



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

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DIRECTORS' REPORT

Your Directors present the Eighteenth Annual Report and the Audited Statements of Accounts for the year ended 31st March, 2004.

Financial Results:

The Financial Performance of the Company is summarised as under:

	(Rupees in lac)	
	<u>Current year</u>	<u>Previous year</u>
Profit/(Loss) before Interest, Depreciation & Amortisation of Expenses	378	(279)
Less/(Add) : Interest (Net)	185	(265)
Depreciation	369	(359)
Amortisation of Expenses	*	*
(Add)/Less: Deferred Tax Credit	(63)	319
Add: Current Taxation	-	1
Net (Loss) for the year	(113)	(585)
Less: Profit brought forward from the Previous Year	-	220
(Loss) for adjustment	(113)	(365)
Deducted from General Reserve	113	365
	-	-

* Less than Rs. 1 lac

Dividend:

Due to Net Loss for the year, your Directors do not recommend any dividend.

Performance:

During the year:

- a. The Gross turnover for the year increased by 9.58% as compared to the last year. The operating profit (before interest and depreciation) for the year was Rs.378 lac (previous year loss of Rs.279 lac) and net loss for the year was Rs.113 lac (previous year Rs.585 lac), which shows improved performance.
- b. The plant remained closed for 87 days for various reasons, major being 52 days due to non-availability of Ethylene and 25 days for Plant Expansion and Catalyst Changeover.
- c. The production and sales (excluding traded goods) of Vinyl Acetate Monomer (VAM) in volume were at 15611 MT and 16874 MT respectively as against 16033 MT and 14853 MT in the previous year.
- d. The average price realization for VAM improved considerably during the year due to increase in international prices.
- e. A new Catalyst was charged in February, 2004 in place of the one which had outlived its estimated life. The cost of new Catalyst (net of modvat) was Rs.507.88 lac. This coupled with increase in residual value of Noble Metal has resulted into consumption cost of Catalyst for the current year at Rs.161.26 lac as against Rs.343.91 lac in the previous year.
- f. The Company continued to avail of Sales Tax Incentive of Rs.46 lac during the year, on investment in wind mills, made in the year 2001 - 2002.
- g. The Company also availed of Sales Tax Incentive of Rs.181.72 lac during the year on plant expansion under 1993 Scheme of Government of Maharashtra.
- h. Under the plan for fresh debottlenecking / expansion, the plant capacity is now raised to 25700 M.T. from 27th February, 2004. The additional capital expenditure incurred during the year for this amounted to Rs.441.15 lac.
- i. Sales turnover on account of trading has substantially decreased to Rs.360 lac as against Rs.1287 lac in the previous year.

- j. The Company raised ECB (Foreign Currency Loan) of US\$ 5 million in end September, 2003. The proceeds have been utilised to retire outstanding Rupee Term Loan from a bank amounting to Rs. 17.80 crore which was carrying a higher rate of interest.
- k. IPCL's Nagothane Plant which supplies Ethylene to the Company was shut down on account of a fire which took place on 23rd February, 2004. The supply of Ethylene was restarted on 23rd March, 2004 which affected production at Company's plant for about a period of 27 days. During May, 2004, the Company has received Rs.37 lac for the claim from the Insurance Company for consequential loss for which credit has been taken in this year's accounts.

Outlook:

The price of Ethylene and Acetic Acid has increased substantially in the last few months. Although VAM price has also increased, the quantum of increase is somewhat lower, thereby putting pressure on the margin.

Directors:

In accordance with the Articles of Association of the Company, Shri K. P. Driver, Mrs. Y. J. Mogrelia and Shri B. K. Parekh, 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, 2004 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 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 given separately in this Annual 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 I.

There were no employees in respect of whom information u/s 217(2A) of the Companies Act, 1956 is required to be given.

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 : 18th May, 2004

B.K. PAREKH
CHAIRMAN



CORPORATE GOVERNANCE REPORT

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the following report:

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 2003-2004, 5 Board Meetings were held on 6th May, 2003, 3rd June, 2003, 28th July, 2003, 14th October, 2003 and 27th January, 2004.

Details of composition of the Board, category, attendance of Directors at Board Meetings and last Annual General Meeting (AGM), number of other Directorships and other Committee Memberships are given below:

Sr. No.	Name	Category	No. of Board Meetings attended	Attendance at last AGM	No. of Directorships held as on 31st March, 2004* in other Companies	No. of Committee positions held in other Companies	
						Member-ships	Chairman-ships
1	Shri B.K.Parekh (Chairman)	NED (P)	4	Yes	17	3	-
2	Shri S.K.Parekh	NED (P)	5	Yes	7	-	-
3	Shri M.B.Parekh (Managing Director)	ED (P)	5	Yes	9	-	-
4	Shri N.K.Parekh	NED (P)	3	Yes	7	-	-
5	Shri R.M.Gandhi	NED (I)	5	No	4	1	3
6	Shri Bansi S.Mehta	NED (I)	4	Yes	19	5	5
7	Shri K.P.Driver	NED (I)	4	Yes	1	-	-
8	Smt.Y.J.Mogrelia	NED (I)	5	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 held in Private Limited Companies.

3. Audit Committee:

During the financial year 2003-2004, 4 meetings of the Committee were held on 3rd June, 2003, 28th July, 2003, 14th October, 2003 and 27th January, 2004.

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)	4
2	Shri S.K. Parekh	Member	NED (P)	4
3	Smt.Y.J. Mogrelia	Member	NED (I)	4
4	Shri K.P.Driver	Member	NED (I)	3

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

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:

Since there was no proposal for enhancement in remuneration of the Directors, no meeting of the Committee was held during the financial year 2003-2004. The terms of reference of the Committee are as specified in Schedule XIII of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

Details of composition of the Committee are given below:

Sr. No.	Name	Designation	Category
1	Shri K.P.Driver	Chairman	NED (I)
2	Shri R.M.Gandhi	Member	NED (I)
3	Smt.Y.J.Mogrelia	Member	NED (I)
4	Shri B.K.Parekh	Member	NED (P)

Executive Directors' remuneration details for the financial year 2003-2004 are given below:

Sr. No.	Name	Salary * (Rs.)	Commission (Rs.)	Perquisites (Rs.)	Total (Rs.)	Tenure (No. of years)
1	Shri M.B. Parekh (Managing Director)	18,00,000	Nil	Nil	18,00,000	5
2	Shri A.K. Basu Roy (Wholetime Director)	3,72,000	Nil	50,345	4,22,345	3

* includes House Rent Allowance

Besides the above, 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 Executive 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 of stock options for the Directors or the employees.

The Sitting Fees paid for the year ended 31st March, 2004 to the Non Executive Directors for attending the Board / Committee meetings are as follows:

Shri B. K. Parekh – Rs.20,000, Shri S. K. Parekh – Rs.25,500, Shri N. K. Parekh - Rs.14,000
Shri R. M. Gandhi – Rs.22,500, Shri B. S. Mehta - Rs.12,000, Shri K. P. Driver – Rs.15,500, Smt. Y. J. Mogrelia – Rs.19,000.

The Company do engage M/s. Bansil S. Mehta & Co., 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. Shareholders/Investors Grievance Committee:

During the year 12 meetings of the Share Transfer Committee and 2 meetings of the Shareholders/Investors Grievance Committee were held on 15th July, 2003 and 11th February, 2004.

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 K.P.Driver	Chairman	NED (I)	1
2	Shri B.K.Parekh	Member	NED (P)	2
3	Shri R.M.Gandhi	Member	NED (I)	2

Committee has the power to look into redressal of shareholders/investors complaints such as non-receipt of shares sent for transfer, non-receipt of declared 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 M/s.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.

Barring certain cases pending with Consumer Forum/Court, the Company and M/s.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.

The total number of letters received from the shareholders were 1866 of which 29 were in the nature of complaints. All the letters have been replied to and all the complaints have been solved to the satisfaction of shareholders. There were 10 outstanding letters/complaints pending as on 31st March, 2004 which were dealt with by 15th April, 2004. 16 request for transfer and 45 requests for dematerialisation were pending for approval as on 31st March, 2004 which were dealt with by 6th April, 2004 and 19th April, 2004 respectively.

The Company has framed a Code of Internal Procedures and Conduct for Prevention of Insider Trading on the lines of the model code specified by SEBI. Shri.P.C.Patel, Sr. Vice President & Secretary is the Compliance Officer for the purpose.

**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
2002-2003	M.C.Ghia Hall, Bhogilal Hargovinddas Bldg., 18/20, K.Dubhash Marg, Mumbai-400 001.	13 th August, 2003 at 11.00 a.m.
2001-2002	Y.B.Chavan Centre, Convention Hall Gen.Jagannath Bhosale Marg, Mumbai-400 021.	3 rd September, 2002 at 11.00 a.m.
2000-2001	Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai-400 021.	3 rd August, 2001 at 11.00 a.m.

No Special Resolution was put through postal ballot during the last year. At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot.

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 Securities & Exchange Board of India (SEBI). Consequently, no penalties were imposed or strictures passed against the 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 but 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 re-appointment as required under clause 49(VI)(A) of the Listing Agreement is given in the notice of Annual General Meeting.

10. Information for Shareholders:

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 Shareholders of
Vinyl Chemicals (India) Ltd.

We have examined the compliance of conditions of corporate governance by Vinyl Chemicals (India) Ltd. as at 31st March 2004, as stipulated in clause 49 of the Listing Agreement of the said Company with the 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 the 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 Clause 49 of the above-mentioned 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 and on behalf of

D.A. KOTHARI & CO.
CHARTERED ACCOUNTANTS

D.A. KOTHARI
PROPRIETOR
Membership No. 6301

Mumbai

Dated : 18th May, 2004

For and on behalf of

HARIBHAKTI & CO.
CHARTERED ACCOUNTANTS

CHETAN DESAI
PARTNER
Membership No. 17000

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Developments:

Our Company is one of the two manufacturers of VAM in the country with installed capacity of 25,700 MT per annum. The main raw materials used in the manufacture are Acetic Acid, Ethylene and Oxygen. There are steady imports of VAM into the country accounting to 20 – 30% of the domestic demand.

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 international price and is therefore, subject to cyclical fluctuations as in the international market. The margins are also significantly dependent upon the price of Ethylene and Acetic Acid, which though generally sourced locally, are also aligned to prices prevailing in the international market.

Since January, 2004 the prices of Ethylene and Acetic Acid have risen significantly. VAM prices have also increased but to a lesser extent.

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 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, 2004 was 185.

Others:

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



ANNEXURE I TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY**a. Energy Conservation Measures taken:**

1. Substitution of floating aerator in place of air blower for aeration in ETP
2. Use of Heat of compression of the 2nd stage of the Instrument Air Compressor in regeneration of Air Drier
3. Use of Khosla compressor with smaller motor of 45 Kw instead of 110 Kw to save power
4. Use of Annubar in the recycle gas for flow measurement instead of existing orifice
5. Use of VFD for P-3401 for steam drum level control instead of control valve
6. Use of Heat of refrigeration of control room AC to heat the boiler feed water

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

1. Use of Heat of compression of the 3rd stage of Ingersoll Rand compressor in the Oxygen plant in the drier regeneration
2. Saving in electricity by utilising the benefit of silent hours granted by MSEB, the loading and unloading of tankers

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. 12.98 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:

		2003-2004	2002-2003
I. A. Electricity - Purchased from MSEB:			
a. Total Units Purchased/Consumed	KWH	85,80,241	1,08,14,026
b. Total amount of Electricity Bill	Rs.	3,03,90,244	3,64,07,305
c. Rate per unit	Rs.	3.54	3.37
B. Own Generation through Windmill:			
a. Total Units Generated	KWH	10,38,391	11,91,709
b. Total amount of Electricity Bill	Rs.	28,94,812	33,96,371
c. Rate per unit	Rs.	2.79	2.85
C. Own Generation through Diesel Generator:			
a. Total Units Generated	KWH	3,27,403	1,83,118
b. Cost of 98510 Ltrs. (P.Y.51164 Ltrs.) of Diesel Consumed	Rs.	24,06,190	10,24,813
c. Rate per unit (Average)	Rs.	7.35	5.60
d. Units Generated per Litre of Diesel Oil (Average)		3.32	3.58
II. Coal:		N. A.	N.A.

		2003-2004	2002-2003
III. Steam Generation:			
a. Steam Generated	M.T.	43,327	50,352
b. Consumption of Fuel Oil			
i. Furnace Oil 256.550 KL (P.Y.580.560 KL)	Rs.	27,79,037	58,31,611
ii. L.S.H.S. Nil (P.Y. Nil)	Rs.	-	-
c. Consumption of Coal 5968.026 MT (P.Y.6455.310 MT)	Rs.	1,89,18,642	1,96,24,142
d. Cost per Unit (Kg.) of Steam Generated (Average)	Rs.	0.50	0.51
e. Kg. of Steam per Litre of Furnace Oil/L.S.H.S (Average)		11.12	11.66
f. Kg. of Steam per Kg. of Coal		6.78	6.75
(B) CONSUMPTION PER UNIT OF PRODUCTION:			
a) PRODUCT (Unit in M.T.)		Vinyl Acetate Monomer	
Electricity	(KWH/M.T.)	457	508
	(Rs./M.T.)	1,639	1,781
Coal	(KGS/M.T.)	382	403
	(Rs./M.T.)	1,212	1,224
Furnace Oil/LSHS	(LITRES/M.T.)	16	36
	(Rs./M.T.)	178	364
b) PRODUCT (Unit in M.T.)		Oxygen / Nitrogen	
Electricity	(KWH/M.T.)	871	853
	(Rs./M.T.)	3,125	2,585
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			
- The company has carried out R&D work on the process for manufacture of Ethylene from Industrial Alcohol.			
2. Benefits derived as a result of the above R & D			
- The quality of Ethylene required for Vinyl Acetate Monomer can be made by above process of catalytic dehydration of alcohol to Ethylene.			
3. Future Plan of Action			
- The basic design of the plant for 15000 TPA, Ethylene capacity has been completed and is ready for implementation.			
4. Expenditure on R & D			
- Rs.10.50 lac.			