

Vashisti Detergents Limited

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**16th Annual Report
2003-2004**

Vashisti Detergents Limited

BOARD OF DIRECTORS

M. K. Sharma

Chairman

D. S. Soman

P. Asirvatham

V. Subramanian

Managing Director

upto 31.01.2004

R. Ragunath

Managing Director

w.e.f. 01.02.2004

S. P. Mustafa

P. Banerjee

U. Shah

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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 Share Transfer

M/s. Sharepro Services

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

Tel.: 2288 1568, 2284 4668 • Fax : 2282 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.: 2832 9828, 2834 8218 • Fax : 2837 5646

16TH ANNUAL GENERAL MEETING

Day	:	Friday
Date	:	27 th August, 2004
Time	:	10.00 a.m.
Venue	:	Gateway Riverview, Dhamandivi, Tal. Khed, Dist. Ratnagiri, Pin 415 707, 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 16th Annual General Meeting of Vashisti Detergents Limited will be held at Gateway Riverview, Dhamandivi, Tal. Khed, Dist. Ratnagiri, Pin 415 707, Maharashtra State on Friday the 27th August, 2004 at 10.00 a.m. to transact the following business :

1. To receive and adopt the Profit & Loss Account for the period 1st April, 2003 to 31st March, 2004, the Balance Sheet as at 31st March, 2004 and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S. P. Mustafa, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. P. Banerjee, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration for the period April, 2004 to March, 2005.

SPECIAL BUSINESS :

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

To appoint Mr. R. Ragunath as Director who had been appointed as an Additional Director of the Company by the Board of Directors w.e.f. 1st February, 2004 pursuant to Article 104 of the Articles of Association of the Company and who, under Section 260 of the Companies Act, 1956, holds office upto 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, 1956.

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 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. R. Ragunath, as a Managing Director of the Company as defined in Section 2(24) of the Act, for a period of three years w.e.f. 1st February, 2004 upto 31st January, 2007 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. R. Ragunath 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. 60,00,000/- per annum by way of salary, commission on profits, performance-linked incentive bonus or allowances as per Rules of the Company (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 from time to time within the maximum limits approved by shareholders at General Meeting of the shareholders."

16th Annual Report 2003-04**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 21st August, 2004 to 28th August, 2004 (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
912, Raheja Centre,
Free Press Journal Road,
Nariman Point,
Mumbai 400 021.

Tel. : 22881568/22844668
Fax : 22825484

M/s. Sharepro Services
Satam Indl. Estate, 3rd Floor,
Above Bank of Baroda,
Cardinal Gracious Road,
Chakala, Andheri (East),
Mumbai 400 099.

Tel. : 28329828/28348218
Fax : 28375646

By Order of the Board of Directors
VASHISTI DETERGENTS LIMITED

M. K. SHARMA
CHAIRMAN

Mumbai, 19th July, 2004

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 NO. 5 & 6 :**

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

Consequent upon the resignation of Mr. V. Subramanian, Managing Director, Mr. R. Ragunath was appointed as Additional Director and the Managing Director of the Company pursuant to Article No. 104 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956. As per Section 260 of the Companies Act, 1956, Mr. R. Ragunath holds office upto the date of the 16th Annual General Meeting of the Company but is eligible for re-appointment. A notice also has been received from a member as per Section 257 of the Companies Act, 1956 proposing Mr. R. Ragunath as a candidate for the office of Wholetime/Managing Director.

Part III of Schedule XIII of the Companies Act provides that the appointment and remuneration of Managing Director in accordance with Part I and Part II of the Schedule shall be subject to approval by resolution of the shareholders in a General Meeting.

In so far as the remuneration is concerned, the shareholders have already approved the maximum limits within which the authority has been delegated to the Board of Directors/Remuneration Committee to fix the remuneration of Wholetime and Managing Director of the Company.

Accordingly, the Resolutions at Item Nos. 5 & 6 are proposed to seek approval of the members for appointment of Mr. R. Ragunath, as Managing Director contemplated by Part III of Schedule XIII of the Companies Act, 1956 and other applicable provisions, if any.

Mr. R. Ragunath holds a Bachelors Degree in Mechanical Engineering and brings with him more than 25 years of service in Managerial positions in various factories of Hindustan Lever Ltd. in India and also in an overseas assignment of about 4 years with Lever Brothers (Bangladesh) Limited from 1997 to 2001.

The Board commends his appointment as the Managing Director of the Company.

Mr. R. Ragunath 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

The Directors have pleasure in presenting their 16th Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2004.

1. RESULTS

Your Company's performance during 2003-2004 is summarised below :

	2003-2004	2002-2003
	(Rs. '000s)	
Net Sales	228,089	215,661
Processing Income	252,630	273,787
Other Income	84,591	32,860
Expenditure	471,448	429,390
Profit before Depreciation	93,862	92,918
Profit before Tax	54,817	50,913
Provision for Income Tax	20,796	24,012
Profit after Tax	34,021	26,901
Balance brought forward from previous year	80,624	53,723
Balance carried to Balance Sheet	114,645	80,624

The current year's performance was impacted by drop in business volumes especially in Fabric Wash. Other income for the year represents treasury income from deployment of surplus funds Rs. 239 lakhs and an one time impact of compensation for the discontinuation of Sulphonation business (Rs. 569 lakhs). The expenditure for the year includes the impact of assets written off amounting to Rs. 662 lakhs.

2. RESPONSIBILITY STATEMENT

The Directors confirm :

- 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;
- 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.

3. OPERATIONS AND PERFORMANCE HIGHLIGHTS

Your Company continued to manufacture Soaps and Detergents for the Brand Owners, under a Processing Agreement with M/s. Hindustan Lever Ltd. (HLL). Intense competition from other manufacturing units in the country coupled with sluggish market conditions with down trading had an adverse effect in the volume offtake during the year. The demand for NSD Powders dropped sharply. However the demand for low unit packs for Toilet Soaps increased significantly and the operations in the Fatty Acid Plant were further streamlined and throughput was increased.

4. SAFETY AND ENVIRONMENT

Your Company received a Gold Safety Award from its principals M/s. Hindustan Lever Ltd. in the current year. 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.

5. PRODUCTIVITY

During the year your Company successfully obtained Total Productive Maintenance (TPM) Level - I Certificate from Japanese Institute of Plant Maintenance (JIPM). In line with the changes in the demand profile for products manufactured by the Company and also the on going restructuring and streamlining of the manufacturing facilities & operations, the unit has achieved the capability to manufacture Soaps & Detergents including Soaps, Soap Noodles, Detergent Bars / Cakes & Scouring Bars from the same manufacturing facilities. The Manufacturing systems were geared up to handle frequent product changeovers in response to market demands & to sustain its position as a preferred job worker to HLL.

6. PERSONNEL

The Board wishes to place on record its appreciation to all employees of the Company for their sustained efforts in improving capacity utilisation and operational efficiencies. Cordial relations were maintained throughout the year. The current Long Term Settlement has expired in June, 2003 and negotiations are under progress.

16th Annual Report 2003-04**7. FINANCE & ACCOUNTS**

The Company's surplus funds were judiciously utilised in financial instruments taking into view, the safety and reasonableness of returns. In the context of falling interest rate environment, your Company optimised the return on investments by deployment of cash surplus in a balanced portfolio of safe and liquid debt market instruments. The returns earned were higher than market benchmarks. 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, 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.

8. CORPORATE GOVERNANCE

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.

9. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. S. P. Mustafa & Mr. P. Banerjee, retire by rotation and being eligible offer themselves for re-appointment.

Mr. V. Subramanian, Managing Director resigned from the Board w.e.f. 1st February, 2004, to pursue other interests outside the group. The Board wishes to place on record its appreciation for the excellent leadership, expertise and immense contribution of Mr. V. Subramanian during his tenure as Managing Director of the Company.

Mr. R. Ragunath was appointed as an Additional Director and also as "Managing Director" w.e.f. 1st February, 2004, in place of Mr. V. Subramanian, as per the provisions of Companies Act. Mr. R. Ragunath holds office upto the date of the 16th 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"

10. AUDITORS

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.

11. INFORMATION UNDER SECTION 217 (1)(e)**CONSERVATION OF ENERGY**

Your Company continued to accord high priority to the conservation of energy. The absolute costs of energy decreased during the year mainly due to improved efficiencies in the Soap operations.

12. TECHNOLOGY ABSORPTION

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

13. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings	- Nil
Foreign Exchange Outgo	- Rs. 1.47 lakhs

By Order of the Board of Directors
VASHISTI DETERGENTS LIMITED

M. K. SHARMA
CHAIRMAN

Dated : 19th July, 2004

Registered Office :

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

Vashisti Detergents Limited**ANNEXURE TO THE DIRECTORS' REPORT**

Information as per Section 217 (2-A) of the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2004.

Rs. '000s

Sr. No.	Name	Age	Qualification	Date of Employment	Remuneration Received	Experience	Last Employment
1.	Mr. R. Ragunath *	53	Bachelors Degree in Mech. Engg.	01.02.2004	625	25	Hindustan Lever Ltd.
2.	Mr. V. Subramanian **	43	B.Tech from IIT Madras	01.06.2002	3,286	20	Hindustan Lever Ltd.

* w.e.f. 1st February, 2004, Mr. R. Ragunath was appointed as Managing Director.

** Employed for only part of the year upto 31st January, 2004.

Remuneration received includes salary, allowances, taxable value of perquisites and Company's Contribution to Provident Fund. Remuneration excludes provisions 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 is related to any Director of the Company.

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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. S. P. Mustafa, Mr. P. Banerjee & Mr. U. Shah all non-executive independent Directors of the Company with Mr. M. K. Sharma as its Non-Executive Chairman and Mr. R. Ragunath as the Managing Director.

A. CONSTITUTION OF THE BOARD AS ON 31ST MARCH 2004.

Name of Director	Category	Number of Directorships in other Public Limited Companies as on 31 st March, 2004		Number of Committee Positions in other Public Limited Companies as on 31 st March, 2004	
		Chairman	Member	Chairman	Member
Mr. M. K. Sharma	C.NED	-	8	-	5
Mr. D. S. Soman	NED	-	2	1	4
Mr. P. Asirvatham	NED	-	4	2	3
Mr. V. Subramanian *	MD	-	-	-	-
Mr. R. Ragunath **	MD	-	-	-	-
Mr. S. P. Mustafa	NED	-	4	-	2
Mr. V. Behal *	NED	-	-	-	-
Mr. U. Shah **	NED	-	3	-	1
Mr. R. K. Lal \$	NED	-	-	-	-
Mr. P. Banerjee \$\$	NED	-	2	-	-

C = Chairman, MD = Managing Director, NED = Non-Executive Director, * upto 31st January, 2004, ** w.e.f. 1st February, 2004, Mr. R. Ragunath was appointed as the Managing Director, # upto 25th July 2003, ## w.e.f. 25th July, 2003, Mr. U. Shah was appointed as Director in place of Mr. V. Behal, \$ upto 23rd April 2003, \$\$ w.e.f. 23rd April 2003, Mr. P. Banerjee was appointed as Director in place of Mr. R. K. Lal.

B. BOARD PROCEDURE

A detailed agenda folder is sent to each Director in advance of Board and Committee meetings. To enable the Board 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 for 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 non-payment of dividend, delay in share transfer etc.

C. ATTENDANCE RECORD OF THE DIRECTORS AT MEETINGS OF THE BOARD AND OF THE MEMBERS.

During the year 2003-2004 the board met four times on the following dates, namely 23rd April, 2003, 25th July 2003, 23rd October, 2003 & 20th January, 2004. The last Annual General meeting was held on 29th August, 2003. The attendance record of the Directors is as under :

Name of Director	Category	Board Meetings	Last AGM
Mr. M. K. Sharma	C.NED	3	Yes
Mr. D. S. Soman	NED	4	Yes
Mr. P. Asirvatham	NED	4	Yes
Mr. V. Subramanian *	MD	4	Yes
Mr. R. Ragunath **	MD	-	-
Mr. V. Behal *	NED	-	-
Mr. U. Shah **	NED	3	-
Mr. S. P. Mustafa	NED	4	-
Mr. R. K. Lal \$	NED	-	-
Mr. P. Banerjee \$\$	NED	2	-

C = Chairman, MD = Managing Director, NED = Non Executive Director, * upto 31st January, 2004, ** w.e.f. 1st February, 2004, Mr. R. Ragunath was appointed as the Managing Director, # upto 25th July, 2003, ## w.e.f. 25th July, 2003, Mr. U. Shah was appointed as Director in place of Mr. V. Behal, \$ upto 23rd April, 2003, \$\$ w.e.f. 23rd April, 2003, Mr. P. Banerjee was appointed as Director in place of Mr. R. K. Lal.