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SUNSHIELD CHEMICALS LTD.

**13TH ANNUAL REPORT FOR THE YEAR
ENDED ON 30TH JUNE 1999**



SUNSHIELD

CHEMICALS LTD.

BOARD OF DIRECTORS

Mr. Patwardhan Vinaykumar	Chairman
Mr. Datar A. R.	
Mr. Junnarkar S. H.	
Mr. Kale M. D.	
Mr. Kelkar Satish M.	Vice Chairman & Managing Director
Mr. Patwardhan A. M.	

Company Secretary

Mr. Pandit D. B.

Auditors

M/s. Tembey & Mhatre
Chartered Accountants

Bankers

Bank of Baroda
The Saraswat Co-op. Bank Ltd.
State Bank of India

Solicitors

M/s. Kanga & Company.

REGISTERED OFFICE

Janki Niwas, N. C. Kelkar Road,
Dadar, Mumbai 400 028.
Tel. : 430 1454, 430 1057, 430 8261
Fax : 430 7094

SALES & MARKETING OFFICE

Yudhishtir, Ganesh Peth Lane,
Dadar, Mumbai 400 028.
Tel. : 431 3265, 436 1791, 431 2136

FACTORY / R & D CENTRE

Pali-Khopoli Road, Village Rasal,
Taluka Sudhagad, Dist Raigad,
Maharashtra.
Tel. : (02142) 42226

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of Sunshield Chemicals Limited will be held on Tuesday, 21st December, 1999 at 3.00 p.m. at the Karnataka Sangh Hall, T. H. Kataria Marg, Matunga, Mumbai 400 016 to transact the following business :-

ORDINARY BUSINESS :

1. To consider and adopt the Profit and Loss Account for the year ended 30th June 1999, the Balance Sheet as at that date and the Reports of the Board of Directors' and Auditor's thereon.
2. To appoint a Director in place of Mr. Vinaykumar M. Patwardhan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sandeep H. Junnarkar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Tembey & Mhatre, Chartered Accountants, Mumbai as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

5. 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 Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and further to the Ordinary Resolution passed by the shareholders at the 11th Annual General Meeting of the Company held on 24th September, 1997, the remuneration payable to Mr. Satish M. Kelkar, Managing Director of the Company for the period 1st April 1999 upto the end of his tenure expiring on 31st March 2002 be partially modified to the effect that so long as Mr. Satish M. Kelkar continues to be the Managing Director of Schenectady Specialities Asia Limited (formerly known as "Sunshield

Organics Limited" and hereinafter referred to as "SSAL"), Mr. Satish M. Kelkar shall in accordance with Section III of Schedule XIII of the Companies Act, 1956, draw remuneration from both the Company and SSAL provided that the total remuneration drawn from both the Company and SSAL does not exceed the higher maximum limit admissible from either of the two companies and in that connection the salary, perquisites, retirement benefits and other facilities payable to Mr. Satish M. Kelkar as Managing Director of the Company as altered, be and are hereby approved with such alteration and variation being within the existing overall remuneration as already sanctioned to Mr. Satish M. Kelkar at the said 11th Annual General Meeting of the Company held on 24th September, 1997;

RESOLVED FURTHER THAT subject to the forgoing, the terms of appointment and remuneration payable to Mr. Satish M. Kelkar as Managing Director of the Company during the remaining period of his tenure as Managing Director of the Company upto 31st March, 2002 as sanctioned by the shareholders at the said 11th Annual General Meeting of the Company held on 24th September, 1997 do remain unchanged;

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do, perform and execute all acts, deeds, matters and things as may be necessary, proper, desirable or expedient to give effect to this resolution."

By Order of the Board of Directors
For **SUNSHIELD CHEMICALS LIMITED**

Sd/-
D. B. Pandit
Company Secretary

Mumbai, 29th October, 1999

Registered Office :
Janki Niwas, N. C. Kelkar Road,
Dadar, Mumbai 400 028.


SUNSHIELD CHEMICALS LIMITED
NOTES :

1. A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy in order to be effective should be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
4. The Register of Members and the Share Transfer Books will remain closed from Tuesday, 7th December 1999 to Tuesday, 21st December, 1999 (both days inclusive)
5. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries in writing to the Secretary of the Company at its Registered Office so as to reach at least seven days before the date of the meeting.
6. Members are requested to bring their own copies of the Annual Report. Copies will not be distributed at the meeting.
7. Members are requested to intimate the change in their address, if any, to the Secretary of the Company, at its Registered Office, quoting their folio numbers.
8. Nomination facility :- Consequent to the introduction of Section 109A of the Companies Act, 1956 individual members are entitled to make a nomination in respect of the shares held by them. Members desirous of making a nomination in prescribed "Nomination Form 2B" are requested to write to the Secretarial Departmental of the Company at its Registered Office.

EXPLANATORY STATEMENT

Pursuant to Section 173 (2) of the Companies Act, 1956.

Item No. 5

The shareholders at the 11th Annual General Meeting of the Company held on 24th September, 1997 had approved the re-appointment of Mr. Satish M. Kelkar as Managing Director of the Company for the period 1st April, 1997 to 31st March, 2002 and at the said meeting had also approved the revised remuneration payable to Mr. Satish M. Kelkar for the period from 16th August, 1997 upto the remaining period of his tenure as Managing Director upto 31st March, 2002 on the terms therein stated.

The shareholders of the Company are aware that Mr. Satish M. Kelkar was at the material time Managing Director of Sunshield Organics Limited which company has since been renamed as Schenectady Specialities Asia Limited ("SSAL") and Mr. Satish M. Kelkar continues to be the Managing Director of SSAL. Mr. Satish M. Kelkar's present tenure as Managing Director of SSAL is upto 11th March, 2001.

While approving the remuneration payable to Mr. Satish M. Kelkar as Managing Director of the Company, it was provided that the Managing Director is specifically allowed to draw remuneration from Sunshield Organics Ltd. (i.e. SSAL) in his capacity as SSAL's Managing Director or in any other capacity and the amount of remuneration, if any, that may be drawn by Mr. Satish M. Kelkar will be reduced from the remuneration payable to him by the Company.

The Board of Directors of the Company at their meeting held on 29th October, 1999 decided that remuneration payable to Mr. Satish M. Kelkar by both companies shall be shared so long as Mr. Satish M. Kelkar continues to be the Managing Director of SSAL. Accordingly, the amount of remuneration drawn by Mr. Satish M. Kelkar from SSAL will, from 1st April, 1999, not be deducted from the remuneration payable to him by the Company. Towards that objective, the Board of Directors of the Company at the said meeting have decided to partially alter and vary the remuneration payable to Mr. Satish M. Kelkar for the period 1st April, 1999 up to 31st March 2002

on the specific understanding that such alteration would subsist only so long as Mr. Satish M. Kelkar continues to be the Managing Director of SSAL and in the event of his ceasing to be Managing Director of SSAL during the current tenure of his appointment as Managing Director of the Company expiring on 31st March, 2002, the remuneration as originally sanctioned to him by the shareholders at the 11th Annual General Meeting of the Company on 24th September, 1997 shall become payable to him for the remainder of his tenure thereafter upto the expiry of his present term as Managing Director on 31st March, 2002.

The revised terms of remuneration payable to Mr. Satish M. Kelkar as Managing Director for the period 1st April 1999 to 31st March, 2002, so long as he continues to be the Managing Director of SSAL, are as under :-

1. **SALARY :-** The Managing Director will be entitled to a basic salary of Rs. 25,000/- per month.
2. **COMMISSION :-** The Managing Director will be entitled to commission @ 1% of net profits of the Company computed as per Section 349, 350 and 351 of the Companies Act, 1956.
3. **PERQUISITES :**
 - a) **House Rent Allowance :** The Managing Director will be entitled to House Rent Allowance @ 60% of the basic salary drawn for the corresponding period. Alternatively, if he is staying in a rented house and if so desires, rent @ 60% of the basic salary drawn for the corresponding period will be paid on his behalf.
 - b) **Medical Reimbursement :** The Managing Director will be reimbursed medical expenses incurred for him and his family upto a ceiling of Rs. 17,500/- in one year.
 - c) **Leave Travel Concession:** The Managing Director will be entitled to Leave Travel Concession for himself and his family, equal to Rs. 17,500/- once in a year.
 - d) **Personal Accident Insurance :** The

Company will pay a premium not exceeding Rs. 4,500/- per annum towards Personal Accident Insurance Policy for the Managing Director.

- e) **Soft Furnishings :** The Managing Director will be reimbursed expenditure incurred by him on Soft Furnishings subject to a maximum of Rs. 5,500/- per annum.
- f) **Motor Car :** The Company shall reimburse the Managing Director all the actual expenses incurred by him for maintenance and usage of a Motor Car for Company's business. Alternatively, the Company will provide him with a Motor Car for use of Company's business. Expenditure incurred by the Company for personal usage, if ascertainable, will be recovered by the Company, otherwise the perquisite value for the same will be evaluated in terms of the Income-tax Rules, 1962.
- g) **Telephone :** The Company will provide the Managing Director with a telephone at his residence. The cost of personal long distance calls (STD/ISD) will be recovered by the Company.

For the purpose of 'Perquisites', "Family" shall mean the Managing Director's spouse, his dependent children and his dependent parents. The Company will also be entitled to consider that quantum of perquisites provided to him which are not exempted income under the provisions of the Income-tax Act, 1961 and correspondingly deduct tax thereon from his salary.

4. **RETIREMENT BENEFITS :**

- a) **Contribution to Provident Fund :** The Managing Director will be required to become a member of the Provident Fund Scheme of the Company and eligible for coverage thereunder.
- b) **Superannuation Fund :** The Managing Director will be eligible for coverage under the Superannuation scheme as and when it is introduced by the Company.


SUNSHIELD CHEMICALS LIMITED

- c) **Gratuity** : The Managing Director will be entitled to gratuity in accordance with the Company's rules for the time being in force and the same shall not exceed half month's salary for each completed year of service.

payable to him for the remainder of his tenure thereafter upto the expiry of his present appointment as Managing Director on 31st March, 2002.

- d) **Leave Encashment** : The Managing Director will be entitled to leave encashment at the end of his tenure as Managing Director.

The above may be treated as an extract of the terms of appointment under Section 302 of the Companies Act, 1956.

4. OTHER FACILITIES :

- a) **Entertainment** : The Managing Director will be entitled to reimbursement of entertainment and other expenses incurred in the course of the business of the Company.

The copy of the draft of the Agreement proposed to be entered into with Mr. Satish M. Kelkar is available for inspection by the members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days except Saturdays, Sundays and Public Holidays.

- b) **Leave** : For each completed year of continuous service the Managing Director will be entitled to leave in accordance with the rules specified by the Company.

None of the Directors, except Mr. Satish M. Kelkar, is in any way, concerned or interested in the proposed resolution.

By Order of the Board of Directors
For **SUNSHIELD CHEMICALS LIMITED**

Sd/-
D. B. Pandit
Company Secretary

In the event of Mr. Satish M. Kelkar ceasing to be the Managing Director of Schenectady Specialities Asia Limited ("SSAL") during the current tenure of his appointment as Managing Director of the Company expiring on 31st March, 2002, the remuneration as originally sanctioned to him at the 11th Annual General Meeting of the Company held on 24th September, 1997 shall become

Mumbai, 29th October, 1999

Registered Office :
Janki Niwas, N. C. Kelkar Road,
Dadar, Mumbai 400 028.

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**SUNSHILED CHEMICALS LIMITED****DIRECTORS' REPORT**

Dear Shareholders,

Your Directors are pleased to submit their 13th Annual Report and Audited Accounts for the year ended 30th June, 1999.

1) OPERATIONS & PERFORMANCE OF THE COMPANY :**a) FINANCIAL RESULTS:**

Rs. in Lakhs		
Particulars	Current Year 1998-99 (July 98 to June 99)	Previous Period 1997-98 (15 months) (April 97 to June 98)
Gross Sales	1799	*3541
Other Income	64	16
Total Income	1863	3557
Less : Manufacturing & Other Expenses	1698	3226
Operating profit (PBIDT)	165	331
Less : Interest	103	220
Depreciation	55	101
Operating Profit before taxation	7	10
Add : Non-Operating Profit on Sale of Alkyl Phenol Business	0	*174
Less : Provision for taxation	0	5
Profit after Taxation	7	179
For reasonable comparison previous year's figures have been re-grouped/re-arranged.		
* Includes Alkyl Phenol sale of Rs. 1556 Lakhs. The assets of this business were sold to JV Company.		

b) PERFORMANCE :

- i) During the year i.e. 1998-99, the Company's business was manufacture and sale of "Speciality Chemicals" only.

In the previous period the gross sale

comprised of Alkyl Phenols and Speciality Chemicals.

Sales Mix was as follows :

	June 98 - July 99 (12 months)	April 97 - June 98 (15 months)
(Rs. in Lakhs)		
Speciality Chemicals	1799	1985
Alkyl Phenol	-	1556
	1799	3541

Speciality chemicals market situation was not encouraging - Demand recession and pressure on prices and margins.

ii) SHIFT OF FOCUS TO NICHE MARKETS/ PRODUCTS :

Members are aware that required steps to shift the thrust of business from Alkyl Phenols and Commodity Speciality Chemicals to "Niche Speciality Chemicals" are expected to take time and need additional investment. The Company is taking steps in stages and your directors believe that though, it would put a strain on the resources during the interim period, in the long run, it would go to build long term business.

Details of features in the current year were as follows :

- The Company after making provision for depreciation made a small profit of Rs. 7 lakhs during the current year.
- Interest cost has substantially reduced.
- Interest was earned by the Company on the promoters' loan of Rs. 300 Lakhs to the JV Company.
- The Company's Borrowings have come down.

2) DIVIDEND :

In the light of inadequacy of profits, your Board regrets to recommend payment of


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dividend for the year ending 30th June, 1999.

3) DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 read with Article 166 of the Articles of Association of the Company, Mr. Vinaykumar M. Patwardhan and Mr. Sandeep H. Junnarkar, directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

4) FIXED DEPOSITS :

There were no outstanding deposits as at the end of the relevant Financial Year.

5) AUDITORS :

M/s Tembey & Mhatre, Chartered Accountants, Mumbai, hold office upto the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have furnished the necessary certificate as required under Section 224 (1B) of the Companies Act, 1956. The Board recommends their appointment.

6) AUDITORS' REPORT :

The Company has not provided for diminution in the value of investment since the same is of a temporary nature. Since the amount of leave encashment has been provided for the first time on actuarial basis, previous year's figure is not available. Since the major portion of the leave encashment relates to a period prior to 30th June, 1998, the same has been written off as prior period expense.

7) YEAR 2000 (Y2K) COMPLIANCE :

The Company has reviewed the risk associated with Y2K compliance. All the applications, software and hardware systems have been made Y2K complaint in-house together with the contingency plan and the cost to address the same is not very material. In house expertise is available to cope with contingency, if any.

8) PARTICULARS OF EMPLOYEES :

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this report. However as per the provisions of Section 219 (1) (b) (iv) of the Companies

Act, 1956, the Reports and Accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Secretary at the Registered Office of the Company.

9) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

As required by Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 the relevant data pertaining to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in the prescribed format as an Annexure to this Report.

10) LISTING FEES :

The Company had paid Listing fees for the Financial Year 1999-2000 to all the four Stock Exchanges viz. The Stock Exchange - Mumbai, The Delhi Stock Exchange Association Ltd., The Stock Exchange - Ahmedabad and The Hyderabad Stock Exchange Ltd., where the Company's shares are listed.

11) APPRECIATION :

The Directors place on record their sincere appreciation of the support, which the Company continues to receive of the efficient services, rendered by the employees of the Company at all levels and unions wherever applicable. Your Directors also place on record their sincere appreciation of the wholehearted support extended by the Company's Bankers, business associates, shareholders and the Government.

BY ORDER OF THE BOARD OF DIRECTORS
For SUNSHIELD CHEMICALS LIMITED

Sd/-
(SATISH M. KELKAR)
Vice-Chairman &
Managing Director

Place : Mumbai
Date : 29th October, 1999



SUNSHILED CHEMICALS LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 30th June, 1999

A) CONSERVATION OF ENERGY :

The Company has always been conscious of the need to conserve energy. The Company is continuously identifying areas where energy can be saved and appropriate measures have been taken for optimising the energy conservation.

- a) Energy Conservation Measures taken;
i) Installation of a capacitor panel in the electrical distribution system. ii) Use of fuel additive for LDO used in Boiler. iii) Independent electrical metering and connected load.

- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy; Efforts continue to further reduce the consumption of energy.

- c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods; There is a saving in electrical energy and LDO consumption and requirement of electrical energy does not exceed the contract demand, thereby restricting electrical demand charges.

- d) Total energy consumption and energy consumption per unit of production as per Form A.

FORM A

Form for disclosure of particulars with respect to conservation of energy.

A. Power and Fuel Consumption

	Current Year ended **30-6-1999	Previous Period ended ** 30-6-1998
1. Electricity		
(a) <i>Purchased</i>		
Units (KW/H)	3,99,294	11,29,210
Total Amt.(Rs.)	16,29,120	43,70,007
Rate/Unit (Rs.)	4.08	3.87
(b) <i>Own Generation</i>	N.A.	N.A.
2. Coal	N.A.	N.A.
3. Furnace Oil		
Qty. (Ltr.)	71,720	8,26,908
Total cost	6,71,308	69,78,816
Average Rate	9.36	8.43
4. Others/Internal generations	N.A.	N.A.

B. Consumption per unit of production

	Current Year ended **30-6-1999	Previous Period ended ** 30-6-1998
<i>Products (with details)</i>		
Units (MT)	3,223.51	7,818.66
Electricity (Units)	124	143
Furnace Oil (Ltr.)	22	105

(Note : ** Notable difference in figures of current year as compared to figures of previous period of 15 months is due to items included relating to Alkyl Phenol business transferred to JV Company in the previous year.)

B. TECHNOLOGY ABSORPTION :

- (e) efforts made in technology absorption as per Form B.



SUNSHIELD CHEMICALS LIMITED

FORM B

Form for disclosure of particulars with respect to Technology Absorption Research and Development : (R & D)

1) Specific areas in which R & D carried out by the Company :

- New Products Development.
- Development and evolution of alternate raw materials
- Improvement in quality of existing products.
- Cost reduction
- Energy efficient processes

2) Benefits Derived as a result of the above R & D :

Improvement in the quality of products to meet the requirements of highly competitive market.

- Introduction of new products.
- Increased productivity.
- Improved market acceptability of products.
- Cost economy and efficiency.
- Development of new applications of the finished products.
- Availability of alternative sources of raw materials

3) Future Plan of action :

- Introduce environment friendly surfactants.
- Anti Oxidant for Plastics, Polymer, Greases and Oil Industries, Rubber.
- Develop newer products in the field of speciality chemicals for Paper, Ink, Polymer, Plastic, Perfumery, Resin, Adhesive Industry, Refineries, Lubes.

4) Expenditure on R & D :

- a) Capital Rs. 3,14,392/-
 b) Recurring Rs. 3,78,827/-
 c) Total Rs. 6,93,219/-
 d) Total R & D Expenditure as percentage of turnover : 0.38%

reduction, product development, import Substitution, etc.

3) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :

- | | |
|---|---|
| a) Technology imported |] Not Applicable as no imported Technology is put to use. |
| b) Year of import | |
| c) Has the technology been fully absorbed ? | |
| d) If not fully absorbed, areas where this has not taken place, reasons therefor, and future plans of action. | |

C) FOREIGN EXCHANGE EARNING AND OUTGO :

- f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans.

- g) Total foreign exchange used and earned:

	Current Year ended **30-6-1999	Previous Period ended ** 30-6-1998
	(Rupees in Lacs)	
i) Total foreign exchange used	45.55	225.05
ii) Total foreign exchange earned	3.98	21.66

(Note : ** Notable difference in figures of current year as compared to figures of previous period of 15 months is due to items included relating to Alkyl Phenol business transferred to JV Company in the previous year.)

**BY ORDER OF THE BOARD OF DIRECTORS
For SUNSHIELD CHEMICALS LIMITED**

Technology absorption, adaptation and innovation:

- 1) Efforts, in brief, made towards technology absorption, adaptation and innovation : N.A.

- 2) Benefits derived as a result of the above Efforts : N.A.
 e.g. product improvement, cost

Sd/-
(SATISH M. KELKAR)
 Vice-Chairman &
 Managing Director

Place : Mumbai
 Date : 29th October, 1999