

REPORT AND ACCOUNTS 1997

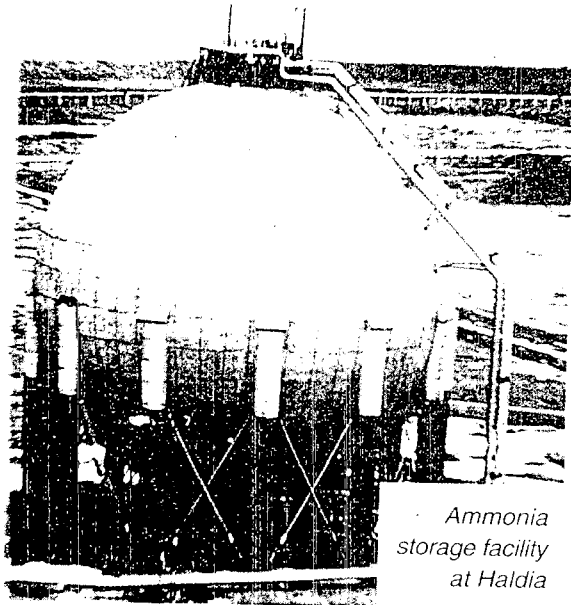


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MD	✓		BKC	✓
CS	✓		DEY	✓
RO	✓		...	✓
TRA	✓		...	✓
AGM	✓	✓	...	✓
YE	✓	✓	...	✓

**HINDALCO
CHEMICALS
LIMITED**



Ammonia
storage facility
at Haldia



Control
room :
Material quality
management



Paras :
On it's way to
the farmer



Material
handling
without hooks

IND LEVER CHEMICALS LIMITED



HIND LEVER CHEMICALS LIMITED

DIRECTORS

D. BHATTACHARYA	Chairman
M.S.BANGA	
D.S.GAUR	(Wholetime)
S.S.GREWAL	
A.LAHIRI	
A. SARIN	(Wholetime)
M.K.SHARMA	
ANUP SINGH	
V.K.VISWANATHAN	

COMPANY SECRETARY

B. R. GOUNIYAL

AUDITORS

A. F. Ferguson & Co.

BANKERS

State Bank of India
ANZ Grindlays Bank Plc.
Bank of America
Citi Bank N.A.

REGISTERED OFFICE

A-5, Phase-II B, Focal Point,
Rajpura - 140 401
Punjab

SHARE TRANSFER OFFICE

Share Department — Hind Lever Chemicals Limited
5th Floor, "Uttara", Plot No. 2,
Sector 11, C.B.D. Belapur,
Navi Mumbai - 400 614

HIND LEVER CHEMICALS LIMITED

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 24th Annual General Meeting of Hind Lever Chemicals Limited will be held on Friday, 24th April, 1998, at 9 a.m., at the Registered Office of the Company at A-5, Phase II-B, Focal Point, Rajpura 140 401, to transact the following business :

ORDINARY BUSINESS

1. To receive and adopt the Profit and Loss Account for the financial year ended 31st December, 1997, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To elect Directors.
4. To appoint Auditors and fix their remuneration for the year ending 31st December, 1998.

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 the authorised capital of the Company be increased from Rs. 10,00,00,000 divided into 95,00,000 equity shares of Rs. 10 each, and 50,000 cumulative Redeemable Preference Shares of Rs. 100 each to Rs. 25,00,00,000 divided into 2,45,00,000 equity shares of Rs. 10 each and 50,000 cumulative Redeemable Preference Shares of Rs. 100 each;

RESOLVED FURTHER that the words "The share capital of the Company is Rs. 10.00 crores (Rs. ten crores only) divided into 95,00,000 (Ninety Five Lacs) Equity shares of Rs. 10/- (Rupees ten) each, and 50,000 (fifty thousand) cumulative Redeemable Preference Shares of Rs. 100/- (Rs. One hundred) each." be

substituted for the words "The share capital of the Company is Rs. 25.00 crores (Rs. Twenty Five crores only) divided into 2,45,00,000 (Two Crores Forty Five Lacs) Equity shares of Rs. 10/- (Rupees ten) each, and 50,000 (fifty thousand) cumulative Redeemable Preference Shares of Rs. 100/- (Rupees One hundred) each." in Clause V of the Company's Memorandum of Association.

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

RESOLVED that the Articles of Association of the Company be altered by substituting the following new Article 3 for the present Article 3 thereof :

"3. The authorised share capital of the Company is Rs. 25.00 crores (Rs. Twenty Five crores) divided into 2,45,00,000 (Two Crores Forty Five lacs) Equity shares of Rs. 10/- (Rupees ten) each, and 50,000 (fifty thousand) cumulative Redeemable Preference Shares of Rs. 100/- (Rs. One hundred) each."

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

RESOLVED THAT :

- (a) Pursuant to the recommendations of the Board of Directors and pursuant further to Article 169 of the Articles of Association of the Company and subjed to the guidelines prescribed by the Securities and Exchange Board of India (SEBI), the approval of the Reserve Bank of India and other necessary approvals, in this behalf and agreed to by the Board of Directors a sum of Rs. 5,78,00,000 be capitalised from and out of the Share Premium Reserve of the Company and that the same be applied on behalf of persons whose names stand on the Register of

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Members of the Company on such date as may be hereafter fixed by the Board of Directors (hereinafter referred to as "the said date") in payment in full of 57,80,000 new equity shares of the Company of Rs. 10 each and that new shares be allotted and issued credited as fully paid to such persons in the proportion of one new equity share for every one existing share held by such persons respectively.

- (b) No bonus shares shall be issued to a member in respect of shares which are not fully paid up and in respect of which the demand for allotment money and call money made on 16th October, 1996 and 24th June 1997 respectively remains unpaid until such allotment/call moneys together with upto date interest (which may be waived at the discretion of the Board) is paid in full.
- (c) The said 57,80,000 new equity shares of Rs. 10 each to be issued and allotted as fully paid-up bonus shares pursuant to this resolution shall be subject to the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with and carry the same rights as the existing equity shares;
- (d) Notwithstanding the date or dates of allotment, the said new bonus equity shares shall be entitled to participate in full in any dividends that may be declared for any financial year ending 1998 and thereafter;
- (e) The said 57,80,000 bonus shares of Rs. 10 each shall also be treated for all purposes as an increase in the nominal amount of the capital of the Company held by each such member and not as income;
- (f) The allotment and issue of the said fully paid new equity shares as bonus shares to the extent that they relate to non-resident shareholders of the Company, shall be subject to the

approval of the Reserve Bank of India under the Foreign Exchange Regulation Act, 1973;

- (g) No letters of allotment shall be issued and the certificates in respect of the new equity shares to be allotted as fully paid bonus shares as aforesaid shall be completed and ready for delivery within three months from the date of allotment thereof;
- (h) The Board of Directors of the Company be and are hereby also authorised at their discretion to agree to and/or accept any change, modification or alteration, conditions or any other direction as to the amount to be capitalised or the proportion in which the bonus shares are to be allotted having regard to the existing holding, or the basis and/or the terms and conditions (including the entitlement in respect thereof as to the dividend) attached to the proposed issue of bonus shares, as may be prescribed by the SEBI in their guidelines in this regard and/or any other authority concerned without any further consent or concurrence of the shareholders in a General Meeting;
- (i) For the purpose of giving effect to this resolution, the Board of Directors of the Company be and are hereby authorised to take all necessary steps and to do and perform all such acts, deeds, matters and things and to give such directions as they in their absolute discretion deem necessary, desirable or appropriate to settle any question, difficulty or doubt that may arise in regard to the issue, allotment and distribution of the said new equity shares as they may think fit;
- (ii) This meeting records the intention of the Board of Directors to recommend, barring unavoidable or unforeseen circumstances, the declaration and payment of a dividend of not less than 90% per annum on the issued and



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paid-up equity share capital of the Company as increased by the issue of the new fully paid bonus shares as aforesaid in the year immediately after the year of allotment of bonus shares.

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

RESOLVED that pursuant to Section 370 and other applicable provisions, if any, of the Companies Act, 1956, the consent of the shareholders be and is hereby given to the Company for making of loans or deposits to the bodies corporate irrespective of whether they are under the same management or not, subject however to the condition that the total amount of such loans to the bodies corporate under the same management as the Company and to others does not exceed the limits prescribed by the Central Government in this regard from time to time or Rs. 100 Crores (Rupees One Hundred Crores) whichever is lower.

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

RESOLVED that pursuant to Section 309 of the Companies Act, 1956, and Article 114 of the Articles of Association of the Company and within the limits stipulated in Section 309 (4) of the said Act, the Company be and is hereby authorised to pay to its Directors (other than a Managing Director and a Director in the wholetime employment of the Company) for a period of five years commencing from 1st January, 1998 such commission as the Board may from time to time determine (to be divided amongst them in such proportion as may be determined by the Board from time to time and

in default of such determination equally), but so that such commission shall not exceed 1% of the net profits of the Company in any financial year (computed in the manner provided in Section 198 (1) of the Companies Act, 1956) or Rs. 5 lakhs in aggregate, whichever is lower.

10. 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 Section 293 (1) (d) of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956 the Board of Directors of the Company be and are hereby authorised to borrow any sum or sums of money from time to time from any one or more of the Company's bankers and/or from any one or more other persons, firms, bodies corporate, or financial institutions whether by way of cash credit, advance or deposits, loans or bill discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets or properties whether movable or stock-in-trade (including raw materials, stores, spare parts and components in stock or in transit) and work-in-progress and all or any of the undertakings of the Company notwithstanding that the 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 or may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose but, so however, that the total amount upto which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 200 Crores (Rupees Two Hundred Crores) only.

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RESOLVED FURTHER that the Board of Directors is hereby further authorised to execute such deeds of debentures and debenture trust deeds or mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings as it may think fit and containing such conditions and covenants as it may consider fit and proper in connection with the aforesaid borrowing(s).

By Order of the Board

B.R.GOUNIYAL
Company Secretary

Registered Office :

A-5, Phase II-B, Focal Point, Rajpura 140 401.

Dated : 20th March, 1998

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxies to be effective, should

be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.

2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will be closed from 7th April, 1998 to 16th April, 1998 (both days inclusive) in connection with the ensuing Annual General Meeting and the payment of dividend.
4. Members are requested to inform the Company of any change in their addresses immediately so as to enable the Company to dispatch dividend warrants and any future communication at their correct addresses.
5. Those members who have not yet paid allotment money/call money due on shares allotted in 1996, have been sent reminders to pay such dues. They are requested to make the payment without delay, so as to avoid any consequences of forfeiture.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

RESOLUTIONS AT ITEMS 5 AND 6

The present authorised share capital of the Company is Rs. 10,00,00,000 divided into 95,00,000 Equity shares of Rs. 10 each, and 50,000 cumulative Redeemable Preference Shares of Rs. 100 each. The present issued share capital of the Company is Rs. 5,78,00,000 and on the issue of bonus shares will increase to Rs. 11,78,00,000. The Company is evaluating certain investment proposals concerning expansion/diversification of its operations and this may entail further capital expenditure necessitating raising of finance through further issue of capital for such projects which may be found viable. For the purpose of making the proposed Bonus Issue and for further issue of capital if required to finance expansion/diversification projects identified by the Company, it

is, therefore, proposed that the Company should increase its authorised share capital to Rs. 25 crores divided into 2,45,00,000 Equity shares of Rs. 10 each, and 50,000 cumulative Redeemable Preference Shares of Rs. 100 each. Hence the ordinary resolution at item 5 of the Notice.

The special resolution at item 6 of the Notice is consequential upon the proposed increase in the share capital of the Company.

None of the Directors is interested in the passing of these resolutions except as holders of equity shares of the Company, as set out below :

Name of Director	No. of shares held
Mr. S.S.Grewal	500
Mr. M.K.Sharma	600



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RESOLUTION AT ITEM 7

The Directors consider that the issued share capital of the Company should be brought into closer relationship with the capital employed in the business. Arising out of the recent Rights Issue, the Company has significant amounts lying to the credit of Share Premium Reserve. It is proposed to capitalise appropriate sums from the Share Premium Reserve rather than General Reserves of the Company for the issue of Bonus Shares since the end use of Share Premium Reserve is very restricted, compared to the General Reserves of the Company. The Board, therefore, recommends that an aggregate sum of Rs. 5,78,00,000 from the Share Premium Reserve be capitalised and the same be applied by issuing 57,80,000 new equity shares of Rs. 10 each credited as fully paid up to the holders of equity shares of the Company whose names appear on the Company's Register of Members on a date to be determined by the Board and on the terms and conditions set out in the special resolution.

A Resolution regarding issue of Bonus shares in the proportion of one Bonus Share for every existing share adopted at the General Meeting of the members held on 20th January, 1994 by capitalising appropriate amounts from the Share Premium to be collected in respect of the proposed preferential allotment of shares to Unilever PLC and/or its overseas associate/subsidiary bodies corporate has become invalid as the proposal for preferential allotment has been dropped. The present proposal is being mooted in supercession of the earlier Resolution to meet the expectations of the members. A small number of shareholders who had accepted Rights Offer have till date not paid allotment/call money in respect of the Rights Share. In keeping with good secretarial practice, it is proposed that unless the shares are made fully paid up together with upto date interest in respect of overdue allotment/call moneys the bonus shares shall not be allotted in respect of such shares. In suitable cases, a decision may be taken by the Board to waive overdue interest where the delay has occurred for special circumstances meriting such waiver.

The bonus shares proposed to be issued will rank *pari passu* in all respects and carry the same rights as the existing equity shares of the Company and will be entitled irrespective of the date or dates of their allotment to participate in full in any dividend to be declared for any financial year ending 1998 and thereafter.

The proposed issue of bonus shares will not be in lieu of dividend.

The date when determined by the Board of Directors for purpose of the bonus issue as well as the period of the closure of the Register of Members for that purpose will be notified in the press and to the Stock Exchanges in due course. The issue of bonus shares will result in allotment of shares to the non resident shareholders in the proportion of the paid-up capital and therefore, the Company will in due course seek approval from Reserve Bank of India also for the issue and allotment of the said bonus shares to the non-resident shareholders.

No Allotment Letters will be issued but the Share Certificates will be ready for delivery within three months from the date of allotment of the bonus shares.

In order that the bonus shares are issued expeditiously and for the sake of administrative convenience, it is proposed to empower the Directors to take necessary action as they may deem fit to implement this resolution.

In accordance with Article 169 of the Articles of Association of the Company, approval of the members is required for the capitalisation of reserves and hence the special resolution set out at item 7 of the Notice is commended to the members.

The Directors of the Company may be deemed to be interested in the said special resolution to the extent of bonus shares which may be proportionately allotted to them on their existing shareholdings in the Company.

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RESOLUTION AT ITEM 8

Members had approved of a similar resolution prescribing a limit of Rs. 25 crores at the Annual General Meeting of the Company held on 16th April, 1993. Since then, the Company has transferred its Detergents business to Hindustan Lever Limited and acquired the Bulk Chemicals and Fertilisers businesses from Hindustan Lever Limited. In view of the entirely different set of operations, essentially of Fertilisers, which is a seasonal business it is proposed that this limit be increased to Rs. 100 crores. The resolution set out at serial no. 8 seeks to achieve the above purpose and the Board commends the resolution to the members.

None of the Directors is concerned or interested in this resolution.

RESOLUTION AT ITEM 9

Members had approved of a similar resolution at the Annual General Meeting of the Company held on 16th April, 1993. Since a Special Resolution in respect of commission on profits to the Directors is valid only for a period of 5 years and will expire in April 1998, it is proposed to seek a fresh mandate from the members for a further period of 5 years.

Since non-executive Directors devote considerable time to the business of the Company and the Company substantially benefits by their expertise and mature advice, it is only fair that they are paid suitable remuneration by way of commission in line with the past resolution on the subject. The Board, therefore,

commends the resolution to the members, Mr. D. Bhattacharya, Mr. M.S. Banga, Mr. S.S. Grewal, Mr. A. Lahiri, Mr. M.K. Sharma, Mr. A. Singh and Mr. V.K. Viswanathan, non-executive Directors of the Company may be deemed to be concerned or interested in this resolution.

RESOLUTION AT ITEM 10

The Company is in the business of manufacturing and selling Fertilisers, which is essentially a seasonal business, which may necessitate relatively larger short term borrowings.

Under Section 293(1)(d) of the Companies Act, 1956, borrowings (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceeding the aggregate of paid-up capital of the Company and its free reserves needs to be authorised by members. Authority is, therefore, sought from the members to borrow moneys with a cumulative limit of Rs. 200 crores and the Board commends the resolution to the members.

None of the Directors is concerned or interested in this resolution.

By Order of the Board

B.R.GOUNIYAL
Company Secretary

Registered Office :

A-5, Phase II-B, Focal Point, Rajpura 140 401.

Dated : 20th March, 1998