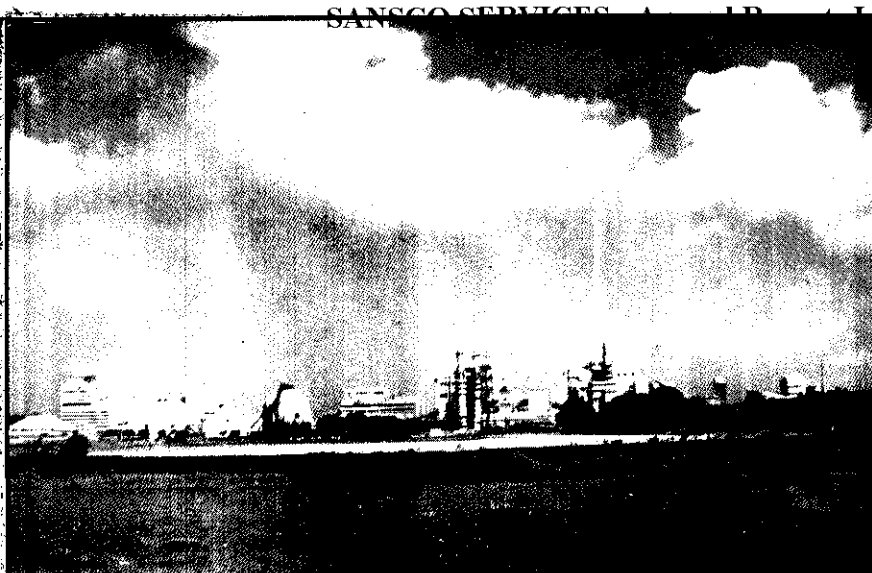


REPORT AND ACCOUNTS 2000



HIND LEVER CHEMICALS LIMITED

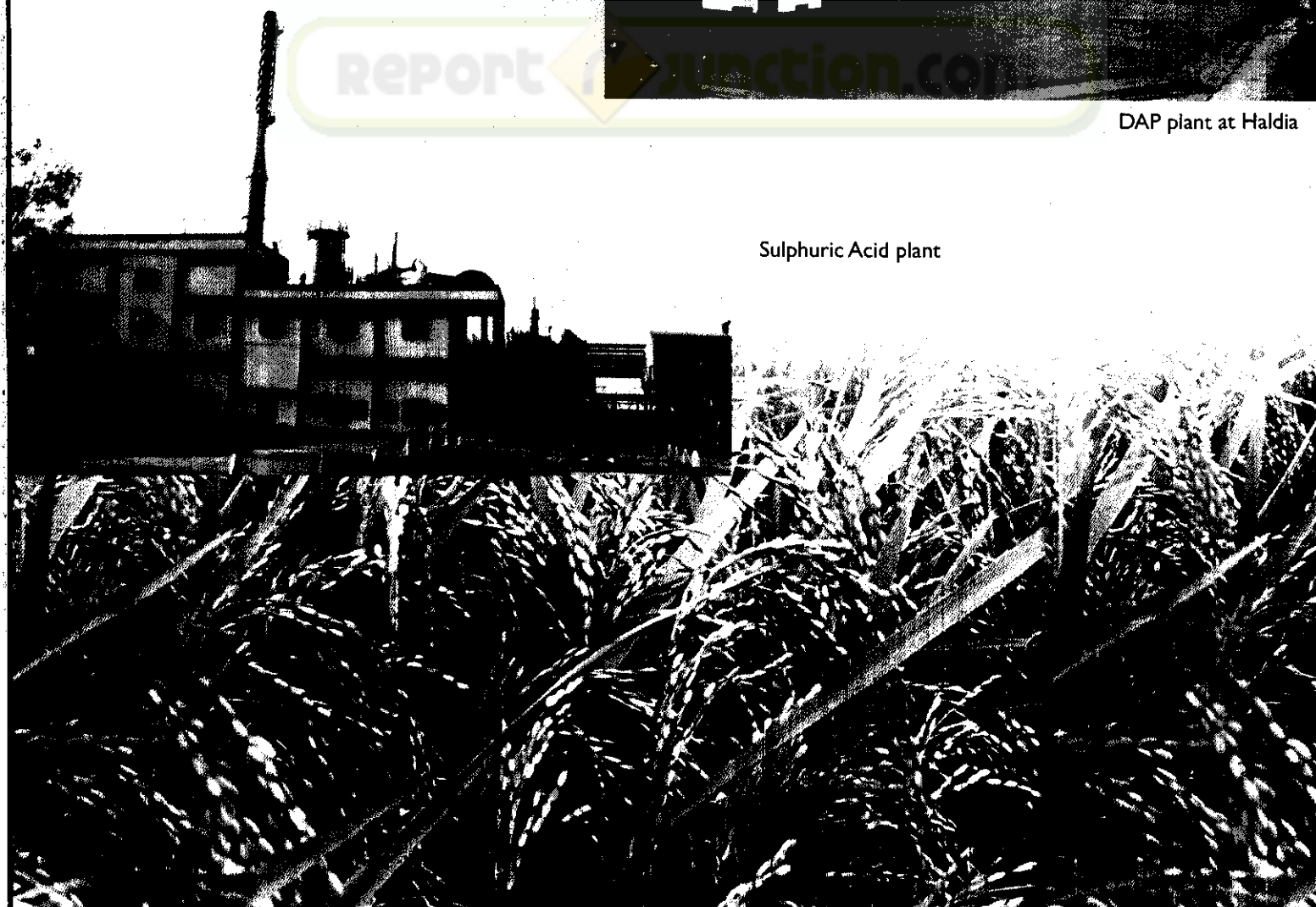




A panoramic view of the Haldia Factory



DAP plant at Haldia



Sulphuric Acid plant

HIND LEVER CHEMICALS LIMITED**BOARD OF DIRECTORS**

A. K. MATHUR	Chairman
P. ASIRVATHAM	
R. BANGA	Wholetime
S. S. GREWAL	
V. SHANKAR	Wholetime
M. K. SHARMA	
ANUP SINGH	
GURDEEP SINGH	

COMPANY SECRETARY

RAMESH SUBRAMANYAM

AUDITORS

A. F. Ferguson & Co.

BANKERS

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

REGISTERED OFFICE

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

SHARE TRANSFER OFFICE

Investor Service Department
 Hind Lever Chemicals Limited
 3rd Floor, "Dakshina", Plot No. 2,
 Sector 11, C.B.D. Belapur,
 Navi Mumbai - 400 614

HIND LEVER CHEMICALS LIMITED

Report  junction.com

CONTENTS

Notice	3
Report of the Directors	4
Charts 1995-2000	9
Balance Sheet	10
Profit and Loss Account	11
Schedules & Notes to Accounts	12
Report of the Auditors	21
Cash Flow Statement	23



REPORT AND ACCOUNTS 2000

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 27th Annual General Meeting of Hind Lever Chemicals Limited will be held on Tuesday, 12th June, 2001, 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, 2000, 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, 2001.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution as a Special Resolution :

"Resolved that, subject to necessary approvals under Section 31 and any other applicable provisions of the Companies Act, 1956, the Articles of Association of the company be amended by substituting the definition of the term "Year" as appearing in Clause 2 (1) of the Articles of Association by the following definition :

"Year" means such period as may be determined by the Board from time to time".

"Resolved further that the Board of Directors of the company be and is hereby authorised to take all necessary steps in this regard".

By Order of the Board

Ramesh Subramanyam
Company Secretary

Registered Office :

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

Dated : 21st February, 2001

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM/HERSELF 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 LESS 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 16th May 2001 to 31st May 2001 (both days inclusive) in connection with the ensuing Annual General Meeting.
4. The dividend for the year ended 31st December, 2000 as recommended by the Board, if sanctioned at the meeting, will be paid on 14th June, 2001 to those members whose names appear in the Company's Register of Members on 31st May, 2001.
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.

By Order of the Board

Ramesh Subramanyam
Company Secretary

Registered Office :

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

Dated : 21st February, 2001

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

RESOLUTION AT ITEM NO 5

All the Companies in the Fertiliser industry follow the financial year i.e. 1st April to 31st March in conformity with the Government's fiscal year. The Company may decide in future to change the financial year of the company from the existing calendar year to the financial year from 1st April to 31st March. To enable the Board to effect the said change as and when the Board feels it necessary, it is proposed to alter the Articles of Association. Authority is sought from the members to alter the Articles of Association. The Board commends the Resolution to the members.

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

HIND LEVER CHEMICALS LIMITED

REPORT OF THE DIRECTORS

1. 2000 IN RETROSPECT

The industry faced a turbulent year on account of adverse market conditions, erratic monsoon and unremunerative subsidy policy of the Government. The delayed monsoon followed by drought in parts of Bihar and floods in West Bengal affected the fertiliser consumption enormously. Further the Crop prices realised by farmers continued to be low affecting the rural economy.

The final subsidy for the period April 1999 to March 2000 for indigenous & imported DAP was announced by the Government after a lapse of more than a year, with significant retrospective reductions, thus affecting the current year's profits, of the industry.

The Government also announced certain new measures which amongst others include fixation of a low base rate for both indigenous DAP and imported DAP, announcement of final rates only after the end of the quarter and linking of 80% on-account payment to the base rate. Delays in payment of the "differential subsidy" upon State Government certifications and reduction in subsidy for SSP in the face of continued Rupee depreciation and rising costs affected the Fertiliser Industry enormously.

The very low base rate of subsidy in comparison with the final rates announced in each quarter resulted in large amounts of outstanding subsidy impacting the working capital adversely.

Traded DAP operations became unviable due to very low subsidy rates and consequently, your company reduced its dependence on trading operations.

The indigenous manufacturing operations of your company registered handsome growth rates. The new DAP/NPK and SSP plants, commissioned in 1999 have recorded more than 60% growth in production volumes over last year. The cost effective buying and productivity measures employed by company successfully this year has helped to partially reduce the adverse impact on financial results, of unviable subsidy policy.

In October 2000, the subsidy administration was transferred from the Ministry of Agriculture to the

Ministry of Fertilisers. This change, coupled with the implementation of Long Term Fertiliser policy will hopefully bring in changes and improvements that will resuscitate this industry.

2. PERFORMANCE OF THE COMPANY

Your Company's performance during 2000 is summarised below :

	(Rs. lakhs)	
	2000	1999
Gross Income (including other income)	1091,50	1477,22
Gross Turnover (excluding other income)	1091,48	1475,59
Profit before Tax	32,16	64,42
Profit after Tax	31,56	53,67

2.1 Income

The income for the year, was lower mainly because of scaling down of imported DAP trading operations which had become unviable :

	(Rs. lakhs)	
	2000	1999
Fertilisers & Bulk Chemicals —		
Manufactured	751,36	527,23
Traded Goods	308,58	917,35
Processing income	31,54	31,01
Other income	2	1,63
	<u>1091,50</u>	<u>1477,22</u>

2.2 Profits

	(Rs. lakhs)	
	2000	1999
Profit before Interest, Depreciation and tax	58,27	76,12
Depreciation	8,59	6,86
Interest	17,52	4,84
Profit before tax	32,16	64,42
Tax on profits	60	10,75
Profit after tax	31,56	53,67
Dividend	18,61	21,33
Tax on distributed profits	4,21	2,35
Transfer to General Reserve	5,00	27,00
Profit & Loss Account balance carried forward	21,33	17,59



REPORT AND ACCOUNTS 2000

The Interest costs for the year was higher mainly on account of delays in receipt of subsidy. The Government of India vide its notification dated 6th Feb 2001 has announced final price concessions for the period October 1 to December 31, 2000 in respect of potassic and phosphatic fertilisers which has been recognised in the above results.

In addition the final concessions for the Rabi period 98-99 (Rs. 5.07 cr) and the adverse impact of the retrospective subsidy reductions announced by the Government for the period April 1, 1999 to March 31, 2000 (Rs. 9.34 cr), resulting in a net adverse impact of Rs. 4.27 cr has also been recognised in the above results.

There has been significant increase in interest provision largely arising out of adverse working capital position consequent to the delayed receipt of subsidy amounts from the Government.

3 DIRECTORS RESPONSIBILITY STATEMENT

The Directors hereby confirm :

- 1) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- 2) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- 3) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- 4) that they have prepared the annual accounts on a going concern basis.

4 OPERATIONS

4.1 Fertilisers:

During the year, your Company has successfully stabilised its new plants of DAP, Sulphuric Acid and Single Super Phosphate (SSP). These new plants are eligible for income tax benefits under section 80IB of the Income Tax Act, which have been recognised in the financial results. With the

quick stabilisation of the new plant, your Company achieved a total production of 4,26,738 tonnes of DAP from both the plants. In addition, the new DAP plant, which has the flexibility to produce NPK complex fertilisers, has produced 81,941 tonnes during the year. The NPK fertilisers, which was successfully launched and marketed in the eastern region last year have gained significant market share. Two additional NPK grades were introduced in the market and both have been received very well.

With the new plant at Haldia, sales of Single Super Phosphate (SSP) increased significantly enabling your Company to further consolidate its market share of 'PARAS' SSP. Your Company continued to maintain its leadership in the Phosphatic fertiliser market in Eastern India.

4.2 Bulk Chemicals :

The STPP business of the Company continued to make handsome contribution to the Company's operations and profitability. The business encountered a challenging environment in the form of rising costs and stagnant demand. Your company has responded through aggressive cost engineering and pricing to sustain its market share in the competitive environment. Continuing its track record, your Company has achieved production of 42,218 tonnes of Sodium Tripolyphosphate (STPP).

5. FINANCE AND ACCOUNTS

During the year the company's working capital requirements went up significantly mainly on account of higher subsidy outstanding from the Government and credit extended to the market in view of the adverse economic conditions in the rural markets.

Your Company does not have any fixed deposits.

As per the 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.

6. FARMER SERVICES

During the year, your Company continued to place high priority on educating the farmers towards achieving better agricultural productivity. Your

HIND LEVER CHEMICALS LIMITED

Company maintained its focus and thrust on promotional programmes stressing the balanced use of Nitrogen, Phosphates and Potash. The company's integrated consumer contact programme continued its activities to provide valuable inputs to the farmers to improve crop yields.

7. ENVIRONMENT AND SAFETY

Your Company continues to accord high priority to Safety and Environment protection. The factory at Haldia achieved a rare distinction of running for 2 million man-hours without any Accident leading to time loss. Major emphasis has been given on reduction in the use of fossil fuels and despite significant growth in manufactured volumes. To ensure reduction in Environment impact your Company has invested considerably by way of Pollution abatement equipment and its Sulphuric Acid plants are today operating at emission levels significantly lower than standards reflecting the commitment to Environment protection.

8.1 CORPORATE GOVERNANCE

Your Company has been practicing the principles of good corporate governance over the years. This was achieved by not only ensuring compliance with regulatory requirements but also being responsive to customer needs. Your Company always strived for excellence with the twin objectives of enhancing customer satisfaction and shareholder value.

The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

Composition of Board of Directors

The existing Board has two wholetime Directors who are specialists in the areas of technical and marketing and the rest are non-wholetime directors who bring a wide range of skills and experience to the Board.

Responsibilities

The Board has a formal schedule of matters reserved for its consideration and decision which includes reviewing corporate performance ensuring adequate availability of financial resources and reporting to shareholders. During

the year under the review the Board met four times. Board members ensure that their other responsibilities do not materially impact on their responsibility as a Director of the Company.

Board meetings

The meetings of the Board of Directors are generally held in Mumbai. Meetings are generally scheduled well in advance. The Board meets at least once a quarter to review the quarterly performance and the financial results. The Management Committee comprising of wholetime Directors and select senior executives meet once a month for reviewing operations and day to day management issues.

The four Board meetings during the year were held on February 21, 2000, April 27, 2000, July 27, 2000 and November 15, 2000.

Board Committees

To enable better and more focussed attention on the affairs of the company, the Board delegates particular matters to committees of the Board set up for the purpose. The three core committees which have been constituted so far are (i) Audit Committee (ii) Remuneration Committee and (iii) Shareholder and Investor Grievance Committee.

Audit Committee

The Audit Committee comprises of Mr. S. S. Grewal, Mr. Prince Asirvatham and Mr. M. K. Sharma, all non-wholetime Directors of the Company with Mr. S. S. Grewal as its Chairman. The role, terms of reference and the authority and powers of the Audit Committee are in conformity with the requirements of Companies Act, 1956 and the listing agreement and for the sake of brevity are not being reproduced.

Remuneration Committee

The Remuneration Committee comprises of Mr. S. S. Grewal, Mr. A. K. Mathur and Mr. M. K. Sharma, all non-wholetime Directors with Mr. S. S. Grewal as its Chairman. The Committee, inter alia, will deal with all elements of remuneration of all wholetime Directors, service contracts, notice period, severance payments, stock options, etc.

Shareholder/Investor Grievance Committee

The Shareholder/investor grievance committee comprises of Mr. M. K. Sharma, Mr. P. Asirvatham and Mr. A. K. Mathur, all non-wholetime Directors,