

23RD ANNUAL REPORT 1998-99

Report



BIHAR CAUSTIC & CHEMICALS LIMITED

Ghanshyam Kunj, Garhwa Road, P.O. Rehla -822124, District - Palamau (Bihar)



BIHAR CAUSTIC & CHEMICALS LIMITED

CHAIRMAN

Shri G. S. Kang

DIRECTORS

Shri D.P. Mandelia

Shri S. K. Jain

Shri T. G. Mirchandani, Nominee of IDBI

Shri A.K. Agarwala (Alternate to Shri D.P. Mandelia)

Shri Ashok V.Parekh (Alternate to Shri S. K. Jain)

Shri H.C. Bhambhani, Nominee of SBI

Shri V. K. Singh

Shri H.V. Lodha

MANAGING DIRECTOR

Shri K.K. Patodia

WHOLE TIME DIRECTOR (TECHNICAL)

Shri P.R. Roy

GENERAL MANAGER (F&C) cum SECRETARY

Shri M.P. Agarwal

BANKERS

State Bank of India

Canara Bank

Uco Bank

Central Bank of India

American Express Bank Limited

AUDITORS

M/s. M.L. Sharma & Co.,

Chartered Accountants,

Mumbai.

COST AUDITORS

M/s. S.Gupta & Co.,

Calcutta.

REGISTERED OFFICE

"Ghanshyam Kunj"

Garhwa Road, P.O. Rehla,

Distt. Palamau (Bihar)

Phone : (06562) 22582 (Daltonganj)

: (06584) 87211, 87221 (Rehla)

Fax No. : (06584) 87205

CONTENTS	Page No.
Notice to Shareholders	02
Report of the Directors	08
Auditors' Report	15
Balance Sheet	18
Profit & Loss Account	19
Schedules to Accounts	20

BIHAR CAUSTIC & CHEMICALS LIMITED

REGISTERED OFFICE

Ghanshyam Kunj, Garhwa Road, P.O.Rehla - 822124
Distt. Palamau (Bihar)

NOTICE TO THE SHAREHOLDERS,

NOTICE is hereby given that the 23rd Annual General Meeting of Bihar Caustic & Chemicals Limited will be held at the Registered Office of the Company at "Ghanshyam Kunj" Garhwa Road, P.O. Rehla, Distt. Palamau (Bihar) on the 10th August, 1999 (Tuesday), at 2.30 P.M. to transact the following business with or without modification.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 1999 and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri H.V. Lodha who retires by rotation, but being eligible, offers himself for re-election.
3. To appoint a Director in place of Shri V. K. Singh who retires by rotation, but being eligible, offers himself for re-election.
4. To sanction the declaration and payment of Dividend on Equity Shares for the year ended 31st March, 1999.
5. To appoint Auditors and to fix their remuneration.

M/s. M.L. Sharma & Co., Chartered Accountants, Mumbai, the Auditors of the Company, retire at the conclusion of this Annual General Meeting and being eligible for re-appointment and for that purpose, to consider and if thought fit, to pass with or without modification the following Resolution proposed as a SPECIAL RESOLUTION.

"RESOLVED that M/s M.L. Sharma & Co., Chartered Accountants, Mumbai be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and is hereby authorised to fix their remuneration for the said period."

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION :
 1. Pursuant to the provisions of section 198,269,309, 310, 311 and other

applicable provisions , if any, of the Companies Act, 1956 and subject to the approval of such other persons / authorities as may be necessary.

- a) The clauses 5 (b) (i) (a), 5 (b) (i) (b) and 5 (b) (ix) of the Agreement dated 6th Sept. 1996 executed with Shri K.K. Patodia, Managing Director of the Company be and are hereby revised.
 - b) The Draft Supplemental Agreement (Which shall form an integral part of the agreement entered into with Shri K.K. Patodia on 6th September, 1996) incorporating the revised clause of 5 (b) (i) (a), 5 (b) (i) (b) and 5 (b) (ix) of the Agreement dated 6th September, 1996 placed at this meeting and initialled by the Chairman thereof for the purpose of identification be and is hereby approved.
2. The Board of Directors be and is hereby authorised to take all such steps as may be necessary to give effect to this resolution.
7. To consider, and if thought fit, to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION.
1. Pursuant to the Provisions of section 198,269,309 (3),310 and other applicable provisions, if any of the companies Act 1956 and subject to the approval of such other persons/authorities as may be necessary.
 - a) The clause 4 (b) (xiii) of the Agreement dated 13th August, 1997 executed with Shri P.R. Roy, Whole Time Director (Tech.) of the Company be and is hereby revised.
 - b) The Draft Supplemental Agreement (Which shall form an integral part of the agreement entered into with Shri P.R.Roy on 13th August 1997) incorporating the revised clause of 4 (b) (xiii) of the Agreement dated 13th August 1997, placed at this meeting and initialled by the Chairman thereof for the purpose of identification be and is hereby approved.
 2. The Board of Directors be and is hereby authorised to take all such steps as may be necessary to give effect to this resolution.

8. INCREASE IN BORROWING POWER - AS AN ORDINARY RESOLUTION.

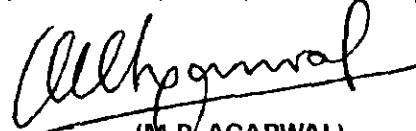
To consider and if thought fit , to pass with or without modification, the following Resolution as an ordinary resolution :

" Resolved that pursuant to the provisions of Section 293 (1) (d) and other applicable provisions, if any of the Companies Act, 1956 and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors to borrow any sum or sums of moneys, from time to time, not- withstanding that the money or moneys to be borrowed together

with the moneys already borrowed by the Company(apart from temporary loans, advances, credits or otherwise obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate paid up capital of the company and its free reserves, that is to say reserves not set apart for any specific purpose but so that the total amount up to which moneys may be borrowed under the said section 293 (1) (d) shall not any time exceed Rupees one hundred fifty crores.

By order of the Board,

For BIHAR CAUSTIC & CHEMICALS LIMITED,



(M.P. AGARWAL)

GENERAL MANAGER (F&C) cum
SECRETARY

Place : Ghanshyam Kunj,
Garhwa Road,
P.O. Rehla, Distt. Palamau (Bihar)

Dated : 10th June, 1999

NOTES

1. A member entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member, Proxies in order to be effective must be received at the company's Registered Office at Garhwa Road, P.O. Rehla, Distt. Palamau not less than Forty eight hours before this meeting.
2. An explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of items No.5,6,7 & 8 of the Notice set out above is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed during the period from 3rd August, 1999 to 10th August, 1999 (both days inclusive).
4. Dividend on Equity shares when sanctioned will be made payable on or after the 18th September, 1999 to those shareholders whose names stand on the company's Registers of Members as on 10th August, 1999 and dividend warrants will be posted to them.
5. Pursuant to section 205 A of the Companies Act, 1956, all unclaimed dividend for the financial year 1993-94 and 1994-95 has been transferred to the General Revenue Account of the Central Government. Shareholders, who have not encashed the dividend warrants for the said period, are requested to claim the amount from the Registrar of Companies, Bihar, Maurya Lok Complex, A Block, Western Wing, 4th Floor, Dak Bunglow Road, Patna.
6. Members are requested to notify immediately any change in their address to the company.

**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE
COMPANIES ACT, 1956.**

Item No. 5

As required under Section 224 of the Companies Act, amended by the Companies (amendment) Act, 1974 M/s.M.L. Sharma & Co., Chartered Accountants, Auditors of the Company, have sent a certificate to the Company stating that their re-appointment, if made, will be in accordance with the limits specified in the section. Further, as required under section 224-A of the Companies Act, 1956, a special Resolution is necessary for the re-appointment of the Auditors as Bihar State Industrial Development Corporation Limited (BSIDC) (A Govt. of Bihar undertaking), and/or their nominees, Financial Institutions and Banks hold and/or are likely to continue to hold at the date of the ensuing Annual General Meeting more than 25% of the subscribed Share Capital of the Company.

In these circumstances, it is necessary that the re-appointment of Auditors be made by a Special Resolution and accordingly the Resolution for re-appointment of M/s.M.L. Sharma & Co., Chartered Accountants, Mumbai as Auditors of the Company has been commended to your acceptance.

None of the Directors of the Company is in any way concerned or interested in this Resolution.

Item No.6

As the members are aware that Shri K.K. Patodia was appointed as Managing Director of the Company for a period of five years and Company had executed an Agreement dated 6th September, 1996 with Shri K. K. Patodia, Managing Director. This agreement inter-alia includes the following conditions :-

1. Company's contribution towards provident fund subject to a ceiling of 10% of the salary.
2. Company's contribution towards approved superannuation fund, if any, such contributions together with contribution to the provident fund shall not exceed 25% of the salary as laid down in the Income Tax Rules, 1962.
3. Earned/Privilege leave : On full average pay and allowance as per rules of the Company but not more than one month leave for every eleven months of completed service. However, leave accumulated but not availed off will be allowed to be encashed as per company's rules.

Whereas, consequent to ordinance promulgated by the President of India effective from 22nd September, 1997, the company has increased its contribution to provident fund of its employees from 10% to 12% of the salary.

In view of the above statutory changes, it has become necessary to amend the

provisions stipulated in the Agreement. Similarly in the above agreement, the provision for giving medical leave was also not included which is also proposed to be included therein. Accordingly, a supplemental Agreement is, therefore, proposed to be entered into with Shri K. K. Patodia to give effect to a revised clause 5 (b) (i) (a) & (b) and 5 (b) (ix) of the agreement dated 6th September, 1996. The aforesaid Supplemental Agreement covers the revision only in the Clause 5 (b) (i) (a) & (b) and 5 (b) (ix) of the agreement dated 6th September, 1996 and all other terms and conditions of the Agreement dated 6th September, 1996 remain unchanged. The revised clause 5 (b) (i) (a) & (b) and 5 (b) (ix) of the agreement are given below.

- A) 5 (b) (i) (a) Company's contribution to Provident Fund.
Company's contribution towards provident fund as per Rules of the company.
- 5 (b) (i) (b) Company's contribution to pension / superannuation funds.
Company's contribution towards pension / superannuation funds as per Rules of the Company.
- 5 (b) (ix) Earned Leave / Privilege leave, Medical leave
As per Rules of the Company "However, leave accumulated but not availed off will be allowed to be encashed as per Company's Rules "

The above statement may be treated as an abstract of variation in the existing terms of appointment of Shri K.K. Patodia as Managing Director as made by the Board of Directors and as required under section 302 of the Companies Act, 1956.

None of the Directors of the Company except Shri K.K. Patodia is in any way concerned or interested in the Resolution.

Item No. 7

As the members are aware that Shri P.R. Roy was appointed as Whole Time Director (Technical) of the Company for a period of three years and the Company had executed an Agreement dated 13th August, 1997 with Shri P.R. Roy, Whole Time Director (Technical). This agreement inter-alia includes the following provisions regarding availing of leave.

Earned/Privilege leave :

On full average pay and allowance as per rules of the Company but not more than one month leave for every eleven months of completed service. The leave accumulated but not availed off will be allowed to be encashed.

This Agreement did not have provision for giving medical leave which is proposed to be included therein now. Accordingly, a supplemental Agreement is, therefore, proposed to be entered into with Shri P.R. Roy to give effect to a revised clause 4 (b) (xiii) of the agreement dated 13th August, 1997. The aforesaid Supplemental Agreement covers this revision only in clause 4(b) (xiii) of the Agreement dated 13th August, 1997, all other

terms and conditions of the Agreement dated 13th August, 1997, remain unchanged. The revised clause 4 (b) (xiii) of the agreement is given below.

Earned leave/Privilege leave, medical leave :

As per Rules of the Company "However, leave accumulated but not availed off will be allowed to be encashed as per Company's rules."

The above statement may be treated as an abstract of variation in the existing terms of appointment of Shri P. R. Roy as Whole Time Director (Tech.) as made by the Board of Directors and as required under section 302 of the Companies Act, 1956.

None of the Directors of the Company except Shri P.R. Roy is in any way concerned or interested in the Resolution.

Item No. 8

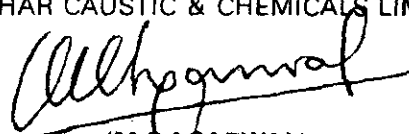
Under section 293(1) (d) of the Companies Act, 1956, the Board of Directors cannot, except with the consent of the company, in general meeting, borrow moneys (apart from the temporary loans obtained from the company's Bankers in the ordinary course of business) in excess of the aggregate of the paid up capital and free reserves of the company (that is to say, reserve not set apart for any specific purpose). The company had empowered the Board of Directors to borrow funds up to Rs. 100 crores (Rupees one hundred crores only) in its Annual General Meeting held on 26th August, 1995. Considering the implementation of proposed power plant project, the present limit of Rs. 100 crores (Rupees one hundred Crores only) is considered inadequate and as such the company would be required to borrow funds exceeding the present limit. It is, therefore, proposed to increase the limit from Rs. 100 Crores (Rupees One hundred crores only) to Rs. 150 Crores (Rupees one hundred fifty crores only).

The Resolution is commended for your approval. None of the Director of the company is in any way concerned or interested in the aforesaid Resolution.

Place : Ghanshyam Kunj,
Garhwa Road, P.O. Rehla,
Distt. Palamau
(Bihar)

Dated : 10th June, 1999

By order of the Board,
For BIHAR CAUSTIC & CHEMICALS LIMITED,



(M. RAGARWAL)
GENERAL MANAGER (F & C) cum
SECRETARY

BIHAR CAUSTIC & CHEMICALS LIMITED

DIRECTORS' REPORT TO SHAREHOLDERS

Dear Shareholders,

Your Directors are pleased to present the 23rd Annual Report together with the audited Balance Sheet and the Profit & Loss Account for the year ended 31st March, 1999.

OPERATIONS & PERFORMANCE

Your company's performance during 1998-99 has been satisfactory considering the adverse market conditions that prevailed throughout the year.

Production of Caustic Soda during the year under review was 38,963 MT, almost at levels of 38,976 MT in the preceding year. The production during 1998-99 reflects optimum utilisation of capacity despite numerous disruptions in power supply.

Your Company was also successful in marketing of full production. However, the year under review has been marked by an industrial slow down which adversely impacted almost all segments of industry. The Caustic Soda industry was hit particularly hard on account of a steep fall in consumption from sectors such as Papers, Plasticizers and Steel. There was intense competition on account of a supply demand imbalance resulting from excess capacity in the country. Industry also had to contend with huge volumes of imports at low prices. Consequently, realisations for both Caustic Soda and Chlorine were adversely impacted. Amidst adversity, your Company made a notable achievement by way of increased exports of Caustic Soda and Liquid Chlorine to neighbouring countries.

Despite best efforts, production cost increased marginally during the year under review. The Company had to contend with a substantial increase in cost of salt, a major input. Prices of Salt increased as a consequence of natural calamities. Power interruptions and retrospective increases in tariff also resulted in increased costs. In addition, the Company had to bear additional costs by way of increased freight on account of a breakdown of a critical rail link. These factors combined to negate gains made by way of stringent controls and other efforts directed at cost reduction.

FINANCIAL RESULTS

	<u>1998-99</u> <u>(Rs. in Lacs)</u>	<u>1997-98</u> <u>(Rs. in Lacs)</u>
Gross Turnover	<u>6429.39</u>	<u>6576.14</u>
Gross Profit	280.04	515.49
Less: Depreciation	<u>133.89</u>	<u>115.64</u>
	146.15	399.85

Provision for Taxation	<u>15.45</u>	<u>111.60</u>
Profit after Tax for the Year and available for appropriation	<u>130.70</u>	<u>288.25</u>

APPROPRIATIONS

Proposed Dividend	39.00	140.40
Tax on Proposed Dividend	3.90	14.04
Transfer to General Reserve	<u>87.80</u>	<u>133.81</u>
	<u>130.70</u>	<u>288.25</u>

DIVIDEND

Despite adverse market condition and Lower Profit your Directors are pleased to recommend for your approval, a dividend of Re. 0.50 per Equity Share. Dividend on 78,00,000 Equity Shares amounting to Rs. 39.00 lacs and a provision for Tax @ 10% of the said Dividend, will result in a total payment of Rs. 42.90 lacs on this account. The Dividend will be paid when approved by you at the Annual General Meeting, in accordance with regulations prevalent at that time.

CAPTIVE POWER GENERATION PROJECT

Electricity is a critical input for the manufacture of Caustic Soda and an uninterrupted supply of economically priced power is a must for a significant reduction in production costs. In past years, your Company's performance has suffered on account of interruptions in supply and significant retrospective increases in power tariff which a power intensive business cannot afford.

A consideration of these factors have prompted your Company to put up a 30 MW Captive Thermal Power Plant at an estimated cost of Rs. 152 Crores. Work has commenced and significant progress made on this installation.

Civil foundation for the Boiler House and Power House have been completed. Orders for major equipment have been placed and some equipment has already been received. Boiler erection has commenced. Your Company has obtained Coal Linkage as well as various statutory clearances essential for commissioning of the Power Plant. Measures for ensuring compliance with environmental regulations include installation of a high efficiency Electrostatic Precipitator and an Effluent Treatment Plant.

The Power Plant is expected to be commissioned in 2nd quarter of financial year 2000-2001.

MODERNISATION SCHEME

Work on installation of balancing equipment for increased productivity and efficiency has been completed during the year under review. Your Company has begun to derive benefits from the completion of this activity.