

**AKZO NOBEL**



[www.akzonobel.com](http://www.akzonobel.com)

**AKZO NOBEL CHEMICALS (INDIA) LIMITED**

**2004-2005**

**15TH ANNUAL REPORT**



## PROFILE

Akzo Nobel, N.V. is a multinational company that serves customers around the world with healthcare products, coatings and chemicals. Headquartered in the Netherlands, the

company has subsidiaries in more than 80 countries which employed almost 61,000 people. Total Sales in 2004 were EUR 12.7 billion.

## COMPANY STATEMENT

### OUR COMPANY

Akzo Nobel is a multicultural company. We are market driven and technology based, serving customers throughout the world with healthcare products, coatings and chemicals.

**Akzo Nobel conducts its diversified activities through business units, which report directly to the Board of Management.**

We maintain a product portfolio with leading positions in important market segments.

### OUR PEOPLE

Akzo Nobel regards peoples as its most important resource. We foster leadership, individual accountability and teamwork.

Our employees are professionals whose entrepreneurial behaviour is result oriented and guided by personal integrity. They strive for the success of their own units in the interest of Akzo Nobel as a global company.

In return, our employees can count on opportunities for individual and professional development in an international working environment.

We offer them rewarding and challenging assignments with room for initiative

### OUR COMMITMENTS

**We will focus our efforts on the success of our customers. We will provide competitive returns on our shareholders' investments.**

**We will create an attractive working environment for our employees.**

**We will conduct our activities in a socially responsible manner.**

### OUR AMBITION

**To be the first choice of customers, shareholders, and employees, and to be a respected member of society.**



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**Fifteenth Annual Report 2004-2005**

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**AKZO NOBEL CHEMICALS (INDIA) LIMITED**

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**BOARD OF DIRECTORS**

Mr. R E Margevich

Mr. B Stuut

Mr. H Aldenhoven

Mr. D Y Gaitonde

Mr. A S Dalal

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**PRESIDENT & MANAGER**

Mr. S K Kulkarni

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**Asst. Company Secretary**

Ms. K J Nakhe

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**AUDITORS**

M/s. BSR & Co

**BANKERS**

ABN Amro Bank N.V.

State Bank of India

HDFC Bank Limited

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**Registered Office**

501-502, 5<sup>th</sup> Floor, San Mahu Complex,  
5, Bund Garden Road, Opp. Poona Club,  
Pune – 411001  
Tel.: 020-26125822

**Share Transfer Agent**

M C S Limited  
116/118, Akshay Complex,  
Off Dhole Patil Road, Pune - 411001  
Tel.: 020-26129597

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**Factory**

C-61(Part), E 19/20, MIDC, Industrial Area, Mahad, Dist- Raigad – 402301. Tel : 02145-232153

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## NOTICE

### TO THE SHAREHOLDERS

NOTICE is hereby given that the 15<sup>th</sup> Annual General Meeting of the Shareholders of **AKZO NOBEL CHEMICALS (INDIA) LIMITED** will be held at the Registered Office of the Company at 501-502, 5<sup>th</sup> Floor, San Mahu Complex, 5, Bund Garden Road, Opp. Poona Club, Pune - 411001 on Thursday the 29<sup>th</sup> September, 2005 at 11.00 A.M. to transact the following business:

1. To consider and adopt the Reports of the Auditors and Directors and the Audited Statements of Accounts for the year ended 31<sup>st</sup> March, 2005.
2. To appoint a Director in place of Mr. D. Y. Gaitonde who retires by rotation but being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. S. Dalal who retires by rotation but being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

### AS SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** Dr. Heinrich Aldenhoven who was appointed as a Director of the Company to fill casual vacancy caused by the resignation of Mr. Wilfridus Brouwer and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a Notice in writing together with a deposit of Rs. 500/- from a member of the Company as required under Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the company who will be liable to retire by rotation."

6. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 387 and other applicable provisions, if any, of the Companies Act, 1956, Mr. S. K. Kulkarni, President, be and is hereby appointed as Manager of the Company as defined under Section 2(24) of the Companies Act, 1956 with effect from 8<sup>th</sup> March, 2005.

**RESOLVED FURTHER THAT** the duration of appointment of Mr. S. K. Kulkarni as Manager of the Company shall be 5 (Five) years from 8<sup>th</sup> March, 2005.

**RESOLVED FURTHER THAT** the remuneration of Mr. S. K. Kulkarni shall be:

- A) Salary Per Month:  
Salary : Rs. 121,565/-
- B) Annual compensation:  
Exgratia : Rs. 303,912  
Performance Bonus : As per Company's rule
- C) Perquisites:
  - i) Furnished residential accommodation;
  - ii) Reimbursement of expenditure incurred on electricity at the residence;

- iii) Leave Travel and medical expenses / allowance as per the Rules of the Company;
- iv) Leave on full pay and allowances as per the Rules of the Company;
- v) Fees of the Clubs subject to a maximum of two Clubs. This will not include admission and life membership fees;
- vi) Personal Accident Insurance Premium as per the Rules of the Company;
- vii) Company's contribution towards Provident Fund as per the Rules of the Company;
- viii) Company's contribution towards Superannuation Fund as per the Rules of the Company;
- ix) Gratuity as per the Rules of the Company as applicable to Senior Executives;
- x) A chauffeur driven car provided and maintained by the Company for the use of Company's business and personal use;
- xi) Telephone at residence."

**RESOLVED FURTHER THAT** the aforesaid appointment may be terminated by either party giving to the other 3 (Three) months' notice in writing.

**RESOLVED FURTHER THAT** Mr. D. Y. Gaitonde, Director of the Company be and is hereby authorized to fix annual increment or changes in salary, allowances and bonus of Mr. S. K. Kulkarni as he may deem appropriate subject to the provisions of the Companies Act, 1956 and subject to the provisions of Schedule XIII to the said Act as amended from time to time.

**RESOLVED FURTHER THAT** the Secretary of the Company be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be necessary, desirable or appropriate to give effect to this Resolution."

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution**:

**"RESOLVED THAT** in supersession of previous approvals, consent of the Company be and is hereby accorded to the Board of Directors pursuant to Section 372A of the Companies Act, 1956 (the Act) and other applicable provisions, if any, to make loans/ advances / deposits to and / or acquire by way of subscription, purchase or otherwise the Securities of following Bodies Corporate / Mutual Funds / Financial Institutions on such terms and conditions, as the Board may deem fit, to the extent not exceeding in aggregate Rs.200 Million (Rupees Two Hundred Million) over and above the limit of 60% of the paid up capital and free reserves or 100 % of the free reserves whichever is more or such other percentage as applicable at the relevant time.

**RESOLVED FURTHER THAT** the deployment of funds per body corporate shall not exceed the limit specified hereunder:

- (A) **Not exceeding Rs. 550 Million (Rupees Five Hundred Fifty Million) to Akzo Nobel Coatings India Private Ltd.**

**AKZO NOBEL CHEMICALS (INDIA) LIMITED****(B) Not exceeding Rs. 350 Million (Rupees Three Hundred Fifty Million) per Body Corporate:**

Akzo Nobel Car Refinishes India Private Limited,  
Akzo Nobel Non-Stick Coatings Limited, Organon  
(India) Limited, Intervet India Private Limited.

**(C) Not exceeding Rs. 100 Million (Rupees One Hundred Million) per Body Corporate:**

Unit Trust of India, Birla Mutual Fund, Prudential  
ICICI Mutual Fund, Kothari Pioneer Mutual Fund,  
Kotak Mahindra Mutual Fund, Templeton Mutual  
Fund, IDBI Mutual Fund, SBI Mutual Fund,  
Reliance Mutual Fund, Alliance Capital Mutual  
Fund, Sun F & C Mutual Fund, J M Mutual Fund,  
DSP Merrill Lynch Mutual Fund, Standard

Chartered Mutual Fund, HDFC Mutual Fund,  
Zurich India Mutual Fund, Sundaram Mutual Fund,  
Tata Mutual Fund, HSBC Mutual Fund, Chola  
Mutual Fund, Debenture / Bonds of ICICI,  
Debenture / Bonds of IDBI, Debenture / Bonds of  
IFCI, Bonds issued by Public Sector undertaking  
(whether or not incorporated under the Companies  
Act 1956) owned and controlled by Central/ State  
Government."

By Order of the Board

Place : Mumbai  
Date: 29<sup>th</sup> August, 2005.

**Ms. Kanchan J. Nakhe**  
Asst. Company Secretary

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members of the Company will remain closed from Thursday the 22<sup>nd</sup> September 2005, to Thursday the 29<sup>th</sup> September 2005 both days inclusive.
3. Members desirous of getting any information about the accounts and operation of the Company are requested to address their query to the Secretary at the Registered Office well in advance so that the same may reach her at least seven days before the date of the Meeting to enable the Management to keep the required information readily available at the Meeting.
4. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year 1997-98 and thereafter which remain unclaimed for a period of 7 (Seven) years will be transferred to the Investor Education and Protection Fund.  
  
It may kindly be noted that no claim shall lie in respect of unclaimed dividend, which is transferred to the Investor Education and Protection Fund as above.
5. Members who are holding shares in identical order of names in more than one folios, are requested to write to the Company to consolidate their holdings in one folio.
6. Members are requested to notify change in address, if any, immediately to the Company at its Registered Office quoting their folio numbers.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 5:**

Dr. Heinrich Aldenhoven was appointed as a Director of the company to fill the casual vacancy caused by the resignation of Mr. Wilfridus Brouwer pursuant to Article No. 37 of the Articles of Association of the company read with Section 262 of the Companies Act, 1956. He shall hold office as a Director only up to the date of the ensuing Annual General Meeting of the Company. Notice along with deposit of Rs. 500/- from a member of the company signifying his intention to propose Dr. Heinrich Aldenhoven candidature for the office of a Director of the Company has been received. Dr. Heinrich

Aldenhoven, Business Manager, High Polymer Specialties EMEIA has expertise in the field of management and marketing of Company's products and therefore appointing him as Director would be of great help to the Company.

The Directors recommend his appointment as a Director of the Company.

None of the Directors except Dr. Heinrich Aldenhoven is interested or concerned in this resolution.

**Item No. 6:**

Under the provisions of Section 269 of the Companies Act, 1956, the Board of Directors has re-appointed Mr. S. K. Kulkarni as Manager of the Company by passing a Resolution in its Meeting held on 24<sup>th</sup> January 2005. The said reappointment and remuneration mentioned under Item No. 6 in Notice is subject to your approval.

The terms of appointment of Mr. S. K. Kulkarni, the Manager of the Company expired on 8<sup>th</sup> March 2005. As a President, his performance has been good and the Company has grown under his leadership. His vast experience and knowledge of working in chemical industries, management acumen and leadership will help the Company to manage its operations successfully and grow the business further and therefore he is competent for reappointment for the post of Manager of the Company.

The Board of Directors recommends the Resolution for your approval by Ordinary Resolution.

None of the Directors is concerned or interested in the Resolution except to the extent of their shareholding in the Company. Mr. S. K. Kulkarni is interested in the Resolution as it relates to his appointment as Manager.

**Item No. 7:**

The surplus funds of the company are growing and to deploy the same by way of loans / advances/deposits with Akzo Nobel Group Companies in India, the Board of Directors has proposed to increase the limit. The purpose of these investments is to gainfully deploy the surplus funds of the Company in various avenues.

The Board of Directors recommends the Resolution for your approval.

None of the Directors and Manager is concerned or interested in the Resolution except to the extent of loans / advances / deposits or investments in securities that may be given to and / or made in any body (ies) corporate in which they are Director(s) or Member(s).



## DIRECTORS' REPORT

FOR THE YEAR ENDED 31st MARCH, 2005

Dear Shareholders,

We have pleasure in presenting the 15th Annual Report and the Audited Statements of Accounts of your Company for the year ended 31st March 2005.

### FINANCIAL RESULTS

	This Year (Rupees in Thousand)	Previous Year (Rupees in Thousand)
Turnover	448772	288754
Other Income	37678	62711
Gross Profit	157065	116867
Less : Depreciation	34268	8071
Less : Provision for Taxation	52880	30200
Less : Deferred Tax Credit	(7592)	(240)
Net Profit	77509	78836
Add : Balance brought forward from previous year	386193	307357
Balance carried forward to next year	<u>463702</u>	<u>386193</u>

### DIVIDEND

In order to conserve the reserve position of the Company, dividend has not been recommended for the year ended 31st March 2005.

### COURSE OF BUSINESS

The performance of your Company for the year 2004-05 was good. Net Sales increased by 55.6% compared to previous year due to higher exports and growth in metal alkyl business which started in third quarter of 2003-04.

Profit before Tax is higher by 12.8% compared to the previous year due to increase in Sales. Net Profit after Tax is Rs. 77.5 Millions.

Plant operations were safe and there was no lost time incident. Also, production efficiency was better and expenses of the Company were under control.

We acknowledge the valuable contribution of Akzo Nobel Chemicals International B. V. through continued technological assistance.

### ORGANISATION AND HUMAN RESOURCES

Employees are fully involved in accomplishing the vision of the Company, which states 'Significantly Grow the Business by being Low Cost Producer, Market Leader and Global Player'.

Our employees conduct business activities with a spirited enthusiasm to achieve global standards.

Our employees are motivated and perform with excellent teamwork.

### SAFETY, HEALTH AND ENVIRONMENT

Safety, Health and Environment remain our top priority. Awareness training is regularly imparted to employees on Fire Fighting, First Aid and On-Site Emergency Plan.

Statutory Rules and Regulations for Safety, Health and Environment are strictly observed.

Your Company has been re-certified by Det Norske Veritas (DNV), the Netherlands for ISO 14001:1996 Environmental Management System.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information regarding Energy conservation measures, technology absorption and foreign exchange earnings and outgo as required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in a separate statement attached hereto and forming a part of the Report.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors to their best of knowledge and belief confirm that:

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the financial year ended on that date;
- proper and sufficient care has been taken 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;
- the Annual Accounts have been prepared on a going concern basis.

### DIRECTORS

In accordance with the Articles of Association of the Company, Mr. D. Y. Gaitonde and Mr. A. S. Dalal retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Wilfridus Brouwer resigned from the Directorship of the Company with effect from 20<sup>th</sup> December 2004. The Directors record their sincere appreciation for the valuable services rendered by him during his tenure with the Company.

**AKZO NOBEL CHEMICALS (INDIA) LIMITED**

Dr. Heinrich Aldenhoven has been appointed as a Director of the Company with effect from 20<sup>th</sup> December 2004 to fill the casual vacancy caused by resignation of Mr. Wilfridus Brouwer. His term of office expires at the ensuing Annual General Meeting and is eligible for appointment.

The Board has reappointed Mr. S.K. Kulkarni, President, as the Manager of the Company with effect from 8<sup>th</sup> March 2005. The reappointment on the terms and conditions as set out in the notice of the Annual General Meeting is subject to the approval of the Members at the ensuing Annual General Meeting.

**AUDITORS**

M/s. BSR & Co., Chartered Accountants, Mumbai, the Statutory Auditors of the Company will retire from the office of the Auditors and being eligible offer themselves for reappointment. Their remuneration for the current year is to be fixed by you.

**GENERAL**

Information regarding employees in accordance with Section 217(2A) of the Companies Act, 1956 is given in the Annexure to this Report.

**APPRECIATION**

Your Directors wish to acknowledge and thank the Central and State Governments, Bankers and Shareholders for continual support extended to the Company for better performance.

**D Y Gaitonde**

Mumbai

**A. S. Dalai**29<sup>th</sup> August, 2005

Directors

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## ANNEXURE TO THE DIRECTORS' REPORT

(Additional information given in terms of Notification 1029 of 31.12.1988 issued by the Department of Company Affairs)

### A. CONSERVATION OF ENERGY

(a) Energy Conservation measures taken:

- i) Installed Variable frequency drive to ETP Agitator motor of T – 705.
- ii) Added load on Maximum demand (MD) controller to reduced MD.
- iii) Maintained PF to unity.
- iv) Installed circuit to switch off Evaporator fans of RS 5 & RS 2 when compressor is in off condition.
- v) To take benefit of 'Time Of the Day' scheme (Differential energy rate for different time slot of the day), brought awareness in all staff & workmen.

(b) Additional investment and proposals, if any, being implemented for saving of energy : Nil

(c) As an effect of the above measures taken, there shall be a saving in power cost of the Company.

### B. TECHNOLOGY ABSORPTION

(a) Research & Development

- (1) Specific areas in which R & D is carried out by the Company : NIL
- (2) Benefits derived as a result of the above R & D : NIL
- (3) Future plan of action : NIL
- (4) Expenditure on R & D : NIL-

(b) Technology Absorption, Adaptation, Innovation

(1) Efforts towards technology absorption, adaptation and innovation:

Production processes were upgraded in keeping with latest technological advancement.

(2) Benefits derived as a result of above efforts:

Above efforts have resulted in increase in yield, reaction efficiency, reduction of batch times and cost reduction.

### INFORMATION ON IMPORTED TECHNOLOGY

(Imported during the last 5 years from the beginning of the financial year)

(a) Technology Imported	(b) Year of Import	(c) Technology absorption
NIL	—	—

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange earnings and outgo is contained in Notes on Accounts.

Mumbai

29<sup>th</sup> August 2005

**D. Y. GAITONDE**

**A. S. DALAL**

Directors