



# ***Chemfab Alkalies Limited***



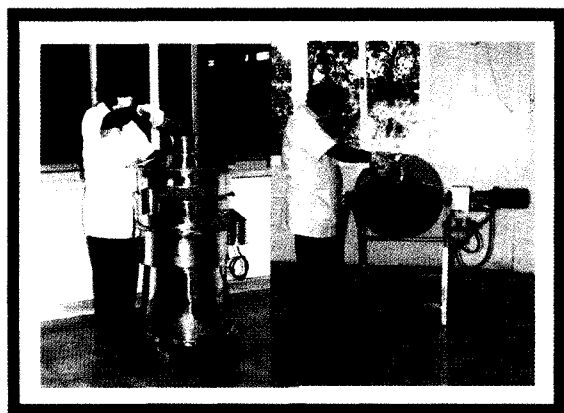
## **Annual Report 2006 - 2007**



**Spearheading the Herbal Movement ....**



***Chemfab Alkalis Limited***  
Manufacturing Health care Herbal  
beauty products & Ayurvedic Drugs





# *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  
Mr Navratan Dugar  
Mr K Gopalan  
Dr Muthiah Mariappan  
Mr T Ramabadhran

## **COMPANY SECRETARY**

Mr S Ramanujam

## **AUDITORS**

M/s Deloitte Haskins & Sells  
2nd Floor, "Temple Tower", 672, Anna Salai, Nandanam, Chennai 600 035

## **BANKERS TO THE COMPANY**

State Bank of India  
The Lakshmi Vilas Bank Limited

## **REGISTERED OFFICE AND FACTORY**

### **Chlor-Alkali Division :**

'Gnanananda Place', Kalapet, Pondicherry 605 014  
Phone : 0091-413-2655111, Fax : 0091-413-2655125  
E-mail : chemfabalkalis@drroaholdings.com, website : www.chemfabalkalis.com

### **Chlorates Division :**

Abishekapakkam, Poornakuppam Post, Pondicherry 605 007

### **Salt Division :**

Kanthadu Village, Tindivanam Taluk, Villupuram District

### **Corporate Office:**

'Team House', GST Road, Vandalur, Chennai-600 048.  
Phone : 0091-44-22750323 / 24, Fax : 0091-44-22750860  
Email : team@drroaholdings.com

### **Chennai Marketing Office**

1st Floor, Majestic Towers, Old No.1, HD Raja Street, New No.01 Eldams Road, Chennai 600 018  
Phone : 0091-44-52031444, Fax : 0091-44 24347959  
Email: chemfabmktg@drroaholdings.com

### **Membrane Hitec Division**

'Team House', GST Road, Vandalur, Chennai-600 048.  
Phone : 0091-44 22750323, Fax: 0091-44-22750860  
Email: membrane@drroaholdings.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





## CHAIRMAN'S SPEECH



Dear fellow shareholders,

### INCREDIBLE INDIA

During the January of this year, the country did behold two significant announcements. They recite the remarkable contributions to the Industrial and Economic history of India.

First one – The outstanding global foray of the Tatas. This splendid foot print coinciding with the hundredth year of the Tata Steel, is not to be deemed as the culmination but only a continuation of the Pilgrims Progress set forth by Jamshedji at the barren tracts of Bihar, when a large scale industry was unheard of on the Indian soil.

The second event is the Padma Bhushan Award on Suzuki San, who introduced the energy efficient cars, which catalysed India into a magnificent automobile hub.

### COMPARABLE ROLL OF YOUR COMPANY

The said events and their ingredients impel Chemfab Alkalies Ltd (CAL) into a refreshing flash back of parallels.

The promoters of your Company, had the courage of nerves to conceive a large scale industry of the dimension which was quite a bit alien to the Union Territory of Pondicherry in those days of 1981, when even the Government notifications pertaining to development activities, nowhere went beyond the realm of small scale industries.

The Union Territory was treated as a special "A" category backward area by the Central Government and within this territory, Kalapet segment then was a terrain rife with ravines and ravaged by elements of nature like wind erosion. Certain survey numbers too were identified and declared by the local administration as Industrial areas, but with no takers. Nevertheless, against extreme odds, CAL established the energy efficient Caustic Soda Plant – the first of its kind in India, with a paradigm shift on environmental parameters.

The voyage continues in a new direction, to reach the frontiers of water conservation technology.

### INCREASING THE DOMESTIC PRODUCTION – A NATIONAL ASSIGNMENT

The reasons for the present surge of inflation as attributed by the Prime Minister's Office, is not only to the global factors and rising demand, but also to the supply constraints.

Such a perception was the motivating factor for the Government of India in drastically reducing the import tariffs on wheat, pulses, edible oils, hydrogen, chlorine etc. But a durable solution as prescribed by the Honorable Prime Minister rests on increasing the domestic output and productivity. In view of the fact that Hydrogen and Chlorine gas are clustered by the Government among the commodities that influence the dynamics of inflation and macro-economic stability, your company's proposal for increasing the capacity, which is pending clearance of the NOC from the Administration of Puducherry assumes great significance and seriousness of purpose.

### HYDROGEN

Fellow shareholders might recollect that your company long back in the year 2002 appealed to the Government to employ compressed hydrogen gas as an automobile fuel and offering to install the dispensing pumps. It is gratifying to note that it received a conceptual acceptance in the capital city of India, with the installation of a compressed CNG pump as an admix of 10% hydrogen. It is also stated that efforts are also on the anvil to enhance the quantum of hydrogen to 30% in order to make the fuel more efficient and economical.

The city of Chennai is also on the same track since 50,000 auto rickshaws are directed to change over to compressed gas operation. But it is neither the end of the road for energy security, nor the complete solution to the environmentally clean and operationally safe fuel.

The recent efforts of the Government in introducing hydrogen mix with LNG at Delhi is not really hydrogen usage but Hythane. Even to assess the efficiency of combustion it is better to drive with a minimum of 20% hydrogen. Anyhow the best solution lies in using direct hydrogen gas through ICE (Internal Combustion Engines) as has been demonstrated at London and Amsterdam.

Repeated research going on all over the world are lacking in positive results on a viable fuel cell vehicle. Research and demonstration has established that LNG / CNG is more dangerous in case of explosion than hydrogen fuel. Further it has also been established that hydrogen is a safer fuel than gasoline and the failure mode of hydrogen is less.

Therefore, in the interest of ensuring energy security of the country, the Government will do well in insisting on the existing MNC car manufacturers to turn out suitable ICE's with direct hydrogen usage. It is heartening that they are already successful to some extent like operating mini buses in airport passenger hauling etc.



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In addition to it the Government should encourage research in hydrogen production through unconventional route other than hydro carbon. The dependence on oil will defeat the very purpose of alternative fuel.

CNG is also a hydro carbon and does emit Carbon monoxide as opposed to pure hydrogen which is absolutely environ-friendly and totally free from hydro carbon. The very purpose of going in for an alternative fuel is to substitute hydrocarbon, oil and gas.

India being ear-marked as a global destination for automobiles in the years to come, an inducement to a two pronged development of ICE's and pristine Hydrogen fuel would sustain the economic boom that has been triggered by the IT industry.

If this mission is to be pursued with all seriousness, the only alternative would be to go in for Pure Hydrogen gas, with Internal Combustion Engine.

As the largest producer and seller of ultra pure hydrogen with 99.9999+ range, your company will always be ready to equip and supply the hydrogen gas through pump outlets.

#### HEALTH CARE DIVISION

The entire country has been caught up in an enormous upheaval of economic activities and the surging bustle in retail sector as its natural fallout. But the social and health repercussions have hardly been addressed to the required extent.

The Health Care Division of your Company has a tryst with the scenario that has fostered the emergence of a large and health conscious middle class having a tremendous purchasing power which is a positive development.

Given the increasing distaste for synthetic products and high risk side effects, they are turning towards natural and herbal products as medicaments, cosmetics and nutrients. Perceiving this welcome trend and potential demand, the Health Care Division of your company has extended its presence by opening 'Health Shoppe' in three locations at Chennai to market Team Eubio Care products as well as proven products from other manufacturers. The Vandalur outlet would be expanded as a spacious one closer to the existing location.

There is a lot of enquiries for franchise, but the company prefers to have its own outlets and is looking out for suitable space, for additional outlets in Chennai and other important cities.

#### SODIUM CHLORATE

It is necessary to expand the capacity of chlorate plant to catch up with the environment friendly paper making program of the Government of India, which has recommended the use of Chlorine dioxide, as a bleaching agent replacing elemental chlorine. Consequently a potential demand for sodium chlorate is envisaged.

Your company's proposition to expand the chlorate plant capacity is awaiting clearance from the local Government. There is a possibility of entering into Joint Venture with end users to ensure quality of the product and safe transportation.

Therefore it is proposed to de-merge the chlorate division in order to accommodate the joint venture participants.

#### TEAM WATER

Team water which was merged with your company during the last accounting year, commands a good business. Because of the brand image and reputation of "Team water" as a quality bottled water, the marketing operations are being extended to Bangalore and Hyderabad.

#### HOLLOW FIBRE MEMBRANE

Your company has taken a policy decision to keep away from the turn key bids and supply only to the OEM companies with our most reliable multi bore hollow fibre membranes. In view of M/s Dupont, our Global Marketing Agent have done appreciable base work and trying to reach the target, significant growth is expected from this segment.

Global case studies have proved the BOO (Build Own and Operate) concept of Water management is a failure. Finally the liability accrues with higher costs on the Government / Corporations to manage the water purification and supply with higher costs to the community. There have been many cases of insolvency reported in BOO cases. A fair amount of success is possible only when the Government has a major stake in such ventures on the lines of the new privatisation scheme demonstrated by the Singapore Government.

#### CAPTIVE POWER PLANT

A free and a fair legal frame work is a much need of the hour to successfully implement Captive Power plants, duly taking into account various hurdles – licencing by the local electricity authorities, State Government, other licencing formalities, unreasonable huge wheeling cost, which will add up and increase the cost of power.

The imperative need for increasing production and productivity impel your company to install a captive power plant through the Coal Gasification Route with the company's known bias for employing clean technology.

In this respect the Government of India with their concern for the increased generation of power would be able to induce installation of more captive generation facilities provided the procedural delays are minimised by creating a single centralised agency to deal with the required clearances including the coordination of supply and transport of coal and the fixation of wheeling charges wherever necessary.

#### INNOVATION

The core strength of your Company's promoters are innovation, technology and implementation. In line with the new innovation, CAL has now become the only Chlor-alkali plant which do not the use of any Barium chemical in the brine purification; but also recovers an additional useful product Sodium sulphate from the waste sludge.

The plant has successfully implemented with Ultrafiltration membrane technology for polishing of brine, totally avoiding



pre-coat filter which needs alpha cellulose. Again CAL is the only Company which does not use any pre-coat filter for brine polishing. The purer brine increases the membrane life and the efficiency of operation.

#### **CORPORATE GOVERNANCE / SEBI**

It may be recalled that appointment of qualified Independent Directors in Corporate Governance was suggested in the last year's Chairman's address. It is delightful to note that the Chairman of SEBI is seized of the matter as reflected from his press meeting at Mumbai on 29<sup>th</sup> June 2006. Nevertheless a mandatory direction is desirable to uniformly enhance the excellence of the Indian Companies.

Meanwhile the higher institutions of management may gear up to train and certify such Independent Directors as is the practice in Australia and elsewhere.

The statutory requirement for publishing quarterly unaudited results in the newspaper creates particularly among the SME's the twin problems of exorbitant cost and timely non availability of space.

Publication in the website would be a better alternative and is in tune with the electronic age. The suggestion needs consideration by SEBI.

Further, the simplification of the guidelines in the sale of NRI or OCB shares also requires serious consideration in the interest of attracting more transactions.

#### **AUDITED RESULTS AND DIVIDEND**

Fellow Shareholders are requested to refer the website of your Company, for the audited results. The Board has recommended a dividend of 100% for the year ended March 2007 subject to your approval.

Thank you,

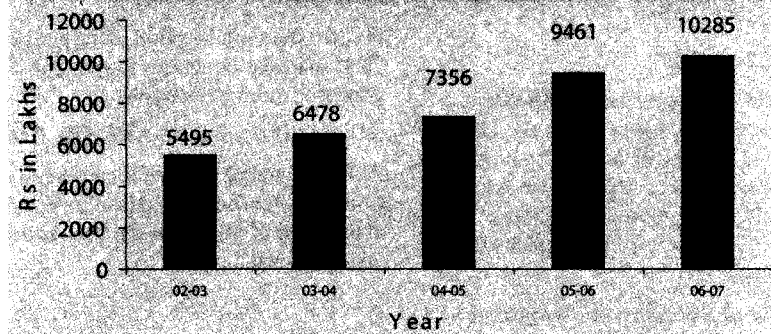
Dr C H Krishnamurthi Rao

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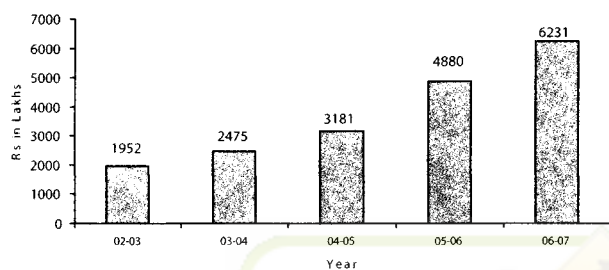


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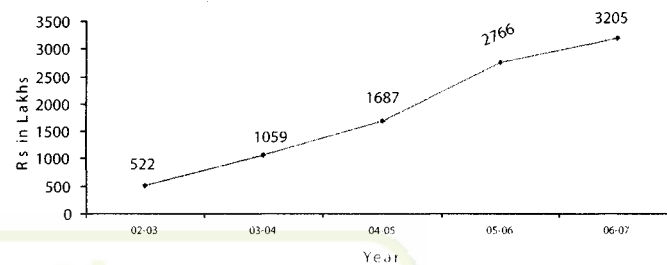
### Net Sales for last 5 years



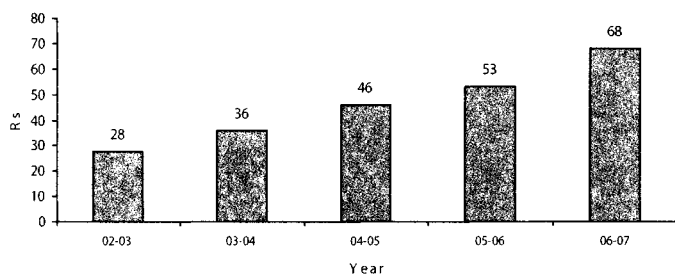
### Net Worth for last 5 Years



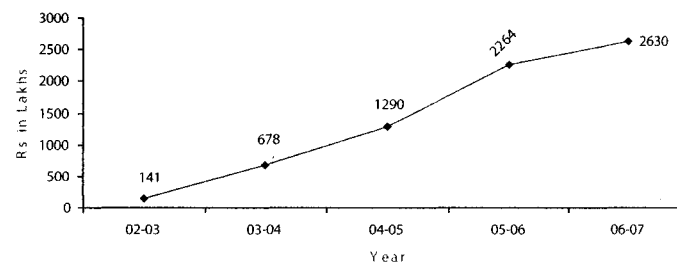
### Cash profit for last 5 years



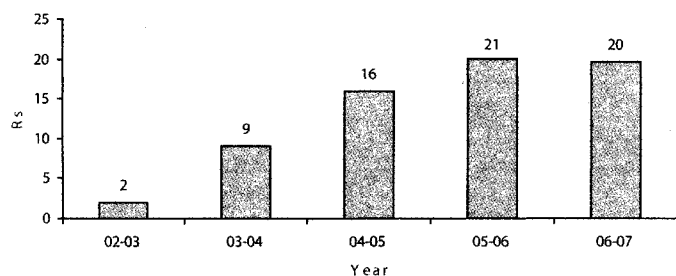
### Book Value of Equity share for last 5 years



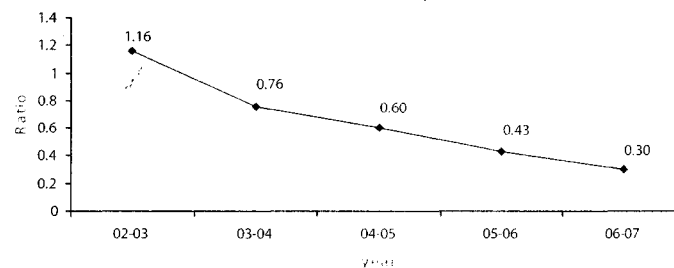
### Profit Before Tax for last 5 Years



### Earning Per Share for last 5 years



### Debt Equity ratio for last 5 years







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# CHEMFAB ALKALIS LIMITED

## KEY FINANCIALS AT A GLANCE

PARTICULARS	UNIT	31.03.07	31.03.06	31.03.05
PRODUCTION OF CSL	QTY/M.T	41,027	38,725	37,657
SALES OF CSL	QTY/M.T	39,315	37,200	36,358
NET SALES	Rs/LACS	10,285	9,461	7,356
INTEREST PAID	Rs/LACS	164	219	285
NET PROFIT BEFORE TAX	Rs/LACS	2,630	2,264	1,290
DIVIDEND	%	100	100	100
RESERVES AND SURPLUS	Rs/LACS	5,773	4,422	2,834
NET WORTH	Rs/LACS	6,231	4,880	3,181
<b>KEY RATIOS:</b>				
GROSS PROFIT RATIO	%	33	32	27
NET PROFIT RATIO	%	26	18	15
RECEIVABLE TURNOVER RATIO	DAYS	31	26	24
DEBT EQUITY RATIO	TIMES	0.30	0.43	0.60
D.S.C.R	TIMES	3.46	1.87	2.39
E.P.S	Rs	19.69	20.56	15.82
BOOK VALUE PER SHARE	Rs	68	53	46

**GENERAL NOTE :**

# RESERVES INCLUDES DEFFERED TAX LIABILITY



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## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Fourth Annual Report together with the Audited Statements of Accounts for the year ended 31st March, 2007

### FINANCIAL RESULTS

Particulars	Current Year 31/03/2007 Rs/lakhs	Previous Year 31/03/2006 Rs/lakhs
Profit before Interest and Depreciation	3,369	2,985
LESS: Interest	164	219
Profit Before Depreciation	3,205	2,766
Less: Provision for Depreciation	575	502
NET PROFIT/[Loss]	2,630	2,264
ADD : Profits / [Loss] from earlier years	1,375	601
Total funds available for appropriation	4,005	2,865
Less: Transfer to General Reserve	180	143
Taxation	755	605
Dividend [including tax on dividend]	523	494
Deferred Tax Liability	109	232
Debit Balance in Profit & Loss Account on Amalgamation	-	16
Balance carried forward	2,438	1,375

### OPERATIONS

1. During the year under review the production of Caustic Soda lye was higher at 41,027 MT as against 38,725 MT in the previous year and the profit was Rs.2,630 lakhs as against Rs. 2,264 lakhs in the previous year before tax.
2. The Chlorates Division's performance was also satisfactory.
3. The Salt Division had a production of 81,267 MT of Industrial Grade Salt during the last season.
4. The Health Products Division has three outlets in Chennai and its is expected to have more outlets in the coming years.

### DIVIDEND

The Directors have already declared an Interim Dividend of 100% for year 2006-2007, absorbing a sum of Rs.4,58,58,485/-, which has been paid to all the Shareholders of the Company as on the Record Date March 21, 2007.

The Directors recommend the same for the approval of Shareholders at the ensuing Annual General Meeting.

### Dividend on

91,71,697 Equity Shares of

Rs.5/- each at 100%

Rs.4,58,58,485/-

### FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings : Rs.1,12,04,874/-

Outgo : Rs.5,01,19,015/-