

41st Annual Report 1999-2000

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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.

SHARE DEPARTMENT

Office of IDI Ltd.,
Mafatlal Centre, 5th floor,
Nariman Point,
Mumbai 400 021.

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. 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 FORTY-FIRST 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 Road, Mumbai - 400 020, on Thursday, the 7th September, 2000, at 11.30 a.m. to transact the following business :-

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March, 2000 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. Y. N. Mafatlal who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. S. Shingala who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Vikram B. Trivedi 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 consider and if, thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT, the consent of the Company be and is hereby accorded under Section 293(1)(d) of the Companies Act, 1956, to the Board of Directors for borrowing any sum or sums of money, from time to time, upon such terms and conditions, and with or without security, as the Board of Directors may in its discretion think fit, notwithstanding that the money or moneys to be borrowed together with moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves (i.e. reserves not set apart for any specific purpose); PROVIDED that the total amounts so borrowed shall not exceed at any one time, the aggregate of the paid-up capital and free reserves of the Company by a sum of Rs. 25 crores."
8. To consider and if, thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT, pursuant to Section 198, 269, 309 and 311 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 re-appointment of, and payment of remuneration to, Dr. P. S. Samant in the whole-time employment of the Company designated as the Director (Works) of the Company for a period of 3 years with effect from 1st July, 2000, on the following terms including remuneration (including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year during the aforesaid period):

REMUNERATION:

- (1) Salary of Rs. 26,000/- per month for a period of three years from 1st July, 2000, with the liberty to the Board of Directors to grant increments in the scale of Rs. 26,000 – 4,000 – 34,000 per month.
- (2) Perquisites: Furnished/unfurnished accommodation or House Rent allowance, medical re-imbursement, subscription of one club fees (excluding admission fees and expenses), leave benefits, leave travel concessions for him and his family, personal accident and group insurance coverage, the Company car with driver, and other allowances, perquisites and benefits in accordance with the rules and regulations in force in the Company from time to time or as may be sanctioned by the Board of Directors from time to time. The monetary value of such perquisites to be determined in accordance with the Income Tax Rules, 1962.
- (3) Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund and Gratuity payment in accordance with the rules and regulations in force in the Company from time to time. The encashment of leave at the end of the tenure shall not be included in the computation of ceiling on remuneration and perquisites.
- (4) In the event of loss or inadequacy of profits in any financial year during the period of his tenure as Director (Works), he shall 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.

"RESOLVED FURTHER THAT the Board of Directors be and are hereby empowered to alter and vary the terms and conditions of the said re-appointment and/or remuneration within the limits set out hereinbefore subject to the provisions of Schedule XIII to the Companies Act, 1956 (including any modification or re-enactment thereof) without further reference to the Company in general meeting.

"RESOLVED FURTHER THAT Dr. P. S. Samant as Director (Works) shall be responsible for the implementations of plans/measures for safety, hygiene and welfare at the place of work at the factory of the Company at L. B. S. Marg, Mulund,

Mumbai, and for full compliances of obligations and duties and all provisions under the Factories Act, 1948 and other State and Central Legislations and Rules and Regulations made thereunder, as are now in force or which may be brought into force hereafter with regard to labour and factory administration and concerning all matters relating to or touching the affairs of the factory, and he shall also perform such other specific functions and duties as the Board of Directors shall entrust to him from time to time and that his re-appointment as Director (Works) shall always be subject to the superintendence, control and direction of the Board.

"RESOLVED FURTHER THAT in the event of his ceasing to be the Whole-time Director (Works), he shall automatically cease to be a Director of the Company.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary and desirable to give effect to the foregoing 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 27th June, 2000.

Notes :

- (1) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of items 7 and 8 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 for the period from 18th to 31st August, 2000 (both days inclusive).
- (4) The dividend, if declared, will be payable from 25th September, 2000, to those Members whose names will appear on the Company's Register of Members as on 31st August, 2000.
- (5) The unclaimed dividends for 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 No. 7

At the Annual General Meeting held on 26th April, 1983, an Ordinary Resolution was passed empowering the Board of Directors to borrow upto Rs.5 crores over and above the aggregate of the paid up capital and free reserves.

Considering the need for increased amount of borrowings for financing the Company's business, it would be expedient to authorize the Board to borrow upto Rs. 25 crores over and above the aggregate of the paid-up capital and free reserves. The borrowings in excess of the net worth of the Company would require approval of the Company in the General Meeting. The Directors, therefore, recommend the passing of the Ordinary Resolution contained in Item No. 7 of the accompanying Notice.

None of the Directors of the Company is considered or interested in passing of the Resolution.

Item No. 8

Dr. P. S. Samant was appointed as the whole-time Director designated, Director (Works) by the Board at the Meeting held on 30th June, 1997 for a period of 3 years from 1st July, 1997. The term of the appointment of Dr. P. S. Samant as Director (Works) would be maturing on 30th June, 2000. During his tenure, Dr. Samant has efficiently and effectively discharged his duties. The Board is of the opinion that it will be in the interest of the Company to re-appoint Dr. Samant as Director (Works) for a further period of 3 years from 1st of July, 2000 on the terms and conditions set out in the proposed resolution in the Notice, subject to approval of the Shareholders.

The Board considers that the services of Dr. Samant as the Director (Works) of the Company will be very valuable for the business operations of the Company and recommend his re-appointment.

The re-appointment and remuneration of Dr. Samant as Director (Works) of the Company will be subject to the approval of the Shareholders in General Meeting, as required under the Schedule XIII read with Section 269 of the Companies Act, 1956.

The Board of Directors shall have the liberty to alter and vary the terms and conditions of the said re-appointment and/or remuneration within the limits set out herein above subject to the provisions of Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof) from time to time.

Your Directors recommend passing of the Resolution as mentioned at Item No. 8 of the Notice. Dr. P. S. Samant is interested in the said resolution as it pertains to his re-appointment and remuneration as the Director (Works). None of the other Directors is concerned or interested in the above Resolution.

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

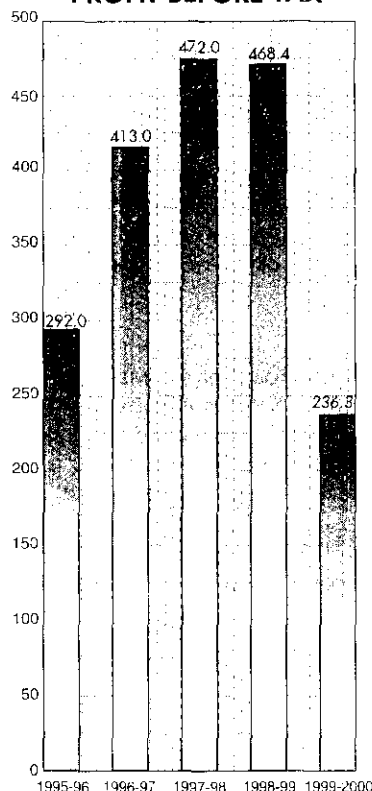
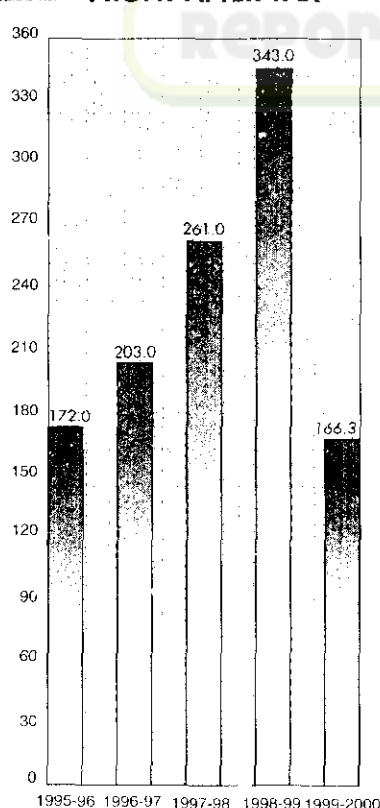
By Order of the Board

P. G. Hindia
Company Secretary

Registered Office :

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

Mumbai, Dated 27th June, 2000.

In Lakhs Rs. **PROFIT BEFORE TAX**In Lakhs Rs. **PROFIT AFTER TAX**

Directors' Report

Your Directors have pleasure in presenting their Report together with the Audited Accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

	1999-2000 (Rs. in Lakhs)	1998-99 (Rs. in Lakhs)
Profit before Depreciation and Tax	268.66	501.25
Less: Depreciation	32.35	32.85
Profit before Tax	236.31	468.40
Less: Provision for Tax	70.00	125.00
Profit after Tax	166.31	343.40
Add: Balance of Profit of Previous Year	352.94	262.10
Profit available for appropriation	519.25	605.50

Proposed Appropriation :

Dividend	71.40	92.40
Corporate Dividend Tax	15.71	10.16
Transfer to General Reserve	100.00	150.00
Balance carried forward	332.14	352.94
	519.25	605.50

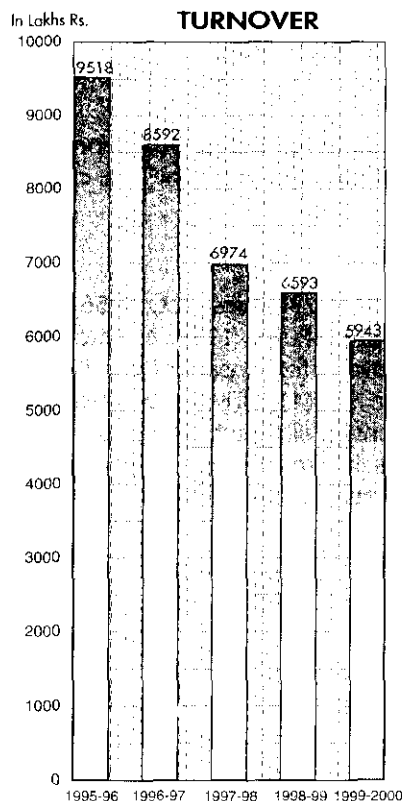
PERFORMANCE

The overall turnover of your Company amounts to Rs. 59.43 crores as against Rs. 65.93 crores in the previous year.

The turnover of synthetic resin dispersions manufactured by your Company is Rs. 17.34 crores as against Rs. 17.62 crores. Inadequate availability of textile and solvent soluble dyes from the suppliers has resulted in lower sales of these products. The exports show an increase from Rs. 0.06 crore to Rs. 2.38 crores.

Although the turnover has declined, the gross margin is maintained almost at the previous year's level. However, the profit before tax is Rs. 2.36 crores as against Rs. 4.68 crores in the previous year. Such a drop in profit is partly attributable to loss of sales due to inadequate supplies, as stated earlier, and increases in certain expenses and interest payments, particularly due to additional borrowings for capital expenditure. Besides, the last year's profit included large amounts of excess provisions written back and refund of tax payments, which are not available to support the profit during the year under review.

The synthetic resin dispersions manufactured by your Company amounted to 3415 tonnes as against 3193 tonnes in the previous year.



FACTORY LAND AND UTILITIES

Earlier, the land on which your Company's factory is located was held under tenancy. This land has since been purchased, and hence your Company now owns the factory land. Further, the factory has been drawing certain utilities like steam, power and so on from outsiders. With a view to make the factory self-reliant in regard to manufacturing facilities, a part of the required utilities has already been put up and the process of completing the rest is in progress.

DIVIDEND

Your Directors recommend a dividend of Rs. 1.70 per Equity Share, amounting to Rs. 71.40 lakhs. (Previous year Rs.2.20 per Equity Share, amounting to Rs. 92.40 lakhs).

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

During the year under review, the Company had purchased 1,25,000 Equity Shares of Rs. 10/- each of its subsidiary viz. Mafatlal Home Products Limited (MHPL) consequent to which, MHPL has become a wholly-owned subsidiary.

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

DIRECTORS

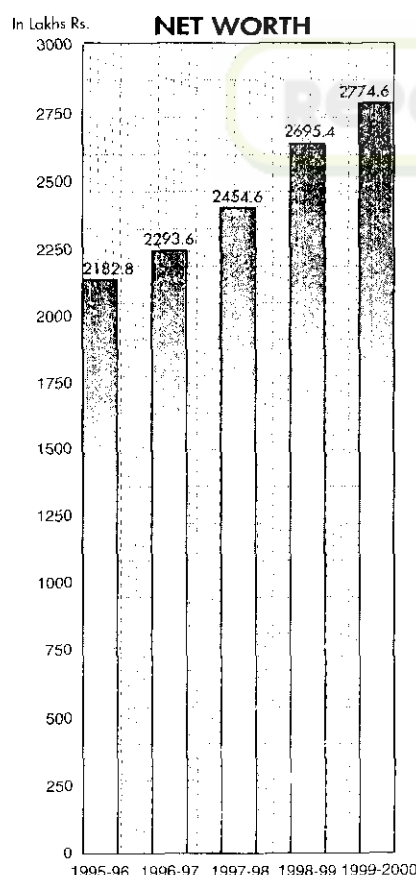
Messrs. Y. N. Mafatlal, P. S. Shingala and V. B. Trivedi will retire by rotation and being eligible have offered themselves for re-appointment at the ensuing Annual General Meeting. Your Directors recommend their re-appointment as Directors.

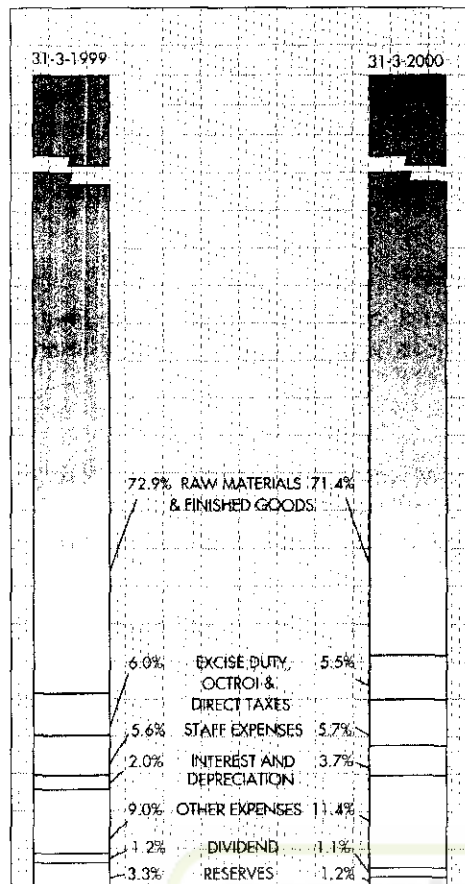
Mr. Anand R. Dalal resigned as the Director of your Company. Your Directors are pleased to record their appreciation of the valuable service rendered by him to the Board.

The term of Dr. P. S. Samant as Director (Works) will be ending on 30th June, 2000. Since the services of Dr. Samant are valuable to the Company, the Board in their Meeting held on 27th June, 2000, have reappointed him as a Director (Works) for a further period of 3 years w.e.f. 1st July, 2000 subject to approval of the Shareholders in the ensuing Annual General Meeting.

Y2K COMPLIANCE

Your Company has successfully completed the Y2K compatibility of hardware and operating system and does not envisage any problem. The Company has taken a Contingency Plan in the event of the system failing



DISPOSAL OF REVENUE

due to Y2K problems. Your Company has incurred cost of Rs. 8.03 lakhs during the year for up-gradation of the Computer System.

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

As required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and the Accounts are being sent to all members excluding the particulars of employees. Any members interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

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),(ii),(iii),(iv) and (v) of their Report, have been duly clarified in Notes No.14,15,16,17, and 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 27th June, 2000.

Annual Report 1999-2000



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. Still efforts to conserve and optimize the use of energy are made through improved operational methods.

FORM A — ENERGY CONSUMPTION

(a) Power and Fuel Consumption

	Current Year	Previous Year
Electricity — Purchased		
Units (KWH)	64,764.00	62,155.00
Total Amount (Rs.)	3,87,474.00	3,64,281.00
Rate (Average)/Unit KWH (Rs.)	5.98	5.85
Steam		
Quantity (Tonnes)	624.00	555.00
Total Cost (Rs.)	3,80,440.00	3,38,126.00
Rate/Tonne (Average) (Rs.)	609.67	609.24
(b) Consumption per unit (in Tonne) of Production		
Product : Synthetic Resin Dispersions		
Electricity (KWH/Tonne)	18.96	19.47
Steam (Tonne/Tonne)	0.18	0.17

(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 and other applications.

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. Foreign Exchange used are on account of purchase of raw material, bank charges, travelling expenses etc.

(a) Foreign Exchange used	Rs. 91.98 lakhs
(b) Foreign Exchange earned	Rs. 225.37 lakhs

On behalf of the Board

Y. N. MAFATLAL
Chairman

Mumbai, Dated 27th June, 2000.



Financial Highlights

Particulars		1995-96	1996-97	1997-98	1998-99	1999-2000
Sales	(Rs. in Lakhs)	9518	8592	6974	6593	5943
Rate of Increase/(Decrease) in Sales	(%)	7	(10)	(19)	(5)	(11)
Profit before Tax	(Rs. in Lakhs)	291.8	413.2	472.2	468.4	236.3
Profit before Tax on Sales	(%)	3.1	4.8	6.8	7.1	4.0
Rate of Tax on Profits	(%)	41.1	52.9	44.7	26.7	29.6
Profit after Tax	(Rs. in Lakhs)	171.8	194.8	261.2	343.4	166.3
Profit after Tax on Sales	(%)	1.8	2.3	3.7	5.2	2.8
Dividends	(Rs. in Lakhs)	75.6	84.0	84.0	92.4	*71.4
Rate of Dividend	(%)	18	20	20	22	*17
Retained Earnings	(Rs. in Lakhs)	96.2	110.8	161.0	240.8	79.2
Increase in Cash Flow	(Rs. in Lakhs)	110.6	125.2	193.9	273.7	111.6
Earnings per Share	(Rs.)	4.1	4.6	6.2	8.2	4.0
Shareholders' Equity	(Rs. in Lakhs)	2182.8	2293.6	2454.6	2695.4	2774.6
Shareholders' Equity per Share	(Rs.)	52.0	54.6	58.4	64.2	66.1
Capital Employed	(Rs. in Lakhs)	2783.6	2921.5	3046.8	3352.9	4544.0
Debt Equity Ratio		0.3:1	0.3:1	0.2:1	0.2:1	0.63:1
Current Ratio		1.05:1	1.06:1	1.06:1	1.11:1	1.32:1
Staff Employed		206	196	181	181	170

* Proposed

Distribution of Shareholding

As on 31st March, 2000

Category of Shareholders	Number of Shareholders	Shares Held	
		Number	%
Individuals	19,539	19,93,809	47.47
Bodies Corporate	99	19,55,453	46.56
Financial Institutions, Banks & Insurance Companies	19	2,50,738	5.97
		42,00,000	100.00