

**41st**  
**ANNUAL REPORT**



**2001-2002**

**ZENITH LIMITED**

# Annual Reports Library

## DIRECTORS

YASH BIRLA *Chairman*  
D.V. KAPUR  
AUGUSTINE P. KURIAS  
R.M. JAIN  
U.S. SETHIA *Managing Director*

## SECRETARY

NIMESH S. SHAH

## AUDITORS

DALAL & SHAH  
Chartered Accountants

## BANKERS

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

## REGISTERED OFFICE

DALAMAL HOUSE,  
1ST FLOOR, 206, JAMNALAL BAJAJ MARG,  
NARIMAN POINT,  
MUMBAI - 400 021.

## 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-15/3/1, MIDC AREA  
WALUJ 431 133  
DIST. AURANGABAD  
MAHARASHTRA  
A-82, MIDC AREA  
KHAMGAON 444 303  
DIST. BULDHANA  
MAHARASHTRA

## REGISTRARS AND TRANSFER AGENTS

BIGSHARE SERVICES PVT. LTD.  
E/2, ANSA INDUSTRIAL ESTATE,  
SAKIVIHAR ROAD, SAKI NAKA,  
ANDHERI (EAST),  
MUMBAI - 400 072

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Shareholders are requested to note that only tea/coffee will be served during the 41st Annual General Meeting to be held on Monday, the 10th day of March, 2003 at 4.00 p.m. at Patkar Hall of SNDT Women's University, Nathibai Thakersey road, New Marine Lines, Mumbai - 400 020.

## ANNEXURE TO THE NOTICE

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

#### Item No. 3

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, Mumbai as Auditor of the Company is proposed to be made by a Special Resolution in view of the provisions of Section 224A of the said Act. As required under Section 224(1) of the Companies Act, 1956, 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. 4

Members are aware that the Company is passing through difficult financial period and for the last four years the Company has been incurring continuous losses and the Company has accumulated losses amounting to Rs. 41,64,07,914 as per the Balance Sheet as on 30<sup>th</sup> June, 2002. At the same time, the Company possesses as on 30<sup>th</sup> June, 2002, Share Premium (Securities Premium) of Rs. 12,61,01,612, Investment Allowance Reserve of Rs. 2,52,38,000 and Revaluation Reserve of Rs. 7,78,23,548 aggregating to Rs. 22,91,63,160. In view of the sustained and accumulated losses, these reserves are not represented by any corresponding assets and hence the Board of Directors decided at its meeting held on 11<sup>th</sup> February, 2003 to reduce the Share Premium Account as per provisions of Section 78 of the Act. For the same reason the Board of Directors also decided to reduce the Equity Share Capital to the extent of 60% of existing Equity Share Capital amount i.e. 60% of Rs. 33,96,09,060/- equivalent to Rs. 20,10,65,440/-.

The Board of Directors further decided to write off/reduce the Credit Balance in Investment Allowance Reserve Account of Rs. 2,52,38,000 and in Revaluation Reserve Account of Rs. 6,40,02,862 against the remaining debit balance in Profit & Loss Account i.e. Rs. 8,92,40,862 subject to such approvals as may be required.

After all the above reductions/write off, the debit balance in Profit & Loss Account as on 30-6-2002 will come to NIL. This exercise is expected to give a more realistic picture of Company's Share Capital, Reserves, Assets and Profit & Loss Account balance, besides cleaning up its Balance Sheet. Since the reduction of share capital will be on a prorata basis for all the Equity Shareholders, their voting and other rights on shares, within themselves, will not be affected. Although, the Company hopes that its operations will improve in the current year and future years to come, the Company will be in a better position to carry on its business without the legacy of large amount of losses. Hence, it will be proper for the Company to write off the losses and to start with a clean Balance Sheet. Hence this Special Resolution has been proposed by the Board of Directors.

Pursuant to Section 100 and Section 78 of the Companies Act, 1956 the above said proposal is subject to approval of the shareholders by way of a Special Resolution and the Hon'ble High Court, Bombay or National Company Law Tribunal or such other authorities or creditors/persons as may be required in law. Your Directors recommend the resolution specified in the notice for your approval.

None of the directors is concerned or interested in the resolution.

By Order of the Board of Directors

**NIMESH S. SHAH**  
Company Secretary

Place : Mumbai,  
Date : 11th February, 2003

Registered Office:  
Dalamal House, 1<sup>st</sup> Floor,  
206, J. B. Marg, Nariman Point,  
Mumbai - 400 021.

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## DIRECTORS' REPORT

To The Members,

Your Directors present the Forty First Annual Report together with the Audited Statements of Accounts for the period ended 30<sup>th</sup> June, 2002.

### FINANCIAL RESULTS

	2001-2002 For 15 Mths. (Rs. in lacs)	2000-2001 for 12 Mths. (Rs. in lacs)
<b>TOTAL INCOME</b>	<b>33172.31</b>	<b>24257.10</b>
PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION, EXTRAORDINARY ITEMS & TAXATION	<b>762.63</b>	137.14
Interest	<b>1852.26</b>	1406.61
PROFIT/(LOSS) BEFORE DEPRECIATION, EXTRAORDINARY ITEMS & TAXATION	<b>(1089.63)</b>	(1269.47)
Depreciation	<b>364.59</b>	276.45
PROFIT/(LOSS) BEFORE EXTRAORDINARY ITEMS AND EXPENSES IN RESPECT OF EARLIER YEARS	<b>(1454.22)</b>	(1545.92)
<b>Extraordinary items</b>		
<b>Credits :-</b>		
Profit on Sale of Undertakings/Properties	-	311.17
Reliefs and Concessions under BIFR Scheme	<b>7.09</b>	-
Less: Additional Expenses as per BIFR Scheme	<b>3.46</b>	7.41
	<b>(3.63)</b>	(7.41)
<b>PROFIT/(LOSS) FOR THE PERIOD/YEAR BEFORE TAX</b>	<b>(1450.59)</b>	(1242.16)
Provision for Wealth Tax	<b>(0.61)</b>	-
Deferred Tax Credit (Net)	<b>570.99</b>	-
Profit/(Loss) for the period / year	<b>(880.21)</b>	(1242.16)
Expenses in respect of earlier years	<b>(223.05)</b>	(32.18)
Provision for Wealth Tax in respect of earlier years	<b>(1.67)</b>	(1.45)
Excess/Short Depreciation in respect of earlier years (Net)	-	0.89
	<b>(1104.93)</b>	(1274.90)
Balance of profit/(loss) as per last Account	<b>(3952.72)</b>	(2677.82)
Less : Deferred Tax credit in respect of earlier years	<b>893.59</b>	-
Balance profit/(loss) carried to Balance Sheet	<b>(4164.06)</b>	(3952.72)

During the period under review, total income has gone up to Rs. 332 crores. The profit before interest, depreciation and taxation has also gone up from Rs.1.37 Crores in the last year to Rs.7.63 Crores during the period under review. In spite of increase in total income, the net loss is at Rs.14.54 Crores as against Rs.15.46 Crores due to higher interest cost and also due to unfavourable market conditions, especially in the Tools, Chemicals and Textiles Divisions of the Company.

The Company has taken various steps to reduce cost of various inputs & expenses in order to get better operational efficiency.

## 1) OPERATIONS

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

Division		2001-2002 (15 Months)			2000-2001 (12 Months)		
		Sales (Qty.)	Production (Qty.)	Production Value (Rs. in crore)	Sales (Qty.)	Production (Qty.)	Production Value (Rs. in crores)
Pipes	MT	100427	96110	213.21	62526	61865	141.18
Chemicals	MT	2587	2524	36.78	2528	2544	38.30
Tools	(000 pcs)	10967	10695	24.84	10224	10520	25.98
Textiles	MT	4280	4331	40.12	2863	2823	26.93

### PIPES DIVISION

Production at Pipe Division was higher at 96110 MT during the period under review as compared to 61865 MT in the previous year. The sales were higher at 100427 MT as compared to 62526 MT during the previous year. Margins remained under pressure due to increasing cost of HR coils required for manufacture of pipes. In spite of this, the Pipe Division made a profit of Rs.554 Lacs during the period under review as against loss of Rs.141 Lacs in the last year.

### CHEMICALS DIVISION

Sluggish Market conditions continued during the period under review. Because of this, the Division could manage to sale 2587 MT with a turnover of Rs.35.25 Crores as compared to Rs.37.20 Crores in the previous year. The over all depressed international market continued throughout the period which adversely affected price realisations, thus causing losses. However, with cost controls, implementation of VRS scheme, improved efficiencies and development of new products, much better results would be reflected in the current period.

### TOOLS DIVISION

As reported earlier, the Engineering industry has been facing recession for the last three years which continued during the current period. The total production of this Division was Rs.24.84 Crores as against Rs.25.98 Crores in the previous year. However with aggressive marketing, this Division has been able to achieve net turnover of Rs.28.12 Crores during the period under review which includes Exports of Rs.4.41 Crores as against Rs.29.92 Crores in the previous year with exports of Rs.1.97 Crores.

### TEXTILES DIVISION

During the period, total production increased to 4331 MT valued at Rs. 40.12 Crores from 2823 MT valued at Rs 26.93 Crores in the previous year. However the recessionary trend still continues, but to improve sales realisations the unit has developed new value added product. There is overall improvement in performance and utilisation of resources.

## 2) EXPORTS

Exports of the Company have gone up to Rs. 141.78 Crores in the current period against Rs 92.98 Crores during the previous year.

The Company exported 58487 MT of pipes valued at Rs.103.87 Crores in the current period as against 31934 MT valued at Rs.61.30 Crores during the previous year.

Exports of Dye-Intermediates were higher at 2223 MT valued at Rs.28.35 Crores in the current period as against 1978 MT valued at Rs. 25.54 Crores in the previous year.

Combined efforts to increase export of Tools & Textile Divisions have improved exports to Rs.4.41 Crores and Rs.5.15 Crores respectively.

## 3) INDUSTRIAL RELATIONS

Industrial Relations at all the Divisions of the Company were cordial throughout the year.

## 4) CHANGE OF REGISTERED OFFICE OF THE COMPANY

The Board of Directors have decided in their meeting held on 30<sup>th</sup> October, 2002 to shift the Registered Office of the Company to Dalamal House, 1<sup>st</sup> Floor, 206, Jamnalal Bajaj Marg, Nariman Point, Mumbai-400 021 with effect from 30<sup>th</sup> October, 2002.

Members are requested to take note of the same.

5) **SUBSIDIARY COMPANY**

The Accounts for the wholly owned Subsidiary Company, **M/s Zenith (USA) Inc., for the year ended 31<sup>st</sup> Dec., 2001 and M/s Valueworth Trade Pvt. Ltd., Zenith Dyeintermediates Ltd. and Khamgaon Syntex India Ltd. for the year ended 30<sup>th</sup> June, 2002** have been received by the Company and therefore statement pursuant to Section 212 of the Companies Act, 1956, is enclosed.

6) **CORPORATE GOVERNANCE**

A separate report on Corporate Governance is incorporated as a part of the Annual Report.

7) **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors of the Company state as under that :

- i) in the preparation of annual accounts, applicable Accounting Standards have been followed except as mentioned Note No.4(3) (Annexure A) regarding valuation of finished and process stocks of Tools division as per the method explained therein, which has also been done as per consistent practice. These notes are appearing in the Schedule 22 of the accounts.
- ii) the selected accounting policies are consistently applied and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of accounting year and of the loss for that period except as mentioned in (i) above.
- iii) 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 & other irregularities.
- iv) that the Directors had prepared Annual Accounts on a 'going concern' basis.

8) **AUDITORS' REMARKS**

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

9) **DIRECTORS**

In accordance with Article 149 of the Articles of Association of the Company, Shri Yash Birla retires by rotation and being eligible, offer himself for re-appointment.

10) **FIXED DEPOSITS**

Fixed Deposits due for repayment were not claimed by the Depositors, but as and when claims are received, the Company makes the payment immediately.

The Company has stopped accepting Fixed Deposits since 1989-90.

11) **AUDITORS**

The members are requested to appoint Statutory Auditor for the current Accounting year.

12) **PERSONNEL**

There were no employees covered under the Section 217 (2A) of the Companies Act, 1956 read with companies (particulars of employees) Rules 1975.

13) **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-I forming part of this Report.

14) **EXTENSION / CHANGE OF ACCOUNTING PERIOD**

To implement, the plan of restructuring of the Company, your Directors had extended the Financial year of the Company upto 30<sup>th</sup> June, 2002 but however, have again decided to reduce the current accounting period of the Company to coincide with the financial year ending as on 31<sup>st</sup> March, 2003.

15) **APPRECIATION**

The Board of Directors wishes to place on record their gratitude for the co-operation and support received from the Shareholders, Financial Institutions, Banks, Central and State Government Authorities. The Board of Directors also appreciate the co-operation and support received from employees at all levels.

For & on behalf of the Board of Directors

Mumbai, 17<sup>th</sup> January, 2003.

**YASH BIRLA**  
Chairman

## ANNEXURE TO DIRECTORS' REPORT

## ANNEXURE I

(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 period ended 30th June, 2002)

### A. CONSERVATION OF ENERGY :

#### (a) Energy Conservation Measures Taken:

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

- 1) Modification and process improvement has been carried out in H-Acid manufacturing at fusion stage which has reduced heating cycle time by 50 %.
- 2) Spray drying capacity increased by increasing ID & FD fan capacity, which has resulted into lower electrical consumption per unit of production.
- 3) Refrigeration load requirement in plant balanced to avoid high variations resulting in power saving.
- 4) Additional Capacitors have been provided and achieved the power factor from 0.98 to 0.99.
- 5) Insulation carried out for steam line.

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

- i) Additional Capacitor bank with Automatic P.F. Controller unit provided and may achieve power factor from 0.99 to unity.
- ii) Presently various pneumofil fan impellers are of aluminium casted, instead of those we are taking trial to replace the same by FRP Fan Impellers.
- 6) We are changing 12 Nos. 5 H.P. Crompton Greaves make Motors by energy efficient Siemens Motors for better efficiency and saving in energy by 30 %.

#### (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 consequent decrease in the cost of production.

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

As per Form 'A'.

### FORM 'A'

	Units	Current period April 2001-June 2002	Previous Year 2000-2001
<b>A. Power &amp; Fuel Consumption</b>			
1. Electricity :			
Purchased			
For Textiles Division:			
Quantity	Lacs(KWH)	116.13	78.28
Total value	Rs.in lacs	409.73	290.14
Rate per Unit	Rs.per Unit	3.53	3.71
2. Coal (Steam Coal):			
For Textiles Division			
Quantity	MT	1182.00	362.77
Total value	Rs.in lacs	23.41	6.48
Rate per Unit	Rs.per MT	1980.75	1786.26
<b>B. Consumption Per Unit of Production (yarn)</b>			
Textiles Division - yarn	Prod. Unit 100 KG	271.49	265.95

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

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## 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:
  - (a) H-Acid Sulphonation and fusion processes are modified to give better yield with optimum raw material consumption.
  - (b) Development of new value added products.
2. Future Plan of Action:

To develop further new value added products.
3. Expenditure on R & D:

The expenditure on in-house R&D is shown under respective heads and no separate account is maintained.
4. Technology Absorption, Adaptation and Innovation: Nil

#### C. Foreign Exchange Earnings and Outgo:

	Rs. in lacs	
	(15 Mths.) 2001-2002	(12 Mths.) 2000-2001
Total Foreign Exchange earned	14210.17	9302.19
Total Foreign Exchange used	4083.45	4098.57





## CERTIFICATE

To the Members of  
**Zenith Limited**  
MUMBAI.

We have examined the compliance of the conditions of Corporate Governance by **ZENITH LIMITED** for the period ended 30<sup>th</sup> June 2002, as stipulated in Clause 49 of the Listing Agreement of the said Company, with the stock exchange.

**The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.**

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the management we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that the Registrar and share Transfer Agent of the Company have certified that they have maintained the records to show the investor's grievances against the Company and that as on 30<sup>th</sup> June 2002, there were no investor grievances remaining unattended / pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For and on behalf of**  
**DALAL & SHAH**  
**Chartered Accountants**

**SHISHIR DALAL**  
**Partner**

Mumbai : 17<sup>th</sup> January 2003.



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## REPORT ON CORPORATE GOVERNANCE

### I) COMPANY'S PHILOSOPHY

Though the schedule of implementation annexed to the Corporate Governance directs our Company to comply with the Code during the Financial Year 2001-2002, and not later than March, 2002, we have, for the benefit of shareholders and investors, prepared a chapter on Corporate Governance. Besides adhering to the various parameters prescribed under the Code, the Company has already in existence and fully functional, the various Mandatory Committees envisaged therein. The Audit Committee was formed on 28.6.2001 and the Shareholders/Investors Grievance Committee (Share Transfer Committee) was formed way back on 26.3.1992.

### II) BOARD OF DIRECTORS

#### A. The constitution of the Board as on 30th June, 2002 :

Name of Director	Category Executive/ Non-executive	No. of other Directorships and Committee Memberships	
		Other Directorships	Other Committee Memberships
Shri Yash Birla, Chairman	Promoter, Non-executive	17	02
Dr. D.V. Kapur	Non-Executive	11	02
Shri Augustine P. Kurias	Non-Executive	NIL	01
Shri R.M. Jain	Non-Executive	01	03
Shri U.S. Sethia, Managing Director	Executive Director	08	03

#### B. Attendance of each Director at the Board Meetings and the last Annual General Meeting is as under:

Name of Director	No. of Board Meetings Attended	Last Annual General Meeting attended
Shri Yash Birla, Chairman	5	Yes
Dr. D.V. Kapur	4	No
Shri Augustine P. Kurias	6	Yes
Shri R.M. Jain	5	Yes
Shri U.S. Sethia, Managing Director	4	Yes

#### C. Number of Board Meeting held and the dates on which such meetings were held :

6 Board Meetings were held during the period from 1st April, 2001 to 30th June, 2002 as against the minimum requirement of 5 meetings. The dates of such Board Meetings are 28.6.2001, 31.7.2001, 25.10.2001, 26.11.2001, 24.1.2002 and 16.5.2002.

### III) AUDIT COMMITTEE

The Company had set up the Audit Committee on 28.6.2001. The composition of the Audit Committee is as follows:

Shri A.P. Kurias	- Chairman
Dr. D.V. Kapur	- Member
Shri R.M. Jain	- Member
Shri U.S. Sethia	- Member

The Company Secretary acts as Secretary to the Committee. The Statutory Auditors and the two Joint Presidents (Finance & Accounts) attended the meetings on invitation from the Chairman.

The Audit Committee Members are independent. The Committee deals with review of Financial Statements, oversight of the Company's Financial Reporting process and disclosure of Financial Statements. The Committee monitors any proposed changes in the Accounting Policy and reviews the Company's financial risk management policies.

During the period 1st April, 2001 to 30th June, 2002 the Audit Committee met 5 times. The dates of Audit Committee Meeting are 31-7-2001, 25-10-2001, 26-11-2001, 24-1-2002 and 16-5-2002. Attendance during the accounting period is as under:

Members	Meetings attended
Shri A.P. Kurias	5
Dr. D.V. Kapur	4
Shri R.M. Jain	5
Shri U.S. Sethia	4