



BIHAR CAUSTIC & CHEMICALS LIMITED

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29th Annual Report
2004-2005

BIHAR CAUSTIC & CHEMICALS LIMITED**DIRECTORS**

Shri A.K. Agarwala
 Shri P. P. Sharma
 Shri Biswajit Choudhuri
 Shri Shailesh V. Haribhakti (W.e.f. 26.7.05)
 Shri K.K. Maheshwari
 Shri Vijoy Prakash
 Shri Edwin E.Fernandes, Nominee of IDBI

MANAGING DIRECTOR

Shri P.N.Ojha

COMPANY SECRETARY

Shri Mahendra Parekh

BANKERS

State Bank of India
 Uco Bank
 American Express Bank Limited
 IDBI Bank Limited
 Central Bank of India
 HDFC Bank Limited

AUDITORS

M/s. M.L. Sharma & Co.,
 Chartered Accountants,
 Mumbai.

COST AUDITORS

M/s. V.K.Jain & Co.,
 Kolkata

REGISTERED OFFICE

"Ghanshyam Kunj"
 Garhwa Road
 P.O. Rehla : 822124
 Distt. : Palamau(Jharkhand)
 Phone : (06584)262 211/221/488
 Fax No: (06584)262 205

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BIHAR CAUSTIC & CHEMICALS LIMITED

DIRECTORS' REPORT TO SHAREHOLDERS

To the Members,

This is a historic year for your Company, as it is a year in which the Company posted its highest-ever turnover and profits. In the light of its significant milestone achieved, your Directors are delighted to present their report on the business and operations of your Company for the year ended 31st March, 2005.

FINANCIAL RESULTS :

The performance of the Company for the financial year ended 31st March, 2005 is summarised below :

	2004-2005 (Rs in lacs)	2003-2004 (Rs in lacs)
Gross Turnover	12482.80	10783.78
Gross Profit/(Loss) before extraordinary items	4195.21	2577.69
Less : Depreciation	830.34	803.22
Profit before Extraordinary items & Tax	3364.87	1774.47
Extraordinary items	395.17	168.88
Profit before Tax	2969.70	1605.59
Provision for current Tax	233.72	123.68
Provision for deferred Tax	90.83	619.33
Profit/(Loss) after Tax	2645.15	862.58
Adjustment of Taxes for earlier years	2.33	4.23
Balance brought forward from previous year	429.63	(305.36)
Balance available for Appropriation	3077.11	561.45

APPROPRIATIONS :

Proposed Dividend	187.09	116.85
Tax on Proposed Dividend	26.24	14.97
Dividend for previous year	0.05	—
Tax on previous year's dividend	0.31	—
Balance carried to Balance Sheet	2863.42	429.63

DIVIDEND :

In view of the excellent performance by the Company, your Directors recommend payment of dividend @ 8 % on paid up equity share capital of the Company.

OPERATING RESULTS & PROFITS :

Strong economic growth, low interest rates and continued focus on several measures undertaken by the Company like new product introduction, aggressive marketing efforts, cost cutting and quality improvements have all enabled the Company to breach its previous record of higher production as well as lower consumption resulting into highest ever profit achieved by the Company.

Net sales during the year were Rs. 107.96 crores compared to Rs. 93.36 crores in the previous year. Profit before tax was Rs. 29.69 crores in comparison to previous year's profit of Rs. 16.05 crores. After adjusting for taxes for the current year, profit for the year stood at Rs. 26.45 crores in comparison to previous year's profit of Rs. 8.62 crores. Though, sales have increased by 15.6%, profit have shot up by 207%.

BIHAR CAUSTIC & CHEMICALS LIMITED

DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

A more detailed discussion and analysis on the performance of your Company in retrospect as well as the outlook and focus for the year 2005-06 is contained under the chapter on Management Discussion and Analysis Report.

EXPANSION PLANS :

The Company has commissioned Hydrogen Bottling plant at a total cost of Rs.2.85 crores and is marketing hydrogen gas which was earlier vented out in the air.

As informed to you in our last year report, your Company has taken up Membrane Technology project which will entail a total outlay of Rs.112.50 crores. Besides meeting the project cost from internal accruals, financial arrangements for the balance amount has been inked. The erection work of the project is in full swing and the project is expected to be commissioned by the end of this calendar year. This conversion of our present mercury technology to membrane technology will increase our capacity from 150 TPD to 225 TPD and besides reducing our power cost substantially, will enable us to utilize our power plant capacity to its full extent. Introduction of membrane technology will eliminate use of mercury which is a hazardous substance. After completion of this project, your Company will become the leading manufacturer of chlor-alkali chemicals in the eastern region.

DELISTING OF SHARES :

As approved by the Shareholders, Company made delisting applications to Calcutta Stock Exchange and Delhi Stock Exchange. The approval for delisting of Company's shares has been received from Delhi Stock Exchange. However, approval from Calcutta Stock Exchange delisting our shares is awaited. Company's application for listing of its shares at National Stock Exchange, Mumbai is pending for approval.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND :

During the year, the Company has transferred a sum of Rs.1,87,375/- to Investor Education and Protection Fund of the Central Govt., being the amount due and payable and remaining unpaid for a period of 7 (seven) years, as provided in section 205A of the Companies Act, 1956.

FIXED DEPOSITS :

During the year under review, the Company did not raise funds by way of Fixed deposits and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

AWARDS :

Your Directors are happy to report some of the excellence awards that your company received during the year.

Environmental and Quality Excellence :

- Greentech Environment Silver Award.
- Jawaharlal Nehru Memorial Pollution Control Implementation Gold Award.
- Chairman's Silver Award for Manufacturing Excellence.

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DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

Rural Development and Social Responsibilities :

- FICCI Award for Family Welfare Activities.
- Chairman's Planet Award for Rural Development.

COMMUNITY SERVICES :

Your company is of the firm belief that corporate responsibility extends beyond the ambit of a company's facilities and offices and that true corporate citizenship must include common cause with society. In keeping with this belief system, your company encourages and develops numerous education, health, self-reliance initiatives. The Company has set up a Primary Health care unit equipped with modern and latest medical equipments to cater to the health related needs of its employees as well as of the villagers of nearby area. At its manufacturing location, the company runs school that provides quality education to the children of employees, and also to children living in nearby areas.

To improve quality of life of the community, your company during the year undertook several initiatives in nearby area such as training centres for villagers like tailoring training, skilled development training benefiting to around 1200 villagers, providing drinking water to villages by installing 79 hand pumps in 12 villages, women's development schemes, vocational education programme, health and hygiene awareness programmes by treating atleast 30,000 villagers, adult education programme and free medical camps for pulse polio, dental treatment, family planning, eye operations and animal vaccinations.

ENVIRONMENT PROTECTION AND POLLUTION CONTROL :

Your company has taken the following mega steps towards environment and ecological balance in manufacturing of caustic and power generation.

- Mercury management initiatives have again established the unit as leader and benchmark in mercury consumption. Mercury consumption for the year 2004-05 has been certified through Radio tracing inventory process as 39.7 gms/T of caustic against the last year's benchmark of 45.3 gms/T of caustic.
- More than 8000 herbal plants have been planted this year in low & rugged area, after filling with fly ash and capped with soil.
- Complete control on emission and plantation of about 50,000 plants inside the plant premises has changed the entire plant as green belt.
- Technological up-gradation projects viz. installation of Telescopic chute to transfer Fly ash from Silo, water spraying system in coal unloading yard to suppress the dust emission during handling of coal, DCS control chlorine processing to identify any environmental and safety effecting parameter, have created pollution friendly work place.
- The Company arranged awareness workshop in nearby communities of seven villages for emergency precautions and arrangements in the Hospital cum Crises Management Centre to meet emergency situation in case of chlorine hazards.
- The Company has completed six rain harvesting projects.
- In compliance of 13 points Charter of CREP, the Company has shown leading example to convert Mercury Cell technology to Membrane cell technology so as to eliminate all types of pollution related to mercury. After commissioning of the plant, energy consumption will reduce by 800 KWH /T of caustic and all products will become mercury free.

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DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

- The Company was short-listed for the Aditya Birla Responsible Care award by the Indian Chemical Manufacturers' Association. The Company is actively implementing responsible care principles to strengthen its performance in safety and environment.

CORPORATE GOVERNANCE

Your Company has complied with all the recommendations of the Kumar Mangalam Birla Committee on Corporate Governance constituted by the Securities and Exchange Board of India (SEBI). For fiscal 2005, a separate section on Corporate Governance forming part of the Directors' Report and the certificate from the Company's Auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause-49 of the listing agreement is included in the Annual Report.

INDUSTRIAL RELATIONS :

Cordial industrial relations and improvements in productivity were maintained at the company's plant and office and the management appreciates the support of employees at all levels and looks forward to their continuous involvement in years to come.

DIRECTORS :

In accordance with Article - 103 of the Articles of Association of the Company, Shri K. K. Maheshwari and Shri P.P. Sharma Directors of the Company retire from the Board, and being eligible, offer themselves for re-appointment.

The term of appointment of Shri V. N. Sharma, Whole Time Director expired on 23rd May, 2004 and in view thereof, he vacated the office of Director from that date. The Board sincerely appreciates with gratitude the valuable services rendered by Shri V. N. Sharma, during his tenure as Whole Time Director of the Company.

AUDITORS :

M/s. M.L. Sharma & Company, Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General meeting and are recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under section 224(1B) of the Companies Act, 1956.

COST AUDIT :

As per the requirement of the Central Govt. and pursuant to Section 233B of the Companies Act, 1956, the Company carries out an audit of cost accounts relating to its product every year. Subject to the approval of Central Govt., the Company has appointed M/s V.K.Jain & Co., to audit the cost accounts relating to its product for the financial year 2005-06.

PARTICULARS OF EMPLOYEES

As there were no employees of the company drawing monthly remuneration of Rs. 2,00,000/- or more, particulars of employees as required under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 have not been given.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE:

Details of energy conservation, technology absorption, foreign exchange earnings and outgo required to

BIHAR CAUSTIC & CHEMICALS LIMITED**DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)**

be disclosed under The Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 are given in Annexure forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors wish to inform that the Audited Accounts containing Financial Statements for the financial year ended 31st March 2005 are in full conformity with requirements of the Companies Act, 1956. They believe that the Financial Statements reflect fairly, the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and result of operations.

As stipulated in Section-217 (2AA) of the Companies Act, 1956 your Directors subscribe to the Directors' Responsibility statement and confirm as under:

- (i) that in the presentation of the Annual Accounts, applicable accounting standards have been followed ;
- (ii) that the accounting policies have been consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of your Company as at 31st March 2005 and of the profit for the financial year ended 31st March, 2005 ;
- (iii) that the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities ;
- (iv) that the annual accounts of your Company have been prepared on a going concern basis;

The Company's Internal Auditors had conducted periodic audits to provide reasonable assurance that the Company's established policies and procedures have been followed.

ACKNOWLEDGEMENTS :

The Directors wish to convey their appreciation to all of the Company's employees for their enormous personal efforts as well as their collective contribution to the Company's record performance.

The Directors would also like to thank shareholders, customers, dealers, suppliers, bankers, financial institutions, Govt. authorities and all the other business associates for the continued support given by them to the Company and their confidence in its management.

For and on behalf of the Board,

Camp : Mumbai
Dated : 26th April, 2005

Sd/-
(Biswajit Choudhuri)
Director

BIHAR CAUSTIC & CHEMICALS LIMITED

DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

APPENDIX - 1

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

A. POWER AND FUEL CONSUMPTION	Current year	Previous year
1. Electricity		
(a) Purchase		
Unit (KWH in thousand)	4785.00	7352.77
Total amount (Rs. in lacs)	153.12	99.40
Rate/unit(Rs)(Average cost)	3.20	1.352
(b) Own generation(Net)		
(i) Through Diesel generator		
Unit (KWH in thousand)	11.065	2.921
Unit per Ltr.of diesel oil	3.1795	3.1923
Cost/unit (Rs.)	8.492	7.084
(ii) Through steam turbine/ generator		
Units(KWH in thousand)	187865.414	186385.634
Total amount (Rs. in lacs)	4365.00	4709.00
Rate per unit (Rs) (Average cost)	2.32	2.53
2. Coal used in Boiler of 'F' & 'E' Grade		
Quantity (Tonnes in thousand)	188.838	192.978
Total cost(Rs. in lacs)	1976.31	1864.40
Average rate per tonne(Rs.) (Average cost)	1045.25	966.27
3. Furnace Oil / HSD		
Quantity (K. Ltr.)	20.460	35.485
Total amount(Rs. in lacs)	5.52	7.42
Average rate/Ltr. (Rs.)(Average cost)	26.98	20.91
4. Others/internal generation (Please give details)		
Quantity	Nil	Nil
Total cost	Nil	Nil
Rate/unit	Nil	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

Products (with details) Unit	Standards (If any)	Current Year	Previous Year
Electricity(KWH/MT)	3250	3318	3397
Furnace oil (Ltr./M.T)	—	—	—
Coal :	E Grade	E & F Grade	E & F Grade
Average G.C.V. of steam			
Coal – (K.cal/Kg.)	4000	4048	3748
Others (Specify)	—	—	—

BIHAR CAUSTIC & CHEMICALS LIMITED

DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

ENERGY CONSERVATION MEASURES TAKEN:

Installation of Hydrogen Boiler to generate steam and use it in Chlorine Plant and Power Plant.

IMPACT OF MEASURES TAKEN:

The above measure has resulted in energy saving and consequently decrease in cost of production.

RESEARCH & DEVELOPMENT

1. Specific areas in which R & D carried out by the Company:

- Company has taken stringent action on energy saving scheme and has been able to save around 1000 Kwh/day.
- Installation of Hydrogen Bottling Plant for sale of Hydrogen has been completed and running successfully.
- Installation of Hydrogen fired boiler for generation of steam to be used for Vapor Absorption Machine has been completed and running successfully.
- Installation of Caustic Filter for bringing Mercury level below 0.1 mgpl in product has been successfully completed.
- Development of fly-ash based binder & plastering mixture through in-house R&D activities.
- Upgradation of fly ash bricks quality (crushing strength & less water absorption).
- In-house development of fly-ash based products like zeolite, pollutants absorbers, glass ceramic, refractories, wood substitute doors, ceramic tiles, paints etc. through R&D. Technical collaboration with national R&D Laboratory are under progress.

2. Benefits derived as a result of above R&D :

	<u>2004-2005</u>	<u>2003-2004</u>
Chlorine Production	35048	31624

3. Future plan of action:

To continue R&D work in above areas with emphasis on energy saving and Pollution Control.

Installation of Membrane Cell Technology under progress.

4. Expenditure on R & D:

Charged under primary heads of account.

5. TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION

The Company has taken membrane cell technology from Udhe India Limited, during the year. The existing technology has been fully absorbed and many initiatives were taken to improve the economical working.

6. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities related to Exports :

The Company is exporting Chlorine to Nepal in convertible currency.

We have achieved satisfactory performance in exports of our products during the financial year 2004-05 in hard currency. Export of chlorine in terms of value has increased compared to previous year.

2. The total foreign exchange earned and used.

Foreign exchange earned	:	Rs. 202.07 lacs
Foreign exchange used	:	Rs. 51.42 lacs

BIHAR CAUSTIC & CHEMICALS LIMITED

REPORT ON CORPORATE GOVERNANCE

Corporate Governance is about commitment to values and about ethical business conduct. It is about how an organization is managed. This includes its corporate and other structure, its culture, policies and the manner in which it deals with various stakeholders. Accordingly, timely and accurate disclosure of information regarding the financial performance, ownership, any material development, affecting the Company is an integral part of Corporate Governance. Adoption of good Corporate Governance practices helps develop a good image of the organization, attracts best talents and keeps its stakeholders satisfied.

In the era of this competitive environment, new laws regarding public reporting, internal controls, Board's functioning, will make the organization more transparent and therefore, more attractive to investors.

Over the past decade, various countries have issued recommendations for corporate governance. In our country, Securities and Exchange Board of India has been revising corporate governance requirements from time to time for more transparency and better management of the Company.

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company believes that sound Corporate Governance is critical to enhance and retain investor trust. Accordingly, your company always seeks to attain its performance rules with integrity and fairness. The Corporate Governance policy has been further strengthened with the adoption of Code of Conduct and adoption of the requirements of Corporate Governance under Clause -49 of the Listing Agreement with the Stock Exchanges. The Company is in full compliance with the requirements under Clause-49 of the Listing Agreement with the Stock Exchanges.

A) BOARD OF DIRECTORS

The Board of Directors comprises seven Directors out of which six are non-executive Directors. Since the Company is not having any Chairman, Directors present in the meeting elect one of them to take the chair and independent non-executive Director is appointed as Chairman of the meeting. The composition of the Board, attendance at Board meetings held during the financial year under review and at the last Annual General meeting and number of Directorships and Memberships Chairmanships in public companies (including the company) are given below :