

# 17TH ANNUAL REPORT 2004-2005

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**HIMADRI CHEMICALS & INDUSTRIES LIMITED**



# HIMADRI CHEMICALS & INDUSTRIES LIMITED

## Board of Directors

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### CHAIRMAN

Mr. D. P. Choudhary

### MANAGING DIRECTOR

Mr. B. L. Choudhary

### EXECUTIVE DIRECTORS

Mr. S. S. Choudhary

Mr. V. K. Choudhary

### DIRECTORS

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 Seventeenth Annual Report and the Audited Financial Results for the year ended on 31st March 2005.

The continued financial re-structuring and focussed working capital management has borne its fruits as the financial results shown below clearly reveals.

### 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 31/03/2005	Previous Year ended 31/03/2004
Gross Turnover	15083.98	13643.42
Less: Total Expenditure (Including Depreciation & Interest)	14364.40	13347.28
Profit Before Taxes	719.58	296.14
Less : Provision for Taxation :		
Current Tax	48.17	13.27
Deferred Tax	96.43	35.06
Profit After Taxes	574.98	247.81
Balance brought forward from the previous year	331.08	83.27
Amount available for appropriation	906.07	331.08
Less : Appropriations :		
Proposed Dividend	127.56	Nil
Dividend Tax	17.89	Nil
BALANCE CARRIED TO BALANCE SHEET	760.62	331.08

### OVERVIEW OF PERFORMANCE

During the fiscal 2004-05, there has been a growth in the turnover by about 10.56% over the immediately preceding period while the operating profits and PAT rose to a meteoric increase of 143% and 132% respectively.

It was yet another year of remarkable progress for the company both strategically and operationally. A better economy environment has provided an added stimulus. The Company's new unit at Mahishtikry, Hooghly, West Bengal has become operational with the close of February, this year. Full effect of this unit will be available in the workings of the current year.

### FUTURE OUTLOOK

With the installation of the Mahishtikry Unit the production capacity of the company has been substantially increased. This new unit is specially designed with a state of the art technology and fully automatic facilities strictly complying with global standard.

## HIMADRI CHEMICALS & INDUSTRIES LIMITED

Such commendable achievement is also recorded in the company's immediate blueprint and growth trajectory. Your company continues to be the dominant leader in the domestic market for supply of Coal Tar Pitch and other by-products thereof having more than 70% share of the market. The valuable response received from the overseas market indicate further positive opportunities.

The Aluminium Industry in the country who are the main consumers of the Company's products are presently passing through a phase of exceptional boom leading to their further expansions in production capacity. **India's aluminium consumption is expected to accelerate on a number of counts : the implementation of fast track power project and the increasing use of aluminium in the production of automobile. Aluminium is a metal of the future from a performance and environment prospective. The country posses the world's fifth largest reserve of Bauxite, the raw materials in the manufacture of aluminium. It is also the 6th largest manufacturer of Alumina, an intermediate products.** The Prime manufacturers in India like, NALCO, BALCO, HINDALCO etc. have undertaken ambitious expansion programme for increasing their respective production capacity and also going for installation of new green field smelter units which will result in tremendous increase in the demand for Coal Tar Pitch.

Your Company is also expanding its capacities in order to increase its market share and also to gear up for the increased requirement of Aluminium and Graphite Industries. The company is duly prepared with a bunch of expansion and diversification projects to avail of the opportunities.

The expansion of Mahishtikry Unit is already underway for doubling its present capacity and is expected to be operational by the end of fiscal 2006-2007. On the other hand the company has initiated acquisition of suitable plots of lands at Korba Chattisgarh, for setting up a satellite unit close to the user point of BALCO, so that the needs of the user could be readily catered at the shortest notice and at a cheaper transportation cost and to ensure better realisation for the company.

The Graphite Industry which is the other major consumer of the company's product is also expanding its capacities. They are also in the process of expansion leading to a potential increase in the demand for the company's product. With a view to effectively cater the needs of the Graphite Industries, your Company has perfected in production of special grade Binder and Zero Q.I. Impregnating Pitch.

The Company is in the process of setting up a by-products plant at Mahishtikry, Hooghly, West Bengal for higher valued products, such as purified Napthalene and Oils which have tremendous demand from the Dye and Dye-intermediate industry.

The company is in the process of setting up a second unit at Visakhapatnam for producing high value by-products like Coal Tar Enamel, Coal Tar Tapes, Chlorinated Synthetic Primers and others having high potential for use and demands in the off shore pipe line, water supply line, gas line and also in oil pipe lines.

Full effect of all the above expansion and diversification projects in hand is expected to reflect in the workings of the company during the fiscal 2006-2007.

As part of transforming ourselves into a global company, we need to earn revenues outside our home base. The Company's focus on export is part of the shift in demand for value added products extensively in developed countries and Asian market alike. The company has already acquired through one of its associate, necessary plots of land at the port of Haldia in West Bengal to set up a composite unit for production of liquid coal tar pitch intended for export to overseas customers and at the same time to organise a most modern equipped warehouse storage facilities for imports of raw materials and other exportable items.

The company believes that it is well poised to leverage its comparatively low cost of production while global majors in the developed countries face rising production cost and shrinking margins.

The company is among the very few top-notch innovative organisation that straddle the entire Coal Tar chain of value added products having extensive demands in diverse sectors of industries both in India and abroad.

The Company has undertaken an ambitious expansion programme at an estimated capital expenditure of around Rs.300 crores over the next two years for developing value added by-products and expansion of its production capacity to meet the increased demands both in India and abroad.

Given your company's strong fundamental and its business focus, we are sure, your company is poised for a significant growth ahead.

## **DIVIDEND**

Your Directors are pleased to propose a token dividend @ 5% for the year.

Your Directors feel that the substantial portion of the surplus fund generated be used for financing the Company's on going expansion project and to supplement the increased need for working capital with a view to cut down the cost of borrowings and to keep the financing charges at the lowest level. Your Directors are hopeful that with the increase of turnover on completion of the projects in hand the rate of dividend could be substantially increased in the years to come.

## **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 hereto and forms part of this Annual Report.

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 hereto and forms part of this Annual Report.

## **DIRECTORS**

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

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;

# HIMADRI CHEMICALS & INDUSTRIES LIMITED

- (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. Agarwal Prasad & Co., Chartered Accountants, the Auditors of the Company, 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 hereto and forms part of this Report.

## 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

**D. P. Choudhary**  
Chairman

Place : Kolkata

Dated : The 29th June, 2005

## Annexure to Directors' Report

Information as per Section 217 (l) (e) 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 31st March, 2005.

### A CONSERVATION OF ENERGY

Energy conservation is an on-going activity in the company and wherever possible energy conservation measure have been implemented. The efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

Total energy consumption and energy consumption per unit of production is as under:

### FORM -A

Form for Disclosure of Particulars with respect to Conservation of Energy

#### I. Power & Fuel Consumption

i) Electricity	Unit	Current Year	Previous Year
Units	Kwh.	2031455	1831954
Total	Rs.	10259647	8644338
Rate per unit	Rs./Kwh	5.05	4.72
ii) Furnace Oil			
Quantity	Kltrs.	6747.910	7273.085
Total cost	Rs.	76235596	82009763
Average Rate	Rs./Kltr.	11297.66	11275.79
iii) Oils(Own Production)			
Quantity	Kltrs.	3548.616	3931.368
Total Cost	Rs.	28857343	31969885
Average Rate	Rs./Mt.	8132	8132
iv) Diesel			
Quantity	Ltrs.	217506	148745
Total Cost	Rs.	6101316	3410716
Average Rate	Rs./Ltr.	28.05	22.93
v) Heat Transfer Fluid			
Quantity	Ltrs.	2940	16560
Total cost	Rs.	131855	1160052
Average Rate	Rs./Ltr.	44.85	70.05

#### 2. Consumption per unit of Production

Total Production	MT	75483	78419
Electricity	Units/MT	26.913	23.361
Furnace Oil	Ltrs./MT	89.396	92.746
Oils(Own Production)	Ltrs./MT	47.012	50.133
Diesel	Ltrs./MT	1.897	1.897
Heat Transfer Fluid	Ltrs./MT	0.211	0.211



# HIMADRI CHEMICALS & INDUSTRIES LIMITED

## B. TECHNOLOGY ABSORPTION

### FORM -B

#### Disclosure of Particulars with respect to Technology Absorption and Research and Development

#### 1. Research and Development and Benefits derived therefrom

(a) Research & Development Department of the Company continued to play vital role in the following areas :

- i) Better control on inputs and on improving the quality of the output to match with international specifications.
- ii) Finding out ways and means for saving of energy and cost.
- iii) Optimisation of resource usage and refinement of process technology.
- iv) Alternative usage of Carbon Black Feed Stock as input in the manufacturing of Coal Tar Pitch.

#### (b) FUTURE PLAN OF ACTION

The Company is presently involved in the development of Mesophase Pitch, Carbon Fibre and Needle Coke.

#### (c) EXPENDITURE ON RESEARCH AND DEVELOPMENT

Capital expenditure as well as Recurring expenditure incurred from time to time during the year on laboratory items, tools, spares, handling equipments and salaries of research personnel remain merged with various heads as per established accounting policy and separate details are not maintained.

#### 2. Technology Absorption, Adoption and Innovation

Continuing efforts are being made to adopt the modern technology and to keep abreast of the latest development in order to meet the changing needs of both domestic and overseas markets.

#### 3. Foreign Exchange Earnings and Outgo

	Current Year (Rs.)	Previous Year (Rs.)
Total Foreign exchange used	24,56,40,049	8,10,50,459
Total Foreign Exchange earned	6,40,235	NIL

For and on behalf of the Board

Kolkata  
The 29th June, 2005

D.P. Choudhary  
Chairman





## CORPORATE GOVERNANCE

### PHILOSOPHY OF CORPORATE GOVERNANCE

Corporate Governance, in general, relates to a system or process that direct corporate resources and management strategies towards maximisation of stake holders confidence while ensuring transparency and accountability in the conduct of business within an acceptable limit of legal and ethical frame work. In this Company, a good governance practice is the true spirit and not just an object in letters. In Himadri Chemicals & Industries Ltd., the flag ship company of the Himadri Group of Industries, we are striving for excellence through adoption of best governance and disclosure practice, compatible with the SEBI code of corporate Governance, duly up-dated with the modifications effected in its operation from time to time. The Company has been making significant disclosures on the Board composition and functioning, management thoughts and business performances as one prescribed by the SEBI.

### 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 Board of Directors have an optimum combination of Executive and Non Executive Directors having 50% of the Board comprised of Non-Executive Directors. The Chairman being Non-Executive, one third of the Board is comprised of Independent Directors.

The Independent Director as defined in clause 49 of the Listing Agreement is one who apart from receiving Directors remuneration does not have any other material pecuniary relationship or transaction with the Company, its promoters, management or its subsidiaries which in judgement of the Board may affect independence of judgement of the Board.

The Company's Board of Directors comprises of 6 Directors with 2 Independent Non-Executive Directors having considerable knowledge and exposures in their respective fields.

The Board meets at least 4 times in a Financial Year, and there shall not be a gap of more than 4 months between 2 consecutive meetings. During the year under review the Board met 8 (eight) times on 29/04/2004, 30/07/2004, 06/08/2004, 23/08/2004, 30/08/2004, 25/10/2004, 30/10/2004, and 31/01/2005.

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 31st March 2005 are given below:

# HIMADRI CHEMICALS & INDUSTRIES LIMITED

Name	Category	No. of Board Meeting attended during 2004-2005	Whether attended last AGM held on 28/09/04	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 Executive	8	Yes	Two	—	—
Mr. B. L. Choudhary	Promoter Not Independent Executive	8	Yes	Four	—	—
Mr. V. K. Choudhary	Promoter Not Independent Executive	8	No	Three	—	—
Mr. S. K. Goenka	Non-Promoter Independent Non-Executive	5	Yes	Nil	—	—
Mr. S. K. Saraf	Non-Promoter Independent Non-Executive	4	Yes	Nil	—	—

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

Particulars of the Directors retiring by rotation and seeking re-appointment along with their particulars have been given in the Notice convening the forthcoming Annual General Meeting.

## COMMITTEE OF THE BOARD

### I. AUDIT COMMITTEE

The Audit Committee, inter-alia, provides assurances to the Board on the adequacy or otherwise of internal control system, financial disclosures and ensure due observance of the generally accepted Accounting Principles as also