



Vinyl Chemicals (India) Ltd.

19TH ANNUAL REPORT 2004-2005



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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 Bansi 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

AUDITORS

D.A. Kothari & Co.

Haribhakti & Co.

REGISTERED OFFICE7th Floor, Regent Chambers
Jamnalal Bajaj Marg, 208, Nariman Point
Mumbai 400 021**SOLICITORS**

Wadia Ghandy & Co.

CORPORATE OFFICERamkrishna Mandir Road
Off Mathuradas VasANJI Road
Andheri (East), Mumbai 400 059**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**PLANT**Plot No.A-21, M.I.D.C.
Mahad, Dist. Raigad, Maharashtra**CONTENTS**

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Vinyl Chemicals (India) Ltd.

DIRECTORS' REPORT

Your Directors present the Nineteenth Annual Report and the Audited Statements of Accounts for the year ended 31st March, 2005.

Financial Results:

The Financial Performance of the Company is summarised as under:

	(Rupees in lac)	
	Current year	Previous year
Profit before Interest and Depreciation	174	356
Less : Interest (Net)	154	163
Depreciation	394	369
(Add) : Deferred Tax Credit	(142)	(63)
Net (Loss) for the year	(232)	(113)
Add : (Loss) brought forward from the Previous Year	(478)	(365)
(Loss) carried to Balance Sheet	(710)	(478)

Dividend:

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

Performance:

During the year:

- a. For the first time, the gross turnover of the Company crossed Rs. 100 crore mark and recorded sales of Rs. 132 crore showing growth of 52% over the previous year.
There was a substantial increase in the cost of raw materials resulting in lower operating profit (before interest and depreciation) of Rs. 174 lac as against Rs. 356 lac in the previous year.
- b. The plant remained closed for 50 days for various reasons, major being 13 days due to non-availability of Ethylene and 8 days for non-availability of Acetic Acid.
- c. The production and sales of Vinyl Acetate Monomer (VAM) in volume were at 23,018 MT and 22,385 MT respectively as against 15,611 MT and 16,874 MT in the previous year.
- d. The increase in the price of VAM was not commensurate with the price increase of Ethylene and Acetic Acid and hence the margins were adversely affected.
- e. The Company availed of Sales Tax Incentive of Rs. 46 lac during the year, on investment made in windmills in the year 2001-02.
- f. The Company also availed of Sales Tax Incentive of Rs. 303.22 lac during the year on plant expansion under 1993 Scheme of Government of Maharashtra.
- g. Under the plan for fresh debottlenecking / expansion, the plant capacity is now raised to 27,000 MT from 1st December, 2004. The additional capital expenditure incurred during the year for this amounted to Rs 148.40 lac.

Outlook:

The prices of Ethylene and Acetic Acid are coming down and barring unforeseen circumstances, margins are likely to improve during this year.

Directors:

The Board of Directors has 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 further period of 3 years with effect from 1st October, 2005.

In accordance with the Articles of Association of the Company, Shri S. K. Parekh, Shri N. 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, 2005 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.

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 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. 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.

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 : 15th June, 2005

B. K. PAREKH
CHAIRMAN



ANNEXURE I TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

a. Energy Conservation Measures taken:

1. Installation of VFD's for process pumps
2. Segregation of cooling water headers and supply of cooling water at lower pressure for low pressure demanding consumers by installation of VFD for cooling water pump
3. Reduction in delta pressure in the main coal boiler steam header by removing orifice, change in pipeline size and change in control valve
4. Joining of turbine steam exhaust pipe directly to Azeo tropic column reboiler, instead of 5.5 bar common steam header.
5. Reduction in delta pressure across the main centrifugal compressor by replacing flow orifice with annubar
6. Avoiding additional pumping by using inlet pressure of MIDC water supply for putting water into the process water tank
7. Installation of transparent roof top sheets for main Stores Building
8. Stopping of Laboratory A.C. unit during the night hours

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

1. Recovery of cold from liquid Ethylene for generation of chilled water
2. By-passing of Khosla compressor 2nd stage cooler and directly taking hot gas discharge to the reactor inlet
3. Installation of cooler water condenser in place of condenser cooling fan for Laboratory A.C.
4. Stopping of Ethylene unloading compressor by directly connecting Horton Sphere vapor to Khosla compressor in process plant

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. 27.60 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:

		2004-2005	2003-2004
I. A. Electricity - Purchased from MSEB:			
a. Total Units Purchased/Consumed	KWH	1,05,08,473	85,80,241
b. Total amount of Electricity Bill	Rs.	3,19,99,991	3,03,90,244
c. Rate per unit	Rs.	3.05	3.54
B. Own Generation through Windmill:			
a. Total Units Generated	KWH	12,94,895	10,38,391
b. Total amount of Electricity Bill	Rs.	33,05,170	28,94,812
c. Rate per unit	Rs.	2.55	2.79
C. Own Generation through Diesel Generator:			
a. Total Units Generated	KWH	1,44,254	3,27,403
b. Cost of 42622 Ltrs. (P.Y.98510 Ltrs.) of Diesel Consumed	Rs.	11,82,404	24,06,190
c. Rate per unit (Average)	Rs.	8.20	7.35
d. Units Generated per Litre of Diesel Oil (Average)		3.38	3.32

		2004-2005	2003-2004
II. Coal:		N. A.	N.A.
III. Steam Generation:			
a. Steam Generated	M.T.	48,218	43,327
b. Consumption of Fuel Oil			
i. Furnace Oil 125.990 KL (P.Y.256.550 KL)	Rs.	13,76,932	27,79,037
ii. L.S.H.S. Nil (P.Y. Nil)	Rs.	—	—
c. Consumption of Coal 7134.417 MT (P.Y.5968.026 MT)	Rs.	2,91,78,552	1,89,18,642
d. Cost per Unit (Kg.) of Steam Generated (Average)	Rs.	0.63	0.50
e. Kg. of Steam per Litre of Furnace Oil / L.S.H.S (Average)		11.80	11.12
f. Kg. of Steam per Kg. of Coal		6.55	6.78
(B) CONSUMPTION PER UNIT OF PRODUCTION:			
a) PRODUCT (Unit in M.T.)		Vinyl Acetate Monomer	
Electricity	(KWH/M.T.)	309	457
	(Rs./M.T.)	941	1,639
Coal	(KGS/M.T.)	310	382
	(Rs./M.T.)	1,268	1,212
Furnace Oil/LSHS	(LITRES/M.T.)	5	16
	(Rs./M.T.)	60	178
b) PRODUCT (Unit in M.T.)		Oxygen / Nitrogen	
Electricity	(KWH/M.T.)	796	871
	(Rs./M.T.)	2,445	3,125
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			
- R&D work has been carried out for purification/separation of the waste bye-product Diacetates and the applications of the same as solvent for coatings/ adhesives has been established on laboratory scale.			
2. Benefits derived as a result of the above R & D			
- The above work is in progress on pilot scale and benefit is expected in the next year.			
3. Future Plan of Action			
- In-house facility is planned for recovery of commercial grade Diacetate			
- Installation of pilot plant for speciality Acetates is also in progress			
4. Expenditure on R & D			
- Rs.3.50 lac			

**Technology Absorption, Adaptation and Innovation:**

The company has developed in-house, a new process for recovery of Ethylene from purge gases. The recovery achieved is about 80%. Capital expenditure on this scheme has been only Rs.17 lac.

Benefits derived as a result of the above efforts:

The savings by way of reduced Ethylene consumption has been about Rs.30 lac.

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:**f. Efforts:**

The international prices remained unremunerative for export during most of the year. Small quantities were exported during the last quarter of the financial year.

g. Total Foreign Exchange used and earned:

		<u>2004-2005</u>	<u>2003-2004</u>
1. Foreign Exchange Used			
i. Expenditure	Rs.	9,47,581	9,24,890
ii. Imports (CIF Basis)	Rs.	14,15,707	5,56,55,905
2. Earnings on account of Export of Goods (FOB)			
i. In Foreign Exchange	Rs.	77,97,000	-
ii. Deemed Export	Rs.	-	-

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 2004-05, 5 Board Meetings (including one adjourned meeting) were held on 18th May, 2004 (adjourned to 15th June, 2004), 22nd July, 2004, 20th October, 2004 and 18th January, 2005.

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, 2005 * in other companies	No. of committee positions held in other Companies	
						Memberships	Chairmanships
1	Shri B K Parekh (Chairman)	NED (P)	5	Yes	16	3	-
2	Shri S K Parekh	NED (P)	4	Yes	7	-	-
3	Shri M B Parekh (Managing Director)	ED (P)	5	Yes	10	-	-
4	Shri N K Parekh	NED (P)	4	Yes	7	-	-
5	Shri R M Gandhi	NED (I)	3	Yes	4	1	3
6	Shri Bansil S. Mehta	NED (I)	5	Yes	18	5	5
7	Shri K.P.Driver	NED (I)	3	Yes	1	-	-
8	Smt Y.J. Mogrelia	NED (I)	5	No	-	-	-
9	Shri A.K. Basu Roy (Wholtime Director)	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:

During the financial year 2004-05, 4 meetings of the Committee were held on 18th May 2004, 22nd July, 2004, 20th October, 2004 and 18th January, 2005.

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)	3
2	Shri S.K.Parekh	Member	NED (P)	3
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 to 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:

One meeting of the Remuneration Committee was held on 18th May, 2004, which was attended by all members of the Committee. 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 2004-05 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)	17,18,425	Nil	81,575	18,00,000	5
2	Shri A.K. Basu Roy (Wholetime Director)	4,02,000	Nil	66,000	4,68,000	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 for stock options for the Directors or the employees.

The Sitting Fees paid for the financial year ended 31st March, 2005 to the Non Executive Directors for attending the Board/Committee meetings are as follows:

Shri B.K. Parekh - Rs.19,500, Shri S. K. Parekh - Rs.18,500, Shri N. K. Parekh - Rs.15,500, Shri R. M. Gandhi - Rs.15,000, Shri Bansi S. Mehta - Rs.12,000, Shri K. P. Driver - Rs.13,000 and Smt. Y. J. Mogrelia - Rs.16,500.

The Company do engage M/s. Bansi S. Mehta & Co., Chartered Accountants firm in which Shri Bansi 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 1 meeting of the Shareholders/Investors Grievance Committee was held on 9th March, 2005 which was attended by all the Members of the Committee.

Details of composition of the Committee is given below:

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

Committee has the power to look into redressal of shareholders/investors grievances 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 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/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 1980, of which 27 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 no outstanding letters/complaints pending as on 31st March, 2005. 3 request for transfer and 57 request for dematerialisation were pending for approval as on 31st March, 2005, which were dealt with by 6th April, 2005 and 8th April, 2005 respectively.

The Company has framed a Code of Internal Procedure 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 Meeting held during the last three years are given below :

Financial Year	Venue	Date & Time
2003-04	Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai - 400 021.	10 th August, 2004 at 11.00 a.m. (Adjourned for polling on 11 th August, 2004 at 11.00 a.m. at the Registered Office of the Company at Regent Chambers, 7 th Floor, Jamnalal Bajaj Marg, 208, Nariman Point, Mumbai 400 021)
2002-03	M.C. Ghia Hall, Bhogilal Hargovinddas Building, 18/20, K. Dubhash Marg, Mumbai - 400 001.	13 th August, 2003 at 11.00 a.m.
2001-02	Y.B. Chavan Centre, Convention Hall Gen. Jagannath Bhosale Marg, Mumbai - 400 021.	3 rd September, 2002 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 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 Members of
Vinyl Chemicals (India) Limited

We have examined the compliance of conditions of Corporate Governance by Vinyl Chemicals (India) Limited as at 31st March, 2005, 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 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 the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors' Grievance Committee.

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 : 15th June, 2005

For and on behalf of
HARIBHAKTI & CO.
CHARTERED ACCOUNTANTS

CHETAN DESAI
PARTNER
Membership No. 17000