

CHEMOX CHEMICAL INDUSTRIES LIMITED



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ANNUAL REPORT 1998-99

Chemox Chemical Industries Limited**BOARD OF DIRECTORS****S.N. Agarwal***Chairman & Managing Director***Vishnu Gupta****R.R. Kumar***Directors***M/s. Shankarlal Jain and Associates***Chartered Accountants**Auditors***Canara Bank****Bank of Baroda****British Bank of Middle East****Oman International Bank****Bank of Bahrain & Kuwait****Credit Agricole Indosuez****The Catholic Syrian Bank Ltd.***Bankers***Pooran Asha Building****317, Narsi Natha Street****Mumbai 400 009.***Registered Office***Big Share Services Private Limited****J/12, Ansa Industrial Estate,****Sakivihar Road, Saki Naka,****Andheri (E), Mumbai - 400 072.***Registrars and Transfer Agents***Corporate Office:**

7th Floor, Mahalaxmi Chambers

22, Bhulabhai Desai Road

Mumbai 400 026.

Factory:

Plot No. 620/3, GIDC

Panoli, Ankleshwar

Gujarat

Sales Office:

Ahmedabad

Baroda

Bangalore

Chennai

Daman

Hyderabad

Indore

New Delhi

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NOTICE

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NOTICE is hereby given that the 16th Annual General Meeting of the Shareholders of the Company will be held on Friday, the 24th September, 1999, at 9.30 a.m. at Arex Hall, BWSB- IMA Building, J.R. Mahatre Marg, JVPD Scheme, Juhu, Mumbai- 400 049, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 1999, and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri. R.R.Kumar, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider, and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution: "RESOLVED THAT pursuant to the provisions of Sections 269, 309 and 198 and other applicable provisions, if any, of the Companies Act, 1956, approval of the Members of the Company be and is hereby accorded to the re-appointment of and the remuneration (including remuneration in the event of loss or inadequacy of profits) payable to Shri. S.N. Agarwal as Managing Director of the Company for a period of 5 years with effect from 1st October, 1999, on the salary and perquisites as set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting, a copy whereof initialled by the Chairman for identification is placed before this Meeting."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary and/or alter and/or modify the terms and conditions relating to the remuneration payable to and perquisites to be provided for Shri. S.N. Agarwal as Managing Director of the Company, in accordance with the changes that may be effected from time to time in Schedule XIII to the Companies Act, 1956, if any, and/or any amendments and/or modifications, including any guidelines or notifications as may be made by the Central Government from time to time."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to enter into an agreement on behalf of the Company with Shri. S.N. Agarwal in terms of the aforesaid draft."

By Order of the Board

S.N. Agarwal

Chairman & Managing Director

Place: Mumbai.
Date : 04.08.1999.

NOTES

- a. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- b. Printed copies of the Balance Sheet, Profit and Loss Account, the Directors' Report and every other documents required by law to be annexed or attached to the Balance Sheet for the year ended 31.03.1999, are enclosed herewith.
- c. Proxies in order to be effective, must be deposited duly stamped and signed at the Registered Office of the Company not less than 48 hours before the meeting.
- d. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 20th September, 1999, to Friday, 24th September, 1999, (both days inclusive).
- e. All documents, referred to in the Notice and the accompanying Explanatory Statement are open for inspection at the Registered Office of the Company during the Company's business hours on any working day from Monday to Friday from the date hereof to the date of the Annual General Meeting.
- f. Members desirous of obtaining information in respect of the Accounts of the Company are requested to send their queries

in writing to the Company at the Registered Office, so as to reach atleast seven days before the date of the Meeting.

EXPLANATORY STATEMENT TO THE SPECIAL BUSINESS, PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956,**Item No. 4**

It will be recalled that at the 11th Annual General Meeting held on 27th December, 1993, Shri. S.N. Agarwal was reappointed as Managing Director of the Company and his period of appointment is due to expire on 30th September, 1999.

The Board of Directors of the Company at its meeting held on 4th August, 1999, approved, subject to the approval of the shareholders of the Company, the reappointment of Shri. S.N. Agarwal as Managing Director of the Company with effect from 1st October, 1999, for a further period of 5 years on the following remuneration as to salary and other perquisites.

- i. Salary - At the rate of Rs. 25,000/- per month.
- ii. Perquisites stated below subject to the condition that the monetary value of those under part A shall be restricted to an amount equal to the amount of annual salary or Rs. 450,000 per annum whichever is less.

Category - A.

1. Housing I - The expenditure by the Company on hiring unfurnished accommodation will be subject to the following ceilings.
 - a) At Bombay, Calcutta and Madras 60% of salary over and above 10% payable by the Managing Director.
 - b) At other places 50% of salary over and above 10% of the salary of Managing Director.

Housing II - In case accommodation is owned by the Company, 10% of the salary of the Managing Director shall be deducted by the Company.

Housing III - In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceilings laid down in Housing I.

The expenditure incurred by the Company on gas, electricity, water and furnishing will be valued as per the Income Tax Rules, 1962. This will however, be subject to a ceiling of 10% of the salary of the Managing Director.

2. Medical reimbursement: Expenses incurred for self and family, subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years.
3. Leave Travel concession for self and family once in a year in accordance with the Rules of the Company.
4. Club Fees: Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
5. Personal Accident Insurance: Premium not to exceed Rs. 4000/- per annum.

Category - B.

Contribution to Provident Fund, Super annuation Fund or Annuity Fund so however that these either singly or put together are not taxable under the Income Tax Act, 1961. Gratuity will be limited to half a month's salary for each completed year of service subject to a ceiling of Rs. 100,000/-.

Category - C.

Provision of car with driver and telephone at the Managing Director's residence provided that personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Managing Director.

The particulars set out above may be treated as an extract of the terms of the agreement with the Managing Director which is to be given to every member under the provisions of Section 302 (2) of the Companies Act, 1956.

The Board of Directors of your Company recommends Resolution at Item No. 4 for your approval.

Shri. S.N. Agarwal is interested in the Resolution as the same relates to his reappointment. No other Director of your Company is interested in the Resolution.

Chemox Chemical Industries Limited**DIRECTORS' REPORT**

Dear Members,

Your Directors present this Sixteenth Annual Report together with Audited Accounts for the year ended 31st March, 1999.

COMPANY'S PERFORMANCE

The overall performance of the Company for the year ended 31st March, 1999, is not satisfactory. The manufacturing activities have been suspended since June 1998, and the trading operations were also very low. Sales have declined from Rs. 8836.12 lacs to Rs. 293.46 lacs. The Company has incurred a net loss of Rs. 4158.36 lacs during the year in comparison with the previous period loss of Rs. 11411.06 lacs.

FINANCIAL HIGHLIGHTS

Particulars	(Rs. in lacs)	
	Year Ended 31.03.1999 (12 Months)	Period Ended 31.03.1998 (15 Months)
Sales	293.46	8836.12
Other Income	51.30	104.70
Loss before Depreciation	3372.54	10160.28
Depreciation	785.82	1250.78
Share Capital	1162.75	1162.75
Reserves	Nil	Nil
Net Worth	Nil	Nil
Fixed Assets (Gross)	9204.02	9198.08

DIVIDEND

Due to huge losses incurred by the Company, your Directors do not recommend any dividend for this year.

REFERENCE TO THE HONOURABLE BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION

The Company has filed reference application to Board for Industrial and Financial Reconstruction (BIFR) and the same is registered. The proceedings have been commenced and the Honble BIFR has appointed Industrial Development Bank of India (IDBI) as operating agency. They have further directed the IDBI to investigate into certain aspect of the accounts for the period ended 31st March, 1998, and investigation is in progress.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 Shri R.R. Kumar, retires by rotation and being eligible offers himself for re-appointment.

The tenure of Shri. S.N. Agarwal as Managing Director of the company expires on 30th September, 1999, and being eligible offers himself for reappointment

for further period of five years.

DEPOSITS

The Company has overdue deposits from Airforce Group Insurance Society and Airforce Naval Housing Board under Section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits Rules), 1975.

PARTICULARS OF EMPLOYEES

There are no employees drawing salary over Rs. 600,000/- per annum or Rs. 50,000/- per month if employed for part of the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with rules thereunder is given in Annexure-I to this report.

Y2K COMPLIANCE

The Company is adequately geared to meet Y2K problem. Since all critical software, hardware and embedded systems are Y2K compliance, there is no likelihood of financial or physical damages. The remaining systems are proposed to be phased out gradually and replaced by contemporary systems as per the requirement. The Company is well prepared for any system failure. The estimated cost of upgrading/replacing non-compliance software and hardware would be around Rs.5 Lacs.

AUDITORS

M/s Shankarlal Jain and Associates, Chartered Accountants, retire as Auditors of the Company, and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the support and co-operation extended by the financial institutions, bankers, customers, suppliers and shareholders of the Company. They also thank the employees for their support and assistance.

For and on behalf of the Board

S N AGARWAL

Chairman & Managing Director

Place: Mumbai

Date : 04.08.1999.

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ANNEXURE – 1 TO THE DIRECTORS' REPORT

Information required under Section 217 (1)(e) of the Companies Act, 1956, read together with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

- i. Energy Conservation : The Company's plant was optimally designed to minimise energy consumption by incorporating the latest technology.
- ii. Additional investment and proposals if any, being implemented for reduction of consumption of energy. : None
- iii. Impact of measures at(i) & (ii) above of energy consumption. : Not Applicable
- iv. Total energy consumption : Total energy consumption during the year is Nil units. (previous year 5,569,855 Units) Rs. Nil (previous period Rs.21,400,096) and the cost per unit is - (previous period Rs.2.88)

B. TECHNOLOGY ABSORPTION**a. Research & Development (R&D)**

- i. Specific area in which R & D is carried out : None During the year
- ii. Benefit as a result of the above R & D : Not applicable
- iii. Future plan of action : R & D will be strengthened and equipped to play an effective role in the rehabilitation process.
- iv. Expenditure on R & D : No separate expenditure is booked in the accounts.

b. Technology Absorption, adaption and Innovation

- i. Efforts made towards technology absorption adaption and innovation : None during the year
- ii. Benefit derived as a result of the above efforts. : Not applicable
- iii. Particulars of imported technology : None during the year

c. Foreign currency earnings and outgo:

	Current Period	Previous Period
1. Earning (in Rs.)	178,935	101,062,891
2. Outgo (in Rs.)	960,663	49,720,101

On behalf of Board of Directors

Place : Mumbai,
Date : 04.08.1999.

S. N. AGARWAL
Chairman and Managing Director

Chemox Chemical Industries Limited

AUDITORS' REPORT

To,

The shareholders,

Chemox Chemicals Industries Ltd.,

We have audited the attached Balance Sheet of **CHEMOX CHEMICAL INDUSTRIES LIMITED** as at 31st March, 1999, together with the Profit and Loss Account of the Company for the year ended on that date annexed thereto :-

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments referred to in paragraph (1) above, we report that :
 - (a) We have obtained all the information and explanations except certain records seized by Government Authorities as per Note No. 6 which to the best of our knowledge and belief were necessary for the purposes of the audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet and the profit and Loss Account complies with the mandatory accounting standards referred in sub section (3C) of section 211 of the Companies Act, 1956, subject to:
 - i) Note 1 - k regarding provision of gratuity liability not in accordance with actuarial valuation as required by Accounting Standard 15.
 - ii) Note No. 1 - l regarding accounting of medical reimbursement, leave travel assistance, other perquisites to employees accounted on cash basis.
 - iii) Note No. 1 - q regarding Brokerage expenses accounted on cash basis.
 - iv) Note No.1 - r regarding accounting of Foreign currency transactions being not in accordance with Accounting Standard 11 "Accounting for the effects of changes in Foreign Exchange Rates" issued by the Institute of Chartered Accountants of India;
 - (e) In our opinion and to the best of our information and according to the explanations given to us, the accounts subject to :
 - i) Note No. 2 regarding the accounts being prepared on the Going Concern Concept inspite of the Company being sick company in accordance with clause (O) of subsection (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
 - ii) Note no. 5a regarding the non-capitalisation of land allotted by GIDC and not accounting the liability of Rs. 23,520,000 towards principle and Rs. 15,335,040 towards interest thereon.
 - iii) Note no. 5b regarding non-reconciliation and non-provision of unexplained debits of Rs. 30,158,243 appearing under loans and advances.
 - iv) Note no. 5c regarding non-provision of doubtful loans and advances of Rs. 40,029,132.
 - v) Note no. 7 regarding debit and credit balances, group concern balances, some bank balances and other amount are subject confirmation, reconciliations and adjustment required if any and amounts unascertained.
 - vi) Note no. 8 regarding non-compliance of Section 205A of the Companies Act, 1956, by not transferring unclaimed dividend for the year 1990-91 to 1993-94 to general revenue account.

- vii) Note no. 9 regarding non-provision of doubtful debts of Rs.90,594,701.
- viii) Note no. 10 regarding non-writing off of the pre-operative expenses being carried forward of Rs. 20,645,150.
- ix) Note no. 11 regarding non-reconciliations of shares, debenture application refund, interest payable on fully convertible debentures, dividend payable and allotment money receivable accounts and non-transfer of debenture application refund money to separate bank account which is in contravention of provisions of the Section 73(3) of the Companies Act, 1956.
- x) Note no. 12 regarding non disclosure of information of outstandings relating to small scale Industries as required by schedule VI to Companies Act, 1956.
- xi) Note no.15 regarding liability of non-convertible debentures, term loans from financial institutions and credit facilities from banks are classified under secured loans even though the value of security does not cover the entire liability and the amount of unsecured balance is unascertained.
- xii) Note no. 16 regarding non provision for fall in the market value of investments of Rs. 1,328,250.
- xiii) Note no. 17 regarding non-provision for custom liabilities against which deposit of Rs. 1,000,000 with Customs Authorities is made.
- xiv) Note no. 18 regarding non - provision of unreconciled and unconfirmed balances lying in the stock invest accounts of Rs. 7,554,417.
- xv) Note no 20 regarding not accounting the exchange loss of Rs.518,060 on conversion of foreign currency loan resulting into understatement of secured loans and fixed assets to that extent and;
- xvi) Note no.22 regarding non-provision of interest on various statutory liabilities the amounts being unascertained.

Had the effects of above mentioned paras given the loss for the year would have increased to that extent and read with the Significant Accounting Policies and the other notes given in Schedule "U" give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.

- (i) in the case of Balance Sheet of the state of affairs of the Company as at **31st MARCH, 1999** and
- (ii) in the case of the Profit and Loss Account of the loss for the year ended on that date.

for **SHANKARLAL JAIN & ASSOCIATES**
CHARTERED ACCOUNTANTS

Place : MUMBAI
Dated : 04/08/1999

Dinesh Agrawal
PARTNER