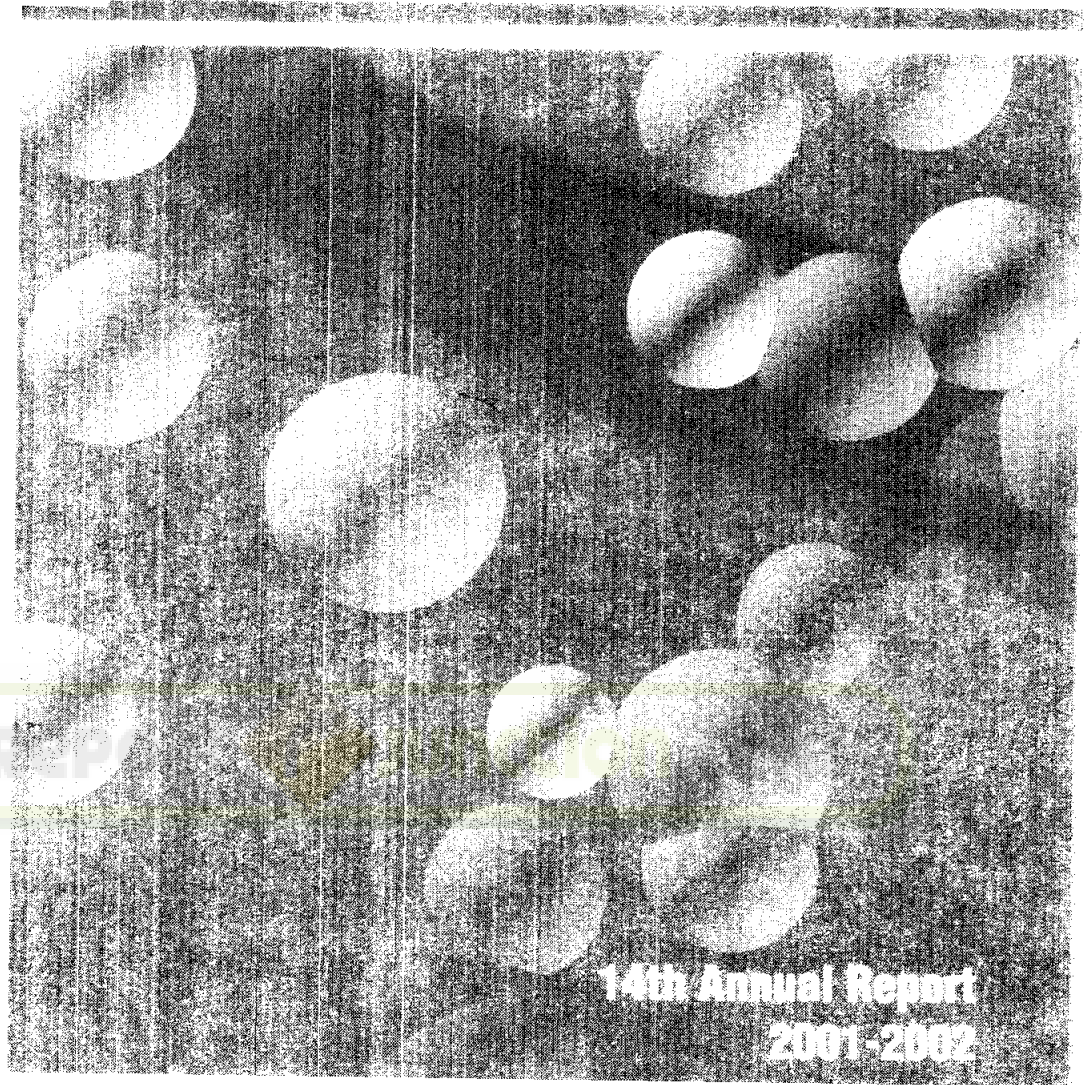


# Vashisti Detergents Limited



# Vashisti Detergents Limited

## BOARD OF DIRECTORS

M. K. Sharma	<i>Chairman</i>
D. S. Soman	
P. Asirvatham	
V. Behal	
U. Bhattacharya	<i>Managing Director upto 31.05.2002</i>
V. Subramanian	<i>Managing Director w.e.f. 01.06.2002</i>
R. K. Lal	<i>w.e.f. 19.10.2001</i>
S. P. Mustafa	<i>w.e.f. 19.10.2001</i>
K. S. Srinivasa Murty	<i>upto 19.10.2001</i>
S. Ravindranath	<i>upto 19.10.2001</i>

## BANKERS

Corporation Bank

## AUDITORS

N. M. Rajji & Company

## COST AUDITORS

N. I. Mehta & Company

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**REGISTERED OFFICE & FACTORY**

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

**REGISTRARS AND SHARE TRANSFER AGENTS****Address for Shares Transfer****M/s Sharepro Services**

912, Raheja Centre,  
Free Press Journal Road,  
Nariman Point,  
Mumbai - 400 021.  
Tel.: 288 1568, 288 1569 • Fax : 282 5484  
Email : sharepro@bom7.vsnl.net.in

OR

**M/s Sharepro Services**

Satam Industrial Estate,  
3rd Floor, Above Bank of Baroda,  
Cardinal Gracious Road, Chakala,  
Andheri (East), Mumbai - 400 099.  
Tel.: 821 5168, 832 9828 • Fax : 837 5646

**14TH ANNUAL GENERAL MEETING**

Day : Friday  
Date : 19<sup>th</sup> July, 2002  
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 14<sup>th</sup> 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 Friday the 19<sup>th</sup> July, 2002 at 10.00 a.m. to transact the following business:

1. To receive and adopt the Profit & Loss Account for the period 1<sup>st</sup> April, 2001 to 31<sup>st</sup> March, 2002, the Balance Sheet as at 31<sup>st</sup> March, 2002 and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. P. Asirvatham, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. V. Behal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration for the period April, 2002 to March, 2003.

**SPECIAL BUSINESS :**

5. To appoint a Director in place of Mr. V. Subramanian who has been appointed as an Additional Director of the Company by the Board of Directors with effect from 1.6.2002 pursuant to Article No. 104 of the Articles of Association of the Company and who, under Section 260 of the Companies Act, holds office up to the date of the forthcoming Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a shareholder proposing his candidature for the office of Director under the provisions of Section 257 of the Companies Act.
6. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 387 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be necessary, the Company hereby approves the appointment of Mr. V. Subramanian, as a

Managing Director of the Company as defined in Section 2(24) of the Act, for a period of three years with effect from 1<sup>st</sup> June, 2002 upon the terms and subject to the conditions as set out hereunder, with further liberty to the Directors, from time to time to alter and vary the said terms and conditions, in such manner as may be agreed upon between the Directors and Mr. V. Subramanian in the best interest of the Company, but subject to the provisions contained in Schedule XIII to the Companies Act, 1956, as amended from time to time and permission of the Central Government if required:

A maximum salary of Rs. 42,00,000 per annum by way of salary, commission on profits, performance-linked incentive or bonus (hereinafter referred to as "remuneration") and perquisites like furnished accommodation, gas, electricity, water, 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.

Provided however that:

- a) 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, 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".

"RESOLVED FURTHER that the Board of Directors/ Remuneration Committee of Directors are authorised to fix the remuneration for the Managing Director within the overall limits as determined by the Board of Directors and approved by shareholders at General Meeting of the shareholders".



**14th Annual Report 2001-2002****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 18<sup>th</sup> July, 2002 to 25<sup>th</sup> July, 2002 (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 :

<b>M/s. Sharepro Services</b>	<b>OR</b>	<b>M/s. Sharepro Services</b>
912, Raheja Centre,		Satam Indl. Estate, 3rd Floor,
Free Press Journal Road,		Above Bank of Baroda,
Nariman Point,		Cardinal Gracious Road,
Mumbai 400 021.		Chakala, Andheri (East),
		Mumbai 400 099.
Tel. : 288 1568, 284 4668		Tel. : 832 9828, 834 8218
Fax : 282 5484		Fax : 837 5646

By Order of the Board of Directors  
**VASHISTI DETERGENTS LIMITED**

**M. K. SHARMA**  
**CHAIRMAN**

Mumbai, 5<sup>th</sup> June, 2002

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

**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.****ITEM NOS. 5 & 6 :**

Under the provisions of Section 269 of the Companies Act 1956, the Company shall appoint a Managing Director or Wholtime Director or Manager.

Consequent upon the resignation of Mr. Uday Bhattacharya, Managing Director, Mr. V. Subramanian is proposed to be appointed as the Managing Director of the Company. As required by Section 257 of the Act, a notice has been received from a member proposing Mr. V. Subramanian as a candidate for the office of Managing Director.

Mr. V. Subramanian holds a B. Tech Degree from the IIT Madras and brings with him more than 18 years of experience in various managerial positions of factories, business and sales operation of M/s. Hindustan Lever Ltd., The Board commends his appointment as the Managing Director of the Company.

Mr. V. Subramanian is interested in the above Resolution concerning his appointment. No other Director of the Company is concerned or interested in this Resolution.

## Vashisti Detergents Limited

### DIRECTORS' REPORT

To,

#### The Members

1. The Directors hereby present their 14<sup>th</sup> Annual Report on the business and operations of the Company together with the audited statement of accounts for the year ended 31st March, 2002.

#### PERFORMANCE OF THE COMPANY

2. The performance of the Company during 2001-2002 is summarised below :-

		(Rs. Lakhs)
	2001-2002	2000-2001
Net Sales	15465	21467
Processing Income	631	Nil
Profit before Depreciation & Interest	1126	1184
Profit before Tax	681	669
Current Tax	53	57
Deferred Tax	243	Nil
Profit after Tax	385	612
Balance brought forward from previous year	152	(3452)
Transfer to Share Premium Account	Nil	2355
Transfer to Debenture Redemption Reserve	Nil	637
Balance carried to Balance Sheet	537	152

#### OPERATING RESULTS

3. Your Company has posted a modest 1.8% increase in the profit before taxation in 2001-2002 as compared to the previous year. Other Income arising out of investment of the temporary surplus funds amounted to Rs. 46 lakhs (previous year Rs. 92 lakhs). Consequent to the adoption of AS-22, your Company has made a provision for deferred tax of Rs. 243 lakhs in addition to the provision for minimum alternative tax (MAT) of Rs. 53 lakhs. As a result the net profit for the current year (after deferred tax of Rs. 243 lakhs) is Rs. 385 lakhs as compared to Rs. 612 lakhs in the previous year (without the impact of deferred tax).

#### OPERATIONS

4. The recession in the FMCG industry coupled with intense competition from other manufacturing units in the country had a major adverse effect on the volume off-take during the year. The demand for Fatty Acids

increased due to the relaunch of Toilet Soaps with high TFM but there was no demand for Detergent Cake and LABSA. The demand for Detergent Powder shifted from the traditional blown fluffy powder to enzyme based blown Powder. Thus during the last year, the demand profile underwent a dramatic change causing immense pressure on the operating costs of your Company.

However your Company took on these challenges by taking several bold measures in the areas of manufacturing and also cost control. The operations in the Fatty Acid Plant were streamlined and throughput was increased to meet the increased captive requirements and the excess was sold. In order to meet the new requirement for enzyme based Detergent Powder, your Company put up the facility for enzyme dosing. With the shifting of Detergent Cake business, your Company took quick steps to convert the Detergent Cake plant into additional Toilet Soap manufacturing facility.

#### PROCESSING ARRANGEMENT

5. During the last quarter of the year, your Company renewed the long term sourcing agreement with Hindustan Lever Limited (HLL) in respect of key products and will henceforth supply the output of these products under a processing contract. As you may be aware, your Company was selling its entire output to HLL under a long term sourcing agreement which had expired. HLL had conducted a comprehensive review of their sourcing patterns and arrangements and have come to a conclusion that the existing sourcing arrangement is somewhat onerous due to the multiplicity of the sale transaction along the supply-chain. Your Company was also not able to fully exploit scale economies and fully tap the buying and purchasing synergies. This was resulting in substantial on cost in the overall supply-chain which ultimately cascaded into increase in the total cost. The last couple of years have seen intense competition in the market place as a result of reduction in tariff barriers, opening up of the economy and slackening of growth in the industry sector in general and FMCG sector in particular. The Soap manufacturing technology has also undergone significant changes in the recent past and unless necessary technological support is obtained, it would be very difficult to remain competitive in the market. In order to overcome the deficiencies under the existing sourcing arrangement, HLL had indicated that it is willing to renew the sourcing agreement by providing the necessary support under a "Processing Arrangement" whereby your Company's interests would be fully protected.

## 14th Annual Report 2001-2002

Your Board considered the proposal of HLL keeping in view the fact that VDL has to remain competitive and also the fact that under the proposed arrangement, the financial risks would get substantially reduced, since the Company would not tie up any funds in working capital. Therefore your Board decided to accept the proposal. In the proposed arrangement, HLL will underwrite the fixed operating costs so that irrespective of the off-take, VDL's fixed costs are fully covered and underwritten. VDL only has a manufacturing capacity, it does not possess any brands, or any distribution network. The Company can ensure full utilisation of its manufacturing capacity only by associating itself with a large player in the Industry. HLL is best placed in the Soaps & Detergents Industry and only it can ensure best utilisation of the capacities and ensure that the break even volumes are achieved.

Thus the proposed change represents a win-win situation for VDL as well as HLL. The only implication of the proposed change will be that the turnover of the Company would dramatically be reduced because instead of net price of sales, it would be only Processing Income representing its gross revenues. However this does not in any manner impact the viability and profitability which in-fact is expected to improve as a result of the proposed change.

### RESPONSIBILITY STATEMENT

6. The Directors confirm:
  - a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
  - b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
  - c) that they have taken proper and sufficient care 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 fraud and other irregularities;
  - d) that they have prepared the annual accounts on a going concern basis.

### OTHER HIGHLIGHTS

7. During the year there was a tremendous thrust given for improving productivity and energy conservation to

maintain the Company's competitive advantage. The Company successfully geared up its manufacturing systems to handle frequent product changeovers and speed up response to market demands to sustain its position as a preferred supplier.

In continuation of the decision to roll out TPM (Total Productive Maintenance), which is a time tested Japanese technique, your Company is well on its course to obtain a certification

### SAFETY AND ENVIRONMENT

8. 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.

There was continued excellence in the safety standards in the factory through continuous training and control measures which was reflected in the maintenance of the zero Lost Time Accident (LTA) status.

### PERSONNEL

9. Cordial relations were maintained throughout 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 & ACCOUNTS

10. The Company's surplus funds were judiciously utilised in financial instruments taking into view, the safety and reasonableness of returns. As a matter of prudence, the Board of Directors do not recommend Dividend for the year.

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

### CORPORATE GOVERNANCE

11. A report on the Corporate Governance Code along with a certificate from the auditors of the Company regarding the compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement as also the Management Discussion and Analysis Report are annexed to this Report.

### DIRECTORS

12. In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. P. Asirvatham and Mr. V. Behal retire by rotation and being eligible offer themselves for re-appointment.

Mr. Uday Bhattacharya, Managing Director submitted his resignation from the Board w.e.f. 1<sup>st</sup> June, 2002 due

## Vashisti Detergents Limited

to his taking up a new assignment outside the Company. The Board wishes to place on record its appreciation of the excellent leadership, expertise and immense contribution of Mr. Uday Bhattacharya during his tenure as "Managing Director" of the Company.

Mr. V. Subramanian was appointed as an Additional Director and also as "Managing Director" w.e.f. 1<sup>st</sup> June, 2002 in place of Mr. Uday Bhattacharya as per the provisions of Companies Act. Mr. V. Subramanian holds office up to the date of the 14<sup>th</sup> Annual General Meeting. Notice has been received pursuant to Section 257 of the Companies Act, 1956 together with necessary deposit proposing his candidature for the office of "Director".

### AUDITORS

13. 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

14. 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 new activities, the specific consumption levels showed reduction.

### TECHNOLOGY ABSORPTION

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

### FOREIGN EXCHANGE EARNINGS AND OUTGO

16. Foreign Exchange Earnings - Nil  
Foreign Exchange Outgo - 1,861 lakhs

By Order of the Board of Directors  
**VASHISTI DETERGENTS LIMITED**

**M. K. SHARMA**  
CHAIRMAN

Mumbai, 5<sup>th</sup> June, 2002

### Registered Office :

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

## ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217-(2A) of the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2002.

Sr. No.	Name	Age	Qualification	Date of Employment	Remuneration Received	Experience	Last Employment
1.	Bhattacharya Uday	59	B. Sc., B. Tech	01.12.2000	35,58,465	37	Hindustan Lever Ltd.
2.	S. Bhaskar	37	B. Com., ACA	01.08.2000	15,82,368	14	Hindustan Lever Ltd.
3.	Koul Rajesh*	39	B. Tech. (Chemical)	01.03.1999	6,75,102	15	Hindustan Lever Ltd.
4.	Musib Apurba*	34	B. Tech. (Mech. Engg.)	15.05.1997	9,67,986	10	Hindustan Lever Ltd.

\* Employed for only part of the year

Remuneration received includes salary, allowances, taxable value of perquisites and Company's contribution to Provident Fund. Remuneration excludes provision for/contribution to pension, gratuity, leave encashment and special awards. Nature of employment is contractual for employees. Other terms and conditions as per Company rules. None of these employees are related to any Director of the Company.



## 14th Annual Report 2001-2002

### CORPORATE GOVERNANCE DISCLOSURE

#### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Vashisti Detergents Ltd. (VDL), has been practicing the principles of good corporate governance over the years. The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

#### 2. BOARD OF DIRECTORS

The Board of Directors comprises of Mr. M. K. Sharma, Mr. D. S. Soman, Mr. P. Asirvatham, Mr. V. Behal, Mr. R. K. Lal & Mr. S. P. Mustafa all non-executive independent Directors with Mr. M. K. Sharma as its Non-Executive Chairman and Mr. V. Subramanian as the Managing Director.

##### A. THE CONSTITUTION OF THE BOARD AS ON 31<sup>ST</sup> MARCH, 2002

Name of Director	Category	Number of Directorships in other public limited Companies as on 31 <sup>st</sup> March, 2002.		Number of Committee positions in other public limited Companies as on 31 <sup>st</sup> March, 2002.	
		Chairman	Member	Chairman	Member
M. K. Sharma	C, NED	--	7	--	3
D. S. Soman	NED	--	2	1	5
P. Asirvatham	NED	--	6	1	3
V. Behal	NED	--	--	--	--
U. Bhattacharya	MD*	--	--	--	--
R. K. Lal	NED	--	1	--	--
S. P. Mustafa	NED	--	--	--	--

C = Chairman, MD = Managing Director, NED = Non-Executive Director.

\* w.e.f. 1<sup>st</sup> June, 2002 Mr. V. Subramanian has been appointed as the Managing Director.

##### B. BOARD PROCEDURE

A detailed agenda folder is sent to each Director in advance of Board and Committee meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director briefs the Board at every meeting on the overall Company performance. A detailed functional report is also placed at every Board Meeting.

The functions performed by the Board include reviews of:

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results of the Company and its operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the Board.
5. The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
6. Show cause, demand, prosecution notices and penalty notices which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
10. Details of any joint venture or collaboration agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
12. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
13. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
15. Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as delay in share transfer etc.

##### C. ATTENDANCE RECORD OF THE DIRECTORS

During the year 2001 – 2002 the Board met four times on the following dates, namely 20<sup>th</sup> April, 2001, 20<sup>th</sup> July, 2001, 19<sup>th</sup> October, 2001 and on 18<sup>th</sup> January, 2002. The last Annual General Meeting was held on 25<sup>th</sup> August, 2001. The attendance record of the Directors is as under :

Name of Director	Category	Board Meetings	Last AGM 25.08.2001
M. K. Sharma	C, NED	3	Yes
D. S. Soman	NED	4	Yes
P. Asirvatham	NED	3	No
V. Behal	NED	2	Yes
U. Bhattacharya	MD	4	Yes
R. K. Lal	NED	1	N.A.
S. P. Mustafa	NED	1	N.A.
K. S. S. Murty	NED	--	No
S. Ravindranath	NED	--	No

C = Chairman, MD = Managing Director, NED = Non-Executive Director.