

30TH ANNUAL REPORT

2005-06



BIHAR CAUSTIC & CHEMICALS LIMITED





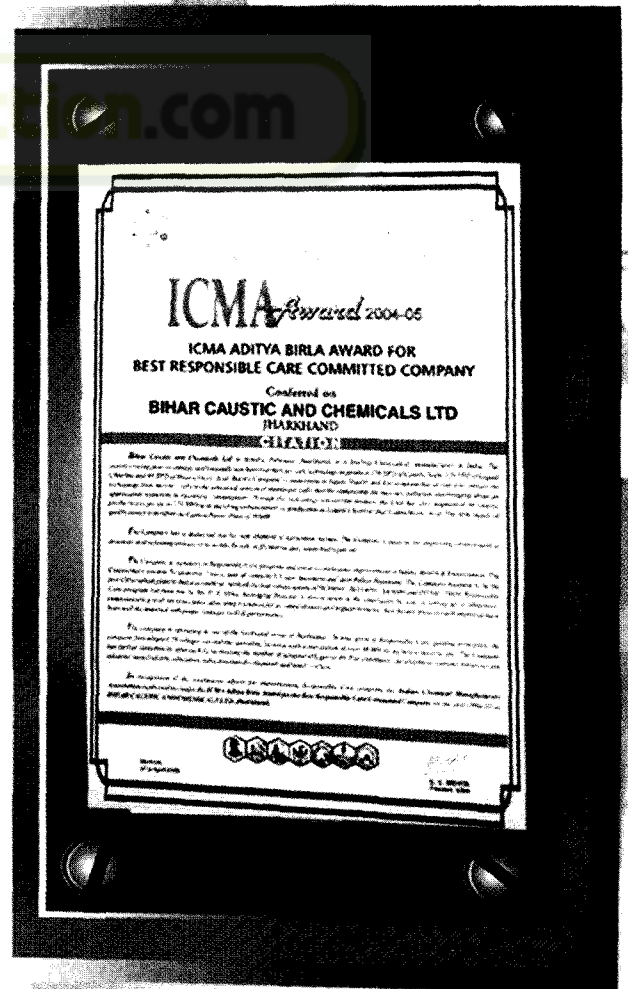
Shri P.N.Ojha, Managing Director receiving **ICMA Responsible Care Committed Company Award** from Shri Mukesh Ambani, Chairman, Reliance Industries Ltd.



Shri P. N. Ojha, Managing Director receiving **Greentech Environment Gold Award** from Mr. Francisco Xavier Pacheco, Minister for Agriculture and A.H., Govt. of Goa and Mr. Kamleshwar Sharan, President, Greentech Foundation for Environment Excellence.



Shri K. K. Maheshwari, Business Head (Chemicals) and Shri I. B. Mishra, Vice President (Works) receiving **IMC Rama Krishna Bajaj National Quality Certificate of Merit** from Dr. R. Chitambaram, Principal Scientific Advisor to Government of India.



BIHAR CAUSTIC & CHEMICALS LIMITED**DIRECTORS**

Shri A.K. Agarwala
 Shri P.P. Sharma
 Shri Biswajit Choudhuri
 Shri Shailesh V. Haribhakti
 Shri K.K. Maheshwari
 Shri Vijoy Prakash
 Shri Ajoy Nath Jha, Nominee - IDBI (w.e.f. 03.08.2005)

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,
 Distt.Palamau(Jharkhand)
 Phone : (06584) 262 211/221/488
 Fax No: (06584)262 205

CONTENTS**Page No.**

| | |
|---|----|
| Directors' Report to Sareholders | 3 |
| Corporate Governance | 10 |
| Management Discussion and Analysis Report | 18 |
| Auditors' Report | 21 |
| Balance Sheet | 24 |
| Profit and loss Account | 25 |
| Schedules to Accounts | 26 |



BIHAR CAUSTIC & CHEMICALS LIMITED

DIRECTORS' REPORT TO SHAREHOLDERS

To the Members,

Your Directors submit their report on the business and operations of your Company for the financial year ended 31st March, 2006.

FINANCIAL RESULTS :

The performance of the Company for the financial year ended 31st March, 2006 is summarised below :

| | Rs. in lacs | |
|--|-------------|-----------|
| | 2005-2006 | 2004-2005 |
| Gross Turnover | 12905.18 | 12482.80 |
| Gross Profit/(Loss) before extraordinary items | 4826.66 | 4195.21 |
| Less : Depreciation | 939.47 | 830.34 |
| Profit before Extraordinary items & Tax | 3887.19 | 3364.87 |
| Extraordinary items | 75.00 | 395.17 |
| Profit before Tax | 3812.19 | 2969.70 |
| Provision for Fringe Benefit Tax | 25.47 | - |
| Provision for current tax | 319.23 | 233.72 |
| Provision for deferred tax | 852.96 | 90.83 |
| Profit/(Loss) after Tax | 2614.53 | 2645.15 |
| Adjustment of Taxes for earlier years | (0.07) | 2.33 |
| Balance brought forward from previous year | 2863.42 | 429.63 |
| Balance available for Appropriation | 5477.88 | 3077.11 |

APPROPRIATIONS :

| | | |
|----------------------------------|---------|---------|
| Proposed Dividend | 233.87 | 187.09 |
| Tax on Proposed Dividend | 32.80 | 26.24 |
| Dividend for previous year | - | 0.05 |
| Tax on previous year's dividend | - | 0.31 |
| Balance carried to Balance Sheet | 5211.21 | 2863.42 |

DIVIDEND :

In order to strike a balance between the need to sustain strategic investments for a secure future and the annual expectation of shareholders for growing income, your Directors are pleased to recommend payment of dividend @10% on the 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 change in technology from Mercury to Membrane process in Caustic Soda plant, new product introduction, aggressive marketing efforts, cost cutting and quality improvements have all enabled the Company to achieve satisfactory performance and improve its standing in the globally competitive environment.

Gross turnover for the year was higher by 3.36% at Rs.129.02 crores in comparison to previous year's turnover of Rs.124.83 crores. Net sales during the year was Rs.111.47 crores compared to sales of Rs.107.96 crores in the previous year. Profit before tax stood at Rs.38.12 crores in comparison to previous year's profit of Rs.29.69 crores. After adjusting for taxes for the current year, profit at the net level was at Rs.26.15 crores in comparison to previous year's profit of Rs.26.45 crores.

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 PROJECT :

As mentioned in our last Annual Report, we are pleased to inform you that our proposed expansion project of conversion of technology i.e. from Mercury to Membrane process has been successfully completed and commercial production has commenced from middle of February, 2006. The commissioning of this project has enhanced our Caustic soda capacity from 150 TPD to 225 TPD and this will also result into substantial saving in our power cost.

To utilize excess chlorine due to enhancement of capacity, the Company has undertaken Aluminium Chloride project at an estimated cost of Rs.10.30 crores which is expected to be completed by the end of this financial year.

LISTING OF SHARES :

As promised to our shareholders, the Company got its shares listed at National Stock Exchange of India Ltd. which will provide a wider access to investor community. Moreover, Company's application for de-listing of its share was approved by Calcutta Stock Exchange.

The Company's shares continued to remain listed on the National Stock Exchange and Bombay Stock Exchange.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND :

During the year, the Company has transferred a sum of Rs.1,46,790/- 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.

REDEMPTION OF DEBENTURES :

The last tranche of Debentures of the value of Rs.8.33 crores has been redeemed in the month of March, 2006. The Company has thus redeemed its entire Debentures issued to UTI of a value of Rs.25 crores.

AWARDS :

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

Safety, Health and Environment Excellence :

- Greentech Safety Gold Award.
- Greentech Environment Gold Award.
- ICMA Responsible Care Committed Company Award.

Manufacturing Excellence :

- IMC Ram Krishna Bajaj National Quality Certificate of Merit.

BIHAR CAUSTIC & CHEMICALS LIMITED**DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)****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. With the setting up of Primary Health care unit equipped with latest medical equipments, the Company has been able to meet the medical emergencies of its employees as well as the villagers of surrounding areas as non existence of such facility in the vicinity upto a radius of 200 KMs. was posing a great inconvenience to our employees as well as villagers. The School set up by the Company has got the recognition of Central Board of Secondary Education(CBSE) and thus our School is affiliated to CBSE.

Keeping the social obligations in mind and firm commitment of the management to contribute to the development of society at large, your Company during the year undertook several initiatives in nearby areas to make the people self sustaining by organizing training centres for villagers. To enable them to earn their livelihood training in tailoring and other related fields was given to around 1500 villagers. To alleviate water crisis, 95 hand pumps were installed in 14 villages. Besides this, to improve the life of villagers, vocational education programme, health and hygiene awareness programmes, adult education programme, free medical camps for pulse polio, dental treatment, family planning operations, eye operations, animal vaccination programmes were organised in different villages whereby atleast 45,000 villagers were benefited.

ENVIRONMENT PROTECTION AND POLLUTION CONTROL :

Your Company has taken the following mega steps towards environment and ecological balance in manufacturing of Caustic soda and generation of power :

- Chlorine Vapor Collection System, for online supply of Chlorine Gas (40% of total production) to ancillary units, has been installed. This has helped in making system at our end as well as Customers' end safer and hazard free.
- Auto controlled filling of chlorine cylinder – This eliminates the possibilities of overfilling & subsequent hazards.
- Construction of road through Fly Ash (Power plant solid waste). This has helped in better utilization of Fly ash.
- Conversion of Mercury cell plant to environmental friendly Membrane technology plant. This has eliminated any possibility of mercury pollution and generation of hazardous waste.
- ETP with reverse osmosis process for 100% recycling of waste water. This has capacity to recover 50M³ water per hour.
- Continuous plantation activities in and around the Factory has helped in keeping the environment pollution free.

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). Moreover, the recent guidelines of SEBI which were stipulated to be complied by the end of the calendar year 2005 have also been duly complied with. For the financial year 2005-06, 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 of Corporate Governance as stipulated in Clause-49 of the listing agreement is included in the Annual Report.

BIHAR CAUSTIC & CHEMICALS LIMITED**DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)****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 A.K. Agarwala and Shri Vijay Prakash, Directors of the Company retire from the Board, and being eligible, offer themselves for re-appointment.

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. Bandyopadhyaya Bhaumik & Co., Cost Accountants, Kolkata, to audit the cost accounts relating to its product for the financial year 2006-07.

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 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.

CODE OF CONDUCT :

In terms of requirement of Clause-49 of the Listing Agreement, the Company has received certificate from all its Senior Management personnel and the members of the Board about the compliance of Code of Conduct as laid down by the Board.

DIRECTORS' RESPONSIBILITY STATEMENT :

Your Directors wish to inform that the Audited Accounts containing Financial Statements for the financial year ended 31st March 2006 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

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

estimates are made so as to give a true and fair view of the state of affairs of your Company as at 31st March 2006 and of the profit for the financial year ended 31st March, 2006 ;

- (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 : 21st April, 2006

Sd/-
(A.K. Agarwala)
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) | | 4450 | 4785.00 |
| Total amount (Rs. in lacs) | | 142.40 | 153.12 |
| Rate/unit(Rs)(Average cost) | | 3.20 | 3.20 |
| (b) Own generation(Net) | | | |
| (i) Through Diesel generator | | | |
| Unit (KWH in thousand) | | 86.884 | 11.065 |
| Unit per Ltr.of diesel oil | | 13.08 | 3.1795 |
| Cost/unit (Rs.) | | 2.78 | 8.492 |
| (ii) Through steam turbine/generator | | | |
| Units(KWH in thousand) | | 163488.396 | 187865.414 |
| Total amount (Rs. in lacs) | | 4278.60 | 4365.00 |
| Rate per unit (Rs) (Average cost) | | 2.63 | 2.32 |
| 2. Coal used in Boiler of 'F' & 'E' Grade | | | |
| Quantity (Tonnes in thousand) | | 164.393 | 188.838 |
| Total cost(Rs. in lacs) | | 1795.2 | 1976.31 |
| Average rate per tonne(Rs.) (Average cost) | | 1092 | 1045.25 |
| 3. Furnace Oil / HSD | | | |
| Quantity (K. Ltr.) | | 118.956 | 20.460 |
| Total amount(Rs. in lacs) | | 35.11 | 5.52 |
| Average rate/Ltr. (Rs.)(Average cost) | | 29.51 | 26.98 |
| 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) | Standards | Current | Previous |
| Unit | (If any) | Year | Year |
| Electricity(KWH/MT) | 3250 | 3238 | 3318 |
| 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 | 4196 | 4048 |
| Others (Specify) | — | — | — |