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**○ Snowcem India Ltd.**



**44<sup>th</sup> Annual Report  
2001-2002**

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## DIRECTORS :

S. N. TALWAR

Chairman

(Alternate to Mr. P. J. Cook)

Resigned on December 10, 2001

Dr. R. Srinivasan

Chairman

Appointed on January 9, 2002

Resigned on December 26, 2002

R. J. Paymaster

Chairman

Appointed on January 9, 2002

T. B. Ruia

Managing Director

P. J. Cook

Micheal D. Simmons

P. C. D. Nambiar

Resigned on December 10, 2001

Field Marshal Sam Manekshaw

Resigned on December 10, 2001

Dr. A. K. Bhattacharya

(Alternate to Mr. Michael D. Simmons)

Resigned on December 10, 2001

D. T. Ruia

Pavan G. Morarka

Dr. Manfred Krauth

A. V. Kale

Executive Director

## BANKERS

Allahabad Bank

State Bank of Hyderabad

The Federal Bank Limited

Abu Dhabi Commercial Bank Limited

## AUDITORS

M/s. R. S. Shah & Associates

## ADVOCATES

M/s. Crawford Bayley & Co.

M/s. Malvi Ranchoddas & Co.

## REGISTERED OFFICE

Killick Estate,

Baji Pasalkar Marg,

Chandivli,

Mumbai-400 072

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## NOTICE

NOTICE is hereby given that the Forty-fourth Annual General Meeting of the Members of the Company which was held on Tuesday, December 31, 2002 at 3.00 P. M. and adjourned sine die will be continued on Wednesday, February 19, 2003 at 3.00 P.M. at the Registered Office of the Company at Killick Estate, Baji Pasalkar Marg, Chandivli, Mumbai 400072 to transact the following business which remained to be transacted:

- 1) To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended March 31, 2002 and the reports of the Directors and Auditors thereon.

By Order of the Board,  
FOR SNOWCEM INDIA LIMITED,

B. M. JHAVERI,  
SECRETARY.

MUMBAI,  
December 31, 2002.

## NOTES :

- a) A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
- b) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to write to the Company at least one week before the date of the meeting so that the information required may be made available at the meeting.
- c) Members are requested to bring their copy of Annual Report for the meeting.
- d) Members/Proxies are requested to bring the Attendance slip sent with the Annual Report duly filled-in for attending the Meeting.

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Shri. S. S. Chowdhury & Co. Ltd.  
DIRECTORS' REPORT

Your Directors have pleasure in presenting 44<sup>th</sup> Report on the operation of your company together with audited accounts for the year ended March 31, 2002.

We regret that there has been a delay in holding of Annual General Meeting and presenting of accounts to the shareholders. Necessary permission for extension of time for holding the annual General meeting was obtained from the Registrar of Companies, Maharashtra, Mumbai.

## 1) FINANCIAL RESULTS

	Rupees	Rupees	Previous year Rupees	Rupees
The Profit for the year ended March 31, 2002 before providing for interest, depreciation and taxation amounts to		220,528,810		244,874,357
Deducting therefrom -				
Interest	53,972,273		42,808,587	
Provision for Depreciation	21,864,456		18,438,858	
Provision for taxation	<u>51,512,169</u>		<u>3,000,000</u>	
		<u>127,348,898</u>		<u>64,247,445</u>
The Net Profit for the year amounts to		93,179,912		180,626,912
Less : Provision for Taxation (prior year)		1,441,104		5,061,896
Add : Balance brought forward from previous year		<u>316,588,502</u>		<u>193,763,265</u>
The amount available for appropriation is		408,327,310		369,328,281
Appropriation to General Reserve	8,000,000		18,000,000	
Proposed Dividend	Nil		31,524,300	
Tax on Dividend	<u>Nil</u>		<u>3,215,479</u>	
		<u>8,000,000</u>		<u>52,739,779</u>
Leaving a balance to be carried forward to next year		<u>400,327,310</u>		<u>316,588,502</u>

## 2) DIVIDEND :

Having due regard to the present financial constraints of the Company and the need to conserve the resources, the Directors have thought it prudent not to recommend payment of dividend for the year under review.

## 3) PERFORMANCE DURING THE YEAR UNDER REVIEW :

During the year under review, the turnover of the Company declined to Rs.120.06 crores from Rs. 209.97 crores last year entirely because of the Company's decision to exit export trading business with a view to focusing

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on its core business of manufacture of exterior paints. This has, however, adversely impacted the net profit of the Company. The turnover of paint and other allied products has shown a steady growth.

The Wind Mills functioned well and generated revenue of Rs 0.92 crores as against Rs. 0.82 crores last year. The Company installed and commissioned four more Wind Mills during the year. This will add to the turnover and profitability of the Company.

After close of the year, effective May 01, 2002, the Company terminated its Agreement with Killick Nixon Limited regarding distribution of its products. The Company now bills its products directly to the customers. The Company intends to set up its own sales organization and distribution network. Pending this the company continues to utilize services and expertise of Killick Nixon Limited for sale and distribution of its products.

As reported last year, the Company had proposed to enter into strategic marketing alliance with Jensen & Nicholson (India) limited, Kolkata, for the marketing of Company's products. However, this proposal could not be pursued because of operational difficulties. The Company is exploring ways and means of capitalising its strong brand equity to enhance shareholders value. Negotiations in this connection with one of the leading paint companies are in progress.

#### 4) **SUBSIDIARY COMPANIES :**

Pursuant to the provisions of Section 212 of the Companies Act, 1956, financial statements of Subsidiary Companies are annexed.

#### 5) **OUTLOOK FOR THE CURRENT YEAR :**

The current year has been one of the most difficult years in the history of the Company. Severe competition from existing large paint companies having presence both in the Interior and Exterior paint segments, which have now been focusing on the exterior paint market, severe working capital constraints caused by mismatch of fund flows and temporary disruption of distribution arrangement on account of termination of distributor agreement with Killick Nixon Limited have collectively impacted the turnover and profitability of the Company. While the Company is sparing no efforts to take proper corrective action, your Directors are not hopeful of any significant improvement during the remaining part of the year. Your Directors, however, feel confident that the measures along with other strategies which are being worked out, will enable the company to show substantially improved results during the year 2003-2004.

#### 6) **AUDITORS' NOTES AND OBSERVATIONS :**

Auditors have made certain observations on the accounts. These have been appropriately dealt with in the notes to accounts which are self-explanatory and do not require any further elaboration.

#### 7) **PUBLIC DEPOSITS :**

The Company has been accepting deposits from public and shareholders. Total amount of such Fixed Deposits as on March 31, 2002 is Rs. 2921.94 lacs. There were 175 deposits amounting to Rs. 32.12 lacs lying unclaimed with the Company, of which 147 deposits amounting to Rs. 29.31 lacs have since been paid.

#### 8) **SALES TAX DEFERMENT :**

The Company was granted Eligibility Certificate for Sales Tax benefit for Rs.65.28 lacs under 1993 Package Scheme of incentives announced by the Government of Maharashtra in respect of Wind Mills set up at Chalkewadi, Dist. Satara, Maharashtra. During the year benefit of Rs.65.28 was availed of taking the total amount of deferment availed up to March 31, 2002 to Rs. 992.62 lacs.

#### 9) **ADDITIONAL INFORMATION :**

In terms of 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, the relevant information is given below :

##### **A. Conservation of Energy :**

Energy conservation continues to be major area of emphasis and is closely monitored with every manufacturing unit of the Company. Installation of adequate capacitor banks have already been taken to maximise power factor.

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## B. Technology Absorption, Adaptation and Innovation :

George Lillington & Co. Ltd. U.K. the Company's collaborators, continue to provide guidance to keep Company's products on par with international requirements.

## C. Foreign Exchange Earnings and Outgo :

### i) Activities relating to exports :

Initiative taken to increase exports, development of new export markets for products and services and export plans.

Exploration of export markets is being vigorously undertaken.

### ii) Foreign Exchange earned and used :

a) Used	2001-2002 Rs.	2000-2001 Rs.
Used towards import of Raw Materials and other Expenditure	39,106,914	44,492,672
Amount remitted during the Year in foreign currency on Account of dividend		
For the year ended 31 <sup>st</sup> March 2000	9,072,000	—
For the year ended 31 <sup>st</sup> March 2001	5,637,000	—
Number of non-resident Shareholder.	1	1
Number of shares held on which the dividend was due		
for the year ended 31 <sup>st</sup> March, 2000	3,024,000	—
for the year ended 31 <sup>st</sup> March, 2001	1,879,000	—
b) Earned		
Export of Goods		
F.O.B. basis	—	1,157,791,595
Exchange gain	63,478,160	13,443,282

## 10) PARTICULARS OF EMPLOYEES :

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 the names and other particulars of the Employees are set out in the Annexure forming part of the report.

## 11) DIRECTORATE :

Mr. S. N. Talwar resigned as an Alternate Director of the Company with effect from December 10, 2001.

Dr. A. K. Bhattacharya resigned as an Alternate Director of the Company with effect from December 10, 2001.

Mr. P. C. D. Nambiar resigned as a Director of the Company with effect from December 10, 2001.

Field Marshal Sam Manekshaw resigned as a Director of the Company with effect from December 10, 2001.

The Board wishes to place on record its appreciation of valuable services rendered by Mr. S. N. Talwar, Dr. A. K. Bhattacharya, Mr. P. C. D. Nambiar and Field Marshal Sam Manekshaw.

At the meeting held on January 09, 2002, Dr. R. Srinivasan and Mr. R. J. Paymaster were appointed Directors of the Company in the casual vacancies caused by the resignation of Field Marshal Sam Manekshaw and Mr. P. C. D. Nambiar respectively. Dr. R. Srinivasan was elected as the Chairman of the Company.

Dr. R. Srinivasan and Mr. R. J. Paymaster hold office up to the date of ensuing Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956. Notices have been received from one of the members signifying

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his intention to propose Dr. H. Srinivasan and Mr. R. J. Paymaster as Directors of the Company. Dr. H. Srinivasan resigned as Director of the Company and the Board of Directors accepted his resignation during their meeting held on December 26, 2002. The Board wishes to place on record its appreciation of valuable services rendered by him during his tenure as Director of the Company. At the said meeting, Mr. R. J. Paymaster was elected as the Chairman of the Company.

At the meeting held on January 31, 2002, Mr. A. V. Kale was re-appointed as Executive Director of the Company for a further period of three years with effect from February 01, 2002.

In accordance with the Articles of Association of the Company, Mr. D. T. Ruia and Mr. A. V. Kale retire by rotation and, are eligible, for re-appointment. At the Annual General Meeting held on December 31, 2002, Mr. D. T. Ruia and Mr. A. V. Kale were re-appointed as Directors of the Company.

## 12) AUDITORS :

At the Annual General Meeting held on December 31, 2002 Messrs R. S. Shah & Associates, Chartered Accountants were appointed as Auditors of the Company to hold office till the conclusion of the next Annual General Meeting.

## 13) DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Board of directors of the Company confirms :

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors made judgments 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 the end of the financial year and of the profit or loss of the company for that period;
- iii. that 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 for preventing and detecting fraud and other irregularities;
- iv. that the annual accounts have been prepared on a going concern basis.

## 14) CORPORATE GOVERNANCE :

The Company has complied with the mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of the Stock Exchanges, with which the Company's shares have been enlisted.

A separate Report on Corporate Governance forming part of the Annual Report is enclosed along with the Auditors' Certificate as to compliance of the conditions of Corporate Governance.

## 15) ACKNOWLEDGEMENT :

The Company is grateful to the Consortium of Banks and Financial Institutions for their continued support and assistance.

For and on behalf of the Board of Directors,  
**SNOWCEM INDIA LIMITED,**

R. J. PAYMASTER  
Chairman

T. B. RUIA  
Managing Director

### Registered Office:

Killick Estate,  
Baji Pasalkar Marg,  
Chandivli, MUMBAI 400 072.

December 31, 2002.

**STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT,1956 READ WITH THE COMPANIES  
(PARTICULARS OF EMPLOYEES) RULES,1975**

**FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2002.**

Sr. No.	Name	Designation	Remuneration Rs.	Qualification	Experience (Years)	Date of Employment	Age Years	Last Employment
1	2	3	4	5	6	7	8	9
1	Ruia T.B.	Managing Director	6,354,202		29	23/01/2001	55	Killick Nixon Limited

**NOTE :**

1. Employed on Contractual basis.
2. Mr. T. B. Ruia is related to Mr. D. T. Ruia - Director of the Company.

∞ Place : MUMBAI :

Date : December 31, 2002

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## MANAGEMENT DISCUSSION AND ANALYSIS :

### 1) Corporate Profile

The Company was established in Mumbai in 1959 for the purpose of manufacture of waterproof cement paints for the first time in India. Over the years, the company has not only extended its product range to cover various types of exterior paints and specialty products for construction industry but has also extended its geographical frontiers. It has set up state of the art manufacturing facilities at Sinnar in Maharashtra, at Gotan in Rajasthan and at Gummidipundi in Tamilnadu. Today the Company is a multi-product and multi-location Company and enjoys leadership in exterior paint industry. The Company's brand "SNOWCEM" has become a generic name for cement paints.

### 2) Industry Structure and Development

The Company has been the leader of Exterior Paint Industry in India for over four decades. Snowcem and Sandtex Matt have become generic names for Exterior Paints. During the last few years, several large units in the Paint Industry, which have very significant presence in the Interior Paint segment, have made an aggressive entry in to the Exterior paint segment. While this development has no doubt impacted the Company, it has maintained its leading position in the Exterior paint industry. The perception of the Government that the paint is a luxury product has stifled the growth of the Paint Industry. Heavy incidence of Government levies has hampered the penetration of paints into all segments of the society. However, of late there has been a welcome change in the Government policy and it is now generally accepted that the paint is an essential product for the preservation and protection of the country's assets against erosion and corrosion. As a result of this change in outlook, it is expected that there will be some rationalization in Government levies. Fiscal incentives to housing industry announced in the Union Budgets of recent years and the recent substantial fall in the rate of interest in respect of housing loans are expected to give a big boost to the Paint Industry. This will enable both the Interior and Exterior segment of the Paint industry to show healthy growth in the years to come.

However, the demand for paints is dependent on the general economic conditions such as good monsoon and agricultural growth and the performance of related industries like steel, cement and other construction material.

It is generally recognized as in the case of other consumable products, the companies will have to respond quickly and effectively to change in consumer preferences and to be prepared to offer them better quality products at most competitive rates. The Companies, which fail to live up to this expectation, will not be able to survive. This will continue to put severe pressure on the margins and will require the companies to continuously upgrade their manufacturing processes and marketing network.

The Company is fully geared to meet the challenges of the fiercely competitive environment. It will be essential for it to expand its product range and improve the margins by keeping a constant check on costs and improvement in the quality of the products.

### ;) SWOT Analysis

#### a) Strengths :

- A very strong brand so much so SNOWCEM has become a generic name for exterior cement paint
- Highly skilled, dedicated and motivated work force.
- High quality of products.
- In house Research Department manned by motivated people.
- Nation wide marketing and distribution network.
- Excellent Dealership network.
- ISO 9001-2000 certified.

#### b) Weaknesses :

- Effective counter strategy and finances to cope with large advertisement promotion budgets of competitors yet to be developed.
- Under utilisation of the production capacity due to temporary financial constraints.