

VASHISTI DETERGENTS LIMITED



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11th
ANNUAL REPORT 1998-99

Vashisti Detergents Limited

BOARD OF DIRECTORS

M. K. Sharma	(Chairman)
A. Lahiri	(Resigned w.e.f 8.9.98)
D.S. Soman	
P. Asirvatham	(Appointed w.e.f. 11.1.99)
V. Behal	
S.M. Bhide	
C. Mohinta	(Managing Director)
K. S. Srinivasa Murty	
S. Ravindranath	
V. K. Vishwanathan	(Resigned w.e.f. 8.9.98)

COMPANY SECRETARY

R. Subramanyam

BANKERS

Corporation Bank

AUDITORS

N. M. Raiji & Company

COST AUDITORS

N. I. Mehta & Company

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Registered Office and Factory

Plot No.B-7, Lote Parshuram Industrial Area,
Taluka Khed, Dist. Ratnagiri,
Maharashtra State - Pin 415 722

Registrars and Share Transfer Agents**Address for Shares & Debentures Transfer****M/s Sharepro Services**

912, Raheja Centre,
Free Press Journal Road,
Nariman Point,
Mumbai -400 021

OR**M/s Sharepro Services**

Satam Industrial Estate,
3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala,
Andheri (East),
Mumbai 400 099

11th Annual General Meeting

Day : Thursday
Date : 15th July, 1999
Time : 10.00 a.m.
Venue : Plot No. B-7
Lote Parshuram Industrial Area,
Taluka Khed, Dist. Ratnagiri.
Pin 415 722 Maharashtra State

Members are requested to bring their copy of the Annual Report
at the time of attending the Annual General Meeting.

Vashisti Detergents Limited

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of Vashisti Detergents Limited will be held on Thursday the 15th July, 1999 at 10.00 a.m. at Plot No.B-7 MIDC Lote Parshuram, Tal Khed, Dist. Ratnagiri, Pin 415 722, to transact the following business :

1. To receive and adopt the Profit & Loss Account for the period 1st April, 1998 to 31st March, 1999, the Balance Sheet as at 31st March, 1999 and the Report of the Directors and Auditors thereon.
2. To appoint a Director in Place of Mr. V.Behal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr C.Mohinta, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration for the period April 1999 to March 2000.

SPECIAL BUSINESS :

5. Appointment of Mr.M.K.Sharma as Director :

To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

"RESOLVED that Mr. M.K.Sharma be and is hereby appointed as a Director of the Company whose office shall be liable to determination by retirement of Directors by rotation".

6. Appointment of Mr. Prince Asirvatham as Director :

To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

"RESOLVED that Mr. Prince Asirvatham be and is hereby appointed as a Director of the Company whose office shall be liable to determination by retirement of Directors by rotation".

7. To consider, and if thought fit, to pass the following resolution as an ordinary resolution :

"RESOLVED that pursuant to Section 198,309,310 Schedule XIII, and other applicable provisions of the Companies Act, 1956, and subject to approval of the Central Government, to the extent required, Mr. C. Mohinta be and is hereby appointed as Managing Director of the Company for a period of 3 years with effect from 5th July, 1999."

"RESOLVED FURTHER that pursuant to Section 198,309,310 Schedule XIII, and other applicable provisions of the Companies Act, 1956, and subject to approval of the Central Government, to the extent required, the consent of the Company be and is hereby accorded for payment of remuneration to Mr. C.Mohinta, Managing Director of the Company, upto a maximum of Rs. 30 Lakhs (Thirty Lakhs only) per annum with effect from 5th July 1999, by way of salary, commission on profits, performance linked incentive or bonus (herein after referred to as "remuneration") and perquisites like furnished accommodation, gas, electricity, furnishings, medical reimbursement and Leave Travel Concession for self and family, club fees, medical insurance, company car for official duties, telephone at residence (including payment for local calls and long distance official calls) etc., in accordance with the rules of the Company.

- a. However, for the purpose of calculating the above ceiling perquisites shall be evaluated as per Income Tax Rules wherever applicable. In the absence of any such rule, the perquisites shall be evaluated at actual cost.
- b. Company's contribution to provident fund and superannuation fund not exceeding 27% of the remuneration shall not be included in the computation of the above ceiling.
- c. The Board of Directors are authorised to pay to the Managing Director lower remuneration than the maximum remuneration hereinbefore stipulated and revise the same from time to time within the maximum limit of Rs. 30 Lakhs (Thirty Lakhs only) per annum."

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS/HER STEAD AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- (b) The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
- (c) The Register of Members and the Share Transfer Books of the Company will remain closed from 25th June, 1999 to 10th July, 1999, (both days inclusive).
- (d) Shareholders holding shares in identical order of names in more than one folio are requested to write to the Company's Registrars to enable the Company to consolidate their holdings in one folio.

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- (e) Members are requested to immediately notify any change in their addresses to the Company's Registrars and Share Transfer Agents given below :

M/s Sharepro Services	OR	M/s Sharepro Services
912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai -400 021		Satam Industrial Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099
Tel. : 2881569, 2844668		Tel. : 8215168, 8215991, 8329828
Fax : (022) 2825484		Fax : (022) 8375646

By Order of the Board of Directors
VASHISTI DETERGENTS LIMITED

M.K.SHARMA
CHAIRMAN

Mumbai, : 28th April, 1999
Registered Office :
Plot No. B-7, Lote Parshuram MIDC,
Tal. Khed, Dist. Ratnagiri,
Maharashtra.

ANNEXURE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

ITEM NO. 5

Mr. M.K.Sharma was appointed as an Additional Director on the Board of Directors of the Company with effect from 8th Sept., 1998 in accordance with the provisions of Section 260 of the Companies Act, 1956. Mr. Sharma holds office only up to the date of the Eleventh Annual General Meeting of the Company but is eligible for re-appointment. As required by Section 257 of the Act, a notice has been received from a member proposing Mr. Sharma as a candidate for the office of Director. Mr. Sharma is the Director - Legal & Secretarial of Hindustan Lever Limited. The Board considers it desirable to continue to receive the benefit of Mr. Sharma's advice and guidance.

Mr.M.K.Sharma is interested in the above Resolution concerning his appointment. No other director of the company is concerned or interested in this Resolution.

ITEM NO. 6

Mr. Prince Asirvatham was appointed as an Additional Director on the Board of Directors of the Company with effect from 19th Jan., 1999 in accordance with the provisions of Section 260 of the Companies Act, 1956. Mr. Prince Asirvatham holds office only up to the date of the Eleventh Annual General Meeting of the Company but is eligible for re-appointment. As required by Section 257 of the Act, a notice has been received from a member proposing Mr. Prince Asirvatham as a candidate for the office of Director. Mr. Prince Asirvatham is the Treasurer & Head - Mergers and Acquisitions of Hindustan Lever Limited. The Board considers it desirable to continue

to receive the benefit of Mr. Prince Asirvatham's advice and guidance.

Mr.Prince Asirvatham is interested in the above Resolution concerning his appointment. No other director of the company is concerned or interested in this Resolution.

ITEM NO. 7

Mr.C.Mohinta, was appointed as a Wholetime Director (subsequently redesignated as Managing Director) of the Company with effect from 5th July, 1996 at the Eighth Annual General Meeting held on 24th September, 1996. The shareholders approved the appointment of Mr. C.Mohinta, for a period of three years at a remuneration as may be determined by the Board of Directors from time to time within the maximum limit of Rs. 10,50,000/- per annum as per the resolution passed at the said meeting. The said remuneration was increased to a maximum limit of Rs. 20,00,000/- per annum by a resolution passed at the Tenth Annual General Meeting of the Company on 1st August, 1998, subject to the approval of the Central Government in accordance with Section 198, 309 & 310 and other applicable provisions, if any, of the Companies Act, 1956. The Central Government gave its approval to increase the remuneration to a maximum limit of Rs. 20,00,000/- per annum for a period of 1 year vide its letter no. 2/63/98-CL.VII dated 11th Nov, 1998. The above approval expires on 4th July, 1999.

It is proposed to appoint Mr. C. Mohinta for a further period of 3 years effective 5th July, 1999 on the revised terms as per the resolution stated in item No.7 of the notice.

Mr. C.Mohinta, is a Mechanical Engineer by background, having a successful career track record of 26 years spanning various technical and general management functions including 12 years with Hindustan Lever Ltd., one of the most reputed companies in the country.

The members are aware that he has also been one of the key persons who led the company's successful turn around, as has been witnessed over the last 3 years. The Company would be benefited by his continued presence by way of his appointment as Managing Director for a further period of 3 years.

In order to ensure that the remuneration of the Managing Director is at par with persons with similar background, experience and responsibilities in similar organisations, the Board of Directors are of the opinion that the remuneration needs to be suitably revised. Given the educational & professional background as well of the quality of experience of Mr. Mohinta, the Board feels that the increase in remuneration sought for is adequately justified and commends the increase in remuneration.

Mr. C.Mohinta is interested in the above resolution and no other Director is concerned or interested in this resolution. The above may be considered as disclosure as required under section 302 of the Companies Act, 1956.

Vashisti Detergents Limited

DIRECTORS' REPORT

To,

The Members

1. The Directors hereby present their Eleventh Annual Report on the business and operations of the Company together with the audited statement of accounts for the year ended 31st March, 1999.

PERFORMANCE OF THE COMPANY

2. The performance of the Company during 1998-99 is summarised below :-

	1998-99	(Rs.Lakhs) 1997-98
Turnover (Gross of excise)	22159	15583
Turnover (net of excise)	18239	12926
Profit/(Loss) before Depreciation & Interest	1075	780
Profit/(Loss) before Tax	500	182
Profit/(Loss) after Tax	500	182
Balance brought forward from previous year	(4054)	(4054)
Balance carried to Balance Sheet	(3912)	(4054)
Transfer to Debenture Redemption Reserve	358	182

OPERATIONS

3. Your Company has posted a 42% increase in sales turnover in 1998-99 as compared to the previous year. Volumes at 79374 Tons have recorded a growth of 39% over the previous year. This improvement in sales volumes and turnover has been achieved through sustained efforts to improve productivity and operating efficiencies. Your Company continues to focus on cost reduction and particularly to optimise energy costs as reflected in the Annual Report. This, coupled with a further reduction in interest costs has resulted in a higher profit before tax of Rs 500 lakhs as against a profit of Rs 182 lakhs in the previous year.

MANUFACTURING

4. During the year all the plants achieved significantly higher capacity utilisation. The three main plants i.e. the Toilet Soaps, Detergent Bars & the Detergent Powders Plant having fully stabilised, the Sulphonation Plant was the area of focus during the year. You will be happy to know that the efforts have yielded results and the Sulphonation Plant has been stabilised satisfactorily. This Plant is expected to contribute to the profitability of the company in the coming year.

SAFETY AND ENVIRONMENT

5. The Company invested significantly in the areas of Safety and Environment and as a result of that, the safety standards showed marked improvement.

The treated effluents from the factory is being fully recycled making it a "Zero Liquid Effluent Plant". The Company will continue to accord the highest priority in this area in the coming years.

INFORMATION TECHNOLOGY

6. The Company has now a fully integrated state-of-the-art IT system covering all areas of the business which is fully Y2K compliant. The company is also maintaining close liaison with its major suppliers and service providers on the status of their own Y2K compliance.

PERSONNEL

7. The Board wishes to place on record its appreciation to all employees of the Company for their sustained effort in improving capacity utilisation and operational efficiencies.

Industrial relations during the year were harmonious.

The details of employees in the category specified under Section 217(2A) of the Companies Act, 1956 is annexed herewith.

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FINANCE

8. The Company's financial position has further improved inspite of increased working capital requirements of some of its key raw materials. The surplus funds generated are being invested in most prudent manner.

The Directors are pleased to inform that your Company's Non-Convertible Debentures have been upgraded to "AA" from the earlier rating of "A" by the Credit Rating Information Services of India Ltd., (CRISIL). The above rating indicates high safety with regards to timely payment of principal and interest.

The Company has not accepted any deposits from the public.

The Excise authorities have issued a show cause notice to the Company alleging that it is a 'related person' of HLL by virtue of HLL's 32.9% shareholding in the Company and involvement of some of its senior executives as Directors of the Company. The Excise Department has also alleged that HLL controls the operations of the Company through deputation on secondment of its managers and the close functional co-ordination. In the circumstances, the Department has proposed to levy Excise Duty not by reference to the selling price of the Company to HLL but by reference to the selling price of HLL to the wholesale trade. The company is of the view that it cannot be regarded as a 'related person' of HLL and accordingly has proposed to contest the matter. The issues involved are only relevant from a historical perspective because post coverage of soaps and detergents under the provisions of Section 4A of the Central Excise Act, 1944, duty is presently being levied by reference to the MRP printed on the wrappers and not by reference to the selling price to HLL. The Board would keep the members apprised of any significant developments in this matter.

DEPOSITORY SYSTEM

9. Investors can now avail of trading in your Company's shares in dematerialised form. In accordance with the Press Note issued by the Securities Exchange Board of India, trading in your Company's shares in electronic form was made compulsory for Institutional Investors effective 15th February, 1999.

DIRECTORS

10. In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. V. Behal and Mr. C. Mohinta retire by rotation and being eligible offer themselves for re-appointment. During the year Mr. A. Lahiri, Chairman submitted his resignation with effect from 8th Sept, 1998 from the Board due to his taking up a new assignment abroad. The Board wishes to place on record its appreciation of the immense contribution of Mr. Lahiri by way of his valuable advice and guidance.

Mr. M. K. Sharma was appointed by the Board as a Director and Chairman with effect from 8th Sept, 1998.

Mr. V. K. Viswanathan submitted his resignation from the Board with effect from 8th Sept, 1998 due to his taking up a new assignment abroad. The Board wishes to place on record its appreciation of his contribution by way of his valuable advice and guidance.

Mr. Prince Asirvatham was appointed in place of Mr. V. K. Viswanathan as an Additional Director with effect from 19th January, 1999.

Notices have been received from members, pursuant to Section 257, of the companies Act, 1956, proposing the appointment of Mr. M. K. Sharma and Mr. P. Asirvatham as Directors of the Company at the ensuing Annual General Meeting.

AUDITORS

11. Members are requested to appoint Auditors for the current year and to fix their remuneration. M/s N.M. Rajji & Co., Chartered Accountants, retire and being eligible under Section 224(1) of the Companies Act, 1956, offer themselves for re-appointment.

INFORMATION UNDER SECTION 217 (1)(e)

Conservation of Energy

12. Your Company continued to accord high priority to the conservation of energy. A detailed study is being done to identify specific areas for energy savings and monitoring systems are being put in place.