

43rd Annual Report 2001-2002

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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.

SHARE DEPARTMENT

Office of Navinon Ltd.,
Mafatlal Centre, 5th Floor,
Nariman Point, Mumbai- 400 021.

ELECTRONIC CONNECTIVITY

(Registrar)
SharePro Services
Satam Estate, Above Bank of Baroda,
Chakala, Cardinal Gracious Road,
Andheri (E),
Mumbai - 400 099.
(INE733DO1012 - CDSL & NSDL)

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

SALES OFFICES

Ahmedabad
Chennai
Kolkata
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 P. APTE

MR. VIKRAM B. TRIVEDI

COMPANY SECRETARY

MR. P. G. HINDIA

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Annual Report 2001-2002**NOTICE TO THE MEMBERS**

NOTICE is hereby given that the FORTY-THIRD 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 28th November, 2002, at 11.30 a.m. to transact the following business :-

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March, 2002 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. P. S. Samant who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. V. B. Trivedi who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

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 September, 2002.

Notes :

- (1) **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.**
- (2) The Register of Members and Share Transfer Books of the Company will remain closed for the period 27th November, 2002 to 28th November, 2002 (both days inclusive).
- (3) M/s Sharepro Services having office at Satam Estate, Above Bank of Baroda, Chakala, Cardinal Gracious Road, Andheri (E), Mumbai - 400 099 are our Registrar and Transfer Agent for providing Electronic Connectivity with NSDL and CDSL for facilitating Dematerialisation of Equity Shares of the Company. Those Shareholders who intend to demat their shareholdings should approach their respective Depository Participants for conversion of their shareholdings into electronic form.
- (4) 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.
- (5) As per the provisions of Section 205A read with Section 205C of the Companies Act, 1956, the Company is required to transfer the dividends for the financial year ended 31st March, 1996 and onwards which remain unpaid or unclaimed for a period of 7 years to the Investor Education and Protection Fund set up by the Central Government. Members who have not claimed their dividends for the financial year ended 31st March, 1996 and onwards are requested to lodge their claim with the Company.
- (6) Re-appointment of Directors
At the ensuing Annual General Meeting, Dr. P. S. Samant and Mr. V. B. Trivedi retire by rotation and being eligible, offer themselves for re-appointment. The information or details to be provided for the aforesaid Directors are mentioned in the Report on the Corporate Governance annexed to the Directors' Report.



Directors' Report

Your Directors present their Report together with the Audited Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS

| | 2001-2002 (Rs.in Lakhs) | 2000-2001 (Rs.in Lakhs) |
|---|----------------------------|----------------------------|
| Loss before Depreciation and Tax | (60.57) | (86.33) |
| Less: Depreciation. | 36.43 | 38.30 |
| Loss before Tax | (97.00) | (124.63) |
| Add : Excess Provision of Tax of earlier year | 20.36 | 15.59 |
| | (76.64) | (109.04) |
| Less : Provision for Tax | 0.05 | 0.15 |
| Loss after Tax | (76.69) | (109.19) |
| Balance as per last Balance Sheet | 222.95 | 332.14 |
| | 146.26 | 222.95 |

PERFORMANCE

Economic slowdown and sluggish market conditions, and consequences of prolonged untoward happenings in Gujarat had an adverse impact on marketing activities of your Company. Added to these, non-availability of Vat Dyes from Navinon Ltd. and inadequacy of working capital had affected Company's operation. Cumulative effect of all these has resulted in decline of turnover (net of excise) from Rs.42 crores to Rs.29 crores, and other income as well. However, the overall loss is contained at Rs.77 lakhs against Rs.109 lakhs in the previous year.

Your Company is continuing making efforts to increase turnover and to add a few more products in the marketing range. It is also hoped that Navinon Ltd. will restart supplying its products to the Company.

DIVIDEND

As the Company has suffered loss during the year, your Directors have not recommended any dividend.

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 I 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

Due to divestment of some of the Shares held by your Company in Mafatlal Home Products Ltd., it has ceased to be a subsidiary of your Company. A Statement pursuant to Section 212 of the Companies Act, 1956, relating to your Company's Subsidiaries, is attached to the Balance Sheet. As required under SEBI Regulations and by Accounting Standard 21 of the Institute of Chartered Accountants of India, a Consolidated Financial Statement of your Company together with the Accounts of Subsidiaries is reported in the Annual Report.

DIRECTORS

Dr. P. S. Samant and Mr. 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. M. B. Harivallabhdas has

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tendered his resignation as Director of the Company w.e.f. 30th September, 2002. The Directors place on their record appreciation of the services rendered by him to the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Sub-Section (2AA) of Section 217 of the Companies Act, 1956, the Directors confirm that :

- a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- b) Appropriate accounting policies have been selected and applied consistently and have 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 as at March 31, 2002.
- c) Proper and sufficient care has been taken 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 detecting fraud and irregularities.
- d) The Annual Accounts have been prepared on going concern basis.

MANAGEMENT DISCUSSIONS & ANALYSIS

A separate Note on Management Discussions & Analysis is enclosed as per Annexure II and forms part of this Report.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement, the Company was required to implement the code of Corporate Governance latest by 31st March, 2002. The Company has already started implementation of Corporate Governance before 31st March, 2002 in the manner as set out in Annexure III which forms part of this Report.

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

There are no employees falling under provisions of Section 217(2A) of the Companies Act, 1956.

Your Directors express their thanks to employees at all levels, who have extended their continued co-operation to the Management during the year under review.

AUDITORS' REPORT

The observations made by the Auditors against item 4(f) (i) to (x) of their Report, have been duly clarified in Notes No.14 to 18, 19 (a) (b) (c) and 20 respectively of the Schedule is forming part of the Balance Sheet and Profit and Loss Account, which are self-explanatory.

As regards Section 372 A of the Companies Act, 1956, it may be clarified that no fresh investment has been made by the Company during the year under review. As a result of Matulya Mills Ltd., arranging with its major creditor to convert loan into Non Cumulative, Non Convertible Redeemable Preference Shares towards revival of Matulya Mills Ltd., the Company was allotted Non Cumulative, Non Convertible Redeemable Preference Shares by conversion of loan due by Matulya Mills Ltd., which should not be regarded as attracting Section 372 A of the Companies Act, 1956.

On behalf of the Board

A. Y. MAFATLAL
Vice Chairman

Mumbai, Dated, 27th September, 2002.

**Annexure I****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. Efforts are being continuously made to conserve and optimize the use of energy through improved operational methods.

FORM A - ENERGY CONSUMPTION**(a) Power and Fuel Consumption**

| | <u>Current Year</u> | <u>Previous year</u> |
|--|---------------------|----------------------|
| (1) Electricity -Purchased | | |
| (a) Units (KWH) | 1,95,552.00 | 1,50,186.00 |
| Total Amount (Rs.) | 10,48,746.00 | 8,08,810.00 |
| Rate (Average)/Unit KWH (Rs.) | 5.36 | 5.38 |
| (b) Own Generation | Nil | Nil |
| (2) Light Diesel Oil (L.D.O.) | | |
| Quantity (Ltrs) | 51,380.00 | 44,109.60 |
| Total Amount (Rs.) | 9,03,085.00 | 7,39,669.00 |
| Rate (Average) Ltr. (Rs.) | 17.58 | 16.77 |
| (b) Consumption per unit (in Tonne) of Production | | |
| Product : Synthetic Resin Dispersions | | |
| Electricity (KWH/Tonne) | 63.02 | 37.29 |
| L.D.O.(Ltr./Tonne) | 16.59 | 10.95 |

Note : There was no consumption of coal, furnace oil, steam during the financial years ended on 31st March, 2001 and 31st March, 2002.

(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 emulsion 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 has been terminated long ago. The technology so obtained has 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. Foreign Exchange used are on account of purchase of raw material, bank charges, travelling expenses etc.

| | |
|-----------------------------|------------------|
| (a) Foreign Exchange earned | Rs. 14.49 lakhs |
| (b) Foreign Exchange used | Rs. 108.18 lakhs |

On behalf of the Board

A. Y. MAFATLAL
Vice Chairman

Mumbai, Dated, 27th September, 2002.

Annual Report 2001-2002**Annexure II****MANAGEMENT DISCUSSION & ANALYSIS****Industry structure and developments**

Your Company manufactures synthetic resin dispersions and has initiated manufacture of certain water treatment chemicals. Apart from selling these, the Company markets a wide range of products, mainly by outsourcing, like auxiliaries, dyestuffs, leather chemicals and certain speciality chemicals. These find applications in diverse industries such as paint, wood working, packaging, textile processing, printing, effluents, leather processing, clarification of water, and off late, entering into agrarian sector. Growth in marketing of these products much depends on the all-round demand-growth in relevant industries, and industrial recovery generally.

Opportunities, threats, risks and outlook

Your Company has been demonstrating its capability in supplying quality products and ensuring customer satisfaction. With the growth in industrial sector, your Company expects to have greater opportunities in wider marketing of its products, with better technical service to the customers. Vast potential is foreseen in areas of water management, particularly as water is becoming more and more scarce and polluted. Your Company has just started making its entry in this area.

Your Company's manufacture of synthetic resin is exposed to the threat of keen competition from the small scale industries manufacturing similar products and enjoying concessional excise duty, apart from the major manufacturers in the organised sector who produce the raw materials as well for synthetic resin dispersion, and hence they enjoy the consequent cost advantage of finished products as compared to those of your Company.

Major portion of turnover so far, included sourced Vat Dyes which has not been forthcoming of late from the supplier, and we are looking forward to its revival and resuming regular supplies.

In sustaining its business and expansion, the major threat is paucity of working capital, which we hope, will gradually improve in its availability. This hampers the steps for taking up aggressive marketing efforts and infrastructural facilities.

Your Company is in the process of enhancing sourced products for marketing and expects to increase the turnover and profitability, provided working capital requirements are met adequately.

Segmentwise performance

There are three income generating segments. Segment-wise revenue for the year ended 31.3.2002 are as follows :

| | (Rs.in lakhs) |
|-------------------------------|---------------|
| Manufactured products | 1431.13 |
| Outsourced/re-sale products | 1440.23 |
| Rental on premises leased out | 324.02 |

The re-sale products segment was adversely affected as a major supplier of Vat Dyes has been unable to produce and supply the same to your Company. Lease rental is fully utilised for repayment of a loan and interest to a financial institution, and hence not available to meet working capital needs.

Internal control system

Your Company has been maintaining internal control at each level and the present system is adequate.

Human resource

There are 154 employees, most of whom are in continuous service for years. Emphasis is given for appointment of technically qualified and experienced candidates. Technical training in improving product knowledge to sales staff is being imparted periodically.



Annexure III

CORPORATE GOVERNANCE

The detailed Report on Corporate Governance as required under Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai is set out below :

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's Philosophy on Corporate Governance envisages the attainment of the high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally.

The Company believes that its systems and action are aimed at enhancing corporate performance.

2. BOARD OF DIRECTORS

Composition and Category

The Board comprises of Executive and Non-Executive Directors. The present strength of the Board of Directors is ten. The Executive Director and Director-Works are the whole-time Directors, the remaining eight being Non-Executive Directors, of which six are independent Directors.

During the year ended 31st March, 2002, four Meetings of the Board of Directors were held on 27th April, 2001, 6th July, 2001, 31st October, 2001 & 31st January, 2002 and two Meetings of Sub-Committee of Directors were held on 9th May, 2001 and 31st July, 2001. The Annual General Meeting was held on 26th September, 2001.

The Composition of the Board, attendance at the Board Meetings and at the last Annual General Meeting, number of Directorships and Memberships/Chairmanships in committees of public companies (including the Company) are given as under :

| Sr. No | Name of the Directors | Category of Directors | FY 2001-02 Attendance at | | As on 31 st March, 2002 | | |
|--------|-------------------------|--|--------------------------|----------|------------------------------------|---------------------|----------|
| | | | Board Meetings | Last AGM | No. of other Directorships* | Committee positions | |
| | | | | | | Member | Chairman |
| 1. | Mr. Y. N. Mafatlal** | Chairman, Promoter, Non-Executive | 3 | Yes | 7 | 1 | Nil |
| 2. | Mr. A. Y. Mafatlal** | Vice Chairman, Promoter, Non-Executive | 2 | Yes | 6 | 1 | Nil |
| 3. | Mr. U. S. Laxmipathy | Executive Director | 4 | Yes | 1 | Nil | 1 |
| 4. | Dr. P. S. Samant | Directors (Works) | 4 | Yes | Nil | Nil | Nil |
| 5. | Mr. C. M. Maniar | Independent, Non-Executive | 3 | Yes | 12 | 9 | Nil |
| 6. | Dr. D. S. Mahadevia | Independent, Non-Executive | 3 | No | 1 | 2 | Nil |
| 7. | Mr. M.B. Harivallabhdas | Independent, Non-Executive | 2 | No | Nil | 1 | Nil |
| 8. | Mr. P. S. Shingala | Independent, Non-Executive | 4 | Yes | 9 | 3 | 2 |
| 9. | Mr. V. M. Apte | Independent, Non-Executive | 2 | No | 2 | 2 | Nil |
| 10. | Mr. V. B. Trivedi | Independent, Non-Executive | 4 | No | 1 | 1 | 1 |

* Other Directorships excludes directorships held in Private Limited Companies.

** Permanent Directors

Annual Report 2001-2002Re-appointment of Directors

At the ensuing Annual General Meeting, Dr. P. S. Samant and Mr. V. B. Trivedi retire by rotation and being eligible offer themselves for re-appointment.

- (i) Dr. P. S. Samant has been working as Director (Works) of the Company since 1st July, 1997. He holds a Doctorate Degree from the University Department of Chemicals Technology, University of Mumbai. He has 15 years of experience of which 10 years at Senior Management level. He is not holding any Directorship in other Companies.
- (ii) Mr. V. B. Trivedi is a Director of the Company since 29th November, 1996. He is a Managing Partner of M/s. Manilal Kher Ambalal & Co., Advocates and Notary. His area of practice includes Corporate, Banking & Finance, Insurance, Intellectual Property Rights, Property Taxation, Litigation and Municipal Projects and transactions. He is holding Directorships in M/s. Organic Coatings Ltd. and Guftagoo.com India Ltd.

3. COMMITTEES OF THE BOARD**(a) Audit Committee**Composition

The Audit Committee was constituted on 31st January, 2002. The Audit Committee of the Company comprises of three Directors who are independent and Non Executive Directors. The Chairman possesses knowledge of Finance and Accounts. The Financial Controller of the Company is the usual invitee at the Meeting and the Company Secretary of the Company acts as the Secretary to the Committee.

The composition of the Committee is as under :

| Name of the Director | Position |
|--------------------------|----------|
| Mr. P. S. Shingala | Chairman |
| Mr. V. M. Apte | Member |
| Mr. M. B. Harivallabhdas | Member |

Functions

The Audit Committee performs the functions as stipulated by Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai viz:

- To review the Company's financial reporting process and its financial statements.
- To review the accounting and financial policies and practices.
- To review Company's financial and risk management policies and ensure compliance with regulating guidelines.
- To review reports furnished by the internal and statutory auditors and ensure that suitable follow-up action is taken.
- To examine Accountancy and disclosure aspect of all significant transactions.

(b) Remuneration CommitteeComposition

The Remuneration Committee was constituted on 31st January, 2002.

The Composition of the Committee is as under :

| Name of the Director | Position |
|----------------------|----------|
| Mr. P. S. Shingala | Chairman |
| Mr. V. M. Apte | Member |
| Dr. D. S. Mahadevia | Member |

All members of the committee are independent and Non Executive Directors.



Remuneration Policy

The remuneration, perquisites and benefits payable to the Executive Director and Director (Works) are as per approval given by the Shareholders in General Meeting. The role of the Remuneration Committee is to review the remuneration payable to Executive Director and Director (Works) especially when the Company has inadequate profit or loss and in accordance with the provisions of the Schedule XIII of the Companies Act, 1956.

A) Details of Remuneration paid to Executive Director and Director (Works) :

| | |
|---|---------------------|
| <u>Executive Director</u> | (Rupees) |
| Salary, contribution to provident and other funds, perquisites as quantified under the Act. | 13,62,755.00 |
| <u>Director (Works)</u> | |
| Salary, contribution to provident and other funds, perquisites as quantified under the Act. | 7,35,938.00 |
| | <u>20,98,693.00</u> |

B) Details of Remuneration paid to Directors other than Executive Director and Director (Works) for the year ended 31st March, 2002.

| Name of the Director | Sitting Fees | Total (Rs.) |
|--------------------------|--------------|-------------|
| Mr. Y. N. Mafatlal | 4,500.00 | 4,500.00 |
| Mr. A. Y. Mafatlal | 2,500.00 | 2,500.00 |
| Mr. C. M. Maniar | 4,500.00 | 4,500.00 |
| Dr. D. S. Mahadevia | 3,000.00 | 3,000.00 |
| Mr. M. B. Harivallabhdas | 4,000.00 | 4,000.00 |
| Mr. P. S. Shingala | 5,000.00 | 5,000.00 |
| Mr. V. M. Apte | 2,500.00 | 2,500.00 |
| Mr. V. B. Trivedi | 5,000.00 | 5,000.00 |

(c) Shareholders/Investors' Grievance Committee

Composition

The Committee was constituted on 31st January, 2002. The composition of the Committee is as under :

| Name of the Director | Position |
|----------------------|----------|
| Mr. V. B. Trivedi | Chairman |
| Mr. Y. N. Mafatlal | Member |
| Dr. D. S. Mahadevia | Member |

Functions

The Committee looks after Investors' Grievances such as non-receipt of Annual Report, dividend, Shares sent for transfer, split, consolidation & interest on Fixed Deposits etc.

Compliance Officer

The Board has designated Mr. P. G. Hindia, Company Secretary as the Compliance Officer.

Investors' Complaints

The Company has received few complaints from the Shareholders/Investors/Deposit Holders, which have been attended to. There were marginal delays in some cases in delivering Share Certificates to Investors within the stipulated period of one month from the date of lodgement of the registration of transfer because of administrative procedures and matters relating to conversion of Company Shares from physical made to Demat form.