

Zuari Industries Limited



Report  junction.com

Report ZUARI INDUSTRIES LIMITED TEN YEARS AT A GLANCE.com

(Rs. in lacs)

Particulars	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Sales Turnover	28063	42604	41917	52421	69807	73336	69939	95784	85134	139244
Capital Employed	13293	15603	17936	20815	33174	40244	50345	87491	90868	91376
Net Worth	8117	8907	9881	11371	19495	24220	27401	35619	36236	33538
Gross Profit	3458	4502	5444	6081	12052	12399	9965	12023	8060	11766
Interest	(847)	(927)	(1742)	(1584)	(1729)	(2868)	(3483)	(4438)	(5169)	(10356)
Depreciation	(599)	(658)	(654)	(426)	(465)	(1102)	(1234)	(1416)	(1457)	(3817)
Profit Before Tax	2012	2917	3048	4071	9858	8429	5248	6169	1434	(2407)
Profit After Tax	1102	1347	1563	2171	5758	5929	4048	5379	1597	(2160)
Dividends	464	557	588	682	812	802	788	821	883	442
Earnings per Equity Share (Rs.)	8.38	10.35	12.09	16.99	43.41	45.06	30.84	*26.21	5.43	(7.34)
Net Worth per Equity Share (Rs.)	62.09	68.44	76.28	88.27	145.46	184.51	208.75	120.99	123.09	113.92
No. of Shareholders	43510	43115	42578	42024	41080	35402	34516	37121	37224	39184
No. of Employees	1004	1002	995	998	1441	1458	1471	1611	1606	1676



ZUARI INDUSTRIES LIMITED

DIRECTORS

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

COMPANY SECRETARY

- : R. Y. Patil

FERTILISER DIVISION**EXECUTIVE PRESIDENT**

- : Raman Madhok

VICE PRESIDENTS

- : Dileep Deshpande
 A. V. Karnik
 R. S. Raghavan
 D. P. Sinha
 S. Srinivasan

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 Kisaan Bhawan
 Zuarinagar
 Goa 403 726

DIRECTORS' REPORT

To the Members,

1. Your Directors place before you the Thirty-Second Annual Report of the Company together with Statement of Accounts for the accounting year ended 31st March, 2000.
2. Financial Results and Appropriation:

	Rs.in lacs	Previous Year Rs.in lacs
Profit for the year before depreciation and taxation	1410.41	2890.97
Less: Depreciation for the year	3817.30	1456.50
Profit/(loss) before tax	(2406.89)	1434.47
Less : Provision for taxation	(247.06)	(162.83)
Profit/(loss) after tax	(2159.83)	1597.30
Add : 1. Balance of profit brought forward	3681.72	2551.44
2. Transferred from debenture redemption reserve	213.33	1388.33
Less : 1. Debenture Redemption reserve	675.00	675.00
2. Transfer to General Reserve	—	200.00
Proposed Dividend :		
15 % (PY 30%)	441.61	883.20
Tax on dividend	97.15	97.15
Balance of profit carried forward	521.46	3681.72



3. Dividend:
The Directors recommend a dividend of Rs.1.50 per equity share (Rs.3.00 per equity share in the previous year).
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, 2000 in accordance with the terms of deposits. 442 deposits amounting to Rs.46.75 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. Shyam Bhartia, Dr. K.K. Birla and Mr. M.D. Locke 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. Listing of shares:
Your Company's shares have been listed on Mumbai, Delhi, Calcutta, Madras and National Stock Exchange.
10. Foreign Exchange Earnings and Outgo:
During the year the Company earned foreign exchange amounting to Rs.4.58 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.
11. Operations:
11.1 Fertiliser Division
Production:
Capacity utilisation of Ammonia, Urea, NPK and DAP plants was better than in the previous year. Production of Ammonia and Urea was 2,83,606 MT and 4,30,071 MT respectively. Production of Phosphatic and Complex fertilisers was 3,17,086 MT. Production of Ammonia and Urea was affected in the first half of the year due to leakage in Waste Heat Boiler of Ammonia Plant requiring shutdown in the month of August 1999. Production of Ammonia and Urea during the second half of the financial year was curtailed due to lower allocation by the Government under Essential Commodities Act.
NPK production suffered as the newly installed pipe Reactor in dryer did not work satisfactorily and plant had several process problems. By mid-year production of DAP became uneconomical due to lower international prices.
In response to these adverse conditions, a new grade of NPK with composition 10:26:26 was produced and marketed under the name "Samarth". Production during the year was 43,419 MT.
Argon plant remained shut down due to un-remunerative market price.
- Marketing:
For the 12th successive year the country experienced normal monsoon. However, the spatial and temporal distribution of rainfall was not conducive to agricultural operations. Consequently, agricultural growth is likely to fall to 0.8% and foodgrain output is expected to be 3.5 - 4 million MT lower than the record production of 203 million MT in the previous year. In your company's marketing area, there were long dry spells during the kharif months, with adverse impact in Vidarbha and Marathwada areas of Maharashtra, Rayalseema and Telengana areas of Andhra Pradesh and south interior Karnataka. During Rabi, the north-east monsoon rainfall was deficit by 50% in Telengana and 25% in Rayalseema areas of Andhra Pradesh, 14 districts being declared as drought affected. North-east monsoon in Karnataka was uneven. Agricultural operations in canal irrigated areas of Karnataka and Maharashtra were normal, with major reservoirs having adequate water.
Fertiliser availability in the country was adequate during the year. While net imports of urea were only around 0.4 million (estimated), net import of DAP was high at 3.2 million MT (estimated) due to steep fall in international prices.

There was no significant change in Urea consumption at 20 million MT (estimated). DAP consumption registered a sharp increase of around 18% to 6.8 million MT (estimated). Fertiliser nutrient consumption at 18.0 million MT (estimated), was higher by 8% than the previous year's 16.8 million MT. The Government of India, effective 29th February 2000, increased MRP of Urea by Rs.600/- to Rs.4,600/- per MT and of DAP by Rs.600/- to Rs.8,900/- per MT.

During the year, fertiliser sales crossed the 1 million MT mark for the first time in your company's history. The Company sold 10,03,556 MT of fertilisers, an increase of 31% over the previous year's sale of 7,66,925 MT.

Despite reduction in overall pesticide demand, pesticides sales increased to Rs.21.71 crores from Rs.21.33 crores. Sales of seeds, however, declined to Rs.5.6 crores from Rs.7.12 crores, primarily on account of substantial reduction in area under sunflower cultivation.

As mentioned above, the Company launched a new complex fertiliser, 'Samarth' (10:26:26) which has been well received in the market.

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. Lifting of distribution controls is expected

to be part of this 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.

11.2 Cement Division:

During the year Clinker Production was 14,30,750 MT (Previous year 3,86,220 MT) whilst Cement Production was 14,47,160 MT (previous year 4,84,600 MT).

Production in the first few months of the year was lower compared to the installed capacity as the expanded production stream was under stabilisation. The plant reached rated capacity during the latter half of the year.

During the year prices have been under tremendous pressure due to excessive supplies, though demand in our marketing area grew by a healthy 16% over the last year. The company is fully geared in terms of marketing network and infrastructure to sell the entire quantity made available.

A new variety of blended cement named "Zuari Super Fine" (Pozzolana Portland Cement) was successfully launched during the year. The product has been well received in the market. Flyash, a waste product of thermal power plants which poses disposal and environmental problems, is being used as one of the raw materials to produce this cement. The company already produces both 43 and 53 grades of Ordinary Portland Cement.

11.3 Furniture Products Division:

Furniture sales grew from Rs.12.58 crores last year to Rs.23.20 crores. This figure includes export sales of Rs.4.06 crores. Unit volume grew from 41,640 units to 68,448 units. The Company's products are now being

marketed domestically all over South India and also in Mumbai and Maharashtra, Delhi and Calcutta. Several furniture ranges were designed in-house and introduced successfully, thereby reducing dependence on the foreign collaborators for design support. In order to offer a complete product package, items that cannot be manufactured in-house are being out-sourced. Efforts are being put in to develop export markets, with our own initiative and sales to OEM customers and bulk buyers is also being intensified. Emphasis in the year 2000-01 will be on consolidation of operations rather than on expansion.

12. Conservation of Energy:

12.1 Fertiliser Division:

The Waste Heat Boiler of the Wartsila generator commissioned this year, now produces steam for use in NPK/DAP plants. Emulsification of Furnace Oil for improvement in combustion efficiency in boilers was successfully tried and implemented during the year.

12.2 Cement Division:

The new instrumentation system and energy efficient equipment have resulted in considerable savings in fuel and power consumption. The power consumption has come down to around 100 units per ton of cement production as against the guaranteed norms of 105 units per ton of cement production, during the current year.

12.3 Furniture Products Division:

At present, no scope exists for significant conservation of energy.

13. Technology Absorption:

13.1 Fertiliser Division:

The Fertiliser Plant of the Company is an ongoing plant

ZUARI INDUSTRIES LIMITED



with most of its plants operating for more than 25 years. In the circumstances, there is no major scope for absorption of technology at this stage.

13.2 Cement Division:

Apart from expansion of capacity of the Cement Plant from 0.5 million tonnes per annum to 1.7 million tonnes per annum no new technology has been introduced during the year.

13.3 Furniture Products Division:

Furniture Division, by interaction with the collaborators, has strengthened its Design & Development Department and is able to develop furniture designs that have been exported to France. Designs have also been developed locally for domestic marketing. Processes were also developed in-house, to make furniture fungus resistant.

14. Capital Projects :

14.1 Fertiliser Division :

No major capital project was undertaken during the year due to the prevailing uncertainty about the fertiliser policy of the Government of India.

15. Environment & Safety:

15.1 Fertiliser Division:

The Company's Fertiliser unit remains a 'Zero Effluent Plant' since 1990 and the man-made greenery around the complex continues to grow and attract a lot of wild life.

The fertiliser plant won the "Award of Honour" given by the National Safety Council of USA on completion of 4 million man-hours without reportable accident in July 1999. The unit has since completed 5 million accident-free man hours at the end of March, 2000.

15.2 Cement Division:

The Company has installed

sewage treatment plant and made fully operational. The treated water from the plant is used for development of greenery in and around the plant.

15.3 Furniture Products Division:

The dust collector for the factory premises has been optimised for substantial power savings. The green cover inside the factory has been enhanced to improve environment further.

16. Year 2000 :

The Y2K transition was smooth and without any problems.

17. Personnel:

Industrial relations remained cordial and peaceful throughout the year. The issues relating to contract workmen in bagging and despatch operations of the Fertiliser Plant have been amicably resolved.

The Company has initiated certain HR interventions in order to focus on development of people.

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

18. 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.

19. Joint Venture Companies:

19.1 Zuari Seeds Limited:

The product portfolio is being widened to cover many field and vegetable crops with a view to improve the financial stability of the company. With the strengthening of R&D base, the company plans to launch many new products for the

benefit of farmers, over a 3 - 4 year time frame. Jaikisaan brand of seeds continue to enjoy a high reputation of quality.

19.2 Simon India Limited:

The Company has been exploring opportunities in overseas markets together with Simon-Carves Limited, UK. Based on back-up from Simon India for detailed engineering and supplies, Simon Carves, UK have secured two contracts in Saudi Arabia - a new Chlor-alkali plant and a Titanium-di-oxide pigment plant expansion. With order backlog jumping to about Rs.22 crores, Simon India's operations are expected to expand significantly.

19.3 Gautier India Limited:

Gautier India Ltd., in its first full year of operation, increased the sales turnover to Rs.21.08 crores (Rs.7.58 crores). Gautier India has emerged as the largest furniture retail chain in India having established 46 showrooms in the country, with 26 of them owned and operated by the company. Gautier brand has attained higher visibility in a short span of time and top of the mind recall is well over 60% in most markets. Gautier India plans to consolidate its operations in the coming year before embarking on further expansion in the following year.

Zuari Cement Limited:

Your Company has promoted Zuari Cement Limited with a view to assume the operations of the cement division of the company.

For and on behalf of the Board

K.K. Birla
Chairman

New Delhi
May 13, 2000

**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)	39375244	30900611
Total amount (Rs. in lacs)	1969.08	1111.54
Rate/Unit (Rs.)	5.00	3.60
(b) Own generation (KWH)		
(i) Through Diesel Generator		
Unit (KWH)	144758251	20637308
Units per liter of Diesel/LSHS/Fuel Oil	4.08	4.10
Cost/Unit (Rs.)	2.10	1.54
(ii) Through Steam Turbine/Generator		
Unit (KWH)	54985540	45187600
Units per kg. of fuel oil & LSHS	1.915 KWH	1.890 KWH
Cost/Unit (Rs.)	5.24	3.72
2. Coal (specify quality and where used)		
Quantity (Tonnes)	207345	35025
Total cost (Rs. in lacs)	4152.80	642.85
Average rate (Rs./MT.)	2002.85	1835.40
3. (a) Furnace Oil		
Quantity (K.Ltrs.)	118978	100538
Total amount (Rs. in lacs)	11255.97	6259.34
Average rate (Rs./KL.)	9460.53	6225.86
(b) LSHS		
Quantity (MT.)	27482	3819
Total amount (Rs. in lacs)	2420.77	241.82
Average rate (Rs./MT.)	8808.60	6332.02
4. Other/internal generation (please give details)		
Diesel		
Quantity (KL.)	306	142
Total cost (Rs. in lacs)	35.55	13.18
Average rate (Rs./KL.)	11617.65	9281.69

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		2.25	15.73
19:19:19		16.79	78.72
28:28:0		---	81.60
18:46:0		8.88	56.29
20:20:0		8.19	54.35
10:26:26		8.05	---
Argon		0.24	0.28
Cement		22.71	29.04
Furniture		35.22	30.91
(ii) Generated Power (KWH)			
Urea		117.47	118.96
19:19:19		195.21	55.42
28:28:0		---	76.48
18:46:0		61.59	22.89
20:20:0		57.64	24.00
10:26:26		55.35	---
Cement		82.94	57.08
Furniture		2.28	8.09
2. Furnace Oil (KL)			
Urea		0.21	0.26
19:19:19		0.20	0.10
28:28:0		---	0.15
18:46:0		0.07	0.03
20:20:0		0.06	0.03
10:26:26		0.06	---
3. Coal (MT.)			
Cement		0.14	0.12
4. Others		---	---



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, 2000 and the profit and loss account for the year ended on that date annexed there to 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, subject to para e(A) below (Note 18iv), 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 (A) subject to the developments regarding the cement division (Note 18), and (B) subject to the

credit of insurance claim of Rs. 9.00 crores in the previous year (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 views;

(i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2000

and

(ii) in the case of the profit and loss account, of the loss for the year ended on that date.

For A. F. FERGUSON & CO.
Chartered Accountants

Mumbai
May 15, 2000

Y. M. Kale
Partner

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, 2000.

- (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 has been 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.
- (4) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (5) No material discrepancies have been noticed on physical verification of stocks as compared to the book 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 is on the same basis as in the previous year, except as stated in Note 28 (iii) (d) (ii) of the Accounts.
- (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 are 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 the Company.
- (9) The parties to whom loans or advances in the nature of loans have been given by the Company, where stipulations have been made, are repaying the principal amounts as stipulated or as rescheduled and are also regular in the payment of interest wherever applicable.
- (10) In our opinion and according to the information and explanations given to us, 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) According to the information and explanations given to us, there are no transactions of purchase of goods, materials and sale of goods, materials and services aggregating during the year to Rs. 50,000/- or more in respect of each party made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
- (12) As explained and certified to us, stocks were reviewed during the year by the Management for determination of unserviceable or damaged stores and spares, raw materials and finished goods and adequate provision has been made for the loss so determined.
- (13) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (14) As explained to us, the Company maintains reasonable records for the sale of scrap and realisable by-products.
- (15) The Company has an internal audit system commensurate with its size and nature of its business.
- (16) We have broadly reviewed the books of account maintained by the Company pursuant to the Order made by the Central