



chemfab alkalis limited



***16th Annual Report
1998 - 99***



chemfab alkalis limited

BOARD OF DIRECTORS

Dr C H Krishnamurthi Rao - *Chairman*

Mr Sureish K M Rao-*Vice Chairman*

Mr C S Ramesh

Mr T Ranganathan

Dr G Thyagarajan

Mr Viney Kumar-*IDBI Nominee*

Mr Sharad V Sheth

Mr K Gopalan-*Wholetime Director*

COMPANY SECRETARY

Mr K Rajagopalan

PRESIDENT

Mr S Ramesh

VICE PRESIDENT

Mr S Suresh

AUDITORS

M/s R Janakiraman & Co.

Chennai 600 018

LEGAL ADVISER

Mr T Raghavan

Chennai 600 018

BANKERS TO THE COMPANY

Canara Bank

45 N S C Bose Road

Pondicherry 605 001

REGISTERED OFFICE AND FACTORY

'Gnanananda Place'

Kalapet

Pondicherry 605 014



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DIRECTORS' REPORT TO THE MEMBERS OF THE COMPANY

Your Directors have pleasure in presenting the SIXTEENTH ANNUAL REPORT together with the Audited Statements of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

PARTICULARS	Current Year (31.03.1999) (Rs. in lakhs)	Previous Year (31.03.1998) (Rs. in lakhs)
Profit/(Loss) before interest and Depreciation	365	583
Less: Interest	637	554
Profit/(Loss) before Depreciation	(272)	29
Less: Provision for Depreciation	287	255
NET PROFIT /(LOSS)	(559)	(226)
Add: Profit from earlier years	939	550
Total funds available for appropriation	380	324
Add: Prior period transactions	—	622
	380	946
LESS:		
Tax on dividend (1996-97)	—	7
Prior period transactions	81	—
Balance Carried Forward	299	939

OPERATIONS

During the year under review, the production of Caustic Soda was 21,766 MT as against 18,416 MT in the previous year. In spite of the increased production and sales, owing to the fall in the selling prices, mainly on account of slackness in demand from major consuming Industries like Textiles and Paper, the Company could not reap the benefits of higher production. During the year under review, the Company completed the last phase of Expansion by installing and commissioning the third Bi-polar Electrolyzer, which will now enhance the installed

capacity of Caustic soda production to 106 tons per day.

DIVIDEND

Considering the losses incurred during the year under review, the prevailing tight liquidity situation and the need to conserve the resources of the Company, your Directors regret their inability to recommend any dividend for the year.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, the Company earned foreign exchange amounting to Rs. 4 Lakhs on account of exports of alkali products. The foreign exchange outgo was Rs. 36 lakhs.

POWER AND FUEL CONSUMPTION

I. ELECTRICITY	Current year (31.03.1999)	Previous year (31.03.1998)
Purchased		
Units	5,96,15,150	4,77,03,122
Total Amount/Rs.	12,02,29,428	9,85,97,865
Rate/Unit (Gross)	Rs. 2.02	Rs. 2.07
Consumption per Tonne of Electro Chemical Production	2,739 KWH/AC	2,697 KWH/AC

II. FURNACE OIL**(a) Purchased :**

Quantity (KL)	516	756
Total Amount/Rs.	27,97,923	43,46,037
Average rate per KL/Rs.	5,422	5,749

(b) Consumption :

Furnace Oil (KL)	512	743
Amount/Rs.	27,87,009	42,85,132
Amount per KL/Rs.	5,443	5,767

FIXED DEPOSITS

The Company has not accepted any deposits from the Public.



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DIRECTORS' REPORT TO THE MEMBERS OF THE COMPANY (Contd.)**DIRECTORATE**

At a Board Meeting held on the 18th May, 1998, your Directors co-opted Mr. K. Gopalan and Mr. Sharad V Sheth as additional Directors on the Board. Mr K. Gopalan was also appointed as a Wholetime Director of the Company, with effect from 18th May, 1998, for a period of 2 years. The terms of appointment of Mr. K.Gopalan are in accordance with the provisions of Schedule XIII to the Companies Act, 1956 and hence, they are further subject to the approval of the Shareholders of the Company. The necessary Resolution for this purpose is being included on the Agenda of the ensuing Annual General Meeting.

Under the provisions of Section 260 of the Companies Act, 1956, both Mr. K. Gopalan and Mr. Sharad V Sheth, vacate their respective office as Directors of the Company, on the date of the forthcoming Annual General Meeting. However, Notices in writing have been received from some Members, signifying their intention to propose the names of the above persons as candidates for the office of the Director.

In accordance with the Articles of Association, Mr. C.S. Ramesh and Mr. T. Ranganathan, Directors of the Company, retire by rotation at the ensuing Annual General Meeting.

AUDITORS

M/s. R.Janakiraman & Co., Auditors of the Company, retire at the ensuing Annual General Meeting of the Company and are eligible for re-appointment.

COST AUDITORS

The Company has re-appointed Mr. V Kalyanaraman, Cost Accountant, as the Cost Auditor of the Company for the year 1998-99 with the approval of the Central Government.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, under the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Annual Report is being sent to all the Shareholders of the Company, excluding the Statement containing this information. The Statement, however, is available for inspection at the Registered Office of the Company during business hours on all working days. Any Shareholder interested in obtaining a copy of the said Statement may write to the Registered Office of the Company.

INDUSTRIAL RELATIONS

Industrial relations continued to remain cordial during the year under review.

For and on behalf of the Board of Directors

SUREISH K M RAO C S RAMESH

Chennai,
31st March, 1999.
9.00 p.m.



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AUDITORS' REPORT

We have audited the attached Balance sheet of CHEMFAB ALKALIS LIMITED, PONDICHERRY, as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date.

1) As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Central Government and on the basis of the information and explanations given to us and the books and records examined by us in the normal course of our audit and to the best of our knowledge and belief, we report that:

- i) The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets. We are informed that all the fixed assets have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- ii) None of the fixed assets has been revalued during the year.
- iii) As explained to us, the stock of finished goods and process stock, spare parts and accessories, loose tools, raw materials and construction materials at all the locations have been physically verified during the year by the Management at reasonable intervals.
- iv) In our opinion, the procedures of physical verification of the aforesaid stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- v) We are informed that the discrepancies noticed on such verification between the physical stocks and book records were not material and the same have been properly dealt with in the books of account.
- vi) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper and is in accordance with normally accepted

accounting principles subject to Excise Duty amounting to Rs.4,25,937/- not being considered as an element of cost for valuation of finished goods inventory, as recommended in the Guidance Note issued by the Research Committee of the Institute of Chartered Accountants of India in 1988, in supersession of their earlier Guidance Note issued in 1979 (Refer Note No. 18). The basis of valuation of stock is the same as in the preceding year.

- vii) The Company has not taken any loans - secured or unsecured - from companies, firms or other parties listed in the Register maintained under Section 301 of the Act, and / or from the companies under the same Management as defined under Sub-Section (1B) of Section 370 of the Companies Act, 1956.
- viii) The Company has not granted any loans - secured or unsecured - to companies, firms or other parties listed in the Register maintained under Section 301 and/or to companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
- ix) The parties to whom loans, or advances in the nature of loans have been given by the Company are repaying the principal amount as stipulated and are also regular in payment of interest wherever applicable.
- x) The Company has adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.
- xi) The transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the



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Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions of similar goods or services have been made with other parties.

- xii) According to the information and explanations given to us, there are no unserviceable or damaged stores, raw-materials and finished goods.
- xiii) The Company has not accepted any deposits from the public.
- xiv) The Company is maintaining reasonable records for sale and disposal of realisable by-products and scraps.
- xv) The internal audit is entrusted to a firm of Chartered Accountants and in our opinion, the internal audit system is commensurate with the size of the Company and the nature of its business.
- xvi) We have broadly reviewed the records maintained by the Company pursuant to the Order made by the Central Government for the maintenance of the cost records for Caustic Soda under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that *prima facie*, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- xvii) The Company is generally regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
- xviii) At the last day of the financial year, there were no material amounts outstanding in respect of undisputed income tax, wealth

tax, customs duty, sales tax and excise duty which were due for more than six months from the date they became payable.

- xix) According to the information and explanations given to us, no personal expenses of the employees or Directors have been charged to the Revenue Account other than those payable under contractual obligations or in accordance with the generally accepted business practice and no such instances have come to our notice during the course of audit.
- xx) The Company is not a Sick Industrial Company within the meaning of Section 3 (1) (0) of the Sick Industrial Companies (Special Provisions) Act, 1985.

2. Further to the above—

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of the books.
- iii) The Balance Sheet and Profit and Loss Account dealt with by the Report are in agreement with the books of account.
- iv) In our opinion and according to the information and explanations given to us, the accounts read with the notes thereon and documents annexed thereto give the information required by the Companies Act, 1956 in the manner so required, subject to —
- A) Note No. 15 relating to the replacement cost of the Membranes consumed. During this year, the replacement cost of Membranes consumed has been treated as Deferred Revenue Expenditure and amortised over the period of the life of the Membranes related to the production of Caustic



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Soda, instead of treating the whole of the replacement cost of Membranes consumed, as expenditure of the year of replacement, as has been done in the earlier years. This change in the method of accounting relating to the replacement cost of the Membranes consumed, has resulted in-

- a. Loss for the year is less by Rs. 87,78,970/- and
- b. The Profit and Loss Account balance is more by Rs. 87,78,970/-

B) In accordance with the accounting policy consistently followed by the Company, Excise Duty is not considered as an element of cost for the valuation of finished goods inventory (Refer Note No. 18). The amount of the Excise Duty relating to the closing stock of finished goods as at 31st March, 1999 and not considered for valuation is Rs. 4,25,937/-. Not following the method of including Excise Duty for valuation of Finished Goods as at 31.03.1999, as recommended by the Guidance Note issued by the Institute of Chartered

Accountants of India in 1988, in supersession of the earlier Guidance Note issued in 1979, would, however, have no effect on the Loss for the year or on the Reserves/Surplus as at 31.03.1999 —

give a true and fair view -

- (I) in the case of the Balance Sheet, of the state of the affairs of the Company as on 31st March, 1999 and
- (II) in the case of the Profit and Loss Account, of the LOSS of the Company for the year ended on that date.

For R JANAKIRAMAN & CO

Chartered Accountants

J. CHANDRASEKARAN

Partner

Place : Chennai,

Date : 31st March, 1999.

Time : 9.00 p.m.

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**BALANCE SHEET A**

LIABILITIES	Schedule	As at 31.3.1999 Rs.	As at 31.3.1998 Rs.
SHARE CAPITAL	A	2,94,00,000	2,94,00,000
RESERVES AND SURPLUS	B	9,39,40,772	15,79,65,300
SECURED LOANS	C	39,68,75,642	33,60,25,178
UNSECURED LOANS	D	50,89,996	40,00,000
CURRENT LIABILITIES AND PROVISIONS	E	6,60,21,446	9,49,85,939
NOTES	K		
		59,13,27,856	62,23,76,417



Place : Chennai,
Date : 31st March 1999.
Time : 8.30 p.m.

K RAJAGOPALAN
Company Secretary