

37th ANNUAL REPORT 1997-98

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
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ZENITH LIMITED

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Sansco Limited

7th Annual Report 1997-98

DIRECTORS

YASH BIRLA	Chairman
M.P. GANDHI	
S.N. BAHETI	
D.V. KAPUR	
A.L. KAPUR	
V.P. SHAH	(Nominee of ICICI)
A.P. SAXENA	(Nominee of BIFR)
AUGUSTINE P. KURIAS	(Nominee of IDBI)
D.K. RAO	Whole-time Director, Finance (Nominee of SBI)
U.S. SETHIA	Managing Director

SECRETARY

P.R. DHRUVA

AUDITORS

DALAL & SHAH
CHARTERED ACCOUNTANTS

BRANCH AUDITORS

S. R. BATLIBOI & CO.
CHARTERED ACCOUNTANTS

BANKERS

STATE BANK OF INDIA
PUNJAB NATIONAL BANK
BANK OF BARODA
ORIENTAL BANK OF COMMERCE

REGISTERED OFFICE

MOTI MAHAL
195, CHURCHGATE RECLAMATION
MUMBAI - 400 020

WORKS

KHOPOLI 410 203
DIST. RAIGAD
MAHARASHTRA

D-17, MIDC AREA
BOISAR 401 506
DIST. THANE
MAHARASHTRA

62/63, MIDC AREA
SATPUR
NASHIK 422 007
MAHARASHTRA

B-15/3, MIDC AREA
WALUJ 431 133
DIST. AURANGABAD
MAHARASHTRA

A-82, MIDC AREA
KHAMGAON 444 303
DIST. BULDHANA
MAHARASHTRA

REGISTRARS AND TRANSFER AGENTS

COMPUTRADE SERVICES LIMITED
WAKEFIELD HOUSE, 2ND FLOOR
11, SPROTT ROAD, BALLARD ESTATE
MUMBAI - 400 038

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Zenith Limited

NOTICE

Registered Office :

Moti Mahal, 195, Churchgate Reclamation,
Mumbai-400 020

NOTICE is hereby given that the Thirtyseventh Annual General Meeting of the Shareholders of ZENITH LIMITED will be held at Jai Hind College Auditorium, 23/24, Churchgate 'A' Road, Sitaram Devram Marg, Mumbai-400 020 on Wednesday, the 16th September, 1998 at 4.00 p.m. to transact, with or without modifications, as may be permissible, the following business :

1. To receive, consider and adopt the Audited Profit and Loss Account for the Accounting Year ended 31st March, 1998, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri S. N. Baheti who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A. L. Kapur who retires by rotation, and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Dalal & Shah, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors, in consultation with the Auditors, in addition to reimbursement of out-of-pocket expenses incurred in the performance of their duties".

5. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the

Companies Act, 1956, Messrs. S.R. Batliboi & Company, Chartered Accountants, be and are hereby appointed as Branch Auditors of Tool Division having its units at Mumbai, Nashik and Aurangabad and Textile Division having its unit at Khamgaon, together with their branches, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors, in addition reimbursement of out-of-pocket expenses incurred in the performance of their duties".

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE FILED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTYEIGHT HOURS BEFORE THE MEETING.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item Nos. 4 & 5 set out above is annexed hereto.
3. The Register of Members of the Company and Share Transfer Books will remain closed from 4th September, 1998 to 16th September, 1998 (both days inclusive) for the purpose of Annual General Meeting.
4. Members are requested to notify the changes in address, if any, immediately, quoting their folio numbers to the Registrars and Transfer Agents, M/s. Computrade Services Limited, Wakefield House, 2nd Floor, 11, Spratt Road, Ballard Estate, Mumbai-400 038.

By Order of the Board

U.S. Sethia

Managing Director

Mumbai, 16th June, 1998

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT SETTING OUT MATERIAL FACTS AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 4

Since the combined shareholding of Life Insurance Corporation of India, Unit Trust of India, State/Central Government, Nationalised Banks and Insurance Companies exceeds 25% of the Subscribed Capital of the Company, the appointment of Messrs. Dalal & Shah, Chartered Accountants, as Auditors of the Company, is proposed to be made by a Special Resolution in view of the provisions of Section 224A of the Companies Act, 1956. As required under Section 224 of the said Act, a Certificate has been received from the Auditors to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the said Act.

None of the Directors of the Company is, in any way, concerned or interested in this Resolution.

Item No. 5

Under Section 228 of the Companies Act, 1956, it is obligatory for the Company to have all the branches audited by a Statutory Auditor unless the Company in General Meeting decides to have the branches audited by

persons qualified to be appointed as Auditors of the Company under Section 226 of the said Act. The Company has its Tools Manufacturing Units at Mumbai, Nashik and Aurangabad and Textile unit at Khamgaon and it is proposed, in accordance with provisions of the said Section, to appoint Messrs. S. R. Batliboi & Company, Chartered Accountants, to audit the accounts of the aforesaid units of the Company. As required under Section 224 of the Companies Act, 1956, a Certificate has been received from the said Auditors to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the said Act.

None of the Directors of the Company is, in any way, concerned or interested in this Resolution.

By Order of the Board

Mumbai, 16th June, 1998

U.S. Sethia
Managing Director



Zentith Limited

DIRECTORS' REPORT

To the Members,

Your Directors present the Thirtyseventh Annual Report together with the Audited Statement of Accounts for the Accounting Year ended 31st March, 1998.

FINANCIAL RESULTS

	1997-98 (Rs. in Lacs)	1996-97 (Rs. in Lacs)
TOTAL INCOME	28451.67	21184.11
PROFIT BEFORE INTEREST, DEPRECIATION EXTRA-ORDINARY ITEMS & TAXATION	2534.09	1637.07
Interest	1102.71	1031.03
PROFIT/(LOSS) BEFORE DEPRECIATION EXTRA - ORDINARY ITEMS & TAXATION	1431.38	606.04
Depreciation	190.25	163.88
PROFIT/(LOSS) BEFORE EXTRAORDINARY ITEMS, EXPENSES IN RESPECT OF EARLIER YEARS AND TAXATION	1241.13	442.16

Extra - ordinary Items

(a) Credits :-

(i) Reliefs and Concessions under BIFR Scheme	309.20	435.04
Less: Additional payment under BIFR Scheme (Net)	87.70	46.96
	221.50	388.08
PROFIT/(LOSS) FOR THE YEAR	1462.63	830.24
Expenses in respect of earlier years	(66.21)	(93.96)
Excess Depreciation written back	(1.81)	—
Investment Allowance Reserve	(252.38)	—
Adding thereto -		
Balance of loss as per last Account	(2388.55)	(3124.83)
Balance carried to Balance Sheet	(1246.32)	(2388.55)

During the year under review, the total income of the Company increased to Rs. 284.51 crores from Rs. 211.84 crores in the previous year registering growth of 34%. However, Profit before Depreciation and Taxation has improved much more by 55%. The higher operational profit earned has been possible by control on expenses for interest, further reduction in the cost of raw material, wage and other expenses and by improvement in operational efficiencies. The Company is regularly taking steps to increase the Production Capacities by Modernisation, Upgradation and System of Automation wherever possible. The Company has also been benefited by favourable market condition for some of its products, specially of its Chemical Division.

This has enabled the Company to earn much higher Profit before Taxation of Rs. 12.41 crores as against Rs. 4.42 crores in the previous year, a big jump of around 300%.

The general market situation this year is not so favourable with recessionary trends persisting in various industries but with steps taken by the Company for efficiently organising its operations and continuous striving towards achieving better efficiencies it should be possible for the Company to face the future with confidence to achieve its goals.

1997-98

1) OPERATIONS :

The Divisionwise performance during the year under review in comparison to that in the previous year is as under :-

Division		1996-97		1997-98		% Increase/ (Decrease)	
		Quantity	Rupees in Crores	Quantity	Rupees in Crores	Qty.	Value
Pipes	(MT)	24834	54.48	50493	119.34	103%	119%
Chemicals	(MT)	2734	51.83	2963	65.77	8%	27%
Tools	(000 pieces)	7330	29.41	7234	29.42	(1%)	—
Textiles	(MT)	2506	30.37	2580	29.23	3%	(4%)
Paper		—	—	—	(0.18)	—	—
International (Turnover)		—	41.20	—	34.57	—	—

Pipe Division

Production at Pipe Division has improved from 24834 tonnes in previous year to 50493 tonnes in this year as the working has been possible for the whole year as against partial working in the previous year. The Division has been able to reduce its losses to a large extent by making efforts to reduce costs and better value realisations from diversified markets. With still better capacity utilisation, the Division is likely to make contribution towards profit of the Company during the year 1998-99.

Chemical Division

The profitability of Chemical Division has been significantly better in comparison to that of the previous year. At a Production of 2963 tonnes the Division has surpassed its highest ever production of 2734 tonnes in the previous year. The increased capacity has been available only in the last 2 months of the financial year. The average sales realisation of the Division was better due to better market conditions and continuing reputation for the quality of our main product H-Acid. Now H-Acid production capacity has been increased by 500 tonnes per annum and that for other intermediates by 400 tonnes per annum. Apart from this, process automation system is fully operative for obtaining consistency in quality by reduction of human interference for improving overall efficiency.

Our efforts are continuing for total elimination of liquid effluent discharge thus furthering our goals towards creating better environment all around.

Tools Division

Engineering Industry has been facing recession through-out the Financial Year 1997-98. In spite of

bad market conditions, Sales of the Division have marginally grown from Rs. 27.62 crores in Financial Year 1996-97 to Rs. 28.26 crores in the Financial Year 1997-98. However, per unit realisation has suffered due to excess availability of products in the market, causing severe competition for market share. The Tool Division of the Company, however, has been able to retain and improve the market share by aggressive and concentrated efforts.

Textile Division

The year 1997-98 was also a year of acute recession and volatility in fibre prices in succession to 1996-97. This Division produced 2580 tonnes of Yarn as against 2506 tonnes during the previous year. To meet the competition in the recessionary market and to increase its share, the Company has taken steps to modernise the spinning plant and improve the quality of its product.

2) EXPORTS :

The value of exports has gone up substantially from Rs. 56.99 crores in the previous year to Rs. 84.23 crores during the year under review. In terms of physical performance, 2709 tonnes of Dye Intermediates were exported as against 2598 tonnes in the previous year and 16971 tonnes of Pipes were exported as against 7259 tonnes in the previous year. The Company is continuously giving better thrust to boost export of both Dyes Intermediates and Pipes. The Company has also taken steps towards promoting exports of products of its Tools and Textile Divisions.

3) INDUSTRIAL RELATIONS :

Industrial Relations at all the Divisions of the Company have remained satisfactory throughout the year.


Zenith Limited

4) REHABILITATION SCHEME :

The implementation of the Rehabilitation Scheme sanctioned by BIFR on 8/1/96 has been successfully completed during the year. In terms of the package, the Company has made all payments to the Financial Institutions, Debenture-holders and Banks. Now only the final reconciliations in respect of few Institutions remain to be completed.

5) SUBSIDIARY COMPANY:

The Accounts for the wholly owned Subsidiary Company, M/s. Zenith (USA) Inc. for the year ended 31st December, 1997 have been received by the Company and statement pursuant to Section 212 of the Companies Act, 1956, is enclosed.

6) AUDITORS' REMARKS:

The Auditors have drawn your attention to specific points in their report. The notes are self-explanatory.

7) DIRECTORS:

During the year, Dr. V. Gaurishankar has resigned from the Board of the Company.

The Board placed on record its appreciation of the valuable services rendered by the Director during his tenure as a Director of the Company.

In accordance with Article 149 of the Articles of Association of the Company, Shri S.N. Baheti and Shri A.L. Kapur retire by rotation and being eligible, offer themselves for reappointment.

8) FIXED DEPOSITS:

The Company has paid to all such Fixed Deposit Holders who have forwarded to the Company their duly discharged Fixed Deposit Receipts. As on 31st March, 1998, the amount payable to Fixed Deposit Holders stood at Rs. 16.60 lacs. Since then and upto

10th June, 1997, the Company has further paid Rs. 0.06 lac. As and when the remaining discharged Fixed Deposit Receipts are received by the Company, the same will be paid.

9) AUDITORS:

The members are requested to appoint Statutory Auditors and Branch Auditors for the current financial year.

10) PERSONNEL:

The particulars of employees as per Section 217(2A) of the Companies Act, 1956, are set out in Annexure-I forming part of this Report.

11) DISCLOSURE WITH RESPECT TO CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY, ETC :

The particulars as required under Section 217(1)(e) of the Companies Act, 1956 and the Rules therein pertaining to the above are set out in Annexure-II forming part of this Report.

12) APPRECIATION :

The Board wishes to place on record their gratitude for the co-operation and support received from the Share Holders, Debenture Holders, Fixed Deposit Holders, Financial Institutions, Banks, Central and State Government Authorities. The Board also appreciates the co-operation and support received from all its employees in the process of revival of the Company.

On behalf of the Board
Yash Birla
 Chairman
 Mumbai, 16th June, 1998.

2007-98

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE

Information as per Section 217 (2A) read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31st March, 1998.

Sr. No.	Name of the Employee	Age (Yrs)	Designation/ Nature of Duties	Remuneration recd. (Rs.)	Net take home pay (Rs.)	Qualifications	Experience (years)	Date of Commencement of Employment	Last Employment and position held before joining the Company
1	Agarwal S.C.	50	Sr.Vice President (Tools Divn.)	355705	257340	B.Tect.(Electrical) M.Tech. (Ind.Management)	24	01.10.92	Sola Photophone Optical Ltd. General Manager
2	Beriwal A.R. *	38	Jt. Vice President (Fin.)	119269	112103	B.Com., ACA	18	18-04-91	Self - Employed
3	Baxi J.H. *	58	Vice President (Mktg.Engg. Divn.)	30319	25827	B.Com (HONS.)	26	02.03.98	Lloyds Metals & Engg. Ltd. Sr. Vice President
4	Daga L.R.	50	Jt. President	360427	237003	B.Com (HONS.) LL.B., FCA	28	03-08-95	Armour Chemicals Ltd. Chief Executive
5	D'Souza V. *	60	Operator (Engg. Divn.)	142035	139037	Std. IX	34	19.03.63	MEI Ltd., Pune - Grinder
6	Jain Arun	45	Jt. President (Engg. Divn.)	412706	275041	B.Sc., ACA	20	01.08.91	Birla International Pvt. Ltd. Executive.
7	Joshi S.K. *	47	Jt. President-(Fin)	316263	198960	B.Com., FCA	23	15.07.97	Satna Cement Works, Satna Sr.Vice President* (Comm.)
8	Jain L.K. *	44	Joint President (Textile Divn.)	350645	212244	M.Sc., ATA/AMIE, ICWA (INTER)	24	26.05.97	President M/s.Ruia Cotex Ltd., Bhiwadi(Raj.)
9	Kokcha J.P. *	53	Clerk	193293	190545	H.S.C	31	10-09-73	Mohan Rocky Spring Water Breweries - Clerk
10	Khenzat G.B. *	60	Wireman (Engg. Divn.)	125455	124001	S.S.C	30	05.09.67	RW-ITC Ltd., Pune -Electrician
11	Khetan S.M. *	49	Jt.President (Chem. Divn.)	71165	57096	B.Tech(Chem), DBM	26	30.01.98	Rashi Fertilizers Ltd. Whole-time Director.
12	Lodha H.S. *	44	Chief Executive (Textile Divn.)	122690	83477	B.Com., FCA	20	11-05-95	Joint President, M/s Orient Syntex Ltd.
13	Mansingh K. *	58	Watchman (Engg. Divn.)	106957	106957	Std. VI	33	29.03.64	---
14	Rathore J.S. *	61	Asst. Officer	225266	220347	SSC., Dip.in Homeopathy	38	01-10-60	None
15	Sethia U.S. +	62	Managing Director	796503	372754	M.Com., Dipl. Business Mngmnt.	40	10-06-94	Birla Jute & Industries Ltd. President-Satna Cement Works
16	Sharma M.M.	69	Sr. President	638951	403953	M.A.(Eco), M.A. (Hindi), DSW, CM, IIPM	44	11-06-94	NRC Limited Executive President
17	Sethi Arun	55	Sr. G.M. (Exports)	304858	224253	M.Com., PGDIT(IIFT)	33	20.01.97	Self - Employed
18	Samdani S.G. *	60	Jt.President (MTLS.MGT)	116900	69959	B.Sc.	37	16-12-97	Grasim Industries Ltd. General Manager
19	Varma B.L.	57	Vice President (Admn.)	350019	209386	B.A.	29	11-06-84	New Swadeshi Mills of Ahmedabad Ltd., Liaison-Executive
20	Wagh B.V. *	53	Wireman (Engg. Divn.)	142897	137309	S.S.C	24	27.01.73	Businesss Combine Ltd., Nasik

* Employed for part of the year.

+ Employed on Contractual Basis.

Notes:

1. In the case of the employees, the remuneration received includes Salary, Allowances, the Company's Contribution to Provident and Superannuation Funds, payment of Gratuity and value of perquisites evaluated in accordance with the Income Tax Rules.
2. Net take home pay represents net amount received after deduction of Income-tax, Profession Tax, Contribution towards Provident and Superannuation Funds and Reimbursement.
3. None of the above employees is related to any of the Directors of the Company.
4. The above list does not include payment made under Voluntary Retirement Scheme.



ANNEXURE TO DIRECTORS' REPORT

ANNEXURE - II

(Information under Section 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 1998.)

A. CONSERVATION OF ENERGY:

(a) Energy Conservation Measures Taken:

The Company has taken the following measures for energy conservation at the factories, namely:

- Installation of one more vapour absorption system.
- Keeping two transformers in line instead of three, thereby reducing 2 per cent energy loss.
- Providing additional capacitors on MCC level.
- Revamping of old cooling tower with high efficient FRP packing and plates.
- Installation of one 550 KVA D.G. Set.
- Use of condensate water for boiler feed.
- Regularisation of water supply in Mill premises to save water and energy.
- Installation of Fibre Glass Insulation.

(b) Additional Investment and Proposals, if any, being implemented for reduction of consumption of energy:

- Reduction in Maximum Demand (MD) by re-distribution of load through two transformers.
- Use of process heat from reduction process for nitro heating.
- Recovery of naphthalene through vapour condensate from naphthalene melter and sulfonator.
- Replacement of Aluminium blades by FRP blades for saving in power consumption of Fans.

(c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The above measures have resulted in energy saving and subsequent decrease in the cost of production.

(d) Total Energy Consumption and Energy Consumption per unit of production :

As per Form 'A' annexed.

FORM 'A'

A. Power & Fuel Consumption		Units	Current Year 1997-98	Previous Year 1996-97
1	Electricity :			
	Purchased			
	For Textile Division			
	Quantity	Lacs(KWH)	79.48	79.99
	Total Value	Rs. in Lacs	268.44	268.59
	Rate per Unit	Rs. per Unit	3.38	3.36
2	Coal (Steam Coal):			
	For Textile Division			
	Quantity	MT	851.06	628.91
	Total Value	Rs. in Lacs	15.63	10.54
	Rate per Unit	Rs. per MT	1836.53	1675.92

B. Consumption Per Unit

	Prod. Unit	Electricity (KWH)	Current Year	Previous Year
Textile	100 KG		308.07	319.00

Note: Information in respect of Pipe, Chemical and Tools Division has not been provided as Form 'A' under Section 217(1)(e) of the Companies Act, 1956, is not applicable to these Units.

B. TECHNOLOGY ABSORPTION:

Efforts made in Technology Absorption as per Form B.

FORM 'B'

Research and Development (R & D)

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

- Development of process for high purity Sulfo Tobias Acid and Bronner Acid with less BNA contents.
- Development of method for separation of Glauber Salt from H-Acid mother liquor in acidic media.

2. Future Plan of Action:

- Modification for reduction in batch time-cycle for streams II and III of plant-I, thereby increasing production and productivity.
- Installation of equipments for separation of Glauber Salt from H-Acid mother liquor, based on R & D results.
- Production of weak nitric acid by absorption of NOx fumes from exhaust.

3. Expenditure on R & D:

The expenditure on in-house R&D is shown under respective functional heads and no separate account is maintained.

4. Technology Absorption, Adaptation and Innovation:

The Chemical Division is in the process of obtaining Certification under ISO 9002 specifications as a mark of the approval of the quality management system adopted by the Division.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

	Rs. in Lacs	
	Current Year 1997-98	Previous Year 1996-97
Total Foreign Exchange earned	8423.23	5698.72
Total Foreign Exchange used	6237.86	4936.17