



Chemplast Sanmar Limited.

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Chemplast Sanmar Limited



Notice of Annual General Meeting

The Fifteenth Annual General Meeting of Chemplast Sanmar Limited will be held on Monday, the 27th September 1999 at 11.00 A.M. at Sathguru Gnanananda Hall, Narada Gana Sabha Trust Complex, 254, T T K Road, Chennai 600 018 to transact the following business:

1. To receive, consider and adopt the Directors' Report, the audited Balance Sheet as at 31st March 1999, the Profit and Loss Account for the year ended 31st March 1999 and the Auditors' Report thereon.
2. To declare Preference dividend.
3. To declare Equity dividend.
4. To appoint a director in the place of Mr B Natraj, who retires at this meeting and is eligible for reappointment.
5. To appoint a director in the place of Mr V Narayanan, who retires at this meeting and is eligible for reappointment.
6. To appoint Auditors and to consider and, if thought fit, to pass the following resolution, with or without modification, as a Special Resolution :

"RESOLVED that Brahmayya & Co., Chartered Accountants, Chennai, be and are hereby appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors".

Notes:

- (a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of item No.6 of the notice is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. THE PROXY FORM DULY COMPLETED MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE COMMENCEMENT OF THE AFORESAID MEETING.
- (c) The Register of members of the Company will remain closed from Friday, the 24th September 1999 to Monday, the 27th September 1999, both days inclusive.
- (d) Members are requested to notify immediately any change in their address to the Company.
- (e) Pursuant to the provisions of Section 205-A of the Companies Act, 1956, unpaid final dividend 1995 has been transferred to the General Revenue Account of the Central Government. Members who have not encashed their final dividend warrants relating to 1995 may claim the same from the Registrar of Companies, Tamil Nadu, No.26, Haddows Road, Chennai 600 006, in the prescribed format which will be supplied by the Company, on request.

As a result of the amendments introduced through Sections 205A to 205C of the Companies Act, 1956, any money transferred to the unpaid dividend account which remains unpaid or unclaimed for a period of 7 years from the date of such transfer shall be transferred by the Company to a fund called "Investor Education and Protection Fund" to be set up by the Central Government. Accordingly, the unpaid/unclaimed dividends for the years 1996 onwards will become transferable at the end of seven years respectively, to the said Investor Education and Protection Fund and no claims shall lie against the fund or the Company in respect of individual amounts thereafter. Shareholders are, therefore, requested to send their claims, if any, for the relevant years from 1996 onwards before the respective amounts become due for transfer to the fund.

Registered Office :
8, Cathedral Road
Chennai 600 086
July 12, 1999

(By Order of the Board)
R. SUKUMARAN
Secretary

Chemplast Sanmar Limited

Explanatory Statement annexed to the Notice of the Fifteenth Annual General Meeting of the Company as required under Section 173 of the Companies Act, 1956.

Item No.6

Brahmayya & Co., Chartered Accountants, Chennai, the statutory auditors of the Company hold office till the conclusion of the 15th Annual General Meeting. Their remuneration for 1998-99 was Rs.5.78 lacs.

Since more than 25% of the subscribed share capital of the Company is held by public financial institutions, general insurance companies and nationalised banks, the appointment/reappointment of the auditors at the Annual General Meeting in terms of Section 224A of the Companies Act, 1956, requires the approval of the shareholders by a special resolution. Accordingly, a special resolution under item No.6 of the notice is placed before the shareholders for consideration and approval.

None of the Directors is interested in the resolution.

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(By Order of the Board)
R. SUKUMARAN
Secretary

Information Regarding Listed Securities as required under Clause 32 of the Listing Agreement

NAME AND ADDRESS OF THE STOCK EXCHANGES	DETAILS OF SECURITIES LISTED
1) Madras Stock Exchange Limited Exchange Building, 11 Second Line Beach, Chennai 600 001	Equity Shares
2) The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001	Equity Shares
3) The Delhi Stock Exchange Association Limited West Plaza, I.G. Stadium, Indraprastha Estate, New Delhi 110 002	Equity Shares
4) Vadodra Stock Exchange Limited Fortune Towers, Sayajigunj, Vadodra 390 005	Equity Shares
5) The Calcutta Stock Exchange Association Limited 7 Lyons Range, Calcutta 700 001	Equity Shares
6) National Stock Exchange of India Limited Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013	Equity Shares

The Listing Fees to these Stock Exchanges have been paid.

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Chemplast Sanmar Limited



BOARD OF DIRECTORS

Mr. N. SANKAR- Chairman
Mr. N. KUMAR - Mg Director,(Vice Chairman)
Mr. P.N. KAPADIA
Mr. M.K. KUMAR
Mr. V. NARAYANAN
Mr. B. NATRAJ
Mr. VIJAY SANKAR
Mr. D.M. SATWALEKAR
Mr. N. SRINIVASAN

CHAIRMAN - EMERITUS

Mr. K.S. NARAYANAN

EXECUTIVE DIRECTORS

Mr. P.S. JAYARAMAN (Finance)
Mr. K.N. RAMANATHAN (Projects)
Mr. S. SUBRAMANIAN (Chlorochemicals)

REGISTERED OFFICE

8, Cathedral Road
Chennai 600 086

MANUFACTURING LOCATIONS

Mettur Dam

PVC

Chlorochemicals:

Caustic Soda, Chlorine,
Chlorinated Solvents,
Refrigerant Gases and
Silicon Wafers

Krishnagiri & Panruti

Industrial Alcohol

Vedaranyam

Industrial Salt

BANKERS

Indian Overseas Bank
State Bank of India
ANZ Grindlays Bank
Bank of America

AUDITORS

Brahmayya & Co.
Chartered Accountants
Chennai



Directors' Report

The Directors have pleasure in presenting their report along with the accounts for the year ended 31st March, 1999.

Corporate Restructuring

The Directors are pleased to report that the Scheme of Arrangement effective 1st April, 1998 as approved by the shareholders has been sanctioned by the Honourable Madras High Court by its order dated 18th June, 1999. Pursuant to this, the company's Shipping Undertaking has been vested with Sanmar Shipping Limited, and its operations will be focussed purely on chemicals, with one division manufacturing PVC, and another the remaining Chlorochemicals — Caustic Soda, Chlorine, Solvents, Refrigerant Gases and Silicon Wafers. Apart from the residual investments in Sanmar Shipping Limited, the company holds investments only in its Fumed Silica joint venture — Cabot Sanmar Limited, and a small holding in JT Mobiles Limited. The focussed attention on the Chlorochemicals business is expected to yield good results in future.

Corporate Results

	1998-99 Rs. Crores	1997-98 Rs. Crores
Sales, freight earnings and other income	460.96	464.02 **
Profit before interest, depreciation and taxes	92.94	110.23
Interest	42.75	61.77
Depreciation	18.71	44.10
Profit before tax	31.48	4.36
Provision for tax	(3.10)	(0.47)
Profit after tax	28.38	3.89

** of which continuing operations accounted for Rs.352.45 crores.

Sales, freight earnings and other income at Rs.460.96 crores registered an increase of 31% over the comparable continuing operations of the previous year. Profit before tax at Rs.31.48 crores was significantly higher than the figure of Rs.4.36 crores in the previous year.

After the reversal in 1997-98, the performance of the company showed a significant upswing in the year under review. Against the backdrop of the general slow down in the industrial sector, the performance of the company may be considered creditable. This has been possible due to almost 100% capacity utilisation in the main plants, strategic feedstock management, and all round improvement in efficiencies.

The Directors recommend a dividend of 15% on the Equity capital of Rs.35.18 crores which will absorb Rs.5.28 crores.

OPERATIONS

PVC Division

Operations were maintained at close to peak capacity. There was significant demand growth for Suspension Resin in the country, and this combined with timely acquisition of imported feedstock, led to the re-establishment of normal margins.

Chemplast Sanmar Limited

Chlorochemicals Division

Chloromethanes production registered an all time high of 30685 MT. In the second half of the year, domestic realisations for Solvents were affected by drop in international prices. However, with the increased volumes and higher exports, the Solvents business registered good results.

The Mettron Refrigerant Gases business continues to perform well, both domestically and in the export markets.

The Caustic Soda industry continues to witness depressed prices due to soft international price trends and over-capacity. The strategic investment in 100% captive power, in preference to expansion of Caustic Soda capacity, is paying rich dividends.

While operations of Metkem Silicon were stable, demand for PV wafers from module manufacturers took a dip towards the end of the year.

PROJECTS

The company is in an advanced stage of discussing raw material tie-ups for its proposed shore-based PVC project. Project implementation would start once these arrangements are in place.

PROSPECTS

With the continued good performance of the PVC and Solvents businesses, the company is maintaining its profitability in the current year. However, by its very nature the Chlorochemicals business is cyclical, and the management is therefore engaged in an ongoing cost-reduction exercise in an effort towards 'bottom of the cycle' planning.

FINANCE

Duff and Phelps, the international credit rating agency, has assigned the highest rating of **Ind D1+** for the company's Commercial Paper programme. The company has issued Commercial Paper for a value of Rs. 10 crores.

The company's liquidity is satisfactory, and will improve in the current year as proceeds from the divestment of businesses flow in.

As in the previous year, the auditors have referred in their report to the fact of capitalisation of the exchange difference on a foreign currency loan. As clarified by the Directors in the previous year, this essentially arises out of the fact that the use of proceeds of the foreign currency loan for acquisition of fixed assets was indirect, and the accounting standards are not explicit on this point. However, the Directors believe this is in line with the accounting policy of the company and the spirit of the accounting standards, which provide for capitalising of exchange difference of foreign currency loans used to acquire fixed assets.

PERSONNEL

Relations with employees remained cordial during the year.



DIRECTORS

Since the close of the financial year Mr K S Narayanan, Dr G S Laddha and Mr R K Chari have retired from the Board. Mr K S Narayanan, who continues as Chairman Emeritus, was a member of the original promoter group and under his astute leadership the company has grown to its current status as one of the leading chemical companies in the region. While Dr G S Laddha has been associated with the company from its very inception in the '60s, Mr R K Chari joined the Board in the early '80s. The Board of Directors would like to acknowledge and place on record their appreciation of the significant contributions and invaluable support of these gentlemen over the years.

In the casual vacancies arising from the retirement of these gentlemen, Mr Deepak M Satwalekar, Mr P N Kapadia and Mr Vijay Sankar have been co-opted as Directors. Mr Satwalekar is the Managing Director of Housing Development Finance Corporation Ltd., one of the leading financial institutions in the country. Mr Kapadia is a partner of Gagrath & Co., a leading firm of advocates and solicitors at Mumbai. Mr Vijay Sankar is a Chartered Accountant and MBA from the J.L. Kellogg Graduate School of Management, USA.

Mr B Natraj and Mr V Narayanan retire by rotation and are eligible for reappointment.

AUDITORS

Brahmayya & Co., Chartered Accountants, Chennai retire and are eligible for reappointment.

STATUTORY INFORMATION

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, as amended regarding employees, is given in Annexure 'B' to the Directors Report. However, as per the provisions of Section 219 of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the company, excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Registered Office of the company.

Particulars under Section 217(1)(e) relating to energy conservation and technology are furnished in a separate statement annexed to, and forming part of this report.

Cash Flow statement, as required by Clause 32 of the listing agreement, is annexed.

The company has taken steps to make its computer systems Y2K compliant. This exercise, entailing an expenditure of around Rs.154 Lacs, is expected to be completed by July 1999. Contingency plans to meet any unexpected situations are also being put in place.

Chennai
July 12, 1999

For and on behalf of the Board
N. SANKAR
Chairman

Chemplast Sanmar Limited**Annexure to the Directors' Report**

Information under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 1999.

1. CONSERVATION OF ENERGY**a) Measures taken :**

The company continues to accord high priority to conservation of energy. Details of some of the measures undertaken to optimise energy conservation are :

1. Steam consumption in distillation of chloromethanes reduced from 4.60 MT/MT of product to 3.60 MT/MT of product, by process optimisation.
2. Installation of Waste Heat Recovery Boilers along with newly installed DG sets, in order to produce steam by utilising the waste heat generated by the DG sets.

b) Additional investment proposals :

Replacing shell and tube acid cooler and condensers with plate heat exchangers in the Chlor-alkali process as a measure of conservation of power.

c) Impact of measures taken under (a) and (b) above

	Substitution / Reduction in energy consumption	Savings in cost of production (Rs. Lacs)
i) Process optimisation in Chloromethanes	1200 MT per annum of LSHS	76.00
ii) Installation of WHRBs	1875 MT per annum of LSHS	118.75
iii) Installation of vapour absorption chiller	22 Lac kwh per annum	77.66

d) Total energy consumption and energy consumption per unit of production – Annexure I**2. TECHNOLOGY ABSORPTION**

Annexure II

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. Lacs)
a) Foreign exchange outgo	7745.58
b) Foreign exchange earnings	2724.62

Chennai
July 12, 1999

For and on behalf of the Board
N. SANKAR
Chairman



Annexure I

A. POWER AND FUEL CONSUMPTION

31-03-99 31-03-98

1)	Electricity		
	(a) Purchased		
	Units - Lacs kwh	376.83	628.87
	Amount - Rs. Lacs	1280.20	1973.26
	Rate per unit - Rs.	3.40	3.14
	(b) Own Generation		
	1) Through generators		
	Units - Lacs kwh	1698.16	1402.04
	Units per KG of LSHS or equivalent	4.64	4.67
	Cost per unit - Rs.	1.19	1.48
	2) Through turbines		
	Units - Lacs kwh	-	22.61
	Unit per KG of LSHS or equivalent	-	5.56
	Cost per unit - Rs.	-	1.26
	Steam turbine		
	Units - Lacs kwh	8.13	22.82
	Windmill power		
	Units - Lacs kwh	132.84	120.73
2)	Coal		
	Quantity - MT	-	955.55
	Amount - Rs. Lacs	-	22.18
	Average - Rs./MT	-	2320.77
3)	Furnace oil		
	Quantity - MT	5645.79	8390.87
	Amount - Rs. Lacs	325.31	515.36
	Average - Rs./MT	5761.99	6141.87
4)	Diesel		
	Quantity - MT	238.67	760.98
	Amount - Rs. Lacs	23.73	65.42
	Average - Rs./MT	9943.93	8596.50
5)	LSHS		
	Quantity - MT	55475.35	45412.09
	Amount - Rs. Lacs	3502.10	3178.69
	Average - Rs./MT	6312.89	6999.66
6)	Superior kerosene		
	Quantity - MT	8527.87	3269.84
	Amount - Rs. Lacs	670.24	256.96
	Average - Rs./MT	7859.45	7858.55
7)	Others - Internal generation		
	Methane gas - Lac M ³	10.29	79.19
	Hydrogen - MT	612	461

B. CONSUMPTION PER UNIT OF PRODUCTION

1)	PVC resin		
	Electricity - (kwh)	1102	1475
	Superior kerosene - (ltr)	147	150
	LSHS - (kg)	385	512
2)	Caustic soda		
	Electricity - (kwh)	3281	3380
3)	Chloromethanes		
	Electricity - (kwh)	451	563
	LSHS - (kg)	241	355
4)	Trichloroethylene		
	Electricity - (kwh)	333	340
	LSHS - (kg)	183	206

NOTE: Electricity for caustic soda is for electrolysis. LSHS denotes the LSHS equivalent of steam consumption.