

Zuari Industries Limited



Annual Report 1998-99

ZUARI INDUSTRIES LIMITED TEN YEARS AT A GLANCE

	[Rs. in Lacs]									
Particulars	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Sales Turnover	25874	28063	42604	41917	52421	69807	73336	69939	95784	85134
Capital Employed	11942	13293	15603	17936	20815	33174	40244	50345	87491	90868
Net Worth	7480	8117	8907	9881	11371	19495	24220	27401	35619	36236
Gross Profit	2931	3458	4502	5444	6081	12052	12399	9965	12023	8060
Interest	(950)	(847)	(927)	(1742)	(1584)	(1729)	(2868)	(3483)	(4438)	(5169)
Depreciation	(549)	(599)	(658)	(654)	(426)	(465)	(1102)	(1234)	(1416)	(1457)
Profit before Tax	1432	2012	2917	3048	4071	9858	8429	5248	6169	1434
Profit after Tax	822	1102	1347	1563	2171	5758	5929	4048	5379	1597
Dividends	433	464	557	588	682	812	802	788	821	883
Earnings per Equity Share (Rs.)	6.13	8.38	10.35	12.09	16.99	43.41	45.06	30.84	*26.21	5.43
Net Worth per Equity Share (Rs.)	56.96	62.09	68.44	76.28	88.27	145.46	184.51	208.75	120.99	123.09
No. of shareholders	44043	43510	43115	42578	42024	41080	35402	34516	37121	37224
No. of Employees	1001	1004	1002	995	998	1441	1458	1471	1611	1606

* On annualised basis after right issue and amalgamation.

**ZUARI INDUSTRIES LIMITED****DIRECTORS**

K.K. Birla, Chairman
H.S. Bawa, Managing Director
Shyam Bhartia
Arun Duggal
(Alternate : Sunil Kakar)
M.R. Hobson
(Alternate : D.B. Engineer)
M.D. Locke
(Alternate : K.H. Captain)
S.V. Muzumdar
Saroj Kumar Poddar
S.Y. Rege
Marco Wadia

COMPANY SECRETARY

R.Y. Patil

FERTILISER DIVISION**EXECUTIVE PRESIDENT**

Raman Madhok

VICE PRESIDENTS

J.H. Bariya
Dileep Deshpande
A.V. Karnik
R. S. Raghavan
D.P. Sinha

CEMENT DIVISION**PRESIDENT**

O.P. Jagetiya

VICE PRESIDENTS

L. Srivastava
K. Srivastava

FURNITURE PRODUCTS DIVISION**EXECUTIVE PRESIDENT**

K.K. Gupta

BANKERS

State Bank of India
Bank of Baroda
Bank of America
HDFC Bank Limited
Punjab National Bank
Canara Bank

LEGAL ADVISERS

Crawford Bayley & Co., Mumbai
Khaitan & Co., Calcutta

AUDITORS

A.F. Ferguson & Co.,
Chartered Accountants, Mumbai

REGISTERED OFFICE

Jai Kisan Bhawan
Zuarinagar
Goa 403 726

DIRECTORS' REPORT

To the Members,

1. Your Directors have pleasure in placing before you the Thirty-First Annual Report of the Company together with Statement of Accounts for the accounting year ended 31st March, 1999.
2. Financial Results and Appropriation :

	Rs. in lacs	Previous Year Rs. in lacs
Profit for the year before depreciation and taxation	2890.97	7585.30
Less: Depreciation for the year	1456.50	1416.58
Profit before tax	1434.47	6168.72
Less: Provision for taxation	(162.83)	790.00
Profit after tax	1597.30	5378.72
Add : 1. Balance of profit brought forward	2551.44	1211.51
2. Transferred from debenture redemption reserve	1388.33	80.00
Less : 1. Debenture Redemption reserve	675.00	1516.00
2. Transfer to General Reserve	200.00	1700.00
Proposed Dividend:		
30% (PY 40%)	883.20	820.72
Tax on dividend	97.15	82.07
Balance of profit carried forward	3681.72	2551.44



ZUARI INDUSTRIES LIMITED

3. Dividend :

The Directors recommend a dividend of Rs. 3/- per equity share (Rs. 4.00 per equity share in the previous year pro-rata on the increased capital).

4. Debt Servicing :

Your Company has met all obligations towards repayment of principal and interest on all loans.

5. Debentures:

The funds raised from the issue of debentures have been utilised for the purposes for which they were raised.

6. Public Deposits :

Company's Public Deposit Scheme was continued during the year. Deposit holders, whose deposits matured during the year, have been repaid their principal amount with interest as on 31st March, 1999 in accordance with the terms of deposits. 405 deposits amounting to Rs. 26.97 lakhs which had matured have not been claimed. The Company had written to these depositors for forwarding duly discharged receipts for repayment and/or renewal of the deposits. Reminders to the concerned depositors have been sent by the Company.

7. Directors :

Mr. S.K. Poddar, Mr. S.Y. Rege and Mr. Marco Wadia retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

8. Auditors :

The notes to the accounts bearing No. 18 & 25 of the Schedule 17 referred to in the

Auditor's Report are self-explanatory and therefore do not call for any further comments under Section 217 (3) of the Companies Act, 1956.

The Auditors Messrs.

A.F. Ferguson & Co. Chartered Accountants, Mumbai retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

9. Foreign Exchange Earnings and Outgo:

During the year the Company earned foreign exchange amounting to Rs. 4.48 crores by exporting furniture products. Besides, by producing fertilisers, of which the country is a net importer, the Company has saved valuable foreign exchange through import substitution. Expenditure incurred in foreign exchange is noted under Schedule 17 of the Annual Report and Accounts.

10. Operations :

10.1 Fertiliser Division

Production :

Capacity utilisation of Ammonia, Urea, NPK and DAP plants was lower than in the previous year. Production of Ammonia and Urea was 2,35,067 MT and 3,36,615 MT respectively. Production of Phosphatic and Complex fertilisers was 2,39,820 MT. The main reasons for the shortfall in production were the planned turnaround of all plants, illegal strike by the bagging contract labour and a breakdown caused by fire in the main electrical system.

The Argon Recovery Unit operated satisfactorily.

During the year the Company was awarded the prestigious FAI award for the Best Operating Fertiliser Plant in the Nitrogenous category for the year 1997-98.

Marketing :

The country experienced a good monsoon for the 11th successive year. Foodgrain production for the year estimated by Agriculture Ministry was a record 200.88 million tonnes (192.4 million tonnes previous year) due to overall favourable weather conditions and well distributed monsoon particularly helping rabi crops.

Fertiliser (nutrient) consumption at 16.5 million tonnes (estimated) compared to 16.1 million tonnes in the previous year was marginally higher - a growth of 2% only compared to 9% of the previous year. Nutrient consumption ratio at 7.9:2.9:1 was about the same as last year.

In December 1998, Government of India revised the ad-hoc concession upwards for various decontrolled phosphatic fertilisers retrospectively from 1st April, 1998, thus putting an end to the uncertainty which prevailed for the first nine months of the year. These enhancements were most welcome but since they followed a period of prolonged uncertainty, consumption of phosphatic fertilisers for the year were irretrievably affected.

Government also enhanced MRP of Urea effective 29th January, 1999 by Rs. 340/

MT to Rs. 4000/MT.

During the year your Company sold 766825 MT of Fertilisers (previous year 914602 MT), Biophos 735 MT (previous year 847 MT) and Pesticides valued at Rs. 21.33 crores (previous year Rs. 19.23 crores).

Sales of seeds increased to Rs. 7.12 crores from Rs. 4.31 crores of the previous year. The higher sales were due to encouraging response for hybrid sunflower which is the thrust crop of the Company's seed business.

The farming community continued to be actively supported by the Company's experienced staff and its 2000 motivated dealers.

Fertiliser Pricing Policy :

Nitrogenous fertilisers continue to be controlled under the Fertiliser Retention Pricing Scheme. As reported earlier, the Company, through Fertiliser Association of India has taken up with Government of India, the anomalies in the recommendations of the High Powered Committee set up to review the Fertiliser Pricing Policy. The Government is currently examining various alternatives to arrive at a long term pricing policy. Your Company hopes that the Government will not take any step which would be detrimental to the health of this vital core sector industry.

10.2 Cement Division:

During the year Clinker Production was 386220 MT (previous year 583360 MT) whilst Cement Production was

484600 MT (previous year 559800 MT). Production in the current year was lower because of integration of various process facilities of the existing plant with the plant and machinery installed under the expansion project and commissioning and stabilisation of the expanded plant.

After expansion, the product quality has been well received in the market. However, cement prices have been under pressure due to recessionary conditions. The marketing network has been expanded adequately to handle additional volume.

Expansion Project :

The expansion project for raising the cement production capacity from 5 lakhs to 17 lakhs tonnes per annum has been completed at a capital cost of Rs. 357 crores (including taxes & duties). State-of-the-art features for energy optimisation, quality control and instrumentation have been provided in the plant. New pollution control measures have been incorporated to fully comply with emission standards prescribed by the regulatory authorities.

10.3 Furniture Products Division :

The Division made steady progress during the year. The teething problems in manufacturing have been overcome and the factory produced over 45,000 furniture units of which 23,988 units were exported to France. The product has received excellent response from both domestic and export markets.

As a first step, 3 company showrooms and 6 dealer outlets were established in the State of Tamil Nadu. The product was formally launched in May, 1998. The retail network is being expanded rapidly to achieve higher sales.

The division recorded a sale of Rs. 12.58 crores out of which export sales account for Rs. 4.48 crores.

11. Conservation of Energy :

11.1 Fertiliser Division :

The Wartsila generator, just commissioned, has been designed to generate steam from the waste heat. Your company continues to investigate other measures to further optimise energy consumption in the plant.

11.2 Cement Division :

The new instrumentation system & energy efficient equipment has resulted in considerable savings in fuel and power consumption. Full benefit from these facilities will be realised in coming years.

11.3 Furniture Products Division :

Capacitors have been installed in the sub-stations to improve power factor resulting in energy savings of about 20%.

12. Technology Absorption :

12.1 Fertiliser Division:

In the DAP Plant a new pipe reactor device has been added to improve efficiency and product quality.

12.2 Cement Division :

The following technological upgradations have been done as part of plant expansion:



ZUARI INDUSTRIES LIMITED

- Pre-calcination of raw meal (FLS, Denmark)
- Grinding of raw materials & coal through vertical Roller Mills (FLS, Denmark)

These are internationally proven technologies and are being absorbed by the Company.

12.3 Furniture Products Division :

A Design & Development Department was established last year with the objective of having in-house design capability. This department has developed a number of new products for both domestic as well as export markets. A full range of computer furniture was designed and introduced successfully in India. 5 units of entertainment furniture were designed locally and exported to France. Hitherto all designs were imported from France.

13. Capital Projects :

13.1 Fertiliser Division :

During the year, your Company completed revamping of the existing NPK plant, employing technology from Grand Parroise (GP), France. Commissioning of the revamped plant is under way. The 6 MW DG set ordered from Wartsila, Finland was commissioned in February, 1999.

14. Environment & Safety:

The Company's Fertiliser Plant at Zuarinagar achieved zero effluent status during 1990 and continues to maintain the same. The Company received

the first prestigious Best Plantation Puraskar, an award instituted by the Government of Goa, acknowledging the efforts made by the Company to increase greenery in the State of Goa.

The fertiliser plant also won the Award of Merit given by the National Safety Council of USA, on completion of 3 million manhours without reportable accident.

The Company has prepared a draft off site emergency plan which is now being finalised by the District Administration of the Government of Goa.

The development of green belt at the Cement Plant at Yerraguntla has been undertaken to improve the environment.

15. Year 2000:

The Company is Y2K compliant in all necessary hardware and software systems.

16. Personnel :

Relations with the regular workmen of the Company remained peaceful throughout the year. However, contract workmen engaged in bagging and despatch operations resorted to an illegal strike from September 6th to October 18, 1998.

Particulars of employees as required, to be furnished under Section 217 (2A) of the Companies Act, 1956 and the rules framed thereunder, are annexed to this Report.

17. Subsidiaries:

As required by Section 212 of the Companies Act, 1956 the audited accounts of Zuari

Leasing & Finance Corporation Limited and Zuari Investments Limited, the subsidiaries of the Company, and the reports thereon of the Directors and the Auditors are attached.

18. Joint Venture Companies :

18.1 Zuari Seeds Limited:

Hybrid sunflower seeds developed by the Company continue to get encouraging response from the farmers.

18.2 Simon India Limited

The Company's gross income was 30% higher than in the preceding financial year (18 months). The margins were, however, under strain. Due to downturn in the industrial sector of the Indian economy in the year 1998-99 and globalisation effects, Indian chemical process industry did not see much investment activity. To reduce dependence on domestic business, the Company has also been actively pursuing several projects in overseas markets in partnership with Simon-Carves, UK. The Company is optimistic about the future.

18.3 Gautier India Limited:

Your Company has promoted Gautier India Limited to market furniture products manufactured by the Company and also to carry out trading.

For and on behalf of the Board

K.K. Birla
Chairman

New Delhi
May 15, 1999.

Annexure to Directors' Report
FORM A
(See Rule 2)

Form for disclosure of particulars with respect to conservation of energy:

	Current Year	Previous Year
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
(a) Purchased		
Unit (KWH)	30900611	50870226
Total amount (Rs. in lacs)	1111.54	1561.61
Rate/unit (Rs.)	3.60	3.07
(b) Own generation (KWH)		
(i) Through diesel generator		
Unit (KWH)	17485428	483571.73
Units per ltr. of diesel/LSHS	4.05	3.89
Cost/unit (Rs.)	1.63	1.82
(ii) Through steam turbine/generator		
Units (KWH)	48339480	61767910
Units per kg. of fuel oil and LSHS	1.881 KWH	1.840 KWH
Cost/unit (Rs.)	3.51	3.22
2. Coal (specify quality and where used)		
Quantity (tonnes)	35025	120627
Total cost (Rs. in lacs)	642.85	2028.37
Average rate (Rs./MT)	1835.40	1681.52
3. (a) Furnace oil		
Quantity (K.Ltrs.)	100538	132401
Total amount (Rs. in lacs)	6259.34	7402.25
Average rate (Rs./KL)	6225.86	5590.78
(b) LSHS		
Quantity (MT)	3819	11067
Total amount (Rs. in lacs)	241.82	813.12
Average rate (Rs./MT)	6332.02	7347.25
4. Other/internal generation (please give details)		
Diesel		
Quantity (KL)	142	635
Total cost (Rs. in lacs)	13.18	56.58
Average rate (Rs./KL)	9281.69	8910.24

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standards (if any)	Current Year	Previous Year
		1	2
1. Electricity			
Product (with details) Unit			
i) Purchased power (KWH)			
Urea		15.73	10.10
19:19:19		78.72	65.40
28:28:0		81.60	0.00
18:46:0		56.29	60.87
20:20:0		54.35	60.40
Argon		0.28	0.15
Cement		29.04*	41.83
ii) Generated power (KWH)			
Urea		118.96	110.52
19:19:19		55.42	41.21
28:28:0		76.48	0.00
18:46:0		22.89	12.72
20:20:0		24.00	14.14
Cement		57.08*	85.94
2. Furnace oil (KL)			
Urea		0.26	0.24
19:19:19		0.10	0.09
28:28:0		0.15	0.00
18:46:0		0.03	0.03
20:20:0		0.03	0.03
3. Coal (MT)			
Cement		0.12*	0.22
4. Others		—	—

* During 1998-99, 60326 MTs. of Clinker was purchased. Hence the Coal & Power consumption per MT. of Cement is substantially low.



REPORT OF THE AUDITORS' TO THE MEMBERS OF ZUARI INDUSTRIES LIMITED

We have audited the attached balance sheet of Zuari Industries Limited as at 31st March, 1999 and the profit and loss account 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, we give in the Annexure 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 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, the profit and loss account and balance sheet comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required, and give, subject to the developments regarding the cement division (Note 18), and subject to the

credit of insurance claim of Rs. 9.00 crores stated in Note 25 on which we are unable to form an opinion, this being a technical matter currently pending technical assessment and admission by the insurers, 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 profit for the year ended on that date.

For A.F. FERGUSON & CO.
Chartered Accountants

Mumbai
May 17, 1999

Y.M. Kale
Partner

sale of scrap and realisable by-products.

- (15) The Company has an internal audit system commensurate with its size and nature of its

come across any expenses charged to revenue account which, in our opinion and judgement, and to the best of our knowledge and belief, could be regarded as

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 of the report of even date of the auditors to the members of Zuari Industries Limited on the accounts for the year ended 31st March, 1999.

- (1) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets. As explained to us, the Company has a system of verifying all its fixed assets over a period of two years. The fixed assets so scheduled for verification during this year have been physically verified during the year and the discrepancies noticed on such verification, which were not significant, have been properly dealt with in the books of account.
- (2) None of the fixed assets were revalued during the year.
- (3) Physical verification of stocks has been conducted by the Management at reasonable intervals during the year in respect of finished goods, raw materials and stores and spares.

records, having regard to the size of operations of the Company and the nature of stocks and the same have been properly dealt with in the books of account.

- (6) In our opinion and on the basis of our examination of the valuation of stocks, such valuation is fair and proper in accordance with the normally accepted accounting principles and except as stated in Note 26(ii) of the Accounts is on the same basis as in the previous year.
- (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, which are prima facie prejudicial to the interest of the Company. We are informed that there were no companies under the same Management as this Company within the meaning of Section 370(1B) of the Companies Act, 1956.
- (8) In our opinion the rates of interest and the terms and conditions of unsecured loans granted to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 are prima facie not prejudicial to the interest of

having regard to the explanations that some of the items are of a special nature and alternative quotations are not available, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of stores and spares, raw materials, plant and machinery, equipment and other assets, and for the sale of goods.

- (11) As regards the transactions of purchase of stores and spares, raw materials and components, 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 financial year to Rs. 50,000/- or more in respect of each party, according to the information and explanations given to us, while there are no such transactions for sale of materials and services, purchases other than those which have been explained to be of a special nature for which alternative quotations are not available, in our opinion, have been made at prices which are reasonable having regard to prevailing market prices or the prices at which similar purchases were made from other parties.

BALANCE SHEET AS AT 31ST MARCH, 1999

	Schedule Number	As at 31st March, 1998		Rs. in lacs	
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
I. SOURCES OF FUNDS					
(1) Shareholders' funds :					
(a) Capital	1		2944.06	2944.05	
(b) Reserves and surplus	2		33292.39	32675.44	
			36236.45		35619.49
(2) Loan funds :					
(a) Secured loans	3		54030.65	42201.01	
(b) Unsecured loans	4		2606.75	11176.05	
			56637.40		53377.06
Total			92873.85		88996.55
II. APPLICATION OF FUNDS					