



Vinyl Chemicals (India) Ltd.



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
 Smt. Y.J. Mogrelia
 Shri A.K. Basu Roy, Director (Factories Operations)

SENIOR VICE - PRESIDENT & SECRETARY

Shri P.C. Patel

REGISTERED OFFICE

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

CORPORATE OFFICE

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

PLANT

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

AUDITORS

D.A. Kothari & Co.
 Haribhakti & Co.

SOLICITORS

Wadia Ghandy & Co.

BANKERS

Indian Overseas Bank
 Corporation Bank

REGISTRAR AND SHARE TRANSFER AGENTS

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

CONTENTS

Directors' Report	2
Corporate Governance Report	4
Management Discussion and Analysis Report	7
Annexure III to the Directors' Report	8
Auditors' Report	10
Balance Sheet	12
Profit & Loss Account	13
Schedules	14
Cash Flow Statement	29
Information for Shareholders	31



Vinyl Chemicals (India) Ltd.

DIRECTORS' REPORT

Your Directors present the Sixteenth Annual Report and the Audited Statements of Accounts for the year ended 31st March, 2002.

Financial Results :

The Financial Performance of the Company is summarised as under:

	(Rupees in Lac)	
	Current Year	Previous Year
Profit /(Loss) before Interest, Depreciation, Amortisation of Expenses and Provision for Taxation	(310)	1062
Less /(Add) : Interest (Net)	(62)	82
Depreciation	(281)	253
Amortisation of Expenses	*	*
Provision for Current Taxation	-	162
Deferred Tax Credit	230	-
Net Profit /(Net Loss) for the year	(423)	565
Less/(Add): Profit brought forward from the Previous Year	642	(629)
Profit available for appropriation	219	1194
The Directors have appropriated the same as under :		
Transfer to :		
Proposed Dividend on Equity Shares	-	183
Tax on Dividend	-	19
General Reserve	-	350
Total	-	552
Balance carried to Balance Sheet	219	642
	219	1194

* Less than Re. 1 lac

Dividend :

Due to Net Loss for the year and with a view to conserve resources for the Company's business, your Directors do not recommend any dividend for the year.

Performance :

During the year:

- The plant remained closed for 113 days including 108 days due to non-availability of Ethylene, an essential raw material.
- The production and sales (excluding traded goods) of Vinyl Acetate Monomer (VAM) in volume were at 11226 MT and 11056 MT respectively as against 13517 MT and 13625 MT in the previous year.
- Selling price of VAM was depressed during most part of the year compared to the previous year and on the other hand, average Ethylene prices were higher compared to last year.
- The Company is eligible to Sales-Tax Incentive of Rs.46 lac per annum over a period of 6 years on investment in Windmills and the Company has started to avail of the same during the year.
- Sales turnover on account of trading has increased to Rs.2251 lac as against Rs.1207 lac in the previous year. However, due to depressed market conditions the margins were adversely affected.

Debottlenecking / Expansion :

Debottlenecking / expansion project is likely to be completed in early part of 2002 – 2003 financial year. Oxygen / Nitrogen plant was installed and commissioned in February, 2002.

Outlook :

Outlook for the year 2002 – 2003 is relatively better as compared to 2001 – 2002. VAM prices have started going up and are likely to reach normal level by July 2002. Prices of Acetic Acid are currently higher due to temporary shortage in the international market but are likely to reach normal level by September, 2002.

Directors :

The Board of Directors have re-appointed, subject to the approval of the members of the Company, Shri A. K. Basu Roy as Director (Factories Operations) of the Company, for a period of 3 years with effect from 1st October, 2002.

In accordance with the Articles of Association of the Company, Shri B. K. Parekh, Shri S. K. Parekh and Shri R. M. Gandhi, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement :

Your Directors confirm :

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are 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 ended 31st March, 2002 and of the loss of the Company for that year;
- (iii) that the 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; and
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

Corporate Governance :

Reports on the Corporate Governance and Management Discussion and Analysis in accordance with Clause 49 of the Listing Agreements with Stock Exchanges along with a certificate from the Auditors of the company are enclosed in Annexures I and II respectively, to this report.

Auditors :

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

Information pursuant to Section 217 of the Companies Act, 1956 :

The particulars under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are attached to this Report as Annexure III.

A statement of particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report as Annexure IV. 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. Members desiring to have a copy of the same may write to the Company Secretary at the Registered Office of the Company and they will be provided with the same upon such a request.

Personnel :

Harmonious relations continued to prevail throughout 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 : 16th July , 2002

B. K. PAREKH
CHAIRMAN



CORPORATE GOVERNANCE REPORT

Annexure I to the Directors' Report

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the company submits the report on the matters mentioned in the said clause and practices followed by the company.

1. Company's Philosophy on Code of Governance

The Company is committed to good Corporate Governance and has complied in all material respects with the requirements specified in the Listing Agreement with the Stock Exchanges.

2. Board of Directors

During the financial year 2001-2002, 4 Board Meetings were held on the following dates:

29th May, 2001 (Adjourned for certain items to 19th June, 2001), 27th July, 2001, 23rd October, 2001 and 29th January, 2002

Details of composition of the Board, category, attendance of Directors at Board Meetings and last Annual General Meeting, number of other directorships and other committee memberships are given below:

Sr.No.	Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships as on 31st March, 2002*	No. of other Committee	
						Memberships	Chairmanships
1	Shri B.K.Parekh (Chairman)	NED (P)	4	Yes	17	2	—
2	Shri S.K.Parekh	NED (P)	4	Yes	7	—	—
3	Shri M.B.Parekh (Managing Director)	ED (P)	3	Yes	9	—	—
4	Shri N.K.Parekh	NED (P)	3	Yes	7	—	—
5	Shri R.M.Gandhi	NED (I)	4	No	5	1	2
6	Shri Bansi S.Mehta	NED (I)	3	Yes	18	5	5
7	Shri K.P.Driver	NED (I)	4	Yes	1	—	—
8	Smt.Y.J.Mogrelia	NED (I)	4	Yes	—	—	—
9	Shri A.K.Basu Roy	ED	4	Yes	—	—	—

ED – Executive Director, ED (P) – Executive Director, Promoter, NED (P) – Non Executive Director, Promoter, NED (I) – Non Executive Director, Independent

*Including Directorships in Private Limited Companies

3. Audit Committee

Composition, No. of Meetings and Attendance

The Board of Directors have constituted an Audit Committee on 23rd January, 2001 and during the financial year 2001-2002, 5 meetings of the Committee were held on 29th May, 2001, 26th June, 2001, 27th July, 2001, 23rd October, 2001, and 29th January, 2002.

Details of composition of the Committee and attendance of the members at the meetings are given below:

Sr.No.	Name	Designation	Category	No. of Meetings attended
1	Shri R.M.Gandhi	Chairman	NED (I)	5
2	Shri S.K.Parekh	Member	NED (P)	5
3	Smt.Y.J.Mogrelia	Member	NED (I)	5

The Managing Director is a permanent invitee to the Meetings. The Company Secretary is the Secretary of the Committee. Head of Accounts, Internal Auditors and the Statutory Auditors are also invited to attend to the Meetings.

Terms of reference:

The powers and terms of reference of the Committee are as mentioned in Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956.

4. Remuneration Committee

Although Remuneration Committee (being a non-mandatory requirement) has not been constituted by the Company during the year, all matters relating to review and approval of compensation payable to the Executive and Non-executive Directors are considered by the Board within the overall limits approved by the Members.

Directors' remuneration details for the financial year 2001-2002:

Name of Director	Salary* (Rs.)	Commission (Rs.)	Perquisites (Rs.)	Total (Rs.)	Contract Period (No of years)
Shri M. B. Parekh	17,73,600	Nil	26,400	18,00,000	5
Shri A. K. Basu Roy	2,76,000	Nil	47,320	3,23,320	3

* includes House Rent Allowance

Besides this Shri M. B. Parekh is also entitled to Company's contribution to Provident Fund, Superannuation, Gratuity and encashment of leave at the end of tenure as per the rules of the Company.

Notice period for the Directors is as applicable to the senior employees of the Company. No severance fee is payable to the Directors on termination of employment. The Company does not have a scheme for stock options for the Directors or the employees.

The Sitting Fees paid for the year ended 31st March, 2002 to the Non Executive Directors for attending to the Board / Committee meetings are as follows:

Shri B. K. Parekh - Rs.24,500, Shri S. K. Parekh - Rs. 29,000, Shri R. M. Gandhi - Rs.24,000, Shri K. P. Driver Rs. 15,500, Smt. Y. J. Mogrelia - Rs. 20,000, Shri N. K. Parekh - Rs. 19,000 and Shri B. S. Mehta - Rs. 12,000.

The Company do engage Bansil S Mehta & Co., a Chartered Accountants firm in which Shri B. S. Mehta is a partner for legal / tax advice. The services provided by them are purely of professional nature and the fees paid for such services do not result in any material pecuniary benefit to them.

5. Investors Grievance Committee

Composition:

The Board of Directors have constituted an Shareholders/Investors Grievance Committee w.e.f. 1st April, 2001 to attend to and redress the Shareholders and Investors grievances and a meeting of the Committee was held on 15th March, 2002.

Details of composition of the Committee and attendance of the members at the meeting are given below:

Sr.No.	Name	Designation	Category	No.of Meetings attended
1	Shri K. P. Driver	Chairman	NED (I)	1
2	Shri B. K. Parekh	Member	NED (P)	1
3	Shri R. M. Gandhi	Member	NED (I)	1

Terms of reference:

Committee shall have power to look into redressal of shareholders/investors complaints such as non receipt of shares sent for transfer, non receipt of dividends/Annual Reports etc.

The Secretarial Department of the Company, under the supervision of Shri P. C. Patel, Sr. Vice President & Secretary and Shri K. S. Krishnan, Additional Secretary, who is nominated as the "Compliance Officer" as required by SEBI/Listing Agreement, and Tata Share Registry Ltd., Registrar & Share Transfer Agents, attend to all Shareholders/ Investors Grievances received directly or through SEBI, Stock Exchanges, Department of Company Affairs and Registrar of Companies. Share Transfer Committee held 12 meetings during the year.

Barring two cases pending with Consumer Forums and one case pending in the Court, the Company/Tata Share Registry Ltd have attended to all the Shareholders/ Investors grievances/correspondences generally within a period of 15 days from the date of receipt.

A statement of various complaints received and redressed by the Company during the Financial year 2001-2002 is given below:

Sr.No.	Particulars	Nos.
1	Complaints received from the investors comprising of non-receipt of dividend warrants, Share Certificates and complaints received from SEBI etc.	104
2	Complaints resolved	104
3	Complaints pending as at 31st March, 2002	Nil
4	Share Transfers pending for approval as at 31st March, 2002	13*

* The above were approved and dealt with by 3rd April, 2002.

All the complaints were solved to the satisfaction of shareholders.


Vinyl Chemicals (India) Ltd.
6. General Body Meetings

Details of Location, Date and Time of the Annual General Meetings held during the last three years:

Financial Year	Venue	Date & Time
2000-2001	Kamalnayan Bajaj Hall, Bajaj Bhavan, Nariman Point, Mumbai-400 021.	3rd August, 2001 at 11.00 a.m.
1999-2000	Same as above	1st August, 2000 at 11.00 a.m.
1998-1999	Same as above	14th September, 1999 at 11.00 a.m.

No Special Resolution was put through postal ballot during the last year.

7. Disclosures

- There were no materially significant related party transactions which had potential conflict with the interest of the Company at large.
- The Company has complied with all requirements of the Listing Agreements with the Stock Exchanges as well as the regulations and guidelines of SEBI. Consequently, no penalties were imposed or strictures passed against your Company by SEBI, Stock Exchanges or any other statutory authority on any matter related to Capital markets during the last 3 years.

8. Means of Communication

- Half-yearly results are published in newspapers.
- Half-yearly results are not sent to each household of Shareholders.
- The quarterly results of the Company are published in Free Press Journal (English) and Navshakti (Marathi)
- Management Discussion and Analysis is a part of Annual Report.

9. Information on Directors

Information relating to Directors seeking reappointment as required under clause 49(VI)(A) of the Listing Agreement is given in the notice of Annual General Meeting.

10. General Shareholder Information

Detailed information in this regard is provided in the "Information for Shareholders" section, appearing in the Annual Report.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

 To the Members of
Vinyl Chemicals (India) Limited,
 Regent Chambers,
 Nariman Point,
 Mumbai 400 021.

 We have examined the compliance of conditions of corporate governance by **Vinyl Chemicals (India) Limited**, for the year ended 31st March, 2002, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination, conducted in the manner described in the 'Guidance Note on Certification of Corporate Governance' issued by the Institute of Chartered Accountants of India, was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us,

we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Haribhakti & Co
 Chartered Accountants

For D. A. Kothari & Co
 Chartered Accountants

 Place: Mumbai
 Dated : 18th June 2002

Chetan Desai
 Partner

D. A. Kothari
 Proprietor

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**Annexure II to the Directors' Report****Industry Structure and Development**

Our Company is one of the two manufacturers of VAM in the country. With the completion of debottlenecking / expansion, the VAM capacity of the Company will be 24,500 MT per annum. The main raw materials used in the manufacture are Acetic Acid, Ethylene and Oxygen.

During the year 2001 – 2002, no major new VAM plant was commissioned internationally. However, due to general recession in many consuming countries, there was a supply glut during this period leading to very low VAM price in the international market. The VAM prices have started coming to normal levels. Barring unforeseen circumstances, they are expected to remain normal during the coming year.

Opportunities & Threats, Outlook, Risks and Concerns

The market for VAM in India is increasing at a steady rate of around 8% to 10% and this trend is likely to continue in the near future. The local price of VAM is closely aligned with the international price and is therefore, subject to cyclical fluctuations as in the international market. The margins are also significantly dependant upon the price of Ethylene and Acetic Acid, which though generally sourced locally, are also aligned to prices prevailing in the international market.

There are steady imports of VAM into the country, accounting for 20% to 25% of the domestic demand. The capacity utilization of the Company depends mainly on the regular availability of Ethylene. The Company's arrangement for sourcing Ethylene from IPCL will come to an end by March 2003. In order to continue operations, the arrangement with IPCL will have to be extended or alternate source for Ethylene will have to be arranged. The Company is taking appropriate steps so as to avoid any discontinuity of Ethylene supplies in future.

Segment-wise Performance

The Company's current business activity has only one primary reportable segment, namely Chemicals – which comprises mainly Vinyl Acetate Monomer (VAM).

Internal Control Systems and Adequacy

The Company has adequate internal control procedures commensurate with size and nature of its business. The internal control systems provide for policies, guidelines, authorisations and approval procedures.

The Audit Committee of the Board of Directors periodically reviews the internal audit reports, significant risk area assessment and adequacy of internal controls for ensuring checks and balances. The Company has appointed Internal Auditors who regularly check the adequacy and effectiveness of all Internal Controls and to suggest improvements.

Financial Performance

Financial results and Performance for the year are elaborated in the Directors' Report.

Human Resources

Harmonious relations continued to prevail throughout the Company.

The Company regards the human resources as its most valuable asset. Training programmes have been organised to improve the job skills and productivity. Total number of Employees as on 31st March, 2002 was 194.

Other

The company continues to enjoy high rating from Crisil of "P1+" for its Commercial Paper Programme.



ANNEXURE III TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

a. Energy Conservation Measures taken :

1. Sonic shoot blower for Coal Fired Boiler
2. Coal Fired Boiler in place of Fuel Oil Fired Boiler
3. Replacement of Liquid ring compressor with convention reciprocating compressor for residual gas recovery
4. Running of only one Oxygen compressor by optimizing on head pressure

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

1. Residual Gas recovery – second phase
2. Ethylene Vapour recovery by refrigeration

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 :

Estimated yearly saving in energy consumption by incorporating above measures Rs.145 lac.

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 :

		2001-2002	2000-2001
I. A. Electricity - Purchased from MSEB:			
a. Total Units Purchased/Consumed	KWH	49,72,466	56,39,679
b. Total amount of Electricity Bill	Rs.	2,00,47,193	2,32,32,926
c. Rate per unit	Rs.	4.03	4.12
B. Own Generation through Windmill :			
a. Total Units Purchased/Consumed	KWH	6,97,544	-
b. Total amount of Electricity Bill	Rs.	22,93,415	-
c. Rate per unit	Rs.	3.29	-
C. Own Generation through Diesel Generator:			
a. Total Units Generated	KWH	3,11,680	6,79,571
b. Cost of 87440 Ltrs. (P.Y.182422 Ltrs.) of Diesel Consumed	Rs.	16,87,442	33,06,673
c. Rate per unit (Average)	Rs.	5.41	4.87
d. Units Generated per Litre of Diesel Oil (Average)		3.56	3.73
II. Coal :		N. A.	N.A.
III. Steam Generation:			
a. Steam Generated	M.T.	36,951	42,844
b. Consumption of Fuel Oil			
i. Furnace Oil 354.800KL (P.Y.816.975 KL)	Rs.	29,83,978	75,53,891
ii. L.S.H.S. 679.940 KL (P.Y.2388.250 KL)	Rs.	57,86,105	2,19,60,738
c. Consumption of Coal 3565.275 MT	Rs.	1,01,96,687	-
d. Cost per Unit (Kg.) of Steam Generated (Average)	Rs.	0.51	0.69
e. Kg. of Steam per Litre of Furnace Oil/LSHS (Average)		12.87	13.37
f. Kg. of Steam per Kg. of Coal		6.63	-

(B) CONSUMPTION PER UNIT OF PRODUCTION :

Product (Unit in M.T.)		Vinyl Acetate Monomer	
		2001-2002	2000-2001
Electricity	(KWH/M.T.)	533	468
	(Rs./M.T.)	2,140	1,963
Coal	(KGS/M.T.)	318	-
	(Rs./M.T.)	908	-
Furnace Oil/LSHS	(LITRES/M.T.)	92	237
	(Rs./M.T.)	781	2,184

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 | Acetic Acid recovery from heavy ends |
| 2. Benefits derived as a result of the above R & D | Not Applicable |
| 3. Future Plan of Action | To implement above on plant scale |
| 4. Expenditure on R & D | Rs.85000 |

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 | Engineering design and drawing for Oxygen / Nitrogen Plants. |
| b. Year of Import | 2001 |
| c. Has technology been fully absorbed | Yes |
| 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

		2001-2002	2000-2001
1. Foreign Exchange Used			
i. Expenditure	Rs.	15,77,054	12,64,472
ii. Imports (CIF Basis)	Rs.	14,64,33,470	5,96,23,498
2. Earnings on account of Export of Goods (FOB)			
i. In Foreign Exchange	Rs.	-	-
ii. Deemed Export	Rs.	-	-