SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Chemplast

Annual Report 2001

Report Junction.com

CHEMPLAST SANMAR LIMITED

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Chemplast Sanmar Limited

CHAIRMAN - EMERITUS

K.S. Narayanan

BOARD OF DIRECTORS

N. Sankar, Chairman
N. Kumar, Vice Chairman
P.S. Jayaraman, Managing Director
P.N. Kapadia
M.K. Kumar
C.H. Mahadevan
V. Narayanan
Vijay Sankar
D.M. Satwalekar
N. Srinivasan

EXECUTIVE COMMITTEE

P.S. Jayaraman, Managing Director
S. Gopal, Chief Executive
A. Janakiraman, Chief Executive
V. Ranganathan, President
S. Sankaran, President-Finance

REGISTERED OFFICE

9, 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

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

CONTENTS

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, IG Stadium, Indraprastha Marg, New Delhi 110 002	Equity Shares
4)	Vadodra Stock Exchange Limited Fortune Towers, Sayajigunj, Vadodra 390 005	Equity Shares
5)	The Calcutta Stock Exchange of India Limited 7 Lyons Range, Calcutta 700 001	Equity Shares
6)	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051	Equity Shares

The Listing fees to these Stock Exchanges have been paid.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Chemplast

Directors' Report

The Directors have pleasure in presenting their report along with the accounts for the year ended 31st March 2001.

Corporate Results

	2000-2001 Rs. Crores	1999-2000 Rs. Crores
Sales and other income	**443.39**	446.09
Profit before interest, depreciation and taxes	**73.24**	93.94
Interest	**34.75**	37.73
Depreciation	**19.12**	17.12
Profit before tax	**19.37**	39.09
Extraordinary items	**(1.18)**	(4.98)
Profit after extraordinary items	**18.19**	34.11
Provision for tax	**(1.74)**	(3.96)
Profit after tax	**16.45**	30.15

Sales and Other Income for the year registered a marginal decrease over the previous year, while profits dropped significantly.

In view of the reduced profit, the Directors recommend a dividend of 10% on the equity share capital of Rs.35.18 crores which will absorb Rs.3.52 crores.

OPERATIONS

PVC Division

The PVC division operated at only 50% capacity in the first 7 months of the year consequent to non availability of imported feed stock (EDC) at viable prices. PVC production was regulated during this period to produce higher value added speciality resins out of captive EDC, partially mitigating the impact. International EDC prices dropped significantly during the 3rd quarter of the year enabling the division to resume full volume of operations from December 2000.

During the year, the company brought on stream an oxychlorination plant which would increase captive production of EDC and reduce dependence on imports, and also significantly reduce the environmental impact of its operations. For this purpose, a second hand plant was acquired, and after necessary revamp with in-house engineering, erected and commissioned in record time with substantial saving in capital cost. Along with oxychlorination, captive ethylene capacity has also been increased.

Towards an increased focus on manufacture of speciality resins, paste production capacity has been augmented.

Chlorochemicals

Chloromethane production at 32851 MT was an all time high. Realisations continued to be good with satisfactory margins.

The Refrigerant Gas business performed well in both the domestic and export markets. However, volumes were lower compared to the previous year on account of the gradual phase out as per Montreal Protocol. The company received the first two instalments of the compensation amounting to Rs.6.74 crores during the financial year.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Operations of the Metkem Silicon division were affected on account of a labour dispute which has since been resolved. The Plant is operating to its capacity effective April 2001.

Caustic Soda prices in the international market remained high during the second half of the financial year resulting in improved prices in the domestic market.

Cabot Sanmar Limited

There has been a substantial improvement in the operations of the company. Demand in the domestic as well as export market has picked up and the company's product has been well accepted. For the fiscal year ended 30th September, 2000, the company registered a sale of Rs.1014 lacs and profit before tax of Rs.86 lacs. The company is implementing a project to expand capacity from 500 TPA to 700 TPA.

PROJECTS

The project to set up a 150,000 TPA PVC plant in a greenfield location is under discussion with financial institutions. Selection of technology and EPC contractor is in final stage. The project will be kick started after the funding is tied up.

FINANCE

The company continues to enjoy the highest credit rating D1+ (Ind D One Plus) assigned by Fitch Ratings India Pvt Ltd (Fitch), the international credit rating agency, for its commercial paper. Fitch have also assigned rating of AA (-) (High Credit Quality) for issue of Non Convertible Debentures (NCD) of Rs.150 crores. Of this, NCDs of Rs.125 crores have been issued on private placement basis and the funds have been used for project expenditure and also to replace high cost debts resulting in reduction of interest cost.

As explained in detail in the previous year's report, the company treats caustic soda as a by-product in arriving at the cost of production of chlorine. The Auditors have repeated their reference to this method of treatment in their report for the year.

The Auditors have also repeated their reference to the capitalisation of exchange difference on a foreign currency loan remaining outstanding. As clarified in the Directors' report in the previous years, this has arisen 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 the point. However, the accounting treatment adopted by the company has been consistently in line with its Accounting Policy and the spirit of accounting standards, which provide for capitalisation of exchange difference of foreign currency loans used to acquire fixed assets.

The Auditors have also referred in their report to the accounting treatment of payments received from the Multilateral Fund under the Montreal Protocol towards phasing out of the production of Chlorofluorocarbons (CFC). As per expert advice received, the company has treated such receipts as capital receipts, which is also in line with the treatment adopted by other Indian companies receiving compensation under the Montreal Protocol.

PERSONNEL

The company entered into a long term wage settlement with the workers at the PVC Plant effective from October 1998. But for the labour issue at the Metkem Silicon Plant, relationship with the employees remained generally cordial during the year.

DIRECTORS

Mr.P.S.Jayaraman was appointed Managing Director of the company for a period of five years from 1st September, 2000.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Mr.B.Natraj resigned from the Board effective 31st August, 2000. The Directors place on record their appreciation of the services rendered by him during his tenure.

Mr.Deepak M.Satwalekar and Mr.Vijay Sankar, who were appointed as Directors in the casual vacancy hold office upto the date of the ensuing Annual General Meeting. Notices under Section 257 of the Companies Act, 1956 have been received from members proposing the appointment of Mr.Deepak M.Satwalekar and Mr.Vijay Sankar as Directors. The Directors commend these proposals to the shareholders.

Mr.M.K.Kumar and Mr.V.Narayanan, Directors retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

In line with the recent amendments to The Companies Act, 1956 and Stock Exchange listing agreements, the company has set up an Audit Committee of Directors and a Shareholder / Investor Grievance Committee.

AUDITORS

Brahmayya & Co., Chartered Accountants are not seeking re-appointment. The company has received a special notice from a shareholder proposing the name of Price Waterhouse & Co., Chartered Accountants as Statutory Auditors of the company for the year 2001-2002 which is being circulated to the shareholders.

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.

DIRECTORS' RESPONSIBILITY STATEMENT

a) In the preparation of the annual accounts for the year ended 31st March, 2001 the applicable accounting standards have been followed by the company.

b) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2001 and of the profit of the company for the year ended that date.

c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d) The accounts of the company have been prepared on a going concern basis.

For and on behalf of the Board
N. SANKAR
Chairman

Chennai
June 25, 2001

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

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, 2001.

1. CONSERVATION OF ENERGY

a) Measures taken:

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

1. In Chlorine liquefaction Plant, by replacing the two compressors in operation by a single compressor saving in electricity consumption was achieved.
2. In Chloromethanes Plant, by fine-tuning the operating parameters of the distillation columns, the specific steam consumption has been brought down.
3. In PVC division, filter bags fixing arrangements were modified in such a manner, compressed air usage was totally eliminated.

b) Additional investment proposals:

The company is planning to install additional refrigeration equipment for which it will be selecting energy efficient equipment with about 20% lower power consumption than conventional equipment.

c) Impact of measures taken under (a) above:

	Substitution/ Reduction in Energy Consumption	Savings in cost of Production (Rs. Lacs)
1) Optimising usage of compressor	1.10 lac kwh p.a	2.37
2) Fine tuning the operating parameters of the distillation columns	8640 MT steam p.a	68.00
3) Modification in filter bags arrangements	13.60 lacs kwh p.a	29.24

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	6133.92
b) Foreign exchange earnings	2938.27

For and on behalf of the Board
N. SANKAR
Chairman

Chennai
June 25, 2001

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Annexure I

		31-03-2001	31-03-2000
A.	**POWER AND FUEL CONSUMPTION**	**31-03-2001**	31-03-2000
1.	Electricity		
	(a) Purchased		
	Units - lacs kwh	**14.74**	4.05
	Amount - Rs. lacs	**52.47**	14.54
	Rate per unit - Rs.	**3.74**	3.59
	(b) Own Generation		
	1) Through generators		
	Units - lacs kwh	**2390.22**	2401.34
	Units per KG of LSHS or equivalent	**4.34**	4.47
	Cost per unit - Rs.	**2.15**	2.09
	2) Through turbines		
	Steam turbine		
	Units - lacs kwh	**19.66**	14.92
	Wind mill power		
	Units - lacs kwh	**135.17**	155.04
2)	Coal		
	Quantity - MT	**766.00**	288.00
	Amount - Rs. lacs	**27.07**	7.09
	Average - Rs./MT	**3,533.42**	2,461.81
3)	Furnace oil		
	Quantity - MT	**6281.52**	6177.03
	Amount - Rs. lacs	**613.51**	447.59
	Average - Rs./MT	**9,766.92**	7,246.03
4)	Diesel		
	Quantity - MT	**268.30**	226.77
	Amount - Rs. lacs	**41.64**	25.96
	Average - Rs./MT	**15,521.96**	11,449.92
5)	LSHS		
	Quantity - MT	**53575.96**	70218.63
	Amount - Rs. lacs	**5521.92**	6016.12
	Average - Rs./MT	**10,306.71**	8,567.70
6)	Superior kerosene		
	Quantity - MT	**6466.02**	7443.09
	Amount - Rs. lacs	**881.79**	608.14
	Average - Rs./MT	**13,637.29**	8,170.48
7)	Others - Internal generation		
	Methane gas - lac M^3	**47.35**	24.45
	Hydrogen - MT	**469**	566
B.	**CONSUMPTION PER UNIT OF PRODUCTION**		
1.	PVC Resin		
	Electricity - (kwh)	**1141**	983
	Superior kerosene - (ltr)	**154**	153
	Furnace oil - (Kg)	**455**	414
2.	Caustic soda		
	Electricity - (Kwh)	**3297**	3232
3.	Chloromethanes		
	Electricity - (Kwh)	**395**	452
	LSHS - (kg)	**207**	242
4.	Trichloroethylene		
	Electricity - (Kwh)	**313**	307
	LSHS - (kg)	**192**	202

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

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Annexure-II

RESEARCH AND DEVELOPMENT (R&D):

1. Specific areas of R&D:

   The company's R&D laboratory is recognised by the Department of Science and Technology. It is engaged in carrying out process/product improvement programmes. In particular, the areas of focus have been on import substitution, optimising the utilisation of available resources, evolving alternative and more economic processes for the existing range of products and environment conservation.

2. Benefits derived from R&D:

   a) A new speciality resin CP205 was developed. This product will be used along with the regular paste resin to get the desired rheological plastisol property.

   b) The denaturant composition in alcohol was changed from 0.9% and 0.1% toluene to 1% benzene. A stripping column was put up for removing and recycling the denaturant to the industrial alcohol plants. In addition to recovery, this has reduced by-product formation in the down stream process.

   c) A basic study was carried out for more effective solids separation from plant effluent. It was determined that a dissolved air flotation process is necessary to meet the standards for suspended solids. Equipment were specified in line with the R&D findings and they have been installed and commissioned.

3. Future plan of action:

   Currently, the R&D efforts are concentrated on the following areas:

   a) Developing alternatives to CFCs, which are under phase-out as per the Montreal protocol.

   b) The company is evaluating various fuel additives for enhanced combustion. A few products have given promising results in trials and we are in the process of establishing the repeatability. The expected savings are approximately 2% in fuel consumption.

   c) Application research for new grades of PVC resin in order to meet new needs developing in the market.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts in brief:

   The company has absorbed technology for production of speciality PVC resin, chloromethanes and refrigerant gases in the past. New technology tie-ups for high value added products are being explored. Technology for fumed silica (initially developed on a pilot plant scale) and small plant silicon tetrachloride, have grown into an operating joint venture.

2. Benefits derived:

   Efforts outlined above have enabled the company to increase capacity with in-house engineering, without having to resort to specialised technical help. Various productivity improvement programmes implemented by the company have also enabled optimisation of input-output norms, thereby resulting in considerable savings in costs.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Auditors' Report

To the Shareholders of
Chemplast Sanmar Limited

We have audited the attached Balance Sheet as at March 31, 2001 and Profit and Loss Account for the year ended March 31, 2001 of Chemplast Sanmar Limited, and report that:

1.1 The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year in accordance with the phased programme of verification by the company, which in our opinion is reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such verification.

1.2 None of the fixed assets have been revalued during the year.

1.3 Physical verification has been conducted by the management at reasonable periods in respect of finished goods, stores, spare parts and raw materials and no material discrepancies have been noticed on such verification as compared to book records.

1.4 The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.

1.5 The valuation of stocks of finished goods, stores, spare parts and raw materials is fair and proper and is in accordance with the normally accepted accounting principles, except for Caustic Soda which has been treated as a by-product of Chlorine, instead of as a joint product. Consequent to treating Caustic Soda as a by–product of Chlorine the value of Closing Stock is lower by Rs.55.95 lacs (the value of Opening Stock is lower by Rs.87.42 lacs). Consequent to this treatment, the profit for the year is higher by Rs.31.47 lacs. The valuation is on the same basis as in the previous year.

1.6 The company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and companies under the same management within the meaning of erstwhile Section 370(1B) of the Companies Act, 1956.

1.7 The company has not granted any loan to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or to the companies under the same management, within the meaning of erstwhile Section 370(1B) of the Companies Act, 1956, except interest free loan to a subsidiary company which, in view of the management, are dictated by commercial expediency or considerations and hence not prima facie prejudicial to the interest of the company.

1.8 The parties to whom loans and advances in the nature of loans have been given by the company are repaying the principal amounts as stipulated and are also regular in the payment of interest, where applicable.

1.9 The company has an adequate internal control procedure commensurate with the size of the company and nature of its business for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.

1.10 The prices for the materials and services from and to companies, entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party are reasonable having regard to the prevailing market prices for similar materials and services.

1.11 Unserviceable or damaged stores, raw materials and finished goods have been determined and necessary provisions for the losses have been made in the accounts.

1.12 The provisions of Section 58 A of the Companies Act, 1956 and rules framed thereunder have been complied with, in respect of deposits accepted from the public.

1.13 The company is maintaining reasonable records for the sale and disposal of realisable by-products and scrap.

1.14 In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

www.reportjunction.com