



Henkel SPIC India Ltd.



ANNUAL REPORT '98

WINNING BRANDS



It has been a hectic and eventful year for us at Henkel SPIC India Ltd. We have been in the limelight with new product launches and brand acquisitions. Our expanded product portfolio has helped us successfully consolidate our presence in the market.

Today more and more consumers are switching to our brands, making winners of them all. To further enhance our range, plans are being made to introduce more international products over the coming years.

The commitment of each and every member of the Henkel SPIC family in providing superior quality products has given us the impetus towards a new outlook - to be *glocal* - Global in terms of quality and technology; and local in terms of satisfying the discerning consumer's needs.

With this focus, we look forward to giving you more and more winning brands. And winning years.



MD			BKC	
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AG	✓
AGM	✓		SH	✓
YE	✓			

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BOARD OF DIRECTORS

Dr. A.C. MUTHIAH	CHAIRMAN
DONALD J LEONE	VICE CHAIRMAN
A. SATISHKUMAR	MANAGING DIRECTOR
Dr. P.R. SUNDARAVADIVELU	DIRECTOR
Dr. RAINER SALZ	DIRECTOR
PETER K. SCHERER	DIRECTOR
Dr. A. BESANT C. RAJ	DIRECTOR
K. RAVINDRAN	DIRECTOR (IDBI Nominee)

SECRETARY
N. RAJEEVA PRAKASH

REGISTERED OFFICE

P.O. Box No. 6081
6, Nungambakkam High Road
Chennai - 600 034

FACTORY

Peralam Main Road
Thirunallar Commune
Karaikal - 609 607
Union Territory of Pondicherry

PRINCIPAL OFFICE

"Temple Tower"
Third Floor, 476/6 Anna Salai
Nandanam
Chennai - 600 035

PROCESS LICENSOR

HENKEL KGaA
D-40191 Dusseldorf
Germany

AUDITORS

Messrs. S. Viswanathan
Chartered Accountants
8-A, Bishop Wallers Avenue (West)
Mylapore
Chennai - 600 004.

BANKERS

State Bank of India
State Bank of Mysore
State Bank of Travancore
State Bank of Bikaner and Jaipur
Dresdner Bank
Indian Bank

REGISTRARS & SHARE TRANSFER AGENTS

Cameo Share Registry
(A division of MCC Finance Ltd.)
Subramanian Building, 1, Club House Road, Chennai - 600 002.



NOTICE FOR THE TENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Tenth Annual General Meeting of the Company will be held at Kamaraj Memorial Hall, 575 Anna Salai, Teynampet, Chennai-600 006 on Monday the 28th December 1998 at 10.15 A.M. to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 30th September 1998, Profit and Loss Account for the period ended that date and the Reports of the Auditors and Directors thereon.
2. To appoint a Director in the place of Dr P R Sundaravadivelu who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in the place of Mr Peter K Scherer who retires by rotation and being eligible offers himself for re-election.
4. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution.
 "RESOLVED THAT M/s S. Viswanathan, Chartered Accountants the retiring auditors be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs 3,00,000/- (Rupees Three lakhs only) plus out-of-pocket expenses for travelling and other expenses incurred, in connection with the Company's Audit".

By Order of the Board
for **Henkel SPIC India Ltd.**

N.RAJEEVA PRAKASH
Secretary

Regd. Office :
6 Nungambakkam High Road
Chennai 600 034.

23rd November 1998

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself and a proxy need not be a member of the Company. A member unable to attend may appoint another person (whether a member or not) as his proxy in the enclosed form which shall be deposited with the principal office of the Company at "Temple Tower", Third Floor, 476/6, Anna Salai, Nandanam, Chennai - 600 035.
- The proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 24th December 1998 to 28th December 1998 (both days inclusive).
3. Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.



DIRECTORS' REPORT

To

The Shareholders,

Your Directors have pleasure in presenting the Tenth Annual Report of the Company together with the Audited Accounts for the period ended 30th September 1998.

PERFORMANCE

FINANCE

It is noteworthy that inspite of the fiercely competitive market, your Company's turnover for the period under report increased to Rs.141.88 Crores (18 months) as against Rs.55.78 Crores (12 months) during the preceding year. The overall production volume increased to 43,153 M.T. as compared to 21,804 M.T. (excludes third party processing and captive consumption) in the previous accounting period.

PRODUCTION

The detergent plant was operated to cater to the market requirement of our products, export orders and toll manufacturing requirement. The zeolite plant catered to the domestic and export requirements. The performance of all the three plants viz., 'Detergent Bar, Powder and Zeolite was quite satisfactory. The capacity utilisation of bar and powder units are being maintained at high levels.

MARKETING

HENKO MEGASTAR

Henko Megastar, a world class compact detergent powder was launched in South during Jan'98 and in other zones during June'98. This brand was supported through TV and consumer promotions to generate trials. In addition, a Door to Door

sampling operation was carried out in major towns of South covering about 5 lakh households.

HENKO STAIN CHAMPION POWDER

The relaunch of this brand during early 1997 helped in increasing the volumes in South. It was launched in Delhi, Mumbai and Calcutta during July 1997 and thereafter is being continuously extended to other towns of North, East and West. The brand is supported through TV campaigns and consumer promotions. In addition, a Door to Door sales operation was carried out in major cities of North, East and West covering about 15 lakh households. This brand is being relaunched in Nov'98 with improved perfume, new packaging and an attractive consumer offer after which the brand is expected to grow even faster.

HENKOMATIC POWDER

This powder specially formulated for washing machines was launched in South during Nov'97 and in other zones during Apr'98.

It is supported by micro level activities to build awareness and trials.

HENKOBAR

Henko bar was launched in Delhi, Mumbai and Calcutta during Jul'97 followed by continuous expansion to other towns of North, East and West.

MR. WHITE/WHITE GIANT

White Giant relaunched in South during April'97 with improved formulation & perfume was extended nationally in Oct'97. Based on market research, the brand was relaunched as Mr White during Aug'98 in the mid price category with improved packaging supported by new advertising and visibility schemes at retail level. Initial reports from the field indicate good acceptance of the product.



PRIL

Pril, the international utensil cleaner concentrate, met with a good response in South. In all super markets, Pril has become the category leader. A high impact press campaign gave a tremendous boost to the awareness and image of the brand. We are also getting an excellent response from the door to door sales operation.

LIMESHOT POWDER/BAR

The brand which was acquired from Modern Home Care Products during Sep'97 was relaunched nationally during Feb'98 with enhanced performance. Attractive consumer promotions are currently on to garner trials and to consolidate the brand further in the Scouring powder & bar market.

BRISK

Brisk cleanser range (Toilet, Floor & Glass cleaner) acquired from Modern Home Care Products was relaunched nationally during May'98 with a new formulation and packaging based on international standards. Brisk has met with good consumer and trade acceptance across the country.

BRAND ACCOUNTING

In view of the substantial investment being made in building brand equity your company is exploring the possibility of introducing accounting for the Brand Value in the ensuing years.

SALES

Your company was able to establish a national presence with the expansion of our sales and distribution network to North, East and West zones. With the distribution network comprising 22 CFAs and 990 Distributors, we are present in about 2 lakh outlets in the country today which translates into a reach of 80% of the urban population.

The aggressive "below the line" activities supported by our distribution network has enabled us to rapidly gain distribution range, width and depth. This was achieved despite severe competitive pressures in all product categories we are present.

By December'98, we shall be extending our coverage to over 1000 towns to reach 2.5 lakh outlets nationally. The thrust areas in the coming years would be to increase our distribution aggressively both in urban and rural market by activating the wholesale channel.

EXPORTS

The successful execution of export order valuing Rs.40.28 Million of Zeolite until Oct.'98 to Oman has secured a firm export arrangement for 1200 M.T. We have also executed a trial order of 211 M.T. to Greece. The successful completion of the above is expected to fetch further orders. Continuous efforts are also being taken for export of Zeolite to Egypt and Turkey.

On the Detergent front, your Company has executed order of around 400 M.T. valuing Rs.7.5 Million to Dubai, Singapore and Seychelles. The successful execution of these orders has led to a sales enquiry for 1000 M.T. for the year 1999 from Singapore. Efforts are on to procure orders for bulk exports to African countries.

FUTURE PROSPECTS

With the extension of distribution of existing brands to other towns and with the planned strategic acquisition of distribution network and leading brands, the current financial year will show continued growth of our branded business in terms of volumes and market share.

ENVIRONMENT AND SAFETY MEASURES EFFLUENT CONTROL

The Process is so designed that there is no effluent generated from the main plant. A meagre amount



of effluent is generated only from water purification system in utility section. Effluent treatment plant adequately designed is taking care of the control requirement. The effluents so treated undergo solar evaporation. No liquid effluent is discharged outside.

AIR POLLUTION CONTROL

The "built in system" in the process design controls the emission and keeps the atmosphere free of dust particle from the stacks. All pollution parameters are continuously monitored and are well within the norms. A separate Environment Committee is constituted and the findings of the environment audit conducted by the committee is submitted every year to the Government. All statutory requirements are met with respect to pollution control.

SAFETY

The process equipments are having very good built-in safety system and all our employees are well trained for safe working on the plant operation. Fire protection system is installed to commensurate with the requirement in the plant and fire prevention activities are being adhered to strictly.

Continuous refresher training to the employees is being given on safety. Workforce at the Site are provided with personal protective equipments and a well defined work permit system is in force to ensure incident free maintenance work.

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

The particulars relating to the conservation of energy, technology observation & foreign exchange earnings & outgo as required u/s 217 (1)(e) of the Companies Act, 1956 is enclosed as part of this Report.

DIVIDEND

In the absence of profit during the year, your Directors regret their inability to recommend dividend for the financial year 1997-98.

PUBLIC DEPOSITS

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

RIGHTS ISSUE

The following are Financial projections as per Letter of Offer dated 25th June 1994 and actuals:

	(Rs. in lakhs)	
	PROJECTIONS (12 months)	ACTUALS (18 Months)
Turnover	11490	14188
PBIDT	2660	628
PBT	1915	(1137)
EPS (Rs.)	2.38	—

The difference between actuals and projections is primarily due to delayed nationwide launch and the increase in selling price not matching the escalation in costs, due to highly competitive pricing structure in the detergent market.

DIRECTORS

Promoters have nominated Dr P.R.Sundaravadivelu and Mr Peter K.Scherer as Directors in the place of Mr N.Swaminathan and Mr Klaus Nagel respectively. The Board places on record its appreciation for the valuable guidance received from Mr Klaus Nagel and Mr N.Swaminathan.

Dr P.R.Sundaravadivelu and Mr Peter K.Scherer Directors who retire by rotation at the ensuing Annual General Meeting being eligible offer themselves for reappointment.



PARTICULARS OF EMPLOYEES

A statement giving information and particulars of the employees as required under Section 217 (2A) of the Companies Act, 1956 is enclosed as part of the report. However as per the provisions of section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all shareholders excluding the aforesaid information. Any shareholder interested in obtaining the statement may write to the Secretary at the Principal Office of the Company.

AUDITORS

The Auditors, M/s S.Viswanathan, Chartered Accountants, Chennai retire at the conclusion of the Tenth Annual General Meeting and are eligible for reappointment.

Auditor's comments in item No.13 to the notes on accounts states that your Company has effected the capitalisation of interest on term loan which have already been paid and the balance amount to be paid in the future years upto the contract periods. This accounting treatment is based on the principle that interest is part of the cost of fixed assets.

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their grateful thanks to the Government of India, the Government of Tamilnadu, the Government of Pondicherry, Financial Institutions, Reserve Bank of India, Consortium of Banks and Insurance Companies, Clearing & Forwarding Agents, Re-distribution Stockists and valued customers for their continued assistance and support extended to the company.

Your Directors also place on record their deep appreciation to the employees for their efforts and contribution in maintaining steady progress of the organisation.

Your Directors wish to acknowledge the valuable guidance and assistance being received from your company's collaborators, M/s Henkel KGaA and Tamilnadu Petroproducts Ltd.

for and on behalf of the Board of Directors

Dr A.C.MUTHIAH
Chairman

Chennai

23rd November 1998

ANNEXURE

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the period ended 30th September 1998

1. CONSERVATION OF ENERGY :

a) Energy Conservation measures taken :

Actual specific energy consumption of all products are compared with target norms and corrective actions are being taken continuously.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

An exhaustive energy audit was undertaken to study the energy consumption throughout the plant by an internal audit team. The result is encouraging.

c) Impact of the measures at (a) and (b) above:

Impact of measures as mentioned in (a) and (b) above is insignificant, since the plant is not energy intensive.