



BIHAR CAUSTIC



Bihar Caustic & Chemicals Limited

ANNUAL REPORT 2006 - 2007



Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.

We live by their values.

Integrity, Commitment, Passion, Scamlessness and Speed

BIHAR CAUSTIC & CHEMICALS LIMITED***DIRECTORS***

Shri A.K. Agarwala
 Shri P.P. Sharma
 Shri Biswajit Choudhuri
 Shri J.C. Chopra
 Shri Shailesh V. Haribhakti
 Shri K.K. Maheshwari
 Shri Subrajit Bhowmick, Nominee of IDBI Ltd.
 Shri S.S. Gupta, Managing Director

COMPANY SECRETARY

Shri Akash Mishra

BANKERS

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

AUDITORS

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

COST AUDITORS

M/s. Bandyopadhyaya Bhaumik & Co.,
 Kolkata.

REGISTERED OFFICE

"Ghanshyam Kunj"
 Garhwa Road, P.O. Rehla,
 Distt.Palamau (Jharkhand)
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BIHAR CAUSTIC & CHEMICALS LIMITED**DIRECTORS' REPORT TO SHAREHOLDERS**

Dear Shareholders,

Your Directors are pleased to present the report on the business and operations of your Company for the financial year ended 31st March, 2007.

FINANCIAL RESULTS :

The performance of the Company for the financial year ended 31st March, 2007 is summarised below :

	Rs. in lacs	
	2006-2007	2005-2006
Gross Turnover	16631.27	12905.18
Gross Profit/(Loss) before extraordinary items	6058.39	4826.66
Less : Depreciation	1582.27	939.47
Profit before Extraordinary items & Tax	4476.12	3887.19
Extraordinary items	-	75.00
Profit before Tax	4476.12	3812.19
Provision for Fringe Benefit Tax	19.20	25.47
Provision for current tax	503.01	319.23
Provision for deferred tax	578.35	852.96
Profit/(Loss) after Tax	3375.56	2614.53
Adjustment of Taxes for earlier years	(11.89)	(0.07)
Balance brought forward from previous year	5211.21	2863.42
Balance available for Appropriation	8574.88	5477.88
APPROPRIATIONS :		
Proposed Dividend	350.80	233.87
Tax on Proposed Dividend	59.62	32.80
Transfer to General Reserve	168.78	-
Balance carried to Balance Sheet	7995.68	5211.21

DIVIDEND :

In view of the improved performance and the strategic planning to meet the expectation of shareholders, your Directors are pleased to recommend payment of dividend @ 15 % on the paid up equity share capital of the Company.

OPERATING RESULTS & PROFITS :

Your Company has been able to achieve better performance by improving overall productivity as well fervent marketing. There has been a continuous focus on innovation, cost-cutting and quality improvements. This performance has been achieved despite the pressure on realization due to the sluggish demand for Chlorine and HCl.

For the year under review, the gross turnover was higher by 28.87 % at Rs. 166.31 crores in comparison to the previous year's turnover of Rs. 129.05 crores. Net sales during the year was Rs. 143.02 crores compared to the sales of Rs. 111.50 crores in the previous year. Profit before Tax stood at Rs. 44.76 crores in comparison to the previous year's profit of Rs. 38.12 crores. After adjustment of the Taxes for the current year, the net profit was Rs. 33.76 crores in comparison to previous year's profit of Rs. 26.15 crores.

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

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DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

EXPANSION PROJECT :

We had reported in our last Report that the Company had undertaken the Aluminium-chloride Project. We are pleased to share with you that our Project was commissioned on 15th January, 2007. The Plant will go for commercial production during the 1st quarter of 2007-08. The Company is aggressively penetrating the local and overseas markets for selling about 12000 MT of Aluminium-Chloride per annum. This will increase the turnover of your Company by about Rs. 40 crores per year.

Keeping in view the upcoming additional capacities in the Chlor-alkali sector, more particularly in the Eastern region, your Company has taken a decision for setting up a Stable Bleaching Powder (SBP) Plant at an estimated cost of Rs. 7.50 Crores. This plant will consume around 20 MT of Chlorine per day. The project is expected to be commissioned in 12 months' time.

Your Company is also in process of expanding capacity of its Caustic Soda Plant from 225 TPD to 265 TPD by addition of electrolyzers as well by debottlenecking. The power requirement for the proposed additional capacity of the Caustic Soda Plant will be met from the existing source.

AWARDS :

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

Manufacturing Excellence :

- IMC Ram Krishna Bajaj National Quality Certificates of Merit, 2006

Safety, Health and Environment Excellence :

- Responsible Care (RC) Logo for a period of three years from January, 2007 to December, 2009 from Indian Chemical Council, Mumbai

COMMUNITY SERVICES :

Your Company strives to fulfill its corporate responsibility by providing services in the rural areas located in the vicinity of its Operations for upliftment of the society. It promotes accessibility of various development and welfare services to the people. Your Company regularly organizes capacity building and skill upgradation programmes for effective implementation of projects for sustainable benefit of the rural masses. The Company also ensures participation of the community in all these activities.

Your company during the year under review, undertook several initiatives in the nearby areas through successfully implementing many Projects under five focused area; Education and Capacity Building: benefiting more than 5000 people, Health and Family Welfare: benefiting more than 68000 people, Economic Self Reliance and Watershed Development: benefiting more than 8000 people; Infrastructure Development: benefiting more than 11000 people and Social Reforms; benefiting more than 12000 people. This led to sustainable development through innovative and need-based initiatives in 40 villages spread in all segments. Our Rural Development Department successfully carried out family planning operations in the nearby villages and conducted more than 1500 operations. The people from minority community also took initiative in the family planning operations. We take pride in sharing that for the dedicated community services, your Company has received prestigious **Planet Award - Excellence in Community Development** at 6th Aditya Birla Awards for Outstanding Achievements 2006.

ENVIRONMENT PROTECTION AND POLLUTION CONTROL :

Your Company has taken a few steps forward in its endeavor to protect the ecological balance in the manufacture of Caustic soda and generation of power. Some of the highlights are :

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DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

- Achievement of Responsible Care Logo for its use for three years up to 2009 received from Indian Chemicals Manufacturers Association (ICMA) on behalf of American Chemistry Council.
- Complete elimination of use of Mercury after adopting the Membrane Cell Technology.
- Spreading awareness about environment such as on occasion of World Environment day (June 5) organizing Environment awareness programs for knowledge of and active participation from nearby villagers.
- ETP with Reverse osmosis process resulting in substantial reduction of water consumption.
- Regular afforestation. Planted more than 11000 sapling during the year 2006-07.
- Continuous, regular dialogue with Cement industries for lifting of Fly Ash from the Plant for their use.

DIRECTORS :

During the year under review, Shri P. N. Ojha took early retirement from the services of the Company and the Board appointed Shri S. S. Gupta as Managing Director of the Company effective from 24.10.2006, subject to approval of Shareholders of the Company in terms of the Companies Act, 1956. The Board records its appreciation for the valuable service rendered and professional expertise and vision shown by Shri Ojha during his services with the Company. The Board has appointed Shri J. C. Chopra as an additional Director of the Company w.e.f. 17.10.2006 to broaden the representation of independent Directors. Shri Ajay Nath Jha vacated the office of Director as his nomination from the Board was withdrawn by IDBI Ltd. and Shri Subrajit Bhowmick has been nominated on the Board in place of Shri Ajay Nath Jha w.e.f. 25.11.2006. Shri Vijoy Prakash retired from the Board at the last Annual General Meeting of the Company held on 11.08.2006. The Board records its appreciation for the valuable advices and guidance tendered by the past Directors during their tenure.

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Shri Biswajit Choudhuri and Shri P. P. Sharma, Directors retire by rotation and being eligible, offer themselves for re-appointment.

The Board of Directors of the Company commends the respective appointments/re-appointments of the Directors.

CORPORATE GOVERNANCE :

As required under clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance and Management Discussion and Analysis Report form part of this Report. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate confirming compliance of the Corporate Governance is attached to the Report on Corporate Governance.

LISTING OF SHARES :

The Company's shares are listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND :

During the year, the Company transferred a sum of Rs.50,448/- to Investor Education and Protection

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DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

Fund of the Central Govt., being the amount remaining unclaimed for a period of 7 (seven) years under Unpaid Dividend Account pertaining to year 1998-99, as per provisions of 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.

AUDITORS :

M/s. M.L. Sharma & Company, Chartered Accountants, Statutory 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 2007-08.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956 :

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.

As there were no employees of the company drawing monthly remuneration of Rs. 2,00,000/- or more, provisions of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

CODE OF CONDUCT :

In terms of requirement of Clause-49 of the Listing Agreement, the Board of Directors of your Company has laid down a Code of Conduct for all Board Members and Senior Management of the Company, which is also posted on the website of the Company. The Board Members and Senior Management have affirmed compliance with the Code of Conduct of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT :

Your Directors wish to inform that the Audited Accounts containing Financial Statements for the financial year ended 31st March, 2007 are in full conformity with requirements of the Companies Act, 1956. Your Directors believe that the Financial Statements fairly reflect 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 that:

- i) in the presentation of the Annual Accounts, applicable accounting standards have been followed;
- ii) the accounting policies have been consistently applied and reasonable, prudent judgment 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, 2007 and of the profit for the financial year ended 31st March, 2007;

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- iii) 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) the annual accounts of your Company have been prepared on a going concern basis;
- v) the Company's Internal Auditors had conducted periodic audits to provide reasonable assurance that the Company's established policies and procedures have been followed.

INDUSTRIAL RELATIONS :

Cordial industrial relations and improvements in productivity were maintained at the Company's plant and office. The management appreciates the support of employees at all levels and looks forward to their continuous support in the years to come for ensuring sustainable growth.

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 performance.

The Directors wish 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.

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For and on behalf of the Board of Directors

Camp : Mumbai
Dated : 26th April, 2007

A.K. Agarwala
Director

K. K. Maheshwari
Director

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DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

Information under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 and forming part of the Directors' Report for the year ending 31st March, 2007.

A. CONSERVATION OF ENERGY :

(a) Energy conservation measures taken :

- Decreasing the speed of the Sodium Hypochlorite Blower by increasing the pulley size.
- Replacing the present clarified brine pump with lower sized pump.
- Replacing the present lean brine pump with lower sized pump.
- Reducing the set pressure of instrument air compressors (110 KW) from 8.4 to 7.6 Kg/cm².
- Reducing the tap of lighting voltage transformer for lighting load in new membrane area.
- Installation of Energy efficient FRP blades in the CT Fans in place of conventional blades.
- Energy audit by expert external agency. Recommendations under implementation.

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

- Installation of a new Hydrogen Boiler of 9 TPH Capacity.
- Installation of Variable Frequency Drives in various sections.

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

- The above measures have resulted in energy saving and consequently led to decrease in cost of production.

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

- As per Form "A" attached

B. TECHNOLOGY ABSORPTION :

- Efforts made in technology absorption as per Form "B" attached

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

(a) Activities relating to exports :

- The Company is exporting Chlorine and Hydrochloric Acid to Nepal in convertible currency.
- The Company is in the process of exploring export markets for Aluminium Chloride.

(b) Total foreign exchange used and earned :

- Foreign exchange earned : R\$. 52.66 lacs
- Foreign exchanged used : Rs. 136.84 lacs