

CHEMINOVA INDIA LIMITED

ANNUAL REPORT

2003

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DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the Eighteenth Annual Report and the Audited Accounts for the year ended **31st December, 2003**.

FINANCIAL RESULT:

(Rs. Mio.)

Financial Results:	Current Year Ended 31-12-2003	Previous Year Ended 31-12-2002
Turnover (Net of Excise Duty collected)	2253	1777
Profit (before Interest, Depreciation & Tax)	376	279
Less: Interest	56	51
Depreciation	101	102
Profit before Tax	219	126
Less: Provision for Taxation (Net)	63	54
Profit after Tax	156	72
Add: Balance brought forward from earlier year.	265	206
Less: Deferred Taxation Adj. (net) on initial adoption	74	-
Profit available for appropriation	347	278
Proposed Dividend :		
8% Non Cumulative Redeemable Preference Shares.	14	14
Dividend Tax (Net of excess provision in P.Y.)	2	(1)
Surplus in Profit & Loss A/c.	331	265

PERFORMANCE:

During the year under review, net turnover of the Company was **Rs. 2253 Mio** as against to **Rs. 1777 Mio** of the previous year ended 31-12-2002 signifying growth of 27%. Gross profit before interest, depreciation and tax for the year increased by 35% i.e. **Rs. 376 Mio** as compared to **Rs. 279 Mio** for the previous year.

The year under review was blessed with balanced monsoon and the successful effort of the Company in launching two new products. As a result of these the formulation business registered growth of 36% to reach to Rs. 1685 Mio. as against Rs. 1242 Mio. in previous year.

Your Company, by continuing its effort of controlling of fixed cost and coupled with the significant growth of the business, posted healthy Profit Before Tax of Rs. 219 Mio. (Previous year Rs. 126 Mio.) which is 73.3% higher as compared to previous year.

DIVIDEND:

On Preference Shares:

Your Directors' have recommend as per the terms of issue, dividend @ 8% per annum, on 1,800,000 Non-Cumulative Redeemable Preference Shares of Rs. 100/- each, which is subject to applicable dividend tax, to be paid by the Company at the time of disbursement of dividend, as and when declared.

On Equity Shares:

Your Company's effort to augment its financial strength and lowering its dependency on external borrowings is yielding positive results. Your director, recommends to continue the Company's efforts of building sound internal financial base and accordingly do not recommend dividend on Equity Shares for the year ended 31st December 2003.

ISO 9001:2000 CERTIFICATION:

Your Company was successful in getting ISO9002 certification to ISO9001:2000 DVN certification for its Technical Division.

RESEARCH & DEVELOPMENT CENTRE (R&D):

During the year your Company continued to enjoy recognition by Department of Science and Technology, Government of India. The Company continued its efforts in maintaining and upgrading its world class R & D facility which is fully equipped with latest equipments and instruments. The centre, apart from conducting research on new process developments and process improvement for its line of activity also started undertaking toll research work for its parent company. The centre is also working on development of new products to strengthen Company's present product portfolio. This activity is in addition to R & D support to the operations of your Company and meeting its requirement for its strategic future business plans.

SAFETY, HEALTH AND ENVIRONMENTAL MEASURE (SHE) :

Your Company continued its policy in respect of environmental and safety promotion measures, and also continued in maintaining and upgrading SHE measures. The factories at Panoli are fully equipped with world class facilities to control pollution. The Company has made major investment in building Incineration & ETP facilities and has taken lead in environment protection drive of Gujarat Pollution Control Board. As your Company considers employee safety as an important aspect of its success and to achieve that goal regular safety drills and health checkups are carried out regularly at the factories.

EXPORTS:

Total exports during the year of various Technicals, Intermediates and Formulation products amounted to **Rs. 27 Mio.** as compared to **Rs. 34 Mio.** in previous year.

FINANCE:

Your Company successfully continued to have better control over its working capital and as a result the dependency on external borrowing was minimised to a great extent. In spite of significant growth in the business volume during the year under review, the Company was able to manage the fund requirement with reduced external borrowings. As a result of strict financial controls, the overall effective finance cost came down even though the volume of business activity went up by 27%.

During the year under review, your Company has repaid US \$ 1 Mio. as per schedule of repayment for External Commercial Borrowings (ECB) and also successful in getting lower rate of interest on the outstanding External Commercial Borrowings (ECB) for the year 2003-2004.

DIRECTORS:

- (a) Mr. Kurt Pedersen Kaalund, Director of the Company was due for retirement by rotation at the annual general meeting held on 15th March 2003, did not opt for reappointment and decided to relinquish his office with effect from that date. Mr. Kurt Pedersen Kaalund was associated with the Company since 18th December 1997 and contributed significantly towards the growth of the Company. The directors placed on records their appreciation of contribution made by Mr. Kurt Pedersen Kaalund to the Company's growth during his tenure as director.

- (b) Mr. Mogens Nehen Hansen, Director of the Company, relinquished his office of directorship with effect from 1st April 2003, in view of his personal commitment in his profession. Mr. Mogens Nehen Hansen was associated with the Company since 18th December 1997 and contributed significantly towards the growth of the Company. The directors placed on records their appreciation of contribution made by Mr. Mogens Nehen Hansen to the Company's growth during his tenure as director.
- (c) Mr. Ole Pipper, Director of the Company, relinquished his office of directorship with effect from 10th October 2003, in view of his personal commitments. Mr. Ole Pipper was associated with the Company since 18th December 1997 and contributed significantly towards the growth of the Company. The directors placed on records their appreciation of contribution made by Mr. Ole Pipper to the Company's growth during his tenure as director.
- (d) Mr. Hans Svenningsen, appointed as an Additional Director of the Company with effect from 1st April, 2003.
- (e) Mr. Niels Morten Hjort, appointed as an Additional Director of the Company with effect from 10th October, 2003.
- (f) Mr. Bjorn Albinus, Director of the Company retires by rotation at the ensuing Annual General Meeting of the members of the Company, and being eligible, offers himself for re-appointment.

FIXED DEPOSITS:

The Company has not accepted or renewed any deposit during the year under review.

AUDITORS:

M/s. PRICE WATERHOUSE, Chartered Accountants, the statutory auditor of the Company holds office until the conclusion of the ensuing Annual General Meeting. It is proposed to re-appoint them for the financial year 2004. M/s. PRICE WATERHOUSE has under section 224(1) of the Companies Act, 1956 furnished certificate of their eligibility for re-appointment.

AUDITOR'S REPORT:

The remarks contained in the Auditors Report are explained in the notes to the accounts under Schedule no: 18, are self-explanatory.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 as inserted vide the Companies [Amendment] Act, 2000 the Directors hereby confirm that:

- a. In preparation of annual accounts for the financial year ended 31st December, 2003, the applicable accounting standards had been followed without any material departure therefrom, except for the deviation mentioned in the notes to the accounts.
- b. The accounting policies adopted by the Company have been followed consistently and that the Directors' have 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 of the Company and of the Profit and Loss Account of the Company for that period.
- c. Proper and sufficient care has been taken 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.
- d. The annual accounts of the Company for the financial year ending 31st December, 2003 have been prepared on going concern basis.

COST AUDIT:

The Company has re-appointed Mr. Kishore Bhatia, Cost Accountant as the Cost Auditor of the Company for Insecticides - Technical, Intermediate and Formulations for the calendar year January to December 2003.

PERSONNEL:

Industrial relations continue to be cordial throughout the year under review. The Board of Directors wishes to express its appreciation to all the employees of the Company for their outstanding contribution to the operations of the Company during the year. Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 2000 as amended from times to time is given in Annexure forming part of this report.


CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND INNOVATION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

In compliance with the provisions of Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, a statement giving requisite information is given in Annexure "A" forming part of this Report.

ACKNOWLEDGEMENTS:

The Board of Directors express their gratitude to various people, all the government officials, financial institutions, bankers, farmers, distributors and suppliers who have contributed in no small measure towards the growth of the Company. The Board also places on record their appreciation for the valuable services rendered by all the employees of the Company.


For and on behalf of the Board of Directors present.


Bjorn Albinus
(Chairman)


R.S. Vaip
(Managing Director)

Hans Svenningsen
(Director)


Niels Morten Hjort
(Director)


Ninas D. Gupte
(Director)



Place: Mumbai.

Dated: **24 FEB 2004**

ANNEXURE "A" TO THE DIRECTORS' REPORT:

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS:

A. CONSERVATION OF ENERGY:

(1) Steps taken for Energy Conservation:

- (a) Installation of capacitors for MCC and higher HP motors to reduce power consumption.
- (b) Installation of under voltage relay for 415 volts GEB incomer breaker to prevent the motor damaging due to single phasing.
- (c) Study of the actual power requirement of pump/ Agitator & replacing by lower size motor.
- (d) Power saving in brine compressor by effective preventive maintenance.
- (e) Time cycles optimised wherever possible to reduce power, utility and energy consumption.

(2) Impact of measures in 1:

Reduction in power consumption.

(3) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the schedule thereto is enclosed.

B. TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT(R&D):

Specific areas in which R&D carried out by the Company:

1. UPGRADATION OF EXISTING PRODUCTS / TECHNOLOGIES:

- A. Continuous efforts in R&D have led to improvement in performance of existing products. Efforts for cost reduction are continued. Savings on cost/kg (Rs) is achieved in some of the existing products.
- B. Emphasis is given on environment friendly technologies. Work is done to improve the quality of effluent by incorporation of suitable treatment methods. Waste water generation has been reduced considerably by minimising / avoiding usage of water wherever possible. Wherever feasible co-products are recovered from the processes and load on environment is reduced.

- C. Overall quality of Technical and Intermediate Products improved considerably. In some of the products quality is upgraded to meet export specifications / requirements.

2. NEW PRODUCTS:

Work is on to introduce new products by developing process technologies for various identified new products. R&D and Pilot Plants studies have been completed / in progress.

- a) New Organophosphorus compounds.
- b) Pesticides belonging to heterocyclic compounds.
- c) Intermediate chemicals.

Benefits derived as a result of the above R & D.

Due to R&D efforts quality and yields of technical and intermediate products have been improved resulting into cost reduction.

Quality of outgoing effluent is improved considerably and due to optimisation output of effluent is reduced.

R&D efforts have resulted in development of technology for new products, which are in pipeline.

Expenditure on R&D

Continuous up gradation of R&D facility is being done and new equipments / instruments are added as per requirement.

(Rs. Mio.)

	Current Year Ended 31/12/2003	Previous Year Ended 31/12/2002
a. Capital	0.1	1.0
b. Recurring	4.3	4.2
Total	4.4	5.2
Total R&D expenditure as % of turnover	0.2%	0.3%

C: FOREIGN EXCHANGE EARNINGS AND OUTGOINGS:

(Rs. Mio.)

	Current Year Ended 31/12/2003	Previous Year Ended 31/12/2002
Total Foreign Exchange earnings	28.45	39.61
Total Foreign Exchange outgo	227.35	236.43

FORM – A
(See – Rule 2)

Form for Disclosure of particulars with respect to Conservation of Energy for the period from : 01-01-2003 to 31-12-2003.

(A) POWER AND FUEL CONSUMPTION:

	Current Year Ended 31/12/2003	Previous Year Ended 31/12/2002
1. ELECTRICITY.		
(a) Purchased		
Unit (Kwh)	16,099,373	15,924,924
Total Amount (Rs.)	80,620,193	77,510,191
Rate / Unit (Rs.Kwh)	5.01	4.87
(b) Own Generation		
Through Diesel Generator		
Unit (Kwh)	1,553,248	1,044,416
Units per Ltr. Of Diesel		
Oil (Kwh/Ltr.)	3.82	3.79
Cost/Unit (Rs./Kwh)	5.86	5.27
Through Steam Turbine/Generator	NIL	NIL
2. Coal	NIL	NIL
3. Fuel (Furnace Oil, Natural Gas, LDO, Diesel)		
Quantity (Kgs.)	7,997,331	6,036,023
Total Cost (Rs.)	83,222,849	54,013,962
Average Rate (Rs./Kg.)	10.41	8.95
4. Water		
Quantity (Kls.)	283,506	232,250
Total Cost (Rs.)	5,314,591	5,046,442
Rate (Rs./Kl.)	18.75	21.73

(B) CONSUMPTION PER UNIT OF PRODUCTION:

The Company manufactures several Technical grade Pesticides, Intermediates and Pesticides formulation of different pack size. It is therefore, impractical to apportion the consumption and cost of utilities to each product and formulation.