

Zuari Industries Limited



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Annual Report 2000-2001

ZUARI INDUSTRIES LIMITED TEN YEARS AT A GLANCE

(Rs. in Lacs)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Sales Turnover	42604	41917	52421	69807	73336	69939	95784	85134	138928	120816
Capital Employed	15603	17936	20815	33174	40244	50345	87491	90868	91376	53759
Net Worth	8907	9881	11371	19495	24220	27401	35619	36236	33538	35421
Gross Profit	4502	5444	6081	12052	12399	9965	12023	8060	11766	7169
Interest	(927)	(1742)	(1584)	(1729)	(2868)	(3483)	(4438)	(5169)	(10356)	(4072)
Depreciation	(658)	(654)	(426)	(465)	(1102)	(1234)	(1416)	(1457)	(3817)	(1272)
Profit Before Tax	2917	3048	4071	9858	8429	5248	6169	1434	(2407)	1825
Profit After Tax	1347	1563	2171	5758	5929	4048	5379	1597	(2160)	2370
Dividends	557	588	682	812	802	788	821	883	442	442
Earnings per Equity Share (Rs.)	10.35	12.09	16.99	43.41	45.06	30.84	*26.21	5.43	(7.34)	8.05
Net Worth per Equity Share (Rs.)	68.44	76.28	88.27	145.46	184.51	208.75	120.99	123.09	113.92	120.31
No. of Shareholders	43115	42578	42024	41080	35402	34516	37121	37224	39184	40179
No. of Employees	1002	995	998	1441	1458	1471	1611	1606	1676	1162

* On annualised basis after rights issue and amalgamation.

ZUARI INDUSTRIES LIMITED

**DIRECTORS**

: K. K. Birla, Chairman
 H. S. Bawa, Managing Director
 Shyam Bhartia
 Arun Duggal
 (Alternate : Sunil Kakar)
 D. B. Engineer
 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
 R. S. Raghavan
 D. P. Sinha
 S. Srinivasan
 V. K. Topa

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 place before you the Thirty-Third Annual Report of the Company together with Statement of Accounts for the accounting year ended 31st March, 2001.
2. Financial Results and Appropriation:

	Rs.in lacs	Previous Year Rs.in lacs
Profit for the year before depreciation and taxation	3,096.79	1,410.41
Less: Depreciation for the year	1,272.28	3,817.30
Profit/(loss) before tax	1,824.51	(2,406.89)
Less : Provision for taxation	125.00	—
Add : Excess tax provision for earlier years	670.00	247.06
Profit/(loss) after tax	2,369.51	(2,159.83)
Add : 1. Balance of profit brought forward	521.46	3,681.72
2. Transferred from debenture redemption reserve	1,463.34	213.33
Less : 1. Transfer to debenture redemption reserve	300.00	675.00
2. Transfer to general reserve	120.00	—
Proposed Dividend :		
15 % (PY 15%)	441.61	441.61
Tax on dividend	45.04	97.15
Balance of profit carried forward	3,447.66	521.46

ZUARI INDUSTRIES LIMITED



3. Dividend:
The Directors recommend a dividend of Rs.1.50 per equity share (Rs.1.50 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, 2001 in accordance with the terms of deposits. 539 deposits amounting to Rs.49.71 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. The Company has sent reminders to the concerned depositors.
7. Directors:
Mr. D. B. Engineer was appointed as an Additional Director on 25th July, 2000. He holds office until the conclusion of 33rd Annual General Meeting and is eligible for re-appointment. The Company has received a notice under Section 257 of the Companies Act, 1956 proposing his appointment as Director. Mr. H. S. Bawa, Mr. S. V. Muzumdar and Mr. Arun Duggal retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. Mr. R. K. Sinha nominee representing Industrial Development Bank of India ceased to be Director with effect from 20th April, 2001.
8. Auditors:
The notes to the accounts bearing No.18 and 25 of the Schedule 17 referred to in the Auditors' 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.2.65 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. Conservation of Energy:
Information disclosing particulars of conservation of energy is given in Annexure 'A' to this report.
- 10.1 Fertiliser Division:
During the year, due to the ECA limit on production, volume of Urea (and consequently on Ammonia), plant operation was rigorously optimized and energy consumption reduced.
- 10.2 Furniture Products Division:
At present, no scope exists for significant conservation of energy.
11. Technology Absorption:
- 11.1 Fertiliser Division:
The Fertiliser Plant of the Company is an ongoing plant with most of its plants operating for more than 27 years. In view thereof, there is no major scope for absorption of technology at this stage.
- 11.2 Furniture Products Division:
Furniture Division, by interaction with the collaborators, has developed designs that have been exported and also sold locally with success.
12. Capital Projects :
- 12.1 Fertiliser Division :
Presently ammonia required for manufacture of complex fertilisers is imported and handled through facility of Mangalore Chemicals and Fertilisers Limited, Mangalore, which involves transportation over long distance and additional handling cost. Your company has undertaken the construction of Ammonia Handling Facilities at Marmagaoa Port at a cost of Rs. 31.05 crores. The project is expected to be completed by November, 2001.
13. Environment & Safety:
- 13.1 Fertiliser Division:
The Company's Fertiliser unit remains a 'Zero Effluent Plant' since 1990 and the man-made greenery around the complex continues to flourish and attract a variety of wild life. The unit completed 1. million accident-free man hours during the year.
- 13.2 Furniture Products Division:
The dust collector for the factory premises was optimized for substantial power savings. The green cover inside the factory has been enhanced to improve environment further.

14. Personnel:
Industrial relations remained cordial and peaceful throughout the year. Major wage settlements covering both regular as well as contract workmen were concluded amicably.
The Company has initiated various activities for development of human resources.
Particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, are annexed to this Report.
15. Subsidiary Companies :
During the year, Zuari Investments Limited ceased to be a subsidiary of your Company. During the current year your company acquired majority stake in GreenTech Seeds International Private Limited and consequently that company became a subsidiary of your Company.
As required by Section 212 of the Companies Act, 1956 the audited accounts of Zuari Leasing and Finance Corporation Limited and GreenTech Seeds International Private Limited, the subsidiaries of the Company and the report thereon of the Directors and the Auditors are attached.
16. Other Disclosures :
The disclosure required pursuant to Clause 49 of the Listing Agreement is given in Annexure 'B' and that of Management Discussion and Analysis in Annexure 'C'.
17. Directors' Responsibility Statement :
Your Directors hereby report:
i) that in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
ii) that the directors have 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 as at 31st March, 2001 and of the profit and loss account for the period ended 31st March, 2001;
iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
iv) that the directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board

K.K. Birla
Chairman

New Delhi
April 30, 2001

ZUARI INDUSTRIES LIMITED



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

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

	Current Year	Previous Year
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
(a) Purchased		
Unit (KWH)	8350956	39375244
Total amount (Rs. in lacs)	392.01	1969.08
Rate/Unit (Rs.)	4.69	5.00
(b) Own generation (KWH)		
(i) Through Diesel Generator		
Unit (KWH)	24543275	144758251
Units per ltr. of Diesel/LSHS/Fuel Oil	3.89	4.08
Cost/Unit (Rs.)	2.15	2.10
(ii) Through Steam Turbine/Generator		
Unit (KWH)	47206200	54985540
Units per kg. of Fuel Oil & LSHS	1.914	1.915
Cost/Unit (Rs.)	4.59	5.24
2. Coal (specify quality and where used)		
Quantity (Tonnes)	—	207345
Total cost (Rs. in lacs)	—	4152.80
Average rate (Rs./MT.)	—	2002.85
3. (a) Furnace Oil		
Quantity (K.Ltrs.)	103105	118978
Total cost (Rs. in lacs)	8546.06	11255.97
Average rate (Rs./KL.)	8288.70	9460.53
(b) LSHS		
Quantity (MT)	—	27482
Total cost (Rs. in lacs)	—	2420.77
Average rate (Rs./MT.)	—	8808.60
4. Other/internal generation (please give details)		
Diesel		
Quantity (KL.)	46	306
Total cost (Rs. in lacs)	4.85	35.55
Average rate (Rs./KL.)	10543.48	11617.65

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		3.29	2.25
19:19:19		11.35	11.72
18:46:0		15.28	8.88
20:20:0		14.14	8.19
10:26:26		14.33	8.05
17:17:17		13.99	—
Argon		—	0.24
Cement		—	22.71
Furniture		27.90	35.22
(ii) Generated Power (KWH)			
Urea		118.62	117.47
19:19:19		90.28	138.98
18:46:0		52.80	61.59
20:20:0		44.66	57.64
10:26:26		45.31	55.35
17:17:17		44.51	—
Cement		—	82.94
Furniture		1.58	2.28
2. Furnace Oil (KL)			
Urea		0.22	0.21
19:19:19		0.05	0.14
18:46:0		0.04	0.07
20:20:0		0.03	0.06
10:26:26		0.03	0.06
17:17:17		0.03	—
3. Coal (MT)			
Cement		—	0.14
4. Others		—	—

ANNEXURE 'B' TO THE DIRECTORS' REPORT

1. Corporate Governance

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity. It is the Company's policy that, in addition to matters statutorily requiring Board approval, all major decisions on new investments and capital expenditure, acquisitions are considered by the Board.

Corporate Ethics

The Company's Corporate philosophy as approved by the Board of Directors on 19th September, 1991 believes in:

- Strengthening India's industrial and agricultural base;
- Commitment to sound and ethical business practices;
- Increasing shareholder value;
- Providing quality products;
- Upgrade the quality of life in the neighbourhood;
- Preserving and enhancing precious environmental heritage and environment protection.

The following information is being regularly placed before the Board, even before SEBI's code for corporate governance was introduced:

- Minutes of Audit Sub-Committee meetings.
- Information on recruitment and remuneration of senior officers just below the board level.
- Material communications from government bodies.
- Fatal or serious accidents, dangerous occurrences, any material effluent, pollution problems.
- Details of any joint venture or collaboration agreement.
- Labour Relations.
- Material transactions which are not in the ordinary course of business.
- Disclosures by the management on material transactions, if any, with potential for conflict of interest.
- Compliance with all regulatory and statutory requirements.

2. Board of Directors

The Board of Directors of the Company is comprised of:

- 1 promoter non-executive Director
- 2 independent non-executive Directors representing OSI Limited and Bank of America International
- 1 Executive Director
- 6 non-executive Directors (of whom 4 are independent).

Number of Board of Directors meetings held, and the dates on which held :

Four Board meetings were held during the year. The dates on which the meetings were held are: 13th May, 25th July and 18th November, 2000 and 24th February, 2001.

Attendance of each Director at the Board of Directors meetings and the last AGM is as follows:

Director	No. of meetings held	Attended	Last AGM Attended	No. of other directorships	Member on committees of all Cos.
K.K. Birla	4	4	No	15	1
H.S. Bawa	4	4	No	15	3
Shyam Bhartia	4	4	No	15	-
Arun Duggal	4	2	No	2	-
M.D. Locke	4	1	No	5	1
S.V. Muzumdar	4	4	Yes	12	6
Saroj Kumar Poddar	4	4	No	14	-
S.Y. Rege	4	4	Yes	12	4
R.K. Sinha	4	4	No	1	-
Marco Wadia	4	4	No	12	3
Sunil Kakar (Alt. to Arun Duggal)	4	1	No	3	-
K.H. Captain (Alt. to M.D. Locke)	4	3	No	2	-
D.B. Engineer	4	3	No	15	9

3. Retirement of Directors by rotation and re-appointment

Mr. H.S. Bawa, Mr. Arun Duggal & Mr. S.V. Muzumdar, Directors are liable for retirement and are eligible for re-appointment during the forthcoming Annual General Meeting, whereas the Company has received notices proposing appointment of Mr. D. B. Engineer as Director.

As required under Clause 49 of the Listing Agreement, information such as brief resume, nature of expertise and other directorships is given herebelow:

HARBACHAN SINGH BAWA:

Qualification:

MS-Chemical Engineering, University of Tulsa, USA.

Experience:

After getting Masters Degree in Chemical Engineering from University of Tulsa, USA, Mr. Bawa started his career with ESSO India (Exxon) in 1957. During his 22 years with ESSO, he held some key positions in the refinery and Head Quarters Office. He was deputed by ESSO India on long overseas assignments to ESSO's affiliate companies in Indonesia and Philippines.



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When Mr. Bawa left ESSO which became Hindustan Petroleum Corporation after nationalisation in 1974, he was General Manager of Refinery Division comprising of Lube Refinery and Fuel Refinery, Bombay.

Mr. Bawa took over as Chief Executive of Zuari Agro Chemicals Limited in 1979. Zuari has a large fertiliser complex at Goa which includes manufacturing of Ammonia, Urea, DAP and Complex fertiliser plants. It also had a cement plant in South India which was expanded from 5,00,000 TPA to 17,00,000 TPA.

In 1987 Zuari promoted Chambal Fertilisers & Chemicals Limited to set up a large gas based fertiliser plant in Rajasthan at the cost of nearly 400 million US dollars and Mr. Bawa was appointed as Vice Chairman of the Company. Chambal Fertilisers & Chemicals Limited went into production in January 1994 and has expanded from 742500 tonnes per annum to 1518000 tonnes per annum at a cost of about US\$ 350 million. Chambal and Zuari constitutes the third largest Urea producer in private sector group in the fertiliser industry in India.

Mr. Bawa has served on the Board of Cochin Refineries Limited. He is Member of Technical Committee of International Fertiliser Association. Mr. Bawa has attended numerous courses of Management Development, Communications, Effective Supervision etc. in India and abroad. He has also participated in various Seminars on Oil and Fertiliser business.

Directorships & Committees

Chambal Fertilisers and
Chemicals Limited

Investors Grievance
Committee

Indian Potash Limited

Fertiliser Association of India

Zuari Seeds Limited

Zuari Investments Limited

Kamal Auto Finance Limited

Simon India Limited

Indo Maroc Phosphore, SA

The Hindustan Times Limited

Chambal Agritech Limited

Birla Home Finance Limited

Zuari Indian Oil Tanking Limited

Zuari Cement Limited

Audit Sub-Committee

Zuari Industries Limited

GreenTech Seeds International

Pvt. Limited

ARUN DUGGAL:

Qualification:

MBA Indian Institute of Management, Ahmedabad

Undergraduate degree in Mechanical Engineering from Indian Institute of Technology, New Delhi.

Experience:

Arun Duggal is Managing Director of Bank of America in India. He is based in New Delhi.

Mr Duggal holds an MBA from Indian Institute of Management, Ahmedabad. He has an undergraduate degree in Mechanical Engineering from Indian Institute of Technology, New Delhi. Mr. Duggal was a Visiting Professor at International University of Japan where he taught International Banking and Corporate Finance Course to MBA students. He is teaching a similar course at the Indian Institute of Management, Ahmedabad as a Visiting Professor.

Mr. Duggal has been with Bank of America since 1974, starting as a Trainee in San Francisco. He then worked in India and Philippines for a total of seven years in various capacities.

He spent ten years (1981-1990) with the New York Corporate Office of Bank of America handling multinational relationships, including major integrated international oil companies like Exxon, Mobil, Texaco etc. Mr. Duggal was based in Hong Kong 1991 - 1994 to oversee corporate finance activities for Bank of America in Asia as Chief Executive of BA Asia Limited, Hong Kong with particular emphasis on Debt Syndication, Project and Export Finance, Direct Equity Investment and Derivatives business.

In 1995, he moved to Tokyo as the Regional Executive, managing Bank of America's business in Japan, Australia and Korea and Asia Banking Unit in the U.S. He moved to India in June, 1998.

He is Chairman of the American Chamber of Commerce, India and Chairman of its Financial Services Sub-committee.

Directorships:

Zuari Industries Limited

Foremost Factors, India

SURESH VINAYAK MUZUMDAR :

Qualification:

B.A. (Economics) LLB

Experience:

Practised as Advocate at Bombay High Court upto 1955
Practised as Income Tax Consultant from 1955-1965
Joined Birla - Bombay as Legal Advisor in 1965.

Presently appointed as Legal Advisor on Income Tax, Company Law and other legal matters with Birla Corporation Limited, Indian Smelting & Refining Co. Limited and Century Textiles & Industries Limited and is on the Board of several companies

Directorships & Committees
Tilaknagar Industries Limited
The Oudh Sugar Mills Limited

Directors Committee
Directors Committee
Audit Committee
Investors Grievance
Committee
Share Transfer
Committee

Prudential ICICI Asset
Management Co.Limited
PCS Industries Limited
Stotz Blacksmiths Limited
Tata Tea Limited

Investors Grievance
Committee
Remuneration
Committee
Audit Sub-committee

Indian Link Chain Manufacturers Ltd.
Industry House Limited
Digital Electronics Limited
Indokem Limited
Phil Corporation Limited
Hindustan Hospitals Limited
Damanganga Processors Limited
Zuari Industries Limited

Committee of
Directors
Audit Sub-committee
Investors Grievance
Committee

Welspun India Limited
Zuari Industries Limited

Audit Sub-committee
Investors Grievance
Committee

Accor Radhakrishna Meal
Services Pvt. Limited

4. Audit Committee

The Company had constituted an Audit Sub-Committee on 31st March, 1987 comprising of three independent, non-executive Directors:

Mr. D. B. Engineer - Chairman
Mr. S. V. Muzumdar
Mr. Marco Wadia

The broad terms of reference of the Audit Committee are as follows:

- Review of the company's financial reporting process and its financial statements
- Review of accounting and financial policies and practices
- Review of the internal control and internal audit systems
- Review of risk management policies and practices
- Review of Internal Audit Reports

The Committee has met three times for the financial year ended March 31, 2001, (the minimum requirement is three meetings). All the committee members were present for all three meetings, except Mr. D.B. Engineer who has attended two meetings.

5. Remuneration of Directors

At present no remuneration is paid to non-executive Directors except sitting fees for attending the Meetings of Board / Committee.

Details of remuneration to all the directors for the year:

- a. The aggregate value of salary and perquisites paid for the year 2000-2001 to Mr. H.S. Bawa, Managing Director was Rs. 53.34 lakhs (which includes Performance Incentive of Rs.18 lakhs)
- b. Notice period for termination of appointment of Managing Director is three months on either side.

DADI BEJONJI ENGINEER :

Qualification:

B.A. (Hon.) LLB

Experience :

Solicitor & Advocate

Bombay High Court

Senior Partner-Crawford Bayley & Co.,

Solicitors and Advocates

Standing in the legal profession of about forty-four years.

Chairman/Director of a number of public and private companies. During the course of legal practice has dealt with many facets of Corporate, Civil, Revenue and Criminal Law.

Considerable background and experience of legal and financial matters pertaining to corporations

Directorships & Committees

Atlas Copco Limited

Investors Grievance
Committee
Audit Sub-committee
Remuneration
Committee

Bayer Diagnostics (I) Limited

Chambal Fertilisers & Chemicals Ltd.

Daniele Morgardshammar (I) Limited

Forvol International Services Limited

Fiora Cosmetics Limited

Foods & Inns Limited

Forbes Gokak Limited

Audit Sub-committee

India Tyre & Rubber Co.(I) Limited