

40th Annual Report 1998-99



Mafatlal Dyes & Chemicals Limited

Mafatlal Dyes & Chemicals Limited

REGISTERED AND HEAD OFFICE

Parekh Mahal, 6th Floor,
Veer Nariman Road,
Mumbai 400 020.

FACTORY

Lal Bahadur Shastri Marg, Mumbai 400 080.

AUDITORS

C. C. CHOKSHI & CO.
Chartered Accountants

BANKERS

STATE BANK OF INDIA
UNION BANK OF INDIA
BANK OF BARODA

BRANCH OFFICES

Ahmedabad
Calcutta
Chennai
Mumbai
New Delhi

BOARD OF DIRECTORS

MR. YOGINDRA N. MAFATLAL
(Chairman)

MR. ATULYA Y. MAFATLAL
(Vice-Chairman)

Mr. U. S. LAXMIPATHY
(Executive Director)

DR. P. S. SAMANT
(Director – Works)

MR. C. M. MANIAR

DR. D. S. MAHADEVIA

MR. ANAND R. DALAL

MR. M. B. HARIVALLABHDAS

MR. PRABHUDAS S. SHINGALA

MR. VAMAN M. APTE

MR. VIKRAM B. TRIVEDI

COMPANY SECRETARY

MR. P. G. HINDIA

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NOTICE TO THE MEMBERS

NOTICE is hereby given that the FORTIETH ANNUAL GENERAL MEETING of Mafatlal Dyes & Chemicals Limited will be held at Patkar Hall of S.N.D.T Women's University, 1, Nathibhai Thackersey Rd, Mumbai - 400 020, on Tuesday, the 14th September, 1999, at 11.15 a.m. to transact the following business :-

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. A. Y. Mafatlal who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anand R. Dalal who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. M. B. Harivallabhdas who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

Special Business

7. To appoint Mr. U. S. Laxmipathy as a Director of the Company.
8. To consider and if, thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT, pursuant to Sections 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), the Company hereby accords its consent and approval to the appointment and remuneration of Mr. U. S. Laxmipathy as the Executive Director of the Company for a period of five years with effect from 1st May, 1999, on the following terms including remuneration:

REMUNERATION:

- (1) Salary of Rs. 30,000/- per month for a period of five years from 1st May, 1999, with the liberty to the Board of Directors to grant such increments as it may deem fit upto a salary of Rs. 60,000/- per month.
- (2) Commission on the Net Profit of the Company computed in the manner laid down under Section 309(5) of the Companies Act, 1956, for each financial year, as may be decided by the Board.
- (3) House Rent Allowance at 30% of his salary, or expenditure on providing unfurnished residential accommodation which will be subject to a ceiling of 30% of his salary, and the provision of utilities and/or furniture, fixtures and furnishings, the expenditure thereof to be evaluated as per the Income Tax Rules, 1962.
- (4) Special Allowance of Rs. 3,500/- per month.
- (5) Perquisites: For self and family, medical insurance and reimbursement of domiciliary medical expenses and hospitalisation expenses, fees of one Club (excluding admission and life membership fees), leave and leave encashment benefits, leave travel assistance or allowance, group and personal accident insurance, company maintained car with driver, telephone facility at his residence, benefits of Provident Fund, Superannuation Fund and Gratuity and other allowances and perquisites as applicable to Senior Executives of the Company in force from time to time or as may be sanctioned by the Board of Directors.
- (6) In the event of loss or inadequacy of profits in any financial year, he be paid and allowed by way of salary, allowances and perquisites as aforesaid as the minimum remuneration subject to the limits specified in Schedule XIII of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof) from time to time.

OTHER TERMS

- (1) He shall not be paid any sitting fees for attending the Meetings of the Board of Directors or Committee thereof.
- (2) He shall be entitled to reimbursement of expenses actually and properly incurred by him for the business of the Company.
- (3) He shall not be liable to retire by rotation as a Director as long as he continues to be the Executive Director or Managing Director of the Company.
- (4) He shall cease to be a Director of the Company as also Executive Director/Managing Director of the Company on ceasing to be an Executive of the Company.

"RESOLVED FURTHER THAT the Board of Directors be and are hereby empowered and authorised to alter and vary the terms and conditions of his appointment and/or remuneration within limits set out hereinbefore subject to the provisions of



Schedule XIII of the Companies Act, 1956 (including any statutory modifications thereof and the rules and regulations made thereunder, from time to time) without further reference to the Company in General Meeting.

"RESOLVED FURTHER THAT the approval be and is hereby granted to the Board of Directors to designate or appoint him as the Managing Director at such time and on such terms and conditions as it may deem fit and also to grant him such powers as it may deem fit to carry out his functions as the Executive Director or the Managing Director.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to further increase, augment, enlarge, vary and modify the remuneration payable and to be provided to the Executive Director by way of salary, commission and perquisites (including the minimum remuneration) upto the limits prescribed in that behalf under the said Act and/or Schedule XIII thereto or any statutory modification or re-enactment thereof from time to time in force and from the date the statutory provisions come into force.

"RESOLVED ALSO THAT the Board of Directors be and is hereby authorised to do such acts, deeds, matter and things as may be considered necessary, desirable or expedient to give effect to this Resolution."

9. To consider and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 163 and other applicable provisions, if any, of the Companies Act, 1956, and in supersession of the Special Resolution passed at the Twenty-fourth Annual General Meeting of the Company held on 26th April 1983, the Company hereby accords its approval to keep the Register of Members, Index of Members, the Register and Index of Debentureholders and the copies of Annual Returns prepared under Section 159 of the Act, together with copies of certificates and documents required to be annexed to the Annual Returns under Section 161 of the Act, at the office of IDI Ltd., Mafatlal Centre, 5th Floor, Nariman Point, Mumbai 400 021 from such a date as may be decided by the Board of Directors of the Company in this regard instead of at Matuiya Mills Limited, Shankar Rao Naram Path, Lower Parel, Mumbai 400 013.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such necessary and incidental acts in connection therewith."

10. To consider, and if thought fit, to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to provisions of Section 372A and other applicable provisions of the Companies Act, 1956, and subject to such other approvals, if any as may be necessary, the Company do acquire 1,25,000 Equity Shares of Rs. 10/- each fully paid-up in Mafatlal Home Products Limited, (hereinafter referred to as MHP Ltd.), for cash at par for consideration aggregating to Rs. 12.50 lakhs apart from Stamp Duty and other incidental expenses.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all acts, deeds and things as is considered necessary, expedient or desirable to give effect to the above mentioned Resolution."

By Order of the Board

P. G. Hindia

Company Secretary

Registered Office :

Parekh Mahal, 6th Floor,

Veer Nariman Road,

Mumbai - 400 020.

Mumbai, Dated 29th June, 1999.

Notes :

- (1) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of items 7 to 10 is annexed hereto.
- (2) **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. THE PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- (3) The Register of Members and Share Transfer Books of the Company will remain closed from 18th to 31st August, 1999 (both days inclusive).
- (4) The dividend, if declared, will be payable from 25th September, 1999, to those Members whose names will appear on the Company's Register of Members as on 31st August, 1999.
- (5) The unclaimed dividends upto the financial year of the Company ended on 31st March, 1995 and also for prior years have been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those shareholders who have so far not claimed or collected their dividends for the aforesaid financial years, may claim the same from the Registrar of Companies, Maharashtra, Hakoba Mills Compound, Dattaram Lad Marg, Kalachowkie, Mumbai - 400 033, by submitting an application in the prescribed Form.



EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item Nos. 7 and 8

Mr. U.S. Laxmipathy was appointed as an Additional Director on the Board with effect from 1st May, 1999. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Laxmipathy holds the office as a Director of the Company upto the date of this Annual General Meeting. A notice in writing, pursuant to Section 257 of the Companies Act, 1956, has been received from a member intending to propose him as a candidate for the office of Director at this Annual General Meeting, along with a deposit of Rs. 500/-. It is proposed to appoint him as a Director not liable to retire by rotation as mentioned at Item No. 7 of the Notice.

The term of Mr. J. M. Chagla as a Managing Director ended on 30th April, 1999. It has therefore become necessary to appoint some person in his place to take charge of day-to-day affairs of the Company. The Board of Directors in their Meeting held on 23rd April, 1999, appointed Mr. U.S. Laxmipathy as the Executive Director for a period of five years with effect from 1st May, 1999, subject to the approval of the Shareholders in the General Meeting.

Mr. Laxmipathy is B.A. (Economics) and is a Fellow Member of the Institute of Company Secretaries of India. He has been associated with the Company for nearly 30 years as the Dy. Company Secretary and the Company Secretary, when he had the exposure to secretarial legal, administration and purchase functions. Having regard to his experience, the Board of Directors is of the opinion that it would be in the interest of the Company to appoint him as Executive Director as his services would be very valuable for the business operations of the Company.

It is proposed to pay him a salary of Rs. 30,000/- per month with liberty to Directors to grant him such annual increments as they may deem fit upto a salary of Rs. 60,000/- per month. Other terms of his remuneration, namely, commission, allowances, perquisites and benefits as also other terms of his appointment are elaborated in the Resolution itself.

Necessary power is also sought from the Members authorising the Board of Directors to review and/or refix his remuneration (including the minimum remuneration), by way of salary, perquisites and benefits to be paid or provided to him in the light of, and in conformity with any amendments to the relevant provisions of the Companies Act and/or the Rules and regulations made under the Act and/or such guidelines as may be announced by the Central Government from time to time.

It is also proposed to authorise the Board to designate/appoint him as Managing Director at such time and on such terms and conditions as the Board may think fit.

His appointment as Executive Director and the remuneration proposed to be paid to him are in accordance with the provisions of Schedule XIII to the Act and shall be subject to the approval of the Shareholders in General Meeting, as required under that Schedule read with Section 269 of the Companies Act, 1956. Further, the appointment of Mr. U. S. Laxmipathy, who is a Senior Executive of the Company, as Executive Director of the Company may be confirmed as a Director holding an office of profit in the Company requiring consent of the Company by way of a Special Resolution pursuant to the provision of Section 314.

The Special Resolution contained in Item No. 8 of the accompanying Notice is intended for obtaining such approval of the Shareholders. The Directors recommend passing it.

None of the Directors other than Mr. Laxmipathy is concerned or interested in passing the said Resolutions.

This Explanatory Statement together with the Resolution at Serial No. 8 of the accompanying Notice is and should be treated as abstract under Section 302 of the Companies Act, 1956.

Item No. 9

In accordance with the Special Resolution passed at the Twenty-fourth Annual General Meeting of the Company held on 26th April, 1983, the Register and Index of Members and copies of Annual Returns together with the copies of certificates and documents required to be annexed to the Annual Returns, are kept at the Company's Share Department at the premises of Matulya Mills Limited at Shankar Rao Naram Path, Lower Parel, Mumbai - 400 013. The share work of the Company is looked after by the Share Department of IDI Ltd. situated at the premises of Matulya Mills Ltd. Since the Share Department of IDI Ltd. is now situated at Mafatlal Centre, Nariman Point, Mumbai - 400 021, it is therefore, proposed to shift the Share Department of the Company and to keep aforesaid documents at IDI Limited, Mafatlal Centre, Nariman Point, Mumbai - 400 021, as mentioned in the proposed Special Resolution and the approval of the Members is therefore sought under Section 163 of the Act for keeping the records thereof with effect from such date as may be determined by the Board of Directors in that behalf. A copy of the proposed Special Resolution shall be sent in advance to the Registrar of Companies, Maharashtra.



The Directors, therefore, recommend the passing of the Special Resolution mentioned at Item No. 9 of the accompanying Notice.

None of the Directors may be considered to be interested in the above Resolution.

Item No. 10

Mafatlal Home Products Limited (MHPL) is a subsidiary of the Company, it carries on the business of marketing kitchen furnishings.

The Company currently holds 8,75,000 Equity Shares of Rs. 10/- each of MHPL. IDI Ltd., at present holds 1,25,000 Equity Shares of Rs. 10/- each aggregating to about 12.5% stake in the issued Equity Capital in MHPL. It is proposed that the Company should acquire the said 1,25,000 Equity Shares of MHPL from IDI Ltd., for cash at par for a consideration of Rs. 12.50 lakhs. Once MHPL becomes a wholly-owned subsidiary of the Company, the Company would be able to focus its efforts on developing the business of MHPL and thereby enhancing the value of its investment, the benefits of which would accrue to the Shareholders of the Company. The said investment in MHPL is proposed to be funded through the internal resources of the Company. The Board of Directors of the Company recommend the proposed investment in the Equity Shares of MHPL as the investment would be beneficial to the long-term interests of the Company.

Pursuant to the Companies (Amendment) Act, 1999, Sections 370 and 372 of the Companies Act, 1956 ("the Act") have been made inapplicable to a Company on and after 31st October, 1998, and a new Section, namely Section 372A has been introduced in the Act, on that date governing the granting of inter-corporate loans, investments etc.

Section 372A of the Act, provides that if the aggregate of loans given to other bodies corporate investments made in other bodies corporate and guarantees/security given in relation to loans given to/made by other bodies corporate exceeds the limits laid down in the Section, then any further such investments, loans etc. would require prior authorisation of members by way of Special Resolution in General Meeting. In view of the fact that as of date, that the aggregate of loans/investments made by the Company in other bodies corporate along with guarantees/security given pertaining to loan relating to other bodies corporate exceeds the limits prescribed for the Company under the said Section 372A of the Act, the sanction of the members by way of Special Resolution set out at item No. 10 of the accompanying Notice is being sought to enable the Company to invest in the Equity Shares of MHPL, as set out in the said Resolution.

None of the Directors except Mr. Y. N. Mafatlal, Mr. A.Y. Mafatlal and Mr. P. S. Shingala are deemed to be interested in the said Resolution.

By Order of the Board

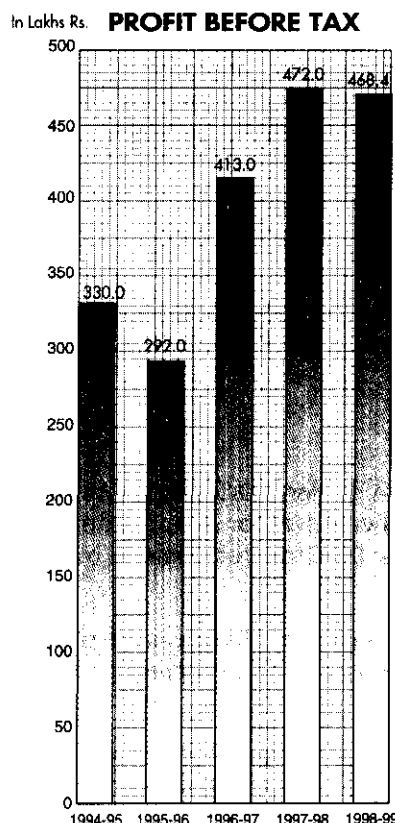
P. G. Hindia
Company Secretary

Registered Office :

Parekh Mahal, 6th Floor,
Veer Nariman Road,
Mumbai - 400 020.

Mumbai, Dated 29th June, 1999.

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Directors' Report

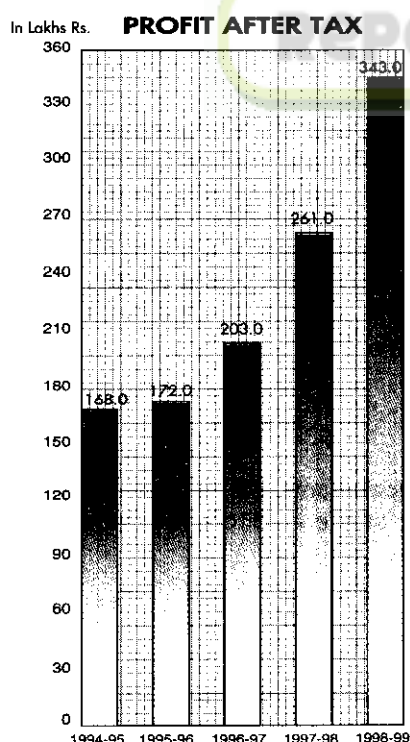
Your Directors have pleasure in presenting their Report together with the Audited Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

	1998-99 (Rs.in Lakhs)	1997-98 (Rs.in Lakhs)
Profit before Depreciation and Tax	501.25	505.14
Less: Depreciation	32.85	32.96
Profit before Tax	468.40	472.18
Less: Provision for Tax	125.00	211.00
Profit after Tax	343.40	261.18
Add: Balance of Profit of Previous Year	262.10	251.13
Short Provision of Tax for earlier year	—	(7.81)
Profit available for appropriation	605.50	504.50

Proposed Appropriation :

Dividend	92.40	84.00
Corporate Dividend Tax	10.16	8.40
Transfer to General Reserve	150.00	150.00
Balance carried forward	352.94	262.10
	605.50	504.50



DIVIDEND

Your Directors recommend a dividend of Rs.2.20 per Equity Share, amounting to Rs. 92.40 lakhs. (Previous year Rs.2.00 per Equity Share, amounting to Rs.84 lakhs).

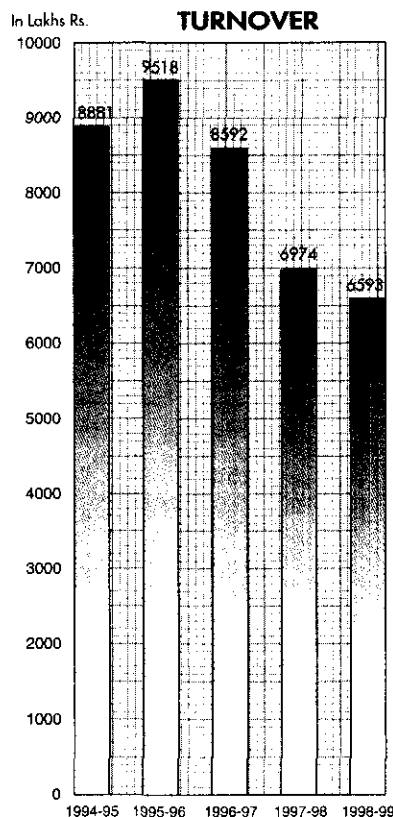
ACTIVITIES

The turnover of your Company amounted to Rs.66 crores compared to Rs.70 crores in the previous year. Continuing recession, particularly in Textile Industry and inadequate supplies of some products from the suppliers resulted in lower sales.

Sales of synthetic resin dispersions manufactured by your Company at 3165 tonnes show improvement as compared to 2941 tonnes last year.

ENERGY CONSERVATION, ETC.

Particulars of conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956, are mentioned in the Annexure to this Report.



INSURANCE

The properties and assets of your Company are adequately insured. In addition to the normal insurance coverage, your Company has also taken insurance coverage as required under the Public Liability Insurance Act, 1991.

SUBSIDIARY COMPANIES

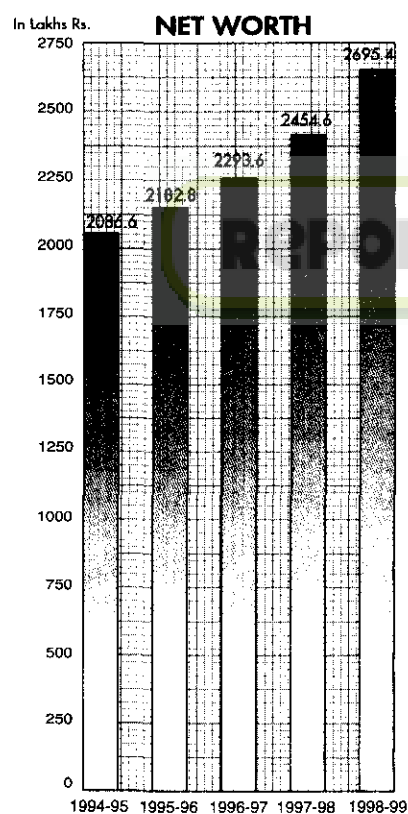
A statement pursuant to Section 212 of the Companies Act, 1956, relating to your Company's subsidiaries, is attached to the Balance Sheet.

DIRECTORS

Mr. A. Y. Mafatlal, Mr. A. R. Dalal and Mr. M. B. Harivallabhdas will retire by rotation and being eligible have offered themselves for re-appointment at the ensuing Annual General Meeting. Your Directors recommend their re-appointment as Directors.

Mr J. M. Chagla retired as the Managing Director. Your Directors are pleased to record their appreciation of the valuable service rendered by him as the Managing Director.

Mr U. S. Laxmipathy previously the Company Secretary was elevated by the Board of Directors to the position of the Executive Director w.e.f. 1st May, 1999, subject to the approval by the Shareholders. Your Directors recommend his appointment as Executive Director and also as a Director of the Company.



Y2K COMPLIANCE

Your Company has carried out the necessary tests for Y2K compatability of hardware and operating system and also wherever required, appropriate steps are being taken for upgradation or for implementation of the same.

The approximate cost for meeting Y2K compliance will be Rs.15 lakhs. Your Company have the contingency plan in event of the system failure due to Y2K problem. The whole process of Y2K compliance is expected to be completed by middle of November, 1999.

AUDITORS

Messrs C.C. Chokshi & Co., Chartered Accountants, are eligible, and have offered themselves, for re-appointment as the Auditors for the current year.

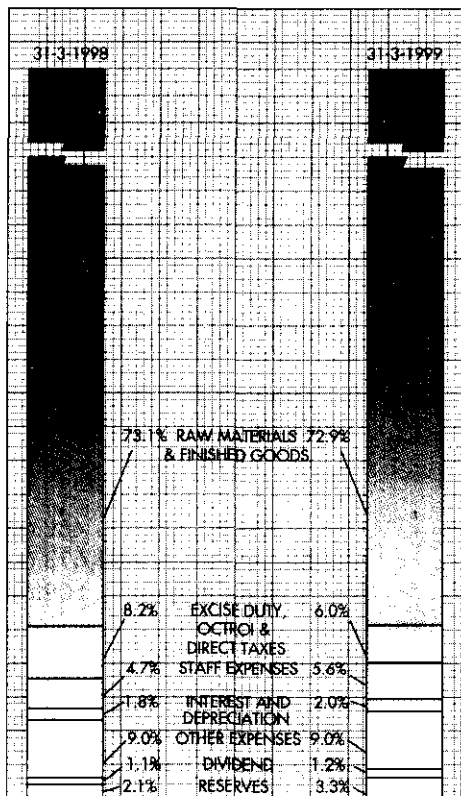
EMPLOYEES

A statement giving the requisite particulars of employees, pursuant to Section 217(2A) of the Companies Act, 1956, is given in the Annexure to this Report.

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DISPOSAL OF REVENUE



Your Directors express their thanks to the employees at all levels for their continued co-operation to the management during the year under review.

AUDITORS' REPORT

The observations made by the Auditors against item 2(e)(i) and item 2(e)(ii) of their Report, have been duly clarified in Notes No. 17 and No. 18 respectively of the Schedule 18 forming part of the Balance Sheet and Profit and Loss Account, which are self-explanatory.

On behalf of the Board

Y. N. MAFATLAL

Chairman

Mumbai, Dated 29th June, 1999.



Annexure to the Directors' Report

1. Information as required under Section 217(1)(e) of the Companies Act, 1956.

(A) CONSERVATION OF ENERGY

The Company has a very small Factory and as such there is little scope for taking measures for conservation of energy. However efforts are continuously made to conserve and optimize the use of energy through improved operational methods.

FORM A — ENERGY CONSUMPTION

(a) Power and Fuel Consumption

	Current Year	Previous Year
Electricity — Purchased		
Units (KWH)	62,155.00	58,467.00
Total Amount (Rs.)	3,64,281.00	3,37,113.50
Rate (Average)/Unit KWH (Rs.)	5.85	5.77
Steam		
Quantity (Tonnes)	555.00	462.00
Total Cost (Rs.)	3,38,126.00	2,81,673.00
Rate/Tonne (Average) (Rs.)	609.24	609.68

(b) Consumption per unit (in Tonne) of Production

Product : Synthetic Resin Dispersions

Electricity (KWH/Tonne)	19.47	20.15
Steam (Tonne/Tonne)	0.17	0.16

(B) FORM B — TECHNOLOGY ABSORPTION

1. Research and Development

R&D efforts are directed towards improvement of existing products in terms of quality and development of newer emulsions for a variety of applications. Future R & D efforts will be concentrated on developing newer acrylic emulsions for paints.

2. Technology Absorption, Adaptation and Innovation

The Company started manufacturing synthetic resin dispersions with the technology obtained under a foreign collaboration agreement which was terminated several years ago. The technology so obtained has since been absorbed and adapted suitably. Innovation in manufacturing process has been carried out so that the Plant capacity with the same equipment has been substantially increased.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earnings are on account of exports to Nepal, Malaysia and Bangladesh. Efforts are being made to explore export opportunities to other countries. Foreign exchange used are on account of purchase of raw material, bank charges, travelling expenses etc.

(a) Foreign Exchange used	Rs.78.13 lakhs
(b) Foreign Exchange earned	Rs. 6.50 lakhs