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SUDARSHAN CHEMICAL INDUSTRIES LIMITED

SUDARSHAN CHEMICAL INDUSTRIES LIMITED

FORTY-NINTH ANNUAL REPORT 1999-2000

BOARD OF DIRECTORS

Dr. Ramwilas Jagannath Rathi	Executive Chairman
Mr. Takashi Miyashita	
Alternate - Mr. Shoji Kokuzawa	
Mr. Hirohito Ando	
Alternate - Mr. Yasuo Shikama	
Mr. Takeshi Kumagai	
Alternate - Mr. Jun Sakai	
Mr. Yasumichi Kawamura	
Alternate - Mr. Hironobu Asano	
Dr. Neelkanth Annappa Kalyani	
Mr. Bansibhai Sunderlal Mehta	
Mr. Pralhad Parsram Chhabria	
Mr. Dara Nadirshaw Damania	
Mr. Shrikrishna Narhar Inamdar	
Mrs. Anupama Vinay Ranade	Nominee of ICICI
Mr. Balkrishna Jagannath Rathi	Vice Chairman
Mr. Kishor Laxminarayan Rathi	Managing Director
Mr. Pradeep Ramwilas Rathi	Managing Director

VICE PRESIDENT & SECRETARY

Mr. Narayandas Jagannath Rathi

BANKERS

Bank of Maharashtra
State Bank of India
Bank of Baroda
The Sakura Bank Ltd.

AUDITORS

M/s. B. K. Khare & Company
Chartered Accountants

REGISTERED OFFICE

162 Wellesley Road,
Pune 411 001 (India)
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SUDARSHAN CHEMICAL INDUSTRIES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS : 1999-2000

Your Directors have pleasure in presenting their 49th Annual Report together with the Audited Statement of Accounts for the year ended on 31st March 2000.

1. FINANCIAL HIGHLIGHTS :

	1999-2000 (Rupees in million)	1998-1999 (Rupees in million)
Gross Sales and Other Income	2359.70	2253.25
Gross Profit	195.51	209.09
Less: Depreciation	98.34	102.43
Profit before Tax	97.17	106.66
Less: Provision for Taxation	20.00	31.00
Profit after Tax	77.17	75.66
Add :		
(i) Surplus in Profit & Loss Account as per last Balance Sheet	83.32	69.52
(ii) Transferred from Investment Allowance (utilised) Reserve	10.00	6.20
(iii) Transferred from Debenture Redemption Reserve	15.00	—
Net Profit available for appropriation	185.49	151.38
Appropriations		
(i) Interim Dividend @ 30%	20.77	—
(ii) Proposed Dividend - NIL (Previous year @ 30%)	—	20.77
(iii) Income Tax on Dividend	2.29	2.29
(iv) General Reserve	60.00	45.00
	83.06	68.06
Balance to be carried forward	102.43	83.32

2. THE YEAR IN RETROSPECT :

(A) Sales :

Gross Revenue for the year ended 31st March 2000 was marginally high at Rs. 2360 million as compared to Rs. 2253 million for the previous year. The Net Profit after tax for the year under review has also increased marginally from Rs. 75.66 million to Rs. 77.17 million. Stricter credit policy coupled with unfavourable market conditions affected the upward growth in revenues and profitability.

Nevertheless, the Company's performance, viewed in the context of unfavourable market conditions is considered satisfactory.

(B) Exports :

Revenues from Exports for the year ended on 31st March 2000 amounted to Rs. 576 million as against Rs. 584 million for the previous year.

In the Exports scenario the competition from China has increased. To add to it, the Euro Currency has weakened against Rupee to almost 20% from its inception, which has affected the profitability in exports adversely.

3. DIVIDEND :

Members are aware that the Board had declared an interim dividend of 30% for the year ended 31st March 2000 entailing an outflow of Rs. 23 million inclusive of 11% dividend tax. In view of the above no further dividend is being recommended.

4. DIRECTORS :

Dr. N. A. Kalyani, Mr. P.P. Chhabria, Mr. S.N. Inamdar and Mr. D.N. Damania, Directors of the Company are due to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

ICICI Ltd. has nominated Mrs. Anupama Ranade as a Director in place of Mrs. S. Mahalakshmi. Your Directors place on record their appreciation of the guidance given by Mrs. S. Mahalakshmi during her tenure as director of the Company. We are sure that Mrs. Ranade's guidance will be useful to the Company in future.

Mr. V.G. Rajadhyaksha, Director resigned during the year. The Board places on record its appreciation of the guidance and advice received from Mr. Rajadhyaksha during his association with the Company as a Director.

5. COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 :

Information in accordance with Section 217(1) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure and forms part of this Report.

6. HUMAN RESOURCES & EMPLOYEE RELATIONS:

The globalisation of markets has exposed the Indian Industry to very competitive market conditions. On the domestic front our labour laws are complex and impede productivity when compared to neighbouring country like China where there are hardly any regulations and restraints regarding salaries and wages, while in our country besides Dearness Allowance, Unions demand exorbitant increase in salaries and wages every three years during the renewal of the agreement. Compared to output, the cost of labour in India turns out to be high. The need of the hour is to create a level playing field for Indian Companies to compete successfully with their counterparts in other parts of the globe.

We are introducing productivity linked salaries and wages and there is a good response from the employees and the Union.

Employee relations continue to be in harmony. The Board records its appreciation of the commitment and support of employees at all levels. Particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 are annexed and forms an integral part of this Report.

7. FIXED DEPOSITS :

During the year under review, the Company accepted deposits amounting to Rs.33.13 million from the public. The total amount of deposits at the end of March 2000 stood at Rs.86.52 million.

Out of the deposits amounting to Rs.0.71 million from 105 Depositors, which fell due for repayment but were unclaimed before 31st March 2000, an amount of

Rs.0.23 million was subsequently renewed/claimed by the Depositholders. Balance amount of Rs. 0.48 million from 72 Depositors remain unclaimed.

8. AUDITORS :

M/s. B.K. Khare & Co., Auditors of the Company are due to retire at the ensuing Annual General Meeting. Members are requested to reappoint them and to fix their remuneration.

9. SAFETY AND ENVIRONMENT :

Safety and Environment Management continues to be a key result area for your Company. The Company is committed to ensure that "Zero Accidents" is the only acceptable standard of performance. The sustained high awareness and focus on this aspect of our operations is reflected in the recognition that is bestowed upon the Company time and again.

The Board is pleased to inform that The National Safety Council has selected our Mahad Factory for the coveted "Top Excellence Safety Award" from about 150 Companies all over the country. In this competition there were many multinational Companies. This is a unique achievement for the Company for which we are indeed very proud of. Pune factory continues to occupy the pride of place among Pune based industries by bagging the "The First Best Safety Performance Award" the sixth time in the last seven years in the Industrial Safety Competition held under the auspices of the Joint Director, Industrial Safety and Health and Rotary Club of Pune, North.

Elimination of any adverse impact of our operations on the environment is an ongoing programme and we ensure this through a comprehensive environmental management and audit system aimed at creating a clean environment — green environment.

10. ENTERPRISE RESOURCE PLANNING (ERP) :

Members are aware of the decision of the Company to implement ERP. The Board is pleased to inform that the ERP SAP system has gone live on 3rd January 2000 and connectivity successfully established between all the three factories of the Company at Pune, Roha and Mahad. The Company is now in the process of establishing connectivity with its branches and depots.

11. STATUS OF Y2K :

Your Company had taken adequate measures to combat the Y2K bug by meticulously testing all systems for compliance and detailing contingency plans in the event of an emergency. These measures ensured a smooth transition into the new millennium.

SUDARSHAN CHEMICAL INDUSTRIES LIMITED**12. OUTLOOK FOR THE FUTURE :**

The recovery of the Indian Economy seems to be finally underway from the cyclical downturn of the last few years with a marked improvement in key sectors of the economy.

The arrival of the internet is all set to revolutionize the way business is conducted. Your Company has been proactive in the adoption of information technology for faster responses and to ensure customer convenience. The implementation of ERP SAP System is a step in this direction. In addition, the Company plans to lay emphasis on reduction in raw material/process costs, improvement in product quality and introduction of new and value added products aimed at addressing customer preferences at acceptable prices. This along with other planned measures should help the Company post better result.

Pesticides sales are to a large extent dependent on a favourable and widespread monsoon throughout the country. The forecast of the Meteorological Department of a normal monsoon this year holds promise and augurs well for the industry in general. However, the last many years, despite a good prediction has seen the monsoon behave erratically. It is hoped that the monsoon will behave in line with predictions and boost Pesticides sales.

13. APPRECIATION :

Your Directors acknowledge with thanks the valuable technical assistance and guidance of our Joint Venture partners Dainippon Ink & Chemicals Inc., Japan in the working of the Company and not the least the support of Employees, Agents, Distributors and Dealers of the Company.

Your Directors also acknowledge with thanks the co-operation and the assistance given by Bank of Maharashtra, State Bank of India, Bank of Baroda, EXIM Bank, The Sakura Bank Ltd., The Fuji Bank Ltd., ABN Amro Bank, Banque Nationale De Paris, Financial Institutions viz. ICICI, GIC, NIC, OIC, NIA, UII, LIC, UTI, and Army Group Insurance Fund.

For and on behalf of the Board of Directors
For SUDARSHAN CHEMICAL INDUSTRIES LTD.

Pune, 30th June 2000

DR. R. J. RATHI
CHAIRMAN



ANNEXURE TO DIRECTORS' REPORT : 1999-2000**FORM A — DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****A. Power and Fuel Consumption :**

	1999-2000	1998-1999
1. Electricity		
(a) Purchased		
Units ('000 KWH)	25159	25920
Total Amount (Rs. in million)	108.93	105.97
Rate per unit (Rs.)	4.33	4.09
(b) Own Generation		
Units ('000 KWH)	350	290
Units per litre of diesel oil	3.63	2.68
Cost per unit (Rs.)	4.56	4.31
2. (a) Furnace Oil		
Quantity (K.Litres)	10229	10715
Total Amount (Rs. in million)	79.97	61.52
Average Rate (Rs./K.L.)	7818	5741
(b) LDO/HSD		
Quantity (K. Litres)	406	572
Total Amount (Rs.in million)	4.04	5.02
Average Rate (Rs./K.L.)	9942	8776

B. Consumption per unit of Production :

The Company's products comprise a wide range of diverse pigments, pesticides and intermediates. The product mix varies each year and the production process involves several operations in different plants. It is therefore not feasible to apportion the cost and consumption per unit of production.

FORM B — DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION**RESEARCH & DEVELOPMENT (R & D) :****1. Specific areas in which R & D has been carried out by the Company are :**

- Existing Pigments - Improvement in the quality and modifications to meet the customer's changing requirements.
- New grade of Pigments - Development and market introduction.
- Pearl Pigments - Development and introduction of newer grades.
- Pesticides - Newer formulations and pilot plant trials of newer technical Pesticides.
- Speciality Chemicals - Development of speciality chemicals.
- Cost Reduction by Process improvement and energy saving work.

2. Benefits derived as a result of the above R & D :

- Improvement in productivity and product quality.
- Export promotion and Import substitution.
- Improvement in safety, environment protection and energy saving.
- Cost reduction.

3. Future plan of action :

Continued stress and efforts in R & D to achieve improvement in productivity, efficiency, quality and reduction in energy and other costs.

R & D will be concentrated on Export market requirement.

4. Expenditure on R & D for 1999-2000 :

- Capital : Rs. 11.80 million
- Recurring : Rs. 19.99 million
- Total : Rs. 31.79 million
- Total R & D expenditure as a percentage of Total Turnover : 1.35%.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**1. Efforts, in brief, made towards technology absorption, adaptation and innovation:**

The technology absorbed from the collaborators and other available sources has been absorbed and effected after making modifications wherever necessary.

2. Benefits derived as a result of above efforts :

Benefits derived include improved quality, development of new products, import substitution and cost reduction.

3. Information concerning imported technology :

Technology imported	Year of Import	Status of absorption
For Organic Pigments and Intermediates from M/s. Dainippon Ink & Chemicals Inc., Japan.	1990-91	Absorption on a continuous basis.

4. Foreign Exchange Earnings & Outgo:

- Total Foreign Exchange Earned : Rs. 548.42 million
- Total Foreign Exchange Used : Rs. 168.24 million
- Net Foreign Exchange Earned : Rs. 380.18 million

For and on behalf of the Board of Directors
For SUDARSHAN CHEMICAL INDUSTRIES LIMITED

Pune, 30th June 2000

DR.R.J.RATHI
CHAIRMAN

SUDARSHAN CHEMICAL INDUSTRIES LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF
SUDARSHAN CHEMICAL INDUSTRIES LIMITED

We have audited the attached Balance Sheet of SUDARSHAN CHEMICAL INDUSTRIES LIMITED as at 31st March, 2000 and the Profit and Loss Account for the year ended on that date annexed thereto 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 paragraph 1 above, we report 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 account as required by law, have been kept by the Company so far as appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us.
 - (c) The Balance Sheet and Profit and Loss Account dealt with by the report, are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in sub-section 3(C) 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 said Accounts, read together 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 so far as it relates to the Balance Sheet, of the state of affairs of the Company as on 31st March, 2000,
 - and
 - (ii) in so far as it relates to the Profit and Loss Account of the profit of the Company for the year ended on that date.

For B. K. KHARE & COMPANY
Chartered Accountants

U. B. JOSHI
Partner

Pune : 30th June, 2000

ANNEXURE TO THE AUDITORS' 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 not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The stocks 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 procedures of physical verification of stocks followed by the management are 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 stocks is fair and proper in accordance with the normally accepted accounting principles and it is on the same basis except the change in the method of valuation as compared to last year and the reasons for such change, stated in note No.5 of Schedule 15 to the accounts, which has, however, no material impact on Profit & Loss Account.
7. In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 are not *prima facie*, prejudicial to the interest of the Company. We are informed that there are no companies under same management as defined under the then applicable Section 370(1B) of the Companies Act, 1956.
8. The Company has not granted any loans to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and there are no companies under the same management.
9. Parties to whom loans and advances in the nature of loans have been given, are repaying the principal amount as stipulated and are also regular in payment of interest, where applicable.
10. In our opinion and according to the information and explanations 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 purchases of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties, except where the purchases are made for special requirements of the company, in respect of which comparative quotations are not available, as explained to us.