



Vashisti Detergents Limited



12th Annual Report 1999-2000



Vashisti Detergents Limited

BOARD OF DIRECTORS

M. K. Sharma

Chairman

D. S. Soman

P. Asirvatham

V. Behal

S. M. Bhide

C. Mohinta

Managing Director

K. S. Srinivasa Murty

S. Ravindranath

COMPANY SECRETARY

R. Subramanyam

BANKERS

Corporation Bank

AUDITORS

N. M. Raiji & Company

COST AUDITORS

N. I. Mehta & Company

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REGISTERED OFFICE & FACTORY

Plot No. B-7, M.I.D.C., Lote Parshuram, Tal. Khed,
Dist. Ratnagiri, Pin 415 722, Maharashtra State.

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.
Tel.: 288 1568, 284 4668 • Fax : 282 5484

OR**M/s Sharepro Services**

Satam Industrial Estate,
3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala,
Andheri (East), Mumbai - 400 099.
Tel.: 832 9828, 834 8218 • Fax : 837 5646

12TH ANNUAL GENERAL MEETING

Day	:	Saturday
Date	:	12th August, 2000
Time	:	10.00 a.m.
Venue	:	Plot No. B-7, M.I.D.C., Lote Parshuram, Tal. 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 12th Annual General Meeting of Vashisti Detergents Limited will be held at Plot No. B-7, M.I.D.C., Lote Parshuram, Tal. Khed, Dist. Ratnagiri, Pin 415 722 on Saturday the 12th August, 2000 at 10.00 a.m. to transact the following business :

1. To receive and adopt the Profit & Loss Account for the period 1st April, 1999 to 31st March, 2000, the Balance Sheet as at 31st March, 2000 and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. D. S. Soman, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration for the period April 2000 to March 2001.

SPECIAL BUSINESS :

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

"RESOLVED that, pursuant to Section 78, 100 and other applicable provisions, if any, of the Companies Act, 1956 and subject to confirmation by the appropriate High Court as provided in Section 100, of the Companies Act 1956, the sum of Rs. 23,55,07,446/- standing to the credit of the Share Premium Account in the Balance Sheet of the Company as at the 31st March, 2000 be and is hereby applied by transfer of Rs. 23,55,07,446/- from the Profit & Loss Account to the Share Premium Account to reduce the sum of Rs. 34,51,99,110/- standing to the debit under the head "Profit & Loss Account (Carry Forward Loss)" in the said Balance Sheet as at 31st March, 2000."

"AND RESOLVED FURTHER that, the Board of Directors of the Company be and is hereby authorised to do and perform all such acts, deeds, matters and things and take all such action, as may be necessary, desirable or appropriate to give effect to this Resolution in consultation with M/s. N. M. Raiji & Co., Chartered Accountants, the Company's Auditors."

5. To consider and if thought fit pass, with or without modification, the following resolution as Special Resolution :

"RESOLVED that, pursuant to Section 31, and other applicable provisions, if any, of the Companies Act, 1956, including any modification thereto or re-enactment thereof, for the time being in force, the existing Article 91 of the Articles of Association is amended as follows :

"In the Article 91 in place of the words "Rs. 250/-", the words "Rs. 5000/- (Rupees Five Thousand Only) be substituted."

6. To consider and, if thought fit, to pass the following resolution as a Special Resolution :

"RESOLVED that, pursuant to Section 309 of the Companies Act, 1956 and the Articles of the Association

of the Company and within the limits stipulated in Section 309 (4) of the Companies Act, the Company be and is hereby authorised to pay to its Directors (other than a Managing Director and a Director in the wholetime employment of the Company) for a period of five years commencing from 1st April, 2000 such commission as the Board may from time to time determine, (to be divided amongst them in such proportion as may be determined by the Board from time to time and in default of such determination equally) but so that such commission shall not exceed 1% of the net profits of the Company in any financial year (computed in the manner provided in Section 198(1) of the Companies Act, 1956) or Rs. 15 Lakhs in aggregate whichever is lower."

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) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to the special business to be transacted at the meeting is annexed hereto.
- (c) The Register of Members and the Share Transfer Books of the Company will remain closed from 4th August, 2000 to 9th August, 2000 (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.
- (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
912, Raheja Centre,
Free Press Journal Road,
Nariman Point,
Mumbai 400 021.
Tel. : 288 1568, 284 4668
Fax : 282 5484

M/s. Sharepro Services
Satam Indl. Estate, 3rd Floor,
Above Bank of Baroda,
Cardinal Gracious Road,
Chakala, Andheri (East),
Mumbai 400 099.
Tel. : 832 9828, 834 8218
Fax : 837 5646

By Order of the Board of Directors
VASHISTI DETERGENTS LIMITED

C. MOHINTA
MANAGING DIRECTOR

Mumbai, 14th July, 2000

Registered Office :

Plot No. B-7,
M.I.D.C., Lote Parshuram,
Tal. Khed, Dist. Ratnagiri,
Pin 415 722, Maharashtra State.

12th Annual Report 1999-2000

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 4 :

Pursuant to Section 78 of the Companies Act, 1956, the Board of Directors have taken a decision to apply an amount of Rs. 2,12,23,624/- lying in the Share Premium Account towards adjusting of the amount of Rs. 2,12,23,624/- lying under the head "Preliminary Expenses, Debenture Issue Expenses and Rights Issue Expenses" as at 31.3.2000 by transfer of Rs. 2,12,23,624/- from the Profit & Loss Account to the Share Premium Account.

Even after applying a sum of Rs. 2,12,23,624/- out of the monies standing to the credit of the Share Premium Account as above, there would still be a balance of Rs. 23,55,07,446/- continuing to stand to the credit of the Share Premium Account in the above Balance Sheet as at 31.3.2000.

It may be stated that having regard to the business, activities and operations and various other factors, the Company had incurred a loss in its initial years and there is a sum of Rs. 34,51,99,110/- standing to the debit of the Profit and Loss Account (Carried Forward Loss) in the above Balance Sheet.

Under Section 78 of the Companies Act, inter alia, the Share Premium Account may be used for certain specific purposes. The Section, however, expressly provides that the provisions of the Act relating to the Reduction of Share Capital of the Company, shall except as provided in the Section, apply as if the Share Premium Account were Paid-up Share Capital of the Company.

Consequently, any use or application of the Share Premium Account for any purpose other than that prescribed under Section 78 of the Companies Act would be treated as a Reduction of Share Capital under Section 100 of the Act.

The Board is of the opinion that in accordance with good company practice and sound accounting principles, it would also be advisable that the balance of the monies standing to the credit of the Share Premium Account should be used and applied in reducing the amount of the monies standing to the debit of the Profit and Loss Account (Carried Forward Loss) in the Balance Sheet of the Company by transfer of Rs. 23,55,07,446/- from the Profit & Loss Account to the Share Premium Account.

Since the Application of the Share Premium Account for the above purpose would amount to reduction of capital under Section 78 read with Section 100, it would be necessary to obtain the approval of members of the Company in General Meeting by passing a Special Resolution for Reduction of Capital in that behalf under Section 100 and such reduction of Share Capital would have to be confirmed by the Honourable Mumbai High Court as provided in the Section.

The Board commends the above resolution for the approval of members.

None of the Directors are concerned or in any way interested in this resolution.

ITEM NO. 5 :

The present Article No. 91 in the Articles of Association of the Company reads as follows :

"Unless otherwise determined by the Company in General Meeting each Director shall be entitled to receive out of the funds of the Company for his services in attending meetings of the Board or a Committee of the Board, a fee of Rs. 250/- per meeting of the Board or a Committee of the Board attended by him. All other remuneration, if any, payable by the Company to each

Director, whether in respect of his services as a Managing Director or a Director in the whole or part time employment of the Company shall be determined in accordance with and subject to the provisions of these Articles and of the Act. The Directors shall be entitled to be paid their reasonable travelling and hotel and other expenses incurred in attending and returning from Board and Committee meetings or otherwise incurred in the execution of their duties as Directors".

The Company can therefore currently pay Rs. 250/- per meeting to each Director as Sitting Fees as per its Articles of Association.

The Rule 10(b) of the Companies (Central Government's) General Rules 1956 read with Section 309 & 310 of the Companies Act, 1956, prescribes maximum remuneration payable by way of Sitting Fees of Rs. 2000/- per meeting. The said rules have now been amended and the maximum amount payable as Sitting Fees to Directors has now been revised to Rs. 5000/- per meeting per Director. However, until now the limit prescribed in the original Articles of Association of your Company has remained unchanged.

The Board of Directors is of the opinion that in view of the current context the maximum limit for payment of Sitting Fees needs to be revised to Rs. 5000/-. Accordingly it is proposed to amend the Articles of Association.

All the directors of the Company are deemed to be concerned or interested in the resolution to the extent it could have a bearing on their remuneration.

The Board commends the aforesaid resolution as a Special Resolution.

ITEM NO. 6 :

Corporate Governance has emerged as one of the key concerns in the business environment in India. The Securities and Exchange Board of India (SEBI) acting on the recommendations of the Kumaramangalam Birla Committee Report has now advised the stock exchanges to amend the listing agreement to implement some of the Committee's recommendations such as constitution of audit committee, etc. The Company would also need to restructure its Board to bridge the gap in the level of independent representation as recommended by the Kumaramangalam Birla Report and the SEBI directives. Serving on the Board and on sub-committees, these committees would increase both the time and commitment on the part of non-executive directors and the level of their responsibility with regard to functioning of the Company. In order to attract, retain and reward talent to serve as non-wholetime directors on the Board of the Company, it is proposed to remunerate them not only through sitting fees, but by paying a commission on profits which is the normal mercantile practice. It is proposed that the commission on profits for all non-executive directors would not exceed the limit of 1% computed in accordance with the relevant provisions of the Companies Act or an amount of Rs. 15 Lakhs whichever is lower. Within the aforesaid limits, the Board is empowered to fix the commission for each of the non wholetime directors of the Company.

All the directors of the Company except Mr. C. Mohinta, Managing Director are deemed to be concerned or interested in the resolution to the extent it could have a bearing on their future remuneration.

The Board commends the passing of the resolution at item no. 6 of the notice convening the meeting.

Vashisti Detergents Limited**DIRECTORS' REPORT**

To,

The Members

1. The Directors hereby present their 12th Annual Report on the business and operations of the Company together with the audited statement of accounts for the year ended 31st March, 2000.

PERFORMANCE OF THE COMPANY

2. The performance of the Company during 1999-2000 is summarised below :-

	1999-2000	(Rs.Lakhs) 1998-1999
Turnover (Gross of excise)	22565	22159
Turnover (Net of excise)	17912	18239
Profit/(Loss) before Depreciation & Interest	991	1075
Profit/(Loss) before Tax	593	500
Profit/(Loss) after Tax	551	500
Balance brought forward from previous year	(3912)	(4054)
Balance carried to Balance Sheet	(3452)	(3912)
Transfer to Debenture Redemption Reserve	637	358

OPERATIONS

3. Your Company has posted a 1.8% increase in sales turnover in 1999-2000 as compared to the previous year. Volumes at 80899 Ts have recorded a growth of 1.9% over the previous year. Although the volumes have increased marginally, it should be seen in light of the fact that the volumes had already achieved peak levels in the last year itself.

The year saw immense pressure on conversion cost due to sudden escalation of energy cost and furnace oil in particular leading to increase of about 31% in energy cost alone. Part of this increase is also due to Sulphonation Plant, which achieved 50% capacity utilisation during the year.

In spite of the pressure on costs, operating margins have shown an increase of 9% when compared to last year.

Other Income including income from Investment of Surplus Funds of Rs. 115 Lakhs has contributed significantly towards the Net Profit for the year. The Company for the first time, had to make provision for minimum alternative Tax (MAT) of Rs. 42 Lakhs.

In spite of the Tax Provision, Net Profit after Tax rose by 10% from Rs. 500 Lakhs in the last year to Rs. 550 Lakhs in the current year.

MANUFACTURING

4. During the year the Toilet Soaps & Detergent Bars Plant exceeded last year's production. However there was a marginal decline in production of Detergent Powders due to sluggish demand. Sulphonation Plant which was an area of focus showed good progress by achieving 50% capacity utilisation, thus providing captive source for LABSA which is the key ingredient in detergents.

During the year new milestones were achieved in all the areas of productivity and energy conservation thus maintaining the company's competitive advantage.

The company has successfully geared up its manufacturing systems to handle frequent product changeovers and speed of response to market demands. This will go a long way in sustaining its position as a preferred supplier.

In order to achieve all round excellence in manufacturing, the company has decided to introduce TPM (Total Productive Maintenance), which is a time tested Japanese technique and has been successfully implemented in many industries in India.

SAFETY AND ENVIRONMENT

5. During the year the company maintained its "zero liquid effluent discharge" status by recycling the entire quantity of treated effluent in process cooling and gardening applications. The company also took up additional areas for greening to improve environment standards.

Safety standards in the factory improved further through investments, training and control measures. This was reflected in the sharp improvement in the safety statistics during the year.

INFORMATION TECHNOLOGY

6. The Company successfully rolled over the new millennium due to extensive preparations and tests throughout the last year.

Further, during the year, the integrated software and hardware systems were extended to the manufacturing areas also which will result in further improvement in productivity through networking of various departments.

12th Annual Report 1999-2000**PERSONNEL**

7. Subsequent to the expiry of the previous Long Term Settlement on 30th June, 1999, a fresh Settlement covering wage increases, productivity improvements etc was signed in May 2000 which is valid upto June 2003.

Post signing of the settlement the management is confident that there will be an allround improvement in productivity and production efficiencies.

Cordial relations were maintained through out the year. 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.

FINANCE

8. The offer for pre-payment of the company's 14% Non-convertible Debentures met with reasonable success. Debentures of Rs. 2.25 Cr. were prepaid during the year representing 18% of the total debentures. The debentures are due for redemption in two instalments due in October 2000 and October 2001 respectively.

Credit Rating and Information Services of India Ltd, (CRISIL) has upgraded the rating given to the company's Non-Convertible Debentures from "AA" to "AA+" reaffirming the company's improved performance.

The company's surplus funds are being judiciously utilised in financial instruments taking into view the safety and reasonableness of returns.

Apart from routine capital expenditure, the funds are being earmarked for redemption of the Non-Convertible debentures during the year 2000-2001.

Pursuant to the directions of the Department of Company Affairs of the Govt. of India, your company has appointed M/s. N. I. Mehta & Co., Cost Accountants as the Cost Auditor of the company for Soaps and Detergents.

DIRECTORS

9. In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. D. S. Soman retire by rotation and being eligible, offers himself for re-appointment.

Mr. S. M. Bhide, who retires by rotation will not seek his reappointment in view of his taking a new assignment abroad.

The Board expresses its deep gratitude for the excellent leadership and expertise provided by Mr. Bhide during his tenure as Director of the company.

AUDITORS

10. M/s. N. M. Raiji & 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**

11. Your Company continued to accord high priority to the conservation of energy. While the absolute costs of energy increased during the year mainly due to higher fuel costs, the specific consumption levels showed significant reduction.

Investment of approx. Rs. 45 Lakhs was made during the year in electrical energy saving devices, steam metering and boiler efficiency systems.

An extensive energy metering system has been put in place to help potential areas of further energy savings in the manufacturing plants.

TECHNOLOGY ABSORPTION

12. The Company has developed its own technology base at its factory. The Company has not imported any technology in the relevant period.

FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | |
|-------------------------------|---------------------|
| 13. Foreign Exchange Earnings | - Nil |
| Foreign Exchange Outgo | - Rs. 3034.41 Lakhs |

By Order of the Board of Directors
VASHISTI DETERGENTS LIMITED

C. MOHINTA
MANAGING DIRECTOR

Mumbai, 14th July, 2000

Registered Office :
Plot No. B-7,
M.I.D.C., Lote Parshuram,
Tal. Khed, Dist. Ratnagiri,
Pin 415 722, Maharashtra State.