



MACMILLAN

31st Annual Report 2000-2001

Macmillan India Limited



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BOARD OF DIRECTORS

Mr. A. Soar	<i>Chairman</i>
Mr. D.E. Udadia	<i>Vice Chairman</i>
Mr. M. J. Barnard	<i>Director</i>
Mr. C. R. Harrison	<i>Director (Upto 7.6.2001)</i>
Mr. Richard Charkin	<i>Director</i>
Mr. Rajiv Beri	<i>Managing Director</i>
Mr. R. R. Chari	<i>Director</i>
Mr. D. Banerjee	<i>Whole-time Director (From 1.2.2001)</i>

COMPANY SECRETARY & FINANCIAL CONTROLLER

Mr. V. K. Venkatakrishnan

AUDITORS

M/s. Fraser & Ross
4A, Kences Towers, North Usman Road
T. Nagar, Chennai 600 017.

BANKERS

**Standard Chartered Grindlays Bank
Vijaya Bank**

HEAD OFFICE

315-316 Raheja Chambers
12, Museum Road, Bangalore 560 001

REGISTERED OFFICE

21 Patullos Road, Chennai 600 002

INFORMATION PROCESSING DIVISION

HMG Ambassador, 137 Residency Road
Bangalore 560 025

PHOTO TYPESETTING DIVISION

St. Patrick's Complex, 4th Floor
157 Brigade Road, Bangalore 560 025
Brigade Towers, 135 Brigade Road
Bangalore 560 025

40 Peters Road, Chennai 600 014

PRINTING PRESS

Injambakkam, Chennai 600 041

EDITORIAL

2/10 Ansari Road, New Delhi 110 002

BRANCHES

Chennai, Jaipur, Mumbai, Patna

OFFICES

Calcutta, Delhi

SHOWROOMS

Bangalore, Bhopal, Chandigarh, Chennai
Coimbatore, Cuttack, Ghaziabad, Guwahati
Hubli, Hyderabad, Indore, Jaipur, Lucknow
Madurai, Mumbai, Nagpur, Patna, Pune, Raipur
Siliguri, Trivandrum, Visakhapatnam

REPORT OF THE BOARD OF DIRECTORS

The Directors are pleased to present the **Thirty-First Annual Report** together with the Accounts for the year ended 31st March 2001. The profit for the year is as under:

Accounts

	Rs in lacs	
	2000-2001	1999-2000
Profit for the year after depreciation and taxation	2,246.93	2,198.91
To which is added: Surplus brought forward from previous year	2,700.23	1,860.90
	4,947.16	4,059.81
Appropriations:		
Interim Dividend already paid	296.26	634.85
Proposed Dividend	507.88	126.97
Corporate Tax on Dividend	116.98	97.76
Transfer to General Reserve	500.00	500.00
Surplus carried forward	3,526.04	2,700.23
	4,947.16	4,059.81

Dividend

An interim dividend of 35% was already paid. The Directors have recommended a final dividend of 60% for the financial year ended 31st March 2001, which if approved at the forthcoming Annual General Meeting would be paid to all those Equity Shareholders whose names appear on the Register of Members as on 26th July 2001.

Progress of the business

Publishing Division

The Company recorded a growth of 18% in publishing sales, further consolidating its position as among the market leaders in educational publishing. Both the school and college textbook sales were satisfactory. Apart from the regular publishing programs, the year saw the publication of a major new School Atlas and a set of 21 New Millennium Matriculation Textbooks for the Tamilnadu Matriculation Board. The Company's publication 'You Can Win' continues to be a leading bestseller.

Recognising the potential the internet offers for online learning, the Company established an e-business division named emacmillan.com. This

division aims at developing and managing educational portals and providing web solutions and services to overseas customers. The division launched its first portal elt.emacmillan.com which was the first of its kind in India. Two more e-learning portals will be launched in 2001.

Overall the year was satisfactory and rewarding in sales, product development, and new ventures.

Export Division

It was a year of consolidation and further streamlining of operations in the Information Processing Division. The Company now is the largest supplier of typesetting and data digitization services to the Elsevier group. Substantial progress has been made in implementing automated tracking systems, on-line editing, structured training programs, and further work flow automation.

In view of the large demand for data conversion and coding services the company has also started an E-Data division which is expected to grow substantially.

Most of the Company's current export business comes from the UK and Europe. So as to tap the large potential of the American market, the company opened a sales office in New York.

The slowdown in the US economy is not expected to affect the growth of the Information Processing Division, and the Company expects to grow further with its current customers, and also to add new customers.

Press Division

The productivity and quality of printing particularly four colour was satisfactory and the printing facilities were fully utilised for the publishing needs of the Company.

Awards

The Company added yet another CAPEXIL award for the highest exports in our category of products for the eighteenth year in succession. The company won the best book award from the Indian Society for Training & Development for the title '*Leveraging Diversity to Give India a Global Competitive Edge*', and the Crossword Book Award for Indian language fiction in translation, for its title '*Karukku*'. The Company's title '*You Can Win*' has been on the best seller list for over two years. The translated novel '*Bharatipura*' won the Central Sahitya Academy's 'Best Translation Award' for the year 2000.

Subsidiary Company

The accounts of the subsidiary Company pursuant to Section 212 of the Companies Act 1956 are annexed. The premises of the subsidiary Company have been used for the business of your Company.

Conservation of energy, technology absorption and foreign exchange earnings and out-go

During the year under review, foreign exchange earned by exports improved to Rs.3004 lacs from Rs 2863 lacs in 1999-2000. The out-go of foreign exchange was Rs. 813 lacs. Thus the net foreign exchange earned by the Company was Rs. 2191 lacs as against Rs. 1826 lacs for the previous year. The details of earnings and out-go are given in the Notes forming part of the Accounts for the year ended 31st March 2001.

The provisions regarding disclosure of particulars in Form A with respect to Conservation of Energy is not applicable to the Printing and Publishing Industry. Particulars regarding Technology Absorption in Form B is annexed to this report.

Industrial Relations

Industrial Relations throughout the Company remained cordial during the year under review.

Gratuity

Future gratuity liabilities, as determined by actuarial valuation are fully provided for and funded with the Life Insurance Corporation of India.

Directors

Under Article 108 of the Articles of Association of the Company Mr A. Soar and Mr. R R Chari retire by rotation and being eligible, offer themselves for re-election.

Mr. C. R. Harrison retired from the Board with effect from 7th June 2001 and the Board has placed on record its sincere appreciation of his valuable contribution to the company's growth during his tenure as Director.

As the present period of appointment of Mr. Rajiv Beri expires on 31st July 2001, his appointment as Managing Director is recommended for a further period of five years.

Mr. D. Banerjee was appointed as Additional Director with effect from 1st February 2001 pursuant to Section 260 of the Companies Act 1956 read with Articles 97 of the Articles of

Association of the Company and was also appointed as Whole-time Director. His appointment as Whole-time Director is recommended for a period of three years from 1st February 2001.

Auditors

The Auditors, Messrs. Fraser & Ross, retire from office at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Particulars of employees

Information as per sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 forming part of the Directors' Report for the year ended 31st March 2001 is annexed.

Directors responsibility statement

Pursuant to sub-section (2AA) of Section 217 of the Companies (Amendment) Act 2000, the Directors confirm that:

1. In preparation of the annual accounts, the applicable accounting standards have been followed and there was no material departure.
2. Appropriate accounting policies have been selected and applied them consistently, and the judgements and estimates were made 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 the profit of the company for that financial year.
3. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a 'going concern basis'.

Acknowledgements

The Directors wish to place on record their grateful appreciation to Macmillan UK, and Verlagsgruppe Georg Von Holtzbrinck, Germany for their generous support throughout the year, particularly in connection with the export division. The Directors wish to record their appreciation of the dedication and support of the staff at all levels.

For and on behalf of the Board

Mumbai
7th June 2001

A SOAR
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Form B

Disclosure of Particulars with Respect to Technology Absorption

Research & Development:

1. Specific areas in which R & D was carried out by the Company:

The Company continued its effort in the development of the following:-

- Delivery of conventional typeset output in Electronic form.
- System and software to meet the customers' new enhanced requirements.
- Complete range of Electronic Publishing Services.
- Better production process for efficient job handling.
- New communication facilities.
- Better training tools.
- Web based delivery.
- Use of computer in every aspect of production process.

2. Benefits derived as a result of the above R & D:

- Able to meet the customers' new and more complex requirements within a short span of time.
- Usage of electronic document format for internal/external communication.
- Better tools to control quality.
- Improved production process.
- Maintaining leadership as a technologically advanced supplier.

3. Future plan of action:

- To build a more advanced typesetting process.
- Further automation of production processes.
- New production system using Workflow Server methodology.
- Specialised Software Development in publishing related fields.
- Tool development for online participation from the customer in day to day production process.

4. Expenditure on R & D:

- Included in the appropriate heads.

Technology absorption, adaptation and innovation:

1. Efforts in brief made towards technology absorption, adaptation and innovation:

- Development of new Software for STM Journal Typesetting and Electronic Publishing.
- Development of Customized Software to meet the customers' present and future needs.

2. Benefits derived from the above:

- The technology developed is being used in meeting customers' new and changing requirements and quality. This has also helped the Company to keep pace with rapidly changing technology in Printing, Publishing and Information Services.

3. Imported technology:

- No technologies were imported.

CORPORATE GOVERNANCE REPORT

1. The Company's Governance Philosophy

Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and voluntary practices that enable companies to perform efficiently and thereby maximise long term value for shareholders, while respecting the aspect of multiple stakeholders.

The Code of Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) is required to be implemented by the Company in terms of the listing agreement with Madras Stock Exchange on or before 31st March, 2002. However, Macmillan India Ltd. has geared itself to voluntarily comply with the requirements of the code substantially while presenting its Annual Report for the year ended 31st March 2001.

The Company's philosophy on Corporate Governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its dealings with the shareholders, employees, the Government and other parties.

The Company is continuously committed to enhancing shareholders' wealth through all its operations.

2. Management Discussion & Analysis Report

Product — Books

Macmillan India has been in publishing for over 100 years and world wide Macmillan is known for its high quality educational, academic and general books. Currently more than 50% of the Company's turnover is from publishing sales. The Company is among the market leaders in ELT publishing and has over 1500 titles in its list. The Company publishes Indian authored books developed to meet the specific needs of Indian students and teachers. It has a large network of offices and showrooms. Recently the company ventured into online learning and launched its first portal elt.emacmillan.com. The Company aims at

becoming a major player in E-learning. The turnover of books is:

Year	Value Rs. in Lacs
2000-2001	4094.68
1999-2000	3467.95
1998-1999	2855.81
1997-1998	2406.75
1996-1997	1923.97

Product — Typesetting and Electronic Information Processing for Exports

The company started its 100% Export Oriented Unit in 1976 and has won the highest export award in its category for the last 18 years from CAPEXIL. The company is considered to be among the worldwide market leaders in typesetting and data digitization services. In view of the increasing demand for electronic data services, the company started a new unit, Information Processing Division in the year 2000. The company also acquired prime space in central Bangalore for its export operations with state-of-the-art facilities and international working environment. The company has sales offices in London and New York and its customers include top scientific journal publishers in the world. The Turnover of Typesetting & Information Processing is:

Year	Value Rs. in Lacs
2000-2001	2900.56
1999-2000	2869.44
1998-1999	2689.67
1997-1998	1753.58
1996-1997	1477.49

Corporate Governance Report (Cont.)**3. Board of Directors****Composition of the Board**

Director	Executive/Non Executive/Independent	No. of Directorship (other than Macmillan India Ltd.,)
Mr. A Soar	Non-Executive Chairman	—
Mr. D E Udawadia	Non-Executive Vice-Chairman	14
Mr. M J Barnard	Non-Executive Director	15 *
Mr. C R Harrison	Non-Executive Director	13 *
Mr. Richard Charkin	Non-Executive Director	40 *
Mr. Rajiv Beri	Executive Managing Director	1
Mr. R R Chari	Non-Executive Director	1
Mr. D. Banerjee	Executive Director	1

* All Foreign Companies

Directors' Interest in the Company

Director	Relation with Other Director	Business Relationship with the Company if any	Loans & Advances Received from the Company	Remuneration Paid During 2000-2001 (All figures in Rupees)			
				Sitting Fees	Salary & Perks	Commission	Total
Mr. A Soar	NIL	NIL	NIL	—	—	6,00,000	6,00,000
Mr. D E Udawadia	NIL	NIL	NIL	8,000	—	3,00,000	3,08,000
Mr. M J Barnard	NIL	NIL	NIL	—	—	6,00,000	6,00,000
Mr. C R Harrison	NIL	NIL	NIL	—	—	6,00,000	6,00,000
Mr. Richard Charkin	NIL	NIL	NIL	—	—	6,00,000	6,00,000
Mr. Rajiv Beri	NIL	NIL	NIL	—	11,77,475	12,40,000	24,17,475
Mr. R R Chari	NIL	NIL	NIL	10,000	—	3,00,000	3,10,000
Mr. D. Banerjee #	NIL	NIL	NIL	—	1,31,065	—	1,31,065

From 1.02.2001 only

Attendance and Record of the Directors

Director	No. of Meetings		Attended Last AGM on
	Held	Attended	6 th Sep.2000 in Chennai
Mr. A Soar	5	3	Yes
Mr. D E Udawadia	5	4	No
Mr. M J Barnard	5	2	No
Mr. C R Harrison	5	0	No
Mr. Richard Charkin	5	2	Yes
Mr. Rajiv Beri	5	5	Yes
Mr. R R Chari	5	5	Yes
Mr. D. Banerjee (from 1.02.01)	1	1	Not applicable

Dates of Board Meeting

Date of Board Meeting	Place / City	No. of Directors Present
26th April, 2000	Mumbai	3
19th July, 2000	Bangalore	5
6th September, 2000	Chennai	4
14th November, 2000	Mumbai	3
31st January, 2001	Jaipur	7

Corporate Governance Report (Cont.)**4. Audit Committee**

The audit committee of the Company provides assurance to the Board on the adequacy of the internal control systems and financial disclosures. The Audit Committee presently consists of three directors Mr. A. Soar, Mr. D.E. Udawadia and Mr. R.R. Chari as Chairman of the Committee. The Committee met on 6th June 2001. All the directors forming part of the committee are independent directors. The Chairman of the committee visited all the regional head quarters and some of the showrooms.

Earlier the audit committee consisted of Mr. R.R. Chari, non-executive director as chairman with the financial controller and the internal auditor and had two Committee meetings.

5. Remuneration Committee

The remuneration Committee recommends to the Board of Directors the compensation terms to the

executive directors and the Company Secretary and the committee consists of Mr. A. Soar as chairman, Mr. D.E. Udawadia and Mr. R.R. Chari. The committee met once during the year. The Company's remuneration policy is aimed at attracting and retaining high caliber talent taking into account the talent market, the remuneration trend and the competitive requirement of its business.

6. Shareholders Grievance Committee

The Shareholders Grievance Committee consists of Mr. D.E. Udawadia as Chairman, Mr. A. Soar and Mr. R.R. Chari, all non-executive directors. Mr. V K Venkatakrishnan, the Company Secretary was appointed as Compliance Officer. No shareholders' complaints were received during the year and there are no pending share transfers.

7. Shareholder Information

- | | |
|--|---|
| 1. Annual General Meeting
-Date, Time and venue | Thursday, the 26th July 2001, at 3.30 p.m.
Taj Coromandel Hotel,
17, Mahatma Gandhi Road,
Chennai – 600034 |
| 2. Financial Calendar | |
| - Financial reporting for the quarter ending June 30, 2001 | 26th July 2001 |
| - Financial reporting for the half year ending Sep. 30, 2001 | End October 2001 |
| - Financial reporting for the quarter ending Dec. 31, 2001 | End January 2002 |
| - Financial reporting for the year ending March 31, 2002 | End April 2002 |
| - Annual General Meeting for the year ended March 31,2002 | End July 2002 |
| - The Quarterly results are published in Economic Times, Chennai edition and in the Tamil daily, Makkal Kural. | |
| 3. Dates of Book Closure | 20th to 26th of July 2001 |
| 4. Divident Payment Date | |
| - Interim Dividend | 35% paid on 27th December 2000 |
| - Final Dividend | 60% to be paid before 25th August 2001 |
| 5. Registered Office | 21, Patullos Road
Chennai – 600 002 |
| 6. Listing on Stock Exchange at : | |
| Equity Shares | Madras Stock Exchange Ltd. |
| (Listing fees paid upto 31.03.2002) | Exchange Building
Post Box No. 183
11, Second Line Beach
Chennai – 600 001 |

Corporate Governance Report (Cont.)**Stock Market Data**

Madras Stock Exchange (MSE)

Month	High	Low	Close	Volume	Month	High	Low	Close	Volume
	Rs.	Rs.	Rs.			Rs.	Rs.	Rs.	
Apr 2000	875.00	875.00	875.00	50	Apr 1999	430.00	370.00	430.00	400
May 2000	-	-	-	-	May 1999	460.00	400.00	400.00	700
Jun 2000	-	-	-	-	Jun 1999	495.00	410.00	490.00	2550
July 2000	875.00	872.00	872.00	1650	Jul 1999	498.00	485.00	497.50	2850
Aug 2000	870.00	870.00	870.00	400	Aug 1999	500.00	495.00	500.00	150
Sep 2000	-	-	-	-	Sep 1999	606.50	485.00	585.50	3930
Oct 2000	839.00	811.00	811.00	800	Oct 1999	705.00	590.00	700.00	1600
Nov 2000	795.00	730.00	730.00	950	Nov 1999	720.00	695.00	717.50	1605
Dec 2000	710.00	650.00	650.00	1000	Dec 1999	725.00	720.00	720.00	350
Jan 2001	699.80	648.00	699.80	850	Jan 2000	900.00	750.00	891.65	1000
Feb 2001	735.00	674.40	674.40	2000	Feb 2000	900.00	850.00	900.00	1000
Mar 2001	675.00	675.00	675.00	400	Mar 2000	875.00	850.00	858.30	150

Registrars and Transfer Agents (Share transfer and communication regarding share certificates, dividends and change of address)	Registered Office 21, Patullos Road Chennai – 600 002
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Per Share Data

Year	2000-2001	1999-2000	1998-1999	1997-1998	1996-1997
Net Earnings (Rs Lacs)	2,246.93	2198.91	2129.11	1848.24	1095.64
EPS (Rs.)	26.54	25.98	25.15	65.51	38.83
EPS Growth (%)	2.16	3.30	*15.17	68.70	45.43
Dividend per Share (Rs.)	9.50	9.00	7.50	9.00	5.00
Dividend Payout (%)	95.00	90.00	75.00	90.00	50.00
Book Value per Share (Rs.)	99.78	84.12	68.30	154.40	102.60
Price to Earnings	25.00	33	14.00	6	6
Price to Book Value	7	10	5	2	2

* During the year Bonus Issue of 2:1 was made and dividend was on enhanced capital

Mumbai
7th June 2001

For and on behalf of the Board
A SOAR
Chairman

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of Macmillan India Limited as at 31st March 2001 and the Profit and Loss Account for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure, on the basis of such checks as we considered appropriate, a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we state that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - (c) The Balance Sheet and Profit and Loss Account referred to in this Report are in agreement with the books of account.
 - (d) The Profit and Loss Account and Balance Sheet comply with Accounting Standards referred to in sub-section(3)(C) of Section 211 of The Companies Act, 1956.
 - (e) On the basis of the written representations received from the directors as on 31st March 2001 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2001 from being appointed as a director in terms of clause(g) of sub-section(1) of Section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the said Profit and Loss Account read together with the schedules and notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - (i) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March 2001, and
 - (ii) in so far as it relates to the Profit and Loss Account, of the profit of the Company for the year ended on that date.

Chennai
7th June 2001

For FRASER & ROSS
K. N. RAMASUBRAMANIAN
Partner
Chartered Accountants