

Zuari Industries Limited



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Annual Report 2006- 2007

ZUARI INDUSTRIES LIMITED

TEN YEARS AT A GLANCE[#]

(Rs. in Lacs)

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
Sales Turnover	239696	218063	175711	119921	117419	122858	120816	138928	85134	95784
Capital Employed	137959	80982	51580	48968	49073	53594	53759	91376	90868	87491
Net Worth	78137	39644	37698	35620	34161	36550	35421	33538	36236	35619
Gross Profit	46639	9998	9336	8028	7195	5849	7169	11766	8060	12023
Interest	(4115)	(4919)	(4930)	(4725)	(3957)	(2602)	(4072)	(10356)	(5169)	(4438)
Depreciation	(1731)	(1602)	(1610)	(1262)	(1282)	(1525)	(1272)	(3817)	(1457)	(1416)
Profit Before Tax	40794	3477	2796	2041	1956	1722	1825	(2407)	1434	6169
Profit After Tax	39355	2617	2682	1957	2084	1265	2370	(2160)	1597	5379
Dividends	736	589	530	442	442	294	442	442	883	821
Earnings per Equity Share (Rs.)	133.67	8.89	9.11	6.65	7.08	4.30	8.05	(7.34)	5.43	*26.21
Net Worth per Equity Share (Rs.)	265.41	134.66	128.05	120.99	116.03	124.15	120.31	113.92	123.09	120.99
No. of Shareholders	38907	35994	37553	38953	40400	40682	40179	39184	37224	37121
No. of Employees	703	734	750	788	928	1167	1162	1676	1606	1611

* On annualised basis after right issue & amalgamation .

Previous year figures have been regrouped wherever necessary.

ANNEXURE TO THE NOTICE

(Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956)

Item No.7 :

The Board of Directors at its meeting held on 25th July, 2007 appointed Mr. J.N. Godbole as Additional Director on the Board of your Company. Mr. Godbole is B.Tech (Hons)-IIT Powai and holds Certificate in Financial Management from Jamnalal Bajaj Institute of Management Studies. He is having vast experience in the field of Finance and Management. He retired as Chairman & Managing Director of Industrial Development Bank of India. It is felt that the rich and valued experience of Mr. Godbole will definitely help the Company.

Mr. Godbole holds directorship in Emmelen Biotech Pharmaceuticals Ltd., Invent Asset Securitisation & Reconstruction Pvt. Ltd., Invent Arc Pvt. Ltd., Technocraft Industries (India) Ltd., J. K. Cements Ltd., Gilander Arbhutnot Ltd., I M P Powers Ltd, Emami Paper Mills Ltd., Unitex Designs Ltd., The Oudh Sugar Mills Ltd., Madhya Bharat Papers Limited and BIL Power Limited.

Mr. Godbole holds office upto the date of 39th Annual General Meeting of the Company. The Board recommends appointment of Mr. J.N. Godbole as Director of the Company.

The Company has received notice u/s 257 of the Companies Act, 1956 signifying intention to propose Mr. J.N. Godbole for appointment as Director of the Company.

Except Mr. J.N. Godbole, none of the Directors or Managing Director is concerned or interested in the passing of this resolution.

Item No.8 :

The Board at its meeting held on 25th July, 2007 re-appointed Mr. H.S. Bawa as Managing Director of the Company for a period of three years, with effect from 1st September, 2007.

The Company's growth during Mr. Bawa's tenure has been very good and in the last few years he has contributed towards consolidating the operations of the Company. Considering Mr. Bawa's vast experience in the fertiliser Industry and keeping in view the challenges the Company has to face for conversion of feed stock to natural gas for manufacture of urea in coming years, it was felt that Mr. Bawa be re-appointed

as Managing Director for a further period of 3 years with effect from 1st September, 2007 on the terms and conditions given herebelow :

1. **Salary :** Salary of Rs. 7.50 lakhs per month in the range of Rs. 7.50 lakhs to Rs. 15.00 lakhs with such annual increments as may be determined by the Board or the Sub-Committee of the Board of Directors.
2. **Perquisites :** Perquisites will be allowed in addition to the salary as set out hereunder:
 - (a) Housing : Rent free furnished accommodation shall be provided.
 - (b) Following perquisites shall be provided as per rules of the Company as applicable to Senior Executives of the Company:
 - i) Gas, electricity and water
 - ii) Medical reimbursement
 - iii) Leave travel concession - for self and family
 - iv) Fees of clubs
 - v) Personal Accident Insurance
 - (c) Provision of car with chauffeur and telephone at residence will not be considered as perquisites.
 - (d) Company's contribution to Provident Fund, Superannuation Fund shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the provisions of the Income Tax Act.
 - (e) Gratuity: As applicable to the Senior Executives of the Company.
 - (f) Encashment of Leave shall be provided to the Managing Director in accordance with the Company rules applicable to Senior Executives.
 - (g) Production incentive/ Performance bonus in accordance with Company's rules applicable to Senior Executives.

3. **Additional perquisites :** The Managing Director shall be entitled to such other additional perquisites which are applicable to Senior Executives of the Company.
4. **Termination :** The Agreement may be terminated by giving the other, three month's notice.

NOTES:

1. Total remuneration as above shall be subject to Part II Section I of Schedule XIII of the Companies Act, 1956 and shall not exceed 5% of the net profits of the Company.
2. In case of no profits or inadequacy of profits in any financial year, the Company may pay remuneration to the Managing Director by way of salary, perquisites and any other allowance as set out hereinabove, subject to the approval of the Government of India.
3. For the purposes of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable, in the absence of any such rules, the perquisites shall be evaluated at actual cost.

The resolution as above is placed before the shareholders for approval. This may be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Mr. H.S. Bawa, the Managing Director is concerned or interested in the passing of the Resolution.

By Order of the Board of Directors

R.Y. PATIL
General Manager-Legal Affairs &
Company Secretary

Date : 25th July, 2007
Registered Office :
Jai Kisaan Bhawan,
Zuarinagar-Goa 403 726



ZUARI INDUSTRIES LIMITED

Registered Office : Jai Kisaan Bhawan, Zuarinagar, Goa 403 726

NOTICE

NOTICE is hereby given that the Thirty Ninth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at "Jai Kisaan Bhawan", Zuarinagar, Goa 403 726 on Monday, the 24th September, 2007 at 11.00 a.m. to transact the following business:

Ordinary Business:

- To receive, consider and adopt the audited Balance Sheet of the Company, as at 31st March, 2007 and the Profit and Loss Account for the financial year ended on that date together with the Reports of the Directors and Auditors.
- To declare dividend on Equity Shares for the financial year ended 31st March, 2007.
- To appoint a Director in the place of Mr. H.S. Bawa, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in the place of Mr. S.V. Muzumdar, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in the place of Mr. Arun Duggal, who retires by rotation and is eligible for re-appointment.
- To appoint M/s. S.R. Batliboi & Co., Chartered Accountants, as Statutory Auditors of the Company.

Special Business :

- To consider, and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. J.N. Godbole be and is hereby appointed as Director of the Company".

- To consider, and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the Company hereby accords approval to the re-appointment of Mr. H.S. Bawa as Managing Director of

the Company for a period of 3 years with effect from 1st September, 2007 on the remuneration and terms and conditions mentioned in the Explanatory Statement annexed to this Notice".

"RESOLVED FURTHER THAT in the event of the Company having no profits or inadequate profits in any financial year during the tenure of Mr. H.S. Bawa as Managing Director of the Company, subject to the approval of the Central Government, consent of the Company be and is hereby accorded to the payment of remuneration as and by way of minimum remuneration and as set out in the Explanatory Statement annexed to this Notice."

"RESOLVED FURTHER THAT the Board of Directors or the Sub-Committee of the Board be and is hereby authorised to determine such increments and corresponding increase in salary related perquisites payable to Mr. H.S. Bawa, as it may deem fit and proper within the approved salary range."

By Order of the Board of Directors

R.Y. PATIL

General Manager-Legal Affairs &
Company Secretary

Date : 25th July, 2007
Registered Office:
Jai Kisaan Bhawan,
Zuarinagar-Goa 403 726

NOTES:

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- The dividend, if any, declared at this meeting will be payable on or after 29th September, 2007 to the members whose names appear on the Register of Members, as on 31st May, 2007 or to their mandatees registered with the Company. The dividend will be payable on the basis

of beneficial ownership as per details furnished by the National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.

- Pursuant to section 205 C of the Companies Act, 1956, Notice is hereby given that the amount of unclaimed/unpaid dividend and interest on fixed deposits, as well as principal amount of deposits upto 31.03.2007 remaining unclaimed or unpaid for a period of 7 years from the date they became due for payment, have been transferred to the Investors Education & Protection Fund of the Central Government. No claims shall lie against the fund or the Company in respect of individual amounts which are transferred to the Fund. For the information of the shareholders it is hereby notified that the following amounts will be due for transfer to the fund upto 31.03.2008.

- Dividend paid for the financial year 1999-2000.
- Interest on deposits paid on March, 2000 to February, 2001.
- Principal amount of deposits matured during March, 2000 to February, 2001.

Shareholders/depositors who have not yet encashed dividend warrants / interest warrants or have not claimed the principal amount of deposit by submitting the duly discharged Fixed Deposit Receipts are requested to do so immediately.

- A brief profile of Mr. H.S. Bawa, Mr. S.V. Muzumdar and Mr. Arun Duggal are provided in the corporate governance Report along with details as to their shareholding.
- An explanatory statement as required under section 173(2) of the Companies Act, 1956 in respect of special business specified in the notice is annexed hereto.



Zuari Industries Limited

Registered Office:

Jai Kisan Bhawan,

Zuarinagar, Goa 403 726

Folio No. :

No. of Shares Held :

* DPID No. :

* Client ID No. :

PROXY FORM

I/We..... of in the district of being a Member / Members of the above named Company hereby appoint of in the district of or failing him/her/Mr./Ms. of in the district of as my / our proxy to vote for me / us / on my / our behalf at the 39th Annual General Meeting of the Company to be held on Monday, the 24th day of September, 2007 and at any adjournment thereof.

As witness my / our hand/s this..... day of 2007.

Signed by the said

Affix Re. 1
Revenue
Stamp

Notes :

The proxy form should be deposited at the Registered office of the Company at Zuarinagar 48 hours before the time of Meeting.

All those members wishing to ask questions during the 39th Annual General Meeting should forward them to the Registered office, 7 days before the date of Annual General Meeting.

A Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself, and the proxy need not be a member of the Company.



ZUARI INDUSTRIES LIMITED

DIRECTORS

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

GENERAL MANAGER

LEGAL AFFAIRS & COMPANY SECRETARY : R. Y. Patil

VICE PRESIDENTS

: L. M. Chandrasekaran
 Naveen Kapoor
 Suresh Krishnan

BANKERS

: State Bank of India
 HDFC Bank Limited
 Punjab National Bank
 Corporation Bank
 Canara Bank
 Allahabad Bank

LEGAL ADVISERS

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

AUDITORS

: S. R. Batliboi & Co.
 Chartered Accountants, Gurgaon

REGISTERED OFFICE

: Jai Kisan Bhawan
 Zuarinagar, Goa 403 726.

DIRECTORS' REPORT

To the Members,

1. Your Directors place before you the Thirty-ninth Annual Report of the Company together with Statement of Accounts for the accounting year ended 31st March, 2007.
2. **Financial Results and Appropriation:**

	Rs.in lacs	Previous Year Rs.in lacs
Profit for the year before depreciation and taxation	7136.74	4749.90
Add : Exceptional item	35387.44	328.99
Less : Depreciation for the year	1730.68	1601.87
Profit/(loss) before tax	40793.50	3477.02
Less : Provision for taxation		
– Current Tax	5592.25	230.91
– MAT credit entitlement	(4429.78)	(195.00)
– Deferred Tax charge	196.52	673.63
– Fringe Benefit Tax	80.00	150.00
Profit / (loss) after tax	39354.51	2617.48
Add : Balance of profit brought forward	10971.61	9525.53
Less : Transfer to general reserve	5000.00	500.00
Proposed Dividend : 25% (PY 20%)	736.02	588.82
Tax on dividend (Including Surcharge)	125.09	82.58
Balance of profit carried forward	44465.01	10971.61



ZUARI INDUSTRIES LIMITED

3. Dividend:

The Directors recommend a dividend of Rs.2.50 per equity share (Rs.2.00 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. Public Deposits:

Public Deposit Scheme of the Company was continued during the year. Deposits matured during the year, have been repaid alongwith interest as on 31st March, 2007 in accordance with the terms of deposits. 872 deposits amounting to Rs.125.15 lakhs which had matured have not been claimed. The Company advises the depositors at regular intervals for repayment and/or renewal of the deposits. During the year, the Company has transferred an amount of Rs.0.68 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:

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. Their resume and details of other directorships and committee memberships are given in Annexure 'C' to this report.

7. Auditors:

The Auditors M/s. S.R. Batliboi & Co., Chartered Accountants, Gurgaon 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 2006-07.

10. Foreign Exchange earnings and outgo:

By producing fertilizers, 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 20 (Note 8, 9, 12(ii) & 16) of the Annual Report and Accounts.

11. Capital Projects:

During the year, the 31 year old NPK Plant Dryer was replaced. During this replacement, the shell diameter was increased from 3.5 metres to 4.0 metres to increase its effectiveness.

Besides the above, the following Energy Saving Projects were implemented during the year :-

(i) In the Ammonia Plant, the raw naphtha heater as well as the feed stock heater were revamped to improve their efficiencies to 85% from 75%.

(ii) In the NPK Plant, an air heater was installed for heating the dryer inlet air by using waste heat from the Urea Plant. This resulted in putting off the dryer furnace in the NPK Plant and consequent saving in Furnace oil.

12. Environment & Safety:

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

The Company continues to give thrust on the safety performance of its employees and contractors.

Interdepartmental and internal safety audits were conducted during the year. Safety assessment study was also carried out through an external independent agency and their recommendations are being implemented.

13. Personnel:

Industrial relations continued to be cordial and harmonious during the year.

Rationalization of human resources and optimization of productivity among company employees as well as contract labour has been a continuous process during the year.

Focus on development of human resources and imparting training to enhance skills and competencies of employees at different level was pursued during the year through various training and development programmes.

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'.

14. Subsidiary Companies:

In accordance with Accounting Standard 21, Consolidated Financial Statements presented by the Company include the financial information of its subsidiaries. The Company has received approval of the Central Government U/s 212(8) of the Companies Act, 1956 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):

IFPL, a wholly owned subsidiary of the Company, is engaged in manufacturing Ready-To-Assemble (RTA) furniture of international quality through its state-of-the-art plant at Kakkalur near Chennai. The factory has a floor area of 225,000 sq.ft. and has a capacity to produce 200,000 units of furniture annually. The Company has been awarded with ISO 9001:2000 Certification by TUV Suddeutschland accredited by TUV Germany.

The Company has achieved a turnover of Rs. 77.63 crores during the current financial year. It has strengthened its mass distribution channel under 'ZUARI' brand which is an all India reach. The Company is also strengthening its business under Office system segment and is poised for a quantum jump in turnover in the next financial year.

b. Zuari Seeds Limited (ZSL) :

ZSL, a subsidiary of the Company, is engaged in R&D, Production & Marketing of hybrid seeds. The Company has achieved a turnover of Rs. 24.29 crores during the current financial year. The company continues to focus on providing superior quality hybrid seeds to the farming community. The Company is in the process of releasing the BT Cotton which it has developed for commercial sales. The Company's seeds are also exported to Bangladesh and other neighbouring countries.

c. Simon India Limited (SIL) :

SIL, a wholly owned subsidiary of your Company, is engaged in Engineering Procurement Construction (EPC) activities has achieved a turnover of Rs. 24.82 crores during the current financial year. SIL has supplied and successfully commissioned a new Drying Tower for Hindustan Zinc Ltd. at their Sulphuric Acid Plant in Chittorgarh.

SIL continued to provide the Project Management Consultancy services to Saudi Formaldehyde Chemical Company Ltd. (SFCCL) Saudi Arabia.

SIL has orders for providing detailed Engineering & Procurement Assistance, Engineering Services and Technical Consultancy for Gujarat Narmada Fertiliser Corporation and Durgapur Chemicals.

d. Zuari SEZ Limited :

Zuari SEZ Limited was incorporated on 6th December, 2006, with an objective to set up and

develop Special Economic Zone (SEZ) for Information Technology (IT) and Information Technology Enabled Services (ITES). Zuari SEZ Limited has become 100% subsidiary of the Company effective 21st February, 2007. The Company is yet to commence its business.

15. Joint Venture Companies:

a. Zuari Investments Limited :

Zuari Investments Limited, a joint venture with Chambal Fertilisers & Chemicals Limited, is a member of National Stock Exchange (NSE) for equity as well as Futures & Option (F&O) segment, a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). 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, the Company has become the member of Bombay Stock Exchange (BSE) to complete its bouquet of Broking Services.

The Company has promoted Zuari Chambal Insurance Solutions Limited (ZCISL) as its wholly owned subsidiary. ZCISL has commenced operations as a Direct Broker for Life and Non-Life segment after receiving the license from Insurance Regulatory and Development Authority (IRDA).

Zuari Investments Limited has become one stop shop for Stock Broking, Depository Services, Investment Advisory Services and Insurance Broking Services (through its subsidiary) and is fully poised to reap the benefits of buoyant capital market.

b. Zuari Maroc Phosphates Limited (ZMPL) :

Zuari Maroc Phosphates Limited (ZMPL) was floated as a Special Purpose Vehicle (SPV) and was 51:49 joint venture with Maroc Phosphore S.A., Morocco, which acquired majority stake in Paradeep Phosphates Limited (PPL), under the Scheme of Disinvestment.

ZMPL ceased to be a subsidiary of Zuari Industries Limited effective 7th September, 2006, following transfer of 1% shareholding in favour of Maroc Phosphore S.A.

PPL is a subsidiary of ZMPL. PPL sales and operating revenue including subsidy for the year 2006-07 was Rs.2067 crores (previous year - Rs.1977 crores).

PPL continues to improve its sales and marketing efficiency by increasing the marketing share in the primary market. The sales for the year including