

GUJARAT PETROSYNTHESIS LIMITED

MD	✓			BKC	✓	
CS	✓			DPY	NA	
RO	✓			DIV	NA	
TRA	NA			AC	✓	
AGM	✓	✓		SHI	✓	
YE	✓	✓	✓		✓	

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ISO COMPANY

TWENTY FIRST ANNUAL REPORT 1997-98



Gujarat Petrosynthese Limited

BOARD OF DIRECTORS	Dr. N.B. PRASAD	(Chairman)
	Dr. R.M. THAKKAR	(Managing Director)
	Dr. P.S. PALANDE	
	Mr. V.H. PANDYA	
	Dr. (Mrs.) M.H. MEHTA	
	Mr. ADHIK SHIRODKAR	
	Ms. CHARITA THAKKAR	(Executive Director)
	Ms. URMI N. PRASAD	(Executive Director)
	Ms. URSULA THAKKAR	(Executive Director)

COMPANY SECRETARY Mr. B.I. PATEL

BANKERS STATE BANK OF INDIA
BANK OF BARODA

LEGAL ADVISORS KANGA & CO.

AUDITORS SURESH THAKKAR & CO.,

REGD. OFFICE & WORKS Petrochemical Complex Area,
P.O. Petrofils, Pin : 391 347,
District Vadodara.

SHIFTING OF REGISTERED OFFICE

It is hereby notified for information of Members, Debenture Holders, Creditors and members of public that pursuant to a decision by the Board of Directors of the Company, the Registered Office of the Company has been shifted with effect from 1st August, 1998 from Thakkar Building, Shivaji Road, Opp. Dandia Bazar Fire Brigade, Vadodara-390 001 to Company's works as indicated below:

GUJARAT PETROSYNTHESIS LIMITED

Registered Office
Petro Chemical Complex Area,
P.O. Petrofils - 391 347,
District Vadodara.

All communications meant for the Registered Office of the Company including lodgement of shares for transfer, change of address requests, and other correspondence relating to Shares, Debentures may therefore be sent at above stated address.



Gujarat Petrosynthese Limited

NOTICE

Notice is hereby given that the Twenty-First Annual General Meeting of the Members of Gujarat Petrosynthese Limited will be held at 11.30 a.m. on Wednesday, 23rd September, 1998 at Auditorium Hall of Federation of Gujarat Industries, Federation Building, Alkapuri, R.C. Dutt Road, Vadodara 390 005.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1998 and Profit and Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr (Mrs) M H Mehta, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr V H Pandya who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following Resolution with or without modification as a Special Resolution.
RESOLVED THAT pursuant to the provisions of Section 269, 309, 310; 314 and other applicable provisions, if any of the Companies Act 1956, and subject to the approval of any other authorities as may be required, the Company hereby approves the re-appointment of Ms. Urmi N Prasad as Executive Director for a further period of 5 years with effect from 1st April, 1998 on the same terms and conditions as approved earlier by members in the Extra-Ordinary General Meeting of the Company held on 24th February 1995 and set out in the draft Agreement to be entered into by the Company with Ms. Urmi N Prasad and submitted to this Meeting duly initialled by the Chairman for the purpose of identification and which agreement is hereby specifically sanctioned with power to the Board of Directors to alter and vary the terms and conditions of appointment, agreement and or remuneration so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto as may be agreed between the Board of Directors and Ms. Urmi N Prasad. AND THAT the consent of the Company be and is hereby accorded to her holding an office or place of profit and continuing to hold an office or place of profit as a Director nominated and as may be nominated by the Company from time to time on the Board of its subsidiary companies.
6. 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 buy back, from the existing holders of shares and/or other securities giving right to subscribe for shares of the Company, on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of the Securities (odd lots), the shares or such other securities or securities having such underlying voting rights as may hereafter be notified by the Central Government or any other regulatory authority, from time to time (herein for brevity's sake referred to as "the Securities"), of the Company, from out of its free reserves or out of the securities premium account of the Company or out of the proceeds of any issue made by the Company specifically for the 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.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such act 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".

Registered Office :
Petrochemical Complex Area,
P.O. Petrofils, Pin: 391 347,
Dist. Vadodara

By Order of the Board of Directors
For Gujarat Petrosynthese Limited

Place : Mumbai
Date : 30-07-1998

B.I. Patel
Company Secretary



Gujarat Petrosynthese Limited

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND A PROXY NEED NOT BE A MEMBER.
2. The relevant explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
3. **Please note that the Company has shifted it's Registered Office from Thakkar Building, Shivaji Road, Opp. Dandiabazar fire Station, Baroda to the Plant at "Petrochemical Complex Area, P.O. Petrofils, PIN 391 347 Dist. Vadodara. Therefore shareholders are requested to do all future correspondence at the afore stated address with effect from 01-08-1998.**
4. The Register of Members and Share Transfer Books of the Company will remain closed from 26-09-98 to 30-09-98 (both dates inclusive) for the purpose of the Annual General Meeting.
5. The documents referred to in the accompanying notice and explanatory statement are open for inspection at the Registered Office of the Company on all working days upto the date of the Annual General Meeting.
6. (a) Pursuant to Section 205(A) of the Companies Act, 1956 all unclaimed dividends upto the Financial Year ended on 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Those Shareholders who have so far not claimed their dividend upto and including the said Financial Year are requested to claim the dividend from the Registrar of Companies, ROC Bhavan, Opp. Rupal Park, Behind Ankur Bus Stand, Naranpura, Ahmedabad - 380 013 by submitting an application in the prescribed form.
- (b) Shareholders who have not encashed / claimed the 10th Dividend for the year ended on 31st March, 1995 are requested to approach the Company for issue of Duplicate thereof immediately. Unclaimed amount of dividend, if any, will be transferred to the Central Government as provided under Section 205 A of the Companies Act, 1956.
7. Members are requested to :
 - a) Notify immediately any change in their residential address.
 - b) Quote Registered Folio Number in every correspondence with the Company.
 - c) Bring their copies of the Annual Reports along with the duly filled in attendance slip at the meeting.

ANNEXURE TO THE NOTICE

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

The following explanatory statement sets out all the material facts relating to special business mentioned in the accompanying Notice.

ITEM NO.5

Ms. Urmi N Prasad is associated with the Company as an Executive Director. The Board of Directors after reviewing the performance of Ms. Urmi N Prasad and contribution made by her in the progress of the Company, considered that it would be in the interest of the company to re-appoint her as an Executive Director on the same terms and conditions.

The Board of Directors at their meeting held on 27th March, 1998 have subject to the approval of members, proposed that Ms. Urmi N Prasad be re-appointed as Executive Director for a further period of 5 years with effect from 1st April, 1998 on the terms and conditions as approved by the members which were subsequently amended by members at their Extra Ordinary General Meeting held on 24th February 1995 and, as contained in the draft agreement to be entered into by the Company with Ms. Urmi N Prasad.

The terms and conditions of reappointment as set out in the draft agreement may be altered and varied from time to time by the Board of Directors of the Company as they may at their discretion deem fit, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendment made thereto.

The draft agreement to be entered into between the company and Ms. Urmi N Prasad is available for inspection by the members at the Registered Office of the Company on any working day during business hours of the company upto the date of the Annual General Meeting.

Gujarat Petrosynthese Limited



The Board recommends the resolution for your approval.

The above may be treated as an abstract of the variations of the terms of contract/reappointment between the Company and Ms. Urmi N Prasad pursuant to Section 302 of the Companies Act, 1956, when executed.

Ms. Urmi N Prasad is deemed to be concerned or interested in the resolution which pertains to the remuneration payable to her. Further Dr N B Prasad, Ms. Ursula R Thakkar, Dr R M Thakkar, Ms. Charita Thakkar and Dr. (Mrs.) M H Mehta are deemed to be concerned or interested in the resolution, in so far as Ms. Urmi N Prasad is related to each of them.

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

ITEM NO.6

Buy back of own shares or other securities convertible into equity shares by the Companies is presently not allowed under the Companies Act, 1956. 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.

It is proposed to buy back shares or other securities giving right to subscribe for shares of the Company, from the existing security holders on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of the securities (odd lots) 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 or other securities giving right to subscribe for shares of the Company and shall be met out of the free reserves and/or the securities premium account 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 approval of the shareholders for such buy back of shares was obtained at the Extra Ordinary General Meeting of the Company, held on 24th February, 1995. The resolution as set out in this Notice is being proposed again as the law in this regard has so far not been amended and the special resolution passed on 24th February, 1995 may not be valid after 23rd May, 1996. Based on the provisions of the Companies Bill, 1997, resolution to be passed at the ensuing Annual General Meeting is valid till 22nd December, 1999.

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.

Registered Office :
Petrochemical Complex Area,
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Dist. Vadodara

By Order of the Board of Directors
For Gujarat Petrosynthese Limited

Place : Mumbai
Date : 30-07-1998

B.I. Patel
Company Secretary



Gujarat Petrosynthese Limited

DIRECTORS' REPORT

To the Members,

The Directors have pleasure in placing before you the Twenty-First Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

(Rs. in lakhs)

	<u>1997-98</u>	<u>1996-97</u>
Sales Turnover	1182.33	1678.99
Operating Profit	285.81	269.98
Less: Interest	(123.51)	(148.69)
Depreciation	(138.00)	(117.90)
Profit before Tax	24.30	3.39
Less: Provision for tax	(22.00)	(1.56)
Profit after tax	2.30	1.83
Prior Period Adjustments	(44.19)	8.71
Add: Balance in Profit & Loss A/c.	7.24	102.87
Transfer from General Reserve	100.00	Nil
Transfer from Investment Allowance (Utilised) Reserve	113.60	Nil
Balance available for appropriation	<u>178.95</u>	<u>113.41</u>
Appropriations		
Reserves for Doubtful Debts	126.31	81.17
Debenture Redemption Reserve	25.00	25.00
Balance Carried to Balance Sheet	27.64	7.24
	<u>178.95</u>	<u>113.41</u>

OPERATIONS:

The year 1997-98 is a watershed year in the history of your Company. It is the year your Company embarked on an extensive restructuring of its activities so that its foundations are strengthened to meet the challenges of the future in the new liberalized environment. We are confident that the steps undertaken by the Company's management will see it emerge as the most cost-effective producer of polybutene in India with footholds in the domestic and export markets.

The various initiatives taken in this regard are:

- 1) Strategic alliance with Indian Petrochemicals Corporation Limited (IPCL)
- 2) Restructuring the Company's activities through.
 - Modification of Organisation structure.
 - Focusing on human resource development through training of existing employees and hiring experienced, skilled work force to improve efficiency and productivity.
 - Embarking on a cost-cutting program involving all departments and all levels of the Company.
 - Changing product mix to focus on products with value addition.
 - Strengthening R & D efforts to work towards new product development and value addition.

The source of GPL's activities is C4 Raffinate feed stock, which is supplied by Indian Petrochemicals Corporation Limited (IPCL). Over-capacity in the polybutene industry coupled with the high sales tax structure of Gujarat State led to a situation where GPL's cost structure was too high for it to compete effectively in the market place. As a result of this, GPL was unable to secure an order from the largest buyers of polybutene in the Indian Market. This substantially affected the Company's viability and necessitated a total revamp of the set-up.

There was an urgent need to restructure the Company to improve its cost structure, and hence GPL signed

Gujarat Petrosynthese Limited



a Memorandum of Understanding with IPCL towards a conversion-marketing tie-up. This tie-up involves GPL procuring C4 Raffinate feed-stock from IPCL to convert it into polybutene on their behalf. As a result of this tie-up, polybutene made by GPL will be marketed by IPCL through its distributorship network all over India at competitive prices. The export market is also opened to GPL through IPCL's export network. We remain indebted to IPCL for their continued support and assistance.

Furthermore, your Company has made substantial changes in the organisation structure and staffing of key posts. The success of any company lies ultimately in the people who work in it- their skills, their efficiency and productivity. Therefore, your company has embarked on a consistent effort to hire new people with experience and skills, as well as to provide more on-the-job training to existing employees.

In addition, your Company has also put in place a tremendous cost-cutting across all levels of the organisation and all departments. And emphasis has been placed on reducing wastage of materials, time, labour and money. New systems of control and operations are being developed. We have also focussed our product mix on those products that bring in value to the Company.

In order to ensure continued growth, your Company has revamped its R & D program and started to work on new products that could develop into major profit centres for the Company. This area will continue to receive more focus in the future.

WINDFARM

In the recent cyclonic storm in Saurashtra, Gujarat, all the three Windmills located at our Windfarm at Lamba were totally destroyed. However the installation had been fully insured, so there is no adverse effect on the Company on this account.

OTHER ACTIVITIES

KARNATAKA PETROSYNTHESIS LIMITED

The Joint Sector Project, Karnataka Petrosynthesis Ltd., Bangalore has made substantial sales efforts during the year in promoting their products. The Company explored other areas of potential business activities like the colouring of ABS, PC, Polyacetal, manufacture of Anti-Static Grades of ABS, PBT, PC as well as flame Retardant Grades of ABS, PBT, PC, Nylon. This has resulted into some business and the Company has been doing job work for processing of special compounds for Glass Filling, Fire Retardancy and colouring. Simultaneously, a lot of R & D work was done on existing blends and alloys. KPL is the first Company in India to successfully manufacture and introduce PVC / ABS, a versatile alloy and is entering into a contract for the supply of PVC / ABS alloy with a major consumer durables manufacturer. During the year, the Company expects to operate above break-even point and show good results.

SOUTHERN AGROSYNTHESIS LIMITED (SAL)

During the year, operations stand suspended and the company has settled the State Bank of India Term Loan on a one time settlement basis.

GPL FINANCE AND INVESTMENTS LIMITED

GPL Finance and Investments Ltd., subsidiary of your company has achieved a turnover of Rs. 1.69 Lacs and a Net Profit of Rs. 1.03 Lacs.

DIRECTORS

At this Annual General Meeting Mr. V. H. Pandya and Dr. (Mrs) M. H. Mehta retire by rotation as per the provisions of the Companies Act. 1956 and Articles of Association of the Company, and being eligible offer themselves for re-appointment.

INDUSTRIAL RELATIONS

Relations between the employees at all levels and management continue to remain cordial. The Directors place



Gujarat Petrosynthese Limited

on record their appreciation of the efficient, loyal and devoted services rendered by the employees of the Company at all levels.

OTHER INFORMATION

The information in respect of Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo as required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure-I forming part of this Report.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the (Companies Particulars of Employees) Rules, 1975, as amended the names and other particulars of employees are set out in the Annexure II to the Directors' Report.

FIXED DEPOSIT

There are no unpaid deposits as on 31.03.1998 except for deposits of Rs. 14,000/- which have matured but not been claimed by respective fixed deposit holders inspite of reminders sent by the Company. However as on date deposits of Rs. 5,000/- have since been repaid.

ACKNOWLEDGEMENT

Your Directors are grateful to Indian Petrochemicals Corporation Limited and Gujarat Alkalies and Chemicals Ltd., our principal raw materials suppliers and Lubrizol India Limited and our important customers for jelly filled cable compounds. Your Directors also gratefully acknowledge the support and assistance of the Bankers of the Company.

For and on behalf of the Board of Directors.

Place : MUMBAI

Date : 30TH JULY, 1998.

DR. R.M. THAKKAR
MANAGING DIRECTOR

ANNEXURE I TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of The Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year 1997-98.

I. CONSERVATION OF ENERGY

- | | | |
|---|---|---|
| a) Energy Conservation Measures taken | : | The Company had set up 3 wind energy mills of 320 KVA each in earlier years. |
| b) Additional Investment and Proposals if any being implemented for reduction of energy. | : | |
| c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods | : | During the year the Company has generated net 10,49,789 units of electricity from the above Wind Mills. |
| d) Total energy consumption and energy consumption per unit of production as per Form A. | | |

FORM A

A. POWER AND FUEL CONSUMPTION

1. Electricity		1997-98	1996-97
a) Purchased			
Units	KWH	29,90,427	24,74,200
Total amount	Rs.	1,33,07,400	95,76,204
Rate/Unit	Rs.	4.45	3.87