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ANNUAL REPORT AND ACCOUNTS 1998-99

JAYSHREE CHEMICALS LIMITED

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Directors

Shri S. K. Bangur	(Chairman)
Shri D. D. Kothari	
Shri V. B. Chaturvedi	
Shri N. P. Pandey	(LIC-Representative)
Shri D. K. Das	(IDCOL - Nominee)
Shri K. M. Mishra	(SBBJ - Nominee)
Shri D. K. Maheshwari	(Executive Director)

Bankers

State Bank of Bikaner And Jaipur
State Bank of India

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Auditors

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

Registered Office

14, Netaji Subhas Road
Calcutta - 700 001

Works

Ganjam (Orissa)

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NOTICE is hereby given that the 37th Annual General Meeting of the Company will be held at M. P. Birla Planetarium (Seminar Hall), 96, Jawaharlal Nehru Road, Calcutta - 700 071 on Saturday, the 25th September, 1999 at 10-30 A.M. to transact the following business :–

1. To receive and adopt the Profit and Loss Account of the Company for the year ended 31st March, 1999 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 N. P. Pandey, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri V. B. Chaturvedi, who retires by rotation and being eligible offers himself for re-appointment.
4. 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 as an Ordinary Resolution :–

5. "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, 1999 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 : 9th August, 1999

By Order of the Board
D. K. Maheshwari
Executive Director

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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 Special Business is annexed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 22nd September, 1999 to 25th September, 1999, 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.

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EXPLANATORY STATEMENT

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

The accumulated losses of the Company upto the financial year ended 31st March, 1999 have 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 5 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.

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

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

The Company has accumulated losses of Rs. 1158.50 lacs upto the financial year ended 31st March, 1999 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. 15678 during the year ended 31st March, 1998 to Rs. 13627 during the year ended 31st March, 1999 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. 17191 during the year ended 31st March, 1998 to Rs. 20752 during the year ended 31st March, 1999 due to low production, increase in the cost of raw materials and services.

Calcutta
Date : 9th August, 1999

On behalf of the Board
S. K. Bangur
Chairman

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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, 1999.

FINANCIAL RESULTS

	Rs.
Loss for the year	9,92,45,403
Add : Debit balance brought forward	1,66,04,540
making a total deficit of	11,58,49,943

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 13,725 M. T. of Caustic Soda in comparison to 20,430 M. T. in the previous year. Break-down of the Flaker Unit, depressed market conditions and Global recession forced the Company to cut down its production. The production of Caustic Soda by the entire Industry was also lower at about 60% of the installed capacity. For the major part of the year, the Company could not recover the Variable Cost and after it was able to recover the Variable Cost and part of the Fixed Cost, the production had to be regulated as per the market demand. Despatches during the year under review were 13,619 M.T. as against 19,382 M. T. in the previous year.

As the Company's accumulated losses now exceed its net worth, the Board of Directors of the Company has formed the opinion that the Company has become a sick industrial company. Accordingly, steps are being taken to make a reference to the Board for Industrial and Financial Reconstruction, pursuant to Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985.

More than 50% of the peak net worth of the Company in the immediately preceding four financial years has eroded due to losses in the last two years. Pursuant to 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.

CURRENT OUTLOOK

The market for the products of the Company is likely to remain depressed. Cheap imports of Caustic Soda are still continuing because in other countries Chlorine is the main product and due to lack of demand for Caustic Soda there, it is sold at a very cheap price.

Since cheap power is the only alternative for the Company's long term survial, the Company applied for and got allotted 24.7 MW Small Hydel Project to be set up at canal falls of Harbhangi Irrigation Reservoir in the Gajapathi District of Orissa, for which Detailed Project Report is under preparation.

The Company's Notice under Section 25 (0) of the Industrial Disputes Act, 1947 for permission to close down its Factory was turned down by the Government of Orissa on the plea that the Government was considering a revival package. As per the revival package recommended by the State Level Nodal Committee, the following concessions were proposed :

a) Exemption from payment of electricity duty for five years from 5th September, 1998 for which necessary notification has already been issued.

b) Exemption from payment of Sales Tax for five years from 5th September, 1998. However, necessary notification in this regard has not yet been issued for which the Company has filed a writ petition before the Hon'ble High Court at Cuttack.

c) Reduction in energy charges by 73 paise per Kwh. for which Gridco filed a revised tariff with the Orissa Electricity Regulatory Commission (OERC) in August, 1998 but the same was not approved. The

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Company's application for review of the OERC's Order was turned down by the OERC, against which the Company has filed a writ petition before the Hon'ble High Court at Cuttack.

d) Benefit of low rate of power in case of 132 KV supplies by taking over Gridco's 132 KV Sub-station at Ganjam at a mutually negotiated price. Gridco's application to the OERC for approval of this is pending.

EXPANSION

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

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 Company does not foresee risk of any adverse effect to the Company's operation process and functions due to the Year 2000 problem.

The Company's Shares are listed on the Calcutta, Mumbai and Bhubaneswar Stock Exchanges and the Listing Fees has been paid to the said Stock Exchanges.

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

Shri Prabir Chakravarti and Shri A. K. Sureka resigned from the Board of Directors of the Company with effect from 5th March, 1999 and 1st April, 1999 respectively.

Shri S. K. Bangur resigned from the Managing Directorship of the Company with effect from 1st May, 1999. However, he continues to be the Chairman of the Board of Directors of the Company.

The Directors place on record their appreciation for the valuable advices given by Shri Prabir Chakravarti and Shri A. K. Sureka during their respective tenures of office as Directors of the Company.

Shri N. P. Pandey and Shri V. B. Chaturvedi 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.

AUDITORS

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

On behalf of the Board
S. K. Bangur
Chairman

Calcutta
Date : 9th August, 1999

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INFORMATION AS PER SECTION 217 (1) (e) READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY :

a) Energy conservation measures taken :

i) 2 Nos. of Energy efficient pumps were replaced and Impellers of 2 Nos. of Brine pumps were modified for maintaining optimum flow rate, for saving energy.

ii) 2 Nos. of Old Mercury Motors were replaced by energy efficient motors.

iii) 2 Nos. of Old Motors of various capacities were replaced with energy efficient motors.

iv) One DC KA Meter was introduced in Electrolysis Plant.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

i) Installation of Voltage Scanner for 17 Cells to optimise power consumption.

ii) Introduction of control panels and energy monitors for Electrolysis Plant and Chlorine Plant for better monitoring and control of energy and Plant Process parameters.

iii) Replacement of 3 Nos. of Old Mercury Motors by energy efficient motors.

iv) Replacement of 3 Nos. of Old various capacity Motors by energy efficient motors.

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 :

Inspite of taking the Energy Conservation measures under (a) above, the overall Power Consumption per ton of Caustic Soda did not come down because of low production.

However, with the measures being implemented under (b) above, the Company expects a reduction in Power Consumption.

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