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Chemcrown (India) Limited

Report  Junction Certified True Copy

For Chemcrown (India) Ltd.

M. Singh, Director

REPORT & ACCOUNTS

for the 15th months period ended 31st March, 1997

SALES OFFICES**Chennai**

Real Chambers, III Floor
30, Maddox Street, Choolai
Chennai - 600 112

New Delhi

E-9, Naraina Vihar,
(Ground Floor)
Opposite Community Centre
New Delhi - 110 028

Mumbai

D-3, Poonam Apartment
Dr. Annie Besant Road, Worli,
Mumbai - 400 018

FACTORIES

Walajapet
North Arcot District
Tamilnadu

86, Athupattu, Ambattur,
Chennai - 600 058

19/1 & 4/4, Mylam Pondicherry Road
Sedarapet,
Pondicherry - 605 101

**RESEARCH AND DEVELOPMENT
CENTRES**

60, Debendra Chandra Dey Road,
Calcutta - 700 015

Walajapet
North Arcot District
Tamilnadu

BOARD OF DIRECTORS : SHRI B. D. BHAIYA, *Managing Director*
SHRI R. K. MAHESHWARI
SHRI B. K. MEHTA

REGISTERED OFFICE : 95, PARK STREET
CALCUTTA - 700 016

AUDITORS : M/S L. B. JHA & CO.
8, NETAJI SUBHAS ROAD
CALCUTTA - 700 001



BANKERS : CANARA BANK
STATE BANK OF BIKANER & JAIPUR

REGISTRARS : ABC COMPUTERS PVT. LTD.
NATIONAL COUNCIL OF EDUCATION, BENGAL BUILDING
JADAVPUR UNIVERSITY CAMPUS
2ND & 3RD FLOOR
CALCUTTA - 700 032

NOTICE

NOTICE is hereby given that the Twentysecond Annual General Meeting of the Members of Chemcrown (India) Limited will be held on Friday, the 19th September, 1997 at 3.30 P.M. at Sangeet Kala Mandir, Kala Kunj, 48, Shakespeare Sarani, Calcutta - 700 017 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet of the Company for the 15 months period ended 31st March, 1997, the Profit & Loss Account for the period ended as on that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. B. K. Mehta who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"Resolved that in accordance with Sections 198,269,309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, consent of the Company be and is hereby accorded to the appointment of Mr. R. K. Maheshwari as Wholtime Director of the Company with effect from 1st September, 1996 on terms and conditions including remuneration as set out in the agreement dated 27th September, 1996 between the Company and Mr. R. K. Maheshwari and also set out in the Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 with liberty to the Board of Directors of the Company to alter and vary such remuneration within the limits specified in Part II of Schedule XIII to the Companies Act, 1956 or any amendments thereof from time to time, as may be agreed to by the Board and Mr. R. K. Maheshwari."

Registered Office :

95, Park Street,
Calcutta - 700 016
Date : 11th August, 1997.

By Order of the Board

B. D. Bhaiya
Managing Director

Notes :

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed.
2. A Member entitled to attend and vote is entitled to appoint one or more Proxies to attend and vote instead of himself and a Proxy need not be a member.
3. Proxies in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
4. The Register of Members in respect of Equity Shares and Equity Share Transfer Book of the Company will remain closed from 12th September, 1997 to 19th September, 1997 (both days inclusive).
5. Members are requested to intimate immediately to the Company, the changes, if any, in their Registered address alongwith Pin Code Number.
6. Members are requested to quote Folio Number in all their correspondence.

EXPLANATORY STATEMENT

Pursuant to Section 173 (2) of the Companies Act, 1956

Item No.4

The Board of Directors of the Company in its meeting held on 25th September, 1996 appointed Mr. R. K. Maheshwari as Wholtime Director of the Company. The said appointment is, however, subject to the approval of the Members of the Company.

The material terms of the agreement dated 27th September, 1996 between the Company and Mr. R. K. Maheshwari are as under :-

- 1) Mr. R. K. Maheshwari shall subject to the superintendence, control and direction of the Board perform such duties as may be called upon by the Board of Directors from time to time.
- 2) Period of Agreement :
5 years with effect from 1st September, 1996.
- 3) Remuneration :
Salary of Rs.15,000/- per month.
- 4) Perquisites :
In addition to the salary, Mr. R. K. Maheshwari will be allowed perquisites as specified in Categories A, B & C below :

Such perquisites shall be restricted to an amount equal to the annual salary.

Category 'A'**i) Housing :**

The expenditure by the Company on hiring unfurnished accommodation for Mr.R.K. Maheshwari will be subject to the ceiling of sixty percent of the salary over and above ten percent payable by Mr.R.K.Maheshwari.

ii) Medical Reimbursement :

Expenses incurred for Mr.R.K. Maheshwari and his family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

iii) Leave Travel Concession :

For Mr.R.K. Maheshwari and his family, once in a year incurred in accordance with any Rules specified by the Company.

iv) Club Fees :

Fees of Clubs subject to a maximum of two Clubs. This will not include admission and life membership fees.

v) Personal Accident Insurance :

Premium not exceeding Rs.4,000/- per month.

For the purpose of Category 'A' 'family' means spouse, dependent children and dependent parents.

Category 'B'

i) Contribution to the Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites, to the extent these, either singly or put together, are not taxable under the Income Tax Act.

ii) Gratuity not exceeding half a month's salary for each completed year of service.

EXPLANATORY STATEMENT (Contd.)**Category 'C'**

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls and use of car for private purposes shall be billed by the Company to Mr. R.K.Maheshwari.

Leave :

Mr.R.K. Maheshwari shall be entitled to leave on full pay and allowance as per rules of the Company but not exceeding one month's leave for every eleven months of service, subject to the condition that leave accumulated but not availed of shall be dealt with as per the Rules of the Company and the Income Tax Rules, 1962.

Nature of duties :

Mr.R.K. Maheshwari will devote his wholtime and attention to the affairs of the Company and perform such duties as may be assigned to him from time to time by the Board of Directors.

Other Conditions :

Mr.R.K. Maheshwari shall not be entitled to any sitting fee for attending the meetings of the Board of Directors or Committees thereof. Each party has the right of terminating the appointment upon giving three month's notice in writing to the other.

The Ordinary Resolution being Item Number 4 set out in the notice convening the Annual General Meeting is intended for the purpose.

The Board of Directors recommends the resolution for approval.

Save and except Mr. R K Maheshwari and Mr. B D Bhaiya, no director of the Company is concerned or interested in the resolution.

The above statement may be treated as an abstract under Section 302 of the Companies Act, 1956.

INSPECTION OF DOCUMENTS

The Agreement which has been referred to in the resolution set out in Item Number 4 of the Notice will be available for inspection to the Members at the Registered Office of the Company between 10.00 A.M. and 12.00 Noon during working days and also at the Annual General Meeting.

Registered Office :
95, Park Street,
Calcutta- 700 016
Date : 11th August, 1997

By Order of the Board

B. D. Bhaiya
Managing Director

**DIRECTORS' REPORT
TO
THE MEMBERS**

Your Directors present herewith the Twentysecond Annual Report together with the audited accounts for the fifteen months period ended 31st March, 1997.

FINANCIAL RESULTS

The summarised financial results for the fifteen months period ended 31st March, 1997 are as under :-

	(Rs. in Lakhs)
Sales including other Income	780.77
Profit before interest and depreciation	74.18
Less : Interest and other financial charges	531.73
Loss before depreciation	(457.55)
Less : Depreciation	99.69
Loss after depreciation	(557.24)
Less : Doubtful debts and advances written off	2.51
Loss before taxation	(559.75)
Net loss for the period	(559.75)
Add : Amount of Loss brought forward from earlier years	(1,164.45)
Balance to be carried forward	(1,724.20)

DIVIDEND

In view of the huge loss, your Directors regret their inability to recommend payment of any dividend for the fifteen months period ended 31st March, 1997.

OPERATIONS AND FUTURE PROSPECTS

The period under report witnessed a turnover of Rs.775 lakhs partly from trading activities and partly from manufacturing operation of shoe soles. Your Company has sustained loss for the third consecutive period. However, due to restructuring of business activities and squeezing of various expenses, your Company could earn a cash profit of Rs.74 lakhs as against cash loss of Rs.146 lakhs during the fifteen months period ended on 31st December, 1995. It would be observed from the accounts that the total loss sustained has been mainly due to provision of interest payable to the institutions and banks and depreciation.

Your Company has filed a petition before the Hon'ble Supreme Court of India for arbitration proceedings in terms of Arbitration and Conciliation Act, 1996 against its erstwhile foreign collaborator, Wasgau Plast GmbH, Germany who defrauded the Company by supplying substandard plant and machines. This became necessary as the suits filed by the Company in Germany could not be continued due to relevant laws of Germany and Reserve Bank of India's restrictions and also

DIRECTORS' REPORT (Contd.)

crunch of the Company. Your Company has been advised that an arbitral award arising out of such proceedings in India can be executed in Germany in view of the adoption of United Nations' International Commission on International Trade Law (UNCITRAL)'s Model Arbitration Law by India and consequent applicability of Articles contained in Geneva Convention and New York Convention.

Your Company has been declared as a "sick industrial company" within the meaning of the relevant provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 by the Board for Industrial and Financial Reconstruction (BIFR). BIFR has also appointed IDBI as Operating Agency of the Company. Your Company has submitted a revival package wherein your Company has, inter alia, sought waiver of accumulated outstanding interest payable to the financial institutions and banks and the matter is pending before the appropriate authority. Your Directors are hopeful that it would be possible to revive the Company within a timebound period.

During the period under report, your Company has earned a significant amount by way of royalty and technical know-how by allowing another Company to manufacture leather chemicals with your Company's know-how, technology and use of brand name. Your Company is also in the process of finalising marketing arrangements with few European Companies for marketing of their products in India.

At present, your Company has strategically decided to concentrate on manufacturing of shoe soles, where tremendous demand-supply gap exists. Your Company is seriously looking into the possibility of reviving its polyurethane sole division which would require another estimated capital investment of Rs. 200 Lakhs contemplated to be met through long term investments by resourceful financiers who can also have a berth in the management, subject to appropriate approvals.

INDUSTRIAL RELATIONS

The Industrial Relations in your company continued to be harmonious and cordial. Your directors wish to record their appreciation of the dedication, loyalty and hard work put in by the employees at all levels.

PUBLIC DEPOSITS

Your Company has not received any deposit from the public during the fifteen months period ended 31st March, 1997.

AUDITORS' REPORT

The comments made by the auditors in their report are self explanatory and as such do not warrant any comment.

ENVIRONMENT, SAFETY AND ENERGY CONSERVATION

The statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 'A' forming part of this report.

PARTICULARS OF EMPLOYEES

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure 'B' forming part of this report.

DIRECTORS

Mr. R. K. Maheshwari was appointed as Whole time Director of the Company with effect from 1.9.1996.

Mr. Sanjoy Sen and Mr. A. K. Sen resigned from the Board with effect from 11th August, 1997. The casual vacancy caused by resignation of Mr. A. K. Sen was filled up by appointing Mr. B. K. Mehta pursuant to Section 262 of the Companies Act, 1956. The Board of Directors takes this opportunity to record its appreciation of the valuable guidance and support received from Mr. Sanjoy Sen and Mr. A. K. Sen during their tenure as Members of the Board.

Mr. B. K. Mehta retires by rotation pursuant to the provisions of Section 262 of the Companies Act, 1956 and being eligible, has offered himself for re-appointment.

AUDITORS

M/s. L. B. Jha & Co., Chartered Accountants, retired and being eligible have signified their willingness to be re-appointed.

APPRECIATION

Your Directors gratefully acknowledge the continued co-operation and support of the financial institutions, the company's bankers, and the Central and State Governments. Your Directors also take this opportunity of acknowledging with gratitude the continued support given by the Members of the Company.

On behalf of the Board

Place : Calcutta B. D. BHAIYA *Managing Director*
Date : 11th August, 1997. R. K. MAHESHWARI *Director*

ANNEXURE 'A' TO THE DIRECTORS' REPORT

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

a) Energy Conservation measures taken	N A		
b) Additional investment and proposals, if any, being implemented for conservation of energy	N A		
c) Impact of measures (a) & (b) above for energy conservation and subsequent impact on the cost of production of goods.	N A		
d) FORM A		Current Period	Previous Period
a) Power & Fuel Consumption :			
1. Electricity :			
a) Purchase (Unit)		3,98,034	18,46,939
Total Amount (Rs.)		8,84,285	56,14,620
Rate/Unit (Rs.)		2.22	3.04
b) Own Generation		NIL	13,054
2. Furnace Oil/Diesel Oil			
Quantity (Ltrs.)		31,916	7,401
Total Cost (Rs.)		1,85,779	55,285
Average Rate (Rs.)		5.82	7.47
b) Consumption per unit of Production			
Production of Sodium Nitrate			
Electricity Per MT of Production (Units)		NIL	NIL
HSD/Oil Per MT of Production (Ltrs.)		NIL	NIL
Production of Sodium Nitrite			
Electricity Per MT of Production (Units)		NIL	534
HSD/Oil Per MT of Production (Ltrs.)		NIL	NIL
Production of Liquid Dyes			
Electricity Per MT of Production (Units)		NIL	NIL
Production of Leather Chemicals			
Electricity Per MT of Production (Units)		NIL	NIL
Production of Shoe Soles			
Electricity Per MT of Production (Units)		3,536	2,125
HSD/Oil Per MT of Production (Ltrs.)		37	30

B. TECHNOLOGY ABSORPTION

e) FORM B	
Form of disclosure of particulars with respect to absorption, research and development (R & D)	
1. Specific area in which R & D were carried out by the Company	None
2. Benefits derived as a result of R & D	N A
3. Future plan & action	None

CHEMCROWN (INDIA) LIMITED

ANNEXURE 'A' TO THE DIRECTORS' REPORT (Contd.)**FORM B (Contd.)****Technology absorption, Adaptation and Innovation****Current
Period**

1. Efforts, in brief, made towards, technology absorption, adaptation and innovation
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.
 - a) Technology imported
 - b) Year of import
 - c) Has technology been fully absorbed
 - d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans and actions.

NIL

NIL

NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total foreign exchange used
Total foreign exchange earned

41,980

NIL

11th August, 1997.

B. D. BHAIYA

R. K. MAHESHWARI

On behalf of the Board

Managing Director

Director

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ANNEXURE 'B' TO THE DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the Company's Financial year ended 31st March, 1997.

A) Employees who were employed throughout the financial year under review and were in receipt of remuneration in the aggregate of not less than Rs.3,00,000 per annum.

Sl. No.	Name	Age	Designation	Gross Remuneration	Qualification	Experience	Date of Employment	Previous Employment
1.	Mr. B. D. Bhaiya	53	Managing Director	Rs.6,60,379	Matriculate	35	1.4.77	—

Notes :

- 1) The above employee is on a contractual basis
- 2) Condition of employment provides for termination of services by notice on either side.
- 3) Remuneration including salaries, allowances and perquisites.

11th August, 1997.

On behalf of the Board
 B. D. BHAIYA Managing Director
 R. K. MAHESHWARI Director