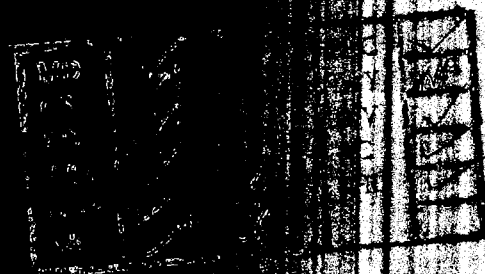


# Enjay Heavy Chemicals Ltd



Report from [portjunction.com](http://www.portjunction.com)

**An ISO 9002 Company**

**Annual Report  
1997 - 98**



**Gujarat Heavy Chemicals Limited****BOARD OF DIRECTORS**

<b>R. Balkrishnan</b>	Chairman
<b>Ashok Chawla</b>	
<b>Sanjay Dalmia</b>	
<b>Anurag Dalmia</b>	
<b>M.R. Gami</b>	
<b>S.K. Chakrabarti</b>	Nominee (IDBI)
<b>H.H. Faruqi</b>	Nominee (LIC)
<b>Satish Ajmera</b>	Nominee (IFCI)
<b>S.H. Ruparell</b>	
<b>Mahesh Kheria</b>	(Alternate director to S.H. Ruparell)
<b>Dr. B.C. Jain</b>	
<b>K.C. Sharma</b>	
<b>Naresh Chandra</b>	
<b>R.K. Bhatnagar</b>	Whole time Director
<b>P. Ramachandran</b>	Whole time Director
<b>P. Sampath</b>	Whole time Director

**AUDITORS**

Jayantilal Thakkar & Co.  
Chandabhoy & Jassoobhoy

**BANKERS**

State Bank of India  
State Bank of Bikaner & Jaipur  
State Bank of Hyderabad  
State Bank of Travancore  
Bank of Baroda  
Canara Bank  
Dena Bank  
State Bank of India, Singapore

**MANAGEMENT TEAM**

<b>R.K. Bhatnagar</b>	Executive Director - Technical
<b>P. Ramachandran</b>	Executive Director - Operations
<b>P. Sampath</b>	Executive Director - Finance
<b>K.K. Ahuja</b>	Sr. Vice President - Human Resources
<b>N.S. Ramchandran</b>	Sr. Vice President - Marketing
<b>R.K. Nagia</b>	Vice President - Mtls. & Logistics

**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

**Executive Director (Finance)  
& Company Secretary**

**P. Sampath**

**CORPORATE OFFICE**

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

**Gujarat Heavy Chemicals Limited****CONTENTS**

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## Gujarat Heavy Chemicals Limited



### NOTICE

NOTICE is hereby given that the 15th 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 Wednesday, the 9th day of September, 1998 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, 1998, 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. Anurag Dalmia, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Ashok Chawla, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Dr. B.C. Jain, who retires by rotation and is eligible for 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 Chandabhoy & Jassoobhoy, 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 a **Special Resolution**:

"RESOLVED that notice of intention to propose Mr. P. Sampath for appointment as a director having been received from a member under section 257 of the Companies Act, 1956, Mr. P. Sampath, who was appointed as Additional Director of the company under Article 131 & 138 of the Article of Association of the company and who holds office upto the date of Annual General Meeting pursuant to section 260 of the Companies Act, 1956 be and is hereby appointed Director of the company designated as Executive Director – Finance and Company Secretary for a period of 5 years with effect from 1st April, 1998 on the terms and conditions including remuneration as stated in the explanatory statement annexed to the notice, pursuant to the provisions of section 198, 269, 309, 310, 314, read with schedule XIII and other applicable approvals, if any, of the Companies Act, 1956 as amended time to time".

#### 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 Trustees to secure 14%, secured Non-Convertible Debentures (NCD's) for an aggregate value of Rs. 10 crores issued on private placement basis to Central Bank of India and LIC Mutual Fund 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 Debenture Trustees to secure 15%, secured Non-Convertible Debentures (NCD's) for an aggregate value of Rs. 30 crores issued on private placement basis to Deutsche Bank, Dena Bank, and Unit Trust of India 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 Debenture 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".

## Item no. 10

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED that subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof and any Ordinance promulgated in this regard for the time being in force and as may be enacted/promulgated 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 (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to buyback, from the existing holders of shares on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of the Shares (odd lots) and/or through negotiations or other arrangements from out of its free reserves or out of the proceeds of any issue made by the Company specifically for this purpose, or from such other sources as may be permitted by law, on such terms, conditions and in such manner as may be prescribed by law from time to time, provided that the aggregate of the Shares so bought back shall not exceed 25% of the current paid up share capital of the Company.

"RESOLVED FURTHER that Board of Directors of the company be and is hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper".

for **Gujarat Heavy Chemicals Limited**

P. Sampath  
Executive Director-Finance &  
Company Secretary

### Regd. Office:

Bhikubhai Chambers,  
Swastik Society, Near Punjabi Hall,  
Navrangpura, Ahmedabad-380 009  
Date: 11th July, 1998

## 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, 1998 to 9th September, 1998, (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.



## Gujarat Heavy Chemicals Limited



- (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 Intime Share Services Pvt. Limited, 260-A Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West) Mumbai-400 080** 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) **The company has to transfer unclaimed dividend declared for the Financial Year ended 31.3.95 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have not encashed their dividend warrants for the said financial year are requested to approach Company's Share Transfer Agents M/s Intime Share Service Pvt. Limited, 260-A Shanti Industrial Estate, Sarojini Naidu Road, Mulund (west) Mumbai 400 080 for obtaining duplicate dividend warrants.**
- (13) 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.



### 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

Mr. P. Sampath was appointed as Additional Director as per article 138 of the Articles of Association of the Company and as such he will hold office up to the next Annual General Meeting. Mr. P. Sampath is incharge of Finance & Secretarial functions covering financial accounting, management accounting, taxation, secretarial and corporate finance areas. He is a commerce graduate and a fellow member of the Institute of Cost and Works Accountants of India (FICWA) and a fellow member of the Institute of Company Secretaries of India (FCS). He has over 22 years of industry experience in various leading organisations in the area of management accounting and finance. He joined the company on 7.03.1989 as Jt. General Manager - Finance.

The remuneration payable to Mr. P. Sampath is in line with the uniform remuneration package payable to the Whole Time Directors and Managing Director, as approved by the Members in last Annual General Meeting held on 12-9-1997. This approved remuneration package is also in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

1. **Salary** Rs. 35,000 per month, which may be increased by such amount as the board may determine from time to time in line with the uniform remuneration package as approved by the members.

#### 2. **Perquisites**

Mr. P. Sampath shall also be entitled to the perquisites covering Housing, Medical Reimbursement, Leave, Leave Travel Concession, Club Fee, Personal Accident Insurance, Conveyance, Telephone as approved under the uniform remuneration package.

In addition to the above perquisites, Mr. P. Sampath shall also be eligible to the following, which shall not be included in the computation of the perquisite value.

## Gujarat Heavy Chemicals Limited



- i) Provident Fund : As per Rules of the Company but not exceeding 12% of the salary.
- ii) Superannuation : As per Rules of the Company but not exceeding 15% of the salary.
- iii) Gratuity : Gratuity payable shall not exceed half a month's salary for each completed year of service.
- iv) Encashment of Leave at the end of the tenure.

### 3. Commission

Mr. P. Sampath shall be entitled to the commission in addition to the salary and perquisites, at the rate of 1% (one percent) of the net profits of the Company to be paid jointly to all the whole-time Directors other than the Managing Director of the Company in line with the approved uniform remuneration package.

The exact quantum of commission payable to the whole-time Directors be determined by the Board from time to time, subject to the above and the overall ceiling stipulated u/s 198 and 309 of the Companies Act, 1956.

### 4. Minimum Remuneration

Mr. P. Sampath shall be entitled to the following minimum remuneration:

Notwithstanding anything to the contrary herein contained where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified in items (1) and (2) above or as provided under the relevant provisions and Schedule XIII of the Companies Act, 1956, whichever is less.

The above terms will be made effective from 1-4-1998.

The remuneration specified above within the overall ceilings specified in the provisions of the Companies Act, be modified as agreed by the Board and the Whole-time Director.

Your Directors are of the opinion that the appointment of Mr. P. Sampath as Executive Director (Finance), will be in the best of interest of the Company and, therefore, recommend the resolution for your approval.

No Director other than Mr. P. Sampath is concerned or interested in the proposals.

Mr. P. Sampath will also hold additional charge of a Company Secretary of the company and the appointment of Mr. P. Sampath as a whole time director designated as Executive Director - Finance and Company Secretary is being considered as a special resolution so as to comply with the provisions of Section 314 of the Companies Act, 1956.

This explanation together with accompanying notice is and should be treated as an abstract u/s 302 of the Companies Act, in respect of the appointments/changes in the remuneration to whole-time Director.

### Item nos. 8 and 9

In order to repay the high cost term loans and to save interest cost, the company has issued 14% Non Convertible Debentures (NCDs) of Rs. 10 Crores. These NCDs were rated by ICRA "LAA" indicating high safety.

Company has also recently issued Rs. 30 Crores 15% secured Non Convertible Debentures in order to finance the routine capital expenditure and these NCDs were also rated "LAA" indicating high safety by ICRA.

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.

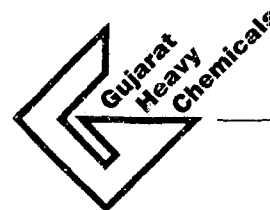
Since the mortgaging by the Company of its immovable properties as aforesaid in favour of the financial institutions may be regarded as the disposal of Company's properties/undertaking, it is necessary for the members to pass a resolution u/s 293 (1)(a) of the Companies Act, 1956 before creation of said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

Copy of common subscription agreements signed with Central Bank of India and LIC Mutual Fund, Duetsche Bank, Dena Bank and Unit Trust of India 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.

Except Mr. S.K. Chakrabarti, Nominee Director IDBI, none of the directors of the Company are interested in the said resolution.



**Gujarat Heavy Chemicals Limited**

The Board recommends acceptance of this resolution.

**Item no. 10**

The Companies Bill, 1997 sought to lay down the operative provisions to regulate the buy back of shares/securities by companies. The said bill has not yet become the law. It is expected that, in due course of time, the law will be amended to allow such buy back. Buy Back of own shares by the Companies is presently not allowed under the Companies Act, 1956.

It is proposed to buy back not exceeding 25% of the total voting powers relating to the shares of the Company, from the existing share holders on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of the shares (odd lots) and/ or through negotiations or other arrangements, subject to necessary enactment in this regard.

The buy back of shares as aforesaid would entail investing of an amount which would not be less than the market value of the shares of the Company and shall be met out of the free reserves and/or out of the proceeds of an issue specifically made for the purpose or from such other sources as may be permitted by law. The shares so bought back shall be dealt with as per the then prevailing law/regulation.

The Board is of the opinion that it will be in the best interests of the Company if shareholders approve the said resolution, permitting such buy back, so that the Company will be able to implement this resolution once the law is amended.

The resolution, if approved, will be operative and given effect to from the applicable date as may be prescribed in this regard.

The Articles of Association of the company was amended enabling the company to buy back its own shares at the Annual General Meeting of the Company, held on 12th September, 1997.

The resolution is an enabling provision aimed at facilitating the Company to buy back its shares as soon as legally permissible.

The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

By Order of the Board

for **Gujarat Heavy Chemicals Limited**

P. Sampath  
Executive Director-Finance &  
Company Secretary

**Registered Office:**

Bhikubhai Chambers,  
Swastik Society, Near Punjabi Hall,  
Navrangpura, Ahmedabad-380 009  
Date: 11th July, 1998



# Gujarat Heavy Chemicals Limited



## DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the 15th Annual Report of the Company together with the Audited Accounts of the company for the year ended 31st March, 1998.

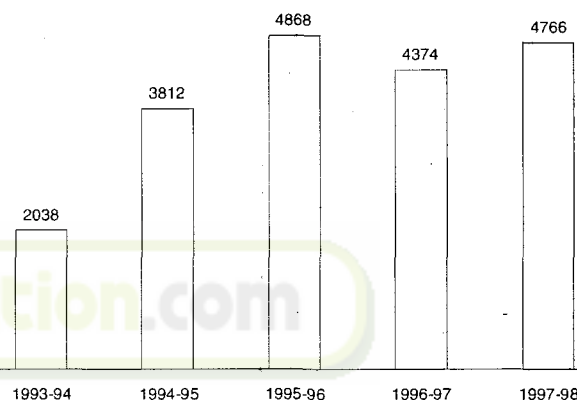
## OPERATIONAL RESULTS

The year 1997-98 has been the year of challenges and excitement, putting to test your company's resilience in the face of trying times, the Company has once again emerged as a successful performer. The Gross profit of the Company is up by Rs. 4 crores from Rs. 96 crores to Rs. 100 crores. The increase in Gross profit and lower interest costs have resulted in a significantly higher cash profits of Rs. 77 crores against Rs. 71 crores in 1997-98, up by 8%. These results evidence unceasing efforts towards growth & development and commitment towards entrepreneurial vision and business policies of the company.

(Rs. in Crores)

Particulars	1997-98	1996-97
Turnover	355.14	355.16
Gross Profit before interest and depreciation	100.61	96.46
Interest	23.13	25.01
Profit before depreciation and preliminary expenses—(cash profit)	77.48	71.45
Depreciation/Preliminary Expenses written off	24.27	21.24
Profit before tax	53.21	50.21
MAT Liability for the year	5.55	6.48
Profit after tax	47.66	43.74
Appropriations:		
To Investment Allowance Reserve	—	11.00
To Debenture Redemption Reserve	3.43	0.33
To General Reserve	5.00	5.00

## OPERATING PROFITS (Rs. lacs)



## PLANT OPERATIONS

During the year ended 31st March, 1998, your Company achieved the highest annual production of soda ash of 4.03 Lac Tonnes. The production of salt, a key raw material was also highest at 5.64 Lac Tonnes. With the effective utilisation of the raw materials the company could reduce the cost of production resulting in higher profitability during the year under review.

The year 1997 ended with "zero" reportable injury. This was the second consecutive no accident year. Your company was awarded Gujarat Safety Council runner up shield for lowest injury index. Your company was given "NATIONAL SAFETY AWARD 1997" from British Safety Council. This is a reward for organisation's skill and effort in maintaining a good safety record which is significantly better than the national average.

## MARKETING

The domestic demand of Soda ash had increased from 14.74 Lac Tonnes in 1996-97 to 15.63 Lac Tonnes during 1997-98. However, the domestic soda ash sales of Indian producers had reduced to 13.92 Lac Tonnes as against 14.23 Lac Tonnes during the year 1996-97 due to higher imports.

Import of Soda Ash during the current year has adversely affected the domestic soda ash industry. Against the import of 0.51 Lac Tonnes during 1996-97 there was import of 1.71 Lac Tonnes during 1997-98. Imports continue to be a threat which is only partly mitigated by the current depreciation in the value of the rupee which has made imports more expensive.

## EARNING PER SHARE (Rs./share)

