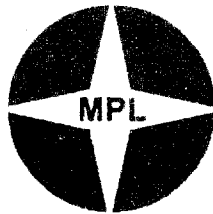


# **18th ANNUAL REPORT**

## **2003 - 2004**

Report  junction.com



**Manali Petrochemical Ltd**

## BOARD OF DIRECTORS

Dr. A. C. MUTHIAH	Chairman
M.H. AVADHANI	Director
C. V. R. PANIKAR	Director
G. RAGHAVENDRAN	Director
M. SIVAGNANAM	Director
Dr. P. L. SANJEEV REDDY (Nominee of UTI)	Director
T. WILLINGTON (Nominee of TIDCO)	Director
G. RAMACHANDRAN	Managing Director
K. K. RAJAGOPALAN	Director (Finance)

## AUDIT COMMITTEE

M. SIVAGNANAM	Chairman
M. H. AVADHANI	Director
C.V.R. PANIKAR	Director
G. RAGHAVENDRAN	Director
Dr. P. L. SANJEEV REDDY	Director

## COMPANY SECRETARY

S. DIRAVIAM

## AUDITORS

M/s. Fraser & Ross, Chennai

## BANKERS

State Bank of India  
State Bank of Hyderabad  
State Bank of Patiala  
Indian Bank  
Canara Bank  
Punjab National Bank  
Corporation Bank  
State Bank of Bikaner & Jaipur  
Bank of India

## REGISTERED OFFICE

SPIC HOUSE  
88 Mount Road, Guindy, Chennai - 600 032.

## PRINCIPAL OFFICE & PLANT I

Ponneri High Road, Manali, Chennai - 600 068.  
Phone : 25941025, 25941249, 25941253  
Fax : 25941199  
Email: it@manalipetro.com

## PLANT - II

Sathangadu Village,  
Manali, Chennai - 600 068.  
Phone : 25941698, 25941402

## SECRETARIAL DEPARTMENT

Ponneri High Road, Manali, Chennai - 600 068.  
Phone : 25943895 (Direct)  
Email : diraviam@manalipetro.com

## DEPOSITORY

National Securities Depository Ltd (NSDL)  
Central Depository Services (India) Limited (CDSL)

## SHARES LISTED WITH

1. Madras Stock Exchange Ltd.  
Exchange Building, Post Box No.183  
30, Second Line Beach, Chennai - 600 001.
2. The Stock Exchange, Mumbai  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400 001.
3. National Stock Exchange of India Ltd  
Exchange Plaza,  
Bandra - Kurla Complex,  
Bandra (East), Mumbai - 400 051.
4. The Calcutta Stock Exchange Association Ltd  
No.7, Lyons Range, Kolkata - 700 001.

## REGISTRARS AND SHARE TRANSFER AGENT

M/s. Cameo Corporate Services Limited  
"Subramanian Building"  
No.1 Club House Road, Chennai - 600 002.  
Phone : 28460390 - 394 Fax: 28460129  
Email : cameosys@satyam.net.in



## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 18<sup>th</sup> Annual General Meeting of the Members of Manali Petrochemical Ltd will be held at Rajah Annamalai Hall, Esplanade (Near High Court), Chennai - 600 108, on Saturday, the 25<sup>th</sup> September 2004 at 10.35 A.M. to transact the following business :

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March 2004 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr.G Raghavendran, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in the place of Mr T Willington, who retires by rotation and being eligible offers himself for re-election.
4. To consider and if thought fit, to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to Section 224 of the Companies Act, 1956, M/s. FRASER & ROSS, Chartered Accountants, Chennai, the retiring Auditors, be and are hereby re-appointed as Statutory 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:

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

RESOLVED THAT pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 and subject to the approval of the concerned Stock Exchanges mentioned herein below and fulfilment of such other conditions as may be imposed on the Company by them, the approval of the shareholders of the Company be and is hereby accorded to the Board of Directors of the Company to delist the equity shares of the company from the following Stock Exchanges viz.,

1. Madras Stock Exchange Ltd, Chennai.
2. The Stock Exchange, Mumbai.
3. The Calcutta Stock Exchange Association Limited, Kolkata.

Registered Office:

"SPIC House"

88, Mount Road, Guindy,  
Chennai - 600 032.

Date : 28th April, 2004

By Order of the Board

**S DIRAVIAM**

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 valid must be received by the Company at its Registered Office / Principal Office of the Company not less than 48 hours before the commencement of meeting.
3. Relevant Explanatory Statement of material facts pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No.5 of the Notice is annexed hereto.
4. 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 who hold shares in the dematerialised form, are requested to indicate without fail their DP ID and Client ID numbers in the Attendance Slips. Members are requested to bring their copies of the Annual Report with them.

5. The Register of Members and the Share Transfer Books of the Company will remain closed from 16.9.2004 to 25.9.2004 (both days inclusive).
6. Members are requested to furnish the details of their nomination (if not already sent) in the necessary Form to the Registered office of the Company.



## ANNEXURE TO NOTICE

### EXPLANATORY STATEMENT

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

#### Item No.5

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, vide Circular No.SMD/POLICY/CIR-7/2003, dt. 17.2.2003. As per the aforesaid Guidelines, a company may delist from Stock Exchange where its securities are listed, provided the Company continues to be listed in a stock exchange having nationwide trading terminals.

The Company proposes to delist the equity shares from the Madras Stock Exchange Ltd, The Stock Exchange, Mumbai and the Calcutta Stock Exchange Association Ltd., in view of extremely low volume of trading of company's equity shares on these exchanges. However, the Company will continue to be listed in National Stock Exchange of India Ltd, which is having nationwide trading terminals.

Accordingly, the Special Resolution under Item 5 of the Notice is placed before the shareholders for their approval.

None of the Directors of the Company is concerned or interested 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 Principal Office of the Company during the Company's business hours on any working day upto the date of Annual General Meeting.

Registered Office:

"SPIC House"

88, Mount Road, Guindy,  
Chennai - 600 032.

Date : 28th April, 2004

By Order of the Board

**S DIRAVIAM**  
Company Secretary

### Brief Resume of the Directors seeking re-appointment in the 18<sup>th</sup> Annual General Meeting to be held on 25.9.2004 :

1. **Mr. G Raghavendran** was appointed as a Director on the Board effective 26.10.1992. He was formerly Managing Director of the Company. He is a Chemical Engineer with more than 40 years of industrial experience. He has long and varied experience in petroleum and petrochemical industries. He served as General Manager in Chennai Petroleum Corporation Limited, a public sector undertaking.
2. **Mr. T Willington** was appointed as a Director on the Board effective 19.6.2001. He is a General Manager of Tamilnadu Industrial Development Corporation Limited (TIDCO), Chennai, and represents TIDCO on the Board of the Company. He has varied and vast experience and is representing a number of joint venture companies promoted by the Government of Tamilnadu.



## REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS.

To

### The Shareholders

The Directors have pleasure in presenting their 18<sup>th</sup> Annual Report on the business and operations of your company and the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2004.

### FINANCIAL RESULTS

(Rs. in lakhs)

DESCRIPTION	2003 - 2004	2002 - 2003
Profit before interest, depreciation and miscellaneous expenses written off	1811.25	870.65
Interest	488.08	574.12
Depreciation	1034.77	1047.97
Miscellaneous expenses written off	82.65	180.02
<b>Net Profit / (Loss) before tax</b>	<b>205.75</b>	<b>(931.46)</b>

During the year under report, your Company has achieved a record production of PO, PG and Polyol with capacity utilisation levels of 104%, 101% and 99% respectively. After a gap of 6 years, your Company registered a profit of Rs.2.05 crores in 2003-04 as against a loss of Rs.9.31 crores in the previous year.

The considerably improved performance was due to various cost reduction measures and other strategies implemented by your company. These resulted in an 18% increase in sales and matching production compared to the previous year.

### OPERATIONAL HIGHLIGHTS

As has been already reported in the previous years, continued implementation of several heat recovery projects and power saving arrangements helped the company to drive down operating costs. The improved capacity utilisation levels enabled the company to reduce the specific consumption of power, fuel and water. Efforts are being made to improve the specific consumptions even further to sustain operating profits and face the increasing challenges of uncertain international product prices and competitive changes in duty structures. During the year, your Company also achieved a turnover of Rs.149 lakhs on account of export of products.

The overall strategy in improving capacity utilisation, reduction of overheads of interest, administrative expenses and inventory carrying costs along with stabilising niche markets contributed to the improved performance of your company. In view of the continued buoyant international market and improved functioning of the Indian market, all efforts will be made to maintain the tempo on sales and production.

Despite improved performance during the year under report, which achieved record levels of turnover and a net profit of Rs.2.05 crores, the carry forward losses does not allow declaration of any dividend for the year under report.

### MARKET SCENARIO

Sales of Propylene Glycol improved this year due to restricted availability of international products in India unlike in the previous year, which saw large scale low priced imports from many countries. The buoyant automotive market helped your company to improve its sales in this segment and so also in other CFC free formulations used in refrigeration and other insulation segments. These favourable market trends are expected to continue in the ensuing financial year.

### FUTURE OUTLOOK AND NEW PRODUCTS

Your company's R&D efforts are continuing to develop several newer grades of drilling fluids meant for oil fields. Your company's work is also yielding results in development of water blown systems for various new applications in furniture industry.

### OPPORTUNITIES AND THREATS

Your company's product portfolio continues to be dominated by price sensitive commodity products of propylene glycol and slab stock polyol. These markets are growing rapidly and present a good opportunity to expand our operations further.

### RISKS AND CONCERNS

The development of Ennore Port and its capability to handle chemical imports will reduce the risk of depending on a single source of raw material for the company. Propylene is also now freely available from other refineries upcountry. Slab stock polyol and propylene glycol, being commodity products will continue to face sporadic low priced dumping of products into our markets. Improved capacity utilisation and diversification of products should reduce the associated risks.

The "Free Trade Agreement" with "ASEAN" countries including Singapore is expected to be in full force in the next couple of years. Efforts are on for suitable collaborations for identifying products and strategies of mutual benefits.

### ENVIRONMENT AND SAFETY

The periodic audit by M/s. Det Norske Veritas (DNV) for both ISO-9001 and ISO-14001 were completed successfully. The current certification is valid till 2005.



Your company continued its green belt development during the year under report.

### **CONSERVATION OF ENERGY**

Your company successfully met all the norms set for itself for reduction of waste water and recovery of waste heat as well as waste gas re-use programmes as per the ISO-14001. This has helped your company to reduce operating costs.

As required under Section-217(1)(e) of the Companies Act, 1956 read with Rule-2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, information on conservation of energy, technology-absorption, foreign exchange earnings and outgo, are given in the Annexure forming part of this report.

### **FIXED DEPOSITS**

Your company has not accepted any deposits from the public during the year under report.

### **INDUSTRIAL RELATIONS**

Your company continued its efforts to develop human resources by suitable job rotation and training systems. Optimisation of manpower is a continuing process and the number of employees came down to 379 as on 31.3.2004 from 422 as of last year.

### **PARTICULARS OF EMPLOYEES**

Statement giving particulars of employees as required by Section 217(2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules 1975, as amended, is not required to be annexed to this Report, as no employee is coming under the purview of the Section of the Companies Act, 1956 during the period under review.

### **DIRECTORS**

Mr D Arunachalam resigned from the Board for personal reasons with effect from 3.2.2004. Your Directors wish to place on record their deep appreciation of the valuable contributions rendered by Mr D Arunachalam during his tenure as Director of the Company.

In terms of Section 256 of the Companies Act, 1956 and Article 103 of the Articles of Association of the company, the following Directors viz., Mr. G Raghavendran and Mr. T Willington, are retiring by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2004, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as 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 or loss of the Company for the year under review;
- (iii) that the Directors had 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;
- (iv) that the Directors had prepared the accounts for the financial year ended 31<sup>st</sup> March, 2004 on a 'going concern' basis.

### **CORPORATE GOVERNANCE**

Your Company has complied with the requirements regarding Corporate Governance as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, where the Company's shares are listed. A Report on the Corporate Governance in this regard is made a part of this Annual Report and a Certificate from the Auditors of your Company regarding compliance of the conditions of the Corporate Governance is attached to this report.

### **COMPULSORY DEMAT**

As announced by SEBI vide its Circular Ref. No.SMDRP / POLICY / CIR-9 / 2000, dt. 16.2.2000, the shares of the Company are traded compulsorily in dematerialised form by all investors with effect from 8.5.2000. 34.57% of shares of your company have been demated compared to 31.35% last year.

### **LISTING OF EQUITY SHARES**

Your Company's equity shares continued to be listed on the Madras Stock Exchange Ltd., The Stock Exchange, Mumbai, The Calcutta Stock Exchange Association Ltd and National Stock Exchange of India Ltd, Mumbai, during the year under report.

Your Company has proposed to delist the shares from Madras Stock Exchange Ltd., The Stock Exchange, Mumbai, The Calcutta Stock Exchange Association Ltd in view of low volume of trading on these Stock Exchanges and necessary resolution is proposed at this Annual General Meeting. However, the shares of your Company will continue to be listed on National Stock Exchange of India Ltd., which is having nationwide trade terminals.



## **COST AUDIT**

The Government of India has ordered the Company to conduct audit of cost accounts in respect of 'Chemicals' manufactured by the company and accorded approval for appointment of M/s. S Gopalan & Associates, Cost Accountants, appointed by the Company in this regard pursuant to Section 233B of the Companies Act, 1956, to conduct cost audit for the year 2003-2004.

## **AUDITORS**

Your Company's statutory Auditors M/s. Fraser & Ross, Chartered Accountants, Chennai, retire at the conclusion of this Annual General meeting and are eligible for re-appointment.

## **ADEQUACY OF INTERNAL CONTROLS**

Your company has installed adequate internal control systems in combination with delegation of powers. The control system is also supported by internal audits and

Management reviews with documented policies and procedures.

## **ACKNOWLEDGEMENT**

Your Directors express their grateful thanks for the assistance, co-operation and support extended to the Company by the Government of India, the Government of Tamilnadu, TIDCO, SPIC, the Promoter, UTI and other Financial Institutions and the Consortium of Banks. The Directors wish to thank particularly the shareholders for their continued and patient support. The Directors also place on record their appreciation of the consistent good work put in by all cadres of employees, resulting in considerable improvements in the company's performance during the year under report.

For and on behalf of the Board

**Dr. A.C. MUTHIAH**  
CHAIRMAN

Place : Chennai - 600 032.  
Date : 28.4.2004

## **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 31<sup>st</sup> March 2004.

### **A CONSERVATION OF ENERGY**

#### **a) Energy conservation measures taken :**

- Saving of electrical energy by optimising the capacity of vacuum pump in effluent treatment plant of Plant II.
- Saving of electrical energy by improving the efficiency of raw water pumping system in both plants.

#### **b) Additional investments and proposals, if any being implemented for reduction of consumption of energy :**

- Implement heat recovery system in Polyol reactor of Plant II.
- Implementation of dust scrubber system in MOL plant at Plant II to recover heat energy and lime dust.
- Bifurcation of cooling water circulation system in Plant I to reduce power consumption.

- Conversion of steam vacuum ejectors to vacuum pumps for Plant I & II to save electrical energy and cooling water.

#### **c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :**

- Impact of water and energy conservation measures at (a) for reduction of energy and water consumption and consequent impact on the cost of production of goods to be in the order of Rs.15 lakhs per annum.
- The saving envisaged by implementing the energy conservation measures as at (b) for reduction of energy and consequent impact on the cost of production of goods to be in the order of Rs.50 lakhs per annum.

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

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

##### **1. ELECTRICITY**

##### **a) Purchased**

Units

Amount (Rs.) (i.e. cost paid to TNEB)

Rate per unit (Rs.)

Year ended  
**31.3.2004**

**25323830**

**11,02,36,185**

**4.35**

Year ended  
**31.3.2003**

**24404880**

**10,61,43,375**

**4.35**



	Year ended <u>31.3.2004</u>	Year ended <u>31.3.2003</u>
<b>b) Own generation</b>		
1. Through diesel generator	275444	895116
(Units)		
Unit per litre of diesel	3.40	3.44
Cost per unit (Rs.)	6.23	5.69
2. Through steam turbine	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil	12191	11884
(Qty in KL)		
Amount (Rs.)	12,30,43,705/-	12,35,24,734/-
Average rate (Rs./KL)	10,093	10,395/-
4. Others/internal generation	Nil	Nil
<b>(B) Consumption per unit of production with standards (if any)</b>		
Products (in MT)	34,692	29,480
Electricity in units	738	858
Furnace oil in Kilo Litres	0.351	0.403
Coal	Nil	Nil
Others	Nil	Nil

**FORM - B**  
(see Rule 2)

## **B. TECHNOLOGY ABSORPTION**

### **I. Research and Development (R&D)**

1. Specific areas in which R&D carried out by the company.
  - Indegenization of currently imported expensive PU additives.
  - Specialty Glycols for oil fields.
  - Newer Slabstock as well as moulded Polyurethane System for soft and low resilient furniture applications.
  - Captive consumption of by-products like TPG.
2. Benefits derived as a result of above R&D :
  - Import substitution.
  - Reduction in operation cost.
  - Effective utilization of by-product.
  - Improved sales
3. Future Plan of Action :
  - Continue to focus on Glycols for oil fields.
  - Further improvement of the PU system for soft and low resilient applications.
4. Expenditure on R & D :
  - (a) Capital : -
  - (b) Recurring : Rs.49.02 lakhs
  - (c) Total : Rs.49.02 lakhs
  - (d) Total R&D expenditure as a percentage of total turnover - 0.19%

### **II. Technology Absorption, Adaptation and Innovation :**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :  
Technology has already been fully absorbed
2. Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.:  
Indigenous chemicals have been substituted thus reducing the cost of production.
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.
  - a) Technology imported :  
Design and drawing have been imported for fabrication of equipment and the process know-how has been successfully absorbed.



- PO / PG : Process know-how from M/s ATOCHEM of France (For Plant-I)  
 Process know-how from M/s MONTEDIPE of Italy (For Plant-II)
- POLYOLS : Process know-how from M/s ARCO of USA (For Plant-I)  
 Process know-how from M/s PRESSINDUSTRIA of Switzerland (For Plant-II)
- b) Year of Import : 1988 & 1989
- c) Has technology been fully absorbed : yes.
- d) if not fully absorbed areas where this has not taken place, reasons therefor and further plans of action : does not apply

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- a) Efforts: Further possibilities of exporting the products are being explored.

(Rs. in lakhs)

- b) i) Foreign Exchange Earnings – exports sales (FOB) 103.43  
 ii) Foreign Exchange outgo (on cash basis) 3001.23

### REPORT ON CORPORATE GOVERNANCE

#### 1. MANALI PETROCHEMICAL LIMITED'S PHILOSOPHY ON CODE OF GOVERNANCE :

The Securities and Exchange Board of India had introduced a Code of Corporate Governance for implementation by companies listed with Stock Exchanges from the year 2001-2002. The Board of Directors of your Company strongly supports the principles of corporate governance. Further the Board lays emphasis on transparency, accountability and integrity in all its operations and dealings with outsiders. Your Company had adopted some of the best practices in corporate governance much before the Code was formulated. The following are the detailed practices on Corporate Governance in your Company:

#### 2. BOARD OF DIRECTORS

##### (a) Composition of the Board : (for the financial year 2003-2004)

Director	No. of Meetings attended	* No. of outside Directorship held	Total No. of Membership / Chairmanship of Committees across all Companies	
			Member	Chairman
Dr A C Muthiah	5	8	-	-
Mr. M H Avadhani **	4	3	1	-
Mr. C V R Panikar **	3	4	4	1
Mr. G Raghavendran **	5	-	1	-
Mr. M Sivagnanam **	5	-	2	1
Dr P L Sanjeev Reddy (Nominee of UTI) *	3	2	2	-
Mr. T Willington (Nominee of TIDCO)	3	11	4	-
Mr. G Ramachandran	5	1	1	-
Mr. K K Rajagopalan	5	1	-	-
Mr. D Arunachalam (upto 2.2.2004)	4	5	4	-

\* (Excluding alternate directorship and directorship in private limited companies, Foreign Companies and Section 25 Companies.)

\*\* Non-Executive and Independent Director.