

42nd
ANNUAL REPORT



2002-2003
ZENITH LIMITED

Zenith Limited

DIRECTORS

YASH BIRLA
D.V. KAPUR
AUGUSTINE P. KURIAS
R.M. JAIN
U.S. SETHIA

Chairman

Managing Director

3. 62/63, MIDC AREA
SATPUR
NASHIK 422 007
MAHARASHTRA
4. B-15/3/1, MIDC AREA
WALUJ 431 133
DIST. AURANGABAD
MAHARASHTRA
5. A-82, MIDC AREA
KHAMGAON 444 303
DIST. BULDHANA
MAHARASHTRA

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.
Tel.: 022-2821122 Fax: 022-22855743

WORKS

1. KHOPOLI 410 203
DIST. RAIGAD
MAHARASHTRA
2. D-17, MIDC AREA
BOISAR 401 506
DIST. THANE
MAHARASHTRA

REGISTRAR AND SHARE TRANSFER AGENT

BIGSHARE SERVICES PVT. LTD.
E/2, ANSA INDUSTRIAL ESTATE,
SAKIVIHAR ROAD, SAKI NAKA,
ANDHERI (EAST), MUMBAI - 400 072
Tel.: 022-28506052 / 28523474
Fax: 022-28525207

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Members are requested to note that only tea/coffee will be served during the 42nd Annual General Meeting to be held on Wednesday, the 31st day of March, 2004 at 11.00 a.m. at M.C. Ghia Hall, Bhogilal Hargovindas Bldg., 2nd Floor, 18/20, K. Dubhash Marg, Mumbai - 400 023.

NOTICE

NOTICE is hereby given that the Forty Second Annual General Meeting of the Members of ZENITH LIMITED will be held at M.C. Ghia Hall, Bhogilal Hargovindas Bldg., 2nd Floor, 18/20, K. Dubhash Marg, Mumbai - 400 023 on Wednesday, 31st day of March, 2004 at 11.00 a.m. to transact, with or without modifications, as may be permissible, the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the period ended 30th September, 2003, 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 A.P. Kurias who retires by rotation, and being eligible, offers himself for re-appointment.
3. 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, M/s. Dalal & Shah, Chartered Accountants, Mumbai, 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".

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956 and subject to such sanction(s) as may be necessary in law, Shri Arun Jain, be and is hereby appointed as the Whole-time Director, designated as Executive Director of the Company, for a period of five years with effect from 10th June, 2004 to 9th June, 2009 on the terms and conditions (including the remuneration to be paid to him in the event of loss or inadequacy of profits in any financial year during the aforesaid period) set out in the draft agreement submitted for approval to this Meeting and for identification initialled by the Chairman which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter, vary and modify the terms and conditions of the said appointment and/or agreement, in such manner as may be agreed to between the Board of Directors and Shri Arun Jain within and in accordance with the limit prescribed in Schedule XIII of the Companies Act, 1956 or any amendment thereto from time to time, as may be agreed to the Board of Directors and acceptable to Shri Arun Jain.

The main terms and conditions of Shri Arun Jain's appointment shall be as under:

- 1) Shri Arun Jain to perform such duties and exercise such powers as are entrusted to him by the Board from time to time.

- 2) **Remuneration :**

- (a) **Salary per month:**

Basic Salary : Rs. 60,000/- (Rupees Sixty Thousand only) per month

With authority to the Board of Directors to fix annual increments in salary (Total Salary not exceeding as it is permissible under Schedule XIII of the Act) from time to time as it may deem appropriate.

- (b) **Perquisites:**

- i) Reimbursement of Leave Travel and Medical Expenses for self and family, as per the rules of Pipes Division of the Company;
 - ii) Leave with full pay and allowances as per the rules of Pipes Division of the Company;
 - iii) Fees of the clubs subject to a maximum of two clubs excluding admission and life membership fees;

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- iv) Personal Accident Insurance Premium not to exceed Rs. 4000/- per year;
 - v) Company's contribution towards Provident Fund (12%) and Superannuation Fund (15%);
 - vi) Gratuity as per rules applicable to Pipes Division of the Company.
 - vii) Provision of a Chauffeur driven car provided and maintained by the Company for the use of Company's business;
 - viii) Provision of Telephone at residence.
- (d) In the event of absence or inadequacy of profits in any financial year, the remuneration payable to him by way of salary and perquisites shall not exceed the maximum limit prescribed under Schedule XIII to the Companies Act, 1956.
- (e) The Board shall have the discretion and authority to modify the foregoing terms and remuneration within, however, the limit prescribed under Schedule XIII to the Companies Act, 1956.
- (f) The appointment will be for a period of 5 years which may be terminated by either party giving to the other 90 days notice in writing or upon Shri Arjun Jain ceasing to be a Director of the Company.

RESOLVED FURTHER THAT in the event of any statutory amendments, modifications or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorised to vary or increase the remuneration (including the minimum remuneration), that is, the salary, perquisites, etc. within such prescribed limit or ceiling and the aforesaid draft agreement between the Company and the Appointee be suitably amended to give effect to such modification, relaxation or variation, subject to such approvals as may be required by law.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps expedient or desirable to give effect to this Resolution.

NOTES:

1. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of items No. 3 & 4 of the notice setout above, is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE 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 FORTY-EIGHT HOURS BEFORE THE MEETING.
3. The Register of Members of the Company and Share Transfer Books will remain closed from 21st March, 2004 to 31st March, 2004 (both days inclusive) for the purpose of the Annual General Meeting.
4. Member are requested to notify the changes in address, if any, immediately, quoting their folio numbers to the Registrar and Share Transfer Agent, M/s. Bigshare Service Pvt. Limited.
5. Nomination forms are available on request at the Registered Office of the Company or from the Registrar and Share Transfer Agent, M/s. Bigshares Service Pvt. Ltd.

For and on behalf of the Board

Place : Mumbai,
Date : 6th February, 2004

NIMESH S. SHAH
Company Secretary

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT SETTING OUT MATERIAL FACTS AS REQUIRED BY SECTION 173(2) 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 Share Capital of the Company, the appointment of Messrs Dalal & Shah, Chartered Accountants, Mumbai as Auditors 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

Shri Arun Jain (50) is appointed as Whole-time Director, designated as Executive Director, of the Company with effect from 10th June, 2004 for a period of 5 years, pursuant to Section 269 of the Companies Act, 1956 and Articles of Association of the Company.

Shri Arun Jain, has given his consent to act as Wholetime Director of the Company.

Shri Jain associated with the Group since 1980 and with the Company (Zenith Ltd.) since 1991 and has held various responsible positions. Till the date of appointment, Shri Jain is a Joint President (Engineering Division) of Zenith Ltd.

Shri Jain is a Fellow Member of the Institute of Chartered Accountants of India. He has 25 years of experience in Finance, Accounts, Marketing and Manufacturing functions and worked at various positions within the Group/Company.

The main terms and conditions of Shri Arun Jain's appointment are as under:

1) Shri Arun Jain to perform such duties and exercise such powers as are entrusted to him by the Board, from time to time.

2) **Remuneration :**(a) **Salary per month:**

Basic Salary : Rs. 60,000/- (Rupees Sixty Thousand only) per month

With authority to the Board of Directors to fix annual increments in salary (Total Salary not exceeding as it is permissible under Schedule XIII of the Act) from time to time as it may deem appropriate.

(b) **Perquisites:**

- i) Reimbursement of Leave Travel and Medical Expenses for self and family, as per the rules of Pipes Division of the Company;
- ii) Leave with full pay and allowances as per the rules of Pipes Division of the Company;
- iii) Fees of the clubs subject to a maximum of two clubs excluding admission and life membership fees;
- iv) Personal Accident Insurance Premium not to exceed Rs. 4000/- per year;
- v) Company's contribution towards Provident Fund (12%) and Superannuation Fund (15%);
- vi) Gratuity as per rules applicable to Pipes Division of the Company.
- vii) Provision of a Chauffeur driven car provided and maintained by the Company for the use of Company's business;
- viii) Provision of Telephone at residence.

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- (d) In the event of absence or inadequacy of profits in any financial year, the remuneration payable to him by way of salary and perquisites shall not exceed the maximum limit prescribed under Schedule XIII to the Companies Act, 1956.
- (e) The Board shall have the discretion and authority to modify the foregoing terms and remuneration within, however, the limit prescribed under Schedule XIII to the Companies Act, 1956.
- (f) The appointment will be for a period of 5 years which may be terminated by either party giving to the other 90 days notice in writing or upon Shri Arjun Jain ceasing to be a Director of the Company.

In compliance with the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, the details of remuneration payable to Shri Arun Jain are placed before the members, in general meeting, for their approval by way of ordinary resolution.

The terms and conditions of Shri Arun Jain's appointment as set out above may also be treated as an abstract of the terms of the draft agreement abetween Shri Arun Jain and the Company under Section 302 of the Companies Act, 1956.

Your Director recommend the approval of the proposed ordinary resolution by the members.

Shri Arun Jain himself is concerned and interested in the Ressionolution at Item No. 4 of the Notice.

The draft agreement to be entered into with Shri Arun Jain is available for inspection by any member of the Company at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day prior to the date of the meeting and at the venue of the Annual General Meeting on the date of the meeting, during the meeting hours.

For and on behalf of the Board

Place : Mumbai,
Date : 6th February, 2004

NIMESH S. SHAH
Company Secretary

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DIRECTORS' REPORT

To The Members,

Your Directors present the Forty Second Annual Report with the Audited Statements of Accounts for the period ended 30th September, 2003.

FINANCIAL RESULTS

	2002-2003 For 15 Mths. (Rs. in lacs)	2001-2002 for 15 Mths. (Rs. in lacs)
TOTAL INCOME	43631.61	32708.48
PROFIT BEFORE INTEREST, DEPRECIATION, EXTRAORDINARY ITEMS & TAXATION	1459.30	762.63
Interest	1388.55	1852.26
PROFIT/(LOSS) BEFORE DEPRECIATION, EXTRAORDINARY ITEMS & TAXATION	70.75	(1089.63)
Depreciation	386.87	364.59
PROFIT/(LOSS) BEFORE EXTRAORDINARY ITEMS AND TAXATION	(316.12)	(1454.22)
Extraordinary Items		
Credits :-		
Reliefs and Concessions under BIFR Scheme	-	7.09
Less: Additional Expenses as per BIFR Order (Net)	-	(3.46)
PROFIT/(LOSS) BEFORE TAXATION	(316.12)	(1450.59)
Provision for Wealth Tax	-	(0.61)
Deferred Tax Credit (Net)	85.74	570.99
Profit/(Loss) for the year	(230.38)	(880.21)
Expenses in respect of earlier years	(22.92)	(223.05)
Wealth Tax in respect of earlier years	(4.90)	(1.67)
Profit/(Loss)	(258.20)	(1104.93)
Balance of profit/(loss) as per last Account	(4164.06)	(3952.72)
Deferred Tax Credit in respect of earlier years	-	893.59
Transfer from Share Capital Reduction Account	2010.65	-
Transfer from Share Premium Account	1261.02	-
Transfer from Investment Allowance Reserve (utilised) Account	252.38	-
Transfer from Revaluation Reserve Account	650.69	-
Calls in Arrears Adjusted	(10.68)	-
Balance profit/(loss) carried to Balance Sheet	(258.20)	(4164.06)

During the period under review, the total income has gone up to Rs. 436.32 crores as against Rs. 327.08 crores during the previous period. The profit before interest, depreciation and taxation has also gone up from Rs. 7.63 crores in the previous period to Rs. 14.59 crores during the period under review.

The Company has taken various steps to improve the value of product-mix, reduce cost of various inputs and expenses in order to get better operational efficiency and profitability. This has resulted in substantial improvement, but losses have not been eliminated completely.

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The Company has requested IDBI for waivers of liquidated damages, additional interest, interest for the current period as well as part of interest for previous periods.

Pending outcome of IDBI's agreement to the request of the company, the Company has not provided interest, additional interest, liquidated damages amounting to Rs. 4.36 crores for the period ended 30th September, 2003.

During this period, the net loss is Rs. 2.58 crores as against Rs. 11.05 crores in the earlier period.

1) OPERATIONS

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

Division		2002-2003 (15 Months)			2001-2002 (15 Months)		
		Sales (Qty.)	Production (Qty.)	Production Value (Rs. in crore)	Sales (Qty.)	Production (Qty.)	Production Value (Rs. in crores)
Pipes	MT	113202	103968	259.19	100427	96110	213.21
Chemicals	MT	3039	3064	53.91	2587	2524	36.78
Tools	(000 pcs)	13551	14027	31.87	10967	10695	24.84
Textiles	MT	4449	4524	43.40	4280	4331	40.12

PIPE DIVISION

Production at Pipe Division was higher at 103968 MT during the period under review as compared to 96110 MT in the previous period. Sales were higher at 113202 MT as compared to 100427 MT during the previous period. Margins remained under pressure due to constantly rising costs of HR Coils required for manufacture of pipes. In spite of this, the Division has been able to maintain profitability at Rs. 546 lacs during the period as against Rs. 554 lacs in the previous period.

CHEMICALS DIVISION

Due to improved sales and remunerative product-mix, the Division has reduced its losses substantially.

The on-going measures for controlling of costs, improvements in productive efficiencies, implementation of VRS scheme, development of new value added products enabled the Division to reduce losses substantially to Rs. 8.05 crore during this period from Rs. 14.27 crores in the earlier period. The situation would have improved further, if the international market conditions had not remained so sluggish due to competition, mainly from China.

TOOLS DIVISION

As reported earlier, engineering industry has been facing recession for the last few years and the situation has now started to improve. Therefore, the Division has been able to produce and sell more quantity to the extent of about 30 % as compared with the previous period. The contribution to increased sales is both from domestic and export markets. However, because of extreme competition reduction in losses is less and has come down to Rs. 3.34 crores during the period as compared to Rs. 4.77 crore in the previous period.

TEXTILES DIVISION

Although improvements in production and sales are only marginal, the unit has been able to reduce losses to Rs. 1.38 crore as against Rs. 2.80- crore in the previous period by continuous and timely development of new value added products as required by the customer. There has been reduction in costs and some improvement in efficiencies which also have contributed to improved results.

2) EXPORTS

Exports of the Company have gone up to Rs. 179.39 crores in the current period against Rs. 141.22 crores during the previous period.

Exports of pipes were higher at 63149 MT valuing Rs. 131.07 crores in the current period as against 58487 MT valuing Rs. 103.87 crores in the previous period.

Exports of Dye-intermediates were higher at 2404 MT valuing Rs. 35.10 crores in the current period as against 2223 MT valuing Rs. 28.35 crores in the previous period.

Combined efforts to increase export of Tools and Textile Divisions have improved exports to Rs. 5.48 crores and Rs. 7.74 crores respectively against Rs. 4.41 crores and Rs. 5.15 crores in the previous period.

3) DIVIDEND

In view of the loss incurred by the Company during the period under review, your Directors have decided not to recommend dividend.

4) EXTENSION OF ACCOUNTING YEAR

To implement the plan of restructuring of the Company, your Directors had extended the accounting year upto 30th September, 2003.

5) INDUSTRIAL RELATIONS

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

6) SUBSIDIARY COMPANIES

The Accounts for the wholly owned Subsidiary Company, M/s. Zenith (USA) Inc., M/s. Valueworth Trades Ltd., Zenith Dyeintermediates Ltd., and Khamgaon Syntex India Ltd. have been received by the Company and therefore statement pursuant to Section 212 of the Companies Act, 1956 is enclosed.

7) CORPORATE GOVERNANCE & MANAGEMENT ANALYSIS REPORT

Separate reports on Corporate Governance and Management Analysis are incorporated as a part of the Annual Report.

8) 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 4(iii) (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 Directors had selected such accounting policies and applied them consistently 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 financial period and of the profit or loss for that period except as mentioned in (i) above.
- iii) the Directors had taken proper and sufficient care for the maintenance of the adequate accounting records in accordance with the provision of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) the Directors had prepared annual accounts on a 'going concern' basis.

9) AUDITORS' REMARKS

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

10) DIRECTORS

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

11) FIXED DEPOSITS

The Company has not accepted any Fixed Deposits from the public during the period under review.

12) AUDITORS

The Members are requested to appoint Statutory Auditors for the current period.

13) PERSONNEL

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

14) 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-1 forming part of this Report.

15) APPRECIATION

The Board 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 also appreciates the co-operation and support received from all its employees.

For and on behalf of the Board

Place : Mumbai,
Date : 6th February, 2004

YASH BIRLA
Chairman

Zenith Limited

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 year ended 30th September, 2003).

A. CONSERVATION OF ENERGY :

(a) Energy Conservation Measures Taken :

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

- 1) Additional capacitors bank with automatic P.F. Controller unit have been provided and power factor achieved from 0.99 to unity.
- 2) Insulation updated for steam lines & vessels & arrangements improved for condensate collection and transfer to Boiler feed water tank.
- 3) Further modification and process improvement has been carried out in H-Acid manufacturing at fusion and sulphonation stage.

- 4) Spray drying capacity increased by increasing ID & FD fan capacity which has resulted into lower electrical consumption per unit of production.

- 5) We have changed 24 Nos. 5 H.P. Crompton Greaves make Motors by energy efficient Siemens Motors for better efficiency and saving in energy by 30% in this area.

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

Further R & D work is being carried on for reduction of time cycle of the process.

- (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 July 2002-Sep. 2003	Previous Year Apr. 01-June 02
A.	Power & Fuel Consumption			
1.	Electricity :			
	Purchased			
	For Textiles Division:			
	Quantity	Lacs(KWH)	115.68	116.13
	Total value	Rs.in lacs	394.67	409.73
	Rate per Unit	Rs.per Unit	3.41	3.53
2	Coal (Steam Coal):			
	For Textiles Division			
	Quantity	MT	1453.94	1182.00
	Total value	Rs.in lacs	28.81	23.41
	Rate per Unit	Rs.per MT	1981.75	1980.75
B.	Consumption Per Unit of Production (yarn)	Prod. Unit 100 KG	236.46	271.49
	Textiles Division - yarn			

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 as the same are not applicable to these Units.