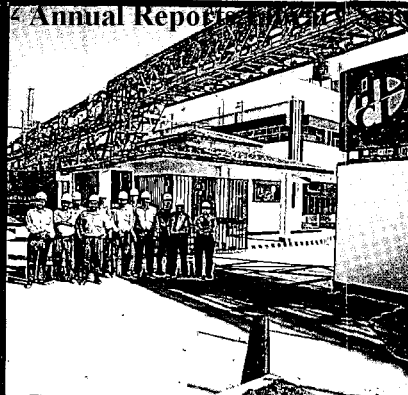


Report and Accounts 1998

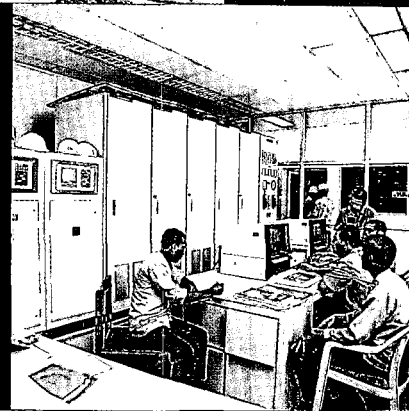
*Beyond every horizon there's another...*



HIND LEVER CHEMICALS LIMITED



◀ Factory at Haldia



▶ New control room



◀ Port operation at Visakhapatnam



▶ Plant under construction at Haldia





## **HIND LEVER CHEMICALS LIMITED**

### **HIND LEVER CHEMICALS LIMITED**

#### **DIRECTORS**

|               |                          |
|---------------|--------------------------|
| A. K. MATHUR  | <i>Chairman</i>          |
| ADHIRAJ SARIN | <i>Managing Director</i> |
| P. ASIRVATHAM |                          |
| D. S. GAUR    | <i>Wholetime</i>         |
| S. S. GREWAL  |                          |
| M. K. SHARMA  |                          |
| ANUP SINGH    |                          |
| GURDEEP SINGH |                          |

#### **COMPANY SECRETARY**

B. R. GOUNIYAL

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#### **AUDITORS**

A. F. Ferguson & Co.

#### **BANKERS**

State Bank of India  
ANZ Grindlays Bank Plc.  
Deutsche Bank  
Hongkong & Shanghai Banking Corporation  
Citibank N. A.  
Bank of America  
Punjab National Bank

#### **REGISTERED OFFICE**

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

#### **SHARE TRANSFER OFFICE**

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

**HIND LEVER CHEMICALS LIMITED**

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## REPORT AND ACCOUNTS 1998

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of Hind Lever Chemicals Limited will be held on Saturday, 27th March, 1999 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, 1998, 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, 1999.

#### SPECIAL BUSINESS

5. To consider and, if thought fit, to adopt, with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED that payment of an amount of Rs. 0.13 lakhs to M/s. A. F. Ferguson & Co., Chartered Accountants, towards service tax on audit fees for carrying out the statutory audit of the accounts of the Company for the period 1st January, 1998 to 31st December, 1998 as provided in the Annual Accounts of the Company for the year ended 31st December, 1998 be and is hereby ratified and approved."

6. To appoint Mr. A. K. Mathur as a Director of the Company who is eligible for appointment and in respect of whom the Company has received a Notice in writing proposing his candidature for the office of Director pursuant to Section 257 of the Companies Act, 1956.
7. To appoint Mr. Gurdeep Singh as a Director of the Company who is eligible for appointment and in respect of whom the Company has received a Notice in writing proposing his candidature for the office of Director pursuant to Section 257 of the Companies Act, 1956.
8. To appoint Mr. P. Asirvatham as a Director of the Company who is eligible for appointment and in respect of whom the Company has received a Notice in writing proposing his candidature for the office of Director pursuant to Section 257 of the Companies Act, 1956.
9. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED that pursuant to Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956, the Company hereby approves the appointment of Mr. Adhiraj Sarin as Managing Director of the Company for a period of five years from 1st February, 1999 upon such terms and conditions and payment of remuneration as may be determined by the Board from time to time provided that such remuneration shall be within the maximum limits specified in the Special Resolution adopted by the members at the Annual General Meeting held on 6th June, 1997 or any subsequent revision that may be approved by the members.

By Order of the Board

B. R. GOUNIYAL  
Company Secretary

Registered Office :

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

Dated : 11th February, 1999

#### 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 9th March, 1999 to 19th March, 1999 (both days inclusive) in connection with the ensuing Annual General Meeting.
4. The dividend for the year ended 31st December, 1998 as recommended by the Board, if sanctioned at the meeting, will be payable to those members whose names appear on the Company's Register of Members on 19th March, 1999.
5. Members are requested to inform the Company of any change in their addresses immediately so as to enable the Company to despatch dividend warrants and any future communication at their correct addresses.


**HIND LEVER CHEMICALS LIMITED**
**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**
**RESOLUTION AT ITEM NO. 5**

At the Annual General Meeting of the Company held on 24th April, 1998, the members had approved the appointment of M/s. A. F. Ferguson & Co. as the Auditors of the Company to hold office from the conclusion of that meeting to the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board, in addition to the actual out of pocket expenses incurred by them. However, subsequent to the members' approval, the applicability of service tax was extended by the Finance Act, 1998, to remuneration payable to the Auditors of the Company.

The Ordinary Resolution set out at Item No. 5 of the Notice convening this Annual General Meeting is proposed to obtain the approval of the members of the Company to pay in addition to remuneration and out of pocket expenses, Rs. 0.13 lakhs to M/s. A. F. Ferguson & Co., towards service tax.

None of the Directors of the Company is concerned or interested in the said Ordinary Resolution.

The Board commends the passing of the Resolution at Item No. 5 of the Notice convening the meeting.

**RESOLUTION AT ITEM NO. 6**

The Company has received Notice under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose Mr. A. K. Mathur's appointment as a Director of the Company at the forthcoming Annual General Meeting. Mr. A. K. Mathur had been appointed Additional Director w.e.f. 1st January, 1999 and Chairman of the Company consequent to the resignation of Mr. D. Bhattacharya as Director and Chairman of the Company w.e.f. 1st January, 1999. Mr. A. K. Mathur, B. Tech (Chem.) age 51 years is eligible for appointment as a Director of the Company and has given his consent to act as a Director if appointed. Mr. A. K. Mathur is Head, Chemicals and Agri Business, Hindustan Lever Limited, and possesses over 27 years experience in various senior management positions. Therefore the Board considers it desirable that the Company should appoint Mr. A. K. Mathur as a Director of the Company.

**RESOLUTION AT ITEM NO. 7**

The Company has received Notice under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose Mr. Gurdeep Singh's appointment as a Director of the Company at the forthcoming Annual General Meeting. Mr. Gurdeep Singh had been appointed Additional Director w.e.f. 1st August, 1998. Mr. Gurdeep Singh, B. Tech (Chem.) age 54 years is eligible for appointment as a Director of the Company and has given his consent to act as a Director if appointed. Mr. Gurdeep Singh is

Director, Human Resources, Corporate Affairs and Technology, Hindustan Lever Limited, and possesses over 32 years experience in various senior management positions. Therefore the Board considers it desirable that the Company should appoint Mr. Gurdeep Singh as a Director of the Company.

**RESOLUTION AT ITEM NO. 8**

The Company has received Notice under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose Mr. P. Asirvatham's appointment as a Director of the Company at the forthcoming Annual General Meeting. Mr. P. Asirvatham had been appointed Additional Director w.e.f. 1st November, 1998. Mr. P. Asirvatham, B.Sc., FCA, age 49 years is eligible for appointment as a Director of the Company and has given his consent to act as a Director if appointed. Mr. P. Asirvatham is Group Treasurer and Head of Mergers and Acquisitions, Hindustan Lever Limited, and possesses over 28 years experience in various senior management positions. Therefore the Board considers it desirable that the Company should appoint Mr. P. Asirvatham as a Director of the Company.

**RESOLUTION AT ITEM NO. 9**

Subject to the approval of the members in the General Meeting, the Board of Directors of the Company appointed Mr. Adhiraj Sarin, a Wholtime Director, as Managing Director for a period of five years from 1st February, 1999 upon such terms and conditions and remuneration as may be determined by the Board from time to time within the maximum limits as specified in the Special Resolution adopted by the members at the Annual General Meeting of the Company held on 6th June, 1997 or any subsequent revision that may be approved by the members. In accordance with Article 135 of the Articles of Association of the Company, Mr. Adhiraj Sarin, as Managing Director, shall not be liable to retire by rotation.

The Ordinary Resolution set out at Item No. 9 of the Notice is intended to obtain the approval of the members for the appointment of Mr. Adhiraj Sarin as Managing Director of the Company and the Board commends the Resolution to the members.

None of the Directors of the Company other than Mr. Adhiraj Sarin is concerned or interested in the Resolution.

By Order of the Board

B. R. Gouniyal  
Company Secretary

Registered Office :

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

Dated : 11th February, 1999





## REPORT AND ACCOUNTS 1998

### REPORT OF THE DIRECTORS

#### 1. 1998 IN RETROSPECT

The year 1998 saw yet another coalition Government at the national level. It was a matter of satisfaction that the broad direction of reforms continued under the new Government. It further established the fact that the process of economic reforms is now irreversible and there is broad national and political consensus on the direction, even though there could be variance on the speed and priority of such reforms depending upon the key constituents of the political grouping.

However, pressures of managing a large coalition led to various populist and ad hoc measures, greatly hindering economic policy and decision making. The welcome trend initiated in February 1997, of announcing subsidies in advance was reversed by first effecting a retrospective reduction in subsidies for Rabi 1997-98 and then delaying subsidy announcement for Kharif 1998 to end December 1998. Even while doing so, the subsidy for indigenous fertiliser has been lower than the requirement for meeting a reasonable cost of manufacture. Further, final subsidies for Rabi 1998-99 have still not been announced even though the peak selling-season is already over.

The much needed free-float pricing for decontrolled phosphatic and potassic fertiliser was announced, only to be rolled back within a month. Equally, the urgently needed price hike for urea was first announced, then halved and finally withdrawn.

These delays and reversals in policies affected industry profitability and resulted in severe fertiliser shortage during the season. Hence, the industry had not only had to cope with uncertainties in their operations, but often manage impractical pressures at the local field level.

It is earnestly hoped that the formulation of a longer-term fertiliser policy that encourages a balanced use of nitrogen and phosphatic fertilisers while providing for a stable price/subsidy regime will be a priority for the Government.

Your Board feels that such measures will promote commercial decision making in this priority Sector, thereby promoting efficiency and availability that ultimately will benefit growth of both Agriculture and Industry.

In the midst of all the uncertainty, your Company consciously evaluated and proactively undertook imports to meet the country's growing phosphatic and potassic fertiliser needs by leveraging its efficient distribution network and farmer services. The balanced chemicals and fertilisers portfolio of your Company also helped. As a result, 1998 was another landmark year, with your Company achieving significant growth in volumes, turnover and profits. Certain key growth statistics over 1997 are given below :

- i) 71% growth in Di Ammonium Phosphate (DAP) sales volumes
- ii) 63% growth in Gross Turnover
- iii) 71% growth in Net Profit

#### 2. PERFORMANCE OF THE COMPANY

Your Company's performance during 1998 is summarised below :

|  | 1998          | 1997   | Growth % |
|--|---------------|--------|----------|
| Gross Income<br>(including other income)   | <b>926,56</b> | 568,88 | 62.9     |
| Gross Turnover<br>(excluding other income) | <b>923,43</b> | 565,93 | 63.2     |
| Profit before tax                          | <b>62,15</b>  | 41,50  | 49.8     |
| Profit after tax                           | <b>42,40</b>  | 24,75  | 71.3     |

##### 2.1 Income

Income for the year, which grew by 63%, was contributed by the categories given below :

|                                | 1998          | 1997   |
|--------------------------------|---------------|--------|
| Fertilisers and Bulk Chemicals | <b>887,82</b> | 535,47 |
| Processing income              | <b>35,61</b>  | 30,46  |
| Other income                   | <b>3,13</b>   | 2,95   |
| Total                          | <b>926,56</b> | 568,88 |

##### 2.2 Profits

|  | 1998         | 1997  |
|--|--------------|-------|
| Profit before tax                                | <b>62,15</b> | 41,50 |
| Tax on profits                                   | <b>19,75</b> | 16,75 |
| Profit after tax                                 | <b>42,40</b> | 24,75 |
| Dividend   | <b>15,76</b> | 9,37  |
| Tax on distributed profits                       | <b>1,58</b>  | 94    |
| Transfer to General Reserve                      | <b>22,00</b> | 10,00 |
| Profit & Loss Account balance<br>carried forward | <b>14,60</b> | 11,54 |

The Government of India vide its notification dated 28th December, 1998 has, inter alia, announced a provisional price concession on sale of phosphatic and potassic fertilisers during Rabi 1998-99 (i.e. 1st October, 1998 to 31st March, 1999). Pending the announcement of final rates, the price concession on sales from 1st October, 1998 to 31st December, 1998 has been recognised having regard to the existing rates and estimates of price concession receivable.

#### 3. OPERATIONS

##### 3.1 Fertilisers :

During the year, your Company achieved a production of 263,063 tonnes of DAP. To meet the increasing demand for



## HIND LEVER CHEMICALS LIMITED

'PARAS' DAP, your Company imported an all-time record quantity of 363,463 tonnes of DAP. In handling imported cargo, your Company achieved a record discharge of 10,046 tonnes of imported DAP in a day at Vishakhapatnam port. Your Company also achieved record sales of 594,322 tonnes of DAP during 1998.

Sales of Single Super Phosphate (SSP) increased significantly during the year enabling your Company to further consolidate its market share of 'PARAS' SSP.

With this, your Company continued its dominance in the Phosphatic fertiliser market in Eastern India, supported by investments in marketing innovations and agricultural promotions.

### 3.2 Bulk Chemicals :

Continuing its track record, your Company has once again achieved an all time record production of Sodium Tripolyphosphate (STPP) at 42,343 tonnes during 1998.

### 4. FARMER SERVICES

Continuing its tradition, your Company maintained its focus and thrust on promotional programmes stressing the balanced use of Nitrogen, Phosphates and Potash. As an integral part of its service to the farming community, your Company always strives to educate farmers to achieve higher agricultural productivity. Controlled experiments initiated during 1997 were further extended to larger geographical areas and in varying soil/climatic conditions. Accordingly, the farmers have witnessed an across-the-board improvement in agricultural productivity with the balanced use of fertilisers.

### 5. ENVIRONMENT AND SAFETY

Your Company continued to accord high priority to safety and environment protection. Its manufacturing facility at Haldia received for the sixth occasion, the prestigious "Environment Protection Award" from the Fertiliser Association of India. With an investment of around Rs. 20 crores in environment protection alone, this plant does not generate any liquid effluent, converts solid waste into value-added products and ensures that gaseous emission is well below standards set by the Pollution Control Board.

### 6. PERSONNEL

The Board wishes to place on record its appreciation to all employees in the Company, notably in the factory and field for their sustained efforts and immense contribution to the high level of performance and growth that your Company has achieved during the year.

A climate of harmonious industrial relations prevailed throughout the year. Long-term wage settlements were signed both at the Haldia Factory and the corporate office at Calcutta.

Information as per Section 217(2-A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and under Section 217(1)(e) of the said Act read with the Companies (Disclosure of Particulars in the report of Board

of Directors) Rules, 1988 are given in Annexures forming part of this report.

### 7. FINANCE AND ACCOUNTS

The Authorised Capital of the Company was increased from Rs. 10 crores to Rs. 25 crores with consequential changes in the Memorandum & Articles of Association after obtaining the approval of the members at the 24th Annual General Meeting of the Company held on 24th April, 1998.

Interest expenditure for the year at Rs. 531 lakhs is higher than last year mainly due to significant delay in the announcement of subsidies by the Central Government and from increased operations of your Company.

Your Company does not have any fixed deposits.

As required by the provisions of Rule 4(a) of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, the members concerned are informed that an aggregate amount of Rs. 1.06 lakhs remaining unpaid/unclaimed from the final dividend 1994 were transferred to General Revenue Account of the Central Government during the year. However, subsequent to that as per the recently enacted provisions of Section 205A of the Companies Act, 1956, none of the amount lying in the unclaimed dividends account were eligible to be transferred to the "Investor Education and Protection Fund" created for this purpose by the Central Government.

### 8. BONUS ISSUE

During the year, the Company completed the issue and allotment of bonus shares in proportion of 1:1, increasing the issued and subscribed capital from Rs. 578 lakhs to Rs. 1156 lakhs. The bonus shares qualify for the dividend for the year 1998 notwithstanding the date of allotment.

As per the terms of the bonus issue approved by the members, no bonus shares could be issued to a member in respect of shares, which were not fully paid-up. After issuing repeated reminders to such members to pay the allotment/call moneys with up-to-date interest, the Board finally had to forfeit the shares of such members. However, in line with its investor friendly policies, your Company forfeited only such number of shares, which upon disposal were adequate to cover the dues of the Company after adjusting the dividend held back on those shares. The balance shares and the applicable bonus shares were allotted to the concerned members. The profit on such forfeiture and the consequent re-issue of shares was transferred to capital reserve.

### 9. DIVIDEND

In view of the excellent performance of your Company, your Directors recommend to the Annual General Meeting, the declaration of a dividend of Rs. 13.50 per share (on expanded equity capital after the issue and allotment of bonus shares in the ratio of 1:1 during 1998) for the year ended 31st December, 1998. This compares favourably to a dividend of Rs. 18.00 per share (on pre-bonus equity capital, before issue