

44th Annual Report 2002-2003



Mafatlal Dyes & Chemicals Limited

Mafatlal Dyes & Chemicals Limited

REGISTERED AND HEAD OFFICE

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

REGISTRAR & TRANSFER AGENT

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

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)

MR. PRABHUDAS S. SHINGALA

MR. VAMAN M. APTE

MR. GAUTAM R. ASHRA

MR. SHREEPAL S. DALAL

COMPANY SECRETARY

MR. P. G. HINDIA

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NOTICE TO THE MEMBERS

NOTICE is hereby given that the FORTY-FOURTH ANNUAL GENERAL MEETING of Mafatlal Dyes & Chemicals Limited will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai - 400 001 on Thursday, the 25th March, 2004, at 9.30 a.m. to transact the following business :-

1. To receive, consider, approve and adopt the Balance Sheet as at 30th June, 2003 and the Profit and Loss Account for the fifteen months period ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Vaman M. Apte, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

Special Business

4. To consider and if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION :
 "RESOLVED THAT Mr. Gautam R. Ashra who was appointed as an Additional Director by the Board of Directors of the Company on 29th October, 2003 under Section 260 of the Companies Act, 1956, and who holds office upto the date of the forthcoming Annual General Meeting and who is eligible for re-appointment, and in respect of whom the Company has received a Notice in writing proposing his candidature for the office of Director under Section 257 of the Companies act, 1956, be and is hereby appointed as Director of the company, liable to retire by rotation."
5. To consider and if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION :
 "RESOLVED THAT Mr. Shreepal S. Dalal who was appointed as an Additional Director by the Board of Directors of the Company on 29th October, 2003 under Section 260 of the Companies Act, 1956, and who holds office upto the date of the forthcoming Annual General Meeting and who is eligible for re-appointment and in respect of whom the Company has received a Notice in writing proposing his candidature for the office of Director under Section 257 of the Companies act, 1956, be and is hereby appointed as Director of the company, liable to retire by rotation."
6. To consider and if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION :
 "RESOLVED THAT in view of the change in the Financial Year of the Company from a period of twelve months ended on 31st March, 2003 to fifteen months ended 30th June, 2003, the remuneration of M/s C. C. Chokshi & Co., as Auditors, fixed at the last Annual General Meeting at Rs.3,00,000/- be proportionately increased by Rs.75,000/-, apart from applicable Service Tax and reimbursement of out-of-pocket and other incidental expenses."
7. 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 (1) and other applicable provisions, if any, of the Companies Act, 1956 (The Act), and in supersession of the Special Resolution passed at the Fortieth Annual General Meeting of the Company held on 14th September, 1999, the Company hereby accords its approval to keep the Register of Members, Index of Members, the Register and Index of Debenture Holders 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 Sharepro Services, located at Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai - 400 099 or at such of their other premises within the city of Mumbai as may be decided from time to time;
 "RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such necessary and incidental acts in connection therewith."

By Order of the Board

P. G. Hindia
Company Secretary

Registered Office :

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

Mumbai, Dated: 28th January, 2004.

**Notes :**

- (1) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item 4, 5, 6 & 7 is attached 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 24th March, 2004 to 25th March, 2004 (both days inclusive).
- (4) The Company has appointed M/s Sharepro Services having their office at Satam Estate, Above Bank of Baroda, Chakala, Cardinal Gracious Road, Andheri (E), Mumbai - 400 099 as our Registrar and Transfer Agent.
- (5) The unclaimed dividends for the financial year 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, CGO Complex, 2nd Floor, "A" Wing, CBD-Belapur, Navi Mumbai - 400 614, by submitting an application in the prescribed Form.
- (6) Pursuant to provisions of Section 205C(2) of the Companies Act, 1956 amount of unpaid dividend for the Financial Year ended 31st March, 1996, Unpaid Share Application Money - Public Issue 1973 and Unpaid Share Application Money - Rights Issue 1994-95 have been credited to Investors Education and Protection Fund (the IEPF) established by the Central Government under the Companies Act, 1956.

Members who have not claimed their Dividends for the financial year ended 31st March, 1997 and onwards are requested to lodge their claim with the Company. It may be noted that once the unclaimed dividend is transferred to the IEPF, no claim shall lie with the Company in respect thereof.

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EXPLANATORY STATEMENT

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

Item No. 4 & 5

Mr. Gautam R. Ashra and Mr. Shreepal S. Dalal were appointed as Additional Directors in the Board Meeting held on 29th October, 2003 and pursuant to Section 260 of the Companies Act, 1956, they hold the office as such Directors upto the date of this Annual General Meeting.

As required under Section 257 of the Companies Act, 1956, the Company has received requisite Notices from some members proposing their candidature for the office of Directors, along with a deposit of Rs.500/- each.

Mr. Gautam R. Ashra is holding Postgraduate Degree of Master of Commerce and having 22 years of experience in business. Mr. Shreepal S. Dalal is holding the Degree of Bachelor of Commerce and having 28 years of experience in business. Their business experience would be beneficial to the Company. The Board recommends their appointment as Directors in the ensuing Annual General Meeting.

Mr. Gautam R. Ashra and Mr. Shreepal S. Dalal may be deemed to be interested in Resolutions at Item Nos. 4 & 5 respectively of the accompanying Notice as the same relate to their appointment as Directors of the Company. None of the other Directors of the Company is concerned or interested in the Resolution.

Item No. 6

In view of the change in the Financial Year of the Company from a period of twelve months ended 31st March, 2003 to fifteen months ended 30th June, 2003, the remuneration of Auditors, M/s C. C. Chokshi & Co., fixed at the last Annual General Meeting at Rs.3,00,000/-, may be increased proportionately to Rs.3,75,000/- for which a separate resolution is being proposed at the item no.6 of the accompanying Notice at the ensuing Annual General Meeting of the Company.

None of the Directors may be considered to be interested in the proposed resolution.

Item No. 7

Under Section 163 (1) of the Companies Act, 1956, certain documents are required to be kept at the Registered Office of the Company. However, they may be kept at any other place, if such other place has been approved by a Special Resolution passed by the Company in a General Meeting.

At the 40th Annual General Meeting of the Company, it was resolved to keep the said documents at the office of Navinon Limited (formerly, IDI Ltd.), Mafatlal Centre, 5th Floor, Nariman Point, Mumbai-400 021.

In order to comply with Securities & Exchange Board of India (SEBI) Circular dated 27th December, 2002, M/s. Sharepro Services have been appointed as Registrar & Transfer Agents for Physical as well as Electronic Share work of the Company. In view of this, it is decided to keep the Company's Register of Members, Annual Returns, Certificates, other documents pertaining thereto, at the office of the Company's Registrar & Transfer Agents viz. Sharepro Services at their office located at Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai - 400 099 or at such of their other premises within the city of Mumbai as may be decided from time to time. The approval of Members is sought by way of Special Resolution at Item No. 7 of the Notice.

None of the Directors may be considered to be interested in the proposed 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 : 28th January, 2004.



Directors' Report

The financial year of the Company has been extended from 31st March, 2003 to 30th June, 2003. Your Directors therefore present their Report together with the Audited Accounts for the financial year of fifteen months ended 30th June, 2003.

FINANCIAL RESULTS

	2002-2003 15 months (Rs. in Lakhs)	2001-2002 12 months (Rs. in Lakhs)
Loss before Depreciation and Tax	(282.85)	(60.57)
Less: Depreciation	36.70	36.43
Loss before Tax	(319.55)	(97.00)
Add : Excess Provision of Tax of earlier year	(1.07)	20.36
Loss after Tax	(320.62)	(76.64)
Less : Provision for Tax	0.05	0.05
Loss after tax	(320.67)	(76.69)
Balance as per last Balance Sheet	146.26	222.95
	(174.41)	146.26

PERFORMANCE

The total turnover (net of excise) had declined from Rs.29 crores of previous financial year to Rs. 26 crores for the year under report (of fifteen months) ended 30th June, 2003, showing decline by 10% .

The production, and consequently the sale of synthetic resin dispersion declined, due to paucity of working capital. As the manufacturing of synthetic resin dispersion has not been found economically viable, that business along with factory has been disposed of.

The Company is now concentrating on its trading activities. Navinon Ltd., a major supplier of vat dyes, has restarted its manufacturing activities and your Company is hopeful of getting adequate supplies of vat dyes during the current 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 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.

AMALGAMATION OF SUBSIDIARY COMPANIES

Your Company's four wholly owed Subsidiaries viz. Mayoga Investments Ltd, Maparna Investments Ltd., Mahagauri Investments Ltd. and Mahananda Investments Ltd. have not been doing any significant activities for past few years, though the administration cost has to be incurred. It has therefore been decided to amalgamate these subsidiaries with your Company w.e.f. 1st April, 2002 so as to make effective utilization of the resources. The Application for Amalgamation and Petition thereto have been filed by Subsidiaries in respective High Court and Order is awaited.

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

CONSOLIDATED FINANCIAL STATEMENT

As required by SEBI Regulation 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.

Annual Report 2002-2003**SALE OF UNDERTAKING**

As the manufacturing of synthetic resin dispersion has not been found economically viable, the approval of the Shareholders under Section 293(1)(a) of the Companies Act, 1956, was obtained on 28th March, 2003, to dispose of the undertaking of the synthetic resin dispersion along with factory land. Accordingly the Company is in process of sale of factory land and the factory. Synthetic resin dispersion business has been disposed of. The sale proceeds will be utilized to pay off the borrowings.

DIRECTORS

Messrs. Dr. D. S. Mahadevia, C. M. Maniar and V. B. Trivedi have resigned as Directors of the Company. Mr. P. S. Shingala is due to retire by rotation at ensuing Annual General Meeting and he is not seeking re-appointment as Director. Dr. P. S. Samant has ceased to be a Director (Works) on 30th June, 2003 by efflux of time. Your Directors are pleased to record their appreciation of the valuable services rendered by them as Directors.

Mr. Vaman M. Apte will retire by rotation and being eligible, has offered himself for re-appointment at the ensuing Annual General Meeting. Your Directors recommend his re-appointment as Director.

Messrs. Gautam R. Ashra and Shreepal S. Dalal have been appointed as Additional Directors on 29th October, 2003 and will hold that office upto ensuing Annual General Meeting. Your Directors recommend their appointment as Directors liable to retire by rotation.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors state as follows :

- 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 June 30, 2003.
- 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

A separate report on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance is enclosed as per Annexure III and 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

Mafatlal Dyes & Chemicals Staff Association ("the Union"), representing the workmen of the Company, proposed for retirement of all the workmen of the Company. To give effect to the same, a Memorandum of Settlement was arrived at between the Company and the Union in terms of which 61 workmen opted for retirement and ceased to be in the employment of the Company from 1st October, 2003.

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

Your Directors express their thanks to the employees at all levels for their continued co-operation to the Management during the period 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.13 to 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 : 28th January, 2004.



Annexure I

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

(A) CONSERVATION OF ENERGY

The details of energy consumption during the period under report are given here under:

FORM A - ENERGY CONSUMPTION

(a) Power and Fuel Consumption

	Current Year	Previous year
(1) Electricity -Purchased		
Units (KWH)	2,13,278	1,95,552
Total Amount (Rs.)	11,79,150.00	10,48,746.00
Rate (Average)/Unit KWH (Rs.)	5.53	5.36
(2) Light Diesel Oil (L.D.O.)		
Quantity (Ltrs)	52,608	51,380
Total Amount (Rs.)	9,73,249.00	9,03,085.00
Rate (Average) Ltr.Rs.	18.50	17.58
(b) Consumption per unit (in Tonne) of Production		
Product : Synthetic Resin Dispersions		
Electricity (KWH/Tonne)	74.26	63.02
L.D.O.(Ltr./Tonne)	18.31	16.59

(B) FORM B - TECHNOLOGY ABSORPTION

1. Research and Development

R&D efforts were directed towards improvement of manufacturing products. The Technical Services & Development Department (TSDD) of the Company is now concentrating on testing and quality check of trading products and customers service.

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.

(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 used	Rs.84.52 lakhs
(b) Foreign Exchange earned	Rs.19.15 lakhs

On behalf of the Board

Y. N. MAFATLAL
CHAIRMAN

Mumbai,
Dated : 28th January, 2004.

Annual Report 2002-2003**Annexure II
MANAGEMENT DISCUSSION & ANALYSIS****Industry Structure and Development**

Your Company has been manufacturing synthetic resin dispersions and as this has not been found economically viable to continue manufacturing, the factory along with emulsion business has been disposed of. Consequently, your Company will now continue its trading activities in a wide range of its outsourced products like vats, auxiliaries and certain speciality chemicals.

Opportunities, threats, risks and outlook

In the past, the major portion of the turnover of the traded products included vat dyes manufactured by Navinon Ltd., who had suspended production and supplies about two years ago. They have now restarted their production and supplies to the Company. Your Company expects to enhance its turnover from the supplies of the aforesaid vat dyes along with other outsourced products like auxiliaries and speciality chemicals provided adequate working capital finance is available. With the Restructuring of the business and the measure for reduction in costs like employees cost on account of reduction in number of employees, it is expected that your company's turnover and profitability may show considerable improvement in the years to come.

Segment wise performance

There are three income generating segments. Segment-wise revenue for the period of fifteen months ended 30.6.2003 are as follows, viz. (i) Manufactured products: Rs.1407.19 lakhs, (ii) Outsource / re-sale products: Rs.1215.82 lakhs and (iii) Rental on premises: leased out Rs.316.19 lakhs.

The income from re-sale products has been adversely affected as major suppliers of vat dyes have been unable to produce and supply the required quantities. The lease rentals have reduced on account of non-renewal of Leave and License of one of the premises and renewal of lease premises at lower lease rentals. Lease rentals are also utilized for repayment of loan and interest to a financial institution and they are not available to meet working capital requirements of the company.

Internal Control System

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

Human Resource

61 workmen have retired under the settlement arrived at with their union. As a result, employee cost has come down. The trading business can be continued with the remaining employees, increasing marginally, if necessary, keeping with business volume.



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 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 of Directors comprises of Executive and Non-Executive Directors. As of 30th June, 2003, the strength of the Board of Directors is seven. The Executive Director and Director-Works are the whole-time Directors, the remaining five being Non-Executive Directors, of which three are independent Directors.

During the period from 1st April, 2002 to 30th June, 2003, Six Meetings of the Board of Directors were held on 23rd April, 2002, 23rd August, 2002, 27th September, 2002, 31st October, 2002, 31st January, 2003 and 21st April, 2003 and two Meetings of Sub-Committee of Directors were held on 31st July, 2002 and 30th April, 2003. The Annual General Meeting was held on 28th November, 2002.

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 other public Companies are given hereunder :

Sr. No	Name of the Director	Category of Directors	FY 2002-03 Attendance at		As on 30 th June, 2003		
			Board Meetings	Last AGM	No. of other Directorships*	Committee positions in other Public Companies	
						Member	Chairman
1.	Mr. Y. N. Mafatlal**	Chairman, Promoter, Non-Executive	3	No	7	Nil	Nil
2.	Mr. A. Y. Mafatlal**	Vice Chairman, Promoter, Non-Executive	5	Yes	6	Nil	Nil
3.	Mr. U. S. Laxmipathy	Executive Director	6	Yes	1	Nil	Nil
4.	Dr. P. S. Samant (Director upto 30.6.03)	Director (Works)	3	Yes	Nil	Nil	Nil
5.	Mr. C. M. Maniar (Director upto 15.6.03)	Independent, Non-Executive	3	No	N.A	N.A	N.A
6.	Dr. D. S. Mahadevia (Director upto 21.1.03)	Independent, Non-Executive	2	No	N.A	N.A	N.A
7.	Mr. M.B. Harivallabhdas (Director upto 29.9.02)	Independent, Non-Executive	2	No	N.A	N.A	N.A
8.	Mr. P. S. Shingala	Independent, Non-Executive	4	Yes	5	Nil	Nil
9.	Mr. V. M. Apte	Independent, Non-Executive	3	No	4	Nil	Nil
10.	Mr. V. B. Trivedi (Director upto 16.9.03)	Independent, Non-Executive	6	Yes	1	Nil	Nil

* Other Directorships exclude directorships held in Private Limited Companies, Foreign Companies & Alternate Directorships.

** Permanent Directors