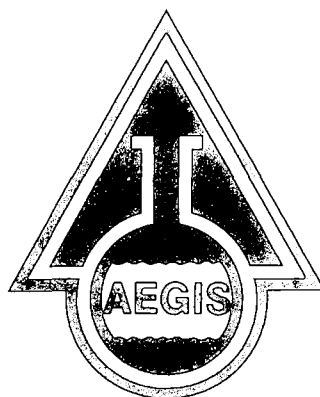


MD	✓	BKC	✓
CS	✓	NY	✓
RO	✓	DIV	✓
TE	✓	VC	✓
AM	✓	ED	✓
Y	✓		✓

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AEGIS CHEMICAL
INDUSTRIES LIMITED





AEGIS CHEMICAL INDUSTRIES LIMITED

BANKERS

Bank of Baroda
Dena Bank
Credit Agricole Indosuez

SOLICITORS & ADVOCATE

Little & Co., Mumbai

AUDITORS

C. C. Chokshi & Co., Mumbai
Chartered Accountants

REGISTERED OFFICE & PETROCHEM WORKS

National Highway No. 8,
Vapi-396 195,
Dist. Valsad,
Gujarat State.

CORPORATE & ADMINISTRATIVE OFFICE

Baldota Bhavan,
117, Maharshi Karve Marg,
Mumbai-400 020
Tel.: 022-2032059 Fax: 022-2062543

CHEMICAL STORAGE INSTALLATION

Trombay,
Mumbai-400 074.

OLEOCHEMICALS WORKS

Plot No. E-11,
Additional Jalgaon Industrial Area,
Jalgaon-425 001.

REGISTRAR & TRANSFER AGENTS

IIT Corporate Services Ltd.,
IIT House, Near Vazir Glass Works,
Off M. V. Road, J. B. Nagar,
Andheri (E), Mumbai-400 059.
Working hours: 9-30 to 12-45 and 1-30 to 3-00.
Except Saturday, Sunday and Holiday.
Tel.: 022-8225599 — Fax: 022-8215352.

BOARD OF DIRECTORS

CHAIRMAN

K. M. Chandaria

VICE-CHAIRMAN

A. M. Chandaria

DIRECTORS

R. P. Chandaria

R. R. Khimasia

S. R. Khimasia

S. V. Ghatalia

C. M. Shah

S. S. Kumar

L. M. Shah (*Alternate to Shri A. M. Chandaria*)

R. K. Chandaria (*Alternate to Shri R. P. Chandaria*)

PRESIDENT

S. K. Hazra

COMPANY SECRETARY

P. Naithani

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Please address all correspondence regarding share transfer work to the Registrar & Transfer Agents and not to the Company's Registered Office.

Members are requested to bring their copy of the Annual Report to the Annual General Meeting.



AEGIS CHEMICAL INDUSTRIES LIMITED

AEGIS CHEMICAL INDUSTRIES LIMITED

National Highway No. 8, Vapi 396 195, Dist. Valsad, Gujarat State

NOTICE

NOTICE is hereby given that the FORTY-FIRST Annual General Meeting of the Members of AEGIS CHEMICAL INDUSTRIES LIMITED will be held at Hotel Galaxy, National Highway No. 8, Near Koparli Road, Vapi 396 195, Dist. Valsad, Gujarat State on Tuesday, 29th September, 1998 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri C.M. Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri K.M. Chandaria who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri R.P. Chandaria who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

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 A PROXY NEED NOT BE A MEMBER.

A proxy in order to be effective must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from 10th September, 1998 to 29th September, 1998 (both days inclusive).
3. In case there is any correction/change in your address registered with us, we request you to communicate immediately the same to our Registrar and Transfer Agents M/s. IIT Corporate Services Limited, IIT House, Near Vazir Glass Works, Off M.V. Road, J.B. Nagar, Andheri (East), Mumbai 400 059.
4. Payment of dividend, if declared, will be made to those Members whose names appear on the Register of Members of the Company as on 29th September, 1998. Members are requested to intimate Dividend Mandate to the Registrar and Transfer Agent on or before 20th September, 1998.
5. The dividend remaining unclaimed or unpaid for the Financial year ended on 31st March, 1995 is due to be transferred to the General Revenue Account of the Central Government on or before 30.10.98 in terms of Section 205 of the Companies Act, 1956. The members can claim the same after 30-10-1998 from the Registrar of Companies, Gujarat, Ahmedabad.

By Order of the Board of Directors

P. NAITHANI
Company Secretary

Mumbai
Dated: 28th July, 1998

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DIRECTORS' REPORT**To the Members of the Company**

The Directors have pleasure in presenting the 41st Annual Report and Audited Statement of Accounts of the Company for the year ended 31st March, 1998.

OPERATING PERFORMANCE

The Company has experienced difficult trading conditions in 1997/8. In Chemical Storage Division, an industrial recession in the chemicals industry has led to a drop in volumes handled. In the Oleochemicals Division, exports were affected last year by the Asian crisis and higher raw material costs. Margins and sales growth remained positive however, in the Petrochemicals Division, which continues to benefit from the greater trend towards utilisation of decorative paints by Indian consumers.

FINANCIAL RESULTS

	(Rs. in Crores)	
	Current Year	Previous Year
Gross Turnover	106.31	114.09
Gross Profit (before Interest & Depreciation)	10.90	19.32
Interest	(5.65)	(7.11)
Gross Profit after Interest but before Depreciation	5.25	12.21
Depreciation	(3.98)	(3.84)
Profit before Tax	1.27	8.37
Provision of Taxation	(0.64)	(3.37)
Profit	0.63	5.00
Balance in Profit & Loss Account B/F	9.35	6.83
PROFIT AVAILABLE FOR DISTRIBUTION	9.98	11.83
Appropriations are as under :		
Debenture Redemption Reserve	0.63	—
General Reserve	—	0.60
Dividend	0.96	1.71
Additional tax on Distributed Profits	0.09	0.17
Balance carried to Balance Sheet	8.30	9.35
	9.98	11.83

FINANCE

With high interest rates expected to remain for the foreseeable future, and difficult operating conditions, management believes the Company should continue to build and preserve financial strength. Hence, the coming year will see a further steady reduction in Debt. The Company has also lengthened the average maturity of debt by successfully refinancing some short-term debt with low cost non-convertible Debentures.

DIVIDEND

The Directors are pleased to recommend the Equity dividend of Rs. 0.70 per share (previous year Rs. 1.25 per share) for the year ended 31st March, 1998, which if approved at the forthcoming Annual General Meeting will be paid to those Equity Shareholders of the Company whose names appear on the Register of Members as on 29th September, 1998.



AEGIS CHEMICAL INDUSTRIES LIMITED

PROSPECTS

Revenue growth over the next financial year is dependent on Indian economic recovery. However, the Company expects to see some benefits to short-term earnings from a reduction in its cost base. A new Joint Venture in the Petrochem Division is an important strategic thrust for the long-term and should lead to substantial growth in profits in the years ahead.

PETROCHEM DIVISION

The Division has shown a doubling of profit margins during the year and 10% growth in sales revenue. This was due to two reasons: first, the successful amalgamation of the Amit Alcohol business, following the merger with the Company, which has led to lower manufacturing costs; and secondly, due to better price realisation in both local and export markets. The market for the main product of the division, pentaerythritol, continues to grow by about 7-8% per year in volume terms, with paint consumption in India steadily rising.

In Financial Year 1998/9, the Company intends to spin-off this division into a Joint Venture with Perstorp AB of Sweden, the world's largest producer of pentaerythritol. The new Joint Venture will construct a 15,000 MT new plant, based on Perstorp process technology know-how and will aim to be the lowest cost producer in Asia. Combined with existing capacity, the Joint Venture, to be called Perstorp Aegis Chemicals Pvt. Ltd., will be one of the largest producers in Asia, outside Japan.

CHEMICAL STORAGE DIVISION

The Division has had a difficult year. General recessionary conditions in the Chemicals sector, has led to a drop in volumes handled by the terminal in Mumbai. Petroleum imports have also been affected by changes in Government policy, which have reduced the attractiveness of imported products vs. local production. The other competing tank storages have faced equally tough conditions and driven rates lower. Should there be an economic recovery, the prospects for the division will improve considerably.

OLEOCHEMICALS DIVISION

A major reduction in the cost base is envisaged for the coming year. The Company has embarked on a cost cutting programme and targeted large-scale savings in power costs, utilities and fixed costs. Bulk purchasing of raw materials is also expected to lead to savings on direct material costs.

FIXED DEPOSITS

Fixed Deposits received from shareholders, employees and public in general as at the close of the financial year amounted to Rs.165 lakhs. Deposits of Rs. 2.91 lakhs which fell due for repayment before the close of the financial year remained unclaimed by the depositor at the close of the accounting year. There were no overdue deposits other than those unclaimed at the year end.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri C.M. Shah, Shri K.M. Chandaria, and Shri R.P. Chandaria retire by rotation and are eligible for re-appointment.

AUDITORS

The auditors of the Company, M/s. C.C. Chokshi & Company, Chartered Accountants, Mumbai, retire and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are attached herewith in Annexure 1 and forms part of this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS & FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving details of conservation of energy, technology absorption and foreign exchange earnings and outgo in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed. (Annexure-II)

APPRECIATION

Your Directors place on record their sincere appreciation of the services rendered by the Employees of the Company and thanks to the Bankers, Shareholders, State and Central Government Departments, Suppliers, Customers for their continued support and co-operation.

For and on behalf of the Board

K. M. CHANDARIA
Chairman

Mumbai
Dated: 28th July, 1998





AEGIS CHEMICAL INDUSTRIES LIMITED

ANNEXURE I TO THE DIRECTORS' REPORT

Information under Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31st March, 1998

Sr. No.	Name, Age and Qualification	Designation and nature of duties	Remuneration Rupees	Experience Years	Date of commencement of employment	Last Employment held
1.	Mr. Hazra S.K. – 51 B.Tech. (Hons.), D.B.M.	President	8,93,574	29	13.12.1991	Vice President (Petrochemicals) Oswal Petrochemicals
2.	Mr. Kudchadkar P.P. – 48 B.E. (Mech.), D.B.M.	Sr. Vice President	6,28,440	27	13.06.1996	Vice President – Operations Oswal Agro Mills
3.	Mr. Nanavati D. G. – 58 B.Com., A.C.A.	Vice President	4,44,835	32	15.11.1973	Accountant, Indian Rubber Regenerating Co. Ltd.
4.	Mr. Sridhar Rao R. – 53 B.Com., L.L.B., A.C.A.	Vice President	4,43,005	30	18.07.1988	Accounts Manager, Blue Star Limited
5.	Mr. Ladi Suryakant – 41 B.Tech. (Chem.), M.B.A.	Vice President	4,27,010	16	01.06.1989	Dy. General Manager, Laxmi Feeds & Exports Pvt. Ltd.
6.	Mr. Desai R.B. – 47 B.Sc., Chemical Engg.	Vice President	4,18,264	24	02.07.1979	Chemical Engineer, Gujchem Distilleries India Ltd.
7.	Mr. Gupta A.K. – 51 Inter Science	Vice President	3,30,729	28	22.11.1993	Controller – Diversification, Armour Polymer Ltd.

Notes :

1. The Nature of Employment is contractual.
2. None of the Employees are related to any of the Director of the Company.
3. Remuneration includes salary, house rent allowance, expenses incurred by the Company on accommodation, reimbursement of medical expenses, Company's contribution to Provident Fund and Superannuation Fund.

For and on behalf of the Board

K. M. CHANDARIA
Chairman

Mumbai
Dated: 28th July, 1998

ANNEXURE II TO THE DIRECTORS' REPORT

Information in accordance with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 1998.

CONSERVATION OF ENERGY/TECHNOLOGY ABSORPTION/FOREIGN EXCHANGE EARNINGS AND OUTGO**A. Conservation of Energy:**

(a) Measures Taken:

All energy consumption figures are monitored regularly on monthly basis in the form of Technical Performance.

(b) Investment and proposal:

(i) Several areas for heat recovery and exchanges have been identified and being studied.

(ii) Electricity distribution in low tension side shall be properly modified to optimise the utilisation of the equipment.

(c) Impact of above measures:

The above measures will reduce the energy consumption in the Plant.

B. Technology Absorption:

As per Form B

C. Foreign Exchange Earnings and Outgo:

Details are given in Schedule 18 Note No. [B-10 (G) and (I)]

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ANNEXURE**FORM A**

(See Rule 2)

Form for disclosure of Particulars with respect to Conservation of Energy

A. Power and fuel consumption

1. Electricity:

	Current Year Apr '97-Mar '98	Previous Year Apr '96-Mar '97
--	---------------------------------	----------------------------------

(a) Purchased

Unit (KWH)

1,47,93,613

1,96,33,732

Total Amount (Rs.)

6,02,50,305

6,83,94,790

Rate/Unit (Rs./KWH)

4.07

3.48

(b) Own Generation

(i) Through Diesel Generator

Unit (KWH)

1,19,853

2,54,524

Units per Ltr. of Diesel of (KWH/Ltr.)

2.58

2.51

Cost/Unit (Rs./KWH)

4.25

3.44

(ii) Through Steam Turbine/Generator

Unit

N.A.

N.A.

Units per Ltr. of Diesel oil

N.A.

N.A.

Cost/Unit

N.A.

N.A.

2. Coal (Grade 'B' steam coal used for Steam Generation)

Quantity (MT)

269

101

Total Cost (Rs.)

6,24,499

2,80,465

Average Rate Rs./MT

2,321.56

2,776.88