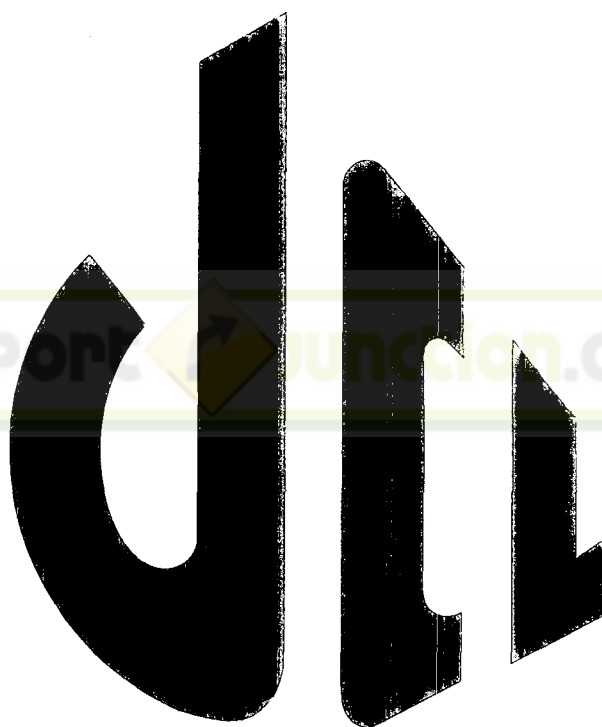


ANNUAL REPORT AND ACCOUNTS 1997-98



JAYSHREE CHEMICALS LIMITED



Jayshree Chemicals Limited

Directors

Shri S. K. Bangur	(Chairman & Managing Director)
Shri A. K. Sureka	
Shri D. D. Kothari	
Shri V. B. Chaturvedi	
Shri Prabir Chakravarti	
Shri N. P. Pandey	(LIC - Representative)
Shri D. K. Das	(IDCOL - Nominee)
Shri K. M. Mishra	(SBBJ - Nominee)
Shri C. R. Dujari	(Executive Director upto 19.8.98)
Shri D. K. Maheshwari	(Executive Director from 20.8.98)

Bankers

State Bank of Bikaner And Jaipur
State Bank of India

Auditors

Messrs. K. N. Gutgutia & Co.
Chartered Accountants

Registered Office

14, Netaji Subhas Road,
Calcutta - 700 001

Works

Ganjam (Orissa)

Jayshree Chemicals Limited

NOTICE is hereby given that the 36th Annual General Meeting of the Company will be held at M.P. Birla Planetarium (Seminar Hall), 96, Jawaharlal Nehru Road, Calcutta - 700 071 on Thursday, the 24th September, 1998 at 11-30 A.M. to transact the following business :-

1. To receive and adopt the Profit & Loss Account of the Company for the year ended 31st March, 1998 and the Balance Sheet as at that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri S.K. Bangur, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri A. K. Sureka, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri D.D. Kothari, who retires by rotation and being eligible offers himself for re-appointment.
5. To re-appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications the following Resolutions which will be proposed as Ordinary Resolutions :

6. "That Shri D.K. Maheshwari be and is hereby appointed a Director of the Company."
7. "That the Company hereby approves the appointment of and the remuneration payable to Shri D.K. Maheshwari as a Wholtime Director designated as Executive Director of the Company for a period of three years with effect from 20th August, 1998 upon the terms and conditions set out in the Agreement to be made between the Company and Shri Maheshwari, a draft of which initialled by the Chairman for the purpose of identification is placed before the meeting."
8. "That the erosion of fifty percent or more of the Company's net worth as at the end of the financial year ended on 31st March, 1998 in relation to its peak net worth during the immediately preceding four financial years, be and is hereby considered in accordance with the provisions of Section 23(1) (a) (ii) of the Sick Industrial Companies (Special Provisions) Act, 1985 in all respects."

Registered Office :

14, Netaji Subhas Road,
Calcutta - 700 001
Date : 20th August, 1998

By Order of the Board
D. D. Kothari
Director

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the items of Special Business is annexed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 15th September, 1998 to 24th September, 1998, both days inclusive.
4. Shareholders desiring any information on the Accounts are requested to write to the Company in advance to enable the Company to keep the information ready.

Jaysree Chemicals Limited

EXPLANATORY STATEMENT

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

Items 6 and 7

Pursuant to Article 95 of the Company's Articles of Association, the Board of Directors of the Company ('the Board') at its meeting held on 28th July, 1998 appointed Shri D.K. Maheshwari as an additional Director of the Company as from 20th August, 1998 to hold office as such additional Director upto the date of the ensuing Annual General Meeting of the Company.

The Company has received a notice in writing from a member in terms of Section 257 of the Companies Act, 1956 ('the Act') signifying his intention to propose the appointment of Shri Maheshwari as a Director of the Company.

Shri Maheshwari, who has served several companies in senior executive positions has 36 years' business experience. Immediately prior to his appointment on the Board he was the Advisor of the Company. Having regard to his background and experience, the Board considers that the appointment of Shri Maheshwari as a Director of the Company would be beneficial to the Company.

The Resolution set out in item 6 of the convening Notice has to be considered accordingly and the Board recommends the same.

With a view to ensuring sustained efforts and greater coordination of the Company's various activities, at the same meeting held on 28th July, 1998 the Board also appointed Shri Maheshwari as a Wholetime Director designated as Executive Director of the Company for a period of three years with effect from 20th August, 1998.

The terms and conditions of such appointment of Shri Maheshwari as approved by the Board are set out in the Agreement ('Agreement') to be entered into by the Company with him and an abstract of the terms thereof is set out below :-

Shri Maheshwari is appointed a Wholetime Director designated as Executive Director of the Company for a period of three years with effect from 20th August, 1998.

As Executive Director Shri Maheshwari shall devote the whole of his time and attention to the business and affairs of the Company and perform such duties and exercise such powers as may from time to time be entrusted to or vested in him by the Board.

Jayshree Chemicals Limited

In consideration of his services as Executive Director, Shri Maheshwari shall be entitled to receive the following by way of remuneration:-

- | | | |
|-----------------|---|---|
| (a) Salary | : | Rs. 21,000/- in the scale of Rs. 21,000 -
Rs. 2500 - Rs 26,000. |
| (b) Perquisites | : | <ul style="list-style-type: none"> i) House Rent Allowance : At the rate of 15% of the salary per month. ii) Medical Reimbursement : Expenses incurred for self and family subject to a ceiling of one and a half months' salary in a year or four and a half months' salary over a period of three years. iii) Leave Travel Assistance : At the rate of one and a half months' salary in each year of service. iv) Medclaim Insurance : For an insured amount of Rs. 1,50,000/-. v) Company's contributions for him to Provident Fund, Superannuation Fund or Annuity Fund in accordance with the Rules and Regulations of the Company. vi) Gratuity entitlement at a rate not exceeding half a month's salary for each completed year of service. vii) Encashment of accumulated leave at the end of the tenure. |

Provided that in the event of absence or inadequacy of profits of the Company in any financial year during the term of Shri Maheshwari's appointment, he shall for that year receive the same salary as in clause (a) above and such perquisites in clause (b) above as may be determined and allocated by the Board within the ceiling limits laid down in Paragraphs 1 and 2 of Section II of Part II of Schedule XIII to the Act.

In addition to the aforementioned remuneration, the Company will at its expenses provide Shri Maheshwari with a car for use on the Company's business and a telephone at his residence provided that use of car for private purpose and personal long distance calls on the telephone shall be billed by the Company to him. The provision of car and telephone will not be considered as perquisites.

Under the Agreement Shri Maheshwari is entitled to earned/privilege leave on full pay and allowances as per the Rules of the Company.

Jayshee Chemicals Limited

The Agreement also sets out the mutual rights and obligations of the parties and other administrative details.

The appointment and remuneration of Shri Maheshwari as Executive Director require the approval of the members of the Company in general meeting in terms of Part III of Schedule XIII to the Act and the remuneration so payable to him also requires the approval of the members of the Company in general meeting under Section 309 of the Act.

The Resolution set out in item 7 of the convening Notice has to be considered accordingly and the Board recommends the same.

A draft of the Agreement will be available for inspection by the members of the Company at its Registered Office on any working day prior to the date of the meeting during usual business hours and will also be available at the meeting.

This may also be treated as an abstract of the terms of appointment of Shri D.K. Maheshwari as Wholetime Director and Memorandum of interest pursuant to Section 302 of the Act.

No Director of the Company except Shri Maheshwari, is concerned or interested in the Resolutions.

Item 8

The loss of the Company for the financial year ended 31st March, 1998 has resulted in erosion of 50% or more of its peak net worth during the immediately preceding four financial years. The provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (hereinafter referred to as "the SICA") have, therefore, become applicable to the Company. This Section requires such erosion to be considered by the members of the Company in general meeting.

The Resolution set out in item 8 of the convening Notice is intended for consideration of such erosion by the members of the Company.

The Report of the Board of Directors of the Company on such erosion and the causes of erosion is sent herewith. In terms of Section 23(1) (a) (i) of the SICA, the Company is taking necessary steps to report the fact of such erosion to the Board for Industrial and Financial Reconstruction.

No Director of the Company is concerned or interested in the Resolution.

Jayshree Chemicals Limited

**REPORT OF THE BOARD OF DIRECTORS PURSUANT TO SECTION 23(1) (b)
OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985**

Peak net worth of the Company during the immediately preceding four financial years was Rs.750.50 lacs.

The Company has incurred a loss of Rs. 473.55 lacs during the financial year ended 31st March, 1998 which has resulted in erosion of more than 50% of the peak net worth.

The causes for erosion of net worth are as under :-

- (i) Substantial reduction in average per tonne realisation from Rs. 17,811 during the year ended 31st March, 1997 to Rs. 15,678 during the year ended 31st March, 1998 due to unremunerative prices, demand recession, excess capacity, substantial imports and unfavourable market conditions.
- (ii) Increase in the per tonne cost of production from Rs. 17,498 during the year ended 31st March, 1997 to Rs.18,564 during the year ended 31st March, 1998 due to increase in Average Power Rate from Rs. 2.85 P. per Kwh to Rs. 3.20 P. per Kwh coupled with general increase in the cost of raw materials and services.

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Calcutta

Date : 20th August, 1998

On behalf of the Board

S K Bangur

Chairman & Managing Director

Jayshree Chemicals Limited**DIRECTORS' REPORT****TO THE MEMBERS**

The Directors present herewith their Annual Report together with the audited Accounts of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS

	<u>Rs.</u>	<u>Rs.</u>
Loss for the year		4,73,55,291
After adjusting this against :		
Credit Balance as per last account	1,57,50,751	
Transfer from General Reserve	<u>1,50,00,000</u>	<u>3,07,50,751</u>
There remains a deficit of		<u><u>1,66,04,540</u></u>
which is being carried forward to next year.		

DIVIDEND

The Directors regret their inability to declare any dividend due to heavy loss.

OPERATING RESULTS

During the year under review, the Company achieved production of 20,428 M.T. in comparison to 22,548 M.T. in the previous year. The production was better during the first half but was low in the second half, mainly because of a break-down in the Plant and curtailment in the last quarter due to adverse market conditions. Despatches during the year under review were 19,382 M.T. as against 23,114 M.T. during the previous year.

Market conditions, during the year under review, deteriorated on account of un-balanced demand and supply, cheap imports due to liberalisation policy of the Government and abnormal increase of capacity in the Caustic Soda Industry by about 20% as against increase in the consumption by about 3% only. The Company suffered severe loss because of steep fall in realisation of its products by about 12% in comparison to the previous year. Average Power rate was increased by 35 paise per kwh, which alone resulted in cost escalation by more than 12% and could not be absorbed by the market.

More than 50% of the peak net worth of the Company in the immediately preceding four financial years has eroded because of heavy loss incurred in the year under review. Pursuant to the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, the fact of such erosion is being placed before the ensuing Annual General Meeting for consideration and steps are being taken for reporting this fact to the Board for Industrial and Financial Reconstruction.

CURRENT OUTLOOK

During the current year, the Company has been compelled to cut back production because of absolutely uneconomical realisation. The per ton realisation during the current year has further fallen in comparison to that of the previous year. As a result, the Company is not even in a position to cover the direct cost of production. The Company is exploring various alternatives to improve the bottom line to enable it to continue Plant operations.

In the meantime, the Company has given a Notice under Section 25(0) of the Industrial Disputes Act, 1947 to the Government of Orissa for permission to close its Factory because it was finding it difficult to run the same due to aforesaid reasons. The matter is pending with the Government.

The Company has also given requisite notice to the Grid Corporation of Orissa Ltd. for termination of the Power Agreement.

EXPANSION

In view of the prevailing situation in the Caustic Soda Industry, the Company has kept the Expansion Programme in abeyance.

Jayshree Chemicals Limited**SODIUM HYDROSULPHITE**

The Sodium Hydrosulphite Plant continues to remain closed.

INDUSTRIAL RELATIONS

Relations of the Company with the staff and workers remained cordial throughout the year.

GENERAL

The welfare activities and other community development programmes around the Factory including aid to educational institutions were continued.

The observations in the Auditors' Report are dealt with in the Notes at the appropriate places in the Accounts.

The Company places on record its appreciation for the dedicated services of all the Workmen, Staff and Executives. The Company also expresses its gratitude to the State Government, Electricity Authorities, Banks and the Local Authorities for their continued co-operation and support.

SAFETY AND ENVIRONMENT

The Company has adequate system for Industrial Safety and provisions for protection of the environment at its Factory. The Company has complied with the statutory requirements of the State Pollution Control Board.

DIRECTORS

The nomination of Shri M.L. Verma as a Director of the Company was withdrawn by State Bank of Bikaner and Jaipur ('SBBJ') with effect from 15th September, 1997 and Shri K.M. Mishra was nominated as a Director of the Company by SBBJ with effect from the same date in his place.

Shri C.R. Dujari has resigned and ceased to be the Executive Director of the Company with effect from 20th August, 1998.

The Directors place on record their appreciation for the valuable advices given by Shri M.L. Verma and Shri C.R. Dujari during their respective tenures of office as a Director and Executive Director of the Company.

Shri D.K. Maheshwari has been appointed as an additional Director of the Company with effect from 20th August, 1998. Shri Maheshwari shall hold office upto the date of the ensuing Annual General Meeting of the Company and is eligible for appointment. He has also been appointed as an Executive Director of the Company for a period of three years with effect from 20th August, 1998.

Shri S.K. Bangur, Shri A.K. Sureka and Shri D.D. Kothari retire by rotation and being eligible offer themselves for re-appointment.

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

The Particulars prescribed under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, to the extent applicable, forming part of this Report, are as per Annexure.

PARTICULARS OF EMPLOYEES

Particulars of Employees as required by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forming part of this Report, are as per Annexure.

AUDITORS

Messrs K.N. Gutgutia & Co., Chartered Accountants, Auditors of the Company, retire and are eligible for re-appointment.

Calcutta

Date : 20th August, 1998

On behalf of the Board

S.K. Bangur

Chairman & Managing Director