



38th Annual Report  
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**NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED**



# NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED

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## FOR MEMBERS' ATTENTION

1. The Register of Members and the share transfer books of the Company will remain closed from Thursday, 16th December, 1999 to Monday, 27th December, 1999 (both days inclusive).
2. The shares of the Company have been brought under compulsory dematerialisation. All the shareholders are requested to convert their share holdings from physical form to Demat form.
3. The members are requested to quote Folio Number in all correspondence and also to notify immediately, change of address, if any to the Registrars and Share Transfer Agents, MCS Software Solutions Ltd., Rajan House, Opp. Century Bazar, Prabhadevi, Mumbai 400 025.
4. The unclaimed dividends of the Company upto the final dividend paid for the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government pursuant to sub-section (5) of Section 205A of the Companies Act, 1956. Those members who have so far not claimed or collected their dividend for the said financial years, may claim their dividend from the Registrar of Companies, Maharashtra, Mumbai by submitting an application in the prescribed form.
5. Members who have not received the dividend for the subsequent years are requested to immediately forward their claim to the Company to facilitate payment.
6. Members are requested to bring their copy of the Annual Report along with them to the Annual General Meeting as the practice of distributing copies of the Report at the Meeting has been discontinued, and also to bring with them the Attendance Slip which may be submitted at the entrance duly signed.

## 38TH ANNUAL GENERAL MEETING

Date : 28th December, 1999

Day : Tuesday

Time : 11.00 a.m.

Place : Patkar Hall

SNDT Women's University

1, Nathibai Damodar Thackersey Road

Mumbai 400 020

## NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED

## DIRECTORS

**Arvind N. Mafatlal**  
*Chairman*

**Hrishikesh A. Mafatlal**  
*Deputy Chairman*

**N. A. Palkhivala**

**A. C. Shah**

**V. G. Rajadhyaksha**

**R. Kannan**  
*(ICICI Nominee)*

**M. K. Tandon**  
*(GIC Nominee)*

**N. M. Dhuldhoya**  
*Vice-Chairman & Managing Director*

**V. R. Gupte**  
*Executive Director - Finance*

**V. K. Rajpal**  
*Executive Director - Marketing*

## REGISTERED OFFICE

Mafatlal Chambers 'B'  
N. M. Joshi Marg  
Lower Parel (E)  
Mumbai 400 013

## AUDITORS

**C. C. Chokshi & Co.**  
*Chartered Accountants*

## SOLICITORS &amp; ADVOCATES

Crawford Bayley & Co.  
Gagrat & Co.  
Manilal Kher Ambalal & Co.

REGISTRARS &  
SHARE TRANSFER AGENTS

## SECRETARY

**U. M. Karnik**

MCS Software Solutions Limited  
Rajan House  
Opp. Century Bazar  
Prabhadevi  
Mumbai 400 025

**MANAGEMENT TEAM****Mr. Arvind N. Mafatlal***Chairman***Mr. Hrishikesh A. Mafatlal***Deputy Chairman***Dr. N. M. Dhuldhoya***Vice-Chairman & Managing Director***Mr. V. R. Gupte***Executive Director - Finance***Mr. V. K. Rajpal***Executive Director - Marketing***Mr. C. R. Gupte***Senior Vice-President,  
Rubber Chemicals Division***Mr. A. B. Modgil***Senior Vice-President, Works***Mr. A. R. Parasuraman***Senior Vice-President,  
Plastic Products Division***Mr. P. D. Saurkar***Senior Vice-President,  
Nocil Modernisation Project***Mr. V. Vanikar***Senior Vice-President,  
Human Resources Division***BANKERS**

State Bank of India

ABN-Amro Bank

Bank of Baroda

Bank of India

Barclays Bank p.l.c.

Canara Bank

Central Bank of India

Corporation Bank

HDFC Bank Limited

Standard Chartered Bank

State Bank of Indore

Union Bank of India

**PETROCHEMICALS PLANT**

5, Trans-Thane Creek Industrial Area

Thane Belapur Road

Ghansoli, Navi Mumbai - 400 701  
Maharashtra**RUBBER CHEMICALS PLANT**

C-37, Trans-Thane Creek Industrial Area

Off Thane Belapur Road

Pawne Village

Navi Mumbai - 400 705

Maharashtra

**PLASTIC PRODUCTS PLANT**

C-1, MIDC Industrial Area

Post : Shivani - 444 104

District Akola

Maharashtra

## NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED

## Directors' Report

## TO THE MEMBERS

## NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED

Your Directors present their Report together with the Audited Accounts of the Company for the year ended March 31, 1999.

## FINANCIAL RESULTS

	(Rupees in Lakh)	
	Year Ended 31.3.99	Year Ended 31.3.98
Profit Before Depreciation	3265	6010
Provision for Depreciation	1901	1787
Profit Before Tax	1364	4223
Provision for Tax	250	460
Net Profit	1114	3763
Balance of Profit from Previous Year	20162	18660
Transfer from Investment Allowance (Utilised) Reserve Account	—	325
Transfer from Debenture Redemption Reserve Account	—	2262
Excess provision for taxes of earlier years	2620	1
	23896	25011
Transfer to Reserve for Contingency	10000	—
Appropriation to General Reserve	—	3500
Proposed Dividend (inclusive of tax)	—	1349
	13896	20162

The decline in profits was mainly due to recessionary conditions prevailing in the country and global pressures on petrochemical prices.

## DIVIDEND

In view of substantial decrease in profits, the Directors have not recommended payment of any dividend.

## TRANSFER OF UNPAID DIVIDEND TO GENERAL REVENUE ACCOUNT OF CENTRAL GOVERNMENT

As per the provisions of Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 all unpaid dividends including and upto final dividend for the year 1994-95 have been transferred to the General Revenue Account of the Central Government. Members of the Company whose final dividend for the year 1994-95 and dividend for the earlier years remain unclaimed are individually requested to approach the Registrar of Companies, Maharashtra for claiming the same.

## PERFORMANCE OF THE COMPANY

The overall turnover of the Company for the year under review was Rs. 1,026 crores as compared with Rs. 1,100 crores in the year 1997-98.

The year 1998-99 was an unprecedented challenging year. The Indian economy was in severe recession which had considerable adverse impact on the prices of all the Petrochemicals and Rubber Chemicals products manufactured by the Company. In addition the international market for Petrochemicals saw the lowest level of prices for almost all products for the last 35 years eroding significantly the margins of all our products. The slow down of economies of South East Asia, Far East and Japan as a result of currency crisis in the previous year further compounded the problems of our Petrochemicals as well as Rubber Chemicals business.

Petrochemicals business during the year under review, though highly adverse, we were able to partially overcome the problem as a result of satisfactory manufacturing operations, where we achieved record production in Ethylene and HDPE. In spite of the above difficult conditions of the Petrochemicals business, we were able to achieve record sales in Isopropyl Alcohol, Methyl Isobutyl Ketone, High Density Polyethylene and Ethyl Vinyl Acetate due to the tireless effort of sales staff.

The prices of Rubber Chemicals in international market eroded significantly due to overall slow down of economies in Indian as well as Asia Pacific. We were able to show a healthy growth in both domestic and international business as a result of high quality of our products and service which helped us to retain our status as a leading manufacturer of rubber chemicals in the country.

The severe competition in the sprinkler subsidy market and unfavourable weather conditions in various parts of the country affected the sales of the Company's products to the agricultural sector. The recession in the chemical industry adversely affected the overall sales in the industrial/institutional segments.

During the last two years, in order to achieve an organisation robust enough to face the fierce competition in the domestic market and also to face the flood of imported materials at highly competitive prices, a number of steps were taken to improve the operations by way of the technical inputs to improved productivity of all our assets. We also continuously emphasised cost reduction. One of the important steps taken was introduction of Voluntary Retirement Scheme by which over the last 24 months i.e. from April 97 to March 99 we significantly reduced the number of employees in petrochemical activity by almost 30 per cent. A number of rationalisation steps were taken to reduce the fixed cost between 15 to 20 per cent on year to year basis. This in the long run would make Petrochemical Division very competitive to meet the challenging future.

In the Rubber Chemicals business significant contributions were made as a result of technical improvement thus improving the productivity and improving the yield as well as controlling the cost leading to substantial savings, thus making the Division more competitive.

### EXPORTS

The Company was able to achieve a turnover of Rs. 56 crores during the year under review. These exports were mainly in the Rubber Chemical products, which kept its presence in the existing international markets and also developed opportunities in new areas. The Company's Rubber Chemical products are well accepted in the international market and the exports are expected to grow significantly in the years to come. The exports were mainly made to countries such as New Zealand, Australia, Japan, Indonesia, France and Canada.

### FIXED DEPOSIT

Out of the Fixed Deposits aggregating to Rs. 68.45 crores as at 31st March, 1999, outstanding deposits amounting to Rs. 0.74 crore have not been claimed by the depositors on that date.

### DONATIONS AND CONTRIBUTIONS

During the year under review, the Company has contributed Rs. 48 lakhs by way of donations to various institutions and charitable organizations.

### INSURANCE

The Company has taken appropriate steps to insure all the properties and insurable interest of the Company as required under the various legislative enactments.

### STATUS OF THE MODERNISATION PROJECT

The Company along with Mafatlal Industries Limited, Montell Polyolefins and Shell Chemicals Limited have signed a Memorandum of Understanding on 30th September, 1998 in order to implement the modernization and substantial expansion project of the Company at its existing site at Thane. It is agreed between the parties that they will establish a new jointly owned Polyethylene company to construct and operate the modernized facilities.

A dedicated team comprising two full time members of Shell Chemicals and Montell Polyolefins along with other technical experts from these organizations and representatives of the Company has been constituted to give effect to the various provisions of the MOU.

The Company has initiated several steps towards obtaining the approvals required for the project and is confident of positive response from the various regulatory authorities.

### RESEARCH AND DEVELOPMENT

R&D efforts were mainly directed towards improving the quality of the product, energy conservation, environmental improvement and cost reduction.

## NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED

**HEALTH SAFETY AND ENVIRONMENT**

The Company's efforts on the protection and improvement of health and welfare of the employees and the environment was continued during the year. The safety performance of the Company has achieved greater success during the year. Our own employees worked 2 million man-hours without lost time injury. Our own employees together with contractors' employees worked 4 million man-hours without lost time injury. In the Rubber Chemicals Division, there was no lost time injury to own employees for last 12 million man-hours which was a phenomenal safety performance. The Company continued its thrust towards achieving much higher improvement in its safety record.

**TOTAL QUALITY MANAGEMENT**

During the year 1997-98, ISO 9002 quality system certification by BVQI was renewed for a further period of 3 years after a vigorous safety audit by the agency. During the year 1998-99, two surveillance audits were successfully conducted. The Company aims to achieve high standards of quality management by its total commitment towards quality control in goods as well as in services rendered by it to its in-house and outside customers.

**SUBSIDIARY COMPANIES**

The Audited Profit and Loss Account of the subsidiary companies for the year ended 31st March, 1999 and the Balance Sheet as at that date are forming a part of the Annual Report.

**PERSONNEL**

The Directors wish to thank all the employees for their support, co-operation and good work during the year under review. The employee relations at all locations was generally cordial.

During the year under review, separate Voluntary Retirement Schemes for management and bargainable employees were introduced again and implemented successfully in Petrochemicals and Polymer Divisions. The Long Term Settlements with Unions in all the four divisions have not been finalised.

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is enclosed separately with this Report.

**DIRECTORS**

At the forthcoming Annual General Meeting, Mr. Arvind N. Mafatlal, Mr. N. A. Palkhivala and Mr. V. G. Rajadhyaksha will retire by rotation pursuant to Article 145 of the Articles of Association of the Company. Being eligible, they offer themselves for reappointment.

The terms of Dr. N. M. Dhuldhoya as Vice-Chairman and Managing Director and Mr. V. R. Gupte as Executive Director – Finance expired on 23rd November, 1999. The Board of Directors at its meeting held on 28th October, 1999 has reappointed Dr. N. M. Dhuldhoya as Vice-Chairman and Managing Director for a period of one year and Mr. V. R. Gupte as Executive Director – Finance for a period of five years with effect from 24th November, 1999.

**OTHER PARTICULARS**

Report in Form A attached gives the energy conservation efforts made by the Company.

Report in Form B attached gives the details of the technology absorption measures adopted and research and development efforts carried on by the Company.

**AUDITORS**

The term of Messrs C. C. Chokshi & Co, as Auditors, expires at the conclusion of this Annual General Meeting and they are eligible for reappointment. The Auditors have given a Certificate to the effect that the reappointment, if made, will be within the prescribed limits specified under Section 224 (1B) of the Companies Act, 1956.

For and on behalf of the Board

**ARVIND N. MAFATLAL**  
Chairman

Mumbai

Dated : 22nd November, 1999



## APPENDIX

(Additional information in terms of notification 1029 of 31-12-1988 issued by the Department of Company Affairs) :

**A. CONSERVATION OF ENERGY****a) Energy conservation/modernisation measures taken :**

- Re-utilization of waste water from demin plant.
- Clean condensate ex EO/EG utilisation as condensate make up for boiler.
- Integration of demin water for chemicals and polymers.
- Re-utilization IPE washer water in IPA manufacturing unit.
- Supply of PSA Hydrogen to HDPE plant.
- Optimisation of steam to Steam Distillation Kettles in HDPE plant.
- Recycle of separator water to washer to reduce demin water consumption.
- Reduction in steam consumption in EVA plant by replacing steam traps and by network modifications.
- Reduction in VAM usage in EVA plant.
- Usage of rectifier overhead ethylene for EO production.
- Use of polyelectrolyte instead of alum in ETP clariflocculator and sludge dewatering.

**b) Additional investments and proposals being implemented for reduction of energy consumption :**

- Recovery of ethylene lost via seal vent in EO plant.
- Cooling water supply for instrument air compressor, refrigeration compressor and HTPB plant from CT1 resulting into stoppage of new cooling tower.
- Supply of LP steam to polymer plant.
- Integration of instrument air supply between chemicals and polymers.
- Vapour recovery system for solvents tankfarm.
- Supply of tool air to workshop from central air facility.
- Two bay operation of biotreater in Effluent Treatment Plant instead of three bay.
- Usage of spent acid from solvents plant in place of purchased HCl at Effluent Treatment plant.
- Recovery of off-spec ethylene during start-up/abnormal conditions in Olefins plant.
- Hot water system for E4202 in crude IPA plant.
- Elimination of LP steam consumption by installing gala driers in HDPE granulation.
- Vapour absorption chiller in EVA plant.
- Fuel additives to liquid fuel to boilers to improve combustion efficiency.
- Vacuum pumps for multipurpose distillation columns in Solvents plant.

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

	April 1998 to March 1999	April 1997 to March 1998
Specific Energy Consumption (TNEF/T)	0.773	0.774

**d) Total energy consumption and energy consumption per unit of production**

Please see Form 'A'

**B. TECHNOLOGY ABSORPTION****e) Efforts made towards technology absorption :**

Please see Form 'B'

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO****f) Activities relating to exports; initiatives taken to increase exports; development of new export market and services; and export plans :**

Please refer to the para on Exports in the main report.

**g) Total foreign exchange used and earned :**

	Rs. Lakhs
Foreign exchange used :	
(i) Raw materials, stores and spare parts, capital goods, process chemicals and other products	17173
(ii) Expenditure in foreign currency on account of Royalty/Technical Fees (net of tax) and on other matters	382
Foreign exchange earned :	
Export of goods on FOB basis, Commission and Service charges	5552



## NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED

## FORM A

## Disclosure of particulars with respect to Conservation of Energy.

## A. POWER AND FUEL CONSUMPTION

			April 1998 to March 1999	April 1997 to March 1998
1.	<b>ELECTRICITY</b> (for manufacturing)			
(a)	<b>Purchased</b>			
	Unit	MWH	196298	198774
	Total amount	Rs. lakhs	7727.36	7500.75
	Rate/Unit (average)	Rs./KWH	3.94	3.77
(b)	<b>Own Generation</b>			
	(Through Diesel Generator)			
	Unit	MWH	19095	9191
	Unit/MT of Diesel Oil	MWH	4.16	4.23
	Fuel cost/Unit	Rs./KWH	2.39	2.47
	Through Steam/Turbine Generator		Nil	Nil
2.	<b>COAL</b>		Nil	Nil
3.	<b>FURNACE OIL</b>			
	Quantity	KL	1305	4142
	Total cost	Rs. lakhs	77.47	261.24
	Average rate	Rs./KL	5935	6307
4.	<b>OTHER/INTERNAL GENERATION</b>			
(a)	<b>Low Sulphur Heavy Stock (LSHS)</b>			
	Quantity	KL	14131	11763
	Total cost	Rs. lakhs	823.20	764.61
	Average rate	Rs./KL	5825	6500
(b)	<b>Internally Generated Fuel</b>			
	Quantity	TNEF	133542	119632

## B. CONSUMPTION PER UNIT OF PRODUCTION

1.	<b>Petrochemicals Division</b>			
	Electricity	MWH/MT	0.560	0.570
	LSHS	TNEF/MT	0.030	0.060
	Internally generated fuel	TNEF/MT	0.600	0.560
	TNEF is a naphtha equivalent fuel with a calorific value of 10600 TCAL/T			
2.	<b>Polymer Division</b>			
	Electricity	MWH/MT	0.920	0.950
	Fuel/LSHS	MT/MT	0.035	0.040
	Furnace Oil	MT/MT	0.002	0.020
3.	<b>Rubber Chemicals Division</b>			
	Electricity	MWH/MT	1.350	1.520
	Fuel/LSHS	MT/MT	0.650	0.610
	Furnace Oil	MT/MT	0.070	0.170
4.	<b>Plastic Products Division</b>			
	Electricity	MWH/MT	1.760	1.320
	Fuel/LSHS	MT/MT	Nil	Nil
	Furnace Oil	MT/MT	Nil	0.010

## FORM B

## Disclosure of particulars with respect to Absorption

## A. RESEARCH AND DEVELOPMENT :

## 1. Specific areas in which R &amp; D is carried out by the Company

- i. Yield and quality improvement
- ii. Technology support/upgradation
- iii. New product/application development
- iv. New process development
- v. Energy conservation
- vi. Pollution abatement
- vii. Finalisation of the process for new range of accelerators
- viii. Environment friendly process developed for certain rubber chemicals
- ix. Development of process to obtain value added products from waste streams.

## 2. Benefits derived as a result of R &amp; D

- i. Process technology development for rubber chemicals to improve yield and quality
- ii. Process development for new accelerators and antioxidants
- iii. Process technology upgradation for improving quality of HDPE grades
- iv. Development of injection moulding grade of UHMW-HDPE
- v. Reduction of pollutants from plant and improvement in waste management
- vi. Enlarged product range.

## 3. Future plan of action

The R & D centre will continue to support Petrochemicals, Polymers and Rubber Chemicals activity as described above and also undertake the development of new processes/products. It will also undertake development of innovative methods of treating effluents.

## 4. Expenditure on R &amp; D

	April 1998 to March 1999	April 1997 to March 1998
Capital	—	58
Recurring	524	653
Total	524	711
Total R & D expenditure as % of total turnover	0.51	0.61

## B. TECHNOLOGY ABSORPTION

## 1. Efforts in brief made towards technology absorption, adaptation and innovation :

- Increase plant capacity and improving plant utilisation
- Refinement of technologies used
- Automation of plant/process control
- Waste management and pollution abatement
- Improvement in plant operational safety
- Energy conservation
- Product quality improvement
- Product-mix optimisation
- Source reduction measures and recovery of useful products from waste streams.

## 2. Benefits derived as a result of above efforts :

- Reduction in TOC (Total Organic Carbon) of the ETP influent from 459 ppm to 415 ppm
- Increased EO production.