

Vanavil Dyes and Chemicals Limited

TWENTY-THIRD ANNUAL REPORT AND ACCOUNTS 1999-2000

Vanavil Dyes and Chemicals Limited

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. G.G. Patkar
Dr. U. Cuntze
Dr. S. Kalyanaraman (Director-Operations)
Mr. R.P. Srivastava (Director-Commercial)

Mr. K. Ramji
General Manager (Finance) & Secretary

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, 2nd Floor,
Ashram Road,
Ahmedabad 380 009.

Chennai

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

Daman

Survey No.10, Room No.2/1,
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.

Contents

	Page
Notice	3
Explanatory Statements	8
Directors' Report to the Members	11
Annexures to the Directors' Report	14
Distribution of Income — 1999-2000	16
Auditors' Report to the Members	17
Balance Sheet	20
Profit and Loss Account	21
Schedules to Balance Sheet	22
Schedules to Profit and Loss Account	26
Notes	28
Cash Flow Statement	33

Members are requested to bring their copies of the Annual Report to the General Meeting

Notice

NOTICE is hereby given that the TWENTY-THIRD 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, 18 August, 2000 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, 2000, the Balance Sheet as at that date and to consider the Reports of the Directors and Auditors thereon.
2. To approve the payment of interim dividend for the year 1999-2000.
3. To appoint a Director in place of Dr. R. Sergio who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. U. Kuerschner 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-third Annual General Meeting until the conclusion of the twenty-fourth Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors.

SPECIAL BUSINESS

6. To appoint a Director in place of Dr. Ulrich Cuntze, who was appointed as an Additional Director of the Company with effect from 22 October, 1999 and who holds office in terms of the provisions of Section 260 of the Companies Act, 1956 and Article 110 of the Articles of Association of the Company upto the date of the forthcoming Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a shareholder intimating his intention to propose Dr. Ulrich Cuntze as a candidate for the office of a Director.

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

"RESOLVED that subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956, the Company hereby approves the re-appointment of Dr. S. Kalyanaraman as a Wholetime Director of the Company designated as the Director-Operations, for a period of one year from 1 September, 2000 upon the terms and conditions and on such remuneration, benefits and perquisites payable or extended to him as set out in the draft

agreement submitted to this meeting (which for the purpose of identification is initialled by the Chairman of the meeting thereof) which agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the appointment and/or agreement in such manner as may be agreed to between the Board of Directors of the Company and Dr. S. Kalyanaraman."

"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 in the event of loss or inadequacy of profits in any financial year during the term of service of Dr. S. Kalyanaraman as Director-Operations of the Company, Dr. S. Kalyanaraman shall in respect of such financial year, be paid such remuneration by way of salary, benefits and perquisites as the Board of Directors may deem fit, within the limits prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956."

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

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

"RESOLVED that subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956, the Company hereby approves the re-appointment of Mr. R. P. Srivastava as a Wholetime Director of the Company designated as the Director-Commercial, for a period of three years from 1 September, 2000 upon the terms and conditions and on such remuneration, benefits and perquisites payable or extended to him as set out in the draft agreement submitted to this meeting (which for the purpose of identification is initialled by the Chairman of the meeting thereof) which

agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the appointment and/or agreement in such manner as may be agreed to between the Board of Directors of the Company and Mr. R. P. Srivastava."

"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 in the event of loss or inadequacy of profits in any financial year during the term of service of Mr. R. P. Srivastava as Director-Commercial of the Company, Mr. R. P. Srivastava shall in respect of such financial year, be paid such remuneration by way of salary, benefits and perquisites as the Board of Directors may deem fit, within the limits prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956."

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

9. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution:

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered as follows:

(a) the following definitions be added to Article 2(1):

Beneficial Owner "Beneficial Owner" shall mean the Beneficial Owner as defined in clause (a) of sub-section (1) of section 2 of the Depositories Act, 1996.

Depositories Act "Depositories Act" means the "Depositories Act, 1996" and any statutory modification or re-enactment thereof for the time being in force in India.

Depository

"Depository" shall mean a Depository as defined under clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996.

(b) the definition of "Member" in Article 2(1) of the Articles of Association of the Company be substituted by the following:

Member

"Member" means the duly registered holder, from time to time, of the shares of the Company and includes the subscribers of the Memorandum 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.

(c) the definition of "Register of Members" in Article 2(1) of the Articles of Association of the Company be substituted by the following:

Register of Members

Register of Members means the Register of Members required to be maintained pursuant to the Act and shall include the Register of Beneficial Owners maintained by a Depository under the Depositories Act in respect of the Company's shares being held in a dematerialised form.

(d) Article 9 of the Articles of Association be substituted by the following:

Register and Index of Members

9. 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 or dematerialised forms in any media as may be permitted by law, including in any form of electronic media.

The Company shall also be entitled to keep in any State or country outside India a branch Register of Members

- resident in that State or country."
- (e) Article 10 of the Articles of Association be substituted by the following:
- Shares to be numbered progressively and no share to be sub-divided**
10. The shares in the capital 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 hereinbefore 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.
- (f) Clause (a) of Article 17 of the Articles of Association, at the end of the first sentence, after the words "the amount paid up thereon" shall include the words "provided, however, that no share certificate(s) shall be issued for shares held in a dematerialised form."
- (g) After the existing Article 17, the following be inserted as Article 17A:
- Dematerialisation/ Rematerialisation**
- 17A. The Company shall be entitled to dematerialise its existing shares, rematerialise its shares, held in the Depositories and/or offer its fresh shares in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.
- (h) Article 20 of the Articles of Association be substituted by the following:
- Company not bound to recognise any interest in share other than that of registered holders**
20. 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 it shall have express or implied notice thereof. The Board shall be entitled at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.
- (i) After the existing Article 49 the following shall be inserted as Article 49A:
- Transfer of Securities on the Depository**
- 49A. Nothing contained in the foregoing Article shall apply to transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a Depository.
- (j) After the existing Article 50, the following shall be inserted as Article 50A :
- Applicability of the Depositories Act**
- 50A. In the case of transfer of shares, where the Company has not issued any certificates and where such shares, are being held in an electronic or fungible form, the provi-

sions of the Depositories Act, 1996 shall apply.

- (k) Article 67 of the Articles of Association of the Company be substituted by the following:

Register and Index of Debentureholders

67. The Company shall, if at any time it issues debentures keep a Register and Index of Debentureholders in accordance with Section 152 of the Act, and the Depositories Act, with details of debentures held in material and dematerialised forms in any media (including electronic media) as may be permitted by law. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Debentureholders holding debentures in a dematerialised form for the purpose of the Act. The Company shall have the power to keep any State or country outside India a Branch Register of Debentureholders resident in that State or country.

- (l) After the amended Article 67, the following shall be inserted as Article 67A:

Applicability of the provisions of the Articles of Association to Debentures and other securities

67A.(i) Article 17A of the amended Articles of Association shall apply to debentures in the same manner in which it applies to shares;

(ii) Article 20 of the amended Articles shall apply to debentures in the same manner in which it applies to shares and

the words "Register of Members" wherever it appears in Article 20 shall be substituted for the words "Register of Debentureholders" and the words "share / shares" shall be substituted by the words "debenture/debentures".

- (iii) Article 49A and 50A of the amended Articles shall apply to debentures in the same manner in which it appears to shares.

(iv) Article 91A of the amended Articles shall apply to debentures in the same manner in which it applies to shares and the word "share" wherever it appears shall be substituted by the word "debenture" and the word "member" wherever appears it shall be substituted by the word "debentureholder".

- (v) The Articles as referred to in Article 67A shall apply to all other securities in the same manner in which it applies to shares and debentures.

- (m) After the existing Article 91, the following shall be inserted as Article 91A:

Voting Rights of Beneficial Owner/ Joint Beneficial Owner

91A. A depository as a registered owner shall not have any voting rights in respect of shares held by it in a dematerialised form. However, the

beneficial owner as per the Register of Beneficial Owners maintained by a Depository shall be entitled to such rights in respect of the shares or securities held by him in the Depository. Any reference to the Member or joint members in the Articles include a reference to Beneficial Owner or Joint Beneficial Owner in respect of the shares held in a Depository.

NOTES:

(a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of item Nos. 6 to 10 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 Tuesday, 1 August, 2000 to Friday, 18 August, 2000 (both days inclusive).

10. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

"RESOLVED that the Articles of Association of the Company be amended by insertion of a new Article 6A after the existing Article 6 under a separate chapter titled " Buy-back of Shares" reading as follows:

Buy-back of shares

6A Subject to and in full compliance of the requirements of Sections 77A, 77AA and 77B of the Companies Act, 1956 or corresponding provisions of any re-enactment thereof and any Rules and Regulations that may be prescribed by the Central Government, the Securities and Exchange Board of India (SEBI) or any other appropriate authority in this regard, the Company, in a General Meeting may, upon the recommendation of the Board of Directors, at any time and from time to time, by a Special Resolution authorise buy-back of any part of the share capital of the Company fully paid-up on that date."

(d) 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 1995-96 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.

In terms of Section 205A (5) of the Companies Act, 1956 introduced with effect from 31 October, 1998, dividends remaining unpaid or unclaimed dividend account of the Company shall be transferred by the Company to the Fund to be established by the Central Government pursuant to sub-section (1) of the newly inserted Section 205C of the Companies Act, 1956. Individual intimation has been given, from time to time, 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. Members may please note that no claim of the transferred unclaimed/unpaid dividend shall lie against the Fund or the Company upon transfer of the amounts to the fund.

By Order of the Board of Directors,

K. RAMJI
General Manager (Finance) & Secretary

Chennai,
22 May, 2000.

Explanatory Statements

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 to 10 of the accompanying Notice dated 22 May, 2000:

Item No. 6

Dr. Ulrich Cuntze was appointed as an Additional Director of the Company on 22 October, 1999 by the Board of Directors of the Company. Dr. Cuntze is in charge of Special Regions of Clariant International Limited. In terms of Section 260 of the Companies Act, 1956 and Article 110 of the Articles of Association of the Company, Dr. Cuntze holds office upto the date of the forthcoming Annual General Meeting and is eligible for appointment at the meeting. The Company has received a notice in writing from a shareholder proposing the candidature of Dr. Cuntze for the office of the Director. The Board commends his appointment as a Director of the Company.

Item Nos. 7 & 8

Dr. S. Kalyanaraman and Mr. R. P. Srivastava were appointed as Director-Operations and Director-Commercial respectively, of the Company initially for a period of four years from 1 September, 1996. Dr. S. Kalyanaraman is in charge of Operational Division of the Company and Mr. R. P. Srivastava is in charge of Commercial Division of the Company. The Board of Directors of the Company has reappointed at its meeting held on May 22, 2000. Dr. S. Kalyanaraman for a further period of one year as the Director-Operations and Mr. R. P. Srivastava as the Director-Commercial for a further period of three years from 1 September, 2000 subject to the approval of the members at the forthcoming Annual General Meeting on the following terms of remuneration, benefits and perquisites:

Remuneration:

(a) Salary:

Rs.50,000/- (Rupees fifty thousand only) per month, which may be increased by the Board of Directors from time to time, subject to a maximum salary of Rs.75,000/- (Rupees seventy-five thousand only) per month. Salary will be subject to the deduction of Indian income tax at the applicable rates.

(b) Commission:

At 1% (one per cent) of the net profits of the Company for each financial year or part thereof computed in the manner laid down under

Section 309(5) of the Companies Act, 1956, subject, however, to a maximum of 50% of their respective annual salaries. The commission payable to them shall be treated as salary for the purpose of contribution to Provident Fund/Gratuity/Superannuation Schemes of the Company.

(c) Perquisites:

i) Housing :

Suitable residential accommodation, free of cost with all facilities and amenities (including gas, electricity, water and furnishings). In case they do not opt for Company provided accommodation at any time they shall be paid house rent allowance of a sum not exceeding 40% of their respective salaries. The expenditure incurred by the Company on gas, electricity, water and furnishings provided to them shall be evaluated as per Income Tax Rules, 1952.

ii) Medical Reimbursement:

Reimbursement of medical expenses incurred for them and their families, in accordance with the rules and regulations of the Company as may be in force from time to time.

iii) Leave Travel Concession:

They shall be entitled to the payment of leave travel concession incurred for themselves and their families, once in a year, in accordance with the rules of the Company.

iv) Club Fees:

They shall be entitled to the reimbursement of fees and subscription paid by them to any two recognised clubs in India.

v) Personal Accident Insurance:

The Company shall pay the premium of a sum not exceeding Rs.4,000/- per annum for each of them towards their personal accident insurance policies.

(d) Benefits and facilities:

i) Leave:

They shall be entitled to leave as per the rules of the Company. Encashment of

unutilised leave shall not be considered as a perquisite for purposes of ceiling on remuneration prescribed in the Companies Act, 1956.

ii) Provident Fund, Superannuation and Group Insurance Schemes:

They shall be eligible for the benefits under the Company's Provident Fund, Superannuation and Group Insurance schemes in accordance with the Company's practices and rules in force from time to time.

iii) Gratuity:

They shall be eligible for the benefits under the Company's Retiring Gratuity scheme in accordance with the Company's practices and rules in force from time to time.

iv) Car and Telephone:

The Company shall provide each of them with a car and a driver for use on Company's business and a telephone at residence which will not be considered as a perquisite. Use of car for private purposes and personal long distance calls on telephone shall be billed by the Company to them.

(e) Entertainment Expenses:

The Company shall reimburse the entertainment expenses actually and properly incurred by them in the course of the business of the Company subject to such annual limits as may be fixed by the Board of Directors of the Company.

(f) Limits on Remuneration :

The remuneration as specified above shall be subject to the overall limits specified in Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956.

(g) Minimum remuneration:

In the event of the Company incurring a loss or having inadequate profits in any financial year, the salary, benefits and perquisites payable or extended to both of them shall be

in accordance with the provisions of Schedule XIII to the Companies Act, 1956 as may be in force from time to time.

(h) Termination:

The agreement proposed to be entered into by the Company with each of them may be terminated by either party giving to the other party six months notice of such termination.

(i) Vacation of Office:

If at any time during the tenure of their appointment, the Whole-time Directors cease to be in the employment of the Company for any cause whatsoever, they shall cease to be the Directors of the Company and simultaneously the agreement to be entered into with them shall stand terminated.

(j) Sitting Fees:

They shall not be paid sitting fees for attending the meetings of the Board of Directors of the Company.

A copy of the respective draft agreements proposed to be entered into with each of them by the Company is available at the Registered Office of the Company for inspection by the members between 11.00 a.m. and 1.00 p.m. on any working day.

This explanatory statement is and should be treated as an abstract of the terms and conditions of appointment of Dr. S. Kalyanaraman/ Mr. R. P. Srivastava pursuant to Section 302 of the Companies Act, 1956.

Dr. S. Kalyanaraman may be deemed to be concerned or interested in the Resolution set out in item No. 7 of the Notice concerning his appointment.

Mr. R. P. Srivastava may be deemed to be concerned or interested in the Resolution set out in item No. 8 of the Notice concerning his appointment.

Item No. 9

As the members are aware, the Securities and Exchange Board of India (SEBI) announced in February 2000 that it would be compulsory for the institutional investors to deal in the Company's equity shares in dematerialised form with effect from June 26, 2000. For all investors it is compulsory to deal in dematerialised form with effect from August 28, 2000.