



United Phosphorus Limited

**Annual Report
1999-2000**



ANNUAL REPORTS OF ALL SUBSIDIARIES



United Phosphorus Limited

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES:

1. Name of the Subsidiary Company	Search Chem Industries Ltd.	Enviro Technology Ltd.	Inventa Corporation	Bio-win Corporation	United Phosphorus (Zambia) Ltd.
2. Financial Year of Subsidiary Company	31-3-1999*	31-3-2000	31-3-2000	31-3-2000	31-3-2000
3. Number of shares held by United Phosphorus Limited in the subsidiary company at above date	2,65,62,160	6,10,000	200	70,000	—@
4. % holding in subsidiary company	53.10	50.83	100	100	—
5. Net aggregate of profits/(losses) of the subsidiary company so far as it concerns the members of the Company:					
(a) Not dealt within the accounts of United Phosphorus Ltd.	(39,64,37,411)	24,14,838	(\$183,904)	\$13,510,609	K109,746,000
(b) Dealt within the accounts of United Phosphorus Ltd.	—	9,15,000	—	\$2,500,000	—

* The accounting year for this subsidiary has been changed to 30th September. The latest audited accounts are available for year ending on 31st March, 1999.

✓ All the Shares of the Company are held by United Phosphorus Limited, U.K.

@ All the Shares of the Company are held by Bio-win Corporation.



United Phosphorus Limited

United Phosphorus Limited (Australia)	United Phos. de Mexico S.A. de C.V.	United Phosphorus Limited (Hongkong)	United Phosphorus Limited (U.K.)	Agrodan A./S.	United Phosphorus Inc. U.S.A.	United Phosphorus Limited, Russia
31-3-2000	31-3-2000	31-3-2000	31-3-2000	31-3-2000	31-3-2000	31-3-2000

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Aus. \$2,66,080	Mex. Pesos (\$1,143,495)	HKG Dollars 1,542,694	(£4,008,000)	DKK8,245,930	\$12,092	Rbls (50,31,414)
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DIRECTORS' REPORT

To,
THE MEMBERS OF
SEARCH CHEM INDUSTRIES LIMITED

Your Directors have pleasure in presenting their report and audited accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

	1998-99 Rs.	1997-98 Rs.
Profit/(Loss) for the year	(49,00,14,099)	(30,55,38,964)
Add/(Less): Prior period adjustments	(1,38,50,649)	2,66,11,793
Add: Balance brought forward	(24,27,21,713)	3,56,50,458
Loss carried to Balance Sheet	<u>(74,65,86,461)</u>	<u>(24,32,76,713)</u>

OPERATIONS

The performance of the Company during the year under report was adversely affected. The prices of Caustic Soda and Chlorine remained under pressure due to severe competition as a result of over-capacities, particularly in the Western Region. The Power Plant utilisation also remained at a low level as there was considerable delay in obtaining clearance of permission for wheeling of power. The performance of the Industrial/Speciality Chemicals Division remained satisfactory.

During the latter part of the year, it is noticed that demand for chlor-alkali products had gone up due to the requirements coming from newer units as well as improvement in the capacity utilisation of the Industry in general over the last year.

FUTURE OUTLOOK

The Company has taken a number of measures to improve its performance. The Company has installed a new Plant to manufacture POCl_3 (Phosphorus Oxychloride) in 1998-99, which is a Speciality Chemical required by the Drug and other Chemical Industries. This Plant consumes Chlorine and Phosphorus Trichloride as main raw materials, and has very good export potential.

The Company is also installing a Plant to manufacture Elemental Phosphorus, which is a main input of the Company. This is a power-intensive Plant and the Company will utilise its Power Plant in a much better way. The Company expects to start production in about a month's time.

The Company is also finalising Plants for other new Chlorine-based and other Speciality Chemicals.

The prices of Caustic Soda and Chlorine have improved recently, due to general improvement in the market, requirements coming from newer units, increased exports of Caustic Soda in prills/flakes form and rationalisation of capacities.

The Company is also fully concentrating on export of the Speciality Chemicals. During the year 1998-99 the export performance was Rs.974.48 lacs. The Company expects good growth of exports during the year 1999-2000.

The Management has also taken steps to improve the Power Plant utilisation. The capacity utilisation of the Power Plant will go up due to the following factors :-

- (i) Installation of new Chemical Plants requiring power as input.
- (ii) Optimisation of the capacity utilisation of chlor-alkali Plant and other Chemical Plants.
- (iii) Wheeling of power to Group Companies.
- (iv) Sale of surplus power as per the Policies announced by the Government.

The Management is hopeful of improving its performance during the current year.

FINANCE

The Company has approached its Bankers/Financial Institutions for restructuring the lease repayments as well as long term loans. Most of the work is completed, and we are in the process of finalising with the Bankers/Financial Institutions about re-schedulement of payments. The Company is expecting to pay the lease rentals and term loan over a period of 9 years instead of short duration of 4-5 years.

During the year, the Company raised finance for the purpose of meeting the long term working capital requirements by issue of Secured Redeemable Non-Convertible Debentures aggregating to Rs.1008 lacs and Term Loan of Rs.992 lacs from Global Trust Bank Limited.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. R. D. Shroff and Mr. A. C. Ashar, Directors of the Company, retire by rotation at the ensuing Annual General Meeting of the Company, and being eligible, offer themselves for re-appointment.

Mr. Raj Kumar Kapoor (Nominee Director of IDBI) was appointed from 5th August, 1998, on the Board of the Company vide IDBI's letter Ref. No.CSD 53/152/Nom 8 dated 22nd July, 1998. The IDBI vide their letter Ref. No. CSD.53/35/Nom.8 dated 29th April, 1999 withdrew Mr. Raj Kumar Kapoor from the Company's Board and instead appointed Mr. E. S. Jayaraman as its Nominee Director with effect from 14th May, 1999.

INSURANCE

All the properties of the Company have been adequately insured.

AUDITORS AND AUDITORS' REPORT

The members are requested to appoint Auditors for the current year and to fix their remuneration. The Company's retiring Auditors Messrs. M. M. Dalal & Co. and Messrs. Mittal & Mittal, are eligible for re-appointment. The Auditors, have pursuant to Section 224 (1) of the Companies Act, 1956 furnished certificates that their re-appointment, if made would be within the prescribed limit specified under Section 224 (1B) of the Companies Act, 1956.

PERSONNEL

The relationship with the employees and workers at all levels continued to be cordial throughout the year. Your Directors would like to place on record their sincere appreciation for the contribution made by the employees and for their commitment in realising objectives and growth of the Company.

SAFETY AND HEALTH PERFORMANCE

Your Company is committed to safeguard environment, as well as health and safety of all its employees. Periodic preventive maintenance of equipment is practiced to maintain all equipment and avoid failures. All employees are trained to create and maintain safety awareness and emergency preparedness through regular safety programmes, celebration of safety week, fire day, environment day as well as regular mock safety drills ensure continuing emphasis on safety, employee health check up was done during the year.

Your Company has aligned its operations to comply with requirements of ISO 14000 standard and qualified for the certification. Your Directors are pleased to inform that your Company is the first Caustic Chlorine Company in India to get ISO 14001 Certification.

INFORMATION REGARDING CONSERVATION OF ENERGY ETC. AND PARTICULARS OF EMPLOYEES

There were no employees in receipt of remuneration as specified under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 (as amended) and hence the information is not given.

Information required under Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, form part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, 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. Any shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

LISTING OF THE COMPANY'S EQUITY SHARES

The Equity Shares of your Company continue to be listed during the year under review at the Mumbai Stock Exchange, National Stock Exchange, Ahmedabad Stock Exchange, Calcutta Stock Exchange, Madras Stock Exchange and Vadodara Stock Exchange. The Company has paid the annual listing fees for the financial year 1999-2000 to each of these Stock Exchanges.

Y2K COMPLIANCE

- (a) The present system of the Company is Y2K compliant.
- (b) All other smaller systems are developed using DBMS and they will be Y2K compliant by 31st August, 1999.
- (c) The cost of this project is insignificant.

ACKNOWLEDGEMENT

Your Directors take this opportunity in expressing their gratitude to the Government of India, the State Government of Gujarat, Financial Institutions and the Commercial Banks. The Board is also thankful to consumers, distributors, investors, etc. for their unstinted support to the Company.

Mumbai: 7th June, 1999

On behalf of the Board of Directors

Registered Office:

A-2/1, G.I.D.C., Vapi,
Dist. Valsad, Gujarat,
Pin-396 195.

R. D. SHROFF
Chairman & Managing Director



AUDITORS' REPORT

To,
The Members of
SEARCH CHEM INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **SEARCH CHEM INDUSTRIES LIMITED** as at 31st March, 1999 and the Profit and Loss Account of the Company 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 and on the basis of such checks of books and records as we considered appropriate and in terms of information and explanations given to us during the course of audit, we give our comments in the Annexure hereto 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.
 - (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 it appears from our examination of the books;
 - (c) The Balance Sheet and Profit and Loss Account referred to in this Report are in agreement with the books of account;
 - (d) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon gives the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999, and
 - (ii) In the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For **MITTAL & MITTAL**
Chartered Accountants

S. K. JAIN
Partner

Mumbai
Dated: 7th June, 1999

For **M. M. DALAL & CO.**
Chartered Accountants

M. M. DALAL
Proprietor

ANNEXURE TO AUDITORS' REPORT

REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1999 OF SEARCH CHEM INDUSTRIES LIMITED.

(A) MANUFACTURING OPERATIONS

1. As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification. The Company is in the process of preparing records showing details of cost, quantity, schedule XIV classification, depreciation, etc. and situation of Fixed Assets and Capital work-in-progress.
2. The Company has not revalued any of its fixed assets during the year.
3. The stock of finished goods, packing materials, work-in-progress, stores, spare parts and raw materials have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable considering the turnover of the Company.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size, turnover and the nature of manufacturing processes of the Company and the nature of its business.
5. The discrepancies noticed during the 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 and in accordance with normally accepted accounting principles.
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. There are no loans taken from companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956, except for an unsecured loan taken from United Phosphorus Ltd., which is the holding company of the Company.

However, the rate of interest and other terms and conditions of the aforesaid loans are *prima facie* not prejudicial to the interest of the Company.

8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register(s) maintained under Section 301 and/or to the companies under the same management as defined under Section (1B) of Section 370 of the Companies Act, 1956.
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 and are so regular in payment of interest wherever applicable except in a few cases where recovery is not made as per stipulations.
10. In our opinion and according to the information and explanations given to us, the internal control procedures need to be enhanced and strengthened taking into consideration the size, turnover of the Company and the nature of its business and manufacturing processes with regard to the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
11. In our opinion and according to the information and explanations given to us, the transaction 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. However, during the year no such items were noticed and accordingly no provision in the accounts in respect of loss of any items was made.
13. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. The provisions of Section 58A of the Companies Act, 1956 & the Companies (Acceptance of Deposits) Rules, 1975 are not applicable.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products. No such records are maintained in respect of scraps.
15. In our opinion the Company does not have an internal audit system commensurate with its size and nature of its business.
16. We have broadly reviewed the books of account maintained by the Company. We are informed that the Order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, are not applicable to the Company. However we are informed that the prescribed records can be generated as the Company has maintained cost codes to enable the company to generate appropriate reports wherever required though not prepared on a day to day basis. We have not, however, made a detailed examination of the records or reports.
17. According to the records of the Company, on a test check basis of verification, there have not been delays in depositing Provident Fund and Employees' State Insurance dues during the year with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amount payable in respect of Income-Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at 31st March, 1999, for a period of more than six months from the date they become payable.
19. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with the generally accepted business practices.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Companies (Special Provisions) Act, 1985.

(B) SERVICES OPERATIONS

21. The Company has rendered services by way of consultancy charges relating to Effluent Treatment. However, no records and systems as required by MAOCARO, other than those stated in Part (A) above, are maintained as the Company does not expect a regular stream of revenue from the same.

(C) TRADING OPERATIONS

22. The Company has complied with the provisions of Part (A) as are mentioned above and has not suffered any loss on account of damages in traded goods
23. The rest of provisions of the said Order are not applicable to the Company.

For **MITTAL & MITTAL**
Chartered Accountants

S. K. JAIN
Partner

Mumbai
Dated: 7th June, 1999

For **M. M. DALAL & CO.**
Chartered Accountants

M. M. DALAL
Proprietor



BALANCE SHEET AS AT 31ST MARCH, 1999

	Schedule	Rupees	As at 31st March, 1999 Rupees	As at 31st March, 1998 Rupees
I. SOURCES OF FUNDS:				
1. SHAREHOLDERS' FUND:				
(a) Share Capital	'A'	83,85,39,458		58,85,38,458
(b) Reserves and Surplus	'B'	77,75,30,031		77,76,08,531
			1,61,60,69,489	1,36,61,46,989
2. LOAN FUNDS:				
(a) Secured Loans	'C'	1,11,64,98,851		1,11,04,67,353
(b) Unsecured Loans	'D'	1,52,48,10,728		1,08,53,78,752
			2,64,13,09,579	2,19,58,46,105
TOTAL:			4,25,73,79,068	3,56,19,93,094
II. APPLICATION OF FUNDS:				
1. FIXED ASSETS:	'E'			
(a) Gross Block		3,09,05,12,013		2,76,52,81,353
(b) Less: Depreciation		32,95,73,038		19,97,23,038
(c) Net Block		2,76,09,38,975		2,56,55,58,315
(d) Capital Work-in-Progress		74,17,007		27,20,08,060
			2,76,83,55,982	2,83,75,66,375
2. INVESTMENTS	'F'		14,48,765	14,48,765
3. CURRENT ASSETS, LOANS AND ADVANCES:				
(a) Inventories	'G'	9,14,45,402		7,12,89,801
(b) Sundry Debtors	'H'	30,59,23,881		22,80,50,408
(c) Cash and Bank Balances	'I'	3,14,29,696		1,08,92,472
(d) Loans and Advances	'J'	60,29,33,588		55,62,41,904
		1,03,17,32,567		86,64,74,585
Less: CURRENT LIABILITIES AND PROVISIONS:				
(a) Liabilities	'K'	28,27,23,789		37,79,34,786
(b) Provisions	'L'	97,38,592		95,27,420
		29,24,62,381		38,74,62,206
NET CURRENT ASSETS			73,92,70,186	47,90,12,379
4. MISCELLANEOUS EXPENDITURE: (To the extent not written off or adjusted)			17,17,674	12,43,862
5. DEBIT BALANCE IN PROFIT & LOSS ACCOUNT Less: Adjustment of Balance in General Reserve		74,65,86,461		24,32,76,713
			74,65,86,461	5,55,000
TOTAL:			4,25,73,79,068	3,56,19,93,094

NOTES ON ACCOUNTS

'Q'

In terms of our attached Report of even date.

For **M. M. DALAL & CO.**
Chartered Accountants**M. M. DALAL**
ProprietorFor **MITTAL & MITTAL**
Chartered Accountants**S. K. JAIN**
Partner**R. D. SHROFF**
Chairman & Managing Director**A. C. ASHAR**
Director**K. M. THACKER**
Company SecretaryMumbai,
Dated: June 7, 1999.**J. R. SHROFF**
Director**A. A. PANJWANI**
DirectorMumbai,
Dated: June 7, 1999.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1999

	Schedule	Rupees	Current Year Rupees	Previous Year Rupees
INCOME:				
Sale of Products & Services (Gross) [Including sale of raw materials: Rs. 67,34,272 (Previous year: Rs. 12,78,018)]		1,33,37,31,848		1,06,29,19,327
Other Income	'M'	1,26,10,348	1,34,63,42,196	2,87,13,560 1,09,16,32,887
Increase in Stocks	'N'		39,21,148	47,56,087 1,09,63,88,974
EXPENDITURE:				
Manufacturing and Other Expenses	'O'	1,16,66,44,464		85,68,98,076
Excise Duty & Sales Tax		12,55,21,600		12,97,33,698
Depreciation		12,99,54,679		12,86,47,209
Interest	'P'	41,76,36,911		28,08,90,704
Amortisation of Expenses		5,19,789		57,58,251
			1,84,02,77,443	1,40,19,27,938
LOSS:			(49,00,14,099)	(30,55,38,964)
Prior period adjustments			(1,38,50,649)	2,66,11,793
			(50,38,64,748)	(27,89,27,171)
Balance brought forward from Previous Year			(24,27,21,713)	3,56,50,458
Balance Carried to Balance Sheet			(74,65,86,461)	(24,32,76,713)
NOTES ON ACCOUNTS	'Q'			

In terms of our attached Report of even date.

For **M. M. DALAL & CO.**
Chartered Accountants**M. M. DALAL**
ProprietorFor **MITTAL & MITTAL**
Chartered Accountants**S. K. JAIN**
Partner**R. D. SHROFF**
Chairman & Managing Director**A. C. ASHAR**
Director**K. M. THACKER**
Company SecretaryMumbai,
Dated: June 7, 1999.**J. R. SHROFF**
Director**A. A. PANJWANI**
DirectorMumbai,
Dated: June 7, 1999.



SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees	As at 31st March, 1999 Rupees	As at 31st March, 1998 Rupees
SCHEDULE 'A':			
SHARE CAPITAL:			
Authorised:			
5,50,00,000 (Previous Year: 5,50,00,000) Equity Shares of Rs. 10 each		55,00,00,000	55,00,00,000
45,00,000 (Previous Year: 25,00,000) Preference Shares of Rs. 100 each		45,00,00,000	25,00,00,000
Nil (Previous Year: 2,00,00,000) Unclassified Shares of Rs. 10 each		—	20,00,00,000
		<u>1,00,00,00,000</u>	<u>1,00,00,00,000</u>
Issued, Subscribed and Paid up:			
5,00,21,200 (Previous Year: 5,00,21,200) Equity Shares of Rs. 10 each, fully paid up	50,02,12,000		50,02,12,000
Less: Calls in Arrears	<u>2,26,72,542</u>		<u>2,26,73,542</u>
		47,75,39,458	47,75,38,458
(Of the above shares 2,65,62,160 Equity Shares of Rs. 10/- each, fully paid up are held by United Phosphorus Limited, Holding Company.)			
(Calls in Arrears represent amount adjusted after netting it with Share Application Money pending adjustment with Allotment Money)			
36,10,000 (Previous Year: 11,10,000) Non-convertible Redeemable Cumulative Preference Shares of Rs. 100/- each fully paid up		36,10,00,000	11,10,00,000
(Of the above, 25,00,000 Preference Shares of Rs. 100/- each, fully paid up are held by United Phosphorus Limited, Holding Company)			
Terms of issue:			
(a) Rate of Dividend:			
13.5% p.a. on 3,00,000 shares			
14% p.a. on 8,10,000 shares			
10% p.a. on 25,00,000 shares			
(b) Tenure:			
36 months for 8,10,000 shares			
20 months for 3,00,000 shares			
10 years for 25,00,000 shares			
(c) Earliest date of redemption			
6,00,000 shares on 23-05-1999			
2,00,000 shares on 30-06-1999			
3,00,000 shares on 23-07-1999			
10,000 shares on 04-03-2001			
25,00,000 shares on 30-03-2002			
TOTAL		<u>83,85,39,458</u>	<u>58,85,38,458</u>