

Gujarat Heavy Chemicals Ltd

REPORT



ANNUAL REPORT

An ISO 9002 Company

**Annual Report
1996 - 97**



Gujarat Heavy Chemicals Limited**BOARD OF DIRECTORS**

R. Balkrishnan	Chairman
Ashok Chawla	
Sanjay Dalmia	
Anurag Dalmia	
M.R. Gami	
Md. Zakir	Nominee (IDBI)
S.S. Ghosh	Nominee (LIC)
R.K. Bhargava	Nominee (IFCI)
S.H. Ruparell	
Dr. B.C. Jain	
K.C. Sharma	
R.K. Daga	
S.K. Mukherjee	Managing Director
R.K. Bhatnagar	Whole time Director
P. Ramachandran	Whole time Director

MD	✓	BKC	✓
CS	✓	DPY	NA
RO	✓	DIV	✓
TRA	✓	AC	✓
ACM	✓	SHI	✓
VE	✓		✓

AUDITORS

Jayantilal Thakkar & Co.
Chandabhoy & Jassoobhoy

BANKERS

State Bank of India
State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of Mysore
State Bank of Patiala
State Bank of Saurashtra
State Bank of Travancore
Bank of Baroda
Canara Bank
Dena Bank
Indian Bank
Oriental Bank of Commerce
Punjab National Bank
State Bank of India, Singapore

REGISTERED OFFICE

Bhikubhai Chambers
1st Floor, Swastik Society
Near Punjabi Hall,
Navrangpura,
Ahmedabad-380 009

WORKS

Village-Sutrapada,
Near Veraval,
Distt. Junagadh-362 265
GUJARAT

CORPORATE OFFICE

International Trade Tower
F-Block, 2nd Floor
Nehru Place
New Delhi-110 019

MANAGEMENT TEAM

S.K. Mukherjee	Managing Director
R.K. Bhatnagar	Executive Director-Technical
P. Ramachandran	Executive Director-Operations
K.K. Ahuja	Sr. Vice President-Human Resources
N.S. Ramchandran	Sr. Vice President-Marketing
R.K. Nagia	Vice President-Mtls. & Logistics

**Sr. Vice President (Finance)
& Company Secretary**

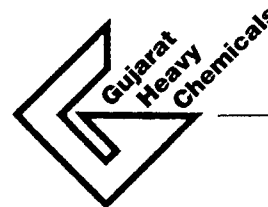
P. Sampath



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Gujarat Heavy Chemicals Limited



NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of the Members of Gujarat Heavy Chemicals Limited will be held at Gajjar Hall, The Gujarat Institute of Civil Engineers & Architects, Nirman Bhawan, Law College Road, Ellis Bridge, Ahmedabad-380 006 on Friday, the 12th day of September, 1997 at 3.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997, Profit & Loss Account for the year ended on that date and the Directors' and Auditors' reports thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr SH Ruparell who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr KC Sharma, who retires by rotation and is eligible for re-appointment.
5. To appoint Mr Naresh Chandra Jain as a Director liable to retire by rotation in place of Mr RK Daga who is not seeking re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration and to pass with or without modification, the following as Special Resolution:

"RESOLVED that pursuant to the provision of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s Jayantilal Thakkar & Co., Chartered Accountants and M/s Chandabhoj & Jassoobhoj, Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as Joint Auditors of the Company to hold office from the conclusion of this Annual General Meeting of the Company till the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors, plus out of pocket expenses as may be incurred by them for the performance of their duties".



SPECIAL BUSINESS

Item no. 7

To consider and if thought fit, to pass with or without modification, the following as Ordinary Resolution:

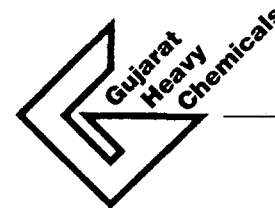
"RESOLVED that in accordance with the provisions of sections 198, 269, 309, 310 and other applicable provisions of the Companies Act, or such other approvals as may be required, and in partial modification of the approval received from the members covered in item no. 9 of the notice of 13th Annual General Meeting held on 26.9.1996, the revision in the upper limit of the basic salary as stated in the explanatory statement annexed to the notice, with effect from 1st April, 1997, payable to the Managing Director and whole-time Directors of the Company for the remaining part of their respective tenures, is hereby approved".

Item no. 8

To consider and if thought fit, to pass with or without modification, the following as Ordinary Resolution:

"RESOLVED that the consent of the Company be and is hereby accorded in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future and/or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of Debenture Trustee to secure 18.5%, secured Non-Convertible Debentures (NCD's) for an aggregate value of Rs. 25 crores issued on private placement basis to UTI, LIC, GIC & its subsidiaries together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, remuneration payable to the Trustees, costs, charges, expenses and other monies payable by the Company to debenture trustees under Letters of sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said debentures".

"RESOLVED FURTHER that the board of Directors of the Company be and is hereby authorised to finalise with debenture trustees the documents for creating aforesaid mortgage and/or the charge and to do all such acts and things as may be necessary for giving effect to the above resolution".

Gujarat Heavy Chemicals Limited**Item no. 9**

To consider and if thought fit, to pass with or without modification, the following as Ordinary Resolution:

"RESOLVED that the consent of the Company be and is hereby accorded in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future, and/or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of Industrial Development Bank of India (IDBI) to secure Rupee Term Loan not exceeding Rs. 60 crores (Rupees sixty crores only) lent and advanced/agreed to be lent and advanced by IDBI to the Company under the Project Finance Scheme together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, costs, charges, expenses and other monies payable by the Company to IDBI under the Loan Agreements/Letters of Sanction/Memorandum of Terms and conditions entered into/to be entered into by the Company in respect of the said term loans".

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with IDBI the documents for creating aforesaid mortgage and/or the charge and to do all such acts and things as may be necessary for giving effect to the above resolution".

Item no. 10

To consider and if thought fit, to pass with or without modification, the following as Special Resolution:

"RESOLVED that pursuant to the provisions of section 370 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby authorises the Board of Directors to give any guarantee or provide any security in connection with the loan or loans made by any other person to or to any other persons by any body corporate, from time to time in connection with diversification and/or expansion proposals of the company as may be required and on such terms and conditions as the Board of Directors may deem fit provided that the aggregate value of all the guarantee given or security provided shall not exceed thirty percent of the networth of the company at any one time".

Item no. 11

To consider and if thought fit, to pass with or without modification, the following as Special Resolution:

"RESOLVED that pursuant to section 17 & other applicable provisions, if any, of the Companies Act, 1956, the other object in the Objects Clause of Memorandum of Association of the Company be and is hereby altered in the manner following namely:-

i) Subclause B.4 be substituted with the following:-

To own, prospect for, explore, acquire, acquire by lease, licence, purchase or otherwise open, work, develop and maintain, clay and sand pits, slate stone and lime stone quarries, coal and lignite mines, copper mines and mineral, mineral oil, nitrate and mining properties of all kinds and to conduct the business of working, getting therefrom, and selling clay, sand, lime, quarriable substances, coal, lignite copper, oil nitrates and minerals of all kinds.

ii) Subclause B.8 be substituted with the following:-

To offer and/or give and/or supply Consultancy and/or Engineering Services and/or managerial and other services and/or supply Technical know-how and/or Technical services in India and/or abroad.

iii) After sub-clause 80 of the Other Objects clause add sub clause 81 as per following.

To carry on the business of ginners, spinners, weavers, dyers, manufacturers, balers and pressers of all textiles including cotton, man-made and synthetic fibrous and filament materials and manufacture thereof, and the business of buyers, sellers, exporters, traders and dealers in kinds of textile materials mentioned above and transacting all manufacturing, curing, preparing, colouring, dyeing or bleaching, processing and purchasing and vending the raw materials and manufactured articles.

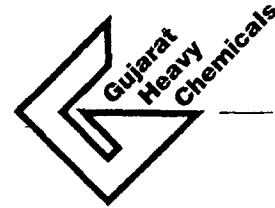
iv) After sub-clause 81 of the Other Objects clause add sub clause 82 as per following.

To carry on the business of manufacturing, fabricating, consulting, importing, exporting, selling, distributing, servicing, and dealing in all types of plants, machineries and equipments

v) After sub-clause 82 of the Other Objects clause add sub clause 83 as per following

To purchase, sell, take or give on lease or in exchange or under amalgamation, licence or concession or otherwise, absolutely or conditionally, solely or jointly with others and make, construct, instal, maintain, work, hire, hold, improve, alter, manage, let, sell, dispose of, exchange lands, buildings, roads, highways, bridges, canals, water courses, ferries, piers, airports, ports, rail systems including railways sidings, tramways, water supply project, irrigation project, sanitation and sewerage system or any other infrastructural facility.

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vi) After sub-clause 83 of the Other Objects clause add sub clause 84 as per following

To install, operate, maintain any services relating to information technology including manufacturing and selling of any hardware and development and service of software and telecommunication services in any form including video conferencing, data services, mobile communication services and to install, operate and maintain any telecom or other networks."

Item no. 12

To consider and if thought fit, to pass with or without modification, the following as Special Resolution:

"RESOLVED that the approval of the members of the company be hereby accorded pursuant to section 149(2A) and other applicable provisions, if, any of the companies Act, 1956 commencing or carrying on all or any of the business and activities specified in newly incorporated and amended sub-clauses of the objects clause of Memorandum of Association of the company at any such time as may be deemed fit by the Board of Directors".

Item no. 13

To consider and if thought fit to pass, with or without modification, the following as the special resolution:

"RESOLVED that pursuant to section 31 and all other applicable provisions of the Companies Act, 1956 and in the event of any modifications or changes to the applicable law or statute permitting the company to buy back its own shares the Articles of Association of the Company is hereby altered as under:

Existing Article No. 26 of the Articles of Association of the Company is hereby deleted and is substituted in the respective place by the following new article:

Subject to all applicable provisions of The Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permissions, and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company, the Company may purchase any of its shares, odd lots or otherwise, on such terms and conditions and upto such limits as may be prescribed by law from time to time, provided that purchase of such Equity Shares of the Company be not construed as reduction of Equity Share Capital which is subject to the controls as stipulated in Sections 100 to 104 and section 402 of The Companies Act, 1956 for the time being in force".



Item no. 14

To consider and if thought fit, to pass with or without modification, the following as Special Resolution:

"RESOLVED that the authorised capital of the Company be and is hereby increased from Rs. 100,00,00,000 (Rs. one hundred crores) divided into 10,00,00,000 equity shares of Rs. 10/- each to Rs. 125,00,00,000 (Rs. one hundred and twenty-five crores) divided into 10,00,00,000 Equity shares of Rs. 10/- each and 2,50,00,000 unclassified shares of Rs. 10 each with power to increase and/or reduce Capital of the Company and to divide the share Capital for the time being into several classes and to attach thereto respectively such preferential, guaranteed, qualified or special rights, privileges and conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company."

"RESOLVED further that the existing clause 5 of the memorandum of Association of the Company be deleted and the following be substituted in place thereof.

The authorised capital of the Company is Rs. 125,00,00,000 (Rs. one hundred and twenty-five crores) divided into 10,00,00,000 Equity shares of Rs. 10/- each and 2,50,00,000 unclassified shares of Rs. 10/- each with power to increase and/or reduce Capital of the Company and to divide the share in the Capital for the time being into several classes and to attach thereto respectively such preferential, guaranteed, qualified or special rights, privileges and conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company."

"RESOLVED further that pursuant to section 31 and all other applicable provisions, if any, of the Companies Act, 1956 that the existing article 1(a) of the Articles of Association of the Company be deleted and the following article be substituted in place thereof.

The authorised share capital of the Company is Rs. 125,00,00,000 divided into 10,00,00,000 Equity shares of Rs. 10/- each 2,50,00,000 unclassified shares of Rs. 10/- each. The authorised capital may be divided in any other manner as may be thought expedient by the Board of Directors."

Gujarat Heavy Chemicals Limited**Item no. 15**

To consider and if thought fit, to pass with or without modification, the following as Special Resolution:

RESOLVED that pursuant to the provisions contained in the section 81(1A) of The Companies Act, 1956 and subject to other approvals as may be required time to time, the Board of Directors of the company be and are hereby authorised to issue redeemable preference shares subject to the provisions of section 80 of the Companies Act, 1956 of amount not exceeding Rs. Twenty Five Crores to any class of persons and on such terms and conditions as the board of directors may deem fit."

RESOLVED FURTHER that Board of Directors are hereby authorised to do all such acts, deeds, matters and things as may be necessary and expedient to complete the above allotment and to give effect to this resolution."

for **Gujarat Heavy Chemicals Limited**

P. Sampath
Sr. Vice President (Fin.) &
Company Secretary

Regd. Office

Bhikubhai Chambers,
Swastik Society, Near Punjabi Hall,
Navrangpura, Ahmedabad-380 009
Date: 11th July, 1997

NOTES

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF . A PROXY NEED NOT BE A MEMBER. Proxies in order to be effective must be deposited at the Registered office of the Company not less than 48 hours before the commencement of the Meeting.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from 1st September, 1997 to 12th September, 1997, (both days inclusive).
- (3) The Explanatory Statement pursuant to Section 173(2) of The Companies Act, 1956 in respect of the Special Business is annexed hereto.
- (4) Members are requested to send their queries, if any, at least seven days in advance of the meeting so that the information can be made available at the meeting.
- (5) All documents referred to in the Notice and Explanatory Statement are available for inspection at the Registered Office of the Company during the business hours on all working days of the Company up to the date of the Annual General Meeting.
- (6) The instruments of share transfer in respect of equity shares complete in all respects should be sent to the **Company's Share Transfer Agents M/s Par Computer Sciences (Int.) Ltd. at the address—Sonawala Building, 2nd Floor, 19 Bank Street, Fort, Mumbai-400023** well in advance so as to reach prior to book closing. Shares with any defective transfer (unless the defect is removed prior to book closing) and/or instruments of transfer received during the period of book closing shall be considered after re-opening of the books.
- (7) Members are requested to intimate the Company's Share Transfer Agents at Mumbai at the above address for changes if any in the registered address including pin code number.
- (8) No tax will be deducted at source from dividend receivable by a Member.
- (9) Members holding more than one share certificate in the same name but under different ledger folios are requested to apply for consolidation of such folios and send the relevant share certificate to the Company's Share Transfer Agents at Mumbai as stated in Note no. 6 above.
- (10) Members are requested to intimate their Bank Account details, so that the same can be printed on the dividend warrants, to avoid the incidence of fraudulent encashment of the dividend warrant.
- (11) Members attending the Meeting are requested to complete the enclosed slip and deliver the same at the entrance of the meeting hall.
- (12) Persons attending the Annual General Meeting are requested to bring their copies of Annual Reports as the practice of distribution of copies of the report at the meeting has been discontinued.

Gujarat Heavy Chemicals Limited



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item no.6

Since more than 25% of the subscribed capital of the Company is held by the Financial Institutions and Gujarat Industrial Investment Corporation Ltd (GIIC), a Government Company, re-appointment of the auditors is to be made by a Special Resolution as required u/s 224A of The Companies Act, 1956. None of the Directors are interested or concerned in this resolution.

Item no. 7

The members in their meeting held on 26.9.1996 after the review of the performance of the Company have approved the uniform remuneration package as recommended by the Board of Directors for whole-time directors including Managing Director. Keeping in view the present market trend of payment of remuneration in order to retain best available talent in the liberalised economy Board of Directors recommend increase in the upper limit in the basic salary of Managing Director and whole-time Directors from Rs. 50,000 per month to Rs. 1,00,000 per month. Individual salary level to be fixed by the Board of Directors on case to case basis and after considering the various factors. The Board recommends acceptance of this resolution. None of the directors of the Company except Managing Director and Whole-time directors of the company are interested in the said resolution.

Item nos. 8 and 9

In order to meet the working capital margin requirements by raising long term funds, the Company has privately placed 18.5% Non Convertible Debentures aggregating Rs. 25 crores to Unit Trust of India, Life Insurance Corporation and GIC & its subsidiaries. Industrial Development Bank of India has also sanctioned Rs.60 crores term loan for expansion of soda ash capacity. The financial assistance has to be secured by first mortgage of immovable properties present and future.

Section 293 (1)(a) of the Companies Act, 1956, provides inter alia that the Board of Directors shall not without the consent of such public limited company in general meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking.

Since the mortgaging by the Company of its immovable properties as aforesaid in favour of the financial institutions may be regarded as the disposal of Company's properties/undertaking, it is necessary for the members to pass a resolution u/s 293 (1)(a) of the Companies Act, 1956 before creation of said mortgage/charges.



Copy of the letter of sanction no. HO/PFD/21/B/18(1467)/2345 dated 19.9.1996 from IDBI and copies of common subscription agreements signed with UTI, LIC, GIC & its subsidiaries and other relevant documents/correspondence with these institutions and the Company are open for inspection at the registered office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of meeting.

The financial assistance along with all other existing borrowings is within overall limit as was approved by the ordinary resolution passed pursuant to section 293(1)(d) of the Act at the Annual General Meeting held on 19th September 1992. None of the directors of the Company except nominee directors of IDBI and LIC are interested in the said resolution. The Board recommends acceptance of this resolution.

Item no. 10

In connection with diversification and expansion plans of the Company, the Company may have to give guarantees or to provide security to or on account of other bodies corporate. In view of this, it is considered necessary to obtain enabling authority from the members by way of special resolution to give guarantees on account of other bodies corporate as required under section 370 of the Companies Act, 1956. None of the directors of the Company are interested in the resolution. The Board of Directors of your Company recommends passing of the aforesaid resolution.

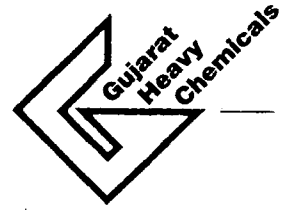
Item nos. 11 & 12

To enable the company to diversify its business risk and to enlarge its area of operations, certain new lines of business are being included in the object clause of the Memorandum of Association. Your directors recommend the amendment of the Memorandum of Association of the company by the amendment of existing objects and inclusion of new Object Clause as set out in item no. 11 of the Notice so as to enable the Company to undertake these new lines of activities, whenever required. None of the directors of the Company are in any way concerned or interested in the resolution. The Board recommends acceptance of the resolution.

Item no. 13

Government is considering favourably to incorporate the proposal in the statute enabling a company to buy back its own shares. Accordingly it is proposed to amend the Articles for purchase of own shares as may be permitted by the new laws and to give the board of directors authority to consider the Company's need to restructure its capital size at the appropriate time. The Board of Directors of your Company recommends passing of the aforesaid resolution. None of the directors of the Company are in any way concerned or interested in the resolution.

Gujarat Heavy Chemicals Limited



Item nos. 14 & 15

With a view to fund the requirements of diversifications/expansions and other operations the possibility of issuing preference shares is being explored. To enable this, it is considered necessary to increase the Authorised share capital and to get the permission for the issue of preference shares. Your directors recommend the resolution for approval of the shareholders. None of the directors of the Company are in any way concerned or interested.

By Order of the Board

for Gujarat Heavy Chemicals Limited

Regd. Office

Bhikubhai Chambers,
Swastik Society, Near Punjabi Hall,
Navrangpura, Ahmedabad-380 009
Date: 11th July, 1997

P. Sampath
Sr. Vice President (Fin.) &
Company Secretary