

Henkel SPIC India Ltd.
A N N U A L R E P O R T - 2 0 0 0

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Where bottomlines make headlines



The year 2000 has been one of achievements and milestones for Henkel SPIC. We diversified into a wide range of products, enabling presence in high-potential segments. Notable among them was the launch of the internationally renowned Fa range of products - deo sprays, roll-ons, soaps and talcs. Detergents, a vital component of our portfolio, registered impressive gains in share of market and mind. We also achieved a significant increase in market penetration, which has had a visible impact on our bottomline.

Even more importantly, perhaps, our various initiatives enabled us to register a profit within seven years of entering the market - hitherto dominated by a handful of well-entrenched brands.

Consolidation, diversification, volume growth and visibility. The operating cornerstones of 2000 will now be the building blocks for the future, as we take on new challenges...to create more headlines.

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BOARD OF DIRECTORS

Dr. A.C. MUTHIAH	CHAIRMAN
Dr. RAINER SALZ	DIRECTOR
PETER K. SCHERER	DIRECTOR
PETER KARDORFF	DIRECTOR
Dr. A. BESANT C. RAJ	DIRECTOR
D. ARUNACHALAM	DIRECTOR
A. SATISHKUMAR	MANAGING DIRECTOR

SECRETARY

N. RAJEEVA PRAKASH

REGISTERED OFFICE

P.O. Box No. 6081
6, Mahathma Gandhi Salai
Chennai - 600 034.

FACTORY

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

PRINCIPAL OFFICE

“Temple Tower”
Third Floor, 672, 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
Standard Chartered Bank
Deutsche Bank
Citi Bank N.A

REGISTRARS & SHARE TRANSFER AGENTS

Cameo Corporate Services Ltd.
Subramanian Building, V Floor, 1, Club House Road, Chennai - 600 002.
Tel : (044) 846 0390 (5 Lines) Fax : (044) 846 0129 Grams : “CAMEO”

NOTICE FOR THE TWELFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of the Company will be held at Kamaraj Memorial Hall, New No. 492, Anna Salai, Teynampet, Chennai- 600 006 on Monday, the 16th July 2001 at 10.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the audited Balance Sheet as at 31st December 2000, Profit and Loss Account for the year ended that date and the Report of the Auditors and Directors thereon.
2. To appoint a Director in the place of Mr. Peter Kardorff who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in the place of Mr. D.Arunachalam 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. 4,00,000/- (Rupees Four lakhs only) plus out-of-pocket expenses for travelling and other expenses incurred, in connection with the Company's Audit”.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:

RESOLVED that pursuant to Sections 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any amendment to or enactment thereof) and also subject to the approval of statutory authorities, if any, as may be required and subject to such alterations and modifications, if any, that may be effected by the above authorities in that behalf and which the Board of Directors is hereby authorised to accept, consent of the Company be and is hereby accorded for the reappointment of Mr.A.Satishkumar, Managing Director for a further period of 5 years with effect from 1st June 2001 and for the payment of revised remuneration on the terms and conditions as set out in the Explanatory Statement attached to this notice and that the Board of Directors be and are hereby authorised to alter and vary such terms and conditions in accordance with the laws in force from time to time as may be agreed to by the Board of Directors and Mr. A.Satishkumar.

RESOLVED FURTHER that where in any financial year during the currency of the term of office, the company has no profits or its profits are inadequate it may pay to Mr.A.Satishkumar, remuneration by way of

salary and perquisites as specified above, subject to the approval of Central Government or in the alternative within the limits laid down in Section 2 part II of Schedule XIII of the Companies Act, 1956 as in force from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to take all such actions and give all such directions, or do all such acts, deeds, matters and things as may be necessary in this regard and further to execute all such deeds, documents and writings as may be necessary in this regard.

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

N. RAJEEVA PRAKASH
SECRETARY

Regd. Office :

No.6 Mahathma Gandhi Salai,
Chennai 600 034.

21st May 2001.

NOTES :

1. MEMBERS WHO HOLD SHARES IN THE DEMATERIALISED FORM ARE REQUESTED TO INDICATE WITHOUT FAIL THEIR DP ID AND CLIENT ID NUMBERS IN THE ATTENDANCE SLIP.
2. NOMINATION FOR PHYSICAL SHARES:
MEMBERS HOLDING SHARES IN PHYSICAL FORM ARE ENCOURAGED

TO NOMINATE A PERSON TO WHOM HIS SHARES IN THE COMPANY SHALL VEST IN THE EVENT OF HIS DEATH.

3. HOLDING SHARES IN IDENTICAL ORDER OF NAMES:

MEMBERS HOLDING SHARES IN IDENTICAL ORDER OF NAMES IN MORE THAN ONE FOLIO ARE REQUESTED TO WRITE TO REGISTRARS AND SHARE TRANSFER AGENTS TO CONSOLIDATE THEIR HOLDING IN ONE FOLIO.

4. COMPULSORY DEMATERIALISATION OF SHARES.

The Company has signed an agreement with National Securities Depository Ltd. and Central Depository Services (India) Ltd. for dematerialisation of the Company's shares. This facility is now operational since December 1999 and members are requested to avail of the same.

The Securities and Exchange Board of India (SEBI) mandated delivery of shares of the company by Institutional investors in compulsory dematerialised form from 15/5/2000 and trading by all investors in compulsory dematerialised form from 24/07/2000 onwards.

5. A member entitled to attend and vote at the meeting is entitled to appoint proxy and to attend and on a poll to vote instead of himself and 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.

THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

6. The Register of Members and the Share Transfer Books of the Company will remain closed on 16th July 2001.
7. Members are requested to immediately intimate any change in their addresses to the Registrars.
8. Members / Proxies should bring the Attendance Slip duly filled in for attending the meeting.
9. Members are requested to quote their FOLIO Number in all correspondence.
10. The documents referred to in this Notice / Explanatory Statements are open for inspection by any members at the Principal Office of the Company during the Company's business hours on any working day upto the last date of Annual General Meeting.

EXPLANATORY STATEMENT

(Pursuant to section 173(2) for the Companies Act, 1956)

ITEM NO.5

The Board of Directors of the Company in its meeting held on 21st May 2001, subject to the approval of the members and pursuant to all applicable provisions of the Companies Act, 1956, has approved the re-appointment of

Mr.A.Satishkumar, Managing Director for a further period of 5 years with effect from 1st June 2001 and payment of revised remuneration on the terms and conditions as set out herein below :

REMUNERATION

a) Salary :

Basic salary of Rs. 1,25,000/- per month including Dearness Allowance (excluding Childrens Education Allowance).

b) Commission :

Commission of 1% on net profit not to exceed annual basic salary. In the event of loss or inadequate profit in any financial year the Managing Director shall be paid remuneration by way of salary and perquisites and will not be eligible for any commission.

c) Perquisites :

Perquisites including housing/house rent allowance, gas electricity, water, furnishing, medical reimbursement, leave and leave travel concession, club fees, personal accident insurance and such other perquisites as decided by the Board from time to time. The monetary value of such perquisites to be determined in accordance with Income Tax Rules, 1962 subject to a maximum limit of the annual salary. However, contribution to Superannuation Fund and Provident Fund, Gratuity use of company car for official purposes and telephone at residence (including for local calls and long distance official calls) entertainment expenses incurred for the business shall not be treated as perquisites.

Henkel

The members at the Annual General Meeting held on 24th March 2000 had approved the payment of revised remuneration of Mr. A. Satishkumar, Managing Director with the basic salary of Rs. 75,000/- per month with effect from 1st January 2000 till expiry of his present term of office upto 15/12/2001. In the event the reappointment is considered after 15/12/2001 as per section 302 of the Companies Act, 1956 the re-appointment shall be intimated to the shareholders within 21 days from the date of reappointment. Consequently separate circulars need to be forwarded to all the shareholders intimating the re-appointment. Hence it is included as an item in the notice of AGM avoiding the requirement to send separate circulars to the shareholders.

Mr. A. Satishkumar has been serving the company very well as its Managing Director since its inception and has been instrumental for its growth to date. Under his able leadership, the company has made great strides in carving out for itself a niche market in several areas of business. Members would appreciate that the world over, the FMCG business is a highly competitive business and the Indian scenario is no exception. Making inroads into markets where world giants fight for market shares is no ordinary feat and viewed in that context, HSIL's achievements to date are laudable.

Mr. A. Satishkumar has tremendous exposure to various facets of the business and has won public acclaim in various forums for his business acumen.

The acquisition of the Consumer Products Division of Shaw Wallace & Co. Ltd. namely, Calcutta Chemical Company Ltd. and Detergents India Ltd. and the successful integration have added on to his even other wise onerous responsibilities. Further, the company nurses ambitious growth plans which would entail Mr. A. Satishkumar shouldering greater responsibilities. In the light of the above the Board of Directors at their meeting held on 21st May 2001 has decided to increase his remuneration.

The Directors recommend the resolution for adoption by the members.

This explanatory statement together with the accompanying notice may also be regarded as an abstract and memorandum u/s. 302 of the Companies Act, 1956.

None of the Directors except Mr. A. Satishkumar is interested in the resolution.

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

N. RAJEEVA PRAKASH
SECRETARY

Regd. Office :
No.6 Mahathma Gandhi Salai,
Chennai 600 034.

21st May 2001.

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DIRECTORS' REPORT

To

The Shareholders,

Your Directors have pleasure in presenting the Twelfth Annual Report of the Company together with the Audited Accounts for the year ended 31st December 2000.

PERFORMANCE

FINANCE

It was a year of consolidation for Henkel SPIC with the company turning out an impressive 38% growth rate in comparison with the previous four quarters of the last financial period. The company clocked an impressive turnover of Rs.301 crores against Rs. 272 crores reported for the previous fifteen month period. The company also posted its maiden net profit of Rs.3.04 Crs. against the loss of Rs.5.87 Crs. in the previous financial period. The cash profit for the period was Rs.8.39 crores as compared to Rs.0.60 crores in the previous year.

	Rs.Crs.	
	2000 12 Months	1998-99 15 Months
Net Sales including excise duty	300.92	272.00
Other Income	0.93	1.34
Manufacturing & Other Expenses	268.49	240.31
Interest	3.55	12.33
Gross Profit /(loss) before depreciation,		
Deferred revenue charge	29.81	20.70
Depreciation	5.35	6.47
Gross Profit after depreciation before deferred revenue charges	24.46	14.23

PRODUCTION

The capacity utilisation of the plants barring the bar manufacturing capacity was better than in the previous years, thanks to the steady growth in demand for our own products. This was further augmented by growth for Zeolite on both the domestic and export front. On stream efficiency of all the plants was uniformly good.

MARKETING

DETERGENTS

The market for branded detergents remains highly competitive in India. Despite the intensity of the competition, the company's brands have shown good progress over the previous year. In the premium segment of the laundry business, the Henko range comprising Henko Stain Champion, Henko Matic and Henko Compact achieved good growth in market shares reflecting higher levels of consumer acceptance. Henko Stain Champion in particular, recorded very good growth in volumes and market share, reflecting better brand equity. On the mid range segment front, Mr.White Detergent powder is emerging as a strong player whilst at the low end of the market Chek is consolidating its position through Bar & Powder formats.

CLEANSERS

The Cleanser market in India is quite vast and the company's endeavours on this front have also met with reasonable success. As a premium end liquid dish washer, Pril continues to appeal to the upper end of the market and has notched up impressive growth rates over the previous period. Lime Shot Bar, the company's product in the scouring bar market, was re-launched to cater to the growing bar segment. We are optimistic on the future of the brand in this category of the market.

The Floor and Glass cleaner market in India is still small and is evolving with the market growth. The performance of 'Brisk', the company's brand for this market is growing.

COSMETIC AND TOILETRIES

During the year, in consonance with the policy of keeping the brand young and contemporary a new creative was launched to enhance the visibility and recall for Margo Toilet Soap, *rechristened* Margo Original Neem, across the country. The company adopted a focussed approach towards this end and had a high visibility drive in select markets. The strategy yielded good dividends to the company in terms of a higher market share for the product. The company also launched a new variant, Margo Natural Moisturiser, to appeal to a wider section of the market. The product which was launched with a new communication campaign has also been receiving encouraging response from both the trade and consumers. Aramusk maintained its volumes despite minimal marketing support.

The year was memorable to the division in particular being the year in which the international brand of Henkel Germany – 'Fa' was introduced in the country. The brand was already a well known brand in quite a few urban markets thanks to the presence of the products through the grey market. The initial launch straddled the Soap, Talc and Deo segments with 11 product lines. The distribution was extended across the country and the response in the first year leaves us with very positive feelings. Fa Deo spray gained third position with 8% market share. The company also used the sponsorship of the "Femina Miss India" titled Fa *Femina Miss India* for 2001 to enhance the visibility levels for the brand. The entire event was a grand success and we have no doubt that this should help the brand positively.

In the body care segment the brand Tuhina has registered a growth of 25% over 1999 thanks to consumer promotion schemes and limited advertising.

On the lines of other endeavours to keep the brands contemporary both in terms of functionality and brand image Neem Tooth Paste was re-launched as Neem Active with a new packaging and formulation. With focussed activities in media in selected markets, it is expected to make further inroads into the markets of competitors.

SALES

The company continued its endeavours to cover the white spaces in its sales and distribution set up with a concerted program of consolidating its RD network. The company currently enjoys a network of over 32 CFAs and 2100 Distributors across the country reaching out to a retail market of over 300,000 outlets covering over 2000 towns in Urban India. This coupled with 99 Super Distributors covering 941 towns servicing towns with a population of over 20,000 adds further credibility to our distribution strengths.

Operations in Nepal were established and we are hopeful that this would contribute to the company's growth in the years to come.

EXPORTS

Last year we have executed export orders for Zeolite to Taiwan, Oman, Bahrain, Cyprus, Sri Lanka and Mauritius for 510 MT. Continuous efforts are being taken to promote Zeolite in South Africa, Saudi Arabia, Myanmar, Philippines, Indonesia, Thailand, Vietnam, Malaysia and Singapore. With the closure of certain Zeolite plants, we also see good prospects this year to export to the Far East countries.