

# ANNUAL REPORT 1998-99

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Alkyl Amines Chemicals Ltd.

## FINANCIAL HIGHLIGHTS OF THE LAST DECADE

Rs. in Lacs

YEAR ENDING	31.3.90	31.3.91	31.3.92	31.3.93	31.3.94	31.3.95	31.3.96	31.3.97	31.3.98	31.3.99
GROSS REVENUE	1015	135	1828	2567	2829	3401	4417	4998	6247	8612
OPERATING PROFIT (PBIDT)	306	391	455	491	617	591	910	1222	1177	2449
PROFIT BEFORE TAX	183	222	135	-78	145	160	483	648	489	1640
PROFIT AFTER TAX	153	178	130	-78	145	160	483	528	429	1285
GROSS ASSETS	899	1104	2684	2841	2933	3031	4014	5076	5336	5132
NET FIXED ASSETS	583	710	2165	2097	2081	2059	2914	3792	3827	3952
NET CURRENT ASSETS	257	572	387	523	975	1175	1440	1778	2605	3157
EQUITY SHARE CAPITAL	133	133	166	166	266	266	266	366	731**	731**
RESERVES & SURPLUS	196	343	553	452	766	880	1290	2019	1986	1892
BOOK VALUE	25	36	42	37	38	43	58	65	36	50
EARNING PER SHARE(RS.)	11	13	7		5	6	18	18	9*	18
EQUITY DIVIDEND (%)	20	22	22	10	12	12	25	25	20	40

\*WEIGHTED AVERAGE BASIS ON INCREASED EQUITY BASE

\*\* AFTER ISSUE OF BONUS SHARES IN THE RATIO OF 1:1

BAR CHART SIGNIFIES GROSS REVENUE

# Alkyl Amines Chemicals Limited

## MANAGEMENT TEAM

*Chairman &  
Managing Director*  
**Yogesh M. Kothari**

*Executive Director*  
**Kirat Patel**

*Vice-President*  
**G. G. Chendwankar**

*G. M., Technical*  
**P. S. Shivkumar**

*G.M., Projects &  
Corporate Planning*  
**Sameer S. Katdare**

*G. M., Works*  
**R. N. Iyer**

*Company Secretary*  
**K. P. Rajagopalan**

### Directors

**Hemendra M. Kothari**  
**Narendra N. Kapadia**  
**Dilip G. Piramal**  
**Shyam B. Ghia**  
**Shobhan M. Thakore**  
**Aniruddha Limaye (Nominee Director)**  
**T. A. N. Devalkar (Nominee Director)**

### Auditors

**Messrs Bansi S. Mehta & Company**

### Legal Advisors

**Messrs Bhaishankar Kanga and Girdharlal**  
**Messrs Wadia Ghandy & Co.**

### Bankers

**State Bank of India**  
**Bank of Baroda**  
**State Bank of Mauritius Ltd.**

### Registered Office & Share Department

**401-407, Nirman Vyapar Kendra,**  
**Plot No. 10, Sector 17, DBC, Vashi,**  
**Navi Mumbai 400 703.**

### Plants

**Plot No. A-7 & A-25**  
**MIDC Patalganga Industrial Area,**  
**Dist. Raigad 410 220, Maharashtra.**

**Plot No. D-6/1, MIDC Kurkumbh Industrial Area,**  
**Tal. Daund, Dist. Pune, Maharashtra.**

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## Alkyl Amines Chemicals Limited

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their Report and Audited Accounts of the Company for the year ended March 31, 1999.

## 1. FINANCIAL HIGHLIGHTS &amp; APPROPRIATION

	1998-99 (Rs. in lacs)	1997-98 (Rs. in lacs)
Profit before interest, depreciation & taxation	2448	1177
Interest & financial expenses	554	472
Depreciation	254	215
Provision for taxation	355	60
Profit after taxation	1285	429
Add: Balance Profit b/f	1141	881
(Less)/Add: Adjustments relating to earlier years	(19)	(1)
Surplus available for appropriation	2407	1309
Transfer to Debenture Redemption Reserve	—	8
Transfer to Preference Shares Redemption Reserve	3	3
Transfer to General Reserve	150	50
<b>Dividends:</b>		
Equity Dividends:		
Interim Dividend paid on Equity Shares (Incl. Tax)	161	—
Provision for:		
Proposed final dividend on Equity Shares	146	94
Dividend on 14% Preference Shares	3	3
Provision for Tax on Final Dividend	16	10
Balance Profit carried to Balance Sheet	1928	1141

## 2. DIVIDENDS

As the members are aware, in March 1999, we had declared an Interim Dividend of 20% on Equity Shares. You are requested to approve the same. We are pleased to recommend for your approval payment of final dividend at 20% on Equity Shares. The total dividend on Equity Shares for the year 1998-99 @ 40% will amount to Rs.292 lacs compared to 20% amounting to Rs.94 lacs for the previous year.

We are also pleased to recommend for your approval payment of dividend @ Rs.14/- per share on 25,000-14% Preference shares of Rs.100/- each amounting to Rs.3.50 lacs.

## 3. EQUITY WARRANTS:

As per the decision taken by the members at the last Annual General Meeting, the Company has on 16th November, 1998 allotted 15,60,000 Equity Warrants to the Promoters and the Employees. Each Warrantholder has a right to subscribe for one equity share of Rs.10/- each at a price of Rs.20/- per share on a date to be decided by the Board of Directors on or before 16th May, 2000. A sum of Rs.2/- per Warrant has already been paid.

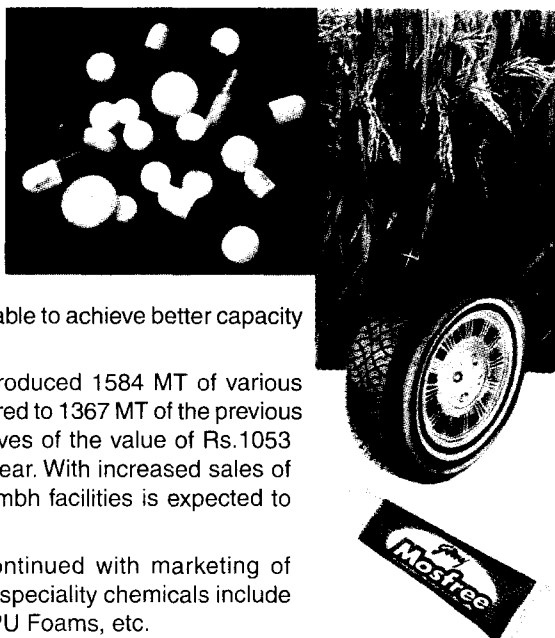
## 4. OPERATIONS:

You will be pleased to note from the attached accounts that we have earned a total income of Rs.8612 lacs compared to 6247 lacs of the previous year, i.e. an increase of 38%. Profit after Tax for the year showed a

## Alkyl Amines Chemicals Limited

quantum leap to Rs.1285 lacs compared to Rs.429 lacs of the previous year. We could achieve this performance due to better capacity utilisation, reduction in costs and better product mix.

- A. AMINES:** Sales of Amines for the year 1998-99 amounted to Rs.6998 lacs compared to Rs.5362 lacs of the previous year, i.e. an increase of 31% over the previous year level. Production of Amines increased from 8022 MTs for the year 1997-98 to 9946 MTs for the year 1998-99. This year also our plant has been able to achieve better capacity utilisation compared to the previous year.
- B. AMINE DERIVATIVES:** During 1998-99, we produced 1584 MT of various amine derivatives at our Kurkumbh Plant, compared to 1367 MT of the previous year. We could achieve sales of amine derivatives of the value of Rs.1053 lacs compared to Rs.557 lacs of the previous year. With increased sales of amine derivatives, the contribution from Kurkumbh facilities is expected to be better in the coming years.
- C. SPECIALITIES:** Our Specialities Division continued with marketing of Speciality Chemicals of Foreign Principals. The speciality chemicals include additives for Industries like Petroleum, Paints, PU Foams, etc.



### 5. AWARDS

In August 1998 we received LALIT DOSHI MEMORIAL AWARD for the year 1996-97 for outstanding performance amongst SICOM assisted units set up by a first-generation entrepreneur.

We have also received in April 1999 "Certificate of Appreciation" from the Government of India, Ministry of Finance, Department of Revenue, for being the "Ideal Assessee" for the year 1998-99 in Panvel Division of Mumbai-VII Central Excise Commissionerate.



### 6. FOREIGN EXCHANGE:

During the year 1998-99, we achieved an export turnover of Rs.2491 lacs compared to Rs.1840 lacs of the previous year. We have exported our products to most of the developed countries. We have also earned commission of Rs.32 lacs.

During the year we have utilised a sum of Rs.675 lacs in foreign currency mainly to import raw materials, stores, spares, etc.

### 7. NEW PROJECTS

During the next two years we have planned various projects under expansion/diversification programme of the value of approx. Rs. 40 Crores.

- A. New Ethylamines Plant at Kurkumbh:** As we have informed you in the annual report of the previous year, we are setting up a dedicated 10000 MTPA Ethylamines Plant at Kurkumbh. The civil work and placement of orders for equipments are in progress. We expect to commission the plant by March 2000. With the commissioning of the new plant at Kurkumbh, our total production capacity of various amines at Patalganga and Kurkumbh will be in the range of 25000 MT to 30000 MT p.a.
- B. Hydrogen Plant at Kurkumbh:** Hydrogen is a key input for us and we are setting up a Hydrogen Plant at Kurkumbh. We expect to commission the plant by November 1999. With this investment, we will be able to reduce our cost of production further. Besides, we are also developing products where the process involves hydrogenation.

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## Alkyl Amines Chemicals Limited

**C. Joint Venture with Th. Goldschmidt AG. of Germany:** In our last report, we had informed you of our intention of setting up manufacturing facilities for speciality chemicals in collaboration with our principals, Th. Goldschmidt AG. of Germany. Th. Goldschmidt AG belongs to the VIAG Group. VIAG Group is one of the largest industrial conglomerates in Germany with a total turnover exceeding DM 40 Billion. Th. Goldschmidt is one of the leading manufacturers, in the world, of industrial surfactants and speciality chemicals with special emphasis on organo-modified silicone based chemistry. We are pleased to inform you that we have formed a 50:50 Joint Venture company called "Goldschmidt Alkyl Speciality Chemicals Ltd." in collaboration with Th. Goldschmidt AG. This JV Company will take up business of betaines and other industrial surfactants. Betains have applications in Cosmetics and have good market potential. Initially, these products will be toll manufactured in our facilities at Kurkumbh with equipments leased from the JV company. Most of the equipments are already delivered and we expect to commence production in June, 1999.



**D. Takeover of Diamines and Chemicals Limited, Baroda :** We are pleased to report that we (along with Mr. Amit Mehta and Associates) have agreed to acquire from M/s. Sintex Industries Ltd. and their Associate, BVM Finance Ltd., their controlling stake amounting to approx. 32% of the Share Capital of Diamines and Chemicals Ltd., Baroda (DACL) subject to approval of BIFR and participating Financial Institutions. We plan to make further investments of around Rs.4.25 crores in this company by way of appropriate financial instruments. The total shareholding of the new promoters in DACL is expected to be around 60%, out of which 30% will be by our company and 30% by Mr. Amit Mehta and associates. DACL is a sick Industrial Company and has been referred to BIFR. DACL is engaged in the manufacture of various ethylene amines. In order to make the company viable and profitable, we plan to change the product-mix. With synergies in the product-line, technology and customer profile, we expect that this investment will be very beneficial to our Company in the long term.

### 8. CONSERVATION OF ENERGY:

Considering the importance of energy conservation, your Company has taken various measures for conservation of energy. These measures have helped us to reduce energy costs. The efforts over the last few years for energy conservation at Patalganga and Kurkumbh plants have resulted in reduction in electricity consumption per unit of production over the previous years, from 786 KW per MT of amine to 675 KW per MT of amine and from 1132 KW per MT of amine derivative to 951 KW per MT of amine derivative. More details are given in Form A annexed to this report.

### 9. TECHNOLOGY ABSORPTION/ R & D

We have absorbed the technology imported from our collaborators. Further improvements with inhouse R&D and process engineering has enabled us to have our production capacity beyond its guaranteed limits. Moreover, independent development of processes for amine derivatives has been the focus of our R & D and has resulted in new products contributing to over 12 % of our current turnover. Further details are mentioned in Form B annexed to this Report.

### 10. SAFETY, HEALTH AND ENVIRONMENT:

We continue to accord high priority to safety, health and environment protection. It is the policy of the company to provide for all employees safe working conditions, to take adequate precaution while transporting the finished goods and to comply with the applicable laws and regulations. We have conducted authorised training courses in handling of hazardous chemicals for our own transport operators and also for outside transporters. We have also conducted various mock drills to enhance alertness and knowledge of safety aspects.



### 11. Y2K COMPLIANCE

We have taken effective steps to be Y2K compliant by September 1999. The costs incurred/to be incurred in this connection are not likely to be material. We are also developing contingency plans to ensure minimum

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## Alkyl Amines Chemicals Limited

disruption of our operations in the event of system breakdown/failure due to Y2K problems.

### 12. FIXED DEPOSITS:

The Company has not accepted any fixed deposits from the public within the meaning of the Companies (Acceptance of Deposits) Rules 1975 during the year.

### 13. DIRECTORS:

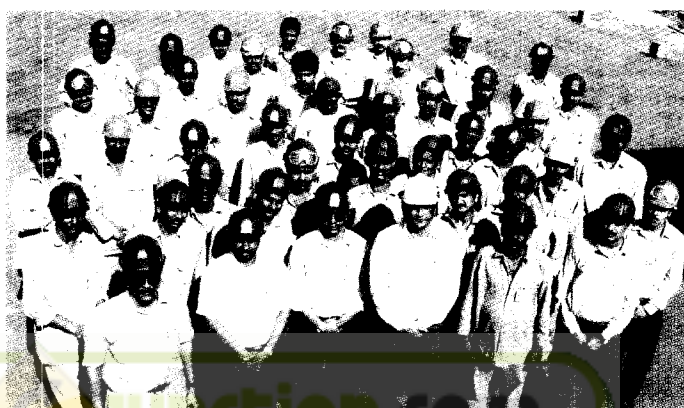
Mr. Shyam B. Ghia and Mr. Kirat M. Patel retire by rotation at the Annual General Meeting and, being eligible, have offered themselves for re-appointment. Your Directors recommend the re-appointment of Mr. Ghia and Mr. Patel. ICICI Limited has appointed Mr. Aniruddha Limaye as its Nominee Director in place of Mr. M. G. Mhaskar. Your Directors place on record their appreciation of the valuable guidance and advice, which the Company had received from Mr. Mhaskar during his tenure.

### 14. AUDITORS:

Members are requested to appoint Auditors and fix their remuneration. M/s. Bansi S. Mehta & Co., Chartered Accountants, the retiring Auditors, are eligible for re-appointment. The Company has received a Certificate from them to the effect that their appointment, if made, will be within the prescribed limit under Section 224(1-B) of the Companies Act, 1956.

### 15. EMPLOYEES:

Negotiations are in progress in connection with the charter of demands of non-management employees. Your Directors wish to acknowledge the sincere and dedicated efforts of the employees of the company and would like to thank them for the same. Information required to be given pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 is given in the Annexure a copy of which can be obtained by the members from the Company's Registered Office on request.



### 16. ACKNOWLEDGEMENTS:

The Directors wish to place on record their appreciation of the continuous support received by the Company from the participating Financial Institutions, Banks, Foreign Collaborators, Central/State Government Departments, its Customers and Suppliers.

For and on behalf of the Board

**Yogesh M. Kothari**

Chairman & Managing Director

Place: Mumbai

Dated: 17th May, 1999

**With profound regret, we wish to inform the members about the sad demise of our Director MR. N. N. KAPADIA on June 14, 1999.**

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## Alkyl Amines Chemicals Limited

### FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

	1.4.1998 to 31.3.1999	1.4.1997 to 31.3.1998
<b>A. Power and Fuel Consumption :</b>		
1. Electricity		
a. Purchased		
Units (KWH in lacs)	81	78
Total Amount (Rs. in lacs)	322	294
Average rate per Unit (Rs./KWH)	3.96	3.77
b. Own Generation		
1) Thru. Diesel Generator		
Units (KWH in lacs)	1.62	1.37
Units/litre of diesel oil (KWH)	2.58	2.18
Cost/Unit (Rs./KWH)	4.21	4.57
2. Furnace Oil and LSHS		
Qty (MT)	9762	7510
Total Amount (Rs.in lacs)	571	479
Average Rate/tonne of oil (Rs.)	5849	6378
<b>B. Consumption per Unit of Production</b>		
Production of Aliphatic Amines (MT)	9989	8108
Electricity Consumption - KWH/MT	675	786
Furnace Oil/LSHS Consumption - MT/MT	0.94	0.88
2. Amine Derivatives Production (M.T.)	1584	1367
Electricity Consumption (KWH/MT)	951	1132
Furnace Oil / LSHS Consumption-per M.T. of Amines Derivatievcs (MT)	0.23	0.28

### FORM B

1. Specific area in which R & D carried out by the company.
  - (a) Continued to work on the improvement of various processes already developed.
  - (b) Developed processes for the manufacture of various new Mixed Amine Derivatives which find use as Pharma & Agro-Intermediates.
  - (c) Developed processes for the manufacture of various new mixed amine derivatives useful as Speciality Chemicals (using mini vapour phase reactor).
2. Benefits derived as a result of the above R & D.
  - a) Achieved reduction in cost of production of various amine derivatives, which were recently commercialised.
  - b) Process is developed for formulation of mosquito repellent which is being commercialised.
  - c) Continuous process developed for one amine derivative.
3. Future plans of action
  - a. Development of processes for the manufacture of new Pharma, Agro & Cosmetics intermediates.
  - b. Scale up of the processes for mixed amines to be used in Cosmetics, Pharma- & Agro-chemical industry.
  - c. Development of process for various amine derivatives useful as Speciality Chemicals in the area of fatty amines.
4. Expenditure on R & D
 

a. Capital	: Rs. 21.56 lacs
b. Revenue	: Rs. 26.87 lacs
c. Total	: Rs. 48.43 lacs
d. Total R & D Expenditure as a percentage of total turnover.	: 0.6%
5. Technology absorption, adaption and innovation
  1. Efforts, in brief, made towards technology absorption, adaption and innovation.
  2. Benefits derived as a result of the efforts e.g. product improvement cost reduction product development, import substitution etc.
  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
    - b) Year of Import
    - c) Has technology been fully absorbed.
    - d) If not fully absorbed, areas where this has not taken place, reasons therefor, and future plans of action.

As stated above.

Not applicable

Not applicable



## Alkyl Amines Chemicals Limited

### AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of ALKYL AMINES CHEMICALS LIMITED as at March 31, 1999 and also the Profit and Loss Account of the Company for the financial year ended on that date, annexed thereto, and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
3. The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
4. In our opinion, the Profit and Loss Account and the Balance Sheet comply with the accounting standards referred to in Sub-Section 3(c) of Section 211 of the Companies Act, 1956, as amended, by the Companies (Amendment) Act, 1999.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to note No.5 of Schedule 19 regarding recognition of export benefits of Rs.2,73,25,470/- and its consequential impact on the profits for the year as also the balance of carried forward reserves, which have been overstated to that extent and read together with Note No.6 and other notes thereon, give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view;
  - (i) In so far as it relates to the Balance Sheet of the state of affairs of the Company as at March 31, 1999; and
  - (ii) In so far as it relates to the Profit & Loss Account, of the profit for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditors' Report) Order 1988 issued by the Central Government and on the basis of such checks as we considered appropriate we further report that:

1. As per the information and explanations given to us, the company is in the process of updating its Fixed Assets Register in respect of disclosing full particulars, including quantitative details and situation of fixed assets. We are informed that the fixed assets of the company have been physically verified by the management and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business.
2. None of the fixed assets has been revalued during the year.
3. The stock of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In respect of stock lying with third parties, the same have been confirmed by them. In our opinion, the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.

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## Alkyl Amines Chemicals Limited

5. The discrepancies noticed on verification between physical stocks and book records were not material in relation to the operations of the company and the same have been properly dealt with in the Books of Account.
6. In our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. In our opinion, the rate of interest and other terms and conditions on which loans have been taken from parties listed in the Register maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company. The Company has not taken any loan, secured or unsecured, from Companies under the same management within the meaning of the said expression as defined under Section 370 (1-B) of the Companies Act, 1956 notwithstanding the inapplicability of Section 370 to the company with effect from 31st October, 1998 vide Section 17 of the Companies (Amendment) Act, 1999.
8. The Company has granted unsecured loan to a Company listed in the Register maintained under section 301 of the Companies Act, 1956. According to the information and explanations given to us, the rate of interest and other terms and conditions are not prima facie, prejudicial to the interest of the Company. No loans have been granted to Companies under the same management within the meaning of the said expression as defined under sub-section (1-B) of section 370 of the Companies Act, 1956 notwithstanding the inapplicability of Section 370 to the company with effect from 31st October, 1998 vide Section 17 of the Companies (Amendment) Act, 1999.
9. In respect of loans and advances in the nature of loans given by the company, the parties (including employees) are repaying the principal amounts as stipulated and have also been regular in the payment of interest, wherever applicable.
10. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, prices at which purchase of goods and materials and sale of goods and materials made in pursuance of contracts or arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party, are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
12. As explained to us, no unserviceable or damaged stores, raw materials or finished goods are determined during the year.
13. The Company has not accepted any deposits from the public during the year and hence, the question of complying with the provisions of Section 58-A of the Companies Act, 1956 and the Rules framed thereunder does not arise.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. As explained to us, the company's manufacturing process does not generate any realisable by-product.
15. The Company has an internal audit system which, in our opinion and according to our information, is commensurate with the size of the Company and nature of its business.