AMINES & PLASTICIZERS LIMITED

Annual Report 1997-99

AMINES & PLASTICIZERS LIMITED

DIRECTORS

DIPAK HIMATSINGKA	Chairman & Managing Director
K. K. SEKSARIA	
NIRMAL SUCHANTI	
DR. M. K. SINHA	
S. S. RUIA	
DR.P.H.VAIDYA	
HEMANT KUMAR RUIA	Executive Director

BANKER

STATE BANK OF INDIA

AUDITORS

D. BASU & COMPANY
LODHA & COMPANY

REGISTERED OFFICE

NOONMATI,GUWAHATI - 781 020,ASSAM

REGISTRAR & SHARE TRANSFER AGENT
SHAREPRO SERVICES
Satam Estate, 3rd Floor,
Above Bank of Baroda,
Cardinal Gracious Road,
Chakala,Andheri (East),
Mumbai - 400 099

Contents

AMINES PLASTICIZERS

DIRECTORS' REPORT

The Directors present to you the Twentyfourth Annual Report together with the Audited Statement of Accounts for the period ended 31st March,1999.

The financial year end of the Company was changed from September,1998 to March,1999 to co-ordinate the cut off date fixed by Hon'ble BIFR and the accounts were accordingly prepared for the period from 1st October,1997 to 31st March,1999.

FINANCIAL RESULTS		For the period ended 31.03.99 (Rs. in lacs)	For the period ended 30.09.97 (Rs. in lacs)
Sales & Services		**5349.75**	4862.42
Profit /(Loss) before Interest and Depreciation		**165.78**	(31.65)
Less: Interest	**280.19**		
Depreciation	**47.42**	**327.61**	316.48
Operating Profit / (Loss)		**(161.83)**	(348.13)
Balance brought forward from last year's account		**(607.17)**	(259.04)
Provision for Taxation for earlier year		**7.02**	—
Balance of Profit/(Loss) carried to Balance Sheet		**(776.03)**	(607.17)

Dividend :

In view of the loss for the current year and the accumulated losses, Directors regret their inability to recommend any dividend for the period under review.

Operations

Chemical Division :

The production of Alkanolamines was higher by 27% as compared to the previous period . Sales also registered a growth of 10% during the period under review. We expect this trend to be maintained during the current year.

The production of plasticizers was also higher by 42% over the previous period. During the period your Company entered into conversion agreements with other manufacturers to increase its capacity utilization improving the contribution from the Plasticizers Plant. The Management is investigating the possibility of change of product lines for increased profitability & better plant utilisation.

Industrial Gases Division :

The facilities of Industrial Gases Division are being utilised for job work of conversion/debulking of gases for BOC India Limited (formerly Indian Oxygen Limited).The Management is at an advanced stage of negotiation with BOC India Limited to further increase utilization of its Acetylene plant for conversion for them. We expect this to materialise shortly.

Sick Industrial Companies (Special Provisions) Act, 1985 :

The Company was registered as a Sick Industrial Company by the Hon'ble Board for Industrial & Financial Reconstruction (BIFR) on 3rd June,1998 and the same was confirmed by Hon'ble BIFR at the hearing on 14th July,1998. ICICI was appointed as Operating Agency (OA) to work out the Rehabilitation Scheme. After consultations with the Company, a Rehabilitation Scheme was prepared and submitted by the Operating Agency to Hon'ble BIFR. The same was circulated by the Hon'ble BIFR vide its order dated June 8,1999.

Hearing was held before the Hon'ble BIFR on 23rd August,1999. After discussions, the Hon'ble BIFR decided to approve the Scheme of Rehabilitation subject to certain modifications.This was accepted by all concerned.The Operating Agency,ICICI has been directed to incorporate the modifications suggested and resubmit the same before Hon'ble BIFR for their approval and final orders.

Future Prospects :

The contract for supply of technology,key plant and equipment and erection/commissioning and other services, entered into with M/s. GRASIM INDUSTRIES LTD., at Nagda is in the final stage of commissioning.

The Company has recently entered into Strategic Alliance Agreement with The Dow Chemical Company of U.S.A. for manufacture/blending and marketing of their GAS/SPEC range of products in India. These products are used mainly in the refineries, fertilizer plants and other critical applications for removal of Sulphur. With the recent Supreme Court judgement all the oil companies in India would compulsorily have to incorporate such technologies for their desulphurising units. GAS/SPEC technology is based on a major product manufactured by the Company. This technology involves a substantial value addition to its exisiting products. It is expected to contribute significantly to the Company's profitability in future. The

Company has already started approaching potential users of this technology and is confident of marketing this technology/product in the near future.

In addition, under the Agreement The Dow Chemical Company would be buying the Company's product for meeting their shortfall in requirements for global markets. This business would also help the Company in optimising its capacity utilisation.

The Company has in the last six months already exported substantial quantities of its products valued at US $ 600,000/- approximately to them, in addition to exports to other customers.

Exports :

During the last financial period a beginning was made in exports of our products. Total value of Exports was Rs.6.2 million. During the period under review the total exports of the Company have grown to Rs. 96 million. Your Company has also entered into long term contracts for a period between 2-3 years with foreign customers for supply of some of its products.

Research & Development :

Your Company has been able to increase its manufacturing capacity of Alkanolamines Plant significantly through innovation achieved as a result of sustained R&D effort. The overall manufacturing efficiencies have also improved significantly.

As a part of agreement entered into with The Dow Chemical Co., your Company has set-up facilities to provide analytical & other services to its prospective customers for Dow's GAS/SPEC range of products.

Your Company continues its efforts to develop new products based on present raw material availability having good market potentional both domestically as well as internationally.

EAP Industries Limited :

Banks and Financial Institutions had already moved Debts Recovery Tribunal. Applications have been filed on behalf of your Company for stay in the matter in view of the fact that your Company has been declared as a Sick Industrial undertaking by the Hon'ble BIFR.

Y2K Compliance :

Your Company has taken adequate steps towards achieving Y2K compliance. Necessary changes have been effected both in hardware and software and the Directors do not foresee any major problem on this account. Required expenditure involved in this regard has already been incurred by the Company and no significant costs are envisaged further. The Company expects to be Y2K compliant by 30th September, 1999.

Directors :

Shri Nirmal Suchanti retires by rotation and being eligible offers himself for reappointment.

Dr. M. K.Sinha who was appointed as Director on 19th December, 1997 in the casual vacancy caused by the resignation of Shri P. S. Vaidya, holds office upto the date of this Annual General Meeting. A notice in writing has been received from a member of the Company of his intention to propose Dr. M. K. Sinha as a candidate for the office of Director.

Dr. P. H.Vaidya was appointed as Additional Director with effect from 18th September, 1998 and holds office upto the date of this Annual General Meeting. A notice in writing has been received from a member of the company of his intention to propose Dr. P. H.Vaidya as a candidate for the office of Director.

Shri Dipak Himatsingka was reappointed as Managing Director of the company for a period of 5 years with effect from June 1, 1999. Shri Dipak Himatsingka was also elected by the Directors as Chairman of the Board.

Insurance :

The Assets of your Company have been adequately insured.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

Particulars required under Section 217(1)(e) of the Companies Act,1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are set out in Annexure 'A' to this Report.

Particulars of Employees :

Particulars required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules,1975 are set out in Annexure 'B' to this Report.

Industrial Relations :

During the period under review industrial relations remained cordial.

Auditors :

M/s. D. Basu & Co. and M/s. Lodha & Co. Chartered Accountants, Auditors of the Company,retire at the conclusion of this Annual General Meeting and are eligible for reappointment. The observations made by the Auditors have been dealt with under Notes on Accounts and are self - explanatory.

Appreciation :

The Directors would like to express their grateful appreciation for the assistance and co-operation received from State Bank of India and the Financial Institutions. The Company also thanks its suppliers,customers and shareholders for their continued support.

For and on behalf of the Board

Place : Mumbai, **DIPAK HIMATSINGKA**
Dated : 27th August, 1999 Chairman & Mg. Director

ANNEXURE 'A'

Statement pursuant to Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. Conservation of Energy

a) Energy Conservation measures taken :

(i) Electrical Energy

Regular monitoring of overall energy consumption is being carried out, coupled with regular preventive maintenance to ensure that the losses are minimised. Corrective action for improved Energy utilisation is an ongoing process.

(ii) Furnance oil consumption / LDO Consumption.

The Company has kept abreast of development in the field of increased heat utilisation and has a programme of regular preventive maintenance to ensure high efficiency levels.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

The Company has regularly followed a system of upgrading user equipment to ensure optimisation of energy use and has been able to reduce per unit energy costs for manufacture of its products.

(c) Impact of the measures at (a) and (b) for reduction of Energy consumption and consequent impact on the cost of production :

The measures taken above, as enumerated in (a) & (b) above have resulted in reduction of specific energy consumption & has had consequent impact on cost of production of products of the Company; as per the information contained in form 'A'.

(d) Total energy consumption and energy consumption per unit of production.

As per Form A.

FORM A

	For the Period ended 31.03.1999	For the Period ended 30.09.1997
A. Power and Fuel Consumption:		
1. Electricity		
(a) Purchased		
Units/Lakhs	**39.40**	36.43
Total amount (Rs.in Lakhs)	**162.92**	150.20
Cost per unit - Rs.	**4.13**	4.12
(b) Own Generation		
(i) Through Diesel Generator Set :		
Units generated/Lakhs	**Negligible**	Negligible
Units per Ltr. of Diesel Oil	**Negligible**	Negligible
Cost - Rs./Unit	**Negligible**	Negligible
(ii) Through Steam Turbine / Generator	**N.A.**	N.A.
2. Coal (specify quality and where used)	**N.A.**	N.A.
3. Furnace Oil & L.S.H.S.		
Quantity - K.Ltrs.	**34.78**	29.22
Total amount - Rs. in Lakhs	**208.61**	183.89
Average rate - Rs./K.Ltr.	**5,998**	6,293
4. Others/internal generation		
Light Diesel Oil-K Ltrs.	**5.44**	4.64
Total amount - Rs.in Lakhs	**43.13**	33.34
Average rate - Rs./K. Ltr.	**7,928**	7,180

B. Consumption per unit of Production :

	Standards (if any)	For the Period ended 31.03.1999	For the Period ended 30.09.1997
PRODUCTS			
Plasticizers			
Electricity (per MT)	Units	**150**	200
Furnace Oil (per MT)	Ltrs.	**115**	130
Ethanolamines			
Furnace Oil (per MT)	Ltrs.	**431**	479
L.D.O. (per MT)	Ltrs.	**99**	105
Electricity (per MT)	Units	**378**	545

C. *Foreign Exchange Earnings and Outgo:*
The information on foreign exchange earnings and outgo is furnished in the accounts.

FORM B

Form for disclosure of particulars with respect to absorption

1. Specific areas in which R&D carried out by the Company : Our R&D is focused on -
   a) Developing products based on Ethylene Oxide, Propylene Oxide, Cyclic Amines, Aliphatic Amines addition products.
   b) Development of new range of Plasticizers.
   c) Upgradation of our existing products and processes and reducing cost of manufacturing.
   d) Development of import substitution products and energy conservation.

2. Benefits derived as a result of the above R&D : Upgradation of our existing products and processes has resulted in improved yields and quality in amines plant. In certain areas the benefits include cost reduction and import substitution. 'Speciality Solvent' for Rayon manufacture developed and application studied successfully on commercial scale. Our R&D has developed some new import substitution products.

3. Future plan of action : To develop further range of 'Alkanol-amine' products. To develop hydroxyethylated,cyclic amines based on Ethylene oxide addition products. *To develop new range of plasticizer for use in industrial* applications.

4. Expenditure on R&D
   a) Capital : NIL
   b) Recurring : Rs. 28.21 lacs
   c) Total : Rs.28.21 lacs
   d) Total R&D expenditure as a percentage of total turnover : 0.52%

5. Technology absorption, adaptation and innovation :
   a) Efforts, in brief, made towards technology absorption, adaptation and innovation. Absorption of technology for Synthetic processes developed to manufacture intermediate chemicals meeting to international standards. The products have wide range of application in PVC moulding, polymers oil field, chemicals, additive for Vinyl flooring. We have been able to adapt design process and engineering

parameters as envisaged by us. Thus overall it has become cost effective and suitable for local equipment.

b)	Benefits derived as a result of the above efforts e.g. product improvement,cost reduction, product development, import substitution etc.	:	Our R&D efforts and modification of process resulted in improved products. The targets of cost effectiveness, import substitution, yield and quality were achieved. Progress in the areas of export has enhanced substantially.
c)	In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.	:	
a)	Technology Imported	:	No technology imported in last 5 years.
b)	Year of Import	:	N.A.
c)	Has technology been fully absorbed	:	N.A.
d)	If not fully absorbed, areas where this has not taken place,reasons therefor and future plans and actions.	:	N.A.

For and on behalf of the Board
Dipak Himatsingka
Chairman & Managing Director

Place : Mumbai,
Dated : 27th August, 1999

ANNEXURE TO DIRECTORS' REPORT - ANNEXURE 'B'

Information under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31st March, 1999

Sr.No.	Name of the Employee	Designation/ Nature of Duties	Remuneration Rs.	Qualifications/ (Experience)	Date of Commencement of Employment	Particulars of last Employment	Age/ years
	Employed throughout the year						
1.	Mr. Dalmia R. D.	Plant Manager	954,805	M.Com (37 years)	01.07.1974	India Carbon Ltd., Mumbai Officer-Administration	57
2.	Mr. Himatsingka Dipak	Chairman & Managing Director	1,144,388	B. Tech (Hons.) M.I.E., AMIICHE (31 years)	01.06.1974	India Carbon Ltd., Mumbai Chemical Engineer	52

Notes :
1. Nature of employment is contractual.
2. Other terms and conditions - As per Company's rules/schemes and/or terms of individual appointment letters/contracts.
3. Remuneration shown above includes Salary, Contribution to P. F. and other funds and other perquisites.

For and on behalf of the Board
Dipak Himatsingka
Chairman & Managing Director

Place : Mumbai,
Dated : 27th August, 1999

AUDITORS' REPORT TO THE MEMBERS OF AMINES & PLASTICIZERS LTD.

We have audited the attached Balance Sheet of AMINES & PLASTICIZERS LIMITED as at 31st March, 1999 and also the annexed Profit and Loss Account for the eighteen months period ended on that date and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 (hereinafter referred to as the 'Act') and on the basis of such checks as were considered appropriate and according to the information and explanations given to us during the course of our audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit subject to our comment in paragraph 'h' below;
   b) Subject to Note No. B-10 in Schedule 13 regarding accounting of acceptances of Bills of Exchange, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
   d) Subject to our comment in paragraph (e) below, regarding non-provision for diminution in the fair value of unquoted investments, in our opinion, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards as prescribed under the provisions of section 211 (3C) of the Act;
   e) the Company's involvement in EAP Industries Ltd. (EAPIL) :
      i) by way of investment in its equity shares at a cost of Rs.37.72 lacs. An undertaking has been given in favour of financial institutions agreeing not to dispose off these equity shares without their prior approval;
      ii) by way of loan of Rs.65 lacs and debts of Rs.87.29 lacs;
      iii) for guarantees given amounting to Rs.513.73 lacs and incidental finance cost, if any, in respect of various loans taken by EAPIL from financial institutions/bankers.

      In view of EAPIL's heavy accumulated losses, closed operations since last several years and its case having been reinstated before BIFR under the Sick Industrial Companies (Special Provisions) Act, 1985, we are of the opinion that the investment, loans and other receivables are not likely to be recovered in the foreseeable future. Further, we are unable to express any opinion as to the extent the Company would be liable for the guarantee as mentioned above.

      No provision for the losses/diminution has been made in the accounts in respect of the above (Refer Note No.B-1(d) and B-7 in Schedule 13);
   f) The accounts have been prepared on a 'going concern basis' for the reasons mentioned in note No. B-6 in Schedule 13;
   g) We are unable to express our opinion as to the extent of recoverability of the debts considered good by the Management, amounting to Rs. 143.53 lacs. It was explained that the Company has taken suitable measures to recover the said dues including filing of legal cases wherever considered appropriate and that, therefore, no provision is considered necessary at this stage (Refer Note No. B-8 in Schedule 13);
   h) Certain sundry debtors and creditors are subject to confirmations / reconciliations and adjustments, if any (Refer Note No.B-9 in Schedule 13);
   i) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to the matters referred to in paragraph 'e' to 'h' above, having consequential impact on the loss for the period, accumulated losses, reserves, assets and liabilities, to the extent ascertained or presently not ascertainable, as the case may be and read together with Significant Accounting Policies and other notes, particularly note no.B-15 regarding accounting of Sales Tax relief / write-back on receipt of order under Amnesty Scheme, appearing in Schedule 13 and elsewhere in the accounts, give the information required by the Act, in the manner so required and give a true and fair view :
      i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999; and
      ii) In the case of the Profit and Loss Account, of the loss of the Company for the Eighteen months period ended on that date.

For **LODHA & COMPANY**
Chartered Accountants
N. KISHORE BAFNA
Partner

Place : Mumbai,
Dated : 27th August, 1999

For **D. BASU & COMPANY**
Chartered Accountants
ANIL K. CHATTOPADHYAY
Partner

Place : Mumbai,
Dated : 27th August, 1999

AMINES PLASTICIZERS

ANNEXURE referred to in paragraph 1 of our Report of even date:

1. The Company is in the process of updating its fixed assets register. As explained to us, the fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which we consider reasonable. Pursuant to the programme, physical verification of certain assets were carried out during the period. Discrepancies, if any, will be adjusted only after the said register is updated.

2. None of the fixed assets have been revalued during the period.

3. The stocks of finished goods, materials for resale, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals. The stocks in the possession and custody of third parties and in transit have been verified by the management with reference to confirmations/correspondence with such third parties and subsequent receipt of goods.

4. In our opinion, the procedures of physical verification of above referred stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies noticed on physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of account.

6. In our opinion and on the basis of our examination of stocks and also considering the method of accounting of Excise Duty and Customs Duty consistently followed, as referred to in Note No.B-13 in Schedule 13, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding period.

7. In our opinion, terms and conditions of unsecured loans taken from a company and other parties listed in the register maintained under Section 301 of the Act are, prima facie, not prejudicial to the interest of the Company. The Company has not accepted any loans from firms listed in the said register, during the period. As explained to us, there are no companies under the same management as defined under Section 370 (1B) of the Act.

8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Act, except an interest free unsecured loan to EAPIL, for which reference is invited to Note No.B - 7(a) in Schedule 13 and our comments in paragraph e(ii) in our report. As explained to us, there are no companies under the same management as defined under Section 370 (1B) of the Act.

9. No loans and advances in the nature of loans have been given to any party except as stated in paragraph '8' above.

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 for 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, the transactions of purchase of goods made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the period to Rs.50,000 or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices or the prices at which transactions for similar goods have been made with other parties. There were no transactions of purchase of materials and sale of goods, materials and services during the period with such parties.

12. As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stores and spares, raw materials and finished goods. According to information and explanations given to us, adequate provision has been made in accounts for loss arising on the items so determined.

13. In our opinion, the Company has complied with the provisions of Section 58A of the Act and the Rules framed thereunder with regard to the deposits accepted from the public.

14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap and by-products.

15. The internal audit system of the Company is commensurate with the size of the Company and nature of its business.

16. As per the information and explanations given to us and to the best of our knowledge, the Central Government has not prescribed for the maintenance of cost records under Section 209(1)(d) of the Act for any of the products of the Company.

17. According to the records of the Company, Provident Fund and Employees' State Insurance dues have been regularly deposited with the appropriate authorities during the period.

18. According to the records of the Company, there were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Customs Duty and Excise Duty except Sales Tax of Rs. 142.68 lacs outstanding as at 31st March, 1999 for a period of more than six months from the date they became payable.

19. The Company has a policy of authorising expenditure based on reasonable checks and controls. This policy is intended to ensure that expenses are authorised on the basis of contractual obligation or accepted business practices having regard to the Company's business needs and exigencies. In terms of this observations, we have not come across any expenses charged to revenue account which, in our opinion and judgement and to best of our knowledge and belief, could be regarded as personal expenses.

20. The Company is a sick industrial Company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985. On a reference made to the Board for Industrial and Financial Reconstruction (BIFR) under Section 15 of that Act, the Company was declared a sick industrial undertaking and the Scheme of Rehabilitation is being finalised by the operating agency to be submitted to BIFR for their final approval.

21. In respect of service activities, as explained to us, separate job wise recording of receipts, issues, consumption and allocation of raw materials is being done, but as regards stores, separate recording of receipts, issues, consumption and allocation is not feasible in view of common consumption in the manufacturing process of the Company. However, there is an overall control and authorisation on the issue of stores and allocation of man hours consumed. In our opinion, the internal control system is commensurate with the size of the Company and nature of these activities.

22. In respect of trading activities, we have been informed that there were no damaged goods.

For **LODHA & COMPANY**
Chartered Accountants

N. KISHORE BAFNA
Partner

Mumbai,
Dated : 27th August, 1999

For **D. BASU & COMPANY**
Chartered Accountants

ANIL K. CHATTOPADHYAY
Partner

Mumbai,
Dated : 27th August, 1999