



**Chembond
Chemicals
Limited**



24th

ANNUAL REPORT 1998 - 99



BOARD OF DIRECTORS

Dr. Vinod D. Shah	<i>Chairman & Managing Director</i>
Mr. C.D. Shah	<i>Jt. Managing Director</i>
Mr. A.R. Nagarwadia	
Mr. J.S. Vasani	
Mr. M.K. Ghelani	
Mr. V.S. Ramachary	
Mr. P.H. Dastur	
Dr. R.S. Shah	

KEY EXECUTIVES

Mr. B.D. Shah	<i>General Manager (Commercial)</i>
Mr. Sameer V. Shah	<i>Managing Director Henkel Chembond Surface Technologies Limited</i>
Mr. Nirmal V. Shah	<i>Vice President Corporate Affairs and Construction Chemicals</i>
Mr. S.M. Mahadik	<i>Vice President Water Treatment Chemicals</i>
Mr. N.C. Padia	<i>Dy. General Manager Water Treatment Chemicals</i>
Mr. N.A. Patil	<i>Dy. General Manager (Marketing) Water Treatment Chemicals</i>
Mr. S.P. Kolhe	<i>Dy. General Manager Henkel Chembond Surface Technologies Ltd.</i>
Mr. Naresh Adivrekar	<i>Sr. Marketing Manager - Auto Henkel Chembond Surface Technologies Ltd.</i>
Mr. S. K. Trivedi	<i>Sr. Manager (Marketing) Anti-corrosive Coatings</i>
Mr. T. P. Banerjee	<i>Sr. Manager Construction Chemicals</i>
Mr. Hilary Gracious	<i>Works Manager</i>
Dr. Ashok Kumar	<i>Senior Manager (Quality) Henkel Chembond Surface Technologies Ltd.</i>

AUDITORS

M/s. V.N. Kastury & Co.
Chartered Accountants
Mumbai.

BANKERS

Bank of India
Worli Naka Branch
Mumbai - 400 018

PLANT

Plot E - 6/4, MIDC
Tarapur Industrial Area
Tarapur, Dist. Thane
Maharashtra - 401 506

CITY OFFICE

B-23, Todi Industrial Estate
New Sunmill Compound
Lower Parel
Mumbai - 400 013

REGISTERED AND CORPORATE OFFICE

Chembond Centre
Plot No. EL-71, MIDC
Mahape, Navi Mumbai - 400 705

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DIRECTORS' REPORT

To
The Members,

The Directors have pleasure in presenting their twenty fourth Annual Report together with Audited Statement of accounts for the year ended 31st March 1999.

FINANCIAL RESULTS:

The highlights of the Financial results are:

	1998-99 In Lacs	1997-98 In Lacs
Turnover of Sales	1962.62	1646.22
Profit before tax	125.89	100.15
Less : Provision for taxation	34.00	27.00
Profit after tax	91.89	73.15
 Add : Balance as per last year	 60.43	 46.12
Less : Taxation arrears	0.52	-0.66
	<u>151.80</u>	<u>119.93</u>
 Appropriation:		
General Reserve	15.00	10.00
Proposed Dividend	45.00	45.00
Tax on proposed dividend	4.95	4.50
Balance carried to balance sheet	86.85	60.43
Total	<u>151.80</u>	<u>119.93</u>

Performance

During the year under review your company has achieved turnover of Sales Rs. 1962.62 Lacs as against Rs. 1646.22 Lacs achieved during the immediately preceeding previous year, depicting a healthy increase of 19.22%. This has been made possible to a great extent by the involvement of your company in joint venture with HENKEL KGaA Germany in connection with the metal pre-treatment business. The performance of the company has also to be looked into in the light of various negative factors persisting in the economy, such as adverse financial crisis, lack of conducive business environment, political instability and general recessionary trends prevailing in the market.

Henkel Chembond Surface Technologies

Your company's joint venture with Henkel KGaA, Germany, Henkel Chembond Surface Technologies Ltd., in which your company holds 49% equity registered a turnover of Rs. 858.74 lakhs and profit after tax of Rs. 52.95 lakhs for the year ended December 31, 1998. For the nine months ended December 31, 1997, the corresponding figures were Rs. 584.54 lakhs and Rs. 26.45 lakhs respectively. The reserves and equity capital in Henkel Chembond are Rs. 179.41 lakhs but in view of the ongoing requirements and the upcoming investment in a new plant at Tarapur, the management thought it prudent to forego any dividend payout.

For the twelve months ended March 31, 1999 the growth is more pronounced with the turnover being Rs. 954.70 lakhs compared to Rs. 768.52 lakhs in the previous year. This improvement is attributed to several reasons, which include,

1. Start-ups in 1998 and early 1999 of three major automotive lines where Henkel Chembond is the sole supplier of surface treatment chemicals.



2. Introduction of a new automotive sub-assembly proprietary coating technology, Autoforetic®, which demonstrates higher corrosion resistance and requires fewer process steps than conventional coatings.
3. Introduction of products for the anodising of aluminium.
4. Improved margins due to the introduction of new products.

With this, Henkel Chembond is well poised to benefit from the expected improvement in the overall economy.

Exports

The export performance has gone up by 48% . The increase comes mainly from new Indonesia & Thailand business in addition to the existing ones from Thailand and Malaysia. This is an unique achievement as we are able to perform and render very satisfactory services even to these distant countries despite the competition from multi-national companies.

Implementation of the Instruments project

The implementation of the instruments project has been slightly delayed and the project has actually gone on stream after the closure of the financial year ended 31st March, 1999. However there has been no major project cost overruns. The commissioning of this project will strengthen the overall profitability of your company and the same will be reflected in the full year working of the current financial year.

ISO 9002 Certification

It is with great pride and a sense of achievement that we inform the members that your company has obtained the ISO 9002 certification. This is in line with the very high quality standards maintained by your company in respect of the products & services to the customers.

Year 2000

A detailed plan has been formulated by your company to achieve year 2000 (Y2K) readiness for all business Critical Information Technology Systems and Accounts. Y2K Compliance of key suppliers and customers is also being monitored. A contingency plan is being formulated to lessen the impact of any unforeseen disruption and ensure business continuity. Details regarding Y2K compliance in accordance with clause 32 of the listing agreements with the Stock Exchange are given in Annexure "C" forming part of the report.

Future Prospects

Your company has been making steady progress. The product range for water treatment chemicals is continuously being increased to cater to larger cross-section of industrial sector. Also, the marketing efforts have been stepped up to cover wider geographical area and to cope up with the growing industrialisation and infrastructure development in India.

The Construction Chemicals division of your company has bagged a prestigious order for the supply of admixtures for the Mumbai-Pune Expressway. The next year will see a steep increase in the volume of construction chemicals business due to this project itself. In addition to this, the government's focus on infrastructure development covering ports, roads, dams and power plants will result in a large potential being available for the division. The association with Perstorp AB, Sweden, has made it possible for the company to be eligible for supplies to all these projects.

DIVIDEND

Your Directors recommend payment of dividend @ 15% on equity shares for the financial year ended 31st March 1999. The total outflow on account of Dividend and tax thereon amounts to Rs. 49.95 Lacs. (Previous Year Rs. 49.50 Lacs.)

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. V.S. Ramachary retire by rotation and being eligible, offer himself for reappointment.

DISCLOSURE OF STATUTORY INFORMATION:

Information pursuant to Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, relating to Conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo are given in Annexure "A" forming part of the report.

As required by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees are reflected in Annexure "B" forming part of the Report.

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PROJECTED V/S ACTUAL PERFORMANCE:

As against projections made in the prospectus dated 28/3/95, the actual performance during the year 1998-99 are as under :-

	Projected	Actual
Sales and other income	5800.00 Rs. In Lacs	2069.61 Rs. in Lacs
Profit after tax	415.00 Rs. In Lacs	91.37 Rs. in Lacs
Earnings Per Share	Rs. 13.83	Rs. 3.05

AUDITORS

M/s V.N. Kastury & Co., Chartered Accountants will retire as Auditors of the Company at the ensuing Annual General Meeting and being eligible are recommended for re-appointment.

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their deep appreciation of efforts put in by the employees at all levels and for their Co-operation and collective contribution towards actual performance.

Your Directors also acknowledge the continued support given by the esteemed shareholders, customers, suppliers, bankers, financial institutions and various departments of central & state governments.

By order of the Board

Sd/-

Dr. Vinod D. Shah

Chairman & Managing Director

Mumbai, 30th July, 1999.



**ANNEXURE "A" TO THE DIRECTORS REPORT**

Particulars required under section 217 (1) (e) of the Company's Act 1956 read with (Disclosure of particulars in the report of Board of Directors) Rule, 1988:-

I CONSERVATION OF ENERGY**A) Energy Conservation Measures taken :**

The company has taken adequate measures to reduce the energy by change in elements in furnace in time.

B) Additional investments and proposals for Reduction of energy :-

None under the present condition.

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

The company has been able to reduce its energy consumption to satisfactory levels.

D) Total energy consumption & energy consumption per unit of Production :-**1) Electricity Purchased :**

1) Units	187521
2) Total Amount	Rs. 402660
3) Rate/ KWH	Rs. 2.14

2) Kerosene Purchased :

1) Litres	43364
2) Total Amount	Rs. 313237
3) Rate / KWH	Rs. 7.22

II TECHNOLOGY ABSORPTION

The company has an on going process of Research & Development and the company continues its efforts to assimilate group technology for improving product quality.

III FOREIGN EXCHANGE EARNINGS AND OUTGO:-

Total Foreign Exchange earned	Rs. 6289428
Total Foreign Exchange used	Rs. 20739715

ANNEXURE "B" TO THE DIRECTORS REPORT

Statement of Particulars of employees as required under Section 217 (2A) of Companies Act, 1956 read with companies (Particulars of employees) Rules 1975 :-

Employed throughout the year

Name of employee/ Age in Years	Designation/ Experience	Remun- eration in Rs.	Qualification	Date of Commencement of employment	Last Employment Held	Experience In years
Dr. Vinod D. Shah(65)	Chairman & Managing Director	967680	Ph. D. (Chem Eng.)	April 1975	Union Carbide India Ltd.	41 years

Note: Gross Remuneration includes Salary, Bonus, L.T.A. , Medical Aid, Company's Contribution to Provident Fund and Family, Pension Fund etc.

ANNEXURE " C " TO THE DIRECTORS REPORT

DETAILS REGARDING Y2K PREPAREDNESS LEVEL AS REQUIRED UNDER CLAUSE 32 OF THE LISTING AGREEMENT.

1) Risk to the company due to Y2K BUG:

- | | | |
|---|---|---|
| a) Operations, processes, functions which technology could be adversely effected due to Y2K problem | : | All business critical information systems and accounts. |
| b) Status of progress of making these Y2K compliant. | : | The company has made satisfactory progress |
| c) Date by which the work should be completed | : | August 1999 |
| d) Name of other intermediaries directly dependent upon the above process/ operations/functions | : | The company is monitoring Y2K compliance of key suppliers & customers |

2) Cost to address company's Y2K issues :

The company does not envisage substantial expenditure to address the company's Y2K issues.

3) Contingency Plans :

The contingency plan is being formulated to lessen the impact of any unforeseen disruption.

By order of the Board
Sd/-

Dr. Vinod D. Shah

Chairman & Managing Director

Mumbai, 30th July, 1999.

