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ANNUAL REPORT 1997-98

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DHANUKA PESTICIDES LIMITED





DHANUKA PESTICIDES LIMITED

BOARD OF DIRECTORS

R.G. AGARWAL

Chairman

M.K. DHANUKA

Managing Director

K.B. KEJARIWAL

Director (Works)

S.P. SINGHA

HFC Nominee

S.D. GANDA

K.K. JAIN

L.N. KALRA

○

V.G. GUPTA

Vice President (Fin.) cum Co. Secretary

○

BANKERS

STATE BANK OF PATIALA

THE HONGKONG AND
SHANGHAI BANKING CORPORATION LTD.

○

AUDITORS

M/s. S.K. Jain Associates

Chartered Accountants

1/1293, Naiwala, Karol Bagh,

New Delhi-110 005

○

REGISTERED OFFICE

'DHANUKA HOUSE', 861-862,

Joshi Road, Karol Bagh,

New Delhi-110 005

○

FACTORY

Village Atta,

Sohna Mandkola Road,

Tehsil-Nuh, Distt. Gurgaon (Haryana)

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CASH FLOW STATEMENT



DHANUKA PESTICIDES LIMITED

NOTICE TO THE MEMBERS

Notice is hereby given that the 13th Annual General Meeting of the Company will be held at Peareylal Bhawan Association, Bahadur Shah Zafar Marg, New Delhi-110002 on Tuesday, the 29th day of September, 1998 at 11.00 a.m. to transact the following business as:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet of the Company as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date together with report of the Directors and Auditors thereon;
2. To declare a dividend for the year ended on 31st March, 1998;
3. To appoint a Director in place of Shri S.D. Ganda, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Shri L.N. Kalra, who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint Auditors, to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company and to fix their remuneration.

SPECIAL BUSINESS

6. 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 Resolution No. 1, passed at the Extra-ordinary General Meeting of the company held on 21st Feb. 1995 and in accordance with the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 and enabling provisions in the Memorandum & Articles of Association of the company and the Listing Agreement entered into by the Company with the Stock Exchange(s) where the shares of the company are listed and subject to the approval of the Securities and Exchange Board of India, Reserve Bank of India and other concerned authorities, if any, and to the extent necessary and such other approvals, permissions and sanctions as may be required and subject to such conditions and modifications as may be prescribed or imposed by any of them in granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the Board), the consent of the Company be and is hereby accorded to the Board to issue/offer Equity Shares/Convertible Debentures, fully or partly, and/or non-convertible debentures, with or without detachable or non-detachable warrants, Secured Premium Notes and/or other financial instruments (hereinafter for

brevity's sake referred to as "Securities") as the Board at its sole discretion may at any time hereafter decide which securities when issued or allotted would ultimately result in an increase in the paid-up Equity Share Capital of the Company, by an amount not exceeding Rs.402 lacs, to the members, employees including employees of the group concern, associates, non-resident Indians, companies, other entities and to such other persons, through public issue, rights issue, private placement or preferential allotment or by any one or more or a combination of the above modes/ methods or otherwise and at such time or times and in one or more tranches as the Board thereof may in its absolute discretion think fit, in consultation with the lead managers, underwriters or otherwise, and on such terms and conditions including the number of Equity Shares, Premium thereof and/or Debentures to be issued, the face value, rate of interest, redemption period, manner of redemption, amount of premium on redemption, the number of equity shares to be allotted on redemption/conversion, the ratio, period of conversion, fixing of record date or book closure, provided that the issue price of the equity shares to be issued whether on conversion of debentures or upon exercising the rights of entitlement attached to the warrants or otherwise shall be at a price not exceeding Rs.20/- (Rupees Twenty) per Equity Share.

RESOLVED further that such of these securities to be issued as are not subscribed may be disposed of by the Board in its absolute discretion in such manner and/or on such terms as it may deem fit, including offering or placing them with Banks/ Financial Institutions/Investment Institutions/ Mutual Funds or otherwise as the Board may in its absolute discretion deem fit and proper.

RESOLVED further that for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilisation of the proceeds of issue of the securities towards the Company's project/other corporate needs."

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 Resolution No. 11 passed at the Annual General Meeting of the Company held on 22nd September, 1993, the consent of the Company be and is hereby accorded under the provisions of Section 293(1)(d) of the Companies Act, 1956, to the Board of Directors of the Company, to borrow from time to time, all such



DHANUKA PESTICIDES LIMITED

sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with moneys 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 share capital of the Company and its free reserves, provided that the total amount upto which money's may be borrowed by the Board of Directors shall not exceed Rs. 25 crores (Rupees twenty five crores), at any one time."

BY ORDER OF THE BOARD
for **DHANUKA PESTICIDES LIMITED**

V.G. GUPTA
COMPANY SECRETARY

Regd. Office: 'DHANUKA HOUSE',
861-862, Joshi Road, Karol Bagh,
New Delhi - 110 005.

Place: New Delhi

Dated: 29th August, 1998

NOTES: -

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective, must be received by the Company at its registered office not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books will remain closed from 25th September, 1998 to 29th September, 1998 (both days inclusive).
3. Payment of final dividend for the financial year 1997-98, as recommended by the Board, if approved at the ensuing Annual General Meeting, will be made only to those members whose names are registered in the Register of Members of the company as on 29th September, 1998 or to their mandates.
4. Members are requested to notify immediately changes in their addresses and mandates forthwith at the Registered Office of the Company quoting their folio numbers so that dividend warrants are correctly despatched.
5. Members who are holding shares in identical order of names in more than one folio are requested to intimate to the Share Department, the ledger folio of such accounts together with the Share Certificates to enable the Company to consolidate all the holdings into one account. The Share Certificates will be returned to the members after

making the necessary endorsement in due course of time.

6. Shareholders/Proxies are requested to produce at the entrance the admission slip forwarded to them duly completed and signed in accordance with the specimen signatures registered with the company, for admission to the meeting hall.
7. Members are requested to bring their copy of the Annual Report, as no copies will be distributed at the venue of the Annual General Meeting.
8. Members desirous of getting any information about the accounts under reference and operations of the company are required to address their query to the Company Secretary well in advance so that the same may reach him at least seven days in advance of the date of the meeting to enable the management to keep the information required readily available at the meeting.
9. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 6 & 7 of the Notice (in respect of Special Business to be transacted at the meeting) is annexed hereto.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956'.

Item No. 6

The activities of the Company are increasing day-by-day and the Company has ambitious plans to increase the activities in times to come. In order to augment the long-term capital resources of the Company and also to meet the cost of certain balancing equipments, the Company proposes to raise finance at appropriate time(s) as the Board may decide by issue of equity shares and/or fully/partially convertible debenture and/or non-convertible debentures with or without detachable/ non-detachable warrants and other financial instruments whether by way of Rights Issue to the members or to the employees and/or private placement and/or public issue including to Non Resident Indians etc.

As the members are aware, as part of the liberalisation in the economic policies, the Government of India has permitted free pricing of Equity Issues. The Company, in consultation with its Merchant Bankers and other Advisors, will fix the detailed terms of the Issue which will be in line with the requirements of guidelines issued by the Securities & Exchange Board of India (SEBI).

The resolution set out in Item No. 6 is an enabling resolution conferring authority on the Board to cover all contingencies and requirements. The Directors are of the view that the price at which Equity Shares will be available in case of issue of Equity Shares and the issue of Shares on Conversion of Debentures and Shares against Equity Warrant, will not be exceeding Rs. 20/- per share, but this is only indicative.



DHANUKA PESTICIDES LIMITED

Section 81 of the Companies Act, 1956, provides, inter alia that when it is proposed to increase the Issued Capital of a company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the Shareholders in General Meeting decide otherwise.

The Listing Agreement referred to above provides, inter alia, that the Company in the first instance should offer all the shares and debentures to be issued by the Company for subscription pro-rata to the Equity Shareholders unless the Shareholders decide otherwise in a General Meeting.

Under the said Special Resolution, consent of the Shareholders is being sought pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreement executed by the Company with the various Stock Exchange(s) in India where the Company's securities are listed.

The shareholders in their Extra-ordinary General Meeting held on 21st Feb., 1995, had authorised the Board of Directors of the Company to issue such securities for an amount not exceeding Rs. 400 lacs by way of increase in the paid-up share capital of the company with premium not exceeding Rs. 20/- per share. However, in view of prevailing capital market conditions, the Board did not act upon the same. Since the last approval of the shareholders on this matter was obtained long ago, the Board of Directors considers it appropriate to obtain fresh approval from the shareholders to enable the board to act on such approval, as and when required by them.

The Directors recommend the resolution for your approval.

The Directors of the Company may be deemed to be concerned or interested to the extent they may be entitled to or that will be offered to them on Rights/Preferential basis or otherwise and applied for and allotted to them.

Item No. 7

As per Article 101 and 102 of the Articles of Association of the Company and as per applicable provisions of Section 293 (1)(d) of the Companies Act, 1956, and in accordance with the resolution of the shareholders passed at their Annual General Meeting held on 22nd September, 1993, the directors of the company are empowered to borrow money upto Rs. 10 crores only. The operations of the Company are increasing rapidly and the Company expects quantum increase in its operations in the years to come. The Board of Directors, therefore, feels that the present limit of borrowing powers is not sufficient and be revised to a level of Rs. 25 crores; hence, approval of the shareholders is required for the same.

BY ORDER OF THE BOARD
for **DHANUKA PESTICIDES LIMITED**

V.G. GUPTA
COMPANY SECRETARY

Regd. Office: 'DHANUKA HOUSE',
861-862, Joshi Road, Karol Bagh,
New Delhi - 110 005.

Place: New Delhi

Dated: 29th August, 1998



DHANUKA PESTICIDES LIMITED

DIRECTORS' REPORT

To,

ALL THE MEMBERS

Your Directors have pleasure in presenting the 13th Annual Report alongwith audited accounts of the company for the year ended 31st March, 1998.

FINANCIAL HIGHLIGHTS

	(Rs. in lacs)	
	For the year ended 31.3.1998	For the year ended 31.3.1997
Gross profit for the year after meeting all expenses but before providing for depreciation	336.61	193.19
From which is deducted		
Depreciation	70.18	50.92
Share Issue Exp. written off	0.49	0.49
Provision for Income Tax	62.00	45.00
	<u>203.94</u>	<u>96.78</u>
To which is added		
Liabilities no longer required written back/previous year adjustment	1.86	0.05
Balance of Profit & Loss Account of previous year	140.92	97.65
AMOUNT AVAILABLE FOR APPROPRIATION	<u>346.72</u>	<u>194.48</u>
Appropriations		
The directors now recommend:		
Transfer to General Reserve	22.50	10.00
Payment of Dividend @ Rs.2/- per Equity Share to the shareholders absorbing (Previous year Rs.2/- per Equity Share)	39.60	39.60
Tax on dividend	3.96	3.96
Leaving a balance which is carried forward	280.66	140.92
	<u>346.72</u>	<u>194.48</u>

DIVIDEND

Your Directors are pleased to recommend a dividend of 20% for the year ended 31st March, 1998. The dividend, when approved by the members at the Annual General Meeting, will absorb Rs. 39,60,000/- (Previous year Rs. 39,60,000/-) and tax on dividend will absorb Rs. 3.96,000/- (Previous year Rs. 3,96,000/-).

OPERATIONS

The financial year 1997-98 was a rewarding one for our company. It closed with another set of new performance records. The gross turnover of the company grew by over 36% to a level of Rs. 3358.48 lacs in comparison to Rs. 2467.07 lacs in the previous year. The profit before tax was also higher at Rs. 265.95 lacs as against Rs. 141.77 lacs of the previous year. The net profit after tax grew by over 110% to a level of Rs. 205.81 lacs in comparison to Rs. 96.82 lacs of the preceding financial year.

The performance of the company on all counts is a source of deep satisfaction for all of us, especially, in the backdrop of the fact that most of the companies in the Pesticide Industry suffered setbacks in their turnover and profitability, during this period.

Last year, the company had launched successfully *Caldan 4G and 50 SP* in technical tie-up with *M/s Takeda Chemical Industries Ltd., Japan*. Both the products have been accepted very well in the market. The company continued its tie-up with *M/s E.I. DuPont De Nemours & Co., U.S.A* to formulate the product *Methomyl 12.5L*.

FUTURE PROSPECTS

As the reports indicate, the country is likely to have yet another year of favourable monsoon during the current year; hence the Pesticide Industry, which has more dependence on good and widespread monsoon, is likely to register significant growth, during this year.

During the current year, the company launched successfully *Nukil 10% EC* in technical association with *M/s Mitsui Chemicals Inc., Japan*. This product has also been very well accepted in the market. In addition, the company has launched an antibiotic Insecticide - *Validamycin* in technical tie-up with *M/s Takeda Chemical Industries Ltd., Japan*.

The Company achieved yet another milestone during the current year and has entered into a technical tie-up with *M/s Hokko Chemical Industry Co. Ltd., Japan* and is in the process of launching *Kasugamycin*, a fungicide. It is expected that the product would be launched by the end of this calendar year.

The Company continues its aggressive marketing policy and hopes to achieve greater heights in turnover and profitability during the current year.

MEASURES FOR CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND DETAILS OF FOREIGN EXCHANGE EARNINGS AND OUTGO

Information as required u/s 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, is given in Annexure 'A', forming part of this report.