



Chemfab Alkalies Limited

DIRECTORS

Shri Suresh Krishnamurthi Rao
Shri C.S. Ramesh
Shri T. Ramabadrar
Shri J. Venkataraman
Shri N. Ganga Ram

Chairman
Director
Independent Director
Independent Director
Independent Director

VICE PRESIDENT – FINANCE

Shri Nitin. S. Cowlagi

COMPANY SECRETARY

Shri K. Mohamed Ibrahim

AUDITORS

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

BANKER TO THE COMPANY

State Bank of India,
Industrial Finance Branch,
Anna Salai, Chennai - 600 002

REGISTERED OFFICE

"TEAM House", GST Salai, Vandalur, Chennai - 600 048
Phone : +91-44-22750323/24, Fax : +91-44-22750860
Email : chemfabalkalis@drroaholdings.com
Website: www.chemfabalkalis.com
CIN NO:L24297TN1983PLC072409

FACTORY

Chlor-Alkali Division
'Gnanananda Place', Kalapet, Puducherry - 605 014
Phone : +91-413-2655111, Fax : +91-413-2655125
Email : chemfabalkalis@drroaholdings.com
Website: www.chemfabalkalis.com

SALT DIVISION

Kanthadu Village, Tindivanam Taluk, Villupuram District

MARKETING OFFICE

1st Floor, Majestic Towers, Old No.1-A, New No.101,
HD Raja Street, Eldams Road, Chennai - 600 018
Phone : +91-44-42031444, Fax : +91-44-24347959
Email : chemfabmktg@drroaholdings.com
Website: www.chemfabalkalis.com

Dr. RAO HOLDINGS PTE LTD.

31, Cantonment Road, Singapore - 089 747
Email : chkr@drroaholdings.com



Chemfab Alkalies Limited

CHAIRMAN'S STATEMENT - 2013 - 14

Dear Shareholders,

I have great pleasure in welcoming you to the 31st Annual General Meeting of your Company.

I am sure you share my sense of satisfaction that your Company has completed twenty nine years of its successful business operations.

I am pleased to highlight your Company's performance during last fiscal year:

COMPANY'S PERFORMANCE

The overall profitability, has declined from Rs. 23.48 Crores during the last year to Rs.16.45 Crores, this year. This is mainly due to the steep increase in the power rates and the Fuel Price and Power Purchase Cost Adjustment (FPPCA) demand. However, the silver lining is that, though initially there was a downward trend, the realisation levels have remained stable coupled with other costs which remained under control, helped arrest further decline in the profitability.

CHALLENGES IN THE ENSUING YEAR

Modernization

As you are kindly aware, your Company has already taken proactive steps to replace the existing CEC monopolar electrolyzers with the latest CEC bipolar BiTAC[®] technology, including electrical installations and other critical equipment that are due for replacement. Upon receiving the pending local Government clearances which are expected shortly, your Company will complete the proposed modernization.

Expansion

An appeal has also been filed with the National Green Tribunal for legal remedy towards the granting of NOC for the proposed Expansion of Capacity, and we hope for positive directions from the Honourable Bench shortly.

Power Tariff

As highlighted above, the power tariff has seen a steep increase of about 35%. Further, we also received a FPPCA demand this February for quarters Q1 and Q2. This demand was for Rs.176 lakhs and after including the provision for quarters Q3 and Q4, the total demand works out to Rs.329 lakhs.

FUTURE OUTLOOK

I look ahead with guarded optimism. Your Company has taken proactive steps to replace certain old equipment, which upon completion, will result in better operational efficiencies and most importantly, reduction in consumption of power.

Other measures, such as sourcing of alternative cheaper power, optimum production of Salt at our Salt fields, thereby reducing the dependence on outside procurement, are in progress. Upon implementation, these will certainly result in achieving better operational efficiencies.

With all these measures, we are confident that your Company will be able to sustain the operations and emerge with good results in the years to come.

MILESTONE IN SAFETY AND POLLUTION ABATEMENT

Since the inception, your Company is committed to carry on its operations with utmost safety, coupled with the objective of conserving the natural resources and saving energy. In line with this philosophy, a number of measures have been undertaken during the year. Some of them are:

Carbon footprint

Carbon footprint report has been prepared by The Energy and Resources Institute, Bangalore (TERI). This report is first of its kind in the Chlor-alkali sector in India, and serves as a benchmark for other chlor-alkali units in India. Your Company is taking initiative for reduction of the carbon footprint through energy conservation and increasing the carbon sink.

Further an energy audit was carried out by TERI. The energy audit was performed as per the guidelines and tools of Bureau of Energy Efficiency (BEE). The energy audit served as a basis for the reduction of the carbon footprint of the Company.

Keeping in line with Global initiatives on Corporate citizenship, Social responsibility, Climate change or green movement, your Company proposes to prepare a Sustainability Report which will help to measure, understand and communicate the economic, environmental, social and governance performance. Hence, the Sustainability report will be a vital resource for managing change towards a sustainable global economy. Your Company is also taking steps to study the carbon sink which would highlight the initiative taken, towards sequestration of GHG emissions.

Water Recycling

With an objective to maintain the lowest specific water consumption in the Chlor-alkali sector, an attempt has been made for an effective utilization of water in the process. A Reverse Osmosis system was designed to process high TDS water and waste-water for extraction of good water for process use, which would result in reduced raw water consumption thereby lowering the specific water consumption.

SUSTAINED IMPROVEMENT AND INNOVATION FOR CONTINUOUS EXCELLENCE

1. We believe sustained improvement and innovation are key to success for any organisation. Internally, over the past years, we have been streamlining and re-engineering our processes and in line with this we have initiated the process of implementing Process Safety Management (PSM).
2. Your Company continues to acquire Salt lands in South Tamil Nadu, for the production of Industrial grade Salt. This will help to reduce the dependence on outsourced salt.

ACCOLADES

Further, during the year, your Company has won the following awards:

From the Indian Chemical Council, Mumbai - Certificate of Merit - 2012 "for Water Resource Management in Chemical Industry".

From Greentech Foundation, New Delhi – Silver Award in Chemical sector "for outstanding achievement in Environment Management".

DIVIDEND

Considering all the above aspects, your Directors have recommended the payment of a dividend of 25 % for this year.

ACKNOWLEDGEMENT

We value the importance of our relationships and will continue to remain fair and true in all our dealings with all stakeholders.

I thank all the shareholders of the Company for the confidence they have reposed on us.

Glad to inform you that over the years, we have maintained healthy relations with our business and trade partners, whilst fostering positive industrial relations throughout the Company.

While concluding, on behalf of your Board of Directors, I would like to extend our sincere gratitude to all our stakeholders including our customers and our business partners for their belief in us and in our products. We also thank the various Central and State Government (UT) bodies, banks, auditors, vendors, dealers and other institutions for their valuable support.

Our human capital is the most valued asset. On all our behalf, I thank our CALmates for their commitment and contribution.

I express my sincere gratitude to my Directors on the board for their valuable guidance and contribution.

Thank you all for attending this meeting, Ladies and Gentlemen.

Place: Chennai

Date : 11th April 2014

Suresh Krishnamurthi Rao
Chairman



Chemfab Alkalies Limited

Sl. No.	Contents	Page No.
1.	Notice of the Annual General Meeting	8
2.	Directors' Report	10
3.	Secretarial Compliance Certificate	12
4.	Management Discussion and Analysis	14
5.	Statement of General Business Principles	15
6.	Corporate Governance Report	16
7.	Auditors' Certificate on Corporate Governance	22
8.	Auditors' Report	22
9.	Balance Sheet	25
10.	Statement of Profit and Loss	26
11.	Notes to Accounts	28



CHEMFAB ALKALIS LIMITED

(Regd. Office: 'Team House', GST Salai, Vandalur, Chennai - 600 048)

CIN NO:L24297TN1983PLC072409

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of the Members of the Company will be held on Tuesday, the 10th June, 2014 at 10.30 AM at the Registered Office of the Company at 'Team House', GST Salai, Vandalur, Chennai – 600 048 to transact the following business:

ORDINARY BUSINESS

1. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution:

RESOLVED THAT the Audited Balance Sheet of the Company as at 31st March, 2014 and the Statement of Profit and Loss for the year ended on that date, together with the Reports of the Directors and the Auditors thereon, be and are hereby adopted.

2. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution:

RESOLVED THAT a Dividend at the rate of Rs.1.25 per Equity Share (25%) be and is hereby declared, on the fully paid-up Equity Shares of Rs.5/- each in the paid-up Capital of the Company, to those Shareholders whose names appeared on the Register of Members of the Company as on the date of the Book closure.

3. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution:

RESOLVED THAT Shri.J.Venkataraman be and is hereby appointed as a Director of the Company, liable to retire by rotation.

4. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution:

RESOLVED THAT Shri Suresh Krishnamurthi Rao be and is hereby appointed as a Director of the Company, liable to retire by rotation.

5. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution:

RESOLVED THAT in terms of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, the retiring Auditors, M/s Deloitte Haskins & Sells (Registration No.008072S) who were first appointed as Auditors of the Company for the year 2005-06, are hereby appointed as the Auditors of the Company for 2014-15, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be fixed by the Board of Directors.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution:

RESOLVED THAT the decision to pay a Remuneration of Rs.80,000/- to Mr.A.Madavan, the Cost Auditor of the Company for the year 2014-15, as recommended by the Audit Committee and approved by the Board of Directors, be and is hereby ratified.

By Order of the Board of Directors

Place: Chennai
Date: 3rd May, 2014

K.Mohamed Ibrahim
Company Secretary

Notes:

1. A MEMBER OF THE COMPANY, WHO IS ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. Instrument of Proxy, in order to be effective, must be received at the Company's Registered Office not less than forty-eight hours before the time fixed for holding the Annual General Meeting. A Form of Proxy is enclosed.
3. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to the Special Business is attached.
4. Pursuant to the provisions of Sections 107 and 108, read with the Companies (Management and Administration) Rules, 2014, the Company is pleased to offer the option of E-Voting facility to all the members of the Company. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating e-voting. The Members who wish to attend Annual General Meeting can vote at the Meeting. The Company has appointed Mr.A.Ragavan, Practising Company Secretary as Scrutinizer.

The procedure and instructions for e-voting are as under:

- i) Open your web browser during the voting period and log on to the e-voting website www.evotingindia.com.
- ii) Now click on "Shareholders" to cast your votes.
- iii) Now, select the Electronic Voting Sequence Number – "EVS" along with "CHEMFAB ALKALIS LIMITED" from the drop down menu and click on "SUBMIT"
- iv) Now, fill up the following details in the appropriate boxes:

User-ID	For Members holding shares in Demat Form:- a) For NSDL:- 8 Character DP ID followed by 8 digits Client ID b) For CDSL:- 16 digits beneficiary ID For Members holding shares in Physical Form:- • Folio Number registered with the Company
Password	Your Unique password is printed on the Attendance slip
PAN	Enter your 10 digit alpha-numeric PAN issued by the Income Tax Department

- v) After entering these details appropriately, click on "SUBMIT" tab.
- vi) Members holding shares in Physical form will then reach directly to the voting screen.
- vii) Members holding shares in Demat form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of atleast one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password is also to be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.



- viii) You can also update your mobile number and e-mail ID in the user profile details of the folio which may be used for sending communication(s) regarding CDSL e-voting system in future. The same may be used in case the Member forgets the password and the same needs to be reset.
- ix) If you are holding shares in Demat form and had logged on to www.evotingindia.com and casted your vote earlier for EVSN of any company, then your existing login id and password are to be used.
- x) For Members holding shares in physical form, the password and default number can be used only for e-voting on the resolutions contained in this Notice.
- xi) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Enter the number of shares (which represents number of votes) under YES/NO or alternatively you may partially enter any number in YES and partially in NO, but the total number in YES and NO taken together should not exceed your total shareholding.
- xii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- xiii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- xiv) Institutional members (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail at ragageetham@gmail.com with a copy marked to helpdesk.evoting@cdslindia.com.
- xv) In case you have any queries or issues regarding e-voting, please contact helpdesk.evoting@cdslindia.com.
- xvi) The e-voting period commences on 4th June, 2014 and ends on 6th June, 2014.
- 5. In terms of Article 33(f) of the Articles of Association of the Company, Shri J. Venkataraman and Shri Suresh Krishnamurthi Rao, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief resume of these Directors, nature of their expertise in specific functional areas and names of the Companies in which they hold directorship and membership of Board Committees as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Report on Corporate Governance forming part of the Annual Report.
- 6. Members are requested to produce the Attendance Slip, sent along with the Annual Report, duly signed as per the specimen signature recorded with the Company for admission to the Meeting.
- 7. Members, who hold shares in dematerialized form, are requested to bring their Client ID and DP ID Nos. for easier verification of attendance at the Meeting.
- 8. The Register of Members and the Share Transfer Books of the Company will remain closed from 2nd June, 2014 to 10th June, 2014 (both days inclusive).

- 9. If and when approved by the Shareholders, the dividend will be paid / warrant will be posted on 7th July, 2014.
- 10. Members holding shares in physical form are requested to intimate immediately, changes, if any, in their registered addresses, Bank Mandate and Status, quoting their Folio Numbers, to the Share Transfer Agents of the Company, M/s Cameo Corporate Services Limited, "Subramanian Building", No.1, Club House Road, Chennai – 600 002.
- 11. Members holding shares in physical form, in their own interest, are advised to dematerialize the shares to avail of the benefits of electronic holding/trading.
- 12. Members are requested to note that any dividend which remains uncashed for a period of seven years will get transferred to Investors Education and Protection Fund in terms of Section 205C of the Companies Act, 1956.
- 13. Members who have not encashed their dividend warrants in respect of Dividend declared for the year ended 31st March 2007 and for any financial year thereafter may contact the Company immediately for revalidation of their dividend warrants.

Explanatory Statement relating to the Special Business pursuant to Section 102 of the Companies Act, 2013

ITEM NO. 6

At the Board Meeting held on the 11th April, 2014, after considering the recommendation of the Audit Committee, the Directors have appointed Mr.A.Madhavan, Cost Accountant, as the Cost Auditor of the Company for the year 2014-15 on a remuneration of Rs.80,000. Pursuant to the provisions of Section 148 read with the Companies (Audit and Auditors) Rules, 2014, the aforesaid remuneration approved by the Board of Directors is required to be ratified by the Shareholders.

The Ordinary Resolution appearing in the Notice is sought to be passed for this purpose.

None of the Directors or the Key Managerial Personnel is interested or concerned in the passing of the Resolution.

By Order of the Board of Directors

Place: Chennai
Date : 3rd May, 2014

K.Mohamed Ibrahim
Company Secretary



DIRECTORS' REPORT

Your Directors are pleased to present the Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report for the financial year ended 31st March, 2014. The summarized financial results for the Financial Year are as under:

FINANCIAL RESULTS

Particulars	For the Year Ended	
	31 st March 2014 Rs. in lakhs	31 st March 2013 Rs. in lakhs
Profit before Interest and Depreciation	3,116	4,151
Less: Interest	14	0
Profit Before Depreciation	3,102	4,151
Less: Depreciation	627	668
Profit before Tax	2,475	3,483
Tax	736	1,212
Deferred Tax	94	-77
Net Profit For the Year	1,645	2,348
Balance brought forward from Previous Year	7,929	6,354
Balance available for Appropriation	9,574	8,702
Appropriations:		
Transferred to General Reserve	165	240
Interim Dividend Paid	0	459
Proposed Dividend	115	0
Dividend Tax	19	74
Balance carried to Balance Sheet	9,275	7,929

OPERATIONS

During the year under review, the Company achieved net sales of Rs.11,206/- Lakhs, as against Rs.11,524/- Lakhs in the previous year and made Profit Before Tax (PBT) of Rs.2,475/- Lakhs as against Rs.3,483/- Lakhs in the previous year. The fall in PBT was mainly due to the steep increase in the cost of power, coupled with the rise in the cost of other raw materials. The Company is taking all possible steps to control its manufacturing costs.

DIVIDEND

Your Directors recommend payment of Dividend of Rs.1.25 per share (25%) for the year ended 31st March, 2014, absorbing a sum of Rs.1,14,64,621/-, subject to the approval of the Members at the ensuing Annual General Meeting.

MODERNIZATION

The Company has taken up a Project for improving process technology and modernizing its Plant. A sum of Rs. 61,84,86,060/- net of Cenvat credit was incurred on the Project during the current Financial Year, out of which Rs. 5,40,12,393/- is capitalised and

Rs. 56,44,73,667/- is shown in the Balance Sheet as part of Capital Work in Progress. The completion and commissioning of the Project is pending subject to the requisite regulatory clearances.

EXPANSION

The Company had proposed expansion of its existing manufacturing capacity and in this connection has filed an appeal with the National Green Tribunal for grant of the necessary NOC. The directions from the Hon'ble Bench in this regard are awaited.

In the meantime, a Public Interest Litigation was initiated against the Company by the Puducherry Environment Protection Association (PEPA), a Non-Government Organization, before the National Green Tribunal (NGT), on the plea that the Company was carrying on its operations even after the expiry of the period of consent issued by the Puducherry Pollution Control Committee (PPCC). The PEPA obtained an *ex parte* Order from the NGT, restraining the Company from carrying on any construction activities and expansion of production capacity. In response, the Company objected to the baseless allegations, and placed all the attendant facts before the NGT, including the information that the Company had applied for the renewal of the consent order well in time and this application was under the active consideration of the PPCC. Therefore, the Company submitted to the NGT that the question of carrying on any activity without the Consent Order did not arise. Subsequently, upon the Company receiving the Consent Order from PPCC, the NGT was so informed and at the hearing held on the 2nd April, 2014, the *ex parte* Interim Stay was vacated.

FIXED DEPOSITS

During the year under review, the Company did not raise funds by way of fixed deposits from the public.

DIRECTORS

In accordance with Sections 255 and 256 of the Companies Act, 1956 and the Company's Articles of Association, the following Directors retire by rotation and, being eligible, offer themselves for re-appointment at the ensuing General Meeting.

1. Shri J. Venkataraman
2. Shri Suresh Krishnamurthi Rao

The details as required under Clause 49 of the Listing Agreement regarding the above Directors are set out in the Corporate Governance Report forming part of this Annual Report.

AUDITORS

The current Statutory Auditors of the Company, M/s Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting. They were first appointed as Statutory Auditors for the year 2005-06 and as such, the year ended 31st March, 2014 is their Ninth year as Auditors of the Company. Under the provisions of Section 139 of the Companies Act, 2013 and the Rules framed thereunder, which came into effect from 1st April, 2014, it is proposed to appoint M/s Deloitte Haskins & Sells as Auditors of the Company for one more year, that is, for the year ending 31st March, 2015. The consent of M/s Deloitte Haskins