

1997-98 ANNUAL REPORT

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Manali Petrochemical Ltd.

BOARD OF DIRECTORS

DR. A.C. MUTHIAH	Chairman
M.H. AVADHANI	Director
CHITTARANJAN DUA	Director
DR. EASO JOHN	Director
C.V.R. PANIKAR	Director
G. RAGHAVENDRAN	Director
M. SIVAGNANAM	Director
S.S. SIVAPRAKASA	Director
R. SUBRAMANIAM	Director
V.P. SAWHNEY	Nominee of IDBI
S. RAMJEE	Nominee of UTI
N.C. PILLAI	Managing Director
G. PARTHASARATHY	Director (Finance)

EXECUTIVE DIRECTOR

G. RAMACHANDRAN

COMPANY SECRETARY

P.T. DAYANANDAN

AUDITORS

M/s. S.R. Batliboi & Co.
Chennai

BANKERS

State Bank of India
State Bank of Hyderabad
State Bank of Patiala
Indian Bank
Bank of India

**REGISTRARS AND SHARE
TRANSFER AGENT**

M/s. Cameo Share Registry
(a division of MCC Finance Ltd.)
"Subramanian Building"
No. 1 Club House Road,
Chennai - 600 002
Phone : 8528390, 8520084, 8522465
Fax : 8520129

We take pleasure in informing you that the Company's shares are now a part of the depository system which will facilitate the shareholders / investors to hold securities in electronic form and trade in these securities. For scripless trading Pay in and Pay out are on the same day and hence the investors get the Securities as well as Cash immediately.

Joining the Depository would also avoid getting stuck with the bad delivery; fake certificates; loss of certificates in transit; Multitilation of certificates and long settlement cycles etc.

This facility we hope would benefit the shareholders / investors at large.





NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of Manali Petrochemical Ltd will be held at '**Kamaraj Arangam**', 574-A, Anna Salai, Teynampet, Chennai - 600 006, on Tuesday, the 4th August 1998 at 2.45 P.M. to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 1998 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To elect Directors :
 - (a) To appoint a Director in the place of Dr Easo John, who retires by rotation and being eligible offers himself for re-election.
 - (b) To appoint a Director in the place of Mr C V R Panikar, who retires by rotation and being eligible offers himself for re-election.
 - (c) To appoint a Director in the place of Mr G Raghavendran, who retires by rotation and being eligible offers himself for re-election.

3. To consider and if thought fit, to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 224A of the Companies Act, 1956, M/s. S. R. BATLIBOI & CO., Chartered Accountants, Chennai, the retiring Auditors, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors of the Company in connection with the Company's Audit."

SPECIAL BUSINESS:

4. To consider and if thought fit to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to Article 146 of the Articles of Association of the Company and the provisions of Sections 198, 269, 309 and read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including statutory modifications and/or re-enactments thereof) and subject to the approval of the Central Government, if required, and Financial Institutions and such other approvals as may be necessary and such alteration / modification, if any, that may be effected by the above mentioned bodies in this behalf, approval of the members be and is hereby accorded for the re-appointment of Mr. N C Pillai, Managing Director of the Company for a further period of 3 years with effect from 28.10.1997 to 27.10.2000 on the present terms and conditions as set out in the resolution of the Board of Directors of the Company.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and conditions in accordance with the laws in force from time to time and to take all such steps, deeds, matters and things as may be considered necessary to give effect to the above resolutions."

5. To consider and if thought fit, to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to Article 146 of the Articles of Association of the Company and the provisions of Sections 198, 269, 309, 314 and read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including statutory modifications and / or re-enactments thereof) and subject to the approval of the Central Government, if required, and Financial Institutions and such other approvals as may be necessary and such alteration / modification, if any, that may be effected by the above mentioned bodies in this behalf, approval of the members be and is hereby accorded for the re-appointment of

Mr G Parthasarathy, Whole-time Director (Finance) of the Company for a further period of 5 years with effect from 23.10.1997 to 22.10.2002 on the present terms and conditions as set out in the resolution of the Board of Directors of the Company.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and conditions in accordance with the laws in force from time to time and to take all such steps, deeds, matters and things as may be considered necessary to give effect to the above resolutions."

6. To consider and if thought fit, to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including statutory modification and / or its re-enactments) and the provisions of other statutes as applicable, the Articles of Association of the Company be and are hereby altered as follows :"

- (a) After sub-clause (s) of Articles 2, the following Sub-clauses shall be inserted:

(t) "Depositories Act, 1996" shall mean an Act, enacted to provide for regulation of securities depositories and for matters connected therewith or incidental thereto and shall include any statutory modifications or re-enactment thereof.

(u) "beneficial owner" shall mean the beneficial owner as defined in Clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.

(v) "Depository" shall mean a Depository as defined under Clause (e) of sub-section (1) of Section 2 of the Depositories Act, 1996.

(w) "Deemed Member" shall mean every person holding equity share capital of the Company and whose name is entered as beneficial owner in the records of the depository.

- (b) Existing Article 13 be replaced with the following :

"Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of members as the holder of any share(s) and whose name appears as the beneficial owner of the shares in the records of Depository, as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent, future or partial interest, lien, pledge (except only as by these presents otherwise provided for) or other claim to or interest in such shares on the part of any other person whether or not it shall have express or implied notice thereof."

- (c) To insert the following at the end of Article 16 (b) :

"provided the shares are not held in a Depository" under the provisions of Depositories Act, 1996.

- (d) To insert the following article after the existing article 20(b) and to be numbered as 20 (c) :

20(c). "Notwithstanding anything contained in the Articles of Association, the Company shall be entitled to dematerialise its shares, debentures and other securities pursuant to the Depositories Act, 1996 and to offer its shares, debentures and other securities for subscription



in a dematerialised form. The Company shall further be entitled to maintain a Register of members with the details of Members holding shares both in material and dematerialised form in any media as permitted by law including any form of electronic media."

transfer of shares / debentures or other marketable securities, where the Company has not issued any certificates and where such shares or securities are being held in a Depository, the provisions of the Depositories Act, 1996, shall apply."

- (e) To insert the following Article after the existing Article 45(g) and to be numbered as 45(h):

"45(h). Notwithstanding anything contained in the Articles of Association, in the case of

Registered Office :
SPIC CENTRE
97 Mount Road,
Guindy,
Chennai 600 032.
12th June, 1998

By Order of the Board

P.T. DAYANANDAN
Company Secretary

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself and a proxy need not be a member of the Company.
2. The proxies in order to be effective must be received by the Company at its Principal Office of the Company at SPIC CENTRE Annexe, 7th Floor, 97 Mount Road, Guindy, Chennai 600 032, not less than 48 hours before the commencement of meeting.
3. Members / Proxies should bring the Attendance slip sent herewith, duly filled in and signed and hand over the same at the entrance of the hall for attending the meeting and members are requested to bring their copies of the Annual Report with them.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 1.7.98 to 30.7.98 (both days inclusive).
5. Relevant Explanatory Statement of material facts pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos. 3 to 6 of the Notice is annexed hereto.

EXPLANATORY STATEMENT**(Pursuant to Section 173(2) of the Companies Act, 1956)****Item No.3**

As per Section 224-A of the Companies Act, 1956, if 25% or more of the subscribed capital of the Company is held by the Central or State Government, Public Financial Institutions or Nationalised Banks or General Insurance Companies whether singly or in any combination, the appointment or re-appointment of the Auditors at each Annual General Meeting shall be made by a Special Resolution. Since more than 25% of the Subscribed Capital of the Company is held by Public Financial Institutions, the re-appointment of Auditors has to be made by a Special Resolution and accordingly the Special Resolution as set out in item No.3 is recommended for adoption by the Members.

Memorandum of Interest:

None of the Directors is interested in the above resolution.

Item No.4 & 5

The Board of Directors at their meeting held on 29th October 1997 approved the re-appointment of Mr. N.C. Pillai, Managing Director of the Company for a further period of 3 years with effect from 28.10.1997 to 27.10.2000 and Mr G Parthasarathy, Whole-time Director (Finance) of the Company for a further period of 5 years with effect from 23.10.1997 to 22.10.2002 on the present terms and conditions. Mr. N.C. Pillai, Managing Director, also holds office of Managing Director of SPIC Organics Ltd. (SORL) with effect from 27.12.1995 without any remuneration from SORL. Mr.G. Parthasarathy, Whole Time Director (Finance) also holds office of Vice President (Finance) of SPIC Organics Ltd without any remuneration from SORL. The following are the details of the present terms of remuneration of both Mr. N.C.Pillai, Managing Director and G.Parthasarathy Whole Time Director (Finance) of the Company.

1) SALARY

Rs. 45,000/- (Rupees Forty five thousand only) per month including dearness allowance.

2) COMMISSION or SPECIAL ALLOWANCE

One per cent commission on the net profits

of the Company computed in the manner laid down in sub-section 309(5) of the Companies Act, 1956 or Special Allowance subject to a ceiling of total annual salary.

3) PERQUISITES

Perquisites as per Schedule XIII of the Companies Act, 1956 shall be allowed in addition to both Salary and Commission or Special Allowance. However, it shall be restricted to an amount equal to the annual salary. Perquisites are classified as follows:

i) Housing / House Rent allowance:

The expenditure incurred by the Company will be subject to a ceiling of 60% of the salary.

ii) Gas, Electricity, Water and Furnishings:

The Company shall provide gas, electricity, water and furnishings free of cost.

iii) Medical Reimbursement:

Expenses incurred for him and his family.

iv) Leave and Leave Travel Concession:

Leave as per Rules of the Company including encashment of leave. Leave Travel Concession for self and family once in a year incurred in accordance with the Rules of the Company.

v) Club Fees:

Fees of clubs subject to a maximum of two clubs.

vi) Personal Accident Insurance:

Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs. 4,000/-

For the purpose of calculating the above ceiling, perquisites will be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.



4) OTHER PAYMENTS AND PROVISIONS:

- i) Contribution to Superannuation Fund and towards Provident Fund:

Contribution to Pension / Superannuation Fund together with Provident Fund shall not exceed the limit as laid down in the Income Tax Rules, 1962. Contribution to Provident Fund, Superannuation Fund and Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

- ii) Gratuity:

Gratuity payable shall not exceed one half month's salary for each completed year of service.

- iii) Car:

Provision of car for use on Company's business purposes. Use of car for private purpose shall be billed by the Company. The use of Company's car for business purposes will not be considered as a perquisite.

- iv) Telephone:

Provision of telephone at residence will not be considered as a perquisite but personal long distance calls shall be billed by the Company.

- v) Entertainment expenses:

Reimbursement of entertainment expenses actually and properly incurred for the business of the Company, subject to a reasonable ceiling as may be fixed from time to time by the Board.

The aforesaid remuneration shall be the minimum remuneration notwithstanding the absence or inadequacy of profits earned during any financial year.

The abstract of terms of re-appointment of Managing Director and Whole Time Director (Finance) under section 302 of the Companies Act, 1956 was also sent to the shareholders on 5.11.1997.

Accordingly the above said Resolutions are recommended for the approval of the shareholders by the Board.

Memorandum of Interest:

excepting Mr. N.C. Pillai and Mr. G. Parthasarathy, None of the Directors of the Company is interested or concerned in the above resolutions.

Item No.6

Consequent to the passing of the Depositories Act, 1996 and introduction of the Depository system, the Board of Directors at its meeting held on 30.3.98 has resolved to seek admission of the Company's Equity Shares to the Depository system of National Securities Depository Limited. This would facilitate the shareholders at large to have their holdings in an electronic form. IDBI, one of the shareholders have also requested the Company to join NSDL in this regard vide their letter Ref: IMD / NSDL, dt. 13.8.97.

Hence, it has become necessary to alter the relevant clauses of Articles of Association of the Company to be in line with the provisions of the Depositories Act, 1996. The Board of Directors accordingly recommends the above Special Resolution for approval.

Memorandum of Interest:

None of the Directors of the Company is interested or concerned in the above Resolution.

Inspection of Documents:

The documents referred to in this Notice / Explanatory Statement are open for inspection by any member at the Registered office of the Company during the Company's business hours on any working day upto the date of Annual General Meeting.

Registered Office :
SPIC CENTRE
97, Mount Road,
Guindy,
Chennai 600 032.
12th June, 1998

By Order of the Board

P.T. DAYANANDAN
Company Secretary

DIRECTORS' REPORT

To

The Shareholders

The Directors present the Twelfth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 1998.

OPERATING RESULTS FOR THE YEAR 1997-98

(Rs. in lakhs)

Product	Sales			
	1997-98		1996-97	
	Qty. (MT)	Value	Qty. (MT)	Value
Propylene Oxide	124	146.07	142	170.37
Propylene Glycol	5689	3508.72	5066	3775.92
Polyols	4052	3601.92	5777	5299.10
Isocyanates	839	1147.39	1349	2101.28
Others	2032	397.44	1967	412.71
Total		8801.54		11759.38

FINANCIAL RESULTS

(Rs. in lakhs)

	1997-98	1996-97
Profit before depreciation and interest	100.43	1411.59
Interest	331.55	481.23
Operating profit / (Loss)	(231.12)	930.36
Depreciation	548.15	544.57
Net Profit / (Loss) before tax	(779.27)	385.79

During the year under review the PO, PG and Polyol plants operated at 75%, 98% and 69% capacity utilisation levels. The reduction in capacity utilisation of Propylene Oxide and Polyol plants were due to several reasons outside the Company's direct control.

The year began with very low international prices, which could not be matched by us due to our higher costs of inputs. This brought down the sale of flexible polyols considerably. With international

prices rising towards end of September and the imposition of 3% additional customs duty, the situation improved and we have regained some of our customers during the second half of the year. As regard Propylene Glycol, we maintained the sales volume and improved it compared to the previous year.

Due to general recessionary trends, the systems market demand was also far below our expectations and cheaper imports from European countries affected sales.

All these resulted in a loss of Rs. 7.79 crores for the Company. Consequent to this, the Directors are not in a position to recommend a dividend.

FUTURE OUTLOOK

CFC-free formulations for both flexible and rigid grade polyols have been developed in-house and sales on a commercial scale are encouraging. The CFC-free flexible systems have been successful with almost all the major users and the products have been approved for incorporation in the products of the country's major motor car manufacturers.

Our R&D centre developed a new system, which will enable cost reduction for seat manufacturers. This system is under extensive trial and will soon be exploited commercially. The rigid grade polyol systems have been tested and approved for use by all major manufacturers of refrigerator panels, pipe sections and thermoware.

Our R&D has also developed a new pre-polymer based on polyesters and carried out trials for manufacture of shoe soles and cycle tyres. The results are encouraging and expected to yield commercial benefits in the current financial year.

NEW PRODUCTS

The plant to produce Propylene Glycol Mono Methyl Ether (PGMME) was commissioned and the performance of the plant and quality of the product is good. Commercial sales have already