

Annual Report 1999-2000



THE CALCUTTA CHEMICAL COMPANY LIMITED

BUILDING BRANDS ♦ BUILDING TRUST

BOARD OF DIRECTORS

Dr. (Mrs.) Asima Chatterjee
Chairperson

A. Satishkumar

B. Sen
(Nominee - UBI)

M. M. Ghose

R. K. Mohan

S. Ray

S. Ramesh

T. Aich

VR. Veerappan

V. K. Sehgal

AUDITOR

S. R. Batliboi & Co.
Calcutta

PRINCIPAL BANKERS

United Bank of India
Deutsche Bank

REGISTERED OFFICE

28, S. Roy Road
Calcutta 700 039

WORKS

6 & 7, Tiljala Road
Calcutta 700 039

28, S. Roy Road
Calcutta 700 039

Southern Avenue
Industrial Estate
Ambattur
Chennai 600 058

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THE CALCUTTA CHEMICAL COMPANY LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 79th Annual General Meeting of the Company will be held on Saturday, the 30th September, 2000 at 11.00 a.m. at Science City (Mini Auditorium), JBS Haldane Avenue, Calcutta - 700 046 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2000, Balance Sheet as on that date and the Reports of the Auditors' and the Directors' thereon.
2. To declare Dividend on Preference Share Capital.
3. To appoint a Director in place of Dr. (Mrs.) Asima Chatterjee, who retires by rotation and, being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. M. M. Ghose, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification, the following Resolutions as Ordinary Resolutions :

6. "Resolved that Mr. A. Satishkumar be and is hereby appointed a Director of the Company, whose period of Office shall be liable to determination by retirement of Directors by rotation".
7. "Resolved that Mr. V. K. Sehgal be and is hereby appointed a Director of the Company, whose period of Office shall be liable to determination by retirement of Directors by rotation".
8. "Resolved that Mr. VR. Veerappan be and is hereby appointed a Director of the Company, whose period of Office shall be liable to determination by retirement of Directors by rotation."
9. "Resolved that Mr. S. Ramesh be and is hereby appointed a Director of the Company, whose period of Office shall be liable to determination by retirement of Directors by rotation."
10. "Resolved that Mr. R. K. Mohan be and is hereby appointed a Director of the Company, whose period of Office shall be liable to determination by retirement of Directors by rotation."

Registered Office :

28, S. Roy Road,
Calcutta - 700 039
6th September, 2000

By Order of the Board

M. M. GHOSE
Director

NOTES :

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead and the proxy need not be a Member of the Company. Proxies in order to be effective must be received at the Registered Office of the Company, not less than forty-eight hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 26th September, 2000 to 30th September, 2000 (both days inclusive).
3. Dividend, if approved, will be paid to the 9% Redeemable Cumulative First Preference Shareholders and 7% Redeemable Cumulative Second Preference Shareholders at the respective specified rates to those Members whose names be appearing in the Register of Members of the Company on 30th September, 2000.

THE CALCUTTA CHEMICAL COMPANY LIMITED

4. Members are requested to :

- a) intimate to the Company correction/changes, if any, in their registered addresses, bank mandate, before the date of the Meeting;
- b) quote Ledger Folio in all their future correspondences;
- c) bring their copies of Annual Report and Attendance Slip to the AGM;
- d) intimate to the Company the Ledger Folio of multiple accounts in identical names or joint accounts in the same order, if any, to enable the Company to consolidate the same into one account.
- e) pursuant to the provisions of Section 205A of the Companies Act, 1956, (the Act), the unclaimed dividend for the year ended 31st March, 1998 will be transferred to the "Fund established under Section 205C" ("Fund") of the Act, after a period of seven years from the date of transfer of such dividend to the unclaimed/unpaid dividend account. No claim shall, therefore, lie against the Fund or the Company in respect of individual amounts, which shall remain unclaimed during such period, and
- f) in terms of the provisions of Section 109A read with 109B of the Companies Act, 1956, a Member may nominate, at any time, in the prescribed manner, a person to whom his/her shares in the Company shall vest in the event of his/her death. The prescribed Nomination Form No. 2B [vide Rules 4CCC and 5D of the Companies Central Government's General Rules and Forms, 1956], is annexed hereto for the convenience of the Members. This may be sent to the Secretary at the Registered Office, duly completed.

EXPLANATORY STATEMENT, PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item Nos. 6, 7, 8, 9 & 10

Pursuant to Article 98 of the Company's Articles of Association the Board has appointed Mr. A. Satishkumar, Mr. V. K. Sehgal, Mr. VR. Veerappan, Mr. S. Ramesh and Mr. R. K. Mohan as Additional Directors of the Company with effect from 16th March, 2000. In terms of Section 260 of the Companies Act, 1956, Messrs. A. Satishkumar, V. K. Sehgal, VR. Veerappan, S. Ramesh and R. K. Mohan shall hold Office upto the date of the forthcoming Annual General Meeting. Notices in writing together with the deposits under Section 257 of the Companies Act, 1956, have been received from a Member, indicating his intention to propose at the forthcoming Annual General Meeting the candidature of Messrs. A. Satishkumar, V. K. Sehgal, VR. Veerappan, S. Ramesh and R. K. Mohan in the Office of the Directors of the Company, liable to retire by rotation.

Mr. A. Satishkumar is an MBA from IIM, Ahmedabad having over 22 years of experience in various levels, Mr. V. K. Sehgal is a Diploma holder in Marketing Management and brings with him over 27 years of Sales and Marketing experience in FMCG business, Mr. VR. Veerappan is a Chemical Engineer having over 25 years of experience on technical development and manufacturing of Chemicals and Consumer Products, Mr. S. Ramesh is a Chartered and Cost Accountant, Company Secretary and brings with him about 14 years of experience in Finance field, Mr. R. K. Mohan is an MBA from IIM, Ahmedabad with over 14 years of experience on Marketing and Sales in FMCG business. The Company will be greatly benefited by inducting the above personalities in the Board.

The Resolutions as set out in item nos. 6, 7, 8, 9 & 10 of the convening Notice are recommended by your Directors for adoption.

None of the Directors, except Messrs. A. Satishkumar, V. K. Sehgal, VR. Veerappan, S. Ramesh and R. K. Mohan, may be deemed to be interested or concerned in the respective resolutions.

THE CALCUTTA CHEMICAL COMPANY LIMITED

REPORT OF THE DIRECTORS

Your Directors submit their 79th Annual Report together with the Audited Accounts for the year ended 31st March, 2000.

FINANCIAL HIGHLIGHTS

	Rs. Lacs	
	Year ended 31st March, 2000	31st March, 1999
Total Income	5,335.90	4,045.46
Material Cost of Sales	3,858.37	2,836.40
Manufacturing and Other Overheads	1,139.60	904.00
Profit before Interest & Depreciation	337.93	305.06
Less: Depreciation	40.19	40.06
Interest	90.24	27.54
Net Profit from operation	207.50	237.46
Extra-ordinary/Prior period items	(0.50)	(1.99)
Profit for the period	208.00	239.45
Provision for taxation	73.00	124.56
Profit available for appropriation	135.00	114.89
Appropriations:		
Transfer to General Reserve	—	11.49
Proposed Dividend including tax thereon	1.03	23.14
Profit/(Loss) brought forward	(471.06)	(551.32)
Loss carried forward	(337.09)	(471.06)

THE FINANCIAL YEAR UNDER REVIEW AND FUTURE OUTLOOK

During the year under review, your Company recorded an impressive growth of 32 percent in Sales aggregating to Rs. 51.86 crore as compared to Rs. 39.24 crore in the previous year. This is despite the fact that the market situation during the year continued to remain depressed.

Your Company's prime product – "Margo" Soap continues to enjoy the sustained and steady consumer support, as a consequence, the sales volume has grown by 19 percent i.e. from 5,195 MT in the previous year to 6,180 MT in the year under review. This is mainly on account of strategic marketing support given to the brand and the inherent strength of the unique Neem properties of the brand which enjoy a niche clientele. With the growing market, the prospect of your Company is poised for an accelerated growth in the days to come.

DIVIDEND

Your Directors are pleased to recommend payment of a dividend at the stipulated rates on the Preference Shares for the year ended 31st March, 2000, subject to approval by the Shareholders at the forthcoming Annual General Meeting. If approved, the dividend will be paid to those shareholders whose names will appear in the Register of members of the Company at the close of business on 30th September, 2000.

PUBLIC DEPOSIT

Your Company has not accepted any deposit from the public during the year.

HOLDING COMPANY

We had reported in our last year's report that Shaw Wallace & Company Limited (the erstwhile parent Company) had concluded an agreement on 22nd January, 1999 with Henkel SPIC India Limited for sale of their holding of about 55.38% shares in your Company's paid-up capital in their favour. Subsequently on 2nd December, 1999, the Shareholder, who's petitions were pending before the Hon'ble Calcutta High Court had also entered into an agreement with Henkel SPIC India Limited for divesting in their favour his share holding representing nearly 25.77% in your Company's paid-up Share Capital and has withdrawn all the legal proceedings in this regard pending before the Hon'ble Calcutta High Court. Pursuant to SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, Henkel SPIC India Limited made an open offer to the minority shareholders and had acquired about 8.93% shares in your Company's paid-up share capital.

These shares constituting about 90.08% of the paid-up capital of your Company were registered in favour of Henkel SPIC India Limited on 16th March, 2000, and by virtue of which Henkel SPIC India Limited has become the holding Company of your Company.

AUDITORS' REPORT

In respect of comments in the Auditors' Report, the relevant notes on the Accounts in Schedule 20 are self-explanatory.

DIRECTORS

Dr. (Mrs.) Asima Chatterjee and Mr. M. M. Ghose, retire by rotation and, being eligible, offer themselves for re-appointment.

THE CALCUTTA CHEMICAL COMPANY LIMITED

Messrs. T. S. Venkatesan, K. P. Roy, K. C. Gupta and K. K. Banerjee have resigned from the Board of Directors with effect from 16th March, 2000. Your Board places on record its sincere appreciation for the valuable services rendered and guidance provided by Messrs. Venkatesan, Roy, Gupta and Banerjee during their tenure of Office and association with the Company.

AUDITORS

Messrs S. R. Batliboi & Co., Chartered Accountants, retire, and being eligible, offer themselves for re-appointment.

CENTRAL EXCISE

Further to the last report with reference to Show Cause Notices received from the Central Excise Authorities seeking imposition of demand for Rs. 240.29 lacs and Rs. 386.60 lacs on account of differential Central Excise Duty alleged to have been short paid/not paid during the period between 1st June, 1991 and 31st March, 1995 for Calcutta factory and between 1st June, 1991 and 30th April, 1998 for Chennai factory, respectively, suitable replies were filed and personal hearings were attended. Subsequently the demand of Rs. 402.60 lacs and Rs. 260.29 lacs were confirmed for Chennai factory and Calcutta factory, respectively. Your Company has preferred appeals. In the mean time, appellate authority at Chennai after hearing the Company's submissions has set aside the demand of Rs. 402.60 lacs and remanded the case for a *de-novo* consideration of the issues involved.

In view of the above, your Directors are of the view that your Company has strong grounds in the matter and therefore, the demands are not sustainable. The Company's confidence is based on legal advice received from eminent consultants and the relevant previous orders of the appellate authority. Hence, no liability has been considered in these accounts.

EMPLOYEES

The Company has no employee in respect of whom the statement under Section 217(2A) of the Companies Act, 1956, is required to be annexed.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO*

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as amended, are given in the annexure, forming part of this report.

APPRECIATION

Your Directors wish to express their sincere gratitude and appreciation to all the employees for their commendable team work, high degree of professionalism and enthusiastic efforts displayed by them during the year, in order to achieve the results. Your Directors would also like to place on record their appreciation for the continued co-operation received from the Banks and various Government Agencies.

Registered Office :
28, S. Roy Road,
Calcutta - 700 039
6th September, 2000.

On behalf of the Board

M. M. GHOSE
Director

THE CALCUTTA CHEMICAL COMPANY LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' Report.

A. CONSERVATION OF ENERGY

Measures to conserve energy are being taken on an ongoing basis in various spheres by taking specific steps for reduction of energy and fuel consumption.

POWER AND FUEL CONSUMPTION

	Year ended	
	March, 2000	March, 1999
I. ELECTRICITY		
a. PURCHASE		
Units (lacs/KWH)	13.39	14.92
Amount (Rs. lacs)	54.57	63.50
Rate/Unit (Rs.) – (Avg.)	4.08	4.26
b. OWN GENERATION		
Through Diesel Generator Sets		
Total running hours	78.00	105.00
Total usage of Diesel Oil (KL)	3.07	4.18
Total Cost (Rs. lacs)	0.35	0.42
2. COAL (A, C AND D GRADES) USED AS A FUEL		
Quantity (MT)	—	—
Total Cost (Rs. lacs)	—	—
Average Cost (Rs./MT)	—	—
3. FURNACE OIL (LSHS)		
Quantity (KL)	438.38	584.43
Total Cost (Rs. lacs)	51.43	34.09
Average Cost (Rs. /Ltr)	11.73	5.83

4. OTHER INTERNAL GENERATION CONSUMPTION/UNIT OF PRODUCTION

ELECTRICITY

Units per MT of Margo Soap	257K	348K
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FURNACE OIL

Units per MT of Margo Soap	204 Lts	222 Lts
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B. TECHNOLOGY ABSORPTION

- Efforts in brief made towards technology absorption, adaptation and innovation. Continuous efforts are on to develop new products, to improve the cost effectiveness of existing products, to improve packing and packaging materials and improve production processes.
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. The above efforts have resulted in reduction of process loss and improved quality. The volume has grown in certain cases for improved packaging. Also major cost savings have been achieved.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earnings		
Export of Goods (F.O.B. basis)	Rs.	25,51,491
Foreign Exchange outgo		
Raw Materials	Rs.	1,99,10,517
Travelling	Rs.	1,13,475

Registered Office :
28, S. Roy Road,
Calcutta – 700 039
6th September, 2000.

On behalf of the Board

M. M. GHOSE
Director

THE CALCUTTA CHEMICAL COMPANY LIMITED

AUDITORS' REPORT**To The Members**

We have audited the attached Balance Sheet of The Calcutta Chemical Company Limited as at 31st March, 2000 and the Profit and Loss Account annexed thereto, for the year ended on that date. We report as follows :-

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above :-
 - a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet and the Profit & Loss Account

dealt with by this report are in agreement with the books of account;

- d) in our opinion, the Profit & Loss Account and the Balance Sheet are drawn up in compliance with the Accounting Standards referred to in Sub-section 3C of Section 211 of the Companies Act, 1956, and
- e) in our opinion and to the best of our information and according to the explanations given to us, the said statements of account, subject to Note No. 8 on Schedule 20 regarding non-provision of various demands aggregating to Rs. 662.89 lacs from excise authorities, the impact of which on the Company's profit/reserves is not presently ascertainable due to pending appeals and read together with other 'NOTES' appearing thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.
 - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2000, and
 - ii) in the case of Profit & Loss Account, of the Profit of the Company for the year ended on that date.

S. R. Batliboi & Co.
Chartered Accountants
Per R. K. Agrawal
Partner

36, Ganesh Chandra Avenue
Calcutta-700 013

Dated 6th September, 2000.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date to the members of The Calcutta Chemical Company Limited as at and for the year ended 31st March, 2000)

1. The Company has maintained proper records of Fixed Assets showing full particulars including quantitative details and locations thereof.
The Fixed Assets of the Company are stated to have been physically verified by the management during the year, except for items located at Magarwara Division as referred to in Note No. 4 on Schedule 20, and discrepancies noticed on such verification, between the book records and physical stocks have been duly adjusted in the accounts.
2. None of the Fixed Assets of the Company has been revalued during the year.
3. As informed to us, the stocks of finished goods, raw materials, stores, spare parts and components have been physically verified by the management during the year.

As far as we can ascertain and according to the information and explanations given to us, the discrepancies noticed on such physical verification between the physical stocks and book records were not significant having regard to the size of the Company's operations and the same have been properly dealt with in the books of account. The procedures followed by the management for such physical verification are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.

In our opinion, the valuation of the above mentioned stocks is fair and proper in accordance with the normally accepted accounting principles and read with Note No. 12 on Schedule 20, is on the same basis as in the previous year.

4. The Company has neither taken any loans, secured or unsecured from, nor has given any loans to companies, firms or other parties listed in the Register maintained