



**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

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

R. K. Chandaria

DIRECTORS

A. M. Chandaria

R. P. Chandaria

R. R. Khimasia

S. R. Khimasia

C. M. Shah

S. S. Kumar

V. B. Gangar

D. J. Khimasia

R. J. Karavadia

K. S. Nagpal (*Alternate to A. M. Chandaria*)

MANAGING DIRECTOR

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

DIRECTORS' REPORT

To the Members of the Company

The Directors have pleasure in presenting the 42nd Annual Report and Audited Statement of Accounts of the Company for the year ended 31st March, 1999.

OPERATING PERFORMANCE

Chemical Storage Division

The Division performed better this year inspite of general recessionary trend in the chemical sector. The petroleum product imports i.e. 'A' class products have improved in volume terms for large petrochemical industries in the region. In the latter part of the year, there was an improvement in the performance of Chemical Storage Division following increase in volume of imports of petroleum products, whose prices fell sharply in the international market due to low crude oil prices. However, the Company continues to face competition on less hazardous/non-hazardous chemicals from storage terminals in JNPT. The LPG terminal managed by the Company, commissioned in 1997-98, has contributed to the revenue of the Company through management fees and lease income, as the LPG volumes handled have improved substantially.

The case filed by Tata Electric Companies against the Company and others last year for closure of the LPG terminal has been dismissed by the Hon'ble High Court, Mumbai on 28th April 1999.

Oleo Chemicals Division

The performance of Oleo Chemicals Division improved substantially in terms of export volume and the export growth was around 20% in terms of value. Further the Company achieved significant reduction in the interest cost and to some extent in fixed cost.

Petrochemicals Division

The Petrochemicals Division was hived off to Perstorp Aegis Chemicals Ltd., (PACL) a Joint Venture company between the Company and Perstorp AB, Netherlands. This JV company started its operations from 1st September 1998.

Subsequent to the start of the Joint Venture, there has been a significant weakening of the Penta market worldwide due to the Asian economic crisis and substantial over-capacity in the world market. The Indian market has also experienced dumping from overseas suppliers. The Joint Venture Company therefore decided to defer some of their new investment programmes for some time. Accordingly, the JV Company decided not to call up the full equity capital of PACL as contemplated by the Joint Venture Agreement. In view of all the above factors, the Board of your Company decided to defer further subscription to the equity capital of PACL, resulting into dilution of the Company's participation in the JV Company as originally contemplated.

FINANCIAL RESULTS

	(Rs. in crores)	
	Current Year	Previous Year
Gross Turnover	66.55	106.31
Gross Profit (before interest & depreciation)	12.15	10.90
Interest	(4.49)	(5.65)
Gross Profit after interest but before Depreciation	7.66	5.25
Depreciation	(3.34)	(3.98)
Profit before Tax	4.32	1.27
Provision of Taxation	(2.12)	(0.64)
Profit after Tax	2.20	0.63
Balance in Profit & Loss Account B/F	8.30	9.35
PROFIT AVAILABLE FOR DISTRIBUTION	10.50	9.98
Appropriations are as under :		
Debenture Redemption Reserve	0.62	0.63
General Reserve	—	—
Dividend	0.96	0.96
Additional tax on Distributed Profits	0.10	0.09
Balance carried to Balance Sheet	8.82	8.30
	10.50	9.98

DIVIDEND

The Directors are pleased to recommend the Equity Dividend of Rs. 0.70 per share (previous year Rs. 0.70 per share) for the year ended 31st March, 1999, 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 25th August, 1999.

FINANCE

Financial strength and gearing have been improved as the Company reduced its debt from Rs. 26 crores to Rs. 14 crores. Consequently reduction in interest cost has been achieved.

PROSPECTS

The Company expects volume growth in chemical storage business in view of major planned expansions in the petrochemical complexes as well as new liquid fuel based power plants coming up in the state. The Company is concentrating on its main strength: handling of petroleum products and chemicals. The Company is considering expansion of capacity in this Division. The prospects of higher management fees from the LPG terminal in future years are bright in view of the increased industrial demand for LPG in Maharashtra.

Efforts are being made to further improve purity and product quality of Fatty Alcohols together with cost reduction including fixed costs.

Y2K PREPAREDNESS

The Company has taken necessary steps to be Y2K compliant and it is expected that by August 1999 end all hardware and software being used by the Company will be Y2K compliant. The software packages being used by accounts/Commercial departments are already Y2K compliant. Since the plant operating system is already Y2K compliant, the Company does not foresee any operational collapses due to Y2K problem. The total cost of changing the hardware/software modifications is expected to be around Rs.15 lakhs.

FIXED DEPOSITS

Fixed Deposits received from shareholders, employees and public in general as at the close of the financial year amounted to Rs. 89.35 lakhs. Deposits of Rs. 2.01 lakhs which fell due for repayment before the close of the financial year remained unclaimed by the depositors at the close of the accounting year. There were no overdue deposits other than those unclaimed at the year end.

DIRECTORS

The Board of Directors of the Company, subject to the approval of the members have appointed Shri S. K. Hazra as the Managing Director of the Company for the period of 5 years with effect from 4th May, 1999. Shri S. K. Hazra had been appointed as a Chief Executive designated as President for the past seven years and has discharged his functions and responsibilities most satisfactorily. His elevation as a Managing Director is considered in the interest of the Company.

Shri R. K. Chandaria, Shri S. K. Hazra, Shri D. J. Khimasia, Shri R. J. Karavadia, and Shri V. B. Gangar were appointed as additional Directors of the Company by your Board with effect from 4th May, 1999 and hold office upto the forthcoming Annual General Meeting as per Article 114 of the Articles of Association of the Company. Notices have been received from some of the members signifying their intention to propose Shri R. K. Chandaria, Shri S. K. Hazra, Shri D. J. Khimasia, Shri R. J. Karavadia, and Shri V. B. Gangar for appointment as the Directors of the Company.

Shri A. M. Chandaria and Shri R. R. Khimasia retire by rotation and being eligible offer themselves for reappointment.

During the year Mr. S. V. Ghatalia, Director had resigned from the Directorship of the Company on grounds of ill-health. Your Directors place on record sincere appreciation for valuable contribution rendered by Shri S. V. Ghatalia during his tenure as Director. Your Directors also place on record valuable contribution and assistance provided by Mr. L. M. Shah, Alternate Director who expired on 9th June, 1999.

AUDITORS

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



AEGIS CHEMICAL INDUSTRIES LIMITED

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 I 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 hereto – Annexure II and forms part of this report.

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

Mumbai

Dated: 28th June, 1999

K. M. CHANDARIA
Chairman

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 1st April 1998 to 31st March, 1999

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.- 52 B.Tech.(Hons.), D.B.M.	President	12,91,922	30	13.12.1991	Vice President (Petrochemicals) Oswal Petrochemicals
2.	* Mr. Kudchadkar P.P.- 49 B.E.(Mech.), D.B.M.	Sr. Vice President	3,45,555	28	13.06.1996	Vice President (Operations) Oswal Agro Mills
3.	Mr. Nanavati D.G.- 59 B.Com., A.C.A.	Sr. Vice President	8,48,902	33	15.11.1973	Accountant, Indian Rubber Regene- rating Co. Ltd.
4.	Mr. Sridhar Rao R.- 54 B.Com., L.L.B., A.C.A.	Vice President	7,46,882	31	18.07.1988	Accounts Manager, Blue Star Limited
5.	Mr. Krishnan S. - 51 D.Com	Vice President	6,47,254	33	19.07.1969	Stenographer Hindustan Aeronautics Ltd.
6.	Mr. Sawant K.S.- 44 B.Tech.,(Chemical Engg.)	Vice President	6,67,024	20	26.08.1993	General Manager Shaper Chemicals Ltd.

Notes :

1. Asterisk (*) alongwith a name indicates that the employee was in service only for a part of the year.
2. The Nature of Employment is contractual.
3. None of the Employees are related to any of the Director of the Company.
4. 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

Mumbai

Dated: 28th June, 1999

K. M. CHANDARIA
Chairman

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, 1999.

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 17 Note No. [B-8 (G), (I) and (J)]

ANNEXURE

FORM A

(See Rule 2)

Form for disclosure of Particulars with respect of Conservation of Energy

A. Power and fuel consumption

	Current Year Apr '98-Mar '99	Previous Year Apr '97-Mar '98
1. Electricity:		
(a) Purchased		
Unit (KWH)	21,16,288	1,47,93,613
Total Amount (Rs.)	94,32,672	6,02,50,305
Rate/Unit (Rs./KWH)	4.46	4.07
(b) Own Generation		
(i) Through Diesel Generator		
Unit (KWH)	22,465	1,19,853
Units per Ltr. of Diesel of (KWH/Ltr.)	2.83	2.58
Cost/Unit (Rs./KWH)	4.03	4.25
(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
Total Cost (Rs.)	—	6,24,499
Average Rate (Rs./MT)	—	2,321.56
3. Furnace Oil		
Quantity (KL)	1,549	11,238
Total Cost (Rs.)	96,54,848	7,15,27,880
Average Rate (Rs./KL)	6,233	6,365
4. Others (LSHS-FUEL)		
Quantity (MT)	N.A.	N.A.
Total Cost (Rs.)	N.A.	N.A.
Average Rate (Rs./MT)	N.A.	N.A.

FORM B

1. Specific areas in which R&D carried out:-

- Environment Control
- Quality improvement
- Cost reduction
- Energy Saving

2. Benefits have been derived in these areas.

3. Future plans:

To improve product quality and yield.

To manufacture of high purity and special grade products in Oleo Chemicals Division.

4. Expenditure on R & D: Details are given in Schedule 17, Note No. B-5.

5. Technology Absorption, Adaptation and Innovation

(i) Efforts in brief made towards Technology, Absorption, Adaptation and Innovation:

Continuous efforts being made to improve quality, grades of Fatty Alcohols for Local and Export Market.

(ii) Benefits derived as a result of above efforts: Quality of Fatty Alcohols manufactured widely accepted in International Market, special grades will be catered to niche markets world wide.

(iii) Information regarding technology imported during last five years: Not applicable.

6. R&D laboratory of Oleo Chemicals Division is recognised by Department of Scientific and Industrial Research, Ministry of Science and Technology.

For and on behalf of the Board

Mumbai
Dated: 28th June, 1999

K. M. CHANDARIA
Chairman



AEGIS CHEMICAL INDUSTRIES LIMITED

Report of the Auditors to the Shareholders

We have audited the attached Balance Sheet of Aegis Chemical Industries Limited as at 31st March, 1999, and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Significant Accounting Policies and other Notes as per Schedule 17, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - (i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 1999 and
 - (ii) in the case of the Profit and Loss Account of the Profit for the year ended on that date.

Mumbai
Dated: 28th June, 1999

For C.C. CHOKSHI & CO.
Chartered Accountants

R. SALIVATI
Partner

Annexure to the Auditors' Report

Re: AEGIS CHEMICAL INDUSTRIES LIMITED

Referred to in paragraph 1 of our report of even date on the accounts for the year ended 31st March, 1999.

1. The Company has maintained proper records showing full particulars including quantitative details and situations of its fixed assets. The fixed assets have been physically verified by the Management during the year. We are informed that no material discrepancies have been noticed by the Management on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The stocks of finished goods, spare parts and raw materials have been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the Registers maintained under Section 301 of the Companies Act, 1956. There is no Company under the same management within the meaning of Section 370 of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the Registers maintained under Section 301 of the Companies Act, 1956. There is no Company under the same management within the meaning of Section 370 of the Companies Act, 1956.