

Zuari Industries Limited



Annual Report 2002- 2003

ZUARI INDUSTRIES LIMITED

TEN YEARS AT A GLANCE

	(Rs. in Lacs)									
Particulars	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Sales Turnover	52421	69807	73336	69939	95784	85134	138928	120816	122858	117867
Capital Employed	20815	33174	40244	50345	87491	90868	91376	53759	53594	49073
Net Worth	11371	19495	24220	27401	35619	36236	33538	35421	36550	34161
Gross Profit	6081	12052	12399	9965	12023	8060	11766	7169	5849	7195
Interest	(1584)	(1729)	(2868)	(3483)	(4438)	(5169)	(10356)	(4072)	(2602)	(3957)
Depreciation	(426)	(465)	(1102)	(1234)	(1416)	(1457)	(3817)	(1272)	(1525)	(1282)
Profit Before Tax	4071	9858	8429	5248	6169	1434	(2407)	1825	1722	1956
Profit After Tax	2171	5758	5929	4048	5379	1597	(2160)	2370	1265	2084
Dividends	682	812	802	788	821	883	442	442	294	442
Earnings per Equity Share (Rs.)	16.99	43.41	45.06	30.84	*26.21	5.43	(7.34)	8.05	4.30	7.08
Net Worth per Equity Share (Rs.)	88.27	145.46	184.51	208.75	120.99	123.09	113.92	120.31	124.15	116.03
No. of Shareholders	42024	41080	35402	34516	37121	37224	39184	40179	40682	40400
No. of Employees	998	1441	1458	1471	1611	1606	1676	1162	1167	928

* On annualised basis after rights issue and amalgamation.

Previous year figures have been regrouped wherever necessary.

**DIRECTORS**

- : K. K. Birla, Chairman
 H. S. Bawa, Managing Director
 Shyam Bhartia
 Arun Duggal
 D. B. Engineer
 M.D. Locke
 (Alternate : K. H. Captain)
 S. V. Muzumdar
 Saroj Kumar Poddar
 S. Y. Rege
 Vishwavir Ahuja
 (Alternate : Manjit Singh Lakhmana)
 Marco Wadia

COMPANY SECRETARY

- : R. Y. Patil

EXECUTIVE PRESIDENT

- : Raman Madhok

VICE PRESIDENTS

- : L. M. Chandrasekaran.
 Dileep Deshpande
 G. Ravi Prasad
 R. S. Raghavan
 V. Vijay Shankar
 D. P. Sinha

BANKERS

- : State Bank of India
 HDFC Bank Limited
 Punjab National Bank
 Corporation Bank
 Canara Bank
 The Vysya Bank Limited
 The Jammu and Kashmir Bank Limited

LEGAL ADVISERS

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

AUDITORS

- : S. R. Batliboi & Co.
 Chartered Accountants, New Delhi

REGISTERED OFFICE

- : Jai Kisaan Bhawan
 Zuarinagar
 Goa 403 726.

DIRECTORS' REPORT

To the Members,

1. Your Directors place before you the Thirty-fifth Annual Report of the Company together with Statement of Accounts for the accounting year ended 31st March, 2003.
2. **Financial Results and Appropriation:**

	Ru.in lacs	Previous Year Ru.in lacs
Profit for the year before depreciation and taxation	3,238.06	3,246.38
Less : Depreciation for the year	1,282.18	1,524.66
Profit/(loss) before tax	1,955.88	1,721.72
Less : Provision for taxation - Current	155.00	91.50
Deferred	(282.90)	365.03
Profit/(loss) after tax	2,083.78	1,265.19
Add : 1. Balance of profit brought forward	4501.78	
Less : Accumulated losses of Zuari Leasing and Finance Corporation Ltd. as at 31.3.02	(515.32)	
	3,986.46	3,447.66
2. Transferred from debenture redemption reserve	608.33	413.34
Less : 1. Transfer to debenture redemption reserve	-	250.00
2. Transfer to general reserve	250.00	80.00
Proposed Dividend : 15% (PY 10%)	441.61	294.41
Tax on dividend (Including Surcharge)	56.58	-
Balance of profit carried forward	5,930.38	4,501.78

The previous year's figures are not comparable due to the hiving-off of Furniture Products Division and amalgamation of Zuari Leasing and Finance Corporation Limited effective 1-4-2002.



ZUARI INDUSTRIES LIMITED

3. **Dividend:**
The Directors recommend a dividend of Rs.1.50 per equity share (Rs.1.00 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, 2003 in accordance with the terms of deposits. 407 deposits amounting to Rs. 40,10,000/- 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 also sent reminders to the concerned depositors. During the year, the Company has transferred an amount of Rs.1,67,070/- towards unclaimed / unpaid deposits and interest thereon to 'The Investors Education and Protection Fund', pursuant to Section 205 (C) of the Companies Act, 1956.
7. **Directors:**
Mr. S.S. Bhartia, Dr. K.K. Birla, Mr. M.D. Locke and Mr.H.S. Bawa retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. The information such as brief resume, expertise and details of other directorships of these Directors are given in Annexure 'C' to this report.
8. **Auditors:**
The notes to the accounts bearing No.35 of the Schedule 18 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. S.R. Batliboi & Co., Chartered Accountants, New Delhi, retire at the forthcoming Annual General Meeting and are eligible for re-appointment.
9. **Foreign Exchange earnings and outgo:**
By producing fertilisers, of which the country is a net importer, there has been savings of valuable foreign exchange to the National exchequer. Expenditure incurred in foreign exchange is noted under Schedule 17 (Clause 9) 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.
During the year, urea production was affected due to restricted allocation under ECA. Urea plant operation was optimised to conserve energy.
11. **Technology Absorption:**
No new technology was absorbed during the year 2002-03.
12. **Capital Projects:**
No major capital projects were undertaken during the year.
13. **Environment & Safety:**
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.
One accident occurred on May 5, 2002 involving loss of 89 man-days. Subsequently, the unit achieved 1.16 million accident-free man-hours. The Company is an active member of The Integrated Offsite Emergency Plan for South Goa.
14. **Personnel:**
Industrial relations remained cordial and peaceful throughout the year.
Long term settlement was signed with the Majority Union.
The Company continued to give priority to employee training and development across all levels. Several initiatives with emphasis on rigorous performance management, cost optimization and resource leveraging were carried out throughout the year.
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 as Annexure 'B'.
15. **Subsidiary Companies:**
Indian Furniture Products Limited (IFPL) became subsidiary of the Company effective 1st April, 2002 consequent to hive-off of Furniture Products Division into a separate Company vide order dated 4th July, 2003 sanctioned by the High Court of Bombay at Panaji - Goa.
The Company has applied for approval of the Central Government u/s 212(8) of the Companies Act, 1956 exempting the Company from attaching a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies. However, pursuant to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of its subsidiaries. The

Company will make available these documents/details upon request by any member of the Company interested in obtaining the same.

16. **Corporate Governance :**
The Report on Corporate Governance as required pursuant to Clause 49 of the Listing Agreement is enclosed as Annexure 'C'. The Auditor's Certificate on Compliance of conditions of Corporate Governance is enclosed as Annexure 'D' and the Management Discussion and Analysis as Annexure 'E'.

17. **Social Responsibility:**
The Company as a good corporate citizen provides financial support to meritorious students by way of scholarships besides providing text books, notebooks to needy students in the State of Goa. The Company has also participated in malaria

eradication programme, construction of sports complex, afforestation programme etc.

18. **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 judgement 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, 2003 and of the profit and loss account for the period ended 31st March, 2003;

- 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

New Delhi
August 29, 2003

K.K. Birla
Chairman



**ANNEXURE 'A' TO THE 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)	4900020	8877661
Total amount (Rs. in lacs)	267.84	431.65
Rate/Unit (Rs.)	5.47	4.86
(b) Own generation (KWH)		
(i) Through Diesel Generator		
Unit (KWH)	30020000	28966785
Units per ltr. of Diesel/LSHS/Fuel Oil	3.90	3.95
Cost/Unit (Rs.)	2.22	1.82
(ii) Through Steam Turbine/Generator		
Unit (KWH)	47948221	51416739
Units per kg. of Fuel Oil / LSHS	3.401	3.461
Cost/Unit (Rs.)	2.69	2.18
2. (a) Furnace Oil		
Quantity (K.Ltrs.)	106354	111900
Total cost (Rs. in lacs)	9200.58	7912.26
Average rate (Rs./KL.)	8650.90	7070.83
3. Other/internal generation		
Diesel :-		
Quantity (KL.)	0	61
Total cost (Rs. in lacs)	0	10.97
Average rate (Rs./KL.)	0.00	18050.00

B. CONSUMPTION PER UNIT OF PRODUCTION

	Current Year	Previous Year
	1	2
1. Electricity		
Product (with details) Unit		
(i) Purchased Power (KWH)		
Urea	4.86	7.88
19:19:19	4.86	4.71
18:46:0	5.71	7.41
20:20:0	6.01	8.37
10:26:26	6.29	3.60
14:35:14	11.85	-
12:32:16	6.20	-
28:28:0	32.75	9.83
Furniture	0.00	27.06
(ii) Generated Power (KWH)		
Urea	117.36	116.43
19:19:19	65.38	67.39
18:46:0	64.48	59.05
20:20:0	63.14	55.95
10:26:26	60.28	61.00
14:35:14	60.23	-
12:32:16	77.00	-
28:28:0	40.48	46.20
Furniture	0.00	1.77
2. Furnace Oil (KL)		
Urea	0.24	0.24
19:19:19	0.03	0.03
18:46:0	0.02	0.02
20:20:0	0.02	0.02
10:26:26	0.02	0.02
14:35:14	0.02	-
12:32:16	0.03	-
28:28:0	0.02	0.02
3. Others	-	-

ANNEXURE 'B' TO THE DIRECTORS' REPORT

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Sl. No.	Name	Designation/ Nature of duties	Qualifications	Age (Years)	Experience (No. of Years)	Date of commen- cement of employment	Remune- ration received	Name of last employer, post held and period
1	2	3	4	5	6	7	8	9
(A) EMPLOYED THROUGHOUT THE YEAR								
1.	Bawa H. S.	Managing Director	M.S.(Chem.Engg.)USA	72	47	16/04/79	79,91,610	Hindustan Petroleum Corp., General Manager, (Ref. Div.) - 3 yrs.
2.	Madhok R.	Executive President	B.E.(Hons.) Mech. Engg	58	38	02/02/98	31,93,181	Niro A/s of Denmark - Division Manager Food Plants Division - 18 yrs.
(B) EMPLOYED FOR PART OF THE YEAR								
1.	Kamat A. V.	General Manager-Materials	B.E.(Elect.)	60	32	07/06/72	14,84,919	Chowgule & Co. Pvt. Ltd. Jr. Electrical Engineer - 5 1/2 yrs.
2.	Sahakari V. N.	Dy.GM-Utilities, Ammonia & Urea	B.E.(Mech.)	60	31	21/06/71	14,12,218	Govt. of Goa, Daman & Diu Jr. Engineer - 8 months.
3.	Heda S. L.	GM-F&A	M.Com.,L.L.B.(Gen.)	61	34	17/05/71	15,67,068	Bahco Toparia Tools Ltd. Assistant Accountant - 2 1/2 yrs.
4.	Chari S. M.	Sr. Manager-Equipments	D.M.E.	58	30	03/01/72	7,57,392	---
5.	Reddy M. N.	Manager -Marketing	B.Sc.(Agri.)	52	26	26/10/76	5,96,654	Shaw Wallace & Co. Ltd.
6.	Meher Prasad M.T.J.	Manager -Marketing	M.Sc. (Agri.)	46	20	09/09/83	15,83,542	Natural Resources Development Co-operative Society Limited - 1 Year.

NOTES :

1. Remuneration has been calculated in accordance with clarification given by the Department of Company Affairs. Accordingly, perquisites have been valued in terms of actual expenditure incurred by the Company in providing benefits to the employees except in case of Company owned houses where the actual amount of expenditure cannot be ascertained, with reasonable accuracy, in which case a notional amount as per Income Tax Rules has been added.
2. Other terms and conditions – the employments are subject to rules and regulations of the Company in force from time to time.
3. None of the above employees is a relative of any Director of the Company.



ANNEXURE 'C' TO THE DIRECTORS' REPORT

Report on Corporate Governance

1. Company's philosophy on code of Corporate Governance: The objective of Corporate Governance is to attain the highest levels of transparency, accountability and equity in all its dealings.

Corporate philosophy adopted by the Company believes in strengthening India's industrial and agricultural base, sound and ethical business practices, increasing shareholder value, providing quality products, healthy neighbourhood, preserving and protecting the environment.

2. Board of Directors :

The Board of eleven Directors of the Company includes eminent persons with vast professional experience in various fields. The number of Non-Executive Directors on the Board is 10.

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 4th May, 31st August, 29th October, 2002 and 13th January, 2003.

Attendance of each Director at the Board of Directors meetings and the last AGM and number of companies and committees where he is a Director/Member:

Director	Category of Directorship#	No of Directorships*	No. of Board Meetings Attended	Attendance at last AGM	No of Board Committees of all Co's* Chairman Member	
K.K. Birla	Promoter	10	4	No	1	-
H.S. Bawa	MD	13	4	Yes	5	2
Shyam Bhartia	NED	12	4	No	-	-
Arun Duggal	NED / I	3	3	No	-	1
D.B. Engineer	NED / I	14	3	Yes	2	6
M.D. Locke	NED	2	1	No	1	1
S.V. Muzumdar	NED / I	9	3	No	1	7
S. K. Poddar	NED	13	4	No	2	4
S.Y. Rege	NED / I	10	3	No	3	-
Vishwavi Ahuja	NED / I	2	3	No	-	-
Marco Wadia	NED / I	5	4	Yes	-	2
M. S. Lakhmana (Alt. to V. Ahuja)	NED	1	1	No	-	-
K.H. Captain (Alt. to M.D. Locke)	NED / I	2	1	No	-	1

MD-Managing Director, I-Independent, NED-Non-Executive Director

* Excludes Committees other than Audit Committee, Shareholders'/ Investors' Grievance Committee and Remuneration Committee and Companies other than Public Limited and Foreign Companies.

3. Retirement of Directors by rotation and re-appointment :

Mr. Shyam Bhartia, Dr. K.K. Birla, Mr. M.D. Locke and Mr. H.S. Bawa, Directors are liable for retirement and are eligible for re-appointment during the forthcoming Annual General Meeting.

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

Mr. SHYAM BHARTIA

Mr. Shyam Bhartia, aged 50 years, Cost Accountant, is an eminent Industrialist. He has been heading M/s. Jubilant Organosys Limited (formerly Vam Organics Limited), since 1981 and currently is its Chairman and Managing Director. He is on the Boards of prominent corporates.

Names of other Indian Companies in which Mr. Shyam Bhartia is a Director:

S.No.	Name of the Company
1.	Jubilant Organosys Ltd.
2.	Vam Holdings Ltd.
3.	Jubilant Enpro Ltd.
4.	Geo-Enpro Petroleum Ltd.
5.	Enpro-Secan India Ltd.
6.	OCH India Ltd.
7.	Rosenbluth Lionel India Ltd.
8.	Chambal Fertilisers & Chemicals Ltd.
9.	Birla Cotton Spinning & Weaving Mills Ltd.
10.	Domino's Pizza India Ltd.
11.	Network Programs India Ltd.
12.	Food Express (Stores) India Ltd.

Dr. K.K. BIRLA

Dr. K.K. Birla, Chairman, aged 85 years, is a D. Litt. (Honoris Causa). He is a renowned industrialist and Parliamentarian and possesses a rich experience of about 56 years. He is the founder Director of the Company. He is on the Board of many

prominent corporates. He was the Member of Parliament (Rajya Sabha) from 1984 to 2002. Presently, he is a member of Standing Committee on Finance and Consultative Committee of Ministry of Finance. Dr. K.K. Birla has established K.K. Birla Foundation, which has instituted annual award for excellence in Indian Literature, Scientific Research, Indian Philosophy, art and culture and sports. He is also a trustee of various Trusts including Birla Education Trust, which runs a number of schools and educational institutions.

Names of other Indian Companies in which Dr. K.K. Birla is a Director:

S.No.	Name of the Company
1.	Chambal Fertilisers & Chemicals Ltd.
2.	Pilani Investment & Industries Corp. Ltd.
3.	Ronson Traders Ltd.
4.	Uttam Commercial Ltd.
5.	Texmaco Ltd.
6.	Sutlej Industries Ltd.
7.	The Hindustan Times Ltd.
8.	India Steamship Co. Ltd.
9.	Yashovardhan Investment & Trading Co. Ltd.
10.	Zuari Cement Ltd.

Mr. M.D. LOCKE

Mr. M.D. Locke, aged 61 years, was a Senior Counsel with USX Corporation, USA and is presently Senior Counsel with Nagel & Associates. He is a member of American Bar Association and International Bar Association. He has an expertise in the legal field of Intellectual Property Rights and Information Technology Rights, Mergers and Acquisition activities, joint ventures and general corporate legal affairs.

Names of other Companies in which Mr. M.D. Locke is a Director:

S.No.	Name of the Company
1.	Chambal Fertilisers & Chemicals Ltd.
2.	OSI Limited.
3.	Glide Path Inc.

Mr. H.S.BAWA

Mr. Bawa, aged 72 years is M.S-Chemical Engineering from University of Tulsa, USA. He has a rich corporate experience of 47 years. He is Vice-Chairman of Chambal Fertilisers and Chemicals Limited, and is also Chairman/Director of various K.K.Birla group companies, joint ventures and other corporates. He is a member of Technical Committee of International Fertilizer Association.

Names of other Indian Companies in which Mr. H.S. Bawa is a Director:

S.No.	Name of the Company
1.	Birla Home Finance Ltd.
2.	Chambal Agritech Ltd.
3.	Chambal Fertilisers & Chemicals Ltd.
4.	Indian Potash Ltd.
5.	Paradeep Phosphates Ltd.
6.	Rosenbluth Lionel India Ltd.
7.	Sri Vishnu Cement Ltd.
8.	Simon India Ltd.
9.	The Hindustan Times Ltd.
10.	Zuari Cement Ltd.
11.	Zuari Indian Oiltanking Ltd.
12.	Zuari Investments Ltd.
13.	Zuari Seeds Ltd.

4. Board Committee

The Company has following committees of the Board :

a. Audit Committee

The broad terms of reference of the Audit Committee covers the matters specified in Clause 49 of the Listing Agreement and 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 Audit Sub-Committee comprises of four independent, non-executive Directors. The Committee has met 4 times for the financial year ended March 31, 2003; (minimum requirement is 3 meetings).

Name of the member	Status	No. of meetings attended
Mr. D.B. Engineer	Chairman	3
Mr. S.V. Muzumdar	Member	4
Mr. Marco Wadia	Member	4
Mr. Arun Duggal	Member	2