



Annual Report 2011

CHEMPLAST SANMAR LIMITED

Chemplast Sanmar Limited



Notice of Annual General Meeting

The Twenty Seventh Annual General Meeting of Chemplast Sanmar Limited will be held on Monday, the 25th July 2011 at 10.00 A.M. at Sathguru Gnanananda Hall, Narada Gana Sabha Trust Complex, 314, T T K Road, Chennai 600 018 to transact the following:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the audited Balance Sheet as at 31st March 2011, the Profit and Loss Account for the year ended 31st March 2011 and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr S V Mony who retires at this meeting and is eligible for re-appointment.
3. To appoint a Director in the place of Mr M S Sekhar who retires at this meeting and is eligible for re-appointment.
4. To appoint Auditors and fix their remuneration.

Price Waterhouse & Co., Chartered Accountants, Chennai are the retiring auditors and are eligible for re-appointment.

Notes:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE 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 MEETING.
- b) Mr S V Mony and Mr M S Sekhar, Directors are not related to any other director of the company.
- c) The Register of Members of the company will remain closed from Saturday, the 16th July 2011 to Monday, the 25th July 2011, both days inclusive.
- d) Integrated Enterprises (India) Limited is the company's Registrar and Share Transfer Agent. Shareholders are requested to send all requests for transfer of shares, dematerialisation of shares, change in address, etc to:

Integrated Enterprises (India) Limited
Second Floor, Kences Towers
No.1, Ramakrishna Street, North Usman Road
T Nagar, Chennai 600 017
Phone No. 28140801 – 03; Fax No. 28142479
E-mail: corpserv@iepindia.com

Registered Office:
9, Cathedral Road
Chennai 600 086
April 26, 2011

(By order of the Board)
M RAMAN
Secretary

Chemplast Sanmar Limited

Chemplast Sanmar Limited



BOARD OF DIRECTORS

P.S. Jayaraman, Chairman
S. Gopal, Managing Director
S.V. Mony
V.K. Parthasarathy
M.N. Radhakrishnan
M.S. Sekhar

REGISTERED OFFICE

9, Cathedral Road
Chennai 600 086

MANUFACTURING LOCATIONS

Mettur Dam, Tamil Nadu

Krishnagiri & Panruti, Tamil Nadu
Vedaranyam, Tamil Nadu
Cuddalore, Tamil Nadu
Ponneri, Tamil Nadu
Shinoli, Maharashtra
Karaikal, Puducherry

PVC

Chlorochemicals:

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

Industrial Alcohol

Industrial Salt

PVC

Trubore Piping Systems

Trubore Piping Systems

Caustic Soda, Chlorine &
Ethylene Dichloride

BANKERS

Andhra Bank
Axis Bank Limited
Bank of Baroda
Bank of India
Central Bank of India
IDBI Bank Limited
Indian Overseas Bank
Standard Chartered Bank
State Bank of Hyderabad
State Bank of India
State Bank of Mysore

AUDITORS

Price Waterhouse & Co.
Chartered Accountants
Chennai

Chemplast Sanmar Limited

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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 Buildings, New No.30 (Old No.11), Second Line Beach, Chennai 600 001.	Equity Shares
2) Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001.	Equity Shares
3) National Stock Exchange of India Limited Exchange Plaza, 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.



Directors' Report

The Directors have pleasure in presenting their report along with the accounts for the year ended 31st March 2011.

Corporate Results

	2010-11 Rs.Crores	2009-10 Rs.Crores
Sales and other income	2111.80	1062.88
Profit before interest, depreciation and taxes	182.44	66.73
Interest	156.44	124.69
Depreciation	92.78	76.38
Profit/ (Loss) before tax & exceptional item	(66.78)	(134.34)
Reversal/ (Provision) for tax		
– deferred tax	18.89	41.91
– fringe benefit tax	–	0.02
Profit/ (Loss) after tax before exceptional item	(47.89)	(92.41)
Exceptional item net off tax	7.26	(35.72)
Profit/ (Loss) after tax	(40.63)	(128.13)
Reversal/ (provision) for income tax relating to earlier years	(1.56)	(0.03)
Profit/ (Loss) after earlier years tax	(42.19)	(128.16)

Considering the challenges faced over the last two years, the company's performance in the year under review, culminating in a profitable last quarter, bodes well for the future.

The company had commissioned two major projects in the previous financial year (2009-10) the state-of-the-art green field PVC plant at Cuddalore, and the 48.5 MW coal based Power Plant at Mettur Dam in replacement of LSHS based power plant of same capacity involving the investment of around Rs.900 crores. The benefits of the projects that were commissioned during the previous year enabled the company to virtually double sales and other income (99% growth). Further, profit before interest, depreciation and taxes increased by 173%. In spite of increase in interest cost and depreciation, the company was able to reduce the loss before tax and exceptional item by 50% and loss after tax by 67%. Due to extended monsoons both PVC and Pipes sales were depressed for a major part of the year under report, leading to a contraction in margins. However, from the last quarter of financial year 2011, significant improvement in the demand and prices for PVC and all other products have had a healthy effect on margins and the company was able to register profits for the quarter ended March 2011. It is expected that this improvement in financial results will be maintained in future.

In view of the losses incurred, the Directors do not recommend payment of dividend on equity shares for the year 2010-11.

Chemplast Sanmar Limited

MANAGEMENT DISCUSSION AND ANALYSIS

PVC Business

Review of Operations:

The company operates an integrated facility at Mettur Dam with a capacity to manufacture 64,000 tonnes per annum of PVC resin. This facility has the flexibility to produce various grades of PVC resin, viz. Suspension, Paste and Battery Separator. The flexibility is limited mainly by the drying capacity. The intermediate Ethylene Dichloride (EDC) required for manufacture of PVC is in turn produced at the company's EDC plant at Karaikal using imported ethylene and captive chlorine – chlorine is manufactured at the company's Chlor-alkali facility located at both Mettur Dam and Karaikal. The Karaikal plant housing the Chlor-alkali & EDC facilities also has a captive Marine Terminal, which is used for import of ethylene and coastal shipment of Caustic Soda Lye to both domestic and export markets.

The year under review also is the first full year of operation of the new Greenfield project at Cuddalore for production of Suspension Resin. The captive Marine Terminal facility set up at this location is used for import of Vinyl Chloride Monomer, the raw material for manufacture of PVC. Your company is pleased to inform that the product manufactured here was well received by domestic consumers enabling the plant to operate at rated capacity.

Suspension PVC prices in India remained volatile right through the year, in line with scenario that prevailed in various Asian markets. In the last quarter of the financial year, prices rebounded strongly, on the back of production dislocation in Japan due to the massive earthquake & tsunami pushing prices along the entire value chain higher.

Suspension Resin:

Suspension resin demand in India for the year under review is estimated at 19.03 lakh tonnes, a growth of 7% over the previous year. Of this, around 12.45 lakh tonnes were met out of domestic production with the balance coming from imports. Increased availability from our Cuddalore plant ensured that imports scaled down to 6.58 lakh tonnes from the previous year level of 7.30 lakh tonnes.

Paste Resin:

Consumption in India during the year 2010-11 is estimated at 79,000 tonnes registering a growth of 13% over the previous year. The rebound in automobile and furnishing sectors led to good demand for leather cloth, resulting in above growth in demand for paste resin. Your company's paste resin continues to enjoy a preference with most buyers.

Battery Separator Resin (BSR):

Your company has temporarily suspended production of this product due to uncertainty in availability of key raw material.

Trubore Piping Systems:

In the first quarter of 2010-11, the company witnessed good demand for PVC Pipes. However during the year the monsoon got extended across the country and un-seasonal rains were experienced in many parts of India. Due to this, demand for PVC Pipes in irrigation and construction segments was affected.

Government's continued focus on micro irrigation and rural water supply schemes would contribute to a stable demand for PVC Pipes in the coming years. The construction segment has also started showing strong demand.



The pipes manufactured in Shinoli facility in Maharashtra have been approved by Maharashtra Jeevan Pradhikaran, an approval which enables your company to supply to Maharashtra Govt. water supply schemes.

Many initiatives were taken by your company in popularizing the “TRUBORE” brand through innovative mass outreach programs, which were unique in the pipes industry. Sales network has been established in new geographies like Maharashtra and Gujarat.

Risk and concerns:

- a) The thin spread in import duty of just 2.5% between PVC (5%) and the intermediates VCM & EDC (2.5%) affects the contribution of the PVC business.
- b) Ethylene prices are driven by international supply-demand balance and get disproportionately affected by Cracker shutdowns, which could impact the input cost for Mettur PVC operations.
- c) Increased consumption of alcohol in the potable sector affects availability of alcohol for industrial use, resulting in inability of the company to source adequate quantity of alcohol/molasses for its operation.

Chlorochemical Business

The company operates a highly integrated Chlorochemicals business in Mettur Dam producing Caustic Soda, Chloromethane Products, Silicon Wafers and Refrigerant Gas (HCFC). Power and salt required for caustic soda manufacture is available from captive source. Chlorine produced in the Chlor-Alkali plant is completely consumed for captive production of EDC and Chloromethane products.

Caustic Chlor:

During the year under review, Indian Caustic Soda industry did not add much capacity in the face of excess capacity already available. Against an installed capacity of 32.6 lakh tonnes per annum, demand during the year is estimated at around 27 lakh tonnes. While prices remained subdued in the early part of the year, the global economic recovery led to improved demand and prices in the later part, which was reflected in improved domestic prices. Towards the end of the year, the earthquake & tsunami in Japan resulted in massive capacity shutdowns, resulting in strong spurt in prices.

While your company has adequate captive capacity for meeting its salt requirement, unseasonal rains during several months impacted salt production adversely and forced the company into buying salt from several outside sources.

Solvents:

The major demand for Chloromethane products is from the pharma sector, and this sector performed quite well during the year. Also, with Methylene dichloride (MDC) finding application in new generation Refrigerant Gases, international demand for MDC remained very buoyant right through the year, leading to very smart recovery of prices. Indian prices also reflected such international trends.

Mettron:

HCFC 22 demand in Asian/Middle Eastern markets remained healthy during the year. Also, with mitigating factors in China limiting production there for a considerable part of the year, international prices in these markets picked up.

Your company also earns Certified Emission Reduction (CERs) from its Clean Development Mechanism project.

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Metkem:

Your company has temporarily suspended operation of its Polysilicon and wafer making facilities in view of unviable global prices. While prices are recovering now, they have still not reached levels where operation of the company's facility would be profitable. Your company is closely watching the developments and hopes to restart operations at an opportune time.

Risks and concerns:

- a) The surge in international coal prices would affect the cost of generation of power, thereby impacting cost of production of both Caustic/chlorine and other products.
- b) Unseasonal rains and climate change affects your company's salt production.

Environment

As a responsible corporate citizen, the company has continuously improved upon its manufacturing processes, tapping new technologies to make production processes efficient and keeping well ahead of mandated norms in compliance with environmental standards. The company is fully committed to environment protection and has made dramatic improvements in its processes over the years by making considerable investments, within the limitations of the latest available technologies.

In the true spirit of protecting the environment, the company has taken several positive initiatives, some of which are discussed below:

- The company has put in place a ZLD facility at Mettur to completely recycle and reuse the liquid trade effluents generated, including solid waste, inside the plants. Not a drop of its treated effluent is let out from the factory premises since September 2009.
- The company was declared as "Excellent Water Efficient Unit" and the ZLD facility of Mettur was chosen as the most "Innovative case study" in the 7th National Water Award conducted by CII in December 2010.
- The company has invested in Air Cooled Condensers (ACC) in the Coal based power plant at Mettur for the sole purpose of conserving water. The water saved is 3000 KL per day.
- The ACC also paved the way for reducing the internal consumption of power in the coal based power plant. The normal internal consumption for similar sized power plant vary from 11-12% of total generation whereas with ACC in place the internal consumption at Mettur plant is less than 10% of the total generation.
- Karaikal plant also has a desalination facility. In this plant also, no treated effluent is discharged as a Zero Liquid Discharge (ZLD) facility is operational.
- One of the many efforts in safeguarding the environment that has been lauded is the INDUSTRIAL GARDEN at KARAIKAL. Chemplast Sanmar's industrial garden at Karaikal was adjudged the best at the 16th Annual Flower Show. A panel of experts from the Agriculture Department and the Karaikal College of Agriculture judged the flower show. The first prize was awarded to Sanmar's industrial garden. This is the 7th time that the Group has won this award from the Puducherry Government.