

Zuari Industries Limited



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Annual Report 2007- 2008

ZUARI INDUSTRIES LIMITED

TEN YEARS AT A GLANCE

(Rs. in Lacs)

Particulars	2007-08	2006-07 [#]	2005-06 [#]	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Sales Turnover	261794	239696	218063	175711	119921	117419	122858	120816	138928	85134
Capital Employed	142191	137959	80982	51580	48968	49073	53594	53759	91376	90868
Net Worth	84445	78137	39644	37698	35620	34161	36550	35421	33538	36236
Gross Profit	15837	46639	9998	9336	8028	7195	5849	7169	11766	8060
Interest	(2627)	(4115)	(4919)	(4930)	(4725)	(3957)	(2602)	(4072)	(10356)	(5169)
Depreciation	(1728)	(1731)	(1602)	(1610)	(1262)	(1282)	(1525)	(1272)	(3817)	(1457)
Profit Before Exceptional items and Tax	11482	5406	3148	2796	2041	1956	1722	1825	(2407)	1434
Exceptional items	—	35387	329	—	—	—	—	—	—	—
Profit After Exceptional items and Before tax	11482	40794	3477	2796	2041	1956	1722	1825	(2407)	1434
Profit After Tax	7341	39355	2617	2682	1957	2084	1265	2370	(2160)	1597
Dividends	883	736	589	530	442	442	294	442	442	883
Earnings per Equity Share (Rs.)	24.94	133.67	8.89	9.11	6.65	7.08	4.30	8.05	(7.34)	5.43
Net Worth per Equity Share (Rs.)	286.83	265.41	134.66	128.05	120.99	116.03	124.15	120.31	113.92	123.09
No. of Shareholders	36760	38907	35994	37553	38953	40400	40682	40179	39184	37224
No. of Employees	713	703	734	750	788	928	1167	1162	1676	1606

Previous years figures have been regrouped wherever necessary.



Zuari Industries Limited

Registered Office:
Jai Kisaan 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 40th Annual General Meeting of the Company to be held on Monday, the 15th day of September, 2008 and at any adjournment thereof.

As witness my / our hand/s this..... day of 2008.

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 40th 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.

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ZUARI INDUSTRIES LIMITED

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

NOTICE

NOTICE is hereby given that the Fortieth 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 15th September, 2008 at 11.00 A.M. to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the audited Balance Sheet of the Company, as at 31st March, 2008 and the Profit and Loss Account for the financial year ended on that date together with the Reports of the Directors and Auditors.
2. To declare dividend on Equity Shares for the financial year ended 31st March, 2008.
3. To appoint a Director in the place of Mr. D.B. Engineer, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. S.K. Poddar, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Mr. Marco Wadia, who retires by rotation and is eligible for re-appointment.
6. To appoint M/s. S.R. Batliboi & Co., Chartered Accountants, as Statutory Auditors of the Company.

Special Business :

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

"RESOLVED THAT in partial modification of the resolution passed at the Annual General Meeting of the Company held on 28th November, 2003 and pursuant to Section 293(1)(d) and other applicable

provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow from time to time, as it may consider fit, any sum or sums of money not exceeding Rs.2000 crores on such terms and conditions as the Board may deem fit, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 by mortgaging and/or charging by the Board of Directors of the Company of all immovable properties to secure all monies to be borrowed for the business of the Company whether by way of debentures or otherwise by the Company at any time in the future."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with any financial institution/bank the creation, on such terms and conditions as it deems fit in the interest of the Company, of any mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

9. 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 Section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, the Memorandum and Articles of

Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including Whole Time Director(s) and/or Managing Director of the Company, options exercisable into not more than 2,94,406 equity shares of the Company of the face value of Rs. 10 each under one or more Employee Stock Option Scheme(s) ("ESOP"), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant authority; each option would be exercisable for one Equity share of a face value of Rs. 10 each fully paid-up on payment of the requisite exercise price to the Company.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger, sale of division etc., if any additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 2,94,406 equity shares of the Company of the face value of Rs. 10 each shall be deemed to be increased to the extent of such additional equity shares issued.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot equity shares upon exercise of options from time to time in accordance with the ESOP and such equity shares shall rank pari passu in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of equity shares to be allotted and the price of acquisition payable by the option grantees under ESOP shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 10 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things, as it may, in its absolute discretion, deem necessary, expedient or proper and to settle all questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of the resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the ESOP as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the

Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws."

By Order of the Board of Directors

R.Y. PATIL

General Manager-Legal Affairs &
Company Secretary

Date : 18th July, 2008

Registered Office:

Jai Kisaan Bhawan,
Zuarinagar-Goa 403 726

NOTES:

1. 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.
2. The dividend, if any, declared at this meeting will be payable on or after 19th September, 2008 to the members whose names appear on the Register of Members, as on 29th May, 2008 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.
3. 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 31.03.2008

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 fund upto 31.03.2009.

- a. Dividend paid for the financial year 2000-2001.
- b. Interest on deposits paid on March, 2001 to February, 2002.
- c. Principal amount of deposits matured during March, 2001 to February, 2002.

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.

4. A brief profile of Mr. D. B. Engineer, Mr. S.K. Poddar and Mr. Marco Wadia are provided in the Corporate Governance Report along with details as to their shareholding.
5. 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.

ANNEXURE TO THE NOTICE

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

Item No. 7 & 8

At the Annual General Meeting of the Company held on 28th November, 2003 the shareholders authorised the Board of Directors under section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sums of money not exceeding Rs.1500 crores.

The additional funds requirement has arisen due to sharp increase in important raw material prices during last couple of years and also due to the issue of Special Bonds by Government of India in lieu of subsidy. The approval of the shareholders to borrow upto Rs.2000 crores is required in view of certain borrowings proposed to be made by the Company from Financial Institutions/Banks.

None of the Directors is concerned or interested in passing of the resolution.

Item No. 9

The granting of Employee Stock Options to the employees has emerged over the years as very effective tool to attract, retain and motivate the employees for better performance. With a view to promote an avenue for wealth creation, the Board of Directors have approved introduction of Employees Stock Option Scheme (hereinafter referred to as "Scheme"), subject to the approval of the shareholders and the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines"). The Board of Directors has constituted a compensation committee comprising of independent directors (hereinafter referred as "Compensation Committee") to formulate the detailed terms and conditions of ESOP and to implement and administer the ESOP.

The approval of the shareholders is, therefore, being sought for issue of stock options to the employees of the Company.

The main features of the employee stock option scheme are as under:

1. Total number of options to be granted:

A total number of options equal to 2,94,406 equity shares of the Company of face value of Rs.10 each would be available for being granted to eligible employees of the Company under Scheme. Each option when exercised would be converted into one Equity share of Rs. 10 each fully paid-up.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

SEBI Guidelines require that in case of any corporate action(s) such as rights issues, bonus issues, merger, sale of division etc., a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the Company to the Option Grantees for making such fair and reasonable adjustment, the ceiling of 2,94,406 equity shares of the Company of face value of Rs. 10 each shall be deemed to be increased to the extent of such additional equity shares issued.

2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):

All permanent employees of the Company, including the Whole Time Director(s) and/or Managing Director of the Company but excluding the promoters of the Company, as may be decided by the Compensation Committee from time to time, would be

entitled to be granted stock options under the Scheme.

3. Transferability of employee stock options:

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. Requirements of vesting, period of vesting and maximum period within which the options shall be vested:

The Options granted shall vest so long as the employee continues to be in the employment of the Company. The Compensation Committee may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

The options would vest not earlier than one year and not later than four years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Compensation Committee, subject to the minimum vesting period of one year from the date of grant of options.

5. Exercise Price:

The options would be granted at an exercise price equal to 70% of the average of the daily high and low prices of the equity shares of the Company (at Bombay Stock Exchange or National Stock Exchange, as determined by the Compensation Committee) during the three complete calendar months immediately preceding the date on which the Compensation Committee finalizes the specific number of options to be granted to the employees.

6. Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting and will expire on completion of four years from the date of vesting of the respective options.

The options will be exercisable by the employees by a written application accompanied by payment of exercise price and taxes applicable if any to the Company. The options will lapse if not exercised within the specified exercise period.

7. Appraisal Process for determining the eligibility of the employees to ESOP:

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee, and will be based on criteria

such as role / designation of the employee, past performance record, future potential of the employee and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

8. Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to any specific employee under the Scheme shall be less than 0.1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options. In aggregate, the options granted would not exceed the overall limit of 2,94,406 equity shares or such increased limit due to issue of additional equity shares of the Company of the face value of Rs. 10 each.

9. Disclosure and Accounting Policies:

The Company shall comply with the accounting policies prescribed under Clause 13.1 of the SEBI Guidelines and all other disclosure requirements and accounting policies prescribed under the SEBI Guidelines & other applicable laws and regulations.

10. Method of option valuation:

To calculate the employee compensation cost, the Company shall use the Intrinsic

Value Method for valuation of the options granted.

The difference between the employee compensation cost computed using the Intrinsic Value of the stock options and the employee compensation cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option scheme provide for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the members is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and as per clause 6 of the SEBI Guidelines.

The options to be granted under the Scheme shall not be treated as an offer or invitation made to the public for subscription in the securities of the Company.

Mr. H.S.Bawa, Managing Director of the Company, is interested in the resolution to the extent of options or equity shares that may be offered to him under ESOP. None of the other Directors of the Company are, in any way, concerned or interested in the resolution.

The Board recommends the resolution for your approval.

By Order of the Board of Directors

R.Y. PATIL

General Manager-Legal Affairs &
Company Secretary

Date : 18th July, 2008
Registered Office :
Jai Kisaan Bhawan,
Zuarinagar-Goa 403 726



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
 J. N. Godbole
 M.D. Locke
 (Alternate : K. H. Captain)
 S. V. Muzumdar
 Marco Wadia

GENERAL MANAGER

LEGAL AFFAIRS & COMPANY SECRETARY : R. Y. Patil

EXECUTIVE PRESIDENT

: Suresh Krishnan

VICE PRESIDENTS

: L. M. Chandrasekaran
 Naveen Kapoor
 Binayak Datta

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 Kisaan Bhawan
 Zuarinagar, Goa 403 726.

DIRECTORS' REPORT

To the Members,

1. Your Directors place before you the Fortieth Annual Report of the Company together with Statement of Accounts for the accounting year ended 31st March, 2008.
2. **Financial Results and Appropriation:**

	Rs.in lacs	Previous Year Rs.in lacs
Profit for the year before depreciation and taxation	13209.71	7136.74
Less : Depreciation for the year	1727.83	1730.68
Profit/(loss) before tax	11481.88	5406.06
Less : Provision for taxation		
– Current Tax	2664.70	5592.25
– MAT credit entitlement	–	(4429.78)
– Tax adjustment relating to earlier year	(123.42)	–
– Deferred Tax charge	1519.47	196.52
– Fringe Benefit Tax	80.00	80.00
Profit / (loss) after tax	7341.13	3967.07
Add : Exceptional Item	–	35387.44
Add : Balance of profit brought forward	44465.01	10971.61
Less : Transfer to general reserve	1000.00	5000.00
Proposed Dividend : 30% (PY 25%)	883.22	736.02
Tax on dividend (Including Surcharge)	150.10	125.09
Balance of profit carried forward	49772.82	44465.01