

# ANNUAL REPORT 1996 - 1997

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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
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**United Phosphorus Limited**






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**BOARD OF DIRECTORS** : MR. R.D. SHROFF, *Chairman & Managing Director*  
 MRS. S.R. SHROFF, *Joint Managing Director*  
 MR. K. BANERJEE, *Wholetime Director*  
 MR. J.R. SHROFF, *Wholetime Director*  
 MR. A.C. ASHAR, *Director — Finance*  
 MR. D.A. ANANDPURA  
 DR. M.I. PATEL  
 MR. B.R. PATEL  
 DR. M.H. MEHTA  
 MR. O. RAVI, *Nominee (GIIIC) (Resigned on 21-5-1997)*

**COMPANY SECRETARY** : MR. M.B. TRIVEDI

**AUDITORS** : S.V. Ghatalia & Associates  
*Chartered Accountants*

**BANKERS** : Dena Bank  
 Bank of Baroda  
 State Bank of India  
 Union Bank of India  
 Standard Chartered Bank  
 Canara Bank  
 Hongkong & Shanghai Bank  
 American Express Bank Ltd.

**ADMINISTRATIVE OFFICE** : UNIPHOS HOUSE,  
 C.D. Marg,  
 Khar (West),  
 Mumbai-400 052.

**REGISTERED OFFICE** : 11, G.I.D.C.,  
 Vapi, Dist. Bulsar,  
 Gujarat-396 195.



## NOTICE

NOTICE is hereby given that the 28th Annual General Meeting of the Members of United Phosphorus Limited will be held at Hotel Green View Hall, N. H. No. 8, Vapi-396 195 on Thursday, 25th September, 1997 at 11.00 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To consider and adopt the Profit & Loss Account for the year ended 31st March, 1997, Balance Sheet as at that date, the Directors' Report and the Auditors' Report thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Mr. B. R. Patel who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. A. C. Ashar who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Dr. M. H. Mehta who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, 15th September, 1997 to Thursday 25th September, 1997 both days included.
3. The Dividend when sanctioned will be made payable on or after 20th October, 1997 to those shareholders whose names will appear as members in the books of the Company on 25th September, 1997.
4. The Company has already transferred Unclaimed Dividend upto and inclusive of financial year ended 31st March, 1993 to the General Reserve Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules 1978. Members who have not encashed the Dividend Warrants pertaining to the said period may make their claims to the Registrar of Companies, Gujarat, Ahmedabad. Members who have not encashed the Dividend Warrants for the year 1993-94 or any subsequent year are requested to make their claims to the Company immediately.
5. The Members are requested to intimate any change of their address etc. immediately to the Share Department of the Company situated at Excel Estate, S. V. Road, Goregaon (West), Mumbai-400 062, quoting their Folio No.

By Order of the Board of Directors

**M. B. TRIVEDI**  
Company Secretary

**Mumbai**

**Dated: 30th June, 1997.**

*Registered Office:*

11, G.I.D.C., Vapi,  
Dist. Valsad,  
Pin-396 195.



# United Phosphorus Limited

## DIRECTORS' REPORT

TO  
THE MEMBERS OF  
UNITED PHOSPHORUS LIMITED

Your Directors hereby present their report and Audited Accounts for the year ended 31st March, 1997.

### 1. FINANCIAL RESULTS:

(Rs. in lacs)

	Current Year	Previous Year
Profit for the year	3,172.84	5,080.19
Less: Provision for taxation	415.00	250.00
Profit after taxation	2,757.84	4,830.19
Less:		
(i) Debenture Redemption Reserve	515.99	320.51
(ii) Prior Period Adjustments (Net)	120.69	92.66
	2,121.16	4,417.02
Add: Balance Brought Forward	310.15	165.49
Amount available for appropriation	2,431.31	4,582.51

### APPROPRIATED AS UNDER:

Preference Dividend	154.00	35.13
Equity Dividend	737.24	737.23
Tax on Dividend	73.72	—
Transferred to General Reserve	400.00	3,500.00
Balance Carried Forward	1,066.35	310.15
	2,431.31	4,582.51

### 2. DIVIDEND

The Directors have recommended Dividend of Rs. 3/- per share (tax free in the hands of the members) on the equity capital of Rs. 24.57 crores for the year ended 31st March, 1997. The Dividend, if approved, in the Annual General Meeting will be paid to those shareholders whose names appear on the Register of members of the Company on 25th September, 1997.

### 3. REVIEW OF OPERATIONS:

The year under review was marked by severe liquidity crunch and higher interest rates for most parts of the year. In spite of the difficult conditions the Company achieved higher turnover of Rs. 516.09 crores, registering an increase of 23%. However, due to difficult market conditions, the profits after tax came down to Rs. 27.58 crores, showing a decline of 43%. The main reason for such a sharp drop for the profits attributed to very high interest cost of Rs. 46.50 crores and provisions for taxation made on the book profit amounting to Rs. 4.15 crores.

### 4. EXPORTS:

Exports continue to show an encouraging rise. The total exports during the year amounted to Rs. 178.28 crores as against Rs. 137.84 crores, showing a growth of 29%. The exports of the Company are growing very rapidly. In the liberalized economy, it is imperative that the companies have to export their products and it is very heartening to know that exports continue to grow at a rapid rate.

### 5. MODERNISATION OF ACCOUNTING AND RELATED SYSTEMS:

The Company has a wide network of branches and sales depots throughout the country. The products of the Company are marketed in over 100 countries and for this purpose the Company has established various subsidiaries and has various stock points at strategic places throughout the world. To integrate all these business



operations nationally and internationally and also to support and give boost to the export activities of the Company, the Company has implemented Enterprise-wide Resource Planning (ERP) Package developed by Avalon Software Inc., U.S.A. For this purpose the Company has invested about Rs. 4 crores in various sophisticated equipments, hardware, VSAT links, telephones and telecommunication lines etc. The Company is now on line in respect of most of its activities in the country. This will enable the management to have better monitoring, administration controls, better management of working capital and smooth and timely movement of products and raw materials of the Company. The Executive Information System called R-Two which is proactive and intelligent information software for decision-making is also under implementation.

#### **6. NEW PROJECTS/EXPANSION AND MODERNISATION:**

During the year the Company commissioned the plants of Acephate, Para Chloro Ortho Cresol and Isocyanates. The capacities of various pesticides were also increased. Most of these products have extremely good export potential and the Company will make all out efforts to increase the export of all these products. The Company continues to make more investments in its plants to upgrade the quality of its products.

#### **7. PROSPECTS FOR CURRENT YEAR:**

In the current year, normal monsoons are expected. Interest rates are also coming down. Hence, the operations are likely to improve. However, there is glut of chemicals and agrochemicals in the market as also increase in competition as a few new companies have entered the market. However, your directors are hopeful that the company will be able to do reasonably well in the current year. The Company is fully geared to meet the new challenges and is working on 2-3 new products to improve its turnover and profitability.

#### **8. SUBSIDIARY COMPANIES:**

- (a) **Search Chem Industries Limited:** Search Chem Industries Limited started its commercial operations in the current year. The Company has done well in the first year of its operations. It has achieved a turnover of Rs. 93 crores and profit of Rs. 570 lacs.

The said company is engaged in manufacturing of Caustic Chlorine and other speciality chemicals. It has set up a captive power plant also and it intends to set up another independent power plant.

- (b) **Enviro Technology Limited:** During the year the said company set up common effluent treatment plant and commenced commercial operations. The common effluent treatment plant is the first of its type at Ankleshwar and will be serving various small and medium scale units in that area. It has started treating the effluent provided by the nearby units and in the future years when the operating capacity increases, the said company is likely to improve its performance.

- (c) **P.T. United Phosphorus Far Indo:** Due to delay in necessary sanction by Indonesian Government as also change in market scenario in Indonesia, the management decided to disinvest in the said company and hence after getting the necessary approval from Reserve Bank of India, the remittance made abroad was called back.

- (d) **Inventa Corporation:** During the year the company's sales improved marginally to US\$62,200. However, on account of increase in various expenses, this company could achieve a very small profit. For administrative convenience, United Phosphorus Limited (U.K.) has set up another subsidiary company in USA and some of the products are marketed there. In view of this the operations in M/s. Inventa Corporation will be curtailed in the future years.

- (e) **Bio-win Corporation:** The Company's operations show improvement in sales. However, in view of the global scenario in the agrochemical market, profits have come down. However, in the coming years, the performance will improve with the improvement in demand for various agrochemicals.

- (f) **United Phosphorus Zambia Limited:** During the year, the said company's sales have increased. However, the market in Zambia has still not picked up well. In the current year, the sales will improve and with better realisation, the profits are likely to improve.

- (g) **United Phosphorus Limited (UK):** During the year the company has set up a subsidiary unit in USA. The turnover has increased substantially and the profitability has also improved. Various products of the company are sold to various European countries and with a base in USA, the performance of this company will improve in the future years as well. It is also developing new agrochemicals.

- (h) **United Phosphorus Limited (Australia):** The turnover in this company has increased substantially. It is catering to the markets in Australia, New Zealand and other nearby countries. The Company's performance also has improved. Overall in this company there is a good scope for further improvement and the Directors are convinced about better performances in future.



- (i) **United Phosphorus De Mexico S.A.DE C.V.:** The Company's performance has improved substantially in the current year and it has already posted good profits. The performance of this company will improve further in future. The Company is pushing sales of various agrochemicals in nearby countries.

#### **9. FINANCE:**

During the year, the Company raised finance by issue of various debentures. Apart from this, the Company also made external commercial borrowings amounting to US\$ 18 Millions from abroad. This will result in substantial saving in the interest burden of the Company. These funds have been utilised to meet the normal capital expenditure and the working capital requirements of the Company.

#### **10. INSURANCE:**

All the properties of the Company have been adequately insured.

#### **11. DEPOSITS:**

The Company had an aggregate sum of Rs. 113.11 lacs as deposits as at 31st March, 1997. Of these, deposits aggregating to Rs. 4.76 lacs had matured but were not claimed for repayment/renewal. Out of the above, deposits amounting to Rs.1.64 lacs have been refunded/renewed, till date.

#### **12. JOINING THE NSDL:**

To provide better service to the investors and to enable them to hold the securities in electronic form, the Company has entered into a tripartite agreement with National Securities Depository Limited (NSDL) and M/s. Sharepro Services. Members now have option to dematerialise their existing shares through any depository participants registered with NSDL and avail of the benefits of the new depository system.

#### **13. AUDITORS' REPORT:**

The Auditors have made qualifications in their Report to the members regarding loss arising as a result of fraudulent encashment of letter of credit and charge in method of amortisation of share/debenture issue expenses. In this regard, attention of members is drawn to Note Nos. 8 and 10 under Schedule 'R' which are self-explanatory.

#### **14. PERSONNEL:**

Industrial relations during the year were very satisfactory. Wage agreements have been signed with workers and staff at different units of the Company during the year. This will cover the terms of employment, deployment, work practices and other norms of output.

The Directors wish to place on record their appreciation to the contribution made by the employees at all levels to achieve continued growth of the Company.

#### **15. ENVIRONMENT SAFETY AND QUALITY:**

Your Company accords highest priority to safety and protection of environment. For this purpose, various steps are taken at all factories. Several measures are implemented to ensure environment safety at all the manufacturing sites of the Company. The subsidiary company, namely Enviro Technology Limited, has set up a common effluent treatment plant at Ankleshwar for treating the effluents of small and medium size concerns in the nearby areas, and the operations of this company have already begun.

#### **16. SAFETY AND HEALTH PERFORMANCE:**

Safety & Health of all employees has been a key area of management concern.

Regular health check-up by doctors has been carried out throughout the year resulting in strict compliance with Safety and Health policy of our company and also Factories Act.

Safety also received prime attention. Compulsory usage of safety wear while on the job, safety training to all employees, observance of safety week have resulted in greater awareness on safety. These efforts have contributed to good safety records with minimum loss of mandays due to accidents. The Company has received "Rotary Safety Shield" for its factory (Formulation unit) at Ankleshwar.

#### **17. AUDITORS:**

The Shareholders are requested to appoint the Auditors for the current year and fix their remuneration. The Company's retiring Auditors, M/s. S.V. Ghatalia & Associates, are eligible for re-appointment and have indicated their willingness to act as Auditors, if re-appointed.



## United Phosphorus Limited

### 18. COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975:

Information as per Section 217 (2-A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and under Section 217(1)(E) of the said Act read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 form part of this report. However, as per the provisions of Section 219(1)(b)(iv), the Report and Accounts are being sent to all shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, and the statement of particulars of employees. Any shareholder interested in obtaining these particulars may inspect the same at the Registered Office of the Company or write to the Secretary for a copy.

### 19. DIRECTORS:

At the ensuing Annual General Meeting, Shri B.R. Patel, Shri A.C. Ashar and Dr. M.H. Mehta retire and who being eligible, offer themselves for re-appointment. Shri O. Ravi, the Nominee Director of Gujarat Industrial Investment Corpn. Ltd., has resigned as Director of the Company. The Board places on record its appreciation to the valuable advice and guidance provided by Shri O. Ravi, during his tenure in office.

### 20. ACKNOWLEDGEMENT:

The Board of Directors express their appreciation to all the Government Officials, Financial Institutions, Bankers, Dealers, Farmers, Investors and other consumers for their support and their help in achieving the growth of the Company.

Mumbai  
30th June, 1997

For and on behalf of Board of Directors

**R.D. SHROFF**  
Chairman & Managing Director

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**United Phosphorus Limited**


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**AUDITORS' REPORT**

TO  
THE MEMBERS OF  
UNITED PHOSPHORUS LIMITED

We have audited the attached Balance Sheet of UNITED PHOSPHORUS LIMITED as at 31st March, 1997 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and we report as follows:

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, on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of our audit;
2. Further to our comments in the Annexure referred to in paragraph (1) above:
  - (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, subject to accounting for dividend income on cash basis and accounting of sales-tax set off on completion of sales-tax assessment, 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 the Profit and Loss Account dealt with by the Report are in agreement with the books of account;
  - (d) (i) No provision has been made in respect of loss arising as a result of letter of credit of Rs. 2,21,41,048 encashed fraudulently by a foreign supplier. As a result of the above, the profit for the year and reserves and surplus are higher by Rs. 2,21,41,048 (Refer Note No. 8 in Schedule "R")
  - (ii) During the year, the Company has adjusted an amount of Rs. 5,70,75,350 being the unamortised portion of Share/Debenture Issue expenses against the balance in Share Premium Account, which were hitherto being amortised over a period of ten years. As a result of the aforesaid change, the profit for the year is higher by Rs. 72,15,447 (Refer Note No. 10 of Schedule "R")
  - (iii) Subject to the foregoing, 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:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997; and
    - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For **S. V. GHATALIA & ASSOCIATES,**  
Chartered Accountants.

**K. R. KAMDAR**  
Partner.

Mumbai,  
30th June, 1997



## ANNEXURE TO THE AUDITORS' REPORT\*

(\*Referred to in paragraph 1 of our Report of even date on the accounts of United Phosphorus Limited for the year ended 31st March, 1997)

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets in respect of additions made after 1st January, 1984. The fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies have been noticed on such verification.
2. The Company has not revalued any of its fixed assets during the year.
3. The stocks of finished goods, stores, spare parts and raw materials except for stock in transit and materials lying with outside parties have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
4. In our opinion, 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 physical verification of stocks as compared to book 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 and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
7. The Company has taken loans from companies listed in the register maintained under Section 301 of the Companies Act, 1956 and fixed Deposits from relatives of the directors. Except for the above there are no loans, secured or unsecured, from firms or other parties listed in the register maintained under Section 301 and/or from the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956. The rate of interest and other terms and conditions of the said loans/deposits are *prima facie* not prejudicial to the interest of the Company.
8. The Company has granted loans to companies under the same management as defined under Section 370(1B) of the Companies Act, 1956. Except for the above, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301. The rate of interest and other terms and conditions of the said loan are *prima facie* not prejudicial to the interest of the Company.
9. In respect of loans and advances in the nature of loans, where repayment terms have been stipulated, the parties are repaying the principal amounts as stipulated and are also regular in the payment of interest, where applicable. However, we are unable to comment in respect of loans for which the terms for payment of interest and repayment of principal amounts have not been stipulated.
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 purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for 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 the 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.
12. As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.