

Vanavil Dyes and Chemicals Limited

TWENTY-SEVENTH

ANNUAL REPORT

AND ACCOUNTS

2 0 0 3 - 2 0 0 4

Vanavil Dyes and Chemicals Limited**DIRECTORS**

Mr. K. J. Bharucha (Chairman)
Mr. T. P. Jagannathan (Managing Director - upto 30-6-2003)
Dr. G. S. Laddha
Dr. M. Santappa
Mr. R. Ramakrishnan
Mr. P. Lindner
Dr. G. G. Patkar
Mr. R. P. Srivastava (Director - Commercial - upto 31-8-2003)

Dr. J. Chandrasekharan
Chief Executive Officer

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, SIPCOT P.O.,
Cuddalore - 607 005.

SALES OFFICES**Ahmedabad**

H. K. House, 2nd Floor,
Ashram Road,
Ahmedabad - 380 009.

Chennai

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

Delhi

23, Rajasthan Udyog Nagar,
G.T. Karnal Road,
Delhi - 110 033.

Mumbai

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

Tirupur

S. No. 129, College Road,
Postal Colony,
Aravangadu Thottam,
Thottipalayam,
Tirupur - 641 602.

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

Notice

NOTICE is hereby given that the **TWENTY-SEVENTH ANNUAL GENERAL MEETING** of **VANAVIL DYES AND CHEMICALS LIMITED** will be held at the Registered Office of the Company at Kudikadu, SIPCOT P.O., Cuddalore 607 005 **on 16th July, 2004 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 31st March, 2004, the Balance Sheet as at that date and to consider the Reports of the Directors and Auditors thereon.
2. To declare a dividend for the year 2003-2004.
3. To appoint a Director in place of Dr. M. Santappa who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. Lindner 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-seventh Annual General Meeting until the conclusion of the twenty-eighth 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(s), the following Resolution as a Special Resolution:

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification thereto or any re-enactment thereof for the time being in force ("the Act"), the Articles of Association of the Company be and are hereby altered by inserting the following new Article 84A with a note in the margin **Passing of Resolution by Postal Ballot** after the present Article 84:

84A The Company may pass a resolution by postal ballot in the manner prescribed by Section 192A of the Act and such other applicable provisions of the Act. Notwithstanding anything contained in the provisions of the Act, the Company, being a listed Company, may in the case of resolutions relating to such business as the Central Government may, by notification, declare to be

conducted only by postal ballot, shall get any resolution passed by means of a postal ballot instead of transacting the business in a general meeting of the Company; and

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, usual or expedient to give effect to this resolution."

NOTES:

- (a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of item No. 6 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 OF THE COMPANY.**
- (c) The Register of Members and the Share Transfer Books of the Company will remain closed from 1st July, 2004 to 16th July, 2004 (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 21st July, 2004 to those members whose names appear
 - (i) as members in the Register of Members after giving effect to all valid share transfers in physical form lodged with the Company/the Registrars & Share Transfer Agents, on or before 30th June, 2004 and
 - (ii) as Beneficial Owners at the end of the business on 30th June, 2004, as per the list to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares of the Company held in electronic form.
- (e) Members are requested to notify immediately any change in their address to their Depository Participants (DPs) in respect of their holdings in electronic form and to the Company/to the Registrars & Share Transfer Agents, in respect of their holdings in physical form.
- (f) In respect of members who have given mandate for payment of dividend through Electronic Clearing Service (ECS), the dividend will be paid through ECS and their bank account details will be printed on their dividend advices.

Notice (contd.)

(g) In accordance with the provisions of Section 205A of the Companies Act, 1956, the Company has, from time to time, transferred the unclaimed dividends 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, pertaining to the period upto and including 1995-96, 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, dividends remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid/unclaimed dividend account of the Company shall be

transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to sub-section (1) of Section 205C of the Companies Act, 1956. Members are requested to seek early settlement of claim for payment of unpaid dividend from the Company. 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,

Chennai,

14th May, 2004.

K. Ramji

General Manager (Finance) & Secretary

Explanatory Statement

As required by Section 173 of the Companies Act, 1956, the following explanatory statement set out the material facts relating to item No. 6 of the accompanying Notice dated 14th May, 2004.

Item No. 6

Section 192A of the Companies Act, 1956 ("the Act") was inserted by the Companies (Amendment) Act, 2000 in order to give members a right to vote through postal ballot system by requiring a listed public Company to pass resolutions relating to certain businesses notified by the Central Government, by means of a postal ballot only.

It is, therefore proposed to alter the present Articles of Association of the Company by inserting a new Article No. 84A in order to conform to the amended provisions of the Act.

The Board, therefore, recommends that the Special Resolution as set out at item No. 6 of the Notice be passed.

A copy of the existing Articles of Association of the Company together with a copy of the proposed alteration referred to in the Resolution at item No. 6 of the Notice will be open for inspection by the members at the Registered Office of the Company between 10 a.m. and 12 noon on any working day of the Company until the date of the Annual General Meeting or any adjournment thereof.

None of the Directors of the Company are concerned or interested in the Resolution at item No. 6 of the Notice.

By Order of the Board of Directors,

Chennai,

14th May, 2004.

K. Ramji

General Manager (Finance) & Secretary

Directors' Report to the Members

The Directors present herewith their Twenty-Seventh Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

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

	2003-2004 Rupees lakhs	Previous Year Rupees lakhs
The pre-tax profit for the year, after providing Rs. 325.88 lakhs (previous year – Rs. 325.78 lakhs) for Depreciation amounts to	86.71	304.95
After deducting provision for taxation		
Current Year Tax	41.00	16.00
Deferred Tax	(27.22)	60.94
and adding balance brought forward from the previous year	300.58	261.66
the amount available for disposal is	373.51	489.67
The Directors have made the following appropriations therefrom:		
(a) General Reserve	10.00	50.00
(b) Proposed Dividend	49.32	123.29
(c) Tax on Dividend	6.32	15.80
	65.64	189.09
leaving a balance to be carried forward of	307.87	300.58
	373.51	489.67

DIVIDEND

3. The Directors recommend a dividend of Re. 1/- per equity share (10%) for the year ended 31st March, 2004 (previous year Rs. 2.50 per share i.e., 25%).

ACCOUNTS AND FINANCE

Working Capital

4. The Company continued to effectively manage its working capital requirement well within the sanctioned limits.

Term Loan

5. The Company repaid the last instalment of term loan of Rs. 100 lakhs during the year to Hongkong & Shanghai Banking Corporation Ltd. (HSBC). Hence the term loan of Rs. 800 lakhs obtained in May 2000 has been fully repaid.

OPERATIONS

Sales

6. The Company registered a total turnover of Rs. 5243 lakhs (inclusive of excise duty) during the year as compared to Rs. 5304 lakhs during the previous year. The export sales of Rs. 3055 lakhs during the year was marginally higher compared to Rs. 3034 lakhs recorded in the previous year.

Production

7. 1769 tonnes of organic pigments and intermediates were produced during the year compared to 1629 tonnes produced during the year 2002-03. Production of Phthalocyanine Blue pigments was higher during the year by 144 tonnes.

Foreign Exchange Earnings and Outgo

8. The foreign exchange earnings of the Company during the year amounted to Rs. 3055 lakhs (previous year – Rs. 3034 lakhs). With imports accounting for Rs. 863 lakhs (previous year – Rs. 564 lakhs), and after deducting outflows on other accounts, the net foreign exchange earnings of your Company during the year amounted to Rs. 2183 lakhs (previous year – Rs. 2450 lakhs).

Profitability

9. Despite the Company's efforts to reduce costs in all areas of operations, profitability suffered during the year due to increase in the price of key raw materials and fuel, hike in power tariff, lower export benefits and fall in selling prices of major products.

Capital Expenditure/Projects

10. Upgradation of infrastructural facilities and safety related equipment was successfully implemented and became operational during the year. The total capital expenditure during the year under review amounted to Rs. 193 lakhs.

Directors' Report to the Members (contd.)

Safety and Ecology

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

12. The Company has adopted several guidelines on safety and health administration (ESHA) as recommended by Clariant group. The Company is actively pursuing Continuous Improvement Process (CIP) techniques for its manufacturing operations. This is an ongoing programme at all levels for improving processes. This has resulted in improved house-keeping and work practices leading to cost effective operations. The Company has evolved an Environment Management System (EMS) for its manufacturing activities. Efforts are continuing to get its EMS certified under ISO-14001.

Quality Assurance and Systems

13. The Company is maintaining its quality management system to the ISO-9001-2000 standards and has successfully completed its surveillance audit during the year under review.

Responsibility Statement

14. To the best of their knowledge and belief and according to the confirmation and explanations obtained by them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956.

- (i) that in the preparation of the annual accounts for the year ended 31st March, 2004, the applicable accounting standards have been followed alongwith proper explanations in case of material departures;
- (ii) that such accounting policies as mentioned in Note 1 of Schedule 19 of the Annual Accounts have been applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2004 and of the profit 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 frauds and other irregularities;
- (iv) that the annual accounts for the year ended 31st March, 2004 have been prepared on a going concern basis.

Management Discussion and Analysis

15. The Management Discussion and Analysis Report is provided in the Annexure to this report, as required by Clause 49 of the Listing Agreement.

Corporate Governance

16. The Company continues to comply with the requirements of Clause 49 of the Listing Agreement dealing with Corporate Governance and the details are set out in the Annexure to this report.

Employees

17. The industrial relations at the Company's factory and other establishments continued to remain cordial during the year.

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

20. Mr. R. P. Srivastava, who was appointed as the Director-Commercial of the Company with effect from 1.9.1997 retired on 31st August, 2003. During his tenure as Director-Commercial he has contributed immensely to the growth of the Company. The Board has placed on record its appreciation for the invaluable services rendered by Mr. R. P. Srivastava during his long association with the Company.

Auditors

21. M/s. A. F. Ferguson & Co., the retiring Auditors, are eligible for re-appointment and have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956. Members are requested to appoint the Auditors for the current year at a remuneration to be decided by the Board of Directors of the Company.

General

22. Statements giving particulars relating to the conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under the Companies (Disclosure of Particulars in the Board of Directors' Report) Rules, 1988 are annexed.

Acknowledgement

23. Your Directors greatly value and acknowledge the support and co-operation that the Company received from Colour-Chem Limited, Clariant International Ltd., the Company's bankers, statutory authorities and all the other establishments connected with the business of the Company.

24. Your Directors place on record their appreciation of the valuable contributions made by the Company's employees at all levels during the year.

For and on behalf of the Board of Directors,

Chennai
14th May, 2004

K. J. Bharucha
Chairman

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Annexure to the Directors' Report

Information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the period ended 31st March, 2004.

A. CONSERVATION OF ENERGY:

(a) **Energy conservation measures taken:**

- Modifications in the processes and installation of measurement and control instrumentation devices for various unit operations is continued.

(b) **Additional investments and proposals, if any, being implemented for reduction of consumption of energy:**

- Some of the recommendations of energy audit conducted in the previous year have been implemented. Others are under active consideration.

(c) **Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:**

- The measures taken have resulted in savings in the cost of manufacture.

FORM-A

Form of disclosure of particulars with respect to conservation of energy

2003-2004 2002-2003

A. POWER AND FUEL CONSUMPTION:

1. Electricity

(a) Purchased:

Unit (KWH lakhs)	74.88	69.84
Total amount (Rs. lakhs)	350.06	309.01
Rate/Unit (Rs.)	4.67	4.42

(b) Own generation

(i) Through Diesel Generator

Unit (KWH lakhs)	0.98	2.09
Units per Ltr. of Diesel Oil (KWH)	3.20	3.09
Cost/Unit (Rs.)	6.62	6.33

(ii) Through Steam Turbine/Generator

Units		
Units per Ltr. of Fuel Oil/Gas	Nil	Nil
Cost/Unit		

2. Coal (used in the Boiler)

Quantity (MT)		
Total Cost (Rs. lakhs)	Nil	Nil
Average Rate (Rs./MT)		

3. LSHS

Quantity (Kg lakhs)	11.85	11.80
Total Cost (Rs. lakhs)	136.78	132.18
Rate/Unit (Rs.)	11.54	11.20

4. Furnace Oil

Quantity (KL)		
Total Amount	Nil	Nil
Average Rate		

5. Others - Lignite

Quantity (MT)	212	50
Total Cost (Rs. lakhs)	2.22	0.51
Rate/Unit (Rs./MT)	1047	1020

B. CONSUMPTION PER UNIT OF PRODUCTION:

	Standards (if any)	2003-2004 per MT	2002-2003 per MT
Products: Synthetic Organic Compounds/Intermediates			
Electricity (KWH)		4288	4287
Others : Coal (MT)	Not applicable	-	-
Lignite (MT)		0.12	0.03
LSHS (MT)		0.67	0.72

FORM-B**Form of disclosure of particulars with respect to absorption****Research & Development:**

1. Specific areas in which R&D carried out by the Company : Development of technology for new products – intermediates, specialty chemicals and pigments – meant for local and overseas markets and re-working of existing processes with the object of improving their efficiency which will lead to better management of quality and ecology.
2. Benefits derived as a result of the above R&D : The R&D work resulted in achieving cost efficiencies through process modifications, yield improvements, waste reduction, *energy saving and quality improvements*.
3. Future plan of action : (a) Efforts will be continued in the same direction; further, new products will be added under the Company's programme to extend its range of products for the overseas and local markets.
(b) Efforts are being made, on a continuing basis, to develop intermediates for pigments and specialty chemicals. Also efforts are being taken for yield and process improvement of existing products.
4. Expenditure on R&D :

	2003-2004 (Rs. lakhs)	2002-2003 (Rs. lakhs)
a. Capital	-	-
b. Recurring	12.65	11.53
c. Total	12.65	11.53
d. Total R&D expenditure as a percentage of total turnover	0.24%	0.22%

Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation : The Company's R&D department continues to absorb technology received from its principals and from other sources and to adapt the same to suit local conditions and effect improvements by further developmental work. The R&D activities are also aimed at reduction in the impact on the environment of the products and processes so developed.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc. : These efforts have resulted in the rationalisation and streamlining of the technology and operations, import substitution and enhancement of overall cost efficiencies.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.
 - a. Technology imported : None
 - b. Year of import : Not Applicable
 - c. Has technology been fully absorbed? : Not Applicable
 - d. If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action. : Not Applicable

Foreign Exchange Earnings and Outgo

- | | Rs. lakhs |
|----------------------------------|------------------|
| 1. Total foreign exchange earned | 3054.54 |
| 2. Total foreign exchange used | 871.99 |

For and on behalf of the Board of Directors,

Chennai,
14th May, 2004K. J. Bharucha
Chairman