



MCF

Mangalore Chemicals & Fertilizers Limited

M-170

Annual Report 1999-2000

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Mr. G. V. A. Sastry, Senior Vice President [Works], receiving the Fertilizer Association of India Award for "Improvement in Overall Performance" for 1998-99 from Mr. Suresh Prabhu, Hon'ble Union Minister for Chemicals and Fertilizers.



Mock Safety Drill near the Horton Sphere inside the plant.



Directors

Vijay Mallya, *Chairman*
D. P. Mehta, *Managing Director*
S. R. Gupte, *UB Group nominee*
B. S. Patil, *Government of Karnataka nominee*
C. K. Neelakanta Raj, *Government of Karnataka nominee*
J. K. Ray, *Institutional nominee*
S. Narayanswamy, *Institutional nominee*
G. Asvathanarayan, *BIFR Special Director*
Mani Narayanswami, *Independent Director*
G. V. A. Sastry, *Wholetime Director*

Financial Institutions

Industrial Development Bank of India
Industrial Finance Corporation of India Limited
Industrial Credit and Investment Corporation of India Limited
Life Insurance Corporation of India
Industrial Investment Bank of India Limited
Unit Trust of India
General Insurance Corporation of India

Legal Advisors

King & Partridge

Auditors

Fraser & Ross

Bankers

State Bank of India
Canara Bank
Punjab National Bank
State Bank of Mysore
State Bank of Travancore
Syndicate Bank
Bank of Baroda
Indian Overseas Bank
Corporation Bank
Karnataka State Co-operative Apex Bank Ltd.

Registered Office

10/2, Kasturba Road
Bangalore – 560 001

Works

Panambur
Mangalore – 575 010

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Mr. D. P. Mehta, Managing Director, lighting the lamp to inaugurate the work on the *Water Distribution System at Lingappayyakadu* – a community welfare project jointly undertaken by the Company and the UK-MCF-TGB Gram Vikas Trust.



Mr. D. P. Mehta, Managing Director, handing over the *Community Hall*, constructed by the UK-MCF-TGB Gram Vikas Trust, to His Holiness, Sri Chandramouleshwara Swamiji of Tegginmath, Harapanahalli. Mr. Nandihalli Halappa M.L.A. looks on.



NOTICE

To
The Members

NOTICE is hereby given that the Thirty-third Annual General Meeting of the Members of the Company will be held at 11.00 a.m. on Monday, January 15, 2001 at Gurunanak Bhavan (Behind Chamundeshwari Studio), No. 6, Miller Tank Road, Vasanthnagar, Bangalore - 560 052 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2000 and the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and the Statutory Auditors.
2. To appoint Mr. Mani Narayanswami, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and in this connection, to pass, with or without modifications, the following resolution as a **Special Resolution**:

RESOLVED THAT M/s Fraser & Ross, Chartered Accountants, retiring Auditors of the Company, be and are hereby re-appointed Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting, on a remuneration of such sum as may be fixed by the Board of Directors, in addition to reimbursement of travel and out-of-pocket expenses incurred by them for the purpose of Audit of the Company's Accounts.

SPECIAL BUSINESS:

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

"RESOLVED that pursuant to Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended, altered and/or substituted with marginal notes there against in the following manner and to the extent as is set out herein below:

- 4.1. Definition of "Shareholders" or "Members" in the existing Article 1 [q] be substituted with the following:
"Shareholder" or "Member" means the duly registered holders of the shares from time to time and includes the subscribers to the Memorandum of Association of the Company and the beneficial owner[s] as defined in Clause [a] of sub-section (1) of Section 2 of the Depositories Act, 1996.
- 4.2. After Article 1[q], the following new Articles be inserted and be numbered as 1[r], 1[s], 1[t] and 1[u]

and the subsequent articles as existing be renumbered in the same order.

- 1[r] - **Beneficial Owner:** "Beneficial Owner" means the beneficial owner as defined in Clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996;
- 1[s] - **Bye-Laws:** "Bye-Laws" means bye-laws made by a Depository under Section 26 of the Depositories Act, 1996;
- 1[t] - **Depositories Act:** "Depositories Act" means the Depositories Act, 1996 and any statutory modification or re-enactment thereof for the time being in force;
- 1[u] - **Depository:** "Depository" means a Company formed and registered under the Companies Act, 1956 [the Act] and which has been granted a Certificate of Registration under sub-section [1A] of Section 12 of the Securities and Exchange Board of India Act, 1992.

4.3. POWER OF COMPANY TO PURCHASE ITS OWN SHARES:

The existing Article 3 be substituted with the following:

"Purchase by the Company of its own Shares"

"The Company may purchase its own shares or other specified securities in accordance with the provisions of Section 77A and other applicable provisions of the Act."

- 4.4. After the existing Article 5(b), the following new Articles be inserted as 5(c), 5(d), 5(e) and 5(f):

5(c) Register and Index of Members

"The Company shall cause to be kept a Register and Index of Members in accordance with all applicable provisions of the Companies Act, 1956, and the Depositories Act, 1996 with details of shares held in material and dematerialised forms in any media as may be permitted by law including any form of electronic media."

5(d) Shares to be numbered progressively and no share to be sub-divided

"The shares in the capital of the Company shall be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except in the manner herein before mentioned, no share shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished."

5(e) Dematerialised Shares

"Company shall be entitled to dematerialise its existing shares, rematerialise the shares held in Depositories and/or to offer fresh shares in dematerialised form pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any."

5(f) Company not bound to Recognise any interest in share other than that of Registered holder

"Except as ordered by a Court of Competent Jurisdiction or as by Law required, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not be bound to recognise any benami, trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not he shall have express or implied notice thereof. The Board shall be entitled at their sole discretion to register any shares in the joint names of any two or more persons or the survivor or survivors of them."

4.5. DEMATERIALISATION OF SECURITIES:

After the present Article 11, the following new Article be inserted as Article 11(A):

"11 (A) Dematerialisation of Securities:

- i) Either on the Company or on the investor exercising an option to hold his securities with a Depository in a dematerialised form, the Company shall enter into an agreement with the Depository to enable the investor to dematerialise the securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act, 1996.

Options to receive Security Certificates or hold Securities with Depository:

- ii) Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or hold securities with a Depository. Where a person opts to hold a security with a depository, the Company shall intimate such depository the details of such allotment of the security and on receipt of such information the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in Depositories to be in fungible form:

- iii) All securities held by a depository shall be dematerialised and shall be in a fungible form. Nothing contained in Sections 133, 153A, 153B,

187B, 187C and 372 of the Act, shall apply to a depository in respect of securities held by it on behalf of beneficial owners.

Rights of Depositories and beneficial owners:

- iv) a) Notwithstanding anything to the contrary contained in the articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- b) Save as otherwise provided in (a) above, the depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it.
- c) Every person holding equity share capital of the Company and whose name is entered as beneficial owner in records of the depository shall be deemed to be a member of the Company. The beneficial owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the securities held by a depository.

Depository to furnish information:

- v) Every depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by the bye-laws of the depositories and the Company in that behalf.

Option to opt out in respect of any security:

- vi) Subject to the provisions of Section 8 of the Depositories Act, 1996, if a beneficial owner seeks to opt out of depository in respect of any security, the beneficial owner shall inform the depository accordingly. The depository shall, on receipt of such intimation, make appropriate entries in its records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of the intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.

Section 83 and 108 of the Act not to apply:

- vii) Notwithstanding anything to the contrary contained in the articles:
 - a) Section 83 of the Act shall not apply to the shares held with a depository;
 - b) Section 108 of the Act shall not apply to transfer of security effected by the

transferor and the transferee both of whom are entered as beneficial owners in the records of the depository.

4.6. After the present Article 44, the following new Articles be inserted and be numbered as 44[A] and 44[B]:

44 [A] Nomination of Shares

- a) Every holder of shares in or debenture of the Company may at any time nominate, in the prescribed manner as provided under Section 109A of the Act, a person to whom his shares in, or debentures of the Company shall vest in the event of his/her death.
- b) Where the shares in, or debentures of the Company are held by more than one person jointly, the joint holder may together nominate, in the prescribed manner under Section 109A of the Act, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint holders.
- c) Notwithstanding anything contained in any other law for time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in, or debentures of the Company, where a nomination made in the prescribed manner under Section 109A of the Act, purports to confer on any person the right to vest the shares in, or debentures of the Company, the nominee shall, on the death of the shareholder or holder of debentures of the Company or as the case may be, on the death of the joint holders, become entitled to all the rights in the shares or debentures of the Company or, as the case may be all the joint holders in relation to such shares in, or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner under Section 109A of the Act.
- d) Where the nominee is a minor, it shall be lawful for the holder of the shares or the holder of debentures, to make the nomination to appoint, in the prescribed manner under Section 109A of the Act, any person to become entitled to shares in, or debentures of the Company, in the event of his/her death during the minority;

44 [B] Register of Transfers

The Company shall keep a "Register of Transfers" and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share and debenture held in material form.

4.7. After present Article 47, the following new Articles be inserted and be numbered as 47[A] and 47[B]:

47[A] Transmission of Shares

- a) Any person who becomes a nominee by virtue of the provisions of Section 109A of the Act, (refer Article 44[A]) upon the production of such evidence as may be required by the Board and subject to as hereinafter provided, elect, either:
 - i) to be registered himself/herself as holder of the shares or debentures, as the case may be; or
 - ii) to make such transfer of the shares or debentures, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.
- b) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased shareholder or debenture holder, as the case may be, had transferred shares or debentures, as the case may be, before his death.
- c) If the person being a nominee, so become entitled, elects to be registered as holder of the shares or debentures, himself/herself as the case may be, he/she shall deliver or sent to the Company a notice in writing signed by him/her stating that he/she so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder, as the case may be.
- d) All the limitations, restrictions and provisions of the Act relating to the right to transfer and the registration of transfer of shares or debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice or transfer were a transfer signed by that shareholder or debenture holder, as the case may be.
- e) A person being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the shares or debentures except that he shall not, before being registered as a member in respect of his/her shares or debenture be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself/herself or to transfer the share or debenture, and if the notice is not complied within 90 days, the Board may thereafter withhold the payment of all dividends, bonuses or other monies payable in respect of the share or debenture, until the requirements of the notice have been complied with.

47[B] Transfer & Transmission of Shares held in Electronic Form

In case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in any electronic and fungible form in a Depository, the provisions of the Depository Act, 1996 shall apply.

- 4.8. After the existing Article 94, the following new Article be inserted and be numbered as 94(A):

94(A) Composition of Board of Directors

Company shall have an optimum combination of Executive and Non-Executive Directors with not less than 50% of the Board of Directors comprising of Non-Executive Directors. The number of independent Directors would depend whether the Chairman is Executive or Non-Executive. In case of a Non-Executive Chairman, at least 1/3rd of the Board shall comprise of independent Directors and in case of Executive Chairman, at least half of Board shall comprise of independent Directors.

The expression "Independent Directors" means Directors who apart from receiving Directors' remuneration, do not have any other material pecuniary relationship or transaction with the Company, its promoters, its management or its subsidiaries which in the judgement of the Board may affect independence of the judgement of the Directors. Such pecuniary relationship or transaction as between the Non-Executive Directors and the Company shall be disclosed therefor in the Annual Report of the Company.

- 4.9. The existing Article 98(a) be substituted with the following:

98(a) Special Directors

Notwithstanding anything to the contrary contained in these Articles, so long as any moneys shall be owing by the Company to financial institutions/banks/corporation [hereinafter referred to as the "lending agency"], or so long as the lending agency holds any share or debentures in the Company as a result of subscription or underwriting or conversion of loan/debenture into equity capital of the Company or so long as any guarantee given by lending agency in respect of any financial obligation/commitment of the Company remains outstanding, the lending agency shall pursuant to an agreement between it and the Company have a right to appoint one or more persons as Director(s) on the Board of Directors of the Company [each such Director is hereinafter referred to as the Special Director].

The Special Director shall not be required to hold qualification shares and shall not be liable to retire by rotation.

The lending agency may at any time and from time to time remove the Special Director appointed by it and may in the event of such removal and also in case of death or resignation of the Special Director, appoint another in his place and also fill any vacancy which may occur as a result of the Special Director ceasing to hold office for any reason whatsoever. Such appointment or removal shall be made in writing by the lending agency and shall be delivered to the Company at its registered office. The Board of Directors of the Company shall have no power to remove the Special Director from office. Each Special Director shall be entitled to attend all General Meetings, Board Meetings and Meetings of the Committee of which he is a member and he and the lending agency appointing him shall also be entitled to receive notices of all such Meetings.

The Special Director shall be paid normal fees and expenses to which other Directors are entitled, but if any other fees, commission, monies or remuneration in any form is payable to the Directors of the Company, the fees, commission, monies and remuneration in relation to such special Director/s shall accrue to the lending agency and the same shall accordingly be paid by the Company directly to the lending agency. Any expenses that may be incurred by the lending agency or such Special Director/s in connection with their appointment or directorship shall also be paid or reimbursed by the Company to the lending agency or, as the case may be to such Special Director/s.

Provided that if any such Special Director/s is an officer of the lending agency, the sitting fees, in relation to such Special Director/s shall also accrue to the lending agency and the same shall accordingly be paid by the Company directly to the lending agency.

- 4.10 For the existing Article 99, the following new provision be substituted:

Director's Fees

Unless and otherwise determined by the Company in General Meeting, each Director shall be paid out of the funds of the Company by way of remuneration/sitting fees for the services upto a maximum sum of Rs. 5,000/- per Meeting of the Board or Committee thereof attended by him. This is subject, however, to the provisions of Section 310 of the Companies Act read with amended provisions of Rule 10-B of

the Companies [Central Government] General Rules and Forms, 1956.

Subject to the related provisions of the Act and subject also to the principle of appointment as the persons and the periods in a year for which they are to be paid, the Directors other than a Managing or Wholtime Director may also be paid in respect of each year a commission [to be divided among them in such manner as they may, from time to time, determine and, in default of such determination, equally] on the net profits of the Company computed in the manner referred to in sub-section (1) of the Section 198 of the Act.

All other remuneration, if any, payable by the Company to each Director, whether in respect of his services as a Managing Director or a Director in the whole or part time employment of the Company, shall be determined in accordance with and subject to the provisions of these Articles and of the Act.

The Directors shall also be entitled to be paid their travelling, hotel and other expenses incurred in consequence of their attending the Board and Committee Meetings or otherwise incurred in the execution of their duties as Directors.

5. To consider, and if thought fit, to pass with or without modification, the following as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. G. V. A. Sastry, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 112 of the Company's Articles of Association, holds office upto the date of this Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing the candidature of Mr. G. V. A. Sastry for the office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company."

RESOLVED FURTHER THAT in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 [including any statutory modification(s) or re-enactment thereof, for the time being in force], the consent of the Company be and is hereby accorded to the appointment of Mr. G. V. A. Sastry as a Wholtime Director till the date of the next Annual General Meeting or any other earlier date as determined by the Board of Directors on the terms and conditions, including remuneration, as are set out in the agreement to be entered into between the Company and Mr. G. V. A. Sastry [copy attached].

The Board of Directors are at liberty to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification[s] or re-enactment thereof, for the time being in force or any amendment and/or modification[s] that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Mr. G. V. A. Sastry.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution.

By Order of the Board



S. Kannan

Company Secretary

Bangalore - 560 001
December 21, 2000

Abstract of the draft agreement to be entered into by the Company with Mr. G. V. A. Sastry, in respect of his appointment, *inter alia*, contains the following terms and conditions:

1. The tenure of his appointment will be upto the date of next Annual General Meeting or any other earlier date as determined by the Board of Directors.
2. SALARY: Rs. 52,000/- p.m.
3. Besides salary, he shall be entitled to perquisites and allowances like leased accommodation, house maintenance allowance, medical reimbursement, leave travel concession for self and his family and Company maintained car as per ceilings prescribed under the rules of the Company and subject to the overall ceiling of remuneration stipulated in Sections 198 and 309 of the Companies Act, 1956. The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules thereunder [including any statutory modification[s] or re-enactment thereof, for the time being in force].
4. The terms and conditions as set out in the draft agreement may be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion deem fit, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments made thereto.
5. The above may be treated as an abstract of the draft agreement proposed to be entered into between the Company and Mr. G. V. A. Sastry, pursuant to Section 302 of the Companies Act, 1956.

**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 SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. A proxy form should be lodged with the Company at its Regd. Office at least 48 hours before the time of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from January 13 to 15, 2001 (both days inclusive).
4. The Company has already transferred all unpaid/unclaimed dividends declared for the years 1986 and 1987 to the General Reserve Account, in terms of Section 205A of the Companies Act, 1956, and as required by the Company's unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules, 1978. Members concerned may, therefore, submit their claim in the prescribed form to the Registrar of Companies, Karnataka, II Floor, E Wing, Kendriya Sadan, Koramangala, Bangalore – 560 034.
5. Members are requested to notify immediately any change in their address to the Company's Regd. Office, quoting their ledger folio number.
6. For transmission claims:
To establish the claim for the shares of a deceased shareholder, kindly submit:
 - a) Death Certificate, Succession Certificate/Letter of Administration/Probate of 'Will' issued by a Court of Competent Jurisdiction, in original, together with xerox copies thereof.
 - b) The original documents will be returned after effecting transmission of the shares.
 - c) Original Share Certificate(s) and uncashed Dividend Warrant(s), if any.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173[2] OF THE COMPANIES ACT, 1956

The Explanatory Statement for Item Nos. 4 and 5 of the accompanying Notice set out hereinabove is as under:

Item No. 4

The amendments to the Articles of Association have become necessary in view of the amendments to the Companies Act, dematerialisation of shares and the guidelines issued by SEBI on Corporate Governance.

The Directors commend the aforesaid resolutions for approval of the members.

Item No. 5

Mr. G. V. A. Sastry was appointed by the Board of Directors as an Additional Director on 27.4.2000. Pursuant to Section 260 of the Companies Act, 1956, Mr. G. V. A. Sastry will hold office as Additional Director upto the date of the ensuing Annual General Meeting. The Company has received a Notice in writing from a member proposing the candidature of Mr. G. V. A. Sastry for the Office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. G. V. A. Sastry a B.E. [Mech.], MIE, is having wide experience in the operations of a fertilizer complex. He has been with the Company from 1973 to 1992 and again from 1995. Keeping in view his expertise in the field of fertilisers, subject to the approval of Annual General Meeting, the Board of Directors, at its meeting held on 7.12.2000, appointed him as a Wholtime Director of the Company upto the date of the next Annual General Meeting or any other earlier date determined by the Board of Directors.

The remuneration payable to Mr. G. V. A. Sastry has been determined by the Board of Directors and is in accordance with the Act and Rules made thereunder.

Your Directors commend the resolution for your approval.

Mr. G. V. A. Sastry is deemed to be concerned or interested in the resolution. None of the other Directors of the Company are, in any way, concerned or interested in the said resolution.