

Zuari Industries Limited



Annual Report 2005- 2006

ZUARI INDUSTRIES LIMITED TEN YEARS AT A GLANCE*

Particulars	(Rs. in Lacs)									
	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
Sales Turnover	218063	175711	119921	117419	122858	120816	138928	85134	95784	69939
Capital Employed	80727	51580	48968	49073	53594	53759	91376	90868	87491	50345
Net Worth	39644	37698	35620	34161	36550	35421	33538	36236	35619	27401
Gross Profit	10001	9336	8028	7195	5849	7169	11766	8060	12023	9965
Interest	(4923)	(4930)	(4725)	(3957)	(2602)	(4072)	(10356)	(5169)	(4438)	(3483)
Depreciation	(1602)	(1610)	(1262)	(1282)	(1525)	(1272)	(3817)	(1457)	(1416)	(1234)
Profit Before Tax	3477	2796	2041	1956	1722	1825	(2407)	1434	6169	5248
Profit After Tax	2617	2682	1957	2084	1265	2370	(2160)	1597	5379	4048
Dividends	589	530	442	442	294	442	442	883	821	788
Earnings per Equity Share (Rs.)	8.89	9.11	6.65	7.08	4.30	8.05	(7.34)	5.43	*26.21	30.84
Net Worth per EquityShare (Rs.)	134.66	128.05	120.99	116.03	124.15	120.31	113.92	123.09	120.99	208.75
No. of Shareholders	35994	37553	38953	40400	40682	40179	39184	37224	37121	34516
No. of Employees	734	750	788	928	1167	1162	1676	1606	1611	1471

* On annualised basis after right issue & amalgamation.

Previous year figures have been regrouped wherever necessary.

ZUARI INDUSTRIES LIMITED

**DIRECTORS**

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

GENERAL MANAGER

LEGAL AFFAIRS & COMPANY SECRETARY : R. Y. Patil

EXECUTIVE PRESIDENT

: Anil Kapoor

VICE PRESIDENTS

: L. M. Chandrasekaran
 Naveen Kapoor
 V. Vijay Shankar
 D. P. Sinha

BANKERS

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

LEGAL ADVISERS

: Crawford Bayley & Co., Mumbai
 Khaitan & Co., Kolkata

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-eighth Annual Report of the Company together with Statement of Accounts for the accounting year ended 31st March, 2006.

2. Financial Results and Appropriation:

	Rs.in lacs	Previous Year Rs.in lacs
Profit for the year before depreciation and taxation	5078.89	4405.65
Less : Depreciation for the year	1601.87	1609.53
Profit/(loss) before tax	3477.02	2796.12
Less : Provision for taxation		
– Current Tax	230.91	160.00
– MAT credit entitlement	(195.00)	–
– Deferred Tax charge	673.63	(45.78)
– Fringe Benefit Tax	150.00	–
Profit / (loss) after tax	2617.48	2681.90
Add : 1. Balance of profit brought forward	9525.53	7564.55
2. Transferred from debenture redemption reserve	–	383.33
Less : Transfer to general reserve	500.00	500.00
Proposed Dividend : 20% (PY 18%)	588.82	529.93
Tax on dividend (Including Surcharge)	82.58	74.32
Balance of profit carried forward	10971.61	9525.53



ZUARI INDUSTRIES LIMITED

3. Dividend:

The Directors recommend a dividend of Rs.2.00 per equity share (Rs.1.80 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. Public Deposits:

Public Deposit Scheme of the Company was continued during the year and the public response has been good. Deposits matured during the year, have been repaid alongwith interest as on 31st March, 2006 in accordance with the terms of deposits. 733 deposits amounting to Rs.110.17 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 also sent reminders to the concerned depositors. During the year, the Company has transferred an amount of Rs.0.97 lakhs towards unclaimed / unpaid deposits and interest thereon to 'The Investors Education and Protection Fund', pursuant to Section 205 (C) of the Companies Act, 1956.

6. Directors:

Dr. K.K. Birla, Mr. Shyam Bhartia and Mr. Maury D. Locke retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. Their resume and details of other Directorships and committee memberships of these Directors are given in Annexure 'C' to this report.

7. Auditors:

The notes to the accounts bearing No.29 (Schedule 18) and Note 6 (iii) (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 M/s. S.R. Batliboi & Co., Chartered Accountants, New Delhi, retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

8. Conservation of Energy:

Information disclosing particulars of conservation of energy is given in Annexure 'A' to this report.

9. Technology Absorption:

No new technology was absorbed during the year 2005-06.

10. Capital Projects:

During the year, the titanium lined Urea Reactor was replaced with a Stainless Steel. lined reactor fitted with High Efficiency trays (supplied by M/s. Urea Casale, Switzerland), to improve the urea conversion efficiency.

11. Environment & Safety:

The Company's Fertiliser Plant continues to be a 'Zero Effluent Plant' since 1990 and the green belt around the entire Complex continues to flourish and attract a variety of wild life.

Your Company received Million Work Hours Award from The National Safety Council, U.S.A. for achieving 4 million employee hours without occupational injury or illness. As of 31st March, 2006 the Company has achieved 4.92 million accident free manhours. Company also received the Goa State Safety Award for lowest accident frequency rate. Regular safety awareness programmes for employees and contract workers continued during the year.

12. Personnel:

Industrial relations remained cordial and peaceful throughout the year. The Company continues to give priority to manpower rationalization and appropriate deployment in the light of rapidly changing environment.

The training and development of employees at all levels continues to remain priority of your Company. The training is aimed at improving the overall skills of our employees leading to increasing operational efficiency and higher productivity. The training programmes include managerial effectiveness and programmes focussing on self and organisational development.

Particulars of employees to be furnished under Section 212 (2A) of the Companies Act, 1956 and the rules framed thereunder, are annexed to this Report as Annexure 'B'.

13. Subsidiary Companies:

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 has received approval of the Central Government U/s 212(8) of the Company's Act, 1956 for exempting the Company from the purview of section 212(8) of the Act. Therefore the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Auditors of the Subsidiary Companies are not attached.

The Company will make available these documents/details upon request by any member of the Company interested in receiving this information. The Annual Accounts of the Subsidiary Companies will also be kept for inspection by any investor at the Registered Office of the Company and subsidiaries.

A brief review of subsidiaries and joint ventures of the Company is given herebelow:-

a. Indian Furniture Products Limited (IFPL):

Indian Furniture Products Limited, a wholly owned subsidiary of the company has achieved a turnover of Rs. 74.52 crores during the financial year 2005-06.

The company is in the process of strengthening its mass distribution channel under 'ZUARI' brand with aggressive pricing. Similarly to strengthen the Office System segment, the company has introduced a new technology called Honeycomb technology and has also increased its offerings in terms of new

designs. The company expects to achieve a turnover of around Rs. 100 crores during the next financial year.

b. Zuari Seeds Limited (ZSL) :

Zuari Seeds Limited (ZSL), a subsidiary of the Company, is engaged in R&D, Production & Marketing of Hybrid Seeds of a wide range of crops. The R&D activity of the Company is focussed at providing superior quality hybrid seeds to the farming community. During the year 2005-06, the Company made good progress in its BT cotton development. The government approval for the results of first stage trials of company's BT hybrids has been obtained and the company expects to receive government permission for large scale trials and production in Kharif 2006.

c. Simon India Limited (SIL) :

Simon India Limited, a wholly owned subsidiary of the Company is engaged in providing engineering consultancy services. During the financial year 2005-06, Simon India Limited, successfully commissioned both the Gas Cleaning Plant and new Inter Absorption Tower (IAT) for the Sulphuric Acid Plant of Hindustan Zinc Ltd. Subsequently SIL has also been awarded another job of Drying Tower (DT) on which work has already commenced.

SIL has also commenced the preliminary work for Project Management Consultancy (PMC) Services to Saudi Formaldehyde Chemical Company Ltd. (SFCCL).

14. Joint Venture Companies:

a. Zuari Investments Limited :

Zuari Investments Limited a joint venture with Chambal Fertilisers & Chemicals Limited is depository participant with National Securities Depository Limited and Central Depository Services (India) Limited. The company is also a member of Over the Counter Exchange of India and a Category II Registrar and Share Transfer Agent registered with Securities and Exchange Board of India.

During the year, Zuari Investments Limited, has secured the membership of National Stock Exchange (NSE) for equity as well as Future & Option (F&O) segment. With this the company has become one stop shop for stock broking, depository services and investment advisory services and is fully poised to reap the benefits of buoyant capital market.

b. Zuari Cement Limited (ZCL) :

Zuari Cement Limited is a 50:50 joint venture with Ciments Francais, S. A. France. ZCL and its subsidiary, Sri Vishnu Cement Limited, are in the business of manufacture and marketing of cement from plants located at Yerraguntala and Sitapuram in Andhra Pradesh. During the year, total clinker production was 17.42 lakhs MT (previous year 16.68

lakhs MT) and the cement production was 17.70 lakhs MT (previous year 16.98 lakhs MT). The sales volume, including quantities sourced from others was 18.89 lakhs MT (previous year 17.60 lakhs MT).

During the year the market witnessed an all India growth of around 9% and over 15% in South India. The improved off take has helped to achieve higher capacity utilisation of the plants and better price realisation.

During the year, ZCL, has promoted a Special Purpose Vehicle (SPV) by the name Sitapuram Power Limited (SPL) in joint venture with M/s. KSK Energy Venture Limited to set up a Coal based captive power plant of 43 MW capacity to cater its requirement of power. The plant is likely to be commissioned by March, 2007. ZCL along with its subsidiary Sri Vishnu Cement Limited holds 51% of the paid up capital of SPL and hence, SPL has become a subsidiary of ZCL.

c. Zuari Indian OilTanking Limited :

Zuari Indian OilTanking Limited (ZIOIL) a 50:50 joint venture between Zuari Industries Limited and Indian OilTanking Limited (IOTL) has state-of-the-art terminalling facility for oil & petroleum products namely Naphtha, MS, HSD & SKO. The Terminal at Goa with 64000 KL tankage is situated 85 M above sea level with a 14 KM long piggable pipeline from Mormugao Port Trust (MPT).

Apart from providing terminalling services to Zuari Industries Limited for Naphtha storage, the terminal is providing services to Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited, for their storage and distribution requirement of petroleum products.

Currently the terminal is augmenting storage capacity by building additional tanks to take care of projected increase in throughput.

In the year 2005-06, the terminal has achieved a throughput of 580,000 KL, an increase of 3 % over previous year. The Company has recommended a maiden dividend of Re.0.50 per share for the year 2005-06.

d. Zuari Maroc Phosphates Limited (ZMPL) :

The Company which has been floated as an SPV, is 51:49 Joint Venture with Maroc Phosphore S.A. Morocco, acquired majority stake in Paradeep Phosphates Limited (PPL) from the Government of India under the Scheme of Disinvestment.

Paradeep Phosphates Limited is a subsidiary of Zuari Maroc Phosphates Limited and consequently of Zuari Industries Limited. PPL's sales and operating revenue including subsidy for the year 2005-06 was Rs. 1971 crore, representing a growth of 23.6% over the previous year. During the year, PPL achieved a distinctive feat of turnaround of its business resulting in net profit from its operations. The Company's



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operations for the year, ended with a profit before tax of Rs. 12.74 crore in comparison to a loss of Rs. 15.08 crore last year. After ten years, PPL has returned to profit making company.

PPL achieved an all-time high production of 12.58 lakh tonnes of DAP and complex fertilizers recording a growth of 23% over the previous year. Shortage of phos-acid, a key raw material for production of phosphatic fertilizers, adversely affected most of DAP production in the country. However, PPL, with its long term supply arrangements with Maroc Phosphore S.A., Morocco, managed to meet the production targets. PPL, has also achieved highest ever capacity utilisation of Sulphuric Acid and Phosphoric Acid plants during the year. Record production in all the three units was achieved by increasing the on-stream days through various debottlenecking measures and regular maintenance.

PPL continues to improve its sales and marketing efficiency by increasing the market share in the primary markets. The sales for the year including traded fertilizers were 14,40,356 MT as compared to 12,45,296 MT during the previous year representing a 15% increase.

15. Corporate Governance:

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. The Report on Corporate Governance 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', Declaration of Managing Director as Annexure 'E' and the Management Discussion & Analysis as Annexure 'F'.

16. Social Responsibility:

The Company continues to support meritorious students with scholarships, books, etc. The Company has also supported educational institutions/orphanage for their building projects in the marketing areas of the Company. The Company also undertakes farmers education programmes in association with State Agricultural Departments.

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 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, 2006 and of the profit and loss account for the period ended 31st March, 2006;
- 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
May 13, 2006

K. K. BIRLA
Chairman

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

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

PARTICULARS	Current Year	Previous Year
A. POWER & FUEL CONSUMPTION		
1. Electricity		
(a) Purchased		
Unit (KWH)	6211780	4776354
Total Amount (Rs. in lacs)	298.53	258.84
Rate/Unit (Rs.)	4.81	5.42
(b) Own generation (KWH)		
(i) Through Diesel Generator		
Unit (KWH)	32390710	30141500
Units per kg. of Diesel/LSHS/Fuel Oil	4.12	4.16
Cost/Unit (Rs.)	3.56	2.56
(ii) Through Steam Turbine/Generator		
Unit (KWH)	48984470	57142979
Units per kg. of Fuel Oil / LSHS	4.016	3.828
Cost/Unit (Rs.)	3.66	2.78
2. (a) Furnace Oil		
Quantity (MT)	94098	108072
Total cost (Rs. in lacs)	13815.54	11517.37
Average rate (Rs./MT)	14682.02	10657.13
3. Other/internal generation (please give details)		
Diesel :-		
Quantity (KL)	}	
Total cost (Rs. in lacs)		N. A.
Average rate (Rs./KL)		

CONSUMPTION PER UNIT OF PRODUCTION

1. Electricity		
Product (with details) Unit		
(i) Purchased Power (KWH)		
Urea	5.30	2.14
19:19:19	4.44	4.92
18:46:0	6.10	7.03
10:26:26	7.21	7.77
14:35:14	0.00	0.00
12:32:16	4.01	9.67
Argon	0.006	0.003
(ii) Generated Power (KWH)		
Urea	121.82	121.82
19:19:19	34.63	43.47
18:46:0	62.55	63.18
10:26:26	58.48	60.85
14:35:14	0.00	0.00
12:32:16	62.46	57.18
Argon	0.19	0.15
2. Furnace Oil (MT)		
Urea	0.20	0.21
19:19:19	0.01	0.02
18:46:0	0.02	0.02
10:26:26	0.02	0.02
14:35:14	0.00	0.00
12:32:16	0.02	0.02
Argon	0.001	0.001
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.

Sr. No.	Name	Designation/ Nature of Duties	Qualifications	Age (Years)	Date Of Commencement of Employment	Experience (No. of Years)	Remuneration Received	Name of Last Employer	Post Held	Period
(A) Employed throughout the year										
1	H. S. Bawa	Managing Director	M.S. (Chem.Engg.) (U.S.A.)	75	16/04/1979	50	11088328	Hindustan Petroleum Corp.	General Manager (Ref.Div.)	3 Years
2	D. P. Sinha	Corporate Vice-President- Human Resources	B.Sc., P.G.(Hons) Diploma(XLRI), B.L	61	24/06/1996	36	2655065	Britannia Industries	Vice-President -HR	6 Months
3	L.M.Chandrasekaran	Vice President - Operations	B. Tech. (Chem.) D.A.M., M.I.Ch.E.	57	26/07/1971	34	2428581	-	-	-
4	D. Deshpande	Vice President - Operations	B. Tech. (Hons.) Mech. Engg.	63	01/11/1998	41	2883292	ICI India Limited	General Manager Engineering	33 Years
5	V. Vijay Shankar	Vice President - Corporate Finance	B. Sc. FCA	49	01/12/2002	24	2431369	Chambal Fertilisers & Chem. Ltd.	General Manager Finance	1 Year
6	C.V. Venkatramaiah	Chief Operating Officer - Zuari Seeds Ltd.	B. Sc. (Agri.)	63	03/02/1997	36	2453572	FACT	Regional Agronomist	3 ½ Years
7	S.S. Nandurdikar	Managing Director -Paradeep Phosphates Ltd. (on deputation)	B.Tech (Mech.) P.G. (Ind. Mgt.)	60	01/09/2004	35	3682818	Lurgi (India) Ltd.	Managing Director	4 Years
(B) Employed for part of the year										
1	R. Madhok	Executive President	B.E. (Hons.) Mech. Engg.	61	02/02/1998	41	3872724	Niro A/s of Denmark	Divisional Manager of Food Plants Division	19 Years
2	H. Malhotra	General Manager - Materials	B.E.(Mech.), M. Tech. (Mech)	51	02/04/2002	29	1245457	Chambal Fertilisers & Chem. Ltd.	Dy. GM. - Materials	12 Years
3	V.K. Goyal	Dy.General Manager— PH & RMH	M. Tech. (Chem.)	59	11/10/1971	34	939058	-	-	-
4	A. V. Gundurao	Chief Manager - Marketing	B.Sc. (Agri.)	58	26/08/1970	37	836486	EID Parry Ltd.	Sales Representative	1½ Years
5	L. M. Pereira	Chief Manager - Laboratory & Environment	M.Sc.	58	09/10/1971	34	1109720	-	-	-
6	B. S. Shinde	Chief Manager - Tech. Serv. Sales Prom. & Agri Inputs	M.Sc. (Agri.)	56	15/05/1973	32	1230016	-	-	-
7	C. Manohar	Senior Manager - Marketing	M.Sc. (Agri.)	58	04/06/1975	31	1183337	ICRISAT	Field Assistant	1 Year
8	A. V. Mahalunkar	Senior Manager - Marketing	B.Sc. (Agri.)	47	01/04/1980	27	736314	Madras Fertilisers Ltd.	Marketing Extension Apprentice	11 Months
9	K. M. Surendran	Asst. Manager- Field Maintenance (Utilities)	S.S.L.C. (Fitter)	58	07/02/1974	37	741059	Toyo Engg. Corpn.	Millwright Fitter	2 Years
10	D. M. Shetty	Senior Accounts Assistant	S.S.C.	58	15/07/1967	38	497320	-	-	-
11	S. B. Naik	Master Technician	S.S.C., I.T.I. (Fitter)	52	09/10/1979	25	386562	-	-	-

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**

Corporate Philosophy of the Company is based on strengthening India's industrial and agricultural base, sound and ethical business practices, increasing shareholder value, providing quality fertilisers, healthy neighbourhood, preserving and protecting the environment.

The company is committed to the best Corporate Governance and has fully complied the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. The Company in its endeavour towards the best Corporate Governance and to provide transparency initiated various measures which include appointment of an external firm of Chartered Accountants for internal audit functions.

Company has also drafted code of conduct for all the Board members and senior management staff of the Company, which is on the website of the Company. A declaration of Managing Director as to the compliance with the code of conduct by all the Board members and senior management personnel is provided at the end of this report.

2. Board of Directors:

The Board of Directors of the Company comprises ten members which includes a Managing Director and nine non-executive Directors. More than one third of the Board comprises of Independent Directors and more than 50% comprises of non-executive Directors which is in compliance with the requirements of Clause 49 (1)(A). The other related information concerning the composition of Board is given hereunder.

Six Board meetings were held during the year. The dates on which the meetings were held are 13th June, 2005, 27th July, 2005, 27th September, 2005, 25th October, 2005, 14th January, 2006 and 28th March, 2006.

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	No. of Shares held	Attendance at last AGM	No of Board Committees of all Co's* Chairman Member	
K. K. Birla	Promoter/ Chairman	10	5	71620	No	NIL	NIL
S.K.Poddar	Co-Chairman	12	3	79406	No	3	2
H.S.Bawa	MD	15	5	NIL	No	3	4
Shyam Bhartia	NED	13	4	NIL	No	1	NIL
M.D.Locke	NED	2	2	NIL	No	NIL	NIL
Arun Duggal	NED / I	5	3	NIL	No	4	2
D.B.Engineer	NED / I	13	5	NIL	Yes	2	6
S.V.Muzumdar	NED / I	8	5	250	No	3	6
Vishwvir Ahuja	NED / I	1	1	NIL	No	NIL	NIL
Marco Wadia	NED / I	9	5	1815	No	NIL	6
M.S.Lakhmana Alt. to V.Ahuja	NED/I	1	4	NIL	No	NIL	NIL
K.H.Captain Alt.to M.D.Locke	NED / I	2	2	227	No	NIL	NIL

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

* Excludes Committees other than Audit Committee and Shareholders / Investor's Grievance Committee.

** The number of directorships excludes Companies other than Public Limited and foreign Companies.