

HIMADRI CHEMICALS & INDUSTRIES LIMITED



16TH ANNUAL REPORT 2003-2004



# HIMADRI CHEMICALS & INDUSTRIES LIMITED

## Board of Directors

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### **CHAIRMAN**

Mr. D. P. Choudhary

### **MANAGING DIRECTOR**

Mr. B. L. Choudhary

### **EXECUTIVE DIRECTOR**

Mr. V. K. Choudhary

### **DIRECTORS**

Mr. S. S. Choudhary

Mr. R. N. Jhunjhunwala (Since resigned)

Mr. S. K. Saraf

Mr. S. K. Goenka

## Auditors

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Agarwal Prasad & Co.  
Chartered Accountants

## Bankers

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Central Bank of India  
Citi Bank N.A.

## Share Transfer Agents

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M/s S. K. Computers  
34/1 A Sudhir Chatterjee Street, Kolkata 700 006  
Phone: 2219 4815 / 6797

## Company Addresses

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### **REGISTERED OFFICE**

23A Netaji Subhas Road, 8th Floor, Kolkata 700 001

### **WORKS**

Netaji Subhas Road, Liluah, Howrah, West Bengal

Gadadhar Bhatt Road, Liluah, Howrah, West Bengal

Mahistikry, Haripal, Hooghly, West Bengal

Ancillary Industrial Estate, Visakhapatnam, Andhra Pradesh



## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors have pleasure in presenting the Sixteenth Annual Report and the Audited Financial Results for the year ended on 31st March 2004.

### FINANCIAL RESULTS

The Financial Results of the Company for the year under review and those of the previous year are given below:

	(Rs. in lacs)	
	For the year ended 31/03/2004	Previous Year ended 31/03/2003
Gross Turnover	13643.42	10853.13
Less: Total Expenditure (Including Depreciation & Interest)	13347.28	10646.31
Profit Before Taxes	296.14	206.82
Less : Provision for Taxation:		
Current Tax	13.27	6.92
Deferred Tax	35.05	29.20
Profit After Taxes	247.82	170.70
Balance brought forward from the previous year	83.27	(87.43)
BALANCE CARRIED TO BALANCE SHEET	331.09	(83.27)

### DIVIDEND

Your Directors propose to utilise the surplus funds generated for financing the company's on-going expansion projects and the increased volume of Working Capital needs and in the process to keep the company's cost of financing charges at the lowest level. Therefore, your Directors regretfully, refrain from recommending any dividend for the current year to ensure a sustainable higher rate of return in the years to come.

### HIGHLIGHTS OF PERFORMANCE

As a result of a continuous endeavour of the Management towards enrichment of shareholders value, the company could successfully achieve encouraging overall performance even in the face of increasing economic uncertainty prevailing during the year under review.

The gross turnover of the Company increased by more than 25% while the corresponding Profit before taxes accounted for an increase of 43.19% and Profit after taxes recorded an increase of 45.18%. This over-all result confirms more and more efficiency at every level of operation.

### FUTURE OUTLOOK

Your Directors are of the firm view that your Company has a bright future. Your Company will gain paramount stature in the industry. It has already at hand expansion activities by way of setting up one more unit at Durgapur Express Way in West Bengal. This new unit will absorb latest technology for production. The commercial production in this unit is scheduled to commence by the end of September 2004. On successful commissioning of this plant, the total production capacity of the company would be more than double its present aggregate capacity and the company would be in a position to export a part of its product after meeting the needs of domestic market. It has already executed three (3) nos.

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trial shipments to Brazil, Egypt and South Africa and expects to enter into long-term supply contracts to those countries. At the same time the company is flooded with increased volume of enquiries for its products both from public and private sector consumers.

## CORPORATE GOVERNANCE

In the process of implementation of SEBI Regulations on Corporate Governance, the Stock-Exchanges have made it mandatory for specific disclosures by listed companies with reference to the state of Corporate Governance practised by each individual Company. A detailed report on Corporate Governance, which is in practice in this company, is annexed as part of the Directors' Report and marked as Annexure "A".

A certificate from the Auditors of the Company regarding compliance of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

## MANAGEMENT DISCUSSION AND ANALYSIS

As a good management practice, a detailed report on Management Discussion and Analysis, is annexed to the Report and is marked as Annexure "B".

## DIRECTORS

Mr. S.K. Saraf and Mr. D. P. Choudhary, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

Mr. R.N. Jhunjhunwala resigned as Director of the Company with effect from 30/07/2004.

Brief resume of the above directors, nature of their expertise in specific functional areas and the name of the companies in which they hold the directorship and the membership /chairmanship of the committees of the Board, as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges, are given in the sections on corporate governance annexed to this Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of the provisions under section 217 (2AA) of the Companies Act, 1956, your Directors hereby confirm that:

- i) In preparation of the Annual Accounts of the Company, the applicable Accounting Standards prescribed by the ICAI have been strictly followed;
- ii) Your Directors have selected such Accounting Policies as mentioned in Schedule 19 to the Annual Accounts and applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair view of the State of Affairs of the Company at the end of the financial year and of the profit of the Company for the year ended on that date;
- iii) Your 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 to the best of their knowledge and ability; and
- iv) The Annual Accounts have been prepared on a going concern basis.

## PUBLIC DEPOSIT

The Company has neither accepted nor renewed any fixed deposit during the year under review.





## AUDITORS

M/s. S. K. Agrawal & Associates, Chartered Accountants, the present Auditors of the Company, have rechristened their name as Agarwal Prasad & Co. with effect from 26/12/2003. They shall hold office until the conclusion of the forthcoming Annual General meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their appointments, if made, would be within the prescribed limits u/s 224(1B) of the Companies Act, 1956 and also that they are not otherwise disqualified within the meaning of the sub-section (3) of section 226 of the Companies Act, 1956, for such appointment.

The Report of the Auditors when read with the notes to the Accounts are self-explanatory and therefore, do not call for any further comments.

## PARTICULARS OF EMPLOYEES

None of the employees were drawing remuneration of Rs. 2 lacs or more per month or Rs. 24 lacs or more per year during the year under review. Hence, details to be furnished as per section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not required.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

As required under section 217(1)(e) of the Companies Act, 1956 the details of conservation of Energy, etc. in the prescribed formats are furnished in a separate statement annexed to this Report and marked as Annexure "C".

## DELISTING

In accordance with the approval granted by the shareholders, the Company has got its equity shares delisted from the Stock Exchange at Ahmedabad.

The Company's shares continue to be listed on the Stock Exchange at Kolkata and Mumbai and steps are being taken for listing of the Company's securities on the National Stock Exchange of India (NSE). The BSE and NSE having nation wide trading terminals, the investors residing at any part of the country will have ready trading facilities in Company's shares.

## PERSONNEL

Your Directors place on record their appreciation of the valuable and sincere contribution made by the employees at all levels. The employees and management relationship had been very cordial during the year under review.

## ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and cooperation received from the Financial Institutions, Banks and Government Authorities, and shareholders during the year. Your Directors also wish to place on records their deep sense of appreciation for the committed services of the Executives, Staff and workers of the Company.

For and on behalf of the Board

Place : Kolkata

Dated : The 23rd August, 2004

**D. P. Choudhary**  
Chairman

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## Annexure-"A" to Directors' Report

### CORPORATE GOVERNANCE

#### PHILOSOPHY OF CORPORATE GOVERNANCE:

The company propagates the philosophy of attaining the highest level of accountability, equity and transparency in each and every sphere of company's operation and interactions with its stakeholders and the regulatory authorities. The Company sincerely believes that good governance is a systematic process, which enables the company to operate in a manner that meets with the ethical, legal and business expectations. It also focuses on the need to provide a sustainable competitive return for its investors. The Board has institutionalised best management practice to bring about an atmosphere of accountability and transparency in all its transactions. The Company is committed to good governance practice.

#### BOARD OF DIRECTORS

The Board closely monitors the performance of the company and of the Management and approves and reviews the strategy, through its various committees. It also evaluates management performance, and ensures legal and ethical conduct and accurate financial reporting. It holds itself responsible for long-term health of the company.

The company is managed by the Managing Director with the assistance of the Executive Director under the control and supervision of the Board.

The Board consists of a Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. The ratio of independent and Non-Independent Directors in the Board conforms to the norms laid down under the Listing Agreement.

The Non-Executive Directors are professionals with expertise and experience in general Corporate Management, Legal, Finance and other allied fields.

None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees as per clause 49(IV)(B) of the Listing Agreement across all the companies in which he is a Director. All the Directors have made the requisite disclosures regarding the committee positions occupied by them in other companies.

During the year under review, the Board met 8 (eight) times on 29/04/2003, 12/06/2003, 30/07/2003, 12/08/2003, 28/08/2003, 30/10/2003, 30/01/2004 and 24/02/2004.

The Company has not entered into any materially significant transaction with its promoters, directors or their relatives etc., that may have potential conflict with the interest of the company at large.

The names and categories of the Directors on the Board, their attendance at the Board meetings held during the year and at the last Annual General Meeting as also the number of Directorship and committee membership positions as held by them in other public limited companies as on 31<sup>st</sup> March 2004 are given below:



Name	Category	No. of Board Meeting attended during 2003-2004	Whether attended last AGM held on 24/09/03	No. of Directorships in other Public Ltd Companies *	No. of Committee positions held in other Public Ltd. Co.	
					As Chairman	As Member
Mr. D.P. Choudhary	Promoter Not Independent Non-Executive	8	Yes	Four	—	—
Mr. S.S. Choudhary	Promoter Not Independent Non-Executive	8	Yes	Two	—	—
Mr. B.L. Choudhary	Promoter Not Independent Executive	8	Yes	Four	—	—
Mr. V.K. Choudhary	Promoter Not Independent Executive	7	No	Three	—	—
# Mr. R.N. Jhunjhunwala	Non-Promoter Independent Non-Executive	5	No	Six	—	—
Mr. S.K. Goenka	Non-Promoter Independent Non-Executive	5	Yes	Nil	—	—
Mr. S.K. Saraf	Non-Promoter Independent Non-Executive	3	Yes	Nil	—	—

\* Excluding Private Companies, Foreign Companies and Companies under section 25 of the Companies Act, 1956

# Mr. R. N. Jhunjhunwala resigned from the Board of Directors of the company w.e.f., 30/07/04

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## BOARD PROCEDURE

The primary role of the Board of Directors is to set the corporate goals and to monitor the performance of the company and also to ensure attainment of corporate philosophy, progress, prosperity and fulfilment of shareholders aspirations. These functions of the Board are discharged through periodic meetings, for which the company has a well laid procedure for sending detailed agenda papers for each meeting well in advance to all the Directors so that the Directors can effectively participate in the proceedings of the meetings and discharge their responsibility properly. In the meetings the Directors express their views freely and seek clarifications on various points taken up for disposal in such meetings.

The discussions in the Board Meetings are held in a transparent manner and the decisions of the Board are recorded in the form of resolutions. The minutes of proceedings of each meeting are duly recorded in the form of a draft before entering the same in the Minutes Books specifically maintained for the purpose. The draft minutes are circulated to the members of the Board for their comments before it is finalised for recording in the Minutes Book in a chronological order within 30 days from the date of holding the respective meeting.

There is a well-defined guideline to facilitate an effective post meeting follow up, review and reporting process for the decisions taken by the Board.

In the process, the company takes due course of the regulations prescribed under various statutes, regulations and listing agreement with reference to Board procedures and necessary steps are taken to ensure due compliance thereof.

## BOARD COMMITTEE

In due compliance with the provisions of the Companies Act, 1956 and the Listing Agreements with the Stock Exchanges, the Company has the following Standing Committees of the Board:

### a. AUDIT COMMITTEE

Apart from all the matters provided in Clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956, the broad terms of reference of this committee is to review the internal controls & the internal audit reports, to investigate into any matter, to meet the internal/statutory auditors, to discuss their findings and suggestions and to attend to other related matters and major accounting policies followed by the Company.

The composition of Audit Committee and the details of meetings attended by the Directors are given below :

Name of Directors	Status	No. of Committee Meetings held	No. of Committee Meetings Attended
Mr. S. K. Goenka	Chairman	6	6
Mr. S. K. Saraf	Member	6	6
Mr. S. S. Choudhary	Member	6	6

Mr. S. K. Goenka has sufficient knowledge, experience and expertise in the areas of finance and accounts. The Audit Committee met on the following dates during the financial year 2003-2004:





22<sup>nd</sup> April, 2003, 29<sup>th</sup> July, 2003, 12<sup>th</sup> August, 2003, 21<sup>st</sup> August, 2003, 23<sup>rd</sup> October, 2003 and 14<sup>th</sup> January, 2004.

## **b. SHARE HOLDERS'/INVESTORS' GRIEVANCE COMMITTEE**

### **TERMS OF REFERENCE**

The Committee has been formed to approve the matters relating to allotment and transfer of securities, review and redressal of shareholders'/investors' grievances etc.

### **COMPOSITION**

**THE COMMITTEE COMPRISES OF:**

Mr. S. S. Choudhary	Chairman	Promoter, Non-executive, Not Independent Director
Mr. B. L. Choudhary	Member	Promoter, Executive, Not Independent Director.
Mr. S. K. Saraf	Member	Non-executive, Independent Director

Mr. J. Tiwari, is the Compliance Officer of the Company.

### **No. of Investors Complaints pending as on 01.04.2003 - 5 (Five)**

During the year under review, the Committee received a total of 53 complaints from the Shareholders/Investors, out of which 51 complaints were resolved. The remaining 7 unresolved complaints are subject matters of pending court cases.

## **c. SHARE TRANSFER COMMITTEE**

The Share Transfer Committee of the Board is composed of Mr. S. S. Choudhary and Mr. S. K. Saraf who have been delegated with the authority to deal with all share transfer / transmission, split / consolidation/duplicate issue requests and approval thereof. The Committee meets at least once in every month depending on the volume of requests received.

## **d. REMUNERATION OF DIRECTORS**

The Company pays remuneration to its Executive Directors by way of salary. The salary is paid within the range as approved by the shareholders and in accordance with Schedule XIII to the Companies Act, 1956.

Given below are the details of remuneration paid to Executive Directors during the financial year 2003-2004:

NAME OF DIRECTOR	SITTING FEES	SALARIES	PERQUISITES	COMMISSION
Mr. B.L.Choudhary Managing Director	-	Rs.1,80,000/-	-	-
Mr.V.K.Choudhary Executive Director	-	Rs.1,80,000/-	-	-

The Company does not pay any remuneration to its Non-Executive Directors.

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## GENERAL BODY MEETINGS

Location, Date and Time of General Meetings held during the last three years :-

Date	Location	AGM/ EGM	Day	Time
28/09/2001	Sarat Sadan, Manton Super Market, Diamond Harbour Road, Kol-34.	AGM	Friday	10.00 A.M.
27/09/2002	Sarat Sadan, Manton Super Market, Diamond Harbour Road, Kol-34.	AGM	Friday	10.00 A.M.
24/09/2003	Sarat Sadan, Manton Super Market, Diamond Harbour Road, Kol-34.	AGM	Wednesday	10.00 A.M.

All requisite Special Resolutions were passed unanimously on a show of hands by the shareholders present at the meeting.

None of the business required to be transacted at those AGM was proposed to be passed by postal ballot. At the ensuing AGM there is no resolution proposed to be passed through postal ballot.

## DISCLOSURES

### Related Party Transactions

Related party transactions are defined as the transactions of the Company of a material nature, with its promoters, Directors or the management, or their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large.

Among the related party transactions, are, contracts or arrangements, made by the Company from time to time with Companies in which the Directors are interested. All these contracts or arrangements are entered into a Register of Contracts under section 301 of the Companies Act, 1956 and the Register is placed before relevant Board Meetings.

All transactions covered under the related party transactions are regularly ratified and/or approved by the Board. There were no material transactions during the year 2003-2004 that are prejudicial to the interest of the Company.

### STATUTORY COMPLIANCES, PENALTIES AND STRICTURES

The Company has complied with the requirements of the Stock Exchange (s)/SEBI and Statutory Authorities on all matters related to Capital markets during the last three years. There are no penalties or strictures imposed on the Company by the Stock Exchange (s) or SEBI or any Statutory Authorities relating to the above.

### MEANS OF COMMUNICATION

The Company regularly intimates un-audited as well as audited financial results to the Stock Exchanges immediately after they are taken on record by the Board. Further, the Quarterly results are being published in English and Bengali daily newspapers.

Management Discussion and Analysis forms a part of the Directors' Report.