

11th ANNUAL REPORT

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FLEX CHEMICALS LIMITED



FLEX CHEMICALS LIMITED

BOARD OF DIRECTORS

ASHOK CHATURVEDI
Chairman

HARISH CHATURVEDI
Whole-time Director

C.D. GHOSH
Nominee-IFCI

R.P. AGRAWAL

R.C. TAKRU

RAJIV SHUKLA

V.D. CHATURVEDI

RASHMI CHATURVEDI

PANKAJ SHARMA

R.K. JAIN

MANAGEMENT EXECUTIVES

PRADEEP TYLE
Exec. Vice-President (Operations)

VIPIN MITAL
Vice-President

S.K. DANG
Vice-President

COMPANY SECRETARY

PRABHAT NANDA

AUDITORS

VIJAY SEHGAL & CO.
New Delhi
Statutory Auditors

JAIN SINGHAL & ASSOCIATES
New Delhi
Internal Auditors

BANKERS

ICICI BANKING CORPORATION LTD.
ORIENTAL BANK OF COMMERCE
UNION BANK OF INDIA
VIJAYA BANK

REGISTERED OFFICE

M-27, Commercial Complex
Greater Kailash-II
New Delhi - 110 048

CORPORATE OFFICE

A-107-109, Sector-IV
NOIDA - 201 301 (U.P.)

SHARE DEPARTMENT

M-107, Greater Kailash - II,
New Delhi - 110 048
Tel.: 011-6461805, 6440917
Fax : 6216922

OFFICES

118-119, Damji Shamji Udyog Bhavan,
1st Floor, Veera Desai Road,
Andheri (West),
Mumbai - 400 053

FMC Fortuna, A-16
234/3A (2nd Floor)
Acharya Jagdish Chandra Bose Road
Calcutta - 700 020

347, Arcot Road,
IInd Floor Annaram Building,
Kodambakam
Chennai - 600 024

443, IInd Floor, 7th Block
Koramangala
Bangalore - 560 095

WORKS

C-174-175, Sector-X
NOIDA - 201 301 (U.P.)

C-5-8 Sector 57, Phase-III
NOIDA (U.P.)

L-1, Industrial Area, Ghirongli (Malanpur),
Dist. Bhind, Madhya Pradesh-477 117.



FLEX CHEMICALS LIMITED

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Members of Flex Chemicals Limited will be held on Wednesday, the 30th day of September, 1998 at 10:00 A.M. at Charming Meadows, A-18, Ansal Farm Villas, Satbari, Mehrauli, New Delhi - 110030 for transacting the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 1998 and the Profit & Loss Account for the year ended on that date together with Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Smt. Rashmi Chaturvedi, who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint Statutory Auditors of the Company and fix their remuneration. M/s Vijay Sehgal & Company, Chartered Accountants, New Delhi retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution** :
 "RESOLVED THAT Shri R.P. Agrawal who was appointed as an Additional Director of the Company w.e.f. 19th August, 1997 and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and Article 100 of the Articles of Association of the Company and in respect of whom the Company has received notice in writing pursuant to Section 257 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."
5. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution** :
 "RESOLVED THAT Shri Rajiv Shukla who was appointed as an Additional Director of the Company

w.e.f. 19th August, 1997 and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and Article 100 of the Articles of Association of the Company and in respect of whom the Company has received notice in writing pursuant to Section 257 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT Shri R.C. Takru who was appointed as an Additional Director of the Company w.e.f. 26th December, 1997 and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and Article 100 of the Articles of Association of the Company and in respect of whom the Company has received notice in writing pursuant to Section 257 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT Shri Pankaj Sharma who was appointed as an Additional Director of the Company w.e.f. 26th December, 1997 and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and Article 100 of the Articles of Association of the Company and in respect of whom the Company has received notice in writing pursuant to Section 257 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

Place : NOIDA
 Date : 2nd September, 1998
 Regd. Office :
 M-27, Commercial Complex
 Greater Kailash - II
 New Delhi - 110048

By Order of the Board

PRABHAT NANDA
 Company Secretary

NOTES :

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE RETURNED DULY COMPLETED TO THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.**
3. The Register of Members and share transfer books of the Company will remain closed from 25th September, 1998 to 30th September, 1998 (both days inclusive).
4. Members are requested to notify change in address, if any, to the Company at its Registered Office, quoting correct folio number(s).
5. In the case of joint holders, if more than one holder intend to attend the meeting, they must obtain additional admission slips on request from the Registered Office of the Company.



FLEX CHEMICALS LIMITED

6. Members who are holding shares in identical order of names in more than One Folio are requested to write to the Company enclosing their share certificates to consolidate their holdings in One Folio.
7. Members seeking further information about the accounts are requested to write to the Company at least one week before the date of the meeting giving details of the information required.
8. Members/Proxies should bring the Attendance Slip duly filled for attending the meeting. No extra attendance slip will be provided at the Annual General Meeting.
9. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the unpaid/unclaimed dividends for the financial year ended 31st December, 1994 (Dividend Warrants dated 01.08.95) were transferred to the General Revenue Account of the Central Government. Shareholders who have not collected/encashed the Dividend Warrants dated 01.08.95 issued by the Company in respect of the said financial year may claim such amounts from the Registrar of Companies, NCT of Delhi & Haryana.
10. The unpaid/unclaimed dividends for the financial year ended 31st December, 1995 (Dividend Warrants dated 12.07.96) are also required to be similarly transferred to the General Revenue Account of the Central Government referred above during July, 1999. Shareholders, who have so far not encashed the Dividend Warrants dated 12.07.96 issued by the Company may immediately write to the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NOS. 4, 5, 6 & 7

With the setting up of Poly-condensation Project at Malanpur, the operations and activities of the Company have increased manifold. Keeping in view the increased operations and activities of the Company and to broad-base the Board of Directors Mr. R.P. Agrawal, Mr. Rajeev Shukla, Mr. R.C. Takru and Mr. Pankaj Sharma were appointed as Additional Directors of the Company during the year.

In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 100 of the Articles of Association of the Company they hold office upto the date of this Annual General Meeting.

The Company has received notices from members of the Company alongwith requisite fees under Section 257 of the Companies Act, 1956 signifying their intention to propose the appointment of Mr. R.P. Agrawal, Mr. Rajiv Shukla, Mr. R.C. Takru and Mr. Pankaj Sharma as regular Directors of the Company.

Shri R.P. Agrawal is a Chartered Accountant and Law Graduate and has more than four decades of professional experience. He has held several prestigious assignments/positions in organisations of repute and standing such as

Sahu Jain Group & ITC Group of Companies.

Shri Rajiv Shukla is an eminent media personality. He is actively involved in both electronic and print media.

Shri R.C. Takru is a Retd. I.A.S. Officer and has held several prestigious/ responsible positions in various Government Departments.

Shri Pankaj Sharma is a businessman and has got considerable experience in the packaging industry.

The Board feels that their induction on the Board would further strengthen the Board and their vast and varied experience would be of immense benefit to the Company.

The Board recommends their appointment.

Except Shri R.P. Agrawal, Shri Rajiv Shukla, Shri R.C. Takru, Shri Pankaj Sharma & Smt. Rashmi Chaturvedi, no other Director is concerned or interested in the Resolutions.

Place : NOIDA
Date : 2nd September, 1998
Regd. Office :
M-27, Commercial Complex
Greater Kailash - II
New Delhi - 110048

By Order of the Board

PRABHAT NANDA
Company Secretary



FLEX CHEMICALS LIMITED

DIRECTORS' REPORT

To the Members;

Your Directors have pleasure in presenting the 11th Annual Report alongwith the Audited Accounts of the Company for the financial year ended 31st March, 1998.

WORKING RESULTS

The summarised Financial Results for the period ended 31st March, 1998 and for the previous year ended 31st December, 1996 are as under :-

	(Rs. in lacs)	
	Period ended 31.03.98	Year ended 31.12.96
Sales	9337.04	4130.54
Other Income	98.17	25.02
Profit before Interest, Financial Charges, Depreciation & Taxation	1876.08	821.94
Less :		
(i) Interest & Financial Charges	524.27	157.15
(ii) Depreciation	127.96	101.45
	652.23	258.60
Profit before Tax	1223.85	563.34
Less: Provision for Tax	55.00	33.99
Profit after Tax	1168.85	529.35
Less: Corporate Dividend Tax	(23.19)	—
Add : Excess Provision for earlier year written back :		
Income-Tax	—	0.57
Wealth Tax	0.02	—
	0.02	0.57
Profit available for Appropriation	1145.68	529.92
APPROPRIATIONS		
Dividend	—	231.87
General Reserve	10.00	60.00
Balance Profit carried to Balance Sheet	1135.68	238.05
	1145.68	529.92

The relevant notes on the Accounts of the Company referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

REVIEW OF OPERATIONS

The Company extended its financial year ending 31st December, 1997 to 31st March, 1998. Accordingly the financial year under review is of 15 months period, whereas the previous financial year was of 12 months period and to that extent the figures are not strictly comparable.

During the period under review, despite various constraints & difficulties your Company has been successful in maintaining its performance with a reasonable overall growth compared to the previous financial year. The sales increased to Rs. 9337.04 lacs from Rs. 4130.54 lacs and net profit after corporate dividend tax increased to Rs. 1145.68 lacs from Rs. 529.92 lacs over the previous year. The increase in sales was mainly on account of sales made from the Poly-condensation unit (PET Chips).

INKS & ADHESIVES DIVISION

During the period under review the Inks & Adhesives business of the Company registered a growth of about

10% in sales volume compared to the previous year. The quality and diversified nature of the products being manufactured by the Inks & Adhesives division have established the Company as one of the major player in the domestic market. During the prior under review the Company has also entered the global market. Due to their excellent quality and competitive prices the products have elicited good response in the international market and the Company is expecting a good break through in the current financial year.

POLY-CONDENSATION DIVISION (PET CHIPS)

Your Directors are pleased to inform that it is indeed a matter of great pride for your Company to have been awarded ISO-9002 Certification for its Poly-condensation Plant at Malanpur. The technology involved in manufacturing the Polyester Chips at Malanpur is totally indigenous.

Out of three manufacturing lines, two lines have already



FLEX CHEMICALS LIMITED

been commissioned. The installation and commissioning of the third line has been delayed due to various reasons resulting in cost over run. It is expected that the entire project would be fully operational by the end of March, 1999.

The bad market conditions both in domestic and international, of petro-chemicals products have brought down the sales realisation of PET Chips drastically. This has badly affected the sales margins & earnings from PET Chips.

With the installation and commissioning of the third line and expected stabilisation of the price of petro-chemicals products the Company is expecting better performance in the current year.

PROMISES VS. PERFORMANCE

Pursuant to Clause 43 of the amended Listing Agreement entered into with the Stock Exchanges the following key financial projections as given in the Letter of Offer dated 15th June, 1996 issued for Rights Issue of 1,00,92,600 Equity Shares of Rs.10 each at a premium of Rs.17.50 per share (premium was revised from Rs. 35.00 to Rs. 17.50 per share) aggregating to Rs.27,75,46,500 and the actual audited figures for the period ended 31st March, 1998 are as under :

	Projections (as estimated by the Company for the year ended 31.12.97) (12 months)	Actual (Audited for the period ended 31.03.98) (15 months)
Net Sales	29821	7056.83
Other Income	30	98.17
Profit before Interest, Depreciation & Tax	5519	1876.08
Interest & Financial Charges	1993	524.27
Depreciation	633	127.96
Tax	30	55.00
Net Profit after tax	2863	1168.85
Equity Capital	1682	1142
Dividend (%age)	30	—

The projections as given in the Letter of Offer are for a period of 12 months whereas the actual audited figures are for a period of 15 months, thus to that extent the figures are not strictly comparable.

The deviation in the actual performance against the projections has been due to major part of sales of Pouches and PET Chips made on job work basis. The adverse conditions of petrochemical industry in the international and domestic markets had a negative impact on the sales realisation and margins on PET Chips.

FINANCE

During the period under review, the Company was disbursed Rs.8 Crores out of the total 90 crores sanctioned by Industrial Finance Corporation of India Limited (IFCI) for the Poly-condensation Project of the Company. The total amount so far disbursed by IFCI for the Poly-condensation project is Rs.88 Crores. Additional Working

Capital facilities have also been tied up.

The scenario in the petrochemical industry was quite encouraging and attractive at the time of conception of the Poly-condensation project. However, it has undergone a sea change during the last couple of years. The entry of new players and expansion by existing manufacturers have made the scenario more difficult thereby affecting the earnings.

Coupled with the above, the delay in the implementation of the project and low margins have drastically reduced the earnings of the Company. The mismatch of operational generations and obligations have severely affected the liquidity, the day to day operations and overall earnings. Keeping in view the above factors and to over come the present unfavourable business scenario, the Company has approached the Industrial Finance Corporation of India Ltd. (IFCI) for refixation of interest rate and reschedulement of the term loan extended by it for the Company's Poly-condensation project.

DIVIDEND

Your Directors having carefully considered the Company's operations for the period under review, the current business scenario and the liquidity problem, thought it prudent to utilise the amount available for appropriation for further consolidation of the Company's business. Thus, no dividend is being recommended for the year.

RIGHTS ISSUE

To part finance the Poly-condensation project, your Company had come out with a Rights Issue of 1,00,92,600 equity shares of Rs.10/- each at a premium of Rs.35/- per share in July - August, 1996.

Keeping in view the depressed sentiments of the investors community, sluggish market conditions and overall interest of the Company, the members at the last Annual General Meeting had decided to revise the premium by reducing the same by an amount not exceeding Rs.17.50 and the price per share accordingly stood reduced from Rs. 45/- to Rs. 27.50. The Company had already called up Rs. 22.50 per share i.e., Rs. 11.25 on application and Rs. 11.25 on allotment and accordingly the balance amount of Rs. 5/- per share towards the first and final call was called on 19th July, 1997.

FIXED DEPOSIT

During the period under review, the Company did not accept any fixed deposit from any person.

DIRECTORS

Keeping in view the increased operations and activities of the Company and to broad-base the Board of Directors, Mr. R.P. Agrawal, Mr. Rajiv Shukla, Mr. R.C. Takru and Mr. Pankaj Sharma have been inducted on the Board of your Company as Additional Directors. They hold the office upto the ensuing Annual General Meeting. Notices have been received from the members proposing their appointment as Directors of the Company at the Annual General Meeting. Your Directors recommend their appointment.



FLEX CHEMICALS LIMITED

In accordance with the provisions of Companies Act, 1956 and Article 95 of the Articles of Association of the Company, Mrs. Rashmi Chaturvedi, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible offers herself for reappointment.

AUDITORS

M/s Vijay Sehgal & Company, Chartered Accountants, New Delhi, Auditors of the Company, retire at the forthcoming Annual General Meeting and, being, eligible offers themselves for re-appointment.

PARTICULARS OF EMPLOYEES

Particulars of employees as required u/s 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure 'A' forming part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO

Information under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 'B' forming part of this Report.

PERSONNEL

Personnel relations with all employees remained cordial & harmonious throughout the year. Your Directors wish to place on record their appreciation of the devoted services of all employees of the Company for improved working of the Company.

ACKNOWLEDGMENT

Your Directors take this opportunity to thank and acknowledge the co-operation and assistance received from various agencies of the Central Government, Governments of Uttar Pradesh & Madhya Pradesh, Financial Institutions, Banks and customers during the period under review. The Board also wish to place on record their deep appreciation of the continued support of the shareholders of the Company.

For & on behalf of the Board

Place : NOIDA
Date : 2nd September, 1998

ASHOK CHATURVEDI
CHAIRMAN

ANNEXURE 'A' TO DIRECTORS' REPORT

Information as per Section 217(2A) read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report.

EMPLOYED FOR THE FULL PERIOD

Sl. No.	Name	Age	Designation	Remuneration (Rs.)	Qualifications	Experience (Yrs.)	Date of Appt.	Last Employment (Position Held)
1.	Mr. Harish Chaturvedi	50	Whole-time Director	504580	Diploma in Electrical Engineering	26	01.03.96	Flex Industries Ltd. Whole-time Director
2.	Mr. S.K. Dang	46	Vice President	845534	M.Sc. M.Tech.	23	01.07.96	Flex Industries Ltd. General Manager (Production)
3.	Mr. P.K. Shah	39	General Manager	411384	B.Sc., B. Tech. (Chem.) PGDBM	18	18.11.91	Incowax Ltd. Manager (Technical)
4.	Mr. H.M. Raje	42	Deputy General Manager (Works)	411082	M.Chem. Engg.	19	25.11.94	Orkay Polyesters Ltd. Manager (Production)

1. Remuneration includes salary, bonus, contribution to Provident Fund and all other perquisites taxable or non-taxable.
2. Information about qualification and last employment is based on particulars furnished by the concerned employee.
3. Mr. Ashok Chaturvedi, Mr. Vasudeo Chaturvedi, Mrs. Rashmi Chaturvedi, Directors of the Company are related to Mr. Harish Chaturvedi, Whole-time Director of the Company.



FLEX CHEMICALS LIMITED

ANNEXURE 'B' TO DIRECTORS' REPORT

Information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report.

1. CONSERVATION OF ENERGY

A) INKS & ADHESIVES DIVISION

The Company is constantly looking at avenues to save energy by way of optimal utilisation of energy consuming equipments. Close monitoring of fuel consumption for its diesel generating sets, steam boilers and thermic fluid heaters is carried out. Since, overall energy cost is very small compared to total cost of production it is rather difficult to really quantify the effect in terms of cost savings due to conservation of energy.

B) POLY-CONDENSATION DIVISION

i) Measures Taken :

- a) Air Preheaters for Thermic Fluid Heaters
- b) Economisers for steam boilers
- c) H.O.C. Type of dryers for air and nitrogen drying
- d) Double stage VAHP chillers instead of freon chillers
- e) Recycling of conveying nitrogen for PTA
- f) Selection of Centrifugal air compressor
- g) Maximum efficiency range operation of all centrifugal pumps
- h) Control of C.T. Fans depending on ambient conditions.

ii) Impact on Energy Consumption:

Above measures have helped the Company in achieving Energy saving of approx. 1 million Kcal/hr and Power saving of approx. 500 KW.

PARTICULARS OF CONSERVATION OF ENERGY

PARTICULARS OF CONSERVATION OF ENERGY		Period ended 31st March, 1998	Year ended 31st December, 1996
I. Power & Fuel Consumption			
1. Electricity			
(a) Purchased:			
Units	1423142	1147785	
Total Amount (Rs.)	6131365	4194537	
Rate (Rs./Unit)	4.31	3.65	
(b) Own Generation:			
Through Diesel Generator			
Units	12050423	316875	
Units/Ltr. of Diesel Oil	3.20	3.00	
Cost (Rs./Unit)	2.73	3.00	
2. Coal			
Quantity (MT)	Nil	Nil	
Total Amount (Rs./lacs)	Nil	Nil	
Average Rate (Rs./MT)	Nil	Nil	
3. Furnace Oil			
Quantity (KL)	6050	Nil	
Total Amount (Rs./lacs)	35207125	Nil	
Average Rate (Rs./KL)	5819.35	Nil	

II. Consumption per unit of production:

		<u>Electricity</u> (KWH/Tonne)		<u>Furnace Oil</u> (KL/Tonne)		<u>Own Generation</u> (MT/Tonnes)	
		Period ended	Previous Year	Period ended	Previous Year	Period ended	Previous Year
		31.3.1998	1996	31.3.1998	1996	31.3.1998	1996
Pet Chips	MT	Nil	Nil	0.33	Nil	18297	Nil
	Units	Nil	Nil	—	—	640	Nil
	Rs.	Nil	Nil	1924	Nil	1393	Nil
Inks & Adhesive	MT	3730	2688	—	—	3730	2688
	Units	323	360	—	—	80	106
	Rs.	1392	1314	—	—	240	318
Flexible pouches sized wrappers & zipper packing materials							
	No in lacs	116.17	285	—	—	116.17	285
	Units	1885.00	636	—	—	421	116
	Rs./Lacs	8124	2321	—	—	1263	348