



SUNSHIELD CHEMICALS LTD.

**15TH ANNUAL REPORT
FOR THE YEAR ENDED ON 30TH JUNE 2001**



SUNSHIELD

CHEMICALS LTD.

BOARD OF DIRECTORS

Mr. Vinaykumar Patwardhan	Chairman
Mr. Ashok Datar	
Mr. Sandeep Junnarkar	
Mr. Madhav Kale	
Mr. Ashok Patwardhan	
Mr. Satish Kelkar	Vice Chairman & Managing Director

Company Secretary

Mr. Devdatta Buche

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

FACTORY / R & D CENTRE

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

NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of Sunshield Chemicals Limited will be held on Saturday, 22nd December, 2001 at 3.00 p.m. at the Karnataka Sangha Hall, T. H. Kataria Marg, Matunga, Mumbai - 400016 to transact the following business:-

ORDINARY BUSINESS:

1. To consider and adopt the Profit and Loss Account for the year ended 30th June, 2001, the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Madhav Kale, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sandeep 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.

By Order of the Board of Directors
For SUNSHIELD CHEMICALS LIMITED

Devdatta Buche
Company Secretary

Mumbai, 30th October, 2001

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 deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and the Share Transfer Books will remain closed from 18th December, 2000 to 22nd December, 2000 (both days inclusive).
4. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries in writing to the Company Secretary at the Registered Office so as to reach at least seven days before the date of the meeting.
5. Members are requested to bring their own copies of the Annual Report. Copies will not be distributed at the Meeting.
6. 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.
7. The Company has appointed Tata Share Registry Ltd. as the Share Transfer Agents of the Company. The Members are requested to send their demat applications, intimation of change of address and other correspondence to them. The address is as follows:
Tata Share Registry Ltd., Army & Navy Building, 148, M.G. Road, Fort, Mumbai - 400 001.


SUNSHIELD CHEMICALS LIMITED
DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to submit their 15th Annual Report and Audited Accounts for the year ended 30th June, 2001.

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

Particulars	Rs. In Lakhs	
	Current Year 2000-2001	Previous Year 1999-2000
Gross Sales	1514	1867
Other Income	55	55
Total Income	1569	1922
Less: Manufacturing & Other Expenses	1483	1732
Operating Profits (PBIDT)	86	190
Interest	107	115
Profit/(Loss) before depreciation & exceptional write off	(21)	75
Provision for exceptional write off	---	33
Profit/ (Loss) before depreciation	(21)	42
Depreciation	63	59
Profit/(Loss) for the year	(84)	(17)

B) PERFORMANCE DURING THE YEAR:

The net loss during the year was Rs. 84 lakhs against the loss of Rs. 17 lakhs in the previous year.

This further loss during the year is attributable to the continued squeeze on the profitability of the products of

the Company. Against the manufacturing cost increase of 8.5%, the Company could get an average selling price increase of only 2.8% resulting into steep fall in operating profits from Rs. 1.9 crores of last year to only Rs. 86 lacs in the current year.

The ongoing squeeze is a consequence of opening of economy with heavy end product imports, internal competition and low industry demand. The results of this are felt through the Chemical Industry and specially in bulk commodity chemical products such as EOC. To compound this, the fuel cost increased by almost 40%.

Thus, in spite of reduction in the operating cost and interest cost, the company during the year suffered a further loss as mentioned above.

C) CONTROL ON OPERATING COST

The Company has taken steps to bring control on the operating costs by reorganising its operations and its manufacturing facilities. To this end, it has;

- i) downsized the manpower at the factory and office by implementing a Voluntary Retirement Scheme (VRS) which has ensured Company's image of using "a human approach" while simultaneously achieving the objective to reduce cost and bring in "appropriate economy".
- ii) The Company is reorganising its utilities like boilers, hot oil units, generator with a view to optimise production cost for the new type of products.
- iii) The Company is installing appropriate solid handling facilities to handle cost effectively new products in a safe and environmentally clean manner at optimum cost.

D) STATUS OF COMPANY'S POLICY OF SHIFTING FROM COMMODITY SURFACTANTS TO NICHE SPECIALITY CHEMICALS: FUTURE GROWTH AREAS

The Company during the year incurred capital and revenue expenditures to establish new manufacturing process and the balancing equipments for development of new products and modification of technology.

i) *Speciality Antioxidents*

After successful R & D and pilot plant experimentation the company has started commercial sale of Speciality Antioxident to a well known MNC in India.

ii) *"Speciality Surfactant" - a Strategic raw material for a MNC under Plant trial in India*

Company has successfully developed speciality surfactants at the Company's laboratory and pilot plant and it received acceptance of bulk supply for plant trials for the Indian operations of a MNC, to whom this is a global strategic raw material.

iii) *"Speciality Additive" through a 100 year old British company*

After laboratory and pilot plant trials, a speciality additive was developed and trial supplied to a few end users in Americas through a reputed British company.

iv) *Antioxidant for Rubber/ Latex on its path to success*

The Company has developed an Antioxidant for rubber / latex industry and is under field trials both in India and abroad.

DIVIDEND :

In view of losses, the Board of Directors does not recommend payment of dividend for the year ended on 30th June, 2001.

DIRECTORS :

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

DIRECTOR'S RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended 30th June, 2001, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the profit or loss of the Company for the year under review;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the


SUNSHIELD CHEMICALS LIMITED

accounts for the financial year ended 30th June, 2001 on 'going concern' basis.

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

AUDITORS' REPORT :

The Auditors' Report invite the reference to i) diminution in the market value of long term investment and ii) in respect of reclassification and relocation of certain expenditures. The Note No. 7 of Schedule 22 annexed to the Balance sheet are self explanatory, respectively in this regard.

PARTICULARS OF EMPLOYEES :

During the year under review there were no employees, whose particulars are to be given under Section 217 (2A) of the Companies Act, 1956 read along with the Companies (Particulars of Employees) Rules, 1975.

**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.

LISTING ON STOCK EXCHANGES:

The Company has paid Listing fees for the financial year 2001-2002 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.

**DEMATERIALISATION OF SHARES AND
SHARE TRANSFER AGENT**

Pursuant to the stipulation of Stock Exchanges in line with the guidelines issued by the SEBI, the company entered into agreements with NSDL and CDSL and appointed Tata Share Registry Limited as the Share Transfer Agent. Accordingly the shares of the company can now be traded into dematerialised form.

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.

For and On Behalf of the Board of Directors

Satish M. Kelkar
Vice Chairman & Managing Director

Place: Mumbai
Date : 30th October, 2001

ANNEXURE TO THE DIRECTORS' REPORT**FORM A**

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, 2001.

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 by optimising batch sizes.
- 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 requirement of electrical energy does not exceed the contract demand, thereby restricting electrical demand charges. This has resulted in reduced electricity cost per unit of production.
- d) Total energy consumption and energy consumption per unit of production as per Form A.

Disclosure of particulars with respect to conservation of energy.**a) Power and Fuel Consumption**

Particular	Rs. In Lakhs	
	Current Year Ended 30-6-2001	Previous Year Ended 30-6-2000
1 Electricity		
a) Purchased		
Units (KW/H)	3,18,523	2,94,566
Total		
Amount (Rs.)	15,53,287	15,78,577
Rate/ Unit (Rs.)	4.88	5.36
b) Own Generation	N.A.	N.A.
2 Coal	N.A.	N.A.
3 Furnace Oil / LDO		
Qty. (Ltr.)	78,863	94,420
Total Cost	9,87,527	9,65,917
Average Rate	12.52	10.23
4 Others/ internal generations	NIL	NIL

b) Consumption per unit of Production

Particular	Rs. In Lakhs	
	Current Year Ended 30-6-2001	Previous Year Ended 30-6-2000
Products (with details)		
Units (MT)	2572.69	3,194.61
Electricity (Units)/Mt.	123.80	92.21
Furnace Oil (Ltr.)/LDO/Mt.	30.25	29.56

A) TECHNOLOGY ABSORPTION :

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


SUNSHIELD CHEMICALS LIMITED
FORM B**Disclosure of particulars with respect to Technology Absorption, Research and Development : (R & D)****Research & 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.
- Increase 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	270674
b) Recurring	361758
c) Total	632432
d) Total R & D Expenditure as percentage of turnover	0.41%

Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

2. Benefits derived as a result of the above Efforts: e.g. product improvement, cost reduction, product development, import Substitution, etc.: N.A.

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 : N.A.

<ol style="list-style-type: none"> a) Technology imported 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. 	}	Not Applicable as on imported technology is put to use.
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C) FOREIGN EXCHANGE EARNING AND OUTGO:

- a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans.
- b) Total foreign exchange used and earned:-

	Current Year Ended 30-6-2001 (Rs.)	Previous Year Ended 30-6-2000 (Rs.)
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i) Total foreign exchange used	60.29	58.84
ii) Total foreign exchange earned.	18.06	3.35

For and on behalf of the Board of Directors

Satish M. Kelkar

Vice Chairman & Managing Director

Place: Mumbai

Date: 30th October, 2001

AUDITORS' REPORT TO THE SHAREHOLDERS OF SUNSHIELD CHEMICALS LIMITED

We have audited the attached Balance Sheet of Sunshield Chemicals Ltd. as at 30th June 2001 and the Profit & Loss Account for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing & Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable.
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 purposes 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;
 - (c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the Books of Account as submitted to us;
 - (d) In our opinion, the Balance Sheet and the Profit & Loss Account have been drawn up in accordance with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 ;
 - (e) Reference is invited to
 1. The management's view that the diminution in the market value of long-term investment in Bank of Baroda shares is temporary in nature. (Note 7 of Schedule 22);
 2. Note no.8 in respect of reclassification & relocation of certain ex-

penditure under capital work in progress pending apportionment & appropriations

- (f) The confirmations of the three directors have been received and noted by the Board and accordingly, we report that these directors are not prima facie disqualified from appointment as a director under clause (g) of section (1) of section 274 of the Companies act 1956.

Whereas other three directors of the Company have not submitted their confirmations in respect of the provisions of the said Section of the Act; Accordingly, we are unable to comment in respect of these directors whether they are disqualified from appointment as a director under the said section of the Act.

- (g) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet & Profit and Loss Account read together with notes thereon, give the necessary information required by the Companies Act, 1956 in the manner so required and give a true & fair view;
 - (i) In the case of the Balance Sheet, of the State of Affairs of the Company as at 30th June 2001 and
 - (ii) In the case of the Profit & Loss Account, of the Loss for the year ended on that date.

For **TEMBEY & MHATRE**
Chartered Accountants

VIKAS MHATRE
Partner

Place: Mumbai
Date : 28th September, 2001

**ANNEXURE TO AUDITORS' REPORT**

(Referred to in paragraph 1 of our report of even date on the Accounts as at 30th June, 2001)

1. The Company is in the process of updating the records to show full particulars, including quantitative details and situation of fixed assets. The Management has physically verified the fixed assets and it is explained to us that no material discrepancies were noticed on such verification.
2. None of the fixed assets has been revalued during the year.
3. The Management has physically verified the stocks of finished goods, stores, spare parts & raw materials during the year. In our opinion the frequency of such verification is reasonable.
4. The procedures of physical verification of stocks followed by the Management are reasonable & adequate in relation to the size of the Company & the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book of records were not material and the same have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair & proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and from the company under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
8. The Company has not given any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. The Company had given an interest bearing loan to Schenectady Specialities Asia Limited, then the company under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956; in its capacity as one of the promoters. The loan had since been repaid fully during the year. In our opinion, the rate of interest and other terms & conditions were not prima facie prejudicial to the interest of the Company.
9. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated. The Employees, to whom interest free loans & advances in the nature of loans have been given by the Company; are repaying them as per respective stipulations.
10. Based on the information and explanations given to us, we are of the opinion that there are reasonably adequate internal control procedures commensurate with the size of the Company & the nature of its business for the purchases of Stocks, Raw Materials, Plant & Machinery, Equipment and other assets and for the sale of goods.
11. Based on the information and explanations given to us, we are of the opinion that the transactions of purchase of goods, materials and sale of goods, materials & services made to Schenectady Specialities