



### BOARD OF DIRECTORS

DR. A.C. MUTHIAH	Chairman
M.H. AVADHANI	Director
CHITTARANJAN DUA	Director
DR. EASO JOHN	Director
C.V.R. PANIKAR	Director
G. RAGHAVENDRAN	Director
M. SIVAGNANAM	Director
S.S. SIVAPRAKASA	Director
R. SUBRAMANIAM	Director
V.P. SAWHNEY	Nominee of IDBI
S. RAMJEE	Nominee of UTI
N.C. PILLAI	Managing Director
G. PARTHASARATHY	Director (Finance)

### EXECUTIVE DIRECTOR

G. RAMACHANDRAN

### COMPANY SECRETARY

P.T. DAYANANDAN

### AUDITORS

M/s. S.R. Batliboi & Co.  
Chennai

### DEPOSITORY

National Securities Depository Ltd.  
(NSDL)

### BANKERS

State Bank of India  
State Bank of Hyderabad  
State Bank of Patiala  
Indian Bank  
Bank of India

### SHARES LISTED WITH

The Madras Stock Exchange Ltd.  
The Stock Exchange, Mumbai  
The Calcutta Stock Exchange  
Association Ltd.

### REGISTRARS AND SHARE TRANSFER AGENT

M/s. Cameo Corporate Services Ltd.,  
"Subramanian Building"  
No. 1, Club House Road,  
Chennai - 600 002  
☎ 8528390, 8520084, 8522465  
Fax : 8520129



## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of Manali Petrochemical Ltd will be held at '**Kamaraj Arangam**', 574-A, Anna Salai, Teynampet, Chennai - 600 006, on **Friday, the 30th July 1999** at **3.15 P.M.** to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 1999 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To elect Directors :
  - (a) To appoint a Director in the place of Mr Chittaranjan Dua, who retires by rotation and being eligible offers himself for re-election.
  - (b) To appoint a Director in the place of Mr R Subramaniam, who retires by rotation and being eligible offers himself for re-election.
  - (c) To appoint a Director in the place of Mr M Sivagnanam, who retires by rotation and being eligible offers himself for re-election.
3. To consider and if thought fit, to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 224A of the Companies Act, 1956, M/s. S. R. BATLIBOI & CO., Chartered Accountants, Chennai, the retiring Auditors, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors of the Company in connection with the Company's Audit."

### SPECIAL BUSINESS:

4. To consider and if thought fit to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the consent of the Company be and is hereby accorded for the payment of increased contribution of 12% of salary by the Company in respect of Mr N C Pillai, Managing Director and Mr G Parthasarathy, Director (Finance) to Manali Petrochemical Ltd. Provident Fund Trust with effect from 22.9.97 and consequential increase in contribution to Pension / Superannuation Fund together with Provident Fund upto 27% of their salary.

"RESOLVED FURTHER THAT the Contribution to Provident Fund, Superannuation Fund and Annuity Fund shall continue to be not included in the computation of ceiling on perquisites to the extent these are either singly or put together not taxable under the Income Tax Act / Rules / Notifications issued from time to time."

5. To consider and if thought fit, to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 163 of the Companies Act, 1956, the Company hereby approves that the Register of Members, Index of Members and all copies of all Returns together with the copies of the certificates and documents required to be annexed thereto be kept at the office of the Registrar and Share Transfer Agents viz., M/s. Cameo Corporate Services Limited situated at Subramanian Building, No. 1 Club House Road, Chennai - 600 002, instead of being kept at the Registered office of the Company."

Registered Office :  
SPIC CENTRE  
97, Mount Road,  
Guindy,  
Chennai 600 032.  
21st May, 1999

By Order of the Board  
  
**P.T. DAYANANDAN**  
Company Secretary

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself and a proxy need not be a member of the Company.
2. The proxies in order to be effective must be received by the Company at its Principal Office of the Company at SPIC CENTRE Annexe, 6th Floor, 97 Mount Road, Guindy, Chennai 600 032, not less than 48 hours before the commencement of meeting.
3. Members / Proxies should bring the Attendance slip sent herewith, duly filled in and signed and hand over the same at the entrance of the hall for attending the meeting and members are requested to bring their copies of the Annual Report with them.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 2.7.99 to 30.7.99 (both days inclusive).
5. Relevant Explanatory Statement of material facts pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos. 3 to 5 of the Notice is annexed hereto.

**EXPLANATORY STATEMENT**

**(Pursuant to Section 173(2) of the Companies Act, 1956)**

**Item No.3**

As per Section 224-A of the Companies Act, 1956, if 25% or more of the subscribed capital of the Company is held by the Central or State Government, Public Financial Institutions or Nationalised Banks or General Insurance Companies whether singly or in any combination, the appointment or re-appointment of the Auditors at each Annual General Meeting shall be made by a Special Resolution. Since more than 25% of the Subscribed Capital of the Company is held by Public Financial Institutions, the re-appointment of Auditors has to be made by a Special Resolution and accordingly the Special Resolution as set out in Item No.3 is recommended for adoption by the Members.

**Memorandum of Interest:**

None of the Directors is interested in the above resolution.

**Item No.4**

Consequent to the amendment to Employees Provident Fund Scheme, 1952, the Employers' contribution to Provident Fund was increased from 10% to 12% of salary with effect from 22.9.97 in respect of employees of the Company. The Board of Directors of the Company at its

meeting held on 4.8.98 have also approved the extension of the aforesaid enhancement in the PF contribution to the Managing Director and Director (Finance). The Income Tax (Second Amendment) Rules, 1998 vide Notification No. SO 50(E), dt. 16.1.98 issued by CBDT, provides for increase in the contribution by the Employer and Employee from 25% to 27% towards Provident Fund and Superannuation Fund retrospectively with effect from 22.9.97.

Approval of the shareholders is therefore sought for the above increase in contribution to Provident Fund in respect of Managing Director and Director (Finance) and consequent amendment to the Agreement entered into with Managing Director and Director (Finance) by the Company in this regard.

The Board recommends the special resolution for approval of the members.

**Memorandum of Interest:**

Excepting Mr N C Pillai, Managing Director and Mr G Parthasarathy, Director (Finance), none of the Directors of the Company is interested or concerned in the above resolution.

**Item No.5**

As per the provisions of Section 163 of the Companies Act, 1956, certain documents such as Register and Index of Members, etc. have to be kept at the Registered office of the Company. However, these documents may be kept at any other place within the city, in which the Registered office is situated, if such other place has been approved for this purpose by a special resolution passed by the Company in General Meeting. Since the above said documents are to be kept at the new Registrar & Share Transfer Agent's office viz., M/s. Cameo Corporate Services Limited, No. 1, Club House Road, Chennai - 600 002, approval of the members is sought by special resolution as set out under Item No. 5 of the accompanying notice.

**Memorandum of Interest:**

None of the Directors is interested or concerned in the above resolution.

**Inspection of Documents:**

The documents referred to in this Notice / Explanatory Statement are open for inspection by any member at the Registered office of the Company during the Company's business hours on any working day upto the date of Annual General Meeting.

Registered Office :  
SPIC CENTRE  
97, Mount Road,  
Guindy,  
Chennai 600 032.  
21st May, 1999

By Order of the Board

**P.T. DAYANANDAN**  
Company Secretary

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**DIRECTORS' REPORT**

To

The Shareholders

The Directors have pleasure in presenting the Thirteenth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 1999.

**OPERATING RESULTS FOR THE YEAR 1998-99**

Product	(Rs. in lakhs)			
	Sales			
	1998-99		1997-98	
	Qty. (MT)	Value	Qty. (MT)	Value
Propylene Oxide	37	44.20	124	146.07
Propylene Glycol	5286	3333.99	5689	3508.72
Polyols	5583	4797.60	4052	3601.92
Isocyanates	1044	1437.50	839	1147.39
Others	2096	501.27	2032	397.44
<b>Total</b>		<b>10114.56</b>		<b>8801.54</b>

**FINANCIAL RESULTS**

	(Rs. in lakhs)	
	1998-99	1997-98
Profit before depreciation and interest	668.10	100.43
Interest	170.96	331.55
Operating profit / (Loss)	497.14	(231.12)
Depreciation	556.72	548.15
Net Profit / (Loss) before tax	(59.58)	(779.27)

The capacity utilisations of PO, PG and Polyol plants were at 78%, 87% and 90% as compared to the levels of 75%, 98% and 69% respectively last year.

The technical functioning of the plant as indicated by the above capacity utilisations was quite satisfactory and production levels were selectively improved as required. The overall performance of the Company benefitted substantially from the combined effects of marginal increases in the prices of our main products and the Rupee-Dollar parity continuing to be in our advantage. The favourable changes due to the imposition of Safeguard duty as well as achieving a better

product - mix, also contributed to the improvement in the Company's working results.

Despite the continuing general economic crunch and the benefits of the Safeguard duty being delayed till December 1998, the Company has achieved an Operating Profit of nearly Rs. 498 lakhs compared to an Operating Loss last year of Rs. 231 lakhs. The outgo on interest charges was also considerably curtailed. All these add up to a significant improvement in the Company's working results. However, the prescribed adjustments to be made for Depreciation and carried-over losses have been unavoidably heavy, resulting in the current year ending with a net loss of Rs. 60 lakhs as against a much higher loss of Rs. 780 lakhs in the previous year. Therefore, even with a noticeably better performance during the current year, the Directors regret that they are still not in a position to recommend a dividend.

**FUTURE OUTLOOK AND NEW PRODUCTS**

The future of the Company looks bright. New systems with CFC free formulations being developed are getting market acceptance. Many established manufacturers of PU have tried our products and started using them continuously. Significant achievements have been recorded in the flexible moulded foam sector and our water blown systems are being used by several large "OE" manufacturers. In this sector alone, our market share has doubled in the last one year and the trends are encouraging.

Similarly in the rigid PU foam sector, all the major refrigerator manufacturers use our product and steadily growing demands are being met by our CFC-free systems also. In the large market for Thermoware goods as well as in the Footwear industry, our special formulations are being increasingly used.

New products and systems being introduced by our R&D establishment like specialised adhesives, mineral-wool fibres, water proofing and potting compounds as well as a solvent used in the paint and ink industry, are all finding an encouraging demand. Overall, considerable increases in the production and sales of the Company can be foreseen.





### ISO 9001

The biannual certification audits by M/s. DET NORSKE VERITAS (DNV) for manufacture of PO / PG / Polyol and Systems were completed successfully and the Company continues to retain its accreditation.

### CONSERVATION OF ENERGY

The particulars relating to 'conservation of energy, technology absorption and foreign exchange earnings and outgo' as required under section 217 (1) (e) of the Companies Act, 1956, are annexed as part of this report.

### FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year.

### LISTING AGREEMENT

Since the shares of the Company are not being actively traded in the Delhi and Ahmedabad Stock Exchanges, the Listings have been confined to the Chennai, Mumbai and Calcutta Stock Exchanges. Information as required under Clause 43 of the Listing Agreement is annexed as part of this Report.

### DIRECTORS

Pursuant to Section 256 of the Companies Act, 1956 and Article 103 of the Articles of Association of the Company, Mr. Chittaranjan Dua, Mr. R Subramaniam and Mr. M. Sivagnanam, Directors, are retiring by rotation at this Annual General Meeting and being eligible, offer themselves for re-election.

### ENVIRONMENT & SAFETY

The Company accords the highest priority to maintaining safety standards and a pollution-free environment.

### DEPOSITORY SYSTEM

The Company has joined the Depository System and appointed M/s. Cameo Corporate Services Limited as Registrar and Transfer Agent for offering depository services connected with electronic transfer of shares and maintenance of folios in the Depository System through V-SAT net work. The shareholders joining the Depository System would reduce risks on account of unauthorised share certificates, forged signatures or stolen shares. The risk of bad deliveries would also be eliminated.

### Y2K COMPLIANCE

The Company has already implemented the necessary measures to ensure smooth functioning of all the operations, both technical and commercial from the year 2000 and onwards.

### INDUSTRIAL RELATION

Industrial relations in the Company continue to be cordial. A statement giving information and particulars of employees as required under Section 217 (2A) of the Companies Act, 1956, is annexed as part of this report.

### COST AUDIT

The Government of India has ordered the Cost Audit of records relating to Propylene Glycol (Pharmaceutical Grade). Pursuant to this and Section 233B of the Companies Act, 1956, Mr A Madavan, Cost Accountant, has conducted audit of the cost accounts for the year 1998-99 in respect of Propylene Glycol manufactured by the Company.

### AUDITORS

The Company's statutory Auditors M/s. S.R. Batliboi & Co., Chartered Accountants, Chennai, retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. Referring to comments made by the Auditors in para 2(e) of the Report, Note 6 of the Notes on Accounts are self-explanatory.

### ACKNOWLEDGEMENT

Your Directors express their grateful thanks for the assistance, co-operation and support extended to the Company not only by the Government of India, the Government of Tamilnadu, and SPIC, the Promoters, but also by the Financial Institutions, the Consortium of Banks as well as the Reserve Bank of India. The Directors also specially wish to thank the shareholders for their patience and continued support and to reiterate their appreciation of the consistent good work done by all the Company's employees.

For and on behalf of the Board

Chennai - 600 032  
21st May, 1999.

**Dr. A.C. MUTHIAH**  
Chairman

**ANNEXURE TO DIRECTORS' REPORT**

Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 for the year ended 31st March 1999.

**A. CONSERVATION OF ENERGY:**

- a) Energy conservation measures taken:
- The project titled "Development of Computer Aided Monitoring and Targeting System" by Energy Management Centre (EMC) of Central Scientific Instrument Organisation (CSIO), New Delhi was commissioned in Feb '99. CSIO has spent Rs. 5 lakhs in configuring the system and Company has spent an equivalent amount in wiring it up to the appropriate system for the data acquisition.
  - This consists of 4 data acquisition systems "DAS" installed in substations and in the control room feeding the data to a central computer. About 195 points are monitored continuously for the energy consumption and produce a Management Information Report for effective control.
  - Minor jobs like leaking traps, leaking heat exchangers, which use steam were rectified.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
- Fresh energy audit is being contemplated to find out areas still available for exploitation.
- c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
- The total saving is expected to be of the order of Rs. 25 lakhs per annum.

**FORM - A**  
(See Rule 2)

**(A) Power and Fuel Consumption :**

	Year ended 31.03.99	Year ended 31.03.98
1. Electricity		
(a) Purchased		
Units	1,24,06,400	1,31,52,700
Total Amount (Rs.)	4,80,76,637	4,62,24,009
Rate per unit (Rs.)	3.88	3.51
(b) Own Generation		
(i) Through Diesel Generator (Units)	9,72,934	68,021
Units per litre of diesel	3.40	3.45
Cost per unit (Rs.)	3.30	3.29
(ii) Through steam Turbine	Nil	Nil
2. Coal	Nil	Nil
3. Furnace oil		
Quantity (KL)	5,637	5,599
Total amount (Rs.)	3,16,71,471	3,30,74,981
Average rate (Rs./KL)	5,426	5,907
4. Others / Internal generation	Nil	Nil