



# *Chemfab Alkalies Limited*

## **BOARD OF DIRECTORS**

Dr C H Krishnamurthi Rao - Chairman  
Mr Suresh Rao - Vice Chairman  
Mr C S Ramesh  
Mr T Ramabadhran  
Mr Umaid Singh Baid  
Mr J Venkataraman

## **VICE PRESIDENT - FINANCE**

Mr Nitin S Cowlagi

## **AUDITORS**

M/s Deloitte Haskins & Sells  
ASV N Ramana Tower, 52, Venkatnarayana Road, T.Nagar, Chennai 600 017

## **BANKERS TO THE COMPANY**

State Bank of India  
The Lakshmi Vilas Bank Limited  
AXIS Bank Limited  
Bank of Baroda

## **REGISTERED OFFICE AND FACTORY**

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

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

### **Chlorates Division :**

Abishekapakkam, Poornakuppam Post, Puducherry 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@draholdings.com

### **Chennai Marketing Office**

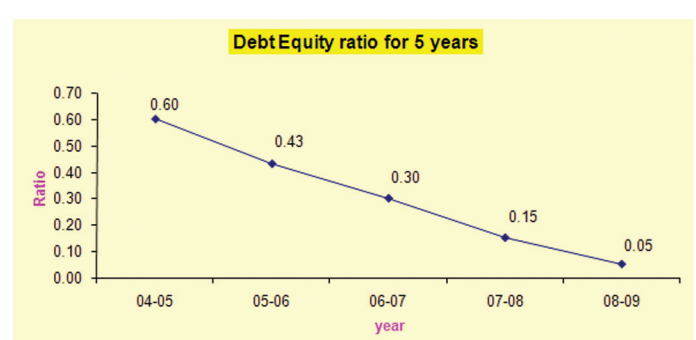
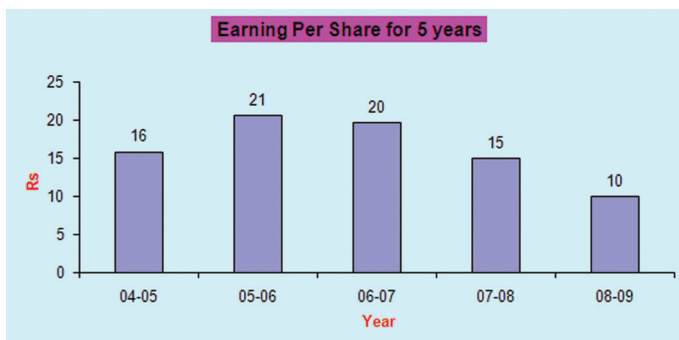
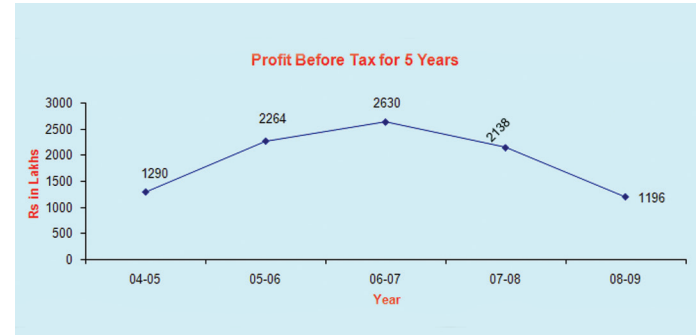
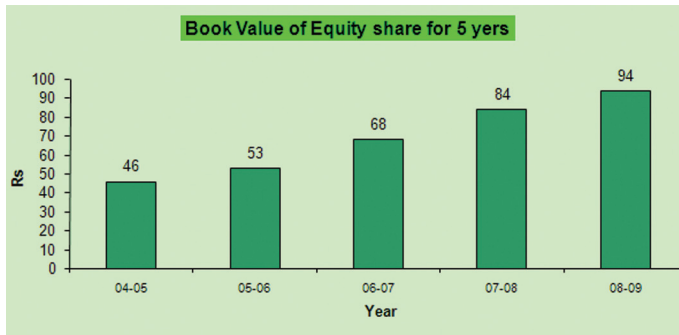
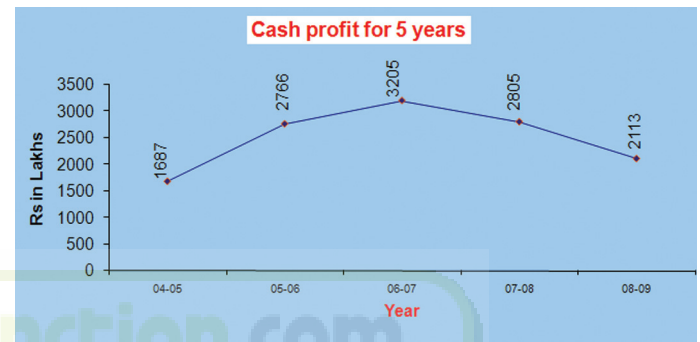
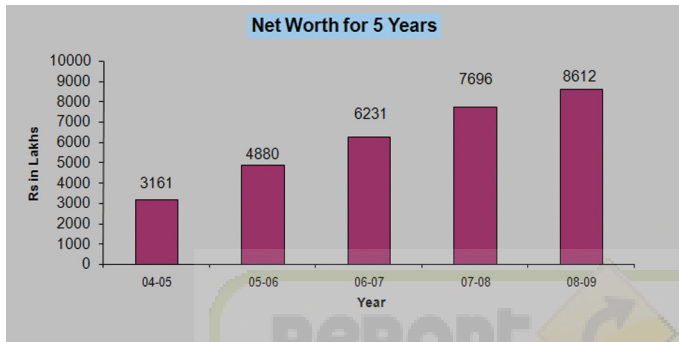
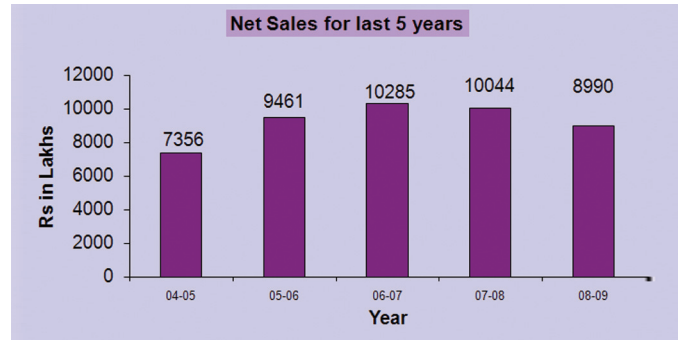
1st Floor, Majestic Towers, Old No.1-A, HD Raja Street, New No.101 Eldams Road, Chennai 600 018  
Phone : 0091-44-52031444, Fax : 0091-44 24347959  
Email: chemfabmktg@draholdings.com

### **Membrane Hitec Division**

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



# CHEMFAB ALKALIS LIMITED

## KEY FINANCIALS AT A GLANCE

PARTICULARS	UNIT	31.03.09	31.03.08	31.03.07
PRODUCTION OF CSL	QTY/M.T	30,694	37,668	41,027
SALES OF CSL	QTY/M.T	29,003	36,792	39,315
NET SALES	Rs/LACS	8,990	10,044	10,285
INTEREST PAID	Rs/LACS	88	135	164
NET PROFIT BEFORE TAX	Rs/LACS	1,196	2,139	2,630
DIVIDEND	%	0	0	100
RESERVES AND SURPLUS	Rs/LACS	8,153	7,237	5,773
NET WORTH	Rs/LACS	8,612	7,696	6,231
<b>KEY RATIOS:</b>				
GROSS PROFIT RATIO	%	24	29	33
NET PROFIT RATIO	%	13	21	26
RECEIVABLE TURNOVER RATIO	DAYS	31	28	31
DEBT EQUITY RATIO	TIMES	0.05	0.15	0.30
D.S.C.R	TIMES	2.44	2.51	3.46
E.P.S	Rs	9.97	15.96	19.69
BOOK VALUE PER SHARE	Rs	93.89	83.90	68

### GENERAL NOTE :

RESERVES INCLUDES DEFFERED TAX LIABILITY



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Sixth Annual Report, together with the Audited Statements of Accounts for the year ended 31st March, 2009.

### FINANCIAL RESULTS

Particulars	Current Year 31-03-2009 Rs. in lakhs	Previous Year 31-03-2008 Rs. in lakhs
Profit before Interest and Depreciation	2,201	2,940
Less: Interest	88	135
Profit Before Depreciation	2,113	2,805
Less: Provision for Depreciation	917	667
Net Profits before Tax	1,196	2,138
Add : Profits from earlier years	3,843	2,438
Total funds available for appropriation	5,039	4,576
Taxation	280	674
Deferred Tax Liability	132	59
Net Profits after Tax	784	1,405
Balance carried forward	4,627	3,843

### OPERATIONS

The operations of the Company were adversely affected by the general shortfall in the supply of power. Consequently, since May, 2008, the Electricity Department has been imposing restrictions on the usage of power and therefore, the Company has been forced to operate the Plant at a lower load, leading to a lower production, resulting in lower profitability. Added problem is the unannounced power cuts without notice.

The Chlorates Division's performance was also adversely affected by the shortage of power as well as the labour problems.

The Salt Division had a production of 43818 MT of Industrial Grade Salt during the last season and loss of production due to flood was 11771 MT.

The performance of the Membrane Hitec Division is satisfactory.

The performance of the Health Products Division is yet to stabilize at the desired level and efforts are continuing towards improving the performance of the Division.

### DIVIDEND

Keeping in mind the high cost of the Bank funds, credit crunch, global recession, lower profitability due to power shortage and the consequent need to conserve the liquid funds of the Company, the Directors have decided not to recommend any Dividend for the year ended 31st March, 2009.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings : Rs. 85,47,531/-

Outgo : Rs. 78,82,306/-

### POWER AND FUEL CONSUMPTION

PARTICULARS		CURRENT YEAR 31ST MARCH, 2009	PREVIOUS YEAR 31ST MARCH, 2008
ALKALI PRODUCTS	I. ELECTRICITY		
	PURCHASED:		
	- UNITS	8,63,78,050	10,29,45,150
	- TOTAL AMOUNT / Rs. in Lakhs	2,656	3,119
	RATE PER UNIT [GROSS] Rs.	3/-	3/-
	CONSUMPTION PER TONNE OF ELECTROCHEMICAL PRODUCTION - KWH/AC	2,814	2,733
	II. FURNACE OIL		
	[a] PURCHASED:		
	- Quantity [KL]	508	412
	- Total Amount / Rs.in Lakhs	117	83
	- Average Rate per KL / Rs.	23,084	20,022
	[b] CONSUMPTION:		
	- Furnace Oil [KL]	498	423
	- Amount / Rs.in Lakhs	116	84
	- Amount per KL / Rs.	23,316	19,783
CHLORATES	I. ELECTRICITY		
	PURCHASED:		
	- Units	87,54,286	1,00,34,018
	- Total Amount / Rs.in Lakhs	260	297
	Rate / Unit [Gross] Rs.	2.97	2.96
	Consumption per Tonne of Sodium Chlorate Production KWH/AC	5,998	5,988
	II. HUSK		
	[a] PURCHASED:		
	- Quantity [MT]	1,411	1,336
	- Total Amount / Rs.in Lakhs	29	27
	Average rate per MT/ Rs.	2,085	2,035
	[b] CONSUMPTION:		
	- Husk [MT]	1,401	1,346
	- Amount / Rs.in Lakhs	29	27
	- Amount per MT / Rs.	2,084	2,018



#### **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.

1. Dr.C.H.Krishnamurthi Rao
2. Mr.T.Ramabadhran

Your Directors co-opted Mr.J.Venkataraman as an Additional Director on the 1st October, 2008. Under the provisions of Section 260 of the Companies Act, 1956, Mr.J.Venkataraman would vacate his Office at the ensuing Annual General Meeting. However, a Notice under Section 257 of the Companies Act, 1956 has been received from a Member signifying his intention to propose the appointment of Mr. J.Venkataraman as a Director of the Company at the Annual General Meeting.

#### **AUDITORS**

The present Auditors of the Company, M/s Deloitte Haskins & Sells, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

#### **COST AUDITOR**

The Company has re-appointed Mr.V.Kalyanaraman, Cost Accountant, as the Cost Auditor of the Company for the year 2009-2010, subject to the approval of the Central Government.

#### **PARTICULARS OF EMPLOYEES**

The Company has no employees, attracting the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 [2AA] of the Companies Act, 1956, the Board of Directors hereby confirm -

- (i) that the Annual Accounts had been prepared in line with the accounting standards and proper explanations have been given wherever there has been material departures.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the Financial Year and of the Profit of the Company for the year.
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Directors had prepared the Annual Accounts on a going concern basis.

#### **RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND CONSERVATION OF ENERGY**

The Company has an in-house Research and Development Department, where the main areas of focus are, Energy Conservation, Process Upgradation and Environmental Preservation. The recognition of the Company's in-house R & D facilities by the Ministry of Science and Technology, Department of Scientific and Industrial Research, Government of India, is valid up to 31.03.2010.

The Membrane Hitec Division is carrying out the research activities to provide innovative and eco-friendly solutions to industrial and domestic customers' requirements of water and effluent treatment. The Ministry of Science and Technology, Department of Scientific and Industrial Research, Government of India, has already recognized the in-house R & D of this Division. The application to recognize the R & D beyond 31.03.2009, has already been made to the Ministry.

#### **CORPORATE GOVERNANCE**

The Company has been scrupulously following the Corporate Governance norms prescribed by the Securities and Exchange Board of India [SEBI]. The Report on the status of the Compliance of Corporate Governance Guidelines of SEBI, is enclosed as an Annexure to this Report.

#### **SECRETARIAL COMPLIANCE CERTIFICATE**

Consequent upon the issue of a recent Notification by the Ministry of Corporate Affairs, all companies with a paid-up capital Rs.2 Crores and above, but less than Rs.5 Crores, which do not have a Company Secretary, are required to have a Secretarial Audit conducted by a Practising Company Secretary and obtain a Compliance Certificate and file it with the Registrar of Companies. Accordingly, a Secretarial Audit has been conducted by a Practising Company Secretary, whose Compliance Certificate is attached to this Report.

#### **INDUSTRIAL RELATIONS**

During the year under review, the Charter of Demands of the workmen at the Chlor Alkali Division, was amicably settled.

The settlement of the demands of the workers at the Chlorates Division is expected to be completed in due course.

For and on behalf of the Board of Directors

**SURESH RAO**  
DIRECTOR

**C S RAMESH**  
DIRECTOR

Place : Chennai  
Date : April 2, 2009



**K.Rajagopalan**  
Company Secretary  
FCS No.1622  
CP No.3812

Plot No.2,  
Shah Avenue Extension I  
Rajakilpakkam,  
Chennai - 600 073

Registration Number  
of the Company : 59-224 (CIN L24297PY1983PLC000224)  
Nominal Capital : Rs.21,14,00,000  
Paid up Capital : Rs. 4,58,58,485

#### COMPLIANCE CERTIFICATE

To  
The Members of  
Chemfab Alkalies Limited  
Puducherry - 605 014

I have examined the Registers, Records, Books and Papers of Chemfab Alkalies Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the Financial Year ended on 31st March, 2009.

In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its Officers and Agents, I certify that in respect of and during the aforesaid Financial Year:

1. The Company has kept and maintained all Registers as stated in Annexure 'A' to this Certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the Forms and Returns as stated in Annexure 'B' to this Certificate, with the Registrar of Companies, as prescribed under the Act and the Rules made thereunder.
3. The Company, being a Public Company, has the minimum prescribed Paid-up Capital.
4. The Board of Directors duly met 4 (Four) times on 03.04.2008, 07.07.2008, 01.10.2008 and 05.01.2009 in respect of which Meetings, proper notices were given and the proceedings were properly recorded and signed, including the three Circular Resolutions passed on 10.12.2008 (2) and 14.03.2009 (1), in the Minutes Book maintained for the purpose.
5. The Company closed its Register of Members from 26.04.2008 to 30.04.2008, both days inclusive and necessary compliance of Section 154 of the Act has been made.
6. The Annual General Meeting for the Financial Year ended on 31.03.2008 was held on 30.04.2008, after giving due notice to the Members of the Company and the Resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extraordinary General Meeting was held.
8. The Company has not advanced any loan(s) to its Directors and/or persons or firms or companies referred to in the Section 295 of the Act.
9. The Company has not entered into any contract pursuant to the provisions of Section 297 of the Act.
10. The Company has made the necessary entries in the Register maintained under Section 301 of the Act, in respect of the transactions attracting the provisions of Section 299 of the Act.
11. The Company did not make any appointments that would attract the provisions of Section 314 of the Act.
12. The duly constituted Committee of the Board of Directors has approved the issue of duplicate Share Certificates.
13. The Company has:
  - i. delivered all the Certificates on lodgement thereof for transfer/transmission in accordance with the provisions of the Act. There was no allotment of Shares.
  - ii. not declared any Dividend
  - iii. no unpaid/unclaimed dividend, application money due for refund, matured deposits and matured debentures in its Books of Accounts, that are required to be transferred to the Investor Education and Protection Fund;
  - iv. duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment of Directors, including an Additional Director, has been duly made.
15. The Company is a Board Managed Company and has no Managing Director or Wholtime Director or Manager.
16. The Company has not appointed any Sole-selling Agent.
17. The Company has obtained the necessary approvals under the various provisions of the Act, as detailed below:-
  - a. Approval from the Central Government under Section 211(4) of the Act, in respect of the non-disclosure of quantitative details in the Accounts.
  - b. Approval from the Central Government under Section 233B of the Act, in respect of the appointment of the Cost Auditor.
18. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
19. The Company has not issued any shares/debentures/other securities.





20. The Company has not bought back any shares.
21. The Company has not issued any Preference Shares or Debentures and hence the question of redeeming them does not arise.
22. There was no need for the Company to keep in abeyance the rights to Dividend, Rights Shares and Bonus Shares pending registration of transfer of shares.
23. The Company has not invited/accepted any Fixed Deposits under the provisions of Sections 58A read with the Companies (Acceptance of Deposits) Rules, 1975.
24. The amounts borrowed by the Company from Banks and others during the Financial Year ended 31st March, 2009, are within the borrowing limits of the Company and that necessary Resolution as per section 293(1)(d) of the Act has been passed in a duly convened General Meeting.
25. The Company has not made any fresh Investment/Loan or given any Guarantee.
26. The Company has not altered the provisions of the Memorandum with respect to the situation of its Registered Office from one state to another.
27. The Company has not altered the provisions of the Memorandum with respect to its Objects.
28. The Company has not altered the provisions of the Memorandum with respect to its Name.
29. The Company has not altered the provisions of the Memorandum with respect to its Share Capital.
30. The Company has not altered its Articles of Association.
31. No prosecution has been initiated against the Company. The Company and its Directors received three Show Cause Notices dated 30.06.2008 (2) and 21.10.2008 (1), seeking clarifications on certain alleged procedural violations, following a routine inspection conducted by the Office of Registrar of Companies, Puducherry. The Company duly replied to all the Show Cause Notices and the explanations/clarifications/request of the Company were accepted and all further proceedings have been dropped by the Department of Corporate Affairs.
32. The Company has not received any security deposit from its employees that would attract the provisions of Section 417(1) of the Act.

33. Section 418 of the Act, with regard to the remittance of Provident Fund contribution, is not applicable to the Company.

Signature : Sd/-

Name of the Company Secretary : K.Rajagopalan

Place : Chennai

Date : April 2, 2009.

#### Annexure A

Registers as maintained by the Company

1. Register of Members under Section 150 of the Act.
2. Register of Directors, etc. under Section 303 of the Act.
3. Register of Directors' Shareholdings under Section 307 of the Act.
4. Minutes Book of the Board Meetings under Section 193 of the Act.
5. Minutes Book of the General Meetings under Section 193 of the Act.
6. Register of Contracts under Section 301 of the Act.
7. Register of Charges under Section 143 of the Act.
8. Register of Investments, Loans and Guarantees under Section 372A of the Act.
9. Register of Share Transfer/Transmission.
10. Register of Duplicate Share Certificates.
11. Register of Investments not held in the name of the Company under Section 49 of the Act.

Signature : Sd/-

Name of the Company Secretary : K.Rajagopalan

Place : Chennai

Date : April 2, 2009.





#### ANNEXURE - B

Forms and Returns as filed by the Company with the Registrar of Companies during the Financial Year ended on 31st March, 2009

1. Form 1AA filed on 09.04.2008 under Section 5 of the Act. No Delay
2. Return in Form 32 filed on 10.04.2008 under Section 303 of the Act. No Delay.
3. Return in Form 32 filed on 28.04.2008 under Section 303 of the Act. No Delay.
4. Return in Form 32 filed on 02.05.2008 under Section 303 of the Act. No Delay.
5. Balance Sheet and Profit and Loss Account in respect of the Financial year 2007-08 - Forms 23AC and 23ACA uploaded on 09.05.2008 under Section 220 of the Act. No delay.
6. Annual Return made up to 30.04.2008 - Form 20B uploaded on 30.06.2008 under Section 159 of the Act. No delay.
7. Return in Form 32 filed on 09.08.2008 under Section 303 of the Act. No Delay.
8. Return in Form No.8, for modification of a Charge - Registered on 17.09.2008 under Section 135 of the Act. No Delay.

9. Return in Form 32 filed on 13.10.2008 under Section 303 of the Act. No Delay.
10. Return in Form 21 - uploaded on 22.01.2009 under Section 394(1) of the Act. No delay.
11. E Form 61 - Uploaded on 20.03.2009 under Section 192A of the Act read with the relevant Rules.

Forms and Returns as filed by the Company with the Regional Director, Central Government, Company Law Board, or such other authorities during the Financial Year ended 31st March, 2009.

1. Form 23C filed on 03.05.2008 under Section 233B of the Act. No Delay
2. Form 23AAA filed on 20.11.2008 under Section 211(4) of the Act. No Delay

Signature : Sd/-  
Name of the Company Secretary : K.Rajagopalan

Place : Chennai  
Date : April 2, 2009.



## MANAGEMENT ANALYSIS AND DISCUSSION REPORT

### Chlor Alkali Division

#### Industry Structure

The Chlor Alkali Division, belonging to the basic Heavy Chemical Industry, is engaged in the manufacture of Caustic Soda, Chlorine, Hydrogen, Sodium Hypo Chlorate and Hydro Chloric Acid. These products are used in a variety of industries like Aluminium, Textiles, Paper, Soaps, PVC, Water Treatment, Vanaspathi, etc. Being some of the key ingredients for the manufacturing sector, the demand growth of the product is directly linked to the growth in the GDP. The first half of the financial year was quite good for the industry with good demand growth and good realisation on product prices. However, with the slowdown in the economy in the second half, there has been a contraction in the overall demand resulting in lower capacity utilisation in the industry.

#### Opportunities and threats

During the first six months of the year 2008-09, the market was steady and realizations from the sale of Caustic Soda, were buoyant. However, during the second half of the year, owing to the economic slowdown, there was a demand contraction, especially in chlorine/chlorine derivatives, resulting in lower capacity utilisation in the Industry. Because of this, margins were under pressure in the case of Chlorine and Hydrochloric Acid. However, Caustic Soda prices were quite buoyant in line with international pricing trends.

While there was limited intent in creating fresh capacities, some of the ongoing capacity expansions/creations were commissioned during the year resulting in an increase of the overall capacity in the country from 2.68 million TPA in 2007-08 to about 2.80 million TPA in 2008-09.

These additional capacities were built over the last few years on the back of a buoyant demand growth across the spectrum of industries. However, the global slowdown and the consequent domestic demand slowdown had led to a demand/supply mismatch, which is likely to continue creating pricing/margin pressures, apart from restricting capacity utilisation levels. Chlorine surplus in the country will continue to impact capacity utilization levels of the Industry in the Financial Year 2009-10 as well.

During the Financial Year 2008-09, Caustic Soda Lye prices for Indian shores, went up sharply from USD 340-380/MT CIF to USD 500/MT CIF. However, prices were trending back towards USD 340-380/MT CIF in the last quarter of the Financial Year 2008-09. It is expected that for the Financial Year 2009-10, Caustic Soda Lye prices will tend to be lower because of the falling demand in major consuming segments like Alumina and Paper Pulp, due to the global recession.

#### OUTLOOK :

In the backdrop of falling demand and global recession, the Financial Year 2009-10 is expected to be a challenging year. Product prices will be under pressure, impacting the operating margins.

However, your Company has taken proactive steps to face the challenge ahead and is confident of coming through with flying colours.

#### WATER DIVISION:

Water business in the country continues to grow at 10-12% p.a.

Your Company has taken some strategic decisions during the year towards improving the overall profitability of this business and fueling faster growth. Your Company would like to increase its focus in this business, grow faster and also add additional products in future

#### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has well defined and adequate internal controls and procedures, commensurate with its size and nature of its operations. This is further strengthened by the Internal Audit done concurrently.

The Company has also an Audit Committee, comprising Non Executive Directors, to monitor the functioning.

In addition, your Company has introduced ISO 14001 and OSHAS 18001 systems to take care of critical operational areas. Your company also utilizes the services of other professional bodies like Central Leather Research Institute (CLRI) / Tata Energy Research Institute (TERI) / National Environmental Engineering Research Institute (NEERI) and other professional consultants to continuously analyse and upgrade the operations.

#### MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PERSONS EMPLOYED.

During the year under review, the Charter of Demands, of the workmen at the Chlor Alkali division, was amicably settled.

The settlement of the demands of the workers at the Chlorates Division is expected to be completed in due course.

The Company has given direct employment to 235 persons and indirect employment to 726 persons.

#### CAUTIONARY STATEMENT

The Statement in this Report on Management Discussion and Analysis, describing the Company's views may be a forward looking statement within the meaning of the applicable security regulations and laws. These assumptions are based on certain expectations on demand, imports, availability of power rates etc, and any change in Government laws and the economic situation in the country may mark a difference to the Company's operations.

The Company assumes no responsibility in respect of the forward looking statements herein, which may undergo changes in future for reasons beyond the control of the Company.

For and on behalf of the Board of Directors  
Place: Chennai C S RAMESH  
Date : April 2, 2009 DIRECTOR