permissible under schedule XIII of the Companies Act, 1956 or not exceeding the annual salary.

4] Retirement Benefit:

Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, 1961. Gratuity payable in accordance with the rules of the Company or as per the Gratuity Act amended from time to time, and the value of such benefits shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

5] Use of Car and Telephone:

Provision of the Company's car and driver for use on the Company's business and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for purpose of calculating the said ceiling.

Shri Sudarshan S. Chokhani shall also be entitled for earned/privilege leave as per rules of the Company. Leave accumulated and not availed of during his tenure as Jt. Managing Director may be allowed to be encashed at the time of his retirement or otherwise.

If during the currency of tenure of Shri Sudarshan S. Chokhani, the Company has made no profits or its profits are inadequate in any financial year, he will be entitled to remuneration by way of salary and perquisites not exceeding the limits specified above as and by way of minimum remuneration.

As Jt. Managing Director, Shri Sudarshan S. Chokhani will exercise overall control over the day-to-day operations of the Company along with Shri Shriram C. Chokhani, Managing Director subject to the control and superintendence of the Board of Directors.

The Jt. Managing Director shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling Agency of the Company without prior approval of the Central Government.

If at any time, the Jt. Managing Director ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Jt. Managing Director in terms of the Agreement.

The Agreement may be terminated by either party by giving to the other party three months notice of such termination.

Shri Sudarshan S. Chokhani is interested in the resolution.

Shri Shriram C. Chokhani, Shri S. N. Saraf and Shri D. N. Ajitsaria related to Shri Sudarshan S. Chokhani.

None of the other Directors, is in any way, concerned or interested in this resolution.

This may also be treated as an abstract of the draft agreement between Shri Sudarshan S. Chokhani and Company pursuant to Section 302 (2) of the Companies Act, 1956.

The Draft Agreement is available for inspection by the members of the Company at the Registered Office of the Company between the hours of 11.00 a.m. and 1.00 p.m. on any working day of the Company.

The Resolution is commended for your consideration & adoption.

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Shri Sudarshan S. Chokhani has expressed his intention, to the Board, of not drawing Salary, which shall be decided by the Board from time to time.

Item No. 6.

Shri Chaitan M. Maniar, the Alternate Director to Shri S. N. Saraf, appointed as the Additional Director w.e.f 26/06/98, under Section 260 of the Companies Act, 1956, and holds that office only upto the date of ensuing Annual General Meeting.

A notice in writing under Section 257 of the Companies Act, 1956 has been received from the member of the Company expressing his intention to propose Shri C. M. Maniar as a candidate for the office of Director at the ensuing Annual General Meeting.

Shri C. M. Maniar is a partner of Crawford Bayley & Co., Solicitors & Advocates firm.

Your Board of Directors consider that it would be advisable that Shri C. M. Maniar acts as an ordinary Director instead of holding a directorship as the Alternate Director.

Therefore, Board commend his appointment as proposed in the resolution. Except Mr. C. M. Maniar, none of the other Directors may be considered, to be concerned or interested in passing of resolution.

By order of the Board

K.G. INAMDAR
COMPANY SECRETARY

REGISTERED OFFICE:
26, Nariman Bhavan,
227, Nariman Point,
MUMBAI - 400 021.

Place : Mumbai
Dated : 26th June, 1998.

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DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors hereby present the 19th Annual Report and Audited Statement of Account for the year ended 31st March, 1998.

FINANCIAL RESULTS

	For the year ended 31.03.1998 (Rs. in Lakhs)	For the year ended 31.03.1997 (Rs. in Lakhs)
Sales and Income from Operations	3143.88	3059.69
Other Income	0.17	1.47
	<u>3144.05</u>	<u>3061.16</u>
Profit before interest and depreciation	210.62	312.33
Interest	182.58	181.02
Depreciation	21.76	32.81
Profit/Loss	6.28	98.50
Add(+)/Less(-): Prior year adjustment (Net)	(+) 13.23	(-) 18.05
Net Profit	19.51	80.45

As compared to last year, in spite of adverse factors like continued slow down in the economy and in industrial production as also less growth in User Sector Industries, the Company could achieve marginally better turn over. However, profitability was affected mainly because of pressure on selling prices due to increasing competition and increasing cost of production which could not be passed on fully.

Further, the performance could have been better, if the workers had reached a minimum level of production and productivity as per the Agreement. There were no factors to preclude the same.

Had the Company not been affected by the above reasons, the profits/production would have been higher than that what achieved.

As per the provisions of the Companies Act, 1956, the Company has to refrain from declaring any dividend.

PROSPECTS:

It is hoped that the key objectives set out by the new

Government will be translated in to practice to strengthen the foundations of the Indian Economy, restore the momentum of industrial growth, accelerate the development of the Infrastructure, Macro Economic stability and control over inflation.

The Government has already set out priority areas such as Housing, Infrastructure, Fast track power projects, Roads etc. which may accelerate the industrial growth in the User Sector Industries i.e. Architectural, Transport, Electrical which are end use sectors of your Company's products.

However, the success of achieving key objectives is much dependent on implementing the policy decisions and overcoming strategically the pervaded Asian crisis and recently in Japan. Moreover, this situation has been further aggravated by the recent developments in India and the sanctions imposed by U.S.A., Japan as also withholding the support by World Bank, G-8 Countries and European Union.

Therefore, the demand in the User Sector Industries is likely to be affected where your Company's products are used. But we have yet to see the extent of its impact on User Sector Industries.

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The Company's negotiations with a leading manufacturer of Structural & Curtain Wall Systems to supply its' sections are taking final shape.

TECHNICAL ASSISTANCE AGREEMENT WITH REYNOLDS (EUROPE) LIMITED:

Though the Company is implementing the suggestions and recommendations of Technical Audit Reports of Reynolds and technical assistance received as per the existing Plant & Equipment, however, the objectives to both REL & Sudal were not achieving and consequent to the certain decisions taken by Reynolds International Inc. as a part of strategic planning, the Technical Assistance Agreement was terminated with mutual consent before its' date of expiry.

DIVERSIFICATION & NEW VALUE ADDED PRODUCTS:

Company has developed extruded sections & supplying regularly for many new applications.

TOTAL QUALITY MANAGEMENT:

The Company is using its best endeavours to achieve Total Quality Management & System and accordingly ISO 9002 certificate has been renewed for three years. The Company also plans to obtain QS 9000 Certification.

IMPLEMENTATION OF THE SCHEME:

Board for Industrial & Financial Reconstruction has passed the order on 26/11/97 that the sanctioned Scheme has since been substantially implemented, accordingly the Company has ceased to be a sick industrial Company within the meaning of Section 3 (1)(O) of the Act and no longer to be dealt with by the Board.

INDUSTRIAL RELATIONS :

The Company is enjoying cordial relations with its workers.

CONSERVATION OF ENERGY:

Particulars are given in Annexure - 'A'.

TECHNOLOGY ABSORPTION:

Details are given in Annexure - 'B'.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

- A) Activities and initiative for export of the Company's Products.

The Company has exported its products to Sri Lanka. Constant follow up with prospective buyers and renewing the contacts with them is the main thrust.

B) DEVELOPMENT OF NEW EXPORT MARKET:

The Company is exploring market for Sprinkler and Drip Irrigation System in Middle East and Asian countries along with extruded products in developed countries.

C) EXPORT PLAN:

During the year the Company is planning for its long term business relations.

During the current year under review the Foreign earnings and outgo were as follows:-

a) Earnings	:	Rs. 40,10,294
b) Outgo	:	Rs. 1,06,363

INSURANCE:

All movable and fixed assets (on revalued basis) are adequately insured.

DIRECTORS:

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Sarvashri D. N. Ajitsaria and S. N. Saraf retire by rotation and, being eligible, offer themselves for re-appointment.

The members approval is being sought for the re-appointment of Shri Sudarshan S. Chokhani as the Jt. Managing Director of the Company on the terms of appointment set out in the Explanatory Statement annexed to the notice of the meeting.

Shri C. M. Maniar has now joined the Board of the Company as the Additional Director w.e.f 26th June, 1998. A member has given notice in writing proposing his candidature for directorship and accordingly the proposed resolution will be moved at the ensuing Annual General Meeting for his appointment as a Director, liable to retire by rotation.

PARTICULARS OF EMPLOYEES:

Regarding particulars of the Employees, as prescribed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, is furnished in the Annexure 'C' to the report.

AUDITORS' REPORT:

As regards observation made in the Auditors Report with regard to note no. 17, the Directors feel that the note is self explanatory.

**AUDITORS:**

The retiring Auditors, Lodha & Company, Chartered Accountants have indicated their willingness to continue in Office and are recommended for re-appointment for the ensuing year.

its Bankers, Syndicate Bank, to all customers, to HINDALCO, NALCO, other suppliers, Government Authorities, (including BIFR) and to those employees who have dedicated themselves to improve the work of the Company and above all to the Shareholders.

COST AUDIT:

As per the Central Government's directive, the Company has appointed Mr. Narottam L. Tola, Cost Accountant, as Cost Auditor for the Audit of Cost Accounts maintained by the Company under the applicable provisions of the Companies Act, 1956.

For and on behalf of the Board

SHRIRAM C. CHOKHANI
CHAIRMAN & MANAGING DIRECTOR

ACKNOWLEDGEMENTS:

Directors convey their deep gratitude to Financial Institutions (ICICI, IDBI, IFCI, IRBI, Indian Bank, SICOM), to

Place : Mumbai

Dated : 26th June, 1998

ANNEXURE 'A'

A) Measures taken to conserve energy:

i] Insulation of hot furnace oil delivery line, ii] Furnace lining with insulation done as per PCRA recommendation, iii] Fitted timer on intermittently operated motor for switching off when on "NO-LOAD" more than the specified time iv] Automatic motor load monitor for switching off motor when motor is on "NO-LOAD" for more than particular time v] Photosensing cells provided on extrusion cutting rollers to switch off when no material on rollers for movement, vi] Continuous monitoring.

B) Additional investment proposed:

i] Recuperator on melting furnace as recommended by PCRA - Rs. 2.0 Lakhs.

C) Impact of (A) above:

Furnace oil consumption is reduced as evident in Annexure - A. Proposed recuperator will further reduce oil consumption.

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel Consumption	Current year 1997-98	Previous year 1996-97
1. Electricity		
(a) Purchased Units	47,67,222	43,34,086
Total Amount (Rs).	1,85,86,164	1,58,19,650
Av. Rate/Unit (Rs).	3.90	3.69
(b) Own Generation	Nil	Nil
(i) Through Diesel Generator		
Units/Ltrs. of Diesel Oil		
Costs/Units (Rs).	Nil	Nil
(ii) Through Steam Turbine/Gas		
Unit.		
Unit per ltr. of Fuel	—	—
Oil/Gas	—	—
Cost/Unit	—	—