

Member

Dr. Rao
HOLDINGS PTE LTD

Singapore

chemfab alkalis limited



19th ANNUAL REPORT
2001-2002



chemfab alkalis limited

BOARD OF DIRECTORS

Dr C H Krishnamurthi Rao – Chairman

Mr C S Ramesh

Dr G Thyagarajan (upto 31.3.2002)

Mr Sharad V Sheth

Mr Suresh Rao – Vice Chairman

Mr K Gopalan

Mr K R Murali Mohan – IDBI Nominee

COMPANY SECRETARY

Mr S Ramesh

AUDITORS

M/s R Janakiraman & Co

Chennai 600 018

BANKERS TO THE COMPANY

Canara Bank

45 NSC Bose Road

Pondicherry 605 001

Bharat Overseas Bank Ltd

25 & 26 College Road

Chennai 600 006

REGISTERED OFFICE AND FACTORY

'Gnanananda Place'

Kalapet

PONDICHERRY 605 014



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NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Nineteenth Annual General Meeting of the Shareholders of the Company will be held on Monday the 29th April, 2002 at 0900 A.M. at its Registered Office 'Gnanananda Place", Kalapet, Pondicherry 605 014, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the balance sheet of the company as at 31th March 2002, the profit and loss account for the year ended on that date and the reports of the directors and the auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint auditors and fix their remuneration. The retiring auditors, M/s R.Janakiraman & Co., Chartered Accountants, Chennai are eligible for re-appointment.
4. To appoint a director in place of Mr.Sharad V Sheth , who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a director in place of Mr K Gopalan who retires by rotation and being eligible offers himself for re-appointment

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

"Resolved that consent of the company is hereby accorded for payment of commission to directors on the net profits of the company within the ceiling prescribed under section 309 (4) (b) (ii) and such other applicable provisions, if any of the Companies Act 1956.

Resolved Further that the aforesaid commission be divisible amongst the directors in such proportion as the Board of Directors may decide.

Further Resolved that this resolution be effective for a period of five years from 01/04/2001 and for determining the commission payable for any broken period of a year in pursuance of the above resolution the net profits of the company shall be arrived at on a proportionate basis."

BY ORDER OF THE BOARD
S RAMESH
COMPANY SECRETARY

PLACE : PONDICHERRY
DATE : 31st March, 2002

NOTES:

1. The Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business is annexed thereto.
2. A Member of the Company, entitled to attend and vote at the said meeting, is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
3. Members are requested to bring with them the Attendance Slip sent with the Annual Report duly completed and signed and hand it over at the entrance.
4. Proxies, if any, in order to be effective, must be received at the Company's Registered office not later than 48 [forty eight] hours before the time fixed for holding the Meeting. A form of proxy is enclosed.
5. Members are requested to intimate changes, if any, in their registered addresses, quoting their Folio Numbers.

According to the Press Release issued by Securities and Exchange Board of India, trading of Chemfab Alkalies Limited Shares in dematerialised Form has been made compulsory for all categories of Investors with effect from 1st January, 2002. Your company has entered into Tripartite Agreement with both the Depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services India Limited [CDSL] to convert the shares of the Company in Electronic Mode.

The Company has also appointed Cameo Corporate Services Limited, 'Subramanian Building', No.1 Club House Road, Chennai 600 002 as the Security Transfer Agent (STA) for the shares in the Electronic and Physical Transfers. The Shareholders are requested to avail the facility and convert their shares into Electronic Mode.

The Shareholders are requested to send the Change in their address, Bank Mandate, Change of Status, Income Tax Exemption Certificates (Form 15G) and the Physical Transfers to the STA of the Company directly.

The Company has made transport arrangement for attending the AGM for the shareholders from the bus-stand at Pondicherry (near Hotel Mass). The shareholders who intend to avail the facility may write to the Company quoting their Folio Number and such requisition should reach the Company before 25th April, 2002.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956.****ITEM NO 6 OF THE NOTICE**

Article 55 (b) of the Memorandum and Articles of the Association of the Company provides that the Directors shall be paid remuneration as the Company in the General Meeting subject to the provisions laid down in the Companies Act, 1956.

The Company is a Board managed company. The Company is a professionally managed one acting under the supervision and guidance of the Board. The Board of Directors consists of persons of eminence with vast experience in industry, the company had the benefit of their expertise especially during the critical periods the company went through.

It is proposed to pay commission to the directors of the company within the ceiling prescribed under Section 309 (4) (ii) of the Companies Act. The present ceiling is 3% of the net profits of the Company. The payment of such commission will be for a Period of 5 years commencing from 1st April 2001. The commission, not exceeding 3% of the net profits of the company will be paid to the directors in such proportion as the Board of Directors decides.

The Directors are deemed to be interested in the resolution to the extent of commission, if any received by them.



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CHAIRMAN'S SPEECH



CHAIRMAN'S SPEECH

DEAR FELLOWSHAREHOLDERS

I am happy to get an opportunity of meeting you again and sharing the results, and the future Plans of the Company.

As assured at the last Annual General Meeting, the Company is back to its tradition of bringing out the audited results on 31st March itself.

FINANCIAL PERFORMANCE

The Merger of Chemfab Chlorates Ltd and the Company active participation in the salt field operations have resulted in better synergy, cost saving and is reflected in the current year results. This year also the Company has continued with its good performance and maintained its profit track.

For the year ended 31st March 2002, the Company has made a profit of Rs.4.48 Crores. The Company is confident of maintaining the same in the years to come.

The Company's Financial performance is commendable against the looming adverse factors like dumping unrestricted import of Chlorine in the form Ethylene dichloride, slump in the Chlor

Alkali market, higher power tariffs and the increased transport costs etc.

MANAGEMENT

By setting and adopting a high degree of professionalism in management, the Company has been able to mitigate the rigors of the heavy odds. Professionalism is not simply a question of establishing the various disciplines of production, operation and management but an effective monitoring of the standards by competent and independent expert bodies.

Accordingly your Company has engaged the following institutions to carry out the professional audit in their respective areas of specialisation :

CONSULTANTS AND AUDITORS

1. National Environmental Engineering Research Institute [NEERI] – for Environmental operations.
2. Lloyds Register Quality Assurance [LRQA] - for Environmental Management system [ISO 14001]
3. British Standards Institution [BSI] - for Occupational Health & Safety Management system [OHSAS 18001]
4. Central Leather Research Institute [CLRI] - for Safety matters
5. National Safety Council - for Safety Audit.

DIVIDEND

In line with your Company's commitment to Shareholders at the last Annual General Meeting for a higher dividend, your Directors are pleased to recommend a dividend of 50% on equity shares, subject to your approval.



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OSHAS 18001 [OCCUPATIONAL SAFETY & HEALTH ASSESSMENT SYSTEM]

Your company's commitment to safety and health is reflected from the selection of the technology stage onwards. To make your company's systems in a more structured way and to strive for continual improvement, your Company is in the process of getting ISO 18001 accreditation. The Company has taken the services of British Standards Institute (BSI) and already audit is completed and I am pleased to inform you, your Company has been recommended for issue of OHSAS 18001 and formal accreditation is expected shortly. This will be another milestone in your Company's thrust for adopting the best manufacturing practices.

THE MARKET

The decrease in the Industrial growth rate during the last year, particularly in Textile and paper Industries had its adverse impact on the Chlor Alkali market.

The industry has to bear the brunt of cheap imports. Although the Designated Authority in the Government of India has initiated anti-dumping investigations against 50 items from China – the largest for any one country – into the existence, degree and effect of the alleged dumping, the imposition of safe guard duties is a long drawn process providing any immediate relief in a highly fluctuating chlorine market.

However a glimmer of hope is seen in the horizon offered through the current Finance Bill with powers to impose Transitional Safe Guard duties if there is spurt in import of a particular product that causes or threatens to cause market disruption. The entire exercise is specific on imports from the Peoples Republic of China as per the new clause – Section 8 C of the Customs Tariff Act.

The industry would appeal to the government to facilitate the polymer units to revert to domestic Chlorine feed stock.

The Nalco – a public sector undertaking which benefits the mother soil of this land would be making immense benefit to the interests of this country if only they resort to procure their requirements of Caustic Soda from local sources in order to benefit the large mass of salt field workers born and beckoning for their livelihood on Indian soil.

GLOBALISATION

Globalisation and particularly China's entry into the WTO have profound implications for India on export and domestic market as well. India should emulate China by re-engineering its industries to become globally competitive by using the WTO threat as an opportunity for improvement. Hence your company is embarking on doubling its existing capacity not withstanding maintaining excellence in professional and environmental managements.

SEA WATER DESALINATION

As mentioned in my speech at the last year's Annual General Meeting, your company is vigorously pursuing the setting up of sea water desalination plant. Though your company has taken effective steps for the project by placing orders for machinery this could not be completed during the year due to restrictions on Coastal Regulation Zone [CRZ] activities.

Recently the Government has proposed relaxation in CRZ notification and your Company has represented to the government that Desalination be permitted to be put up in CRZ zone in larger national interest. The Company is confident that the relaxation for putting up a desalination in CRZ zone will be issued shortly.



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The Government though committed to provide water to all has to take more effective steps to achieve the goal. Still the sourcing/distribution of water is the monopoly of the Government.

The Government should immediately announce a National water policy and to make optimum use of the long coast line of the country running to Thousands of kilometers by encouraging shore based sea water desalination plants. The Government should classify desalination plants under INFRASTRUCTURE projects and provide Soft term loans to industry, for putting up desalination plants. The Environment Act and related laws to be amended to provide clear guidelines to pollution control boards for discharge norms for desalination plants.

The Government should permit private Desalination plants for at least captive use for tiding over water scarcity and to use non-conventional sources of water.

The Government though committed to solve water problem is yet to take aggressive steps for achieving the same. The Sea Water desalination plants to be encouraged. The Pondicherry Government is yet to approve the Company's proposal for sea water desalination Plant.

RESEARCH AND DEVELOPMENT

The Company's efforts to develop the in-house Research & Development for developing downstream Chlorine products is progressing satisfactorily. The Company has entered into a Memorandum of Understanding with the Ministry of Science & Technology, Department of Science & Industrial Research [DSIR], New Delhi for downstream chlorine utilisation project.

My grateful thanks to our esteemed customers for their continued support and encouragement.

On your behalf, and on my behalf I congratulate everyone working in CAL for the sustained hard-work and involvement and working as a cohesive Team.

Thank you

Dr C H Krishnamurthi Rao



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DIRECTORS REPORT

Your Directors have pleasure in presenting the Nineteenth Annual Report together with the Audited Statements of Accounts for the year ended 31st March 2002.

FINANCIAL RESULTS

Particulars	current year (31/03/2002) 9 months Rs/lakhs	previous year (30/06/2001) 15 months Rs/lakhs
Profit before Interest and Depreciation.	1133	1829
Less: Interest	398	660
Profit (loss)		
Before depreciation	735	1169
Less provision for Depreciation	287	547
Net profit(loss)	448	622
Add: Profits from Earlier years	122	[149]
Total funds available For appropriation	570	473
Less: Transfer to General reserve	100	86
Debtenture redemption Reserve	90	150
Taxation	38	15
Dividend (including tax on dividend)	174	96
Prior period transactions	96	4
Deferred Tax Liability	[164]	-
Balance carried forward	100	122

OPERATIONS

- During the year under review [9 months], the production of caustic soda lye was higher at **24,871 MT** as against 38,977 MT in the previous [15 months] and the profit was higher at **Rs.448 lakhs** [9 months] as against Rs.622 lakhs in the previous year [15 months] before tax.
- The Company was able to make full utilisation of the available capacity. During the last quarter of the financial year, due to depressed market conditions the price of Caustic Soda softened but Chlorine prices have shown an increasing trend.
- The merger of Chemfab Chlorates Ltd and the Company taking over the management of Salt field have started yielding good results.

- The Company is upto date in meeting its liabilities.

AMALGAMATION

During the year, the Company obtained approval from the Honourable High Court of Madras for amalgamation CHEMFAB CHLORATES Ltd with your Company. The Amalgamation formalities were completed and the erstwhile Chemfab Chlorates Limited is now merged as CHEMFAB ALKALIS LTD [CHLORATES Division].

CHANGE IN ACCOUNTING YEAR

The Company has now reverted to closing the financial year on 31st March and for the financial year 2001-2002 will be for the period of nine months ending 31st March, 2002.

DIVIDEND

The Directors recommend the payment of the following dividend for the year ended 31st March, 2002 for approval by the shareholders at the ensuing Annual General Meeting:

Dividend on 34,70,000 Equity Shares Rs.
of Rs. 10/- each at 50% 1,73,50,000
[subject to deduction of tax at source]

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, the Foreign exchange Earnings : NIL and the Foreign Exchange outgo was Rs.1,62,97,348/-

POWER AND FUEL CONSUMPTION

Alkali products	Current year [31/03/2002]	Previous year [30/06/2001]
I. ELECTRICITY		
Purchased		
Units	6,83,24,100	10,63,81,855
Total amount / Rs.	16,31,94,519	23,45,23,710
Rate / unit [gross]	Rs. 2.39	Rs.2.20
Consumption per Tonne of Electro Chemical Production KWH/AC	2,747	2,729
II. FURNACE OIL		
[a] Purchased:		
Quantity (KL)	264	212
Total amount/Rs.	22,25,673	20,22,174
Average rate Per KL/Rs.	8,430	9,538



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[b] Consumption:

Furnace oil [KL]	273	232
Amount/Rs.	23,08,962	22,29,267
Amount per KL/Rs.	8,458	9,608

	Current year [31/03/2002]	Previous year [30/06/2001]
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I.ELECTRICITY

Purchased Units	72,04,410	1,15,35,895
Total amount / Rs.	1,70,17,646	2,52,29,772
Rate / Unit [Gross]	Rs. 2.36	Rs.2.18

Consumption per
Tonne of Sodium
Chlorate Production
KWH/AC

	5,643	5,653
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II.HUSK**[a] Purchased:**

Quantity (MT)	1,185	1,888
Total Amount/Rs.	10,79,716	17,24,507

Average rate

Per MT/Rs.	911	913
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[b] Consumption:

Husk [MT]	1,196	1,838
Amount/Rs.	10,82,763	17,12,617
Amount Per MT/RS.	905	932

DIRECTORS

Directors Mr. Sharad V Sheth and Mr. K.Gopalan retire by rotation and being eligible offer themselves for reappointment at the ensuing general meeting.

AUDITORS

The present auditors of the company M/s R Janakiraman & Co retire at the ensuing Annual General Meeting and are eligible for reappointment.

COST AUDITOR

The Company has reappointed Mr.V.Kalyanaraman, Cost Accountant as the cost auditor of the company for the year 2002-2003 subject to the approval of the Central Government.

PARTICULARS OF EMPLOYEES

Information as per section 217 [2-A] of the Companies Act, 1956, read with the Companies [particulars of employees] Rules, 1975 forms of this report. However, as per the provisions of Section 219 [1] [b] [iv] of the Companies Act, 1956, the report and accounts are being sent to all shareholders of the company excluding statement of particulars of employees under section 217 [2-a] of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the registered office of the company.

RESEARCH AND DEVELOPMENT

The Company's efforts to develop the in-house Research & Development for developing downstream Chlorine products is progressing satisfactorily. The Company has entered into a Memorandum of Understanding with Ministry of Science & Technology, Department of Scientific & Industrial Research [D.S.I.R.], New Delhi for downstream chlorine utilisation project.

DIRECTORS RESPONSIBILITY REPORT

As per Section 217 [2AA], the Companies Amendment Act, 2000, the Directors responsibility statement is enclosed.

CORPORATE GOVERNANCE

The Securities and Exchange Board of India [SEBI] advised the Stock Exchanges to make certain Amendments in the Listing Agreement with regard to Corporate Governance. The Corporate Governance is applicable to the Company from the year 2002-2003. The Company is taking steps to implement the Corporate Governance from the year 2002-2003.

INDUSTRIAL RELATIONS

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

For and behalf of the Board of Directors

Dr CH KRISHNAMURTHI RAO
CHAIRMAN

Place : Pondicherry
Dated: 31st March, 2002

DIRECTORS RESPONSIBILITY STATEMENT

As required under sec 217 (2AA) of the Companies Amendment Act 2000, the Board of Directors of the Company do hereby confirm that the annual accounts has been prepared in line with the accounting standards and proper explanations have been given wherever there has been material departures.

The directors have selected accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.

The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities if any.

We confirm that annual accounts has been prepared on a going concern basis.