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FOR DERA PAINTS & CHEM. LTD.

Managing Director

10th Annual Report 1999-2000

DERA

PAINTS AND CHEMICALS LIMITED

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MUMBAI

BOARD OF DIRECTORS

Shri Kumar V. Shah - Chairman & Managing Director
Shri Kirtikumar C. Shah
Shri Hanumant A. Salunkhe

AUDITORS

M/s. H.N. Motiwala & Co.
Chartered Accountant

BANKERS

ALLAHABAD BANK
BANK OF INDIA

SOLICITORS & LEGAL ADVISORS

Dhru & Company
Krishna Gopal Tripathi

REGISTERED OFFICE

Gala No. 2, I.B. Patel Industrial Estate,
I.B. Patel Road,
Goregaon (East)
Mumbai - 400 063.

HEAD OFFICE

B- 53/54, Nand Bhuvan Indl. Estate,
21, Mahakali Caves Road,
Andheri (East), Mumbai - 400 093.
Maharashtra

WORKS

PLANT - I

Plot No. 3, Sector II,
Vasai Taluka Co-op. Indl. Estate,
Vasai (East), Dist. Thane - 401 208.
Maharashtra

PLANT - II

D- 27/5, M.I.D.C.
Lote Parshuram, Tal. Khed,
Dist. Ratnagiri - 415 722.
Maharashtra

SHARES DEPARTMENT

B/53-54, Nand Bhuvan Indl. Estate,
Mahakali Caves Road,
Andheri (East),
Mumbai - 400 093.
Maharashtra

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DERA PAINTS & CHEMICALS LTD.



NOTICE

NOTICE is hereby given that the 10th Annual General Meeting of the members of Dera Paints & Chemicals Limited, will be held at B-53/54, Nand Bhuvan Industrial Estate, 21, Mahakali Caves Rd, Andheri (East), Mumbai - 400 093, on Monday, the 9th day of October, 2000 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS.

1. To receive consider and adopt the audited 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 appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
3. To appoint a director in place of Shri. Kirit C. Shah, who retired by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that, pursuant to the sections 198, 269, 309, 310, 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) approval of the members of the Company be and is hereby accorded to the appointment and remuneration payable to Shri Hanumant A. Salunkhe as a Whole Time Director with effect from 6.10.99 for a period of 5 years on the terms and conditions as set out in the annexed explanatory statement with liberty to the Board of Directors to alter, vary and modify the said remuneration as well as other terms and conditions of his appointment in such manner as may be agreed to between the Board of Directors and Shri. Hanumant A. Salunkhe within and in accordance with the limits prescribed in Schedule XIII to the Companies Act, 1956 or any amendment thereto or any re-enactment thereof and, if necessary, as may be agreed between Central Government and the Board of Directors and as may be acceptable to Shri. Hanumant A. Salunkhe without requiring any further resolution or consent of the shareholders of the Company and lastly that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, desirable or expedient to give effect to this resolution".

"RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year of the Company during Shri. Hanumant A. Salunkhe's terms of office as the Whole Time Director, the salary, perquisites and other benefits which otherwise would have been payable to him be allowed/paid as minimum remuneration".
5. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED that, pursuant to the provisions of section 163 and other applicable provisions, if any, of the Companies Act, 1956, hereinafter referred to as "the Act", the company hereby approves that the Register of Members, the Index of Members, Share transfer Registers, Share transfer deeds, copies of Annual returns prepared and submitted by the Company under section 159 of the Act, together with the copies of certificates and documents required to be annexed thereto under section 161 of the Act and all such other records, registers and documents pertaining to the shares, transfer of shares and the members of the company, shall be kept at the Head Office of the company, at B-53/54, Nand Bhuvan Industrial Estate, 21, Mahakali Caves Rd, Andheri (East), Mumbai - 400 093, instead of at the premises of System Support Services, pursuant to the termination of their appointment as the Registrars and Transfer Agents of the Company."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE, IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. Proxies to be effective must be received by the Company not less than 48 hours before the time for the meeting.
2. The Register of Members and Share Transfer Books of the Company will be closed from 6th October, 2000 to 7th October, 2000 (both days inclusive).
3. The Members are requested to notify any change in their address to the company at B-53/54, Nand Bhuvan Industrial Estate, 21, Mahakali Caves Rd, Andheri (East), Mumbai - 400 093.
4. Members/proxies should bring their copies of the Annual Report and the admission slip duly filled in for attending the meeting.
5. Members desiring any information as regards the Accounts are requested to write to the Company at least seven days before the date of Annual General Meeting so as to enable the Management to keep the information ready.

EXPLANATORY STATEMENT pursuant to Section 173(2) of the Companies Act, 1956.

ITEM NO. 4

Shri. Hanumant A. Salunkhe has been associated with the Company for several years and w.e.f. 6.10.99 he is on the Board of Directors of the Company. The Board of Directors have felt that it would be in the best interests of the Company to appoint Shri. Hanumant A. Salunkhe as Whole Time Director of the Company. Accordingly, the Board of Directors at its meeting held on 6.10.99 have appointed Shri. Hanumant A. Salunkhe as Whole Time Director with effect from 6.10.99 for

DERA PAINTS & CHEMICALS LTD.



a period of 5 years in accordance with and within the limits prescribed under the recent notification for amendment in the Schedule XIII to the Companies Act, 1956.

TERMS OF REMUNERATION PAYABLE TO SHRI. HANUMANT A. SALUNKHE, ARE AS FOLLOWS :

1. **SALARY :** Salary of Rs. 3,680/- (Rupees Three Thousand Six Hundred Eighty Only) per month. He will be eligible for such increments as the Board may sanction from time to time but not exceeding the parameters laid down in schedule XIII of the Companies Act, 1956.
2. **PERQUISITES :** Perquisites will be allowed in addition to salary and shall be restricted to an amount equal to the Annual Salary. The perquisites are classified into three categories "A", "B" and "C" as follows "

CATEGORY "A" :

This will comprise house rent allowance, leave travel concession, medical reimbursement, fees of clubs and personal accident insurance, provided for as under :-

Housing I : The expenditure by the Company on hiring furnished accommodation for Shri. Hanumant A. Salunkhe will be subject to the following ceiling :-

Sixty percent of the salary, over and above ten percent payable by Shri. Hanumant A. Salunkhe. **Housing II :** In case the accommodation is owned by the Company, ten percent of the salary of Shri. Hanumant A. Salunkhe shall be deducted by the Company.

Housing III : In case no accommodation is provided by the Company, Shri. Hanumant A. Salunkhe shall be entitled to house rent allowance subject to the ceiling laid down in Housing I above and subject to rules of the company..

The expenditure incurred by the Company, if any, on gas, electricity water and furnishing will be valued as per the Income-tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of Shri. Hanumant A. Salunkhe.

Medical reimbursement : Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

3. **Leave Travel Concession :** For self and family once in a year incurred in accordance with any rules specified by the Company.

4. **Club Fees :** Fees of club subject to a maximum of two clubs. This will not include admission and life membership fee.

5. **Personal Accident Insurance :** Premium not to exceed Rs. 4,000/- (Rupees Four Thousand Only) per annum.

Explanation : For the purpose of Category "A", "family" means the spouse, the dependent children and dependent parents of Shri. Hanumant A. Salunkhe.

Category "B" Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the income-tax Act. Gratuity payable shall not exceed half a month's salary for each completed year of service.

2. **Encashment of leave at the end of the tenure** will not be included in the computation of the ceiling of perquisites.

Category "C" Provision of car for use of Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to Shri. Hanumant A. Salunkhe

Leave : Annual leave on full pay and allowance in accordance with the rules of the Company, but not exceeding one month's leave for every 11 months of service subject to the condition that leave accumulated and not availed of shall not be encashed. In addition he shall be entitled to casual leave, sick leave and other leave as per the rules of the Company applicable to the Senior Managers of the Company.

The remuneration and perquisites decided within the limits as set out above, shall be "minimum remuneration" payable to the Whole Time Director, notwithstanding that in any financial year the Company makes no profits or the profits are inadequate.

The approval of the members is sought to the appointment, remuneration, perquisites and benefits payable to Shri. Hanumant A. Salunkhe. Besides Shri. Hanumant A. Salunkhe, no other Director is concerned or interested in the resolution.

The above details of remuneration, etc. may be deemed to be an abstract under section 302 of the Companies Act, 1956.

Item No. 5

The company had decided to terminate the appointment of System Support Services as the Registrars and Transfer Agents of the Company. Hence their services have been discontinued and the work of Registrars and Transfer Agents has been taken up in-house by the company's own shares department.

None of the directors of the Company are considered to be concerned or interested in the resolution.

REGISTERED OFFICE :

Gala No. 2, I. B. Patel Ind. Est.
I. B. Patel Road, Goregaon (E),
Mumbai - 400 063.

Place : Mumbai

Date : 11th September, 2000.

By Order of the Board

KUMAR V. SHAH
CHAIRMAN & MANAGING DIRECTOR

DERA PAINTS & CHEMICALS LTD.



DIRECTORS' REPORT

Your Directors submit hereby the 10th Annual Report together with the Audited Accounts for the year ended 31st March, 2000

1. FINANCIAL HIGHLIGHTS

The financial results of the company are as under :-

	1999-2000	1998-99
Loss before Depreciation and tax	(279.71)	(367.16)
Add: Depreciation on fixed assets	21.85	21.93
Loss before tax	(301.55)	(389.09)
Loss after tax	(301.55)	(389.09)
Add: Income tax of earlier years	-	(5.96)
Add: Prior period adjustments	(0.94)	(7.79)
Net Loss for the year	(302.50)	(402.84)
Add: Surplus / Loss b/f from previous yr.	(370.31)	32.53
Balance loss c/f	(672.81)	(370.31)

2. OPERATIONS & OUTLOOK

During the year, the company recorded a turnover of Rs. 2,424 lacs. Despite this, the company posted a net loss for the year of Rs. 302.50 lacs.

The operations of the company were badly hampered by paucity of working capital, sluggish market conditions, after-effects of the fire at the Vasai Plant in November 1998 and general depressive trends in the industry.

The company repeatedly requested and followed up with the bankers to expedite sanction of need based working capital, rehabilitation finance and NOC for sale of office premises to settle the dues of SICOM. But, these efforts were in vain as the bank adopted an indecisive approach to the matter. Despite assuring SICOM on various occasions of favourable consideration of the company's request for release of NOC, the bank went back on its assurances. As a result, SICOM was compelled to take-over the Lote Parshuram Unit by invoking provisions of section 29(1) of SFC's Act, on 1.11.99 and on 10.3.2000. The plant operations suffered as a result and the company underwent the agony and costs of plant closure, loss of production and sales, loss of market standing and credit worthiness.

The company's insurance claim in respect of the fire at the Vasai Plant too, is yet to be admitted and released. The management is vigorously following up with the Insurance Company. In the meantime, the Vasai Plant continues to remain in-operative.

The company had put forward a consolidated proposal for rehabilitation with reliefs and concessions to SICOM and Bank of India. However, in view of considerable delay in processing of the same, the company has entered into a One Time Settlement with SICOM, whereby, the entire dues have been settled at a sum of Rs. 82 lacs to be paid on or before 19.9.2000. Of this, the company has already paid Rs. 30 lacs. Efforts are being made to arrange funds for the balance payment.

As the net worth of the company has eroded totally as on 31.3.2000, the management had filed a reference to BIFR u/s 15(1) of SICA 1985, based on unaudited accounts with a view to ensure speedy rehabilitation and safeguard the interests of the company. A hearing to consider the reference is scheduled to be held on 19.9.2000.

In the meantime, the management is putting in its best efforts to keep operations going and generate adequate cash flows to meet bare minimum overheads and keep the plant in operation. With adequate support in the form of rehabilitation assistance from bankers, receipt of insurance claim and uninterrupted full scale production at both the plants, the company can look forward to better performances in the coming year.

DERA PAINTS & CHEMICALS LTD.**3. DIVIDEND**

In view of the loss the directors are unable to recommend any dividend for the year.

4. FIXED DEPOSITS

There are no unclaimed deposits as at 31st March, 2000.

5. DIRECTORS

1. Shri. Hanumant A. Salunkhe, who was co-opted as an additional Director w.e.f. 6.10.99 by the Board and appointed by the members at the last Annual General Meeting held on 29.2.2000, is now proposed to be appointed as a whole time director w.e.f. 6.10.99, on the terms set out in the proposed resolution contained in the notice convening the 10th Annual General Meeting and explanatory statement annexed thereto.
2. Shri. Kirit C. Shah retires by rotation and being eligible, offers himself for re-appointment.

6. AUDITORS

M/s. H. N. Motiwalla & Co. Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are eligible for re- appointment.

7. PARTICULARS OF EMPLOYEES

The company has no employees in respect of whom information under sub-section 2A of section 217 of the companies Act, 1956 is required to be furnished.

8. AUDITORS' REPORT

Regarding qualification and remarks in the Auditors' Report, your directors have to state that these are self explanatory and/or are receiving the attention of the Management.

9. CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217 (1) (e) of the companies Act, 1956 read with the companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure -I which forms part of this report.

10. STATUS UNDER SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985.

The Company's net worth having eroded totally as at 31.3.2000, the directors have held a Board meeting on 5.8.2000 and formed the opinion that the company has become a sick industrial company in terms of section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985. Accordingly, a reference was filed with BIFR u/s 15(1) of the Act. A decision on the reference is awaited.

11. STATUS OF Y2K COMPLIANCE

The Company's systems are Y2K Compliant.

12. APPRECIATION

Your Directors wish to place on record their appreciation of whole hearted co-operation and support from employees, Bankers, Financial Institutions, Shareholders and various Government Agencies and look forward to the same extent of co-operation and cordial support.

For and on behalf of the Board of Directors

KUMAR V. SHAH
CHAIRMAN & MANAGING DIRECTOR

PLACE : MUMBAI

DATE : 11th September, 2000.