



Vinyl Chemicals (India) Ltd.



13TH ANNUAL REPORT 1998 - 99

BOARD OF DIRECTORS

Shri B.K. Parekh, Chairman

Shri S.K. Parekh

Shri N.K. Parekh

Shri M.B. Parekh, Managing Director

Shri R.M. Gandhi

Shri B.S. Mehta

Shri K.P. Driver

Mrs. Y.J. Mogrelia

Shri A.K. Basu Roy, Director (Factories Operations)

VICE - PRESIDENT (FINANCE & COMMERCIAL) & SECRETARY

Shri P.C. Patel

AUDITORS

D.A. Kothari & Co.

Haribhakti & Co.

REGISTERED OFFICE

7th Floor, Regent Chambers,
Jamnalal Bajaj Marg, 208, Nariman Point
Mumbai 400 021

SOLICITORS

Manilal Kher Ambalal & Co.

PRINCIPAL OFFICE

Ramkrishna Mandir Road
Off Mathuradas Vasanji Road
Andheri (East), Mumbai 400 059

BANKERS

Indian Overseas Bank
Corporation Bank

PLANT

Plot No.A-21, M.I.D.C.
Mahad, Dist. Raigad, Maharashtra

REGISTRAR AND SHARE TRANSFER AGENTS

Tata Share Registry Limited
Army & Navy Building
148, Mahatma Gandhi Road
Fort, Mumbai 400 001.

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Vinyl Chemicals (India) Ltd.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the Thirteenth Annual Report and the Audited Statements of Accounts for the year ended 31st March, 1999.

Financial Results:

The Financial Performance of the Company is summarised as under :

	Current Year	(Rupees in Lacs) Previous Year
Profit before Interest, Depreciation, Amortisation of Expenses and Provision for Taxation	852	1208
Less : Interest (Net)	18	31
Depreciation	230	227
Amortisation of Expenses	1	7
Provision for Taxation	182	250
Net Profit for the year	421	693
Add : Prior Year Adjustments	—	3
	421	696
Add : Profit brought forward from the previous Year	810	843
Profit available for appropriation	1231	1539
Appropriations :		
Transfer to Debentures Redemption Reserve	—	27
Proposed Dividend on Equity Shares	184	275
Tax on dividend	20	27
Transfer to General Reserve	200	400
Total	404	729
Balance carried to Balance Sheet	827	810
	1231	1539

Dividend :

Due to lower Net Profit for the year, your Directors recommend payment of dividend at the rate of 10% (Previous year @ 15%), on 18337111 Equity Shares, amounting to Rs.18337111 out of Current Year's profit. The dividend tax @ 11% aggregating to Rs.2017082 will be borne by the company.

Performance :

During the year under review, apart from annual maintenance shutdown of 21 days, the plant remained closed for additional 33 days due to non-availability of Ethylene, an important raw material. On account of this, the production and sales (excluding traded goods) of Vinyl Acetate Monomer (VAM) in volume during the year were lower at 13185 MT and 13111 MT respectively as against 15076 MT and 15005 MT in the previous year.

Further, due to South East Asian crisis, the international consumption of VAM has substantially gone down. On the other hand, new production facilities have come up in South Korea and Singapore. Thus there is excess of supply over demand of VAM in international market and this has resulted in continuous downward trend in VAM prices. Because of this reason, the operating margins of the Company were lower during the year.

During the year, the Company increased its trading activity in chemicals by deploying its surplus working capital funds. This has resulted in increase in the trading turnover to Rs.3558 lacs as against Rs.326 lacs in the previous year.

Debottlenecking/Expansion :

The plant capacity is being expanded by debottlenecking from present 15000 TPA to 18000 TPA. For this, basic engineering has been provided by Krupp Uhde, GmbH, Germany and Uhde India Ltd. for about Rs. 41 lacs.

In Phase I the capacity is now raised to about 16400 TPA in May, 1999 at an approximate cost of Rs. 151 lacs.

Decision regarding implementation of Phase II will be taken after verifying the results of Phase I expansion.

Outlook :

Although, during the first quarter of the current year, price of Vinyl Acetate Monomer (VAM) in the international market reached to its lowest level, there are signs of improvement in VAM price from July, 1999 and this trend is likely to sustain and/or improve during rest of the year. The outlook for the current year will depend on VAM price movement in the international market during rest of the year.

Finance :

As per the terms of issue, the company has fully redeemed in September, 1998, 4,44,955 Part B portion of the Debentures (non-convertible portion) amounting to Rs.3,78,21,175.

Year 2000 (Y2K) compliance :

- a. All hardware, Network components and Software are Year 2000 compliant.
- b. The cost to address Y2K issue is estimated to be Rs.12 lacs.
- c. Contingency plan to reduce the risk of disruption, if any system fails, is developed.

Directors :

1. a. Shri A. K. Basu Roy was appointed Director (Factories Operations) by the company at the Annual General Meeting held on 16.9.1997 and his appointment is valid upto 31.1.2000. The Board of Directors at their meeting held on 27.7.1999 have decided to modify the period of appointment so as to be valid till 30.9.1999.
- b. The Board of Directors at their meeting held on 27.7.1999 have re-appointed Shri A.K. Basu Roy as Director (Factories Operations) from 1.10.1999 for a period of 3 years. Members approval is being sought at the ensuing Annual General Meeting.
2. In accordance with the Articles of Association of the company, Shri R.M. Gandhi, Shri N.K. Parekh and Shri B.K. Parekh, Directors of the company retire by rotation and being eligible offer themselves for re-appointment.

Voluntary Delisting of the Company's Securities from some Stock Exchanges:

The Company's Equity Shares are presently listed on four Stock Exchanges in India. With computerisation of the Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Ltd. (NSE) and the ready accessibility to their networks by investors situated even in remote areas, the listing of the Company's Shares on The Stock Exchange Ahmedabad (ASE) and The Delhi Stock Exchange Asson. Ltd. (DSE) is no longer felt necessary especially due to very low trading volumes at these Stock Exchanges and it will also save listing fees required to be paid to them. The company, therefore, intends to delist its Securities from ASE and DSE. The delisting has to be approved by a Special Resolution as per guidelines issued by the Securities Exchange Board of India. Attention of members is invited to Item No.9 of the Notice of the Annual General Meeting.

Auditors :

M/s. D. A. Kothari & Co., Chartered Accountants and M/s. Haribhakti & Co., Chartered Accountants, retire at this Annual General Meeting and being eligible offer themselves for re-appointment.

Health, Safety and Environment :

This year also company continued to achieve "ZERO ACCIDENT" frequency rate.

Effluent treatment facility at plant fully recycles the treated water for gardening / fire water make up.

The company proposes to install vermiculture plant for septic water tank at the Residential Colony for use thereof in the garden.

Government of Maharashtra has recognised Mahad plant for conducting Drivers training programme on "Safe transportation of hazardous goods by road". During the year, training was imparted to 25 drivers.

One day training programme on "Role of police in attending road emergency" based on off site emergency plan was conducted. Fifty policemen from Raigad District attended this training programme.

More trees were planted in and around the factory to improve the environment.

Conservation of Energy and Technology Absorption, Foreign Exchange Earnings and Outgo :

Information as required under the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 and forming part of this report is given in Annexure I hereto.

Personnel :

Harmonious relations continued to prevail through out the company.

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this report as Annexure II. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report together with Accounts is being sent to the Shareholders of the Company, excluding the statement of particulars of employees under Section 217(2A) of the Act. Any Shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

Appreciation :

The Directors hereby place on record the appreciation of the efficient services rendered by the employees of the company at all levels.

FOR AND ON BEHALF OF THE BOARD

Mumbai :

Date : 27th July, 1999

B.K. PAREKH
CHAIRMAN



ANNEXURE I TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

a. Energy Conservation Measures taken :

1. Introduction of VFD to one of the residual gas compressors to overcome the problem of low capacity during low supply frequency from MSEB.
2. Recycling of entire ETP water for process use and achieving zero discharge from the plant.
3. Installation of flat belt in place of V-belt for second air compressor.
4. Induction of energy efficient pump in acetic acid supply and reduction in motor energy.
5. Recovery of Ethylene losses from degassing of Ethylene pumps and putting into the system.
6. Replacement of old A.C. sets with energy saving new A.C. sets.
7. Changing of Mercury vapour lamp to energy saving Sodium lamps.
8. Reduction of air compressor discharge pressure from 7.5 k to 5.6 k.
9. Change of ETP blower motors from 22 KW to 15 KW motors.
10. Stopping of overflow of water from the overhead tanks by changing the design of float valves.

b. Additional investments and Proposals, if any, being implemented for reduction of consumption of energy:

1. Introduction of 90 KW turbine to drive one of cooling water pumps of Motor by the usage of extra steam.
2. Recovery of Ethylene & taking it back in to the system by flushing water containing Ethylene
3. Introduction of process water from CO₂ section presently going to drain in place of DM water for CO₂ stripper level make up.
4. Introduction of more energy efficient pumps for 2nd Acetic acid supply.
5. Introduction of air cooled Ethylene vaporizer in addition to existing steam vaporizer thus reducing the load of steam vaporizer and saving of energy.
6. VFD for boiler blower to maintain the optimum air to fuel ratio by taking feedback from the oxygen and CO measurement from the flare stack.
7. VFD to control one of the cooling towers fan motor to maintain optimum speed and thus saving of energy.
8. Improving PF by introducing more capacitor in the electrical circuit.
9. Installation of Vermiculture plant for Colony septic tank water for using in the garden.
10. Introduction of electrical chokes to the tube lights.
11. Replacing old A.C Sets with energy saving new A.C's.
12. Introduction of new 2.2 MW D.G set.

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

Yearly saving in energy consumption by incorporating above measures is estimated to be about Rs.263 lacs.

d. Total energy consumption and energy consumption per unit of production :

As per Form A.

Form - A

Disclosure of particulars with respect of Conservation of Energy

(A) POWER AND FUEL CONSUMPTION:

I. A. Electricity - Purchased from MSEB:		1998-99	1997-98
a. Total Units Purchased/Consumed	KWH	66,87,378	73,95,305
b. Total amount of Electricity Bill	Rs.	2,68,75,894	2,78,36,843
c. Rate per unit	Rs.	4.02	3.76
B. Own Generation through Diesel Generator:			
a. Total Units Generated	KWH	2,34,727	54,976
b. Cost of 65795 Ltrs.(P.Y. 16895 Ltrs.) of Diesel Consumed	Rs.	6,98,475	1,65,287
c. Rate per unit (Average)	Rs.	2.98	3.01
d. Units Generated per Litre of Diesel Oil (Average)		3.57	3.25
II. Coal:		N.A.	N.A.
III. Steam Generation:			
a. Steam Generated	M.T.	35,245	39,558

b. Consumption of Fuel Oil			
i. Furnace Oil 788.680 KL (P.Y. 989.476 KL)	Rs.	40,32,284	58,67,928
ii. L.S.H.S. 1853.200 KL (P.Y. 1981.625 KL)	Rs.	92,27,814	1,15,28,507
c. Cost per Unit (Kg.) of Steam Generated (Average)	Rs.	0.38	0.44
d. Kg. of Steam per Litre of Furnace Oil/LSHS (Average)		13.34	13.31

(B) CONSUMPTION PER UNIT OF PRODUCTION:

Product (Unit in M.T.)		Vinyl Acetate Monomer	
		1998-99	1997-98
Electricity	(KWH/M.T.)	525	494
	(Rs./M.T.)	2,091	1,857
Coal		N.A.	N.A.
Furnace Oil/LSHS	(Litres/M.T.)	200	197
	(Rs./M.T.)	1,006	1,154

B. TECHNOLOGY ABSORPTION:**e. Efforts made in technology absorption:**

As per Form B.

FORM - B

Disclosure of particulars with respect to Technology Absorption

Research and Development (R & D)

- | | |
|--|------------------------|
| 1. Specific areas in which R & D is carried out by the company | Nil at present |
| 2. Benefits derived as a result of the above R & D | Not Applicable |
| 3. Future Plan of Action | Not decided at present |
| 4. Expenditure on R & D | Nil at present |

Technology Absorption, Adaptation and Innovation

The Company has fully absorbed the technology for manufacture of Vinyl Acetate Monomer given by Uhde GmbH, Germany.

Benefits derived as a result of the above efforts

Regularly producing Vinyl Acetate Monomer of International quality.

Information regarding Technology imported during the last 5 years.

- | | |
|--|----------------|
| a. Technology Imported | Nil |
| b. Year of Import | Not Applicable |
| c. Has technology been fully absorbed | Not Applicable |
| d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action | Not Applicable |

C. FOREIGN EXCHANGE EARNINGS & OUTGO:**a. Efforts**

Since the international prices of VAM remained depressed most of the year, it was not found remunerative to export VAM

b. Total Foreign Exchange Earnings and Outgo

1. Foreign Exchange Used			
i. Expenditure	Rs.	13,12,222	4,88,830
ii. Imports (CIF Basis)	Rs.	18,10,14,329	7,33,16,312
2. Earnings on account of Export of Goods (FOB)			
i. In Foreign Exchange	Rs.	-	10,55,536
ii. Deemed Export	Rs.	-	6,85,440
	Rs.	-	17,40,976



Vinyl Chemicals (India) Ltd.

AUDITORS' REPORT

To

The Shareholders of

VINYL CHEMICALS (INDIA) LTD.

We have audited the attached Balance Sheet of VINYL CHEMICALS (INDIA) LTD. as at 31st March, 1999 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto.

We report as follows :

- (I) As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, on the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us during the course of the Audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (II) Further to our comments in the Annexure referred to in paragraph (I) above:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by Law, have been kept by the Company, so far as appears from our examination of these books;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, Profit and Loss Account and Balance Sheet comply with the Accounting Standards as referred to in the sub-section (3c) of section 211 of the Companies Act, 1956;
 - (e) In our opinion and to the best of information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account, read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999.
 - and
 - (ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

For and on behalf of

D.A.KOTHARI & CO.

Chartered Accountants

For and on Behalf of

HARIBHAKTI & CO

Chartered Accountants

MUMBAI

DATED: 18th May, 1999

D.A.KOTHARI

Proprietor

CHETAN DESAI

Partner

Annexure to the Auditors' Report

(Referred to in Paragraph (I) of our report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that the fixed assets have been physically verified by the Management at the year end and we have been informed that no material discrepancies were noticed on such verification as compared to book records.
2. None of the fixed assets have been revalued during the year.
3. (a) The stocks of finished goods, stores, spare parts, packing materials, traded goods and raw materials have been physically verified by the Management at regular intervals during the year.
- (b) The procedure and method of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) Discrepancies observed between the physical stocks and book records were not material and these have been properly dealt with in the accounts.

- (d) In our opinion, the valuation of stocks is fair and proper, in accordance with the normally accepted accounting principles and is on the same basis as in the preceeding year.
4. The Company has received unsecured loan from a company under the same management, within the meaning of section 370 (1-B) of the Companies Act, 1956. The terms and conditions for the same are prima-facie not prejudicial to the interest of the Company.
 5. The Company has given unsecured loans to a company under the same management, within the meaning of section 370(1-B) of the Companies Act, 1956. The terms and conditions are prima-facie not prejudicial to the interest of the Company.
 6. In respect of loans and advances in the nature of loans given by the Company, the repayment of principal as well as interest, wherever applicable is as per stipulations.
 7. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials, plant & machinery, equipments and other assets, and with regard to the sale of goods.
 8. According to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of Contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956, and aggregating during the year to Rs.50,000 or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market price.
 9. As explained to us, the Company has regular procedure for the determination of unserviceable or damaged stores and raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
 10. The Company has not accepted any deposit within the meaning of section 58A of the Companies Act, 1956 and the rules framed thereunder.
 11. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap. The Company does not have any realisable by-product.
 12. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
 13. We are informed that the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the product manufactured by the Company.
 14. According to the records of the Company, Provident Fund and Employees' State Insurance dues, have been regularly deposited during the year with the appropriate authorities. There are no arrears at the end of the year.
 15. According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Sales tax, Custom duty and Excise duty were outstanding as on 31st March, 1999 for a period of more than six months from the date they became payable.
 16. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
 17. The Company is not a 'sick industrial company' within the meaning of clause (O) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
 18. In respect of trading activity of the Company, we are informed that there were no damaged goods during the year. Hence, the question of making provision thereof does not arise.

For and on behalf of

D.A.KOTHARI & CO.
Chartered Accountants

D.A.KOTHARI
Proprietor

For and on behalf of

HARIBHAKTI & CO.
Chartered Accountants

CHETAN DESAI
Partner

MUMBAI

DATED: 18th May, 1999