



2018-2019
80th Annual Report
"Striding Towards a New Future"



Corporate Information

BOARD OF DIRECTORS

Dr. Shashi Chand Jain
Chairman Emeritus

Shri Pramodkumar Jain
Chairman and Managing Director

Shri Bakul Jain
Managing Director

Shri Vivek Jain
Managing Director

Shri Mudit Jain
Managing Director

INDEPENDENT DIRECTORS

Smt. Sujata Rangnekar
Shri Krishnamoorthy Krishnan
Shri Salil Kapoor
Shri Pradip Madhavji
(Resigned w.e.f. 31.03.2019)
Shri D. Ganapathy
(Resigned w.e.f. 07.05.2018)
Shri Mahesh Vennelkanti
(Appointed w.e.f. 28.06.2019)

CHIEF FINANCIAL OFFICER

Shri Vimal Jain

COMPANY SECRETARY & COMPLIANCE OFFICER

Shri Dilip Darji

BANKERS

Punjab National Bank
State Bank of India
City Union Bank Ltd.

AUDITORS

Chhajer & Doshi
Chartered Accountants, Mumbai

SECRETARIAL AUDITORS

S. K. Jain & Co.

REGISTERED OFFICE

Dhrangadhra – 363 315, Gujarat.

HEAD OFFICE

“Nirmal” 3rd Floor,
Nariman Point,
Mumbai – 400 021.

BRANCH OFFICE

Indra Palace, 1st Floor,
H-Block, Connaught Circus,
New Delhi - 110 001.

WORKS

Soda Ash Division	: Dhrangadhra – 363 315, Gujarat
Caustic Soda Division	: Arumuganeri P.O.,
PVC Division	Sahapuram – 628 202,
CPVC Division	Tamil Nadu.
SIOP Division	
Salt Works	: Kuda, Gujarat.
	: Arumuganeri P.O.,
	Sahapuram – 628 202,
	Tamil Nadu.

80TH

Annual Report
2018 - 2019

Board's Report

To The Members,

Your Directors present their 80th Annual Report and Audited Accounts for the Financial Year ended 31st March, 2019

1. Financial Results

	31-03-2019 (in lakhs)	31-03-2018 (in lakhs)
Net Sales	135280.20	121340.71
Gross Profit	6149.06	3870.76
Less : Provisions		
Depreciation	8335.56	8779.94
Profit Before Tax/(Loss)	(2186.50)	(4909.18)
Tax: Current Period	-	-
Previous Period	-	-
MAT Credit available for set off / Utilized	-	-
	-	-
Profit/(Loss) After Current Tax & Tax Adjustments	(2186.50)	(4909.18)
Deferred Tax	(1759.47)	(2889.02)
Profit after Tax/(Loss)	(427.03)	(2020.16)
Add: Balance brought forward	13665.99	15686.15
Profit available for Appropriation	13238.96	13665.99
Appropriations:		
General Reserves	-	-
Proposed Dividend	-	-
Dividend Distribution Tax	-	-
Balance carried forward	13238.96	13665.99

2. Dividend:

Due to loss during the year from the operations of the company your directors have not recommended any dividend for the year on the equity shares of the Company.

3. Operations:

The sales for the year are ₹ 135280.20 lakhs compared to ₹ 121340.71 lakhs in the previous year. The profit for the year (before depreciation) was ₹ 6149.08 lakhs against a profit of ₹ 3870.76 lakhs in the previous year. The loss before tax amounted to ₹ (2186.50) lakhs as against loss of ₹ (4909.18) lakhs in the previous year. The loss after provision of current tax / taxes for the year is ₹ (2186.50) lakhs against a loss of ₹ (4909.18) lakhs for previous year and loss after deferred tax was ₹ (427.03) lakhs against loss of ₹ (2020.16) lakhs for previous year.

4. Exports:

The Company's exports were of ₹ 21306.57 lakhs as compared to ₹ 15297.34 lakhs in the previous year. This increase in Export Turnover is on account of increase in sale and realization on sale of Synthetic Rutile (BI) during the year.

5. Division wise Performance:

a) PVC Division:

The turnover of the division was ₹ 53379.09 lakhs as compared to ₹ 54558.22 lakhs in the previous year, the turnover of this division is marginally lower compared to Previous year. this is due to lower production & sale of PVC during the year due to shortage of raw materials . The demand for PVC Continues to show positive growth. There is Demand Supply gap of PVC in domestic market about 50% of the local demand is being met from Imports.

The Government has identified irrigation, power and infrastructure, as thrust areas and increased activity in these sectors are likely to boost demand of PVC Resin.

b) Caustic Soda Division:

The turnover of the division was ₹ 47794.27 lakhs as compared to ₹ 40904.17 lakhs in the previous year, an increased of 17% in the turnover during the year. The increase in the turnover of this division was on account of better realization on the products being produced by this Division.

c) Soda Ash Division:

The turnover of the division was ₹ 21585.62 lakhs as compared to ₹ 20736.67 lakhs, an increase of 4% during the year. The marginal increase in turnover of this division was due to higher production and sale during the year. The demand for the product of this segment is consistent. Also looking to the demand and supply position in coming years and the Soda Ash industry growing at a robust rate of 4-5% per annum and this trend is expected to continue which will be able to absorb any additional capacities coming up in near future.

d) Synthetic Iron Oxide Pigment:

The turnover of the division was ₹ 3260.84 lakhs as compared to ₹ 2595.82 lakhs in the previous year. An increase of 26% during the year. The product manufactured in this division have got good response from the user industry. Also this being specialty chemical the validation process was slow and longer. The company is in process of gradually ramping up the capacity and meet product variants as required by the customers.

The product has been well accepted both in the international as well as domestic market and company is developing wider customer base for this product in both the markets.

e) C-PVC Division:

The turnover of the division was ₹ 8251.58 lakhs as compared to ₹ 2189.12 lakhs in the previous year. An increase of 277% during the year. The product has been well accepted by the customers and your company expects to benefit on the first move advantage under made in India.

6. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

6.1 Industry Structure and Developments:

6.1.1 Caustic Soda is an Alkaline used in sector like Soap, Detergent, Paper and Chemicals (alumina sector), food, textile and petroleum products. The demand for caustic soda is driven by the upturn in the production growth in these sectors. The installed capacity of caustic soda is about 3.66 mill. MT out of which 50% of the capacities are in the Western part of India, 25% in Southern India and balance in rest of India.

6.1.2 Soda Ash is mainly used in industries such as Detergents, Dye intermediaries, Sodium Silicate, Ore Refining, Glass Industry, Pesticides, Paper, Pharmaceuticals and Mining Industries. Sodium Bicarbonate which is manufactured by Soda Ash Industries is being used in Bakeries and also by Chemical and Pharmaceuticals Industries. The total installed capacity in Soda Ash Industries is 3.36 mill. MT. All these capacities are concentrated in Western part of India due to availability of required raw material i.e. Salt, Lime Stone and Coal/Lignite. The demand for Soda Ash is increasing by 5% annually mainly due to demand from Detergent and Glass sector.

6.1.3 PolyVinyl Chloride (PVC)

PolyVinyl Chloride (PVC) is the most commonly used thermoplastic. PVC is produced from Vinyl Chloride Monomer (VCM), which is obtain from Ethylene Dichloride (EDC), a derivative of ethylene and chlorine. PVC is used in variety of items, such as Pipes and Fittings, Wires and Cables, Calendared Sheets, Blow Molded Bottles, Profiles, Footwear, Roofing, Automotive Parts, Table Clothes, Shower Curtains and Furniture. In India the per capita consumption of PVC is significantly less as compared with developed countries.

Total domestic installed capacity of PVC Industry is 1.35 Mill. TPA. The domestic demand of PVC is about 2.90 Mill. TPA. The short fall 1.55 Mill. TPA in supply is met by imports. The market for PVC is expanding by 5 to 6% p.a. and hence, there is scope for increasing capacities.

6.1.4 C-PVC

Chlorinated Polyvinyl Chloride (CPVC) is a specialty Polymer having characteristics such as high glass transition temperature, high heat deflection temperature, outstanding flame and smoke properties and chemical inertness due to these properties CPVC finds application in Hot water plumbing, Sanitary pipe, Industrial Pipes and fire- retardant systems.

CPVC is manufactured by chlorinating Polyvinyl Chloride. Polyvinyl Chloride normally contains 56-57% chlorine and when chlorinated further to 66-67%, it is called Chlorinated Polyvinyl Chloride. DCW's CPVC is produced under technical licenses from Arkema,, France,(Presently KEMONE) it is a most clean technology with zero effluent discharge.

C-PVC market is estimated to 125000 MT/year and growing at the CAGR of 15%. At present DCW is the only domestic producer having capacity of 12000 MT/year and rest of the demand is met by the imports.

6.1.5 Synthetic Iron Oxide Pigment (SIOP)

SIOP are widely used in Coating, Construction, Plastic and Paper Industries as a coloring matter. As a specialty pigment, the demand for this product is increasing due to growth in Infrastructure and Housing, Commercial Projects. Apart from catering to the domestic demand, the pigment are being exported to countries viz. U.S.A., Europe, Africa, Japan and to other Asian Countries.

6.2 Opportunities and Threats

The domestic demand for all the products manufactured by the Company is growing which gives opportunity to expand its production capacities and take benefits of the expanding market. Company's Caustic Soda, Synthetic Rutile and PVC Units are near to Tuticorin Port in Tamilnadu and this gives opportunity to the Company to easily export its products. Company has opportunity to go for backward/forward integration in the products it manufactures which can make the Company more competitive.

The low cost imports coming in to the country can be a threat in future. However, Company's efforts over the years have made it a low cost producer and hence the Company is capable of facing international competition.

6.3 Segment-wise or product-wise performance.

6.3.1 Caustic Soda Division:

The Company continues to be a major player in South India with a market share of approximately 20%. The demand for caustic soda is expected to grow at a steady rate, due to increased demand from alumina manufacturers. The Company has captive use of HCL & Chlorine which helps to maintain Caustic Production at full level.

6.3.2 Soda Ash Division:

The Soda Ash Industry continues to grow at a compounded rate of 4% - 5% per annum and this trend is expected to continue. There has been capacity addition, however, the Soda Ash industry is growing at a robust rate of 4-5% per annum and this trend is expected to continue and would be able to absorb additional quantity.

6.3.3 PVC Division:

The Company, one of the country's five producers of PVC resin, has maintained its market share of nearly 7%. Anti-dumping duty imposed on PVC resin imports from China, USA, Mexico, European Union, Indonesia will protect the domestic industry against dumping of PVC resin from these countries. Automation cum De-bottlenecking program implemented in this unit will help the Company in reducing cost and increasing production of this division.

6.3.4 Synthetic Iron Oxide Pigment Division:

With starting of Synthetics Iron Oxide Pigment (SIOP) Division, the company entered into specialty chemical business. The plant was under stabilisation stage and has since started production. This plant has been established with company's patented technology and technological help from Huntsman pigments (formerly Rockwood Pigments). This plant will consume leach liquor generated from Synthetic Rutile plant and will help in reducing pollution. This division once fully operational will give more stability to the bottom line.

6.3.5 C-PVC:

The new C-PVC Plant which was commissioned and has since stabilized is a specialty chemical and your company is first in India to manufacture C-PVC domestically. At present entire C-PVC demand is being met by way of imports. This plant will help the country to conserve foreign exchange and also will help the country to move towards Make in India.

6.4 Outlook

The Company has diversified operations with five business segments viz. PVC, CPVC, Chlor- Alkali, SIOP & Soda Ash. It is thus reasonably protected from the vagaries of individual business cycles of these products. By the commencement of commercial production at company's new Synthetic Iron Oxide Pigment plant and C-PVC plant, the company has entered into specialty chemical segment and this will give more stability to the bottom line of the company in coming years.

6.5 Risks and concerns

The Company's performance depends upon number of factors viz., fluctuations in the exchange rates of Rupee with major International currencies, change in raw-material prices, change in duty structure on the raw material imported and Company's various products, change in Government policies in the sectors in which company operates etc.

6.6 Internal Control systems and their adequacy

Company has adequate internal control system commensurating with the nature of its business and size of its operations. Internal Audit is conducted on a regular basis by a reputed firm of Chartered Accountants. The reports of the internal audit along with comments from the management are placed for review before Audit Committee.

6.7 Financial Performance with respect to Operative Performance

The Gross Revenue of the Company for the year was 1352.80 crores against the gross revenue of 1213.40 crores of the previous year. The Profit/(Loss) Before Tax was ₹ (21.87) crores compared to ₹ (49.09) crores of the previous year. The EBIDTA of the company has improved ₹ 165.53 crores, as against ₹ 131.91 crores, in previous year,

6.8 Material Developments in Human Resources/Industrial Relation front, including number of people employed.

Company continues to give at most importance to human resources development and keeps relations cordial. Number of permanent employees have been mentioned hereinafter.

7 Cautionary Note:

Statement in this report describing the company's objectives, projections, estimates, expectation and prediction may be "forward looking statements". Actual results could differ materially from those expressed or implied due to variations in prices of raw materials and realization of finished goods, changes in government regulation, tax regimes, economic developments and other incidental factors.

8. Directors & Key Managerial Personnel (KMPs):

In accordance with the provisions of Section 152(6) Shri. Mudit Sharadkumar Jain (DIN No. 00647298) retires by rotation at the ensuing Annual General Meeting (AGM) of the Company and being eligible, offer himself for re-appointment. The Board on the recommendation of the Nomination & Remuneration Committee (NRC) has recommended his re-appointment.

Pursuant to the provisions of the Companies Act, 2013 ("Act"), the shareholders at the 75th AGM of your Company held on 13th August, 2014 appointed Smt. Sujata Rangnekar (DIN:06425371) and Shri. Salil Kapoor (DIN: 02256540) as Independent Non-Executive Directors to hold office for a term of 5 (five) consecutive years upto the conclusion of the 80th AGM of the Company in the calendar year 2019. The Board of Directors, based on the performance evaluation and as per the recommendation of the NRC has recommended re-appointment of Smt. Sujata Rangnekar and Shri. Salil Kapoor as Independent Non-Executive Directors for a second term of five consecutive years upto the conclusion of the 85th Annual General Meeting of the Company to be held in the calendar year 2024. The Board considers that, given their background, experience and contributions made by them during their tenure, the continued association of Smt. Sujata Rangnekar and Shri. Salil Kapoor would be beneficial to the Company.

Shri. Pradip Madhavji (DIN: 00549826), Independent Director of the Company has resigned from the Directorship of the Company w.e.f. March 31, 2019 due to other commitments. Shri. Pradip Madhavji has also confirmed in his resignation letter that there is no other material reason other than the reason mentioned above.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR).

Pursuant to provisions of Section 203 of the Companies Act, 2013, Shri Pramodkumar Jain, (DIN: 00380458), Chairman & Managing Director; Shri Bakul Jain (DIN: 00380256), Shri Vivek Jain (DIN: 00502027), Shri Mudit Jain (DIN: 00647298), Managing Directors, Shri Vimal Jain, Chief Financial Officer and Smt. Jigna Karnick, Company Secretary & Compliance Officer were the Key Managerial Personnel of the Company during the year.

Smt. Jigna Karnick resigned on May 31, 2019 as Company Secretary & Compliance Officer of the Company. Shri Dilip Vishnubhai Darji is appointed as Company Secretary & Compliance Officer of the Company w.e.f. June 1, 2019.

9. Performance Evaluation:

Pursuant to the provisions of the Companies Act, 2013 and SEBI (LODR) 2015, the Board has carried out an Annual Performance Evaluation of its own performance, the Directors individually as well as the evaluation of the working of its various Committees. The Board of Directors expressed their satisfaction with the evaluation process.

The performance evaluation of the Chairman and Non-Independent Directors was carried out by the Independent Directors at their separate meeting held on March 13, 2019. The Independent Directors expressed their satisfaction with the evaluation process.

The performance evaluation of all the Directors, Committees and the Board was carried out by the Nomination & Remuneration Committee, Independent Directors and Board at their respective meetings.

10. Succession Plan

The Board of Directors has satisfied itself that plans are in place for orderly succession for appointment to the Board of Directors and Senior Management.

11. Particulars of employees

11.1 The information required under Section 197 of the Companies Act, 2013 and Rule 5 (2) of Companies Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report as **Annexure 'A'**.

11.2 Information required under Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 are given below:

a. The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year*

Managing Directors	Ratio to median remuneration
Shri Pramodkumar Jain	-
Shri Bakul Jain	-
Shri Mudit Jain	-
Shri Vivek Jain	-

* Managing Directors, to strengthen the finances of the Company, as a gesture of goodwill, waived their salary for the period 1/4/2018 to 31/3/2019.

* Non Executive and Independent Directors have not been included as they were not paid any commission and the sitting fees paid to them have not been considered as remuneration.

b. The percentage increase in remuneration of each director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the financial Year.

There was no increase in the Remuneration of Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary in the Financial Year.

- c. The percentage increase in the median remuneration of employees in the financial year : 4.46%
- d. The number of permanent employees on the rolls of Company : 1839
- e. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The average increase in remuneration is 4.46% for employees other than Managerial Personnel and there was no increase in the Managerial remuneration.
- f. Affirmation that the remuneration is as per the remuneration policy of the Company:

The Company affirm that the remuneration is as per the remuneration policy of the Company.

12. Statutory Auditors

The Shareholders of the Company at the 78th Annual General Meeting of the Company held on 28th September, 2017, had appointed M/s. Chhajed & Doshi, Chartered Accountants (ICAI Firm Registration No. 101794W), as Statutory Auditors of the Company for the period of 5 (five) years to hold office until the conclusion of the 83rd Annual General Meeting to be held in the calendar year 2022 to conduct the audit of the Accounts of the Company, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors.

Pursuant to amendment to Section 139 (1) of the Companies Act, 2013, ratification of appointment of Statutory Auditor at every Annual General Meeting is not required.

As required under the provisions of Section 139(1) and 141 of the Companies Act, 2013 read with the Companies (Accounts and Auditors) Rules, 2014, the Company has received a written consent and certificate from the auditors to the effect that they are eligible to continue as Statutory Auditor of the Company.

The Statutory Auditors' report contain the remarks for delay in depositing various statutory dues with appropriate authorities within prescribed due dates, as detailed in point (vii) of Annexure A to Statutory Auditors' Report.

Management's Reply: The delay in depositing statutory dues were due to Company's operating cash flows issues during the financial year.

13. Cost Auditor And Cost Audit Report

Pursuant to Section 148 of the Companies Act, 2013 read with Companies (Cost Records and Audit) Rules, 2014, the Board of Directors on the recommendation of the Audit Committee have appointed M/s. N.D. Birla & Co., Ahmadabad and M/s. R. Nanabhoy & Co., Mumbai, Practising Cost Accountants for conducting cost audit of the cost records maintained by the company for the financial year 2019-20.

M/s. N.D. Birla & Co., Ahmadabad and M/s. R. Nanabhoy & Co., Mumbai, Practising Cost Accountants have confirmed that their appointment is within the limits of Section 141(3)(g) of the Companies Act, 2013 and have also certified that there are free from any disqualification specified under Section 141 and proviso to Section 148(3) of the Act.

As per the provisions of the Companies Act, 2013, the remuneration payable to the Cost Auditors is required to be placed before the Shareholders in a General Meeting for their ratification. Accordingly, a resolution seeking Shareholders' ratification for remuneration payable to M/s. N.D. Birla & Co., Ahmadabad and M/s. R. Nanabhoy & Co., Mumbai, Practising Cost Accountants is included in the Notice convening the Annual General Meeting.

14. Secretarial Auditor and Secretarial Audit Report.

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed M/s S.K Jain & Co., Practising