

Vanavil Dyes and Chemicals Limited

TWENTY-SECOND ANNUAL REPORT AND ACCOUNTS 1 9 9 8 - 9 9

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DIRECTORS

Mr. K.J. Bharucha (*Chairman*)
Mr. T.P. Jagannathan (*Managing Director*)
Dr. G.S. Laddha
Dr. T.R. Govindachari
Dr. M. Santappa
Dr. R. Sergio
Dr. U. Kuerschner
Dr. K. D. Baumgart
Dr. S. Kalyanaraman (*Director - Operations*)
Mr. R.P. Srivastava (*Director - Commercial*)

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants

BANKERS

Punjab National Bank
Citibank N.A.

REGISTERED OFFICE AND FACTORY

Kudikadu,
Cuddalore 607 005.

SALES OFFICES

Ahmedabad

H. K. House, II Floor,
Ashram Road,
Ahmedabad 380 009.

Chennai

Karumuttu Centre, III Floor,
498, Anna Salai, Nandanam,
Chennai 600 035.

Daman

Room No. 2/1, Survey No. 10,
Vapi Daman Road, Varucund Village,
Daman 396 210.

Delhi

6, S.S.I., G.T. Karnal Road,
Delhi 110 033.

Mumbai

Ravindra Annexe,
194, Churchgate Reclamation,
Mumbai 400 020.

Tirupur

37, Kumaran Road,
Ennar Towers, Binny Compound,
Tirupur 638 601.

NOTICE is hereby given that the TWENTY-SECOND ANNUAL GENERAL MEETING of VANAVIL DYES AND CHEMICALS LIMITED will be held at the Registered Office of the Company at Kudikadu, Cuddalore 607 005 on Friday, 23 July, 1999 at 12.00 noon to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31 March, 1999, the Balance Sheet as at that date and to consider the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Dr. T. R. Govindachari who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. M. Santappa who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of the twenty-second Annual General Meeting until the conclusion of the twenty-third Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors.

SPECIAL BUSINESS

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

"RESOLVED that subject to Sections 198, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the salary payable to Dr. S. Kalyanaraman, Director - Operations of the Company be increased from Rs.32,500/- per month to Rs.45,000/- (Rupees forty-five thousand only) per month with effect from 1 April, 1999, all the other terms and conditions of his appointment remaining the same as hitherto."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby specifically authorised to grant, from time to time, suitable increment(s) as it deems fit, to the salary payable to Dr. S. Kalyanaraman (exclusive of commission, benefits and perquisites payable or extended to him) during the present tenure of his office subject to a maximum salary of Rs.75,000/- (Rupees seventy-five thousand only) per month."

"RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to execute such documents and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient and proper."

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

"RESOLVED that subject to Sections 198, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the salary payable to Mr. R. P. Srivastava, Director - Commercial of the Company be increased from Rs.32,500/- per month to Rs.45,000/- (Rupees forty-five thousand only) per month with effect from 1 April, 1999, all the other terms and conditions of his appointment remaining the same as hitherto."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby specifically authorised to grant, from time to time, suitable increment(s) as it deems fit, to the salary payable to Mr. R. P. Srivastava (exclusive of commission, benefits and perquisites payable or extended to him) during the present tenure of his office subject to a maximum salary of Rs.75,000/- (Rupees seventy-five thousand only) per month."

"RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to execute such documents and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient and proper."

NOTES:

(a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of item Nos.6 & 7 set out above is hereto annexed.

(b) 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 PROXY NEED NOT BE A MEMBER.

(c) The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 8 July, 1999 to Friday, 23 July, 1999 (both days inclusive).

(d) The dividend on shares as recommended by the Board of Directors, if declared at the meeting, will be payable on or after 20 August, 1999 to those members whose names appear on the Company's Register of Members as on 23 July, 1999. Members are requested to notify immediately any change in their address.

(e) In accordance with the provisions of Section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividend relating to the years upto and including 1994-95 to the General Revenue Account of the Central Government. Members who have a valid claim to any amount, being dividend unclaimed by them, referred to above, may claim the same from the Registrar of Companies, Chennai, in the prescribed manner. Individual intimation has been given to those members whose claim for payment of unclaimed dividend still lies against the Company and such members are requested to seek an early settlement of such claims.

By Order of the Board of Directors,

K. RAMJI
General Manager (Finance) & Secretary

Chennai,
24 May, 1999.

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Explanatory Statement

As required by Section 173 of the Companies Act, 1956, the following explanatory statement set out the material facts relating to item Nos. 6 & 7 of the accompanying Notice dated 24 May, 1999.

Item Nos. 6 & 7

The members had approved the appointments of Dr. S. Kalyanaraman, Director - Operations and Mr. R. P. Srivastava, Director - Commercial of the Company at the 19th Annual General Meeting held on 23 August, 1996 on a salary of Rs.20,000/- per month for each of them. Further, at the 20th Annual General Meeting, the members had empowered the Board of Directors to grant suitable increments to salary of both the abovementioned whole-time Directors subject to a ceiling of Rs.40,000/- per month.

Considering the growth of the Company and the increased functional responsibilities of the whole-time Directors, your Board of Directors has revised their salaries upwards to Rs.45,000/- per month with effect from 1 April, 1999. The approval of the members is being sought to the remuneration payable to both

Dr. S. Kalyanaraman and Mr. R. P. Srivastava with effect from 1 April, 1999 and for the increments thereto to be granted by the Board of Directors, from time to time, subject to a ceiling of Rs.75,000/- per month.

The said resolution read with the explanatory statement, may be regarded as abstracts of the variation of the terms of appointment of Dr. S. Kalyanaraman and Mr. R. P. Srivastava, pursuant to Section 302 of the Companies Act, 1956.

Dr. S. Kalyanaraman and Mr. R. P. Srivastava may be deemed to be concerned or interested in the respective resolution relating to the increase in their salaries.

By Order of the Board of Directors,

K. RAMJI
General Manager (Finance) & Secretary

Chennai,
24 May, 1999.



The Directors have pleasure in presenting herewith their Twenty-second Annual Report and the Audited Statement of Accounts of the Company for the year ended 31 March, 1999.

FINANCIAL RESULTS

2. The financial results of the Company are summarised below :

	1998-99 Rupees lakhs	Previous Year Rupees lakhs
The pre-tax profit for the year, after providing Rs. 207.99 lakhs (previous year — Rs. 172.80 lakhs) for Depreciation, amounts to	690.34	401.66
After deducting provision for taxation and adding	125.38	60.00
balance brought forward from the previous year	185.96	171.17
the amount available for disposal is	750.92	512.83
The Directors have made the following appropriations therefrom:		
(a) Investment Allowance Reserve	20.00	—
(b) General Reserve	250.00	200.00
(c) Proposed Dividend	197.27	115.34
(d) Tax on proposed dividend	21.70	11.53
	488.97	326.87
leaving a balance to be carried forward of	261.95	185.96
	750.92	512.83

DIVIDEND

3. The Directors recommend a dividend of Rs.4.00 per equity share i.e. @ 40% for the year 1998-99 - ten percentage points above that paid in the previous year.

ACCOUNTS AND FINANCE

Working Capital

4. The Company continued to manage its working capital requirements efficiently within the sanctioned limit of Rs.725 lakhs.

Term Loans

5. The Company entered into a swap agreement with Citibank under which the Foreign Currency Term Loan of US\$ 2.00 mio. was crystallised into rupee terms at an agreed interest rate of 15.85% per annum with effect from 9.12.1998 as a hedge against the exchange variation risks arising on account of the fluctuation in the exchange rate of the dollar against the rupee.

OPERATIONS

Sales

6. The total turnover of the Company (inclusive of excise duty) during the year amounted to Rs.7221 lakhs (previous year - Rs.6691 lakhs), recording an increase of 7.9% over the previous year.

Production

7. During the year under review, your Company produced 1394 tonnes of fine chemicals, intermediates and organic pigments as compared to 1190 tonnes during the year 1997-98. The Company has increased its production capacity of Phthalocyanine blue pigments during the year to 600 tonnes per annum. The manufacture of Phthalocyanine blue pigments stabilised during the year and the products developed for the export market have been well accepted. Encouraged by this development, your Company plans to further widen the range of products in the pigments segment.

Foreign Exchange Earnings and Outgo

8. The foreign exchange earnings of the Company during the year amounted to Rs.2619 lakhs (previous year - Rs.1508 lakhs). With imports accounting for Rs.567 lakhs (previous year - Rs.379 lakhs), and after deducting outflows on other accounts, the net foreign exchange earnings of your Company during the year amounted to Rs. 2011 lakhs (previous year - Rs.1075 lakhs).

Profitability

9. During the year there were increases, in both the volume and value of the manufacturing sales of your Company.

10. With better utilisation of capacities and increased export turnover, your Company recorded a pre-tax profit of Rs.690 lakhs for the year compared to

Rs. 402 lakhs in the previous year, registering an increase of approximately 72%. Profit after tax at Rs.565 lakhs was higher by 65% over the year 1997-98.

Capital Expenditure/Projects

11. During the year certain balancing equipment were added in the pigment plant to facilitate better utilisation of the existing capacity. Chloranil production was further streamlined by installing an automatic dust free packing system. Also formulations of Phthalocyanine blue pigments for viscose application were successfully added. A second milling unit for finishing blue pigments was commissioned during the year under review.

12. Further upgradation and modernisation of the manufacturing and environmental protection facilities to prevent air pollution and expansion of effluent treatment facilities were carried out by installing a clariflocculator and a filter press for the effluent treatment plant. The total capital expenditure during the year under review amounted to Rs. 367 lakhs.

Safety and Ecology

13. Your Company continues to train and educate all its employees in a process of upgrading the safety and health standards throughout its operation.

14. Your Company has also adopted the standards on Environment, Safety and Health Administration (ESHA) as recommended by Clariant International Limited, for maintaining the highest standards of safety and ecology in its operations. Executives have been trained for the management of guidelines. Audits by Clariant have been completed for all manufacturing operations including warehousing etc., and their recommendations are being implemented.

Quality Assurance and Systems

15. Your Company has retained the ISO 9002 certification for its manufacturing operations after a successful surveillance audit.

Year 2000 Compliance

16. The Company has drawn out a detailed programme for addressing the issues arising from the Year 2000 issues. The programme covers a study of existing hardware, software and electronic instruments in the Company and also covers the customers, key suppliers and other business associates. The Company has already taken necessary action and expects to be

Year 2000 compliant by the end of June, 1999. The Year 2000 issue is not expected to adversely affect in any way its processes/business. The total expenditure required to achieve Year 2000 compliance is estimated at Rs.3.00 lakhs of which Rs.2.5 lakhs is estimated on capital account.

Employees

17. The Industrial relations at the Company's factory and other establishments continued to remain cordial during the year. On the expiry of the settlement with the Vanavil Employees' Unions on 31 December 1998, the Unions have submitted a Charter of Demands seeking a revision of the terms and service conditions applicable to the unionised category of employees. The negotiations on the charter of demands commenced in a spirit of mutual trust and goodwill, is presently in progress.

18. The statement giving particulars of employees, as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per the provision of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and the statement of accounts are being sent to all shareholders excluding the above statement. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the Registered Office of the Company.

Directors

19. Dr. K. D. Baumgart who was appointed as a Director of your Company on 1 September, 1997 has resigned with effect from 25 May, 1999. Your Directors wish to record their appreciation of the valuable services rendered by Dr. Baumgart his association with the Company.

20. In the casual vacancy caused by the resignation of Dr. K. D. Baumgart, your Directors have appointed Dr. G. G. Patkar, Senior General Manager - Dyestuffs of Colour-Chem Limited as a Director with effect from 25 May, 1999.

21. In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Dr. T. R. Govindachari and Dr. M. Santappa are due to retire at the forthcoming Annual General Meeting of the Company and being eligible have offered themselves for re-appointment.