

# REPORT AND ACCOUNTS 2001 – 2002

Report  Junction.com

41420173 CHEMICALS LIMITED



*"Quality Assurance" - An integral part  
of Customer Service*

*Haldia Factory - Manufactured volumes have grown consistently*



## HIND LEVER CHEMICALS LIMITED

### Board of Directors

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

### Company Secretary

Ramesh Subramanyam

### Auditors

A. F. Ferguson & Co.

### Bankers

State Bank of India  
Standard Chartered Bank  
Hongkong & Shanghai Banking Corporation  
HDFC Bank  
ICICI Bank  
Deutsche Bank  
Punjab National Bank  
Citi Bank N.A.  
Bank of America

### 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**

---

**CONTENTS**

Notice	3
Report of the Directors	4
Management Discussion and Analysis	10
Corporate Governance	14
Additional Shareholders Information	20
Balance Sheet	24
Profit and Loss Account	25
Schedules to Balance Sheet	26
Schedules to Profit and Loss Account	29
Report of the Auditors	37
Cash Flow Statement	39



## REPORT AND ACCOUNTS 2001- 02

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of Hind Lever Chemicals Limited will be held on Friday, the 23<sup>rd</sup> August, 2002, at 9:00 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 fifteen months ended 31<sup>st</sup> March, 2002, 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 31<sup>st</sup> March, 2003.

#### 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 LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will be closed from 1<sup>st</sup> August 2002 to 10<sup>th</sup> August 2002 (both days inclusive) in connection with the ensuing Annual General Meeting.
3. The dividend for the fifteen months ended 31<sup>st</sup> March, 2002 as recommended by the Board, if sanctioned at the meeting, will be paid on 26<sup>th</sup> August, 2002 to those members whose names appear in the Company's Register of Members on 10<sup>th</sup> August, 2002.
4. 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: 29<sup>th</sup> May 2002



## HIND LEVER CHEMICALS LIMITED

### REPORT OF THE DIRECTORS

#### 1. 2001 IN RETROSPECT

The year 2001 saw a continuation of the economic slowdown in India. Though monsoon was favourable in most regions of the country, the agro-economy continued to be stagnant and rural demand did not show signs of recovery. Industrial growth was also at its lowest for several years. Fertiliser consumption grew moderately but below expectations. Crop procurement prices did improve when compared to the previous year and it may take some time before this fully translates into growth for the Agro-economy as a whole.

The Fertiliser industry is going through a transitional phase with the advent of the World Trade Organisation and Government is taking slow but sure steps towards decontrol of Fertilisers. While the Government's plan on reducing subsidies is temporarily affecting the industry, eventually decontrol will bring in greater benefits to all concerned. With normal monsoon, improving crop prices, and easing of restrictions on foodgrain storage and movement, demand is expected to pick up.

#### 2. PERFORMANCE OF THE COMPANY

##### 2.1 Results

As was announced at the time of publishing the March Quarter 2001 results, in line with industry practice, the Board has decided in April 2001 to follow the Financial year i.e. 1<sup>st</sup> April to 31<sup>st</sup> March as the Accounting year for the Company. The audited results are therefore for a period of 15 months ending 31<sup>st</sup> March 2002.

It may be seen from the table below that your Company performed well amidst a very tough market and economic scenario.

Your Company's performance for the period ending 31<sup>st</sup> March, 2002 is summarized below:

	(Rs. lakhs)	
	<b>15 months ending 31st March 2002</b>	<b>12 months ending 31st Dec. 2000</b>
Gross Income (including other income)	<b>128535</b>	109150
Gross Turnover, excluding other income	<b>128488</b>	109148
Profit before tax	<b>6002</b>	3216

Tax on profits - Normal tax	<b>(483)</b>	(60)
- Deferred tax	<b>(785)</b>	—
Net profit	<b>4734</b>	3156
Dividend (incl. tax on distributed profits)	<b>(2068)</b>	(2282)
Dividend Tax written back	<b>231</b>	—
Transfer to General Reserve	<b>(500)</b>	(500)
Profit & Loss Account balance carried forward	<b>4530</b>	2133

The profits for the year ended 31<sup>st</sup> March 2002 is after considering provision for Deferred Tax of Rs 784.94 Lakhs (previous year nil) in line with Accounting Standard 22 issued by the Institute of Chartered Accountants of India. Despite this, Profit after Tax has risen by over 50% over the previous year.

##### 2.2 Key Indicators

Despite sluggish market conditions, the Company has turned in an impressive performance, which can be ascertained, from the following key indicators :

	<b>15 months ending 31st March 2002</b>	<b>12 months ending 31st Dec. 2000</b>
Earnings per share (Rs.)	<b>34.34</b>	22.89
	(per share of Re. 10/- each)	(per share of Re. 10/- each)
Dividend per share (Rs.)	<b>15.00</b>	13.50
	(per share of Re. 10/- each)	(per share of Re. 10/- each)
Return on Net Worth (%)	<b>12.5</b>	10.9
	(Annualised)	

Return on net worth has improved by an impressive 47% over the previous period.

##### 2.3 Turnover

Turnover for the 15 months ending March 2002 increased by 17.8% over the 12 months period ending December 2000. However on a like-to-like basis, turnover for the 15 months ending March 2002 when compared to the corresponding 15 months ended 31<sup>st</sup> March 2001 was down by 2% mainly due to the planned exit from low margin traded Fertilisers segment.



## REPORT AND ACCOUNTS 2001- 02

	(Rs. lakhs)	
	15 months ending 31st March 2002	12 months ending 31st Dec. 2000
Fertilisers	112996	96734
Bulk Chemicals (excluding inter segmental revenue)	15493	12414
Other income	46	2
<b>Total</b>	<b>128535</b>	<b>109150</b>

It must be noted that sales of company's own production increased significantly as can be noted in the next section.

### 3. PRODUCT CATEGORIES

#### Fertilisers

The Fertilisers business performed well despite adverse market conditions. Sales volumes of Company manufactured fertilizers grew by 21% during the 15 months ended 31<sup>st</sup> March 2002 when compared to year ended 31<sup>st</sup> December 2001 and 23% when compared to the 15 months ended 31<sup>st</sup> March 2001. The Company reduced its dependence on low margin, traded operations in DAP and SSP Fertilizers.

Production of DAP increased from 4.3 Lakh tonnes during the year 2000 to 6.5 Lakh tonnes during the 15 months ended 31<sup>st</sup> March 2002. Production of NPK complex Fertilisers also increased from 0.8 Lakh tonnes to 1.4 Lakh tonnes which reflects the growth in the NPK market.

Despite representations from the Industry and by the Company at various levels, state certification of price concessions continues to be pending in the state of Bihar from October 1998. After several discussions both at the State and Centre, the Company has filed a writ petition in the Delhi High Court seeking redressal of the long pending price concessions from the Government of India due to the delayed state certifications from Bihar. It is extremely important that both the Centre and State Government take this up on priority and complete the required certification without any further delay.

#### Awards

The Single Super Phosphate plant of your company received the award for the Best Production Performance in the country for year 2001 from the Fertilizer Association of India.

#### Bulk Chemicals

The Bulk Chemicals business continued to contribute handsomely to your company's profitability. Despite

intense pressure from competition, your company has managed to maintain and improve its profitability through a relentless drive to reduce costs through innovation and efficient operations.

#### New Projects

Your Company is arranging setting up of two significant infrastructural projects for its captive use. While the first project involves setting up of a Captive Power Plant, the second project is for construction of an Ammonia Handling Terminal. Both these projects are being set up in association with globally reputed suppliers, on a "Build Own Operate" basis. These projects are in advanced stage of negotiations and will improve operational efficiencies as well as profitability of the Company.

### 4. RESPONSIBILITY STATEMENT

The Directors confirm:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from it;
- 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;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that they have prepared the annual accounts on a going concern basis.

### 5. CORPORATE GOVERNANCE

The Report dated 30th May, 2002 of the auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges, is enclosed.

Your Company has been practicing the principles of good corporate governance over the years. 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.

**HIND LEVER CHEMICALS LIMITED****6. ENVIRONMENT, SAFETY AND ENERGY CONSERVATION**

Your Company continues to accord a very high priority to both Safety management and Environment protection. Apart from a close monitoring of existing safety management systems, new initiatives including training and improvement in hazard recognition abilities, have been taken up across the Company to upgrade the safety standards to the highest level.

Your Company is committed to adhering to Environmental regulations and in the past has received 6 National Environment Protection Awards from the Fertilizer Association of India (FAI). Your Company has invested considerably by way of Pollution abatement equipment in each of the process plants to ensure that emission levels are significantly lower than stipulated standards, reflecting its commitment to Environment protection.

Major emphasis has been given on reduction in the use of fossil fuels and despite significant growth in manufactured volumes overall energy costs have been contained.

**7. PERSONNEL**

Harmonious employee relations prevailed during 2001. The Company's approach to Employee relations is based on the principle of mutual gains and sharing of productivity improvements, which has helped your Company to remain competitive in the market place.

**8. FINANCE & ACCOUNTS**

Interest expenditure for the 15 months ended 31<sup>st</sup> March, 2002 was higher mainly due to high amounts of price concessions pending with and receivable from the Government of India and extension of trade credit in view of the adverse market conditions. However focused working capital management together with low cost borrowings helped in significantly reducing interest costs in March Quarter 2002 by over 85% compared to the previous year. The true impact of the initiatives taken during the year is expected to flow in the next year by way of further reduction in interest costs.

The Board is pleased to convey that your Company's Commercial Paper programme was rated "P1 +" by CRISIL which is the best rating in this category. Your Company does not have any fixed deposits.

In terms of the provisions of Investor Education and Protection Fund (awareness and protection of investor)

Rules 2001, no unpaid/unclaimed dividends were required to be transferred during the year to the Investor Education and Protection Fund.

**9. DIVIDEND**

The Directors recommend to the Annual General Meeting, the declaration of a final dividend for the 15 months ended March 31, 2002 of Rs.15 per share of Re.10/- each amounting to Rs. 2067.84 Lakhs.

**10. INVESTOR SERVICES****DEPOSITORY SYSTEM**

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

**ELECTRONIC CLEARING SERVICES (ECS) FOR PAYMENT OF DIVIDEND.**

As part of our continuous effort to improve investor services your Company has introduced Electronic Clearing Services for the shareholders at Ahmedabad, Vadodara, Bangalore, Coimbatore, Delhi, Jaipur, Hyderabad, Secunderabad, Kolkata, Ludhiana, Mumbai, Chennai and Pune.

To avoid the risk of loss/interception of dividend warrants in postal transit and/or fraudulent encashment, shareholders are requested to avail of ECS facility-where dividends are directly credited in electronic form to their respective bank accounts. This also ensures faster credit of dividend. The facility is available in major towns listed in the additional shareholder information forming part of this annual report.

**11. DIRECTORS**

Mr Anup Singh, who is retiring at the ensuing Annual General Meeting, having attained the age of 70 years is not seeking re-election. The Board wishes to place on record its deep gratitude to Mr Singh, for his significant contribution in the management of the Company during his tenure as a Director.





## REPORT AND ACCOUNTS 2001- 02

In accordance with the Articles of Association of your Company, all other Directors of your Company will retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-election.

### 12. AUDITORS

The auditors, M/s. A.F. Ferguson & Co. retire and offer themselves for re-appointment.

### 13. COST AUDIT

Pursuant to directions from the Department of Company Affairs for appointment of Cost Auditors,

your Company appointed M/s. N.I. Mehta & Co., as the Cost Auditor.

### 14. APPRECIATION

Your directors take this opportunity to thank all employees for their sustained effort and high level of dedication and commitment which enabled the Company to perform well despite heightened competition and adverse market conditions.

On behalf of the Board

A K Mathur  
Chairman

Mumbai : May 29<sup>th</sup>, 2002

## ANNEXURE TO REPORT OF THE DIRECTORS

Information as per Section 217(2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for fifteen months period ended 31st March 2002

Name	Age	Qualification	Date of Employment (MM-DD-YY)	Designation/ Nature of Duties	Remuneration received		Experience (Years)	Last Employment
					Gross (Rs.)	Net (Rs.)		
Shankar V	45	B.Com (Hons), LLB, FCA, AICWA, ACS	03/01/2000	Wholetime Director	3431866	1250860	22	Business Manager, HLL
Banga R	42	B.E(Mech.)	03/01/2000	Wholetime Director	5618044	1951059	21	Gen. Factory Mgr., HLL

- Remuneration received Gross - includes salary, allowances, commission if any, taxable value of perquisites and company's contribution to provident fund.
- Remuneration received net includes salary, allowances and commission if any less income tax and employees contribution to provident fund
- Remuneration excludes provision for contributions to pension gratuity and leave encashment, special awards, payments made in respect of earlier years including those pursuant to settlements during the year. However contribution to pension in respect of employees who have opted for contribution defined scheme has been included -nature of employment is contractual for employees-other terms and conditions as per company's rules.

**HIND LEVER CHEMICALS LIMITED****For the fifteen months ended - 31.3-2002****Information under section 217(1)(e)****Disclosure of particulars with respect to Conservation of Energy.**

Your Company continues to accord high priority to conservation of energy. Systems are in force to closely monitor energy usage.

**A. Power and Fuel Consumption**

		<b>15 Months ended 31.03.2002</b>		<b>2000</b>	
		Fertilisers	Chemicals	Fertilisers	Chemicals
1.	ELECTRICITY				
a)	Purchased				
	Unit	Lakh KWH	350.67	243.54	210.82
	Total Amount	Rs. Lakhs	1274.07	884.84	809.65
	Rate / Unit	Rs.	3.63	3.63	3.84
b)	Own Generation				
i)	Through own generator				
	Unit	Lakh KWH	2.14	1.49	3.28
	Unit per ltr of diesel oil	KWH	3.11	3.11	3.23
	Cost per unit	Rs.	5.87	5.87	4.50
ii)	Through steam turbine / generator *				
	Unit	Lakh KWH	35.26	24.49	21.63
	Unit per ltr of fuel oil/gas	KWH	NIL	NIL	Nil
	Cost per unit	Rs.	NIL	NIL	Nil
2.	COAL (Quality C and D grade used in boilers)				
	Quantity	Tonnes	NIL	NIL	Nil
	Total Cost	Rs. Lakhs	NIL	NIL	Nil
	Average Rate	Rs.	NIL	NIL	Nil
3.	FURNACE OIL				
	Quantity	Kl	3053.89	6356.89	1668.72
	Total Cost	Rs. Lakhs	304.30	547.05	168.05
	Average Rate	Rs.	9964.34	8605.62	10070.43
4.	OTHER/INTERNAL GENERATION				
	Quantity	NIL	NIL	Nil	Nil
	Total Cost	Rs. Lakhs	NIL	NIL	Nil
	Rate/Unit	Rs.	NIL	NIL	Nil

\* Steam generated ex Sulphuric Acid Plant

**B. Consumption per unit of production**

	ELECTRICITY (KWH/TONNE)		FURNACE OIL (LTRS/TONNE)		COAL (TONNES/TONNE)	
	15Months ended 31.03.02	2000	15Months ended 31.03.02	2000	15Months ended 31.03.02	2000
Sulphuric acid	33	34	-	-	-	-
Phosphoric Acid	175	184	-	-	-	-
Sodium Tripolyphosphate	225	242	117	110	-	-
Diammonium phosphate	38	42	3	3	-	-
NPK Complexes	35	35	3	3	-	-
Single Super Phosphate	24	24	-	-	-	-
Sulphonic acid	106	144	-	-	-	-

**Disclosure of particulars with respect to Technology Absorption**

The company continues to utilise the R&amp;D facilities available with Hindustan Lever Limited for its business.

**Imported Technology**

- a) Technology Imported : NPK Complexes and Pipe Reactor Process  
b) Year of Import : 1998.  
c) Has technology been fully absorbed : Fully absorbed.

**Foreign Exchange earnings and outgo**

- Foreign Exchange earnings : Nil  
Foreign Exchange outgo : Rs.88258.10 Lacs

By Order of the Board

Mumbai : 29th May, 2002.

A.K.MATHUR  
Chairman