

# CHEMFAB ALKALIS LIMITED

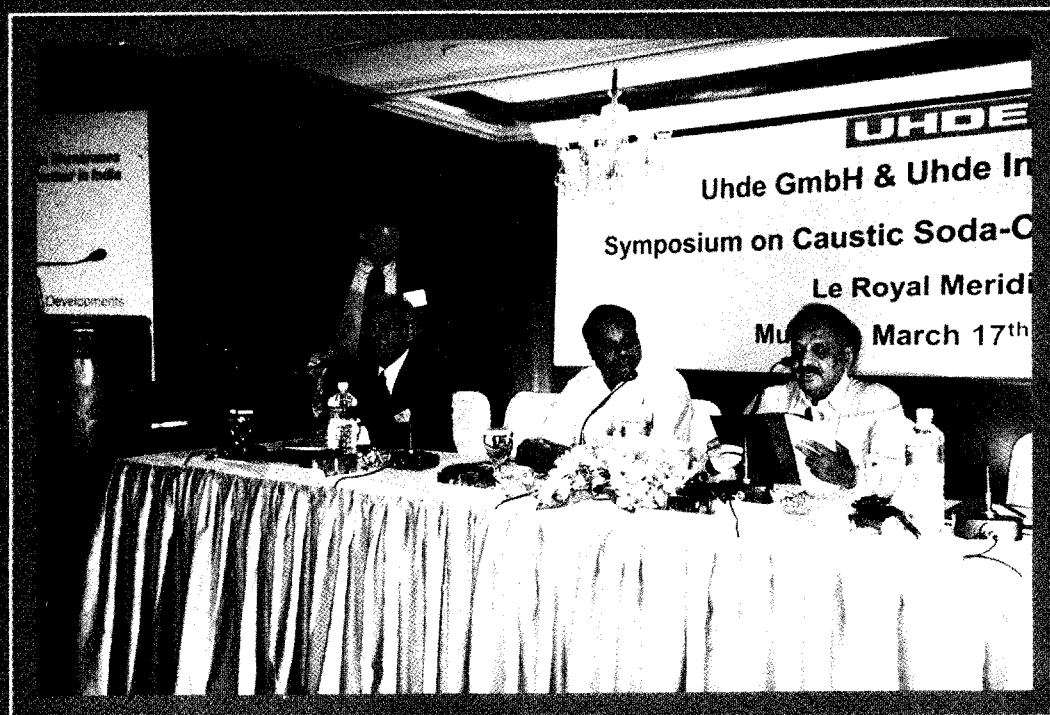
## ANNUAL REPORT 2004 - 2005







Vice Chairman Mr. Suresh Rao presenting Cheque for Rs.20 lakhs for the Chief Minister's Relief Fund - Tsunami Relief to Thiru N. Rangasamy, the Hon'ble Chief Minister of Pondicherry  
On the right side: Thiru M.O.H.F. Shajahan, Hon'ble M.L.A.



On 18th March, 2005, Symposium on Caustic Soda - Chlorine by Uhde India Limited, Mumbai. Dr. C.H. Krishnamurthi Rao Chaired this symposium



## *Chemfab alkalis limited*

### **BOARD OF DIRECTORS**

Dr C H Krishnamurthi Rao – Chairman  
Mr Suresh Rao – Vice Chairman  
Mr C S Ramesh  
Mr Sharad V Sheth  
Dr K V Raghavan  
Mr Navratan Dugar  
Mr K R Murali Mohan – IDBI Nominee  
Mr K Gopalan

### **COMPANY SECRETARY**

Mr S Ramesh

### **AUDITORS**

M/s R Janakiraman & Co, 43, Maharaja Surya Rao Road, Chennai 600 018.

### **BANKERS TO THE COMPANY**

State Bank of India, Leather and International Branch, Kilpauk, Chennai.

### **REGISTERED OFFICE AND FACTORY**

Chlor-Alkali Division: 'Gnanananda Place'

Kalapet, Pondicherry - 605 014.

Phone : 00 91 413 2655111 Fax : 00 91 413 2655125

chemfabalkalis@draoholdings.com website : [www.chemfabalkalis.com](http://www.chemfabalkalis.com)

### **CHLORATES DIVISION**

Abishekapakkam, Poornakuppam Post, Pondicherry - 605 007

### **SALT DIVISION**

Kanthadu Village, Villupuram Taluk

### **CHENNAI OFFICE**

1st Floor, 1A, Majestic Towers, 101, HD Raja Street,  
Eldams Road, Teynampet, Chennai 600 018.

Phone : 0091 44 52031444 Fax : 00 91 44 24347959

Email : chemfabmktg@draoholdings.com

### **DR. RAO HOLDINGS PTE LTD**

371 Beach Road, # 22-07 Key Point, Singapore 199 597

Phone : 0065 67745994 Fax : 0065 67745997

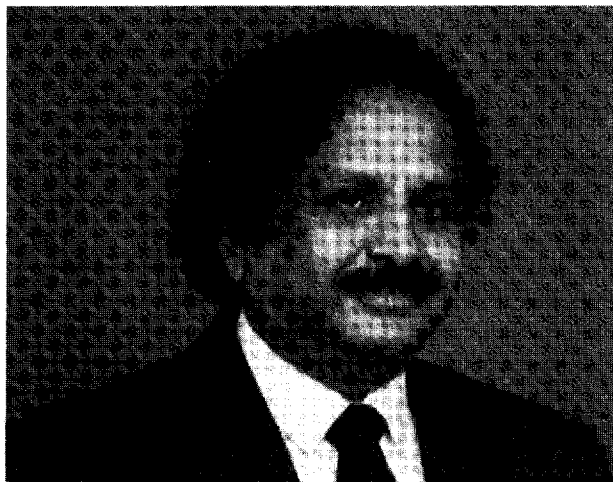
Email : drhkrao@pacific.net.sg





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## CHAIRMAN'S SPEECH



Dear fellow share holders,

### TSUNAMI

The year under review retains the thought of the fury and frenzy of 'Tsunami' that wrecked and ravaged the coastal belt of Tamil Nadu and Pondicherry.

Within the Pondicherry Territory, the epicenter of destruction and desolation was the Kalapet segment where your plant is located.

The speed and swiftness at which His Excellency the Lieutenant Governor, the Honourable Chief Minister, the Respected Chief Secretary and the officials mobilised the entire Government machinery for relief and rehabilitation is an exemplification of efficiency which deserves all the praise.

As human sympathy and instinct might dictate, your Company organised spontaneous relief to provide immediate needs such as food and purified drinking water.

But the humane act of mercy and compassion was manifested by our workers and staff at their voluntary co-operation in the preventive measures to abate pollution, by supplying thro Vector Institute Chlorine in the form of Hypo spray.

It was quite heartening to receive messages for help and solace, from our associates, vendors, consultants and friends all over the world.

Some of our staff lost their relatives in this catastrophe and the Company provided relief for them. Your

Company has contributed Rs.25,00,000/- [Rupees Twenty five lakhs only] to the Pondicherry Chief Minister's Relief Fund for Tsunami relief for Kalapet and neighbouring villages.

### SLUDGE REDUCTION

Your Company is also striving hard to bring a further reduction of sludge, although it is already lower than the Industry's standards. National Environment Engineering Research Institute [NEERI] have confirmed that the sludge generated by us is non-hazardous and shall not attract the provisions of The Hazardous Waste Management & Handling Rules.

Your Company is planning to upgrade the technology to bring down the sludge generation to the barest minimum, by adopting various new innovations and thereby setting up a trend in the Industry. This includes another in-house proprietary process of recovery of valuable material from the sludge. Your company hopes to achieve these targets during the current year.

### SALT

Your Company's backward integration to manufacture the raw material INDUSTRIAL GRADE SALT has yielded rich dividends. Your Company is adopting novel methods in salt production by conserving heat through development of a new technology. It is hoped the trials will be validated during this year so that production on a commercial scale can be introduced based on this innovation.

This would mean purer salt with lesser Calcium and Magnesium thus paving the way for cost reduction in brine preparation, which, of course, is the basic input for Chlorine production.

Your Company is self sufficient on the salt front and the entire requirement of salt is met from the salt fields of our Company. This Captive production results in significant savings and profits for your Company.

### UF BRINE

The unique facility for filtering brine by using ultra filter hollow fibre capillary type membranes have passed yet another year of excellent performance. This has yielded in a sizeable saving, besides the elimination of many conventional filtration systems.

M/s. Membrane Research Technology Singapore Pte Ltd (MRTS) are the proprietors of this technology. M/s. Du Pont U.S.A is the marketing channel. Their global presence and the servicing and training of the new



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clients to the UFHF membranes is expected to fetch considerable revenue to your Company through services like commissioning, parts supply globally.

### **SULPHATE REMOVAL SYSTEM [S.R.S.]**

The Sulphate Removal System [SRS] with Technical Know-how sourced from the Canadian Kverner Chemetics Inc is expected to result in your Company better reduced Solid Waste Generation.

When successful, it will not only cut down sludge production in the whole industry, but also totally eliminate the use of Barium Salt, in the process.

### **INNOVATION**

Your Company's proprietary process, to recover a value added product, under patenting, is another meritorious effort. This is in addition to the patent, your Company already holds for the production of Barium Sulphate from sludge, which is being implemented leading to production of barium Sulphate.

### **DESALINATION**

On repeated representations and follow ups, ultimately the Pondicherry Government have agreed to permit your Company to lay the pipeline through the nullah passing adjacent to your Company. Necessary Notification to this effect is being issued by the Government and your Company, on receipt of the formal approval from the Government, will take up the Desal project and will complete the same within twelve months from the date of Government's approval.

Your Company, in addition to meet its captive requirement of water, will be able to supply equivalent quantity of good potable water to the other Industries in Pondicherry.

Once the Desalination Plant is established and stabilized, your Company proposes to diversify into Sea Water Desalination and supply on B.O.O.T. basis and the Desalination business will become a separate Profit Centre for your Company.

### **DIVERSIFICATION**

It would be obvious to say that Biotechnology has emerged as an exponential field, which in future shall play the most crucial role in the arena of Food, Nutrition and Agriculture. A recent study has identified India as one of the emerging biotech leaders along with Singapore, Japan,

Taiwan and Korea and the industry is expected to expand at least three-fold by the end of the decade to generate \$ six billions in revenue and create more than one million jobs of the intellectual calibre.

As a weather cock of technological developments and a pioneer of innovations, your Company has undertaken a conscious decision to meet the technological challenges and commercial demands of the future and has already done the spade work to employ fruitful application of Bio-technology resulting in the creation of a Life Science Division as a part of your Company.

The Bio-informatics and the bulk of the knowledge supporting them have given the direction for pursuing effective product portfolios on Nutrition and Wellness.

In order to decimate industrial and environmental pollution, the super-critical areas - Bio-separation, Nano-Membranes and Bio-remediation have also been identified. Efforts are afoot to enlist the co-operation of some Academia of excellence in the specified fields.

### **SUSTAINING AND IMPROVING THE GROWTH**

Your Company has retained Indian Institute of Management (IIM), Bangalore, to advise on diversification strategy and has appointed a high level committee under the Chairmanship of an independent Director. This committee will come out with specific proposals for your approval towards amending the OBJECT CLAUSE of the Memorandum and Articles of Association.

This will enable your Company to focus on emerging as global leaders in the two specific areas - water and health and make your Company stronger in diversifying strategy and improving its assets, turnover and shareholders value.

### **CORPORATE GOVERNANCE**

The Company has already initiated the re-structuring exercises for a fair compliance of Corporate Governance norms. The Board of Directors and the Committee have been restructured with clear and focused norms on Corporate Governance. The Company has also formulated detailed CODE OF CONDUCT for Directors and Senior Management Executives with a view to usher in greater responsibility, accountability and transparency. The company will have its own governance practices, which will also take care of statutory needs of SEBI

*chemfab alkalis limited***WEB SITE**

I am pleased to inform that your Company has launched its website: [www.chemfabalkalis.com](http://www.chemfabalkalis.com) and I have already started communicating to the Shareholders through this portal. The Performance of the Company will be regularly updated and be made available on this website.

**PERFORMANCE**

The performance of your Company in the current year has been commendable. I wish to acknowledge the hard and efficient efforts of all the CAL mates, more so in production and marketing.

The Sales Realisation also improved significantly. This was further strengthened by the Company sourcing cheaper funds reducing its financial cost, various cost reduction measures and as a result of this, PROFIT of the year is reasonably good, and your Directors have recommended a 100% Dividend for the first time.

Thank you,

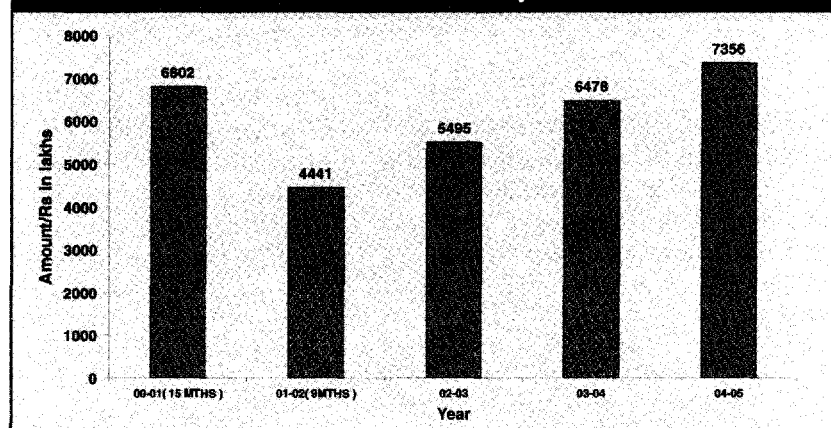
Dr C H Krishnamurthi Rao

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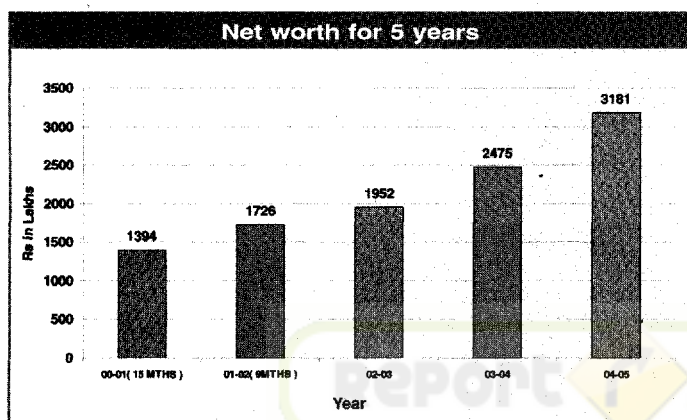


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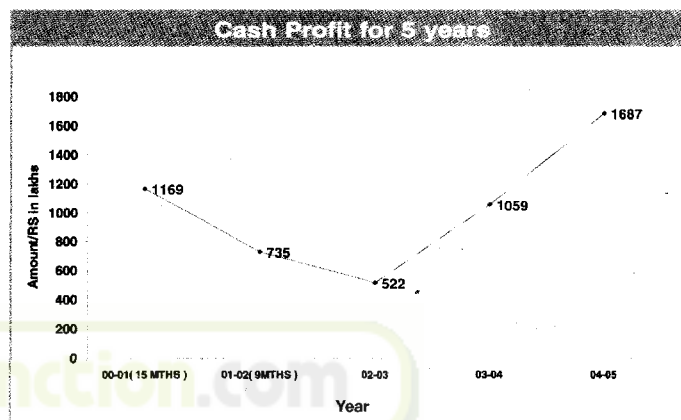
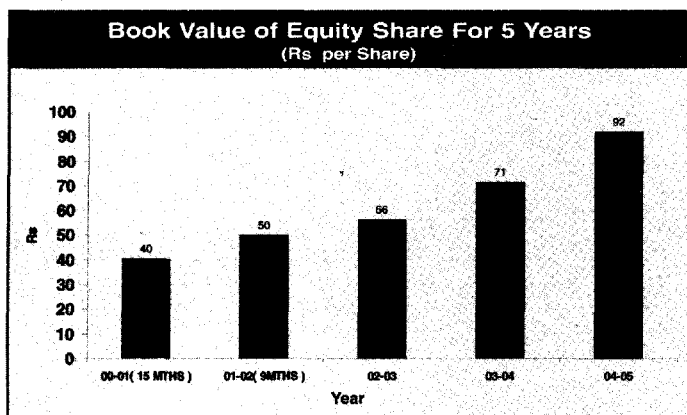
Net Sales for last 5 years



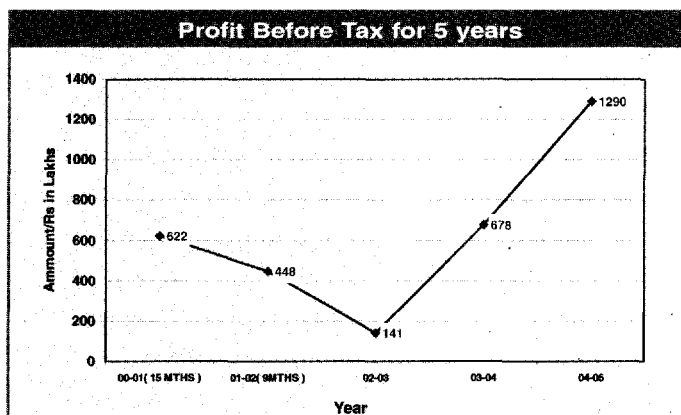
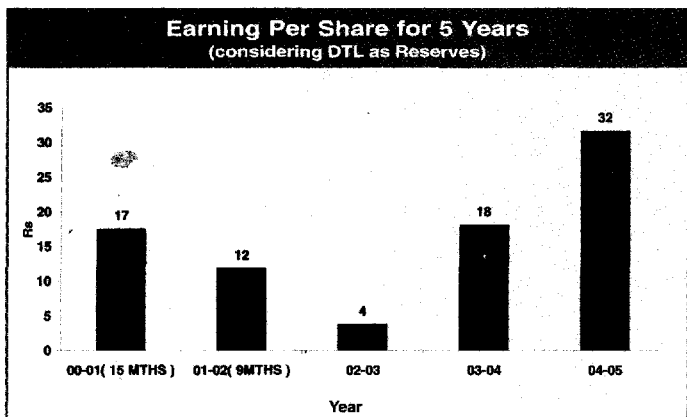
Net worth for 5 years



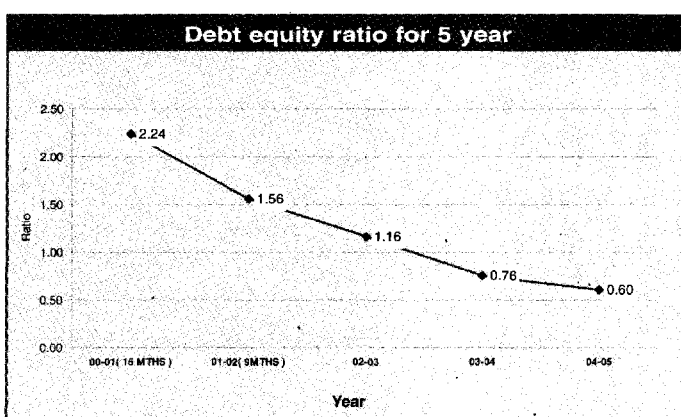
Cash Profit for 5 years

Book Value of Equity Share For 5 Years  
(Rs per Share)

Profit Before Tax for 5 years

Earning Per Share for 5 Years  
(considering DTL as Reserves)

Debt equity ratio for 5 year





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## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Second Annual Report together with the Audited Statements of Accounts for the twelve months ended 31<sup>st</sup> March, 2005.

### FINANCIAL RESULTS

Particulars	current year (31/03/2005) Rs/lakhs	previous year (31/03/2004) Rs/lakhs
Profit before Interest and Depreciation.	1,955	1,530
Less: Interest	268	471
Profit Before depreciation	1,687	1,059
Less: Provision for Depreciation	397	381
Net Profit (loss)	1,290	678
Add: Profits / (loss) from Earlier years	243	94
Total funds available for appropriation	1,533	772
Less: Transfer to General Reserve	153	75
Debtenture Redemption Reserve	-	-
Taxation	192	52
Dividend (including tax on dividend)	392	103
Deferred Tax Liability	195	299
Balance carried forward	601	243

### OPERATIONS

1. During the year under review the production of Caustic Soda lye was higher at 37,657 MT as against 35,602 MT in the previous year and the profit was Rs. 1,290 lakhs as against Rs.678 lakhs in the previous year before tax.

2. The Chlorates Division's performance was also satisfactory.

3. The Salt Division had a production of 59,592 MT of Industrial Grade Salt for the last season.

### DIVIDEND

The Directors recommend the payment of the following Dividend for the year ended 31st March,2005 for approval by the Shareholders at the ensuing Annual General Meeting:

**FINAL DIVIDEND** on  
34,70,000 Equity Shares  
of Rs.10 each at 75% 2,60,25,000

This is in addition to the Interim Dividend of 25% (Rs. 86,75,000) already declared and paid by the Company.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, the Foreign exchange - Earnings : Rs.83,01,577 and the Foreign Exchange outgo was : Rs. 44,20,150.

### POWER AND FUEL CONSUMPTION

Alkali Products	Current year [31/03/2005]	Previous year [31/03/2004]
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#### I. ELECTRICITY

a) Purchased Units	10,08,77,850	9,68,99,700
Total amount / Rs	30,28,06,180	29,13,31,310
Rate / unit [gross]	Rs. 3.00	Rs. 3.01

b) Consumption per Tonne of Electro Chemical Production KWH/AC	2,679	2,722
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#### II. FURNACE OIL

a) Purchased Quantity (KL)	180	137
Total amount/Rs	22,71,140	15,77,895
Average rate Per KL/Rs	12,596	11,484

#### b) Consumption:

Furnace Oil [KL]	195	140
Amount/Rs	24,29,086	16,36,543
Amount per KL/Rs	12,457	11,674

### CHLORATES

#### I. ELECTRICITY

Purchased Units	82,65,563	90,85,027
Total amount / Rs	2,46,61,186	2,69,16,337
Rate / Unit [Gross]	Rs. 2.98	Rs. 2.96

Consumption per Tonne of Sodium Chlorate Production KWH/AC	5,783	5,798
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#### II. HUSK

a) Purchased Quantity (MT)	1,282	1,414
Total Amount/Rs	17,78,408	22,02,091

Average rate Per MT/Rs	1,387	1,557
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b) Consumption Husk [MT]	1,294	1,433
Amount/Rs	18,15,810	22,40,258
Amount Per MT/Rs	1,403	1,564





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# CHEMFAB ALKALIS LIMITED

## KEY FINANCIALS AT A GLANCE

PARTICULARS		31.03.05	31.03.04	31.03.03
PRODUCTION OF CSL	QTY / M.T	37657	35602	32028
SALES OF CSL	QTY / M.T	36358	34364	30678
NET SALES	Rs./LACS	7356	6478	5495
INTEREST PAID	Rs./LACS	268	471	497
NET PROFIT BEFORE TAX	Rs./LACS	1290	678	141
DIVIDEND	%	100	25	12
RESERVES & SURPLUS	Rs./LACS	2834	2128	1605
NET WORTH	Rs./LACS	3181	2475	1952
<b>KEY RATIOS :</b>				
GROSS PROFIT RATIO	%	27	24	19
NET PROFIT RATIO	%	15	10	3
RECEIVABLE TURNOVER RATIO	DAYS	24	31	32
DEBT EQUITY RATIO	TIMES	0.60	0.76	1.16
D.S.C.R.	TIMES	2.39	1.19	0.80
E.P.S.	Rs.	31.64	18.04	3.75
BOOK VALUE OF SHARE	Rs.	92	71	56

RESERVES INCLUDES DEFERED TAX LIABILITY



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### SEA WATER DESALINATION PLANT

The Government of Pondicherry have agreed to permit the Company to lay pipeline for bringing Sea Water through nullah running adjacent to the factory. A formal communication to this effect is expected shortly. On receipt of Government's clearance, the Company hopes to complete and commission the Sea Water Desalination Plant in Twelve months.

### FIXED DEPOSITS

The Company has not accepted any deposits from the public.

### DIRECTORS

The following Directors retire by Rotation at the ensuing Annual General Meeting and being eligible themselves for reappointment .

1. Mr.C.S.Ramesh

2. Mr.Suresh Rao

Mr.Navraton Dugar and Mr.K.Gopalan who were co-opted as Additional Directors during the year retire at the ensuing Annual General meeting and being eligible offers themselves for appointment.

### AUDITORS

M/s R Janakiraman & Co, Chartered Accountants, Chennai have informed the Company that they are not offering themselves for re-election as Auditors of the Company.

The Company has also received letter from one Shareholder Under Section 225 [1] of the Companies Act, 1956 giving the name of M/s Deloitte Haskins & Sells, to be appointed as Auditors of the Company at the ensuing Annual General Meeting.

The Audit Committee of the Board of Directors have considered the matter in details and felt that it would be appropriate if the Company appoints DHS one of the leading multi national firm of Chartered Accountants as Auditors of the Company.

The Audit Committee has also recommended that the present Statutory Auditors M/s R Janakiraman & Co will continue to be associated with the Company as Internal and Tax Auditors of the Company.

### COST AUDITOR

The Company has re-appointed Mr.V.Kalyanaraman, Cost Accountant as the Cost Auditor of the Company for the year 2005-2006, subject to the approval of the Central Government.

### PARTICULARS OF EMPLOYEES

There were no employees of the Company drawing

Rs.2,00,000/- or more and hence Particulars of employees as required U/S 217 [2-A] of the Companies Act, 1956 have not been given.

### RESEARCH AND DEVELOPMENT

The Company is pursuing its efforts on R & D in the areas of process improvement and downstream product development. The Government of India, Ministry of Science & Technology, Department of Scientific and Industrial Research has renewed recognition to the Company's In-house R & D upto 31st March 2007.

The main focus of the Research and Development effort of the Company is on Energy Conservation, process upgradation and environmental preservation. Expenses incurred on Research & Development are charged under respective accounting heads.

### TSUNAMI RELIEF

The Company has made a Contribution of Rs.25,00,000/- [Rupees Twenty five lakhs only] to The Pondicherry Chief Minister's Relief Fund for Tsunami Relief.

### DELISTING OF SHARES

The Company's shares are not traded frequently in Chennai and Bangalore Stock Exchanges. In view of the few transactions at the above Stock Exchanges, the Company proposes to delist the above shares from Chennai and Bangalore Stock Exchanges.

Shareholders approval is sought at the Annual General Meeting for Delisting the shares. However, the Company's Shares will continue to be listed in Mumbai Stock Exchange.

### AMENDMENT TO OBJECT CLAUSE OF MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

The Company proposes to alter the Memorandum and Articles of Association to permit the Company to take up the business which could be clubbed more profitably and economically with the existing operations.

The Company proposes to amend the OBJECT CLAUSE of the Memorandum of Association to take the Business of Desalination of water and Life Science business.

As per Section 17 of the Companies Act read with Section 192-A of the Companies Act, 1956, Amendment to Object Clause of the Memorandum of Association is to be made through Postal Ballot.

The Company is accordingly arranging for compliance of Postal Ballot regulations.