

**MAHARASHTRA
POLYBUTENES
LIMITED**

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**15 TH
ANNUAL
REPORT
2003**

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BOARD OF DIRECTORS

L. K. Guglani *Managing Director*

S. P. Vohra *Director*

P. S. Sharma *Director*

V. B. Dalal *Director*

B. M. Raul *Company Secretary & Financial Controller*

BANKERS

State Bank of Travancore

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AUDITORS

Lodha & Company

REGISTERED OFFICE & WORKS

R-802, TTC Industrial Area
Thane Belapur Road
Navi Mumbai - 400 701.

REGISTRAR & TRANSFER AGENTS

Computronics Financial Service (I) Ltd.
Unit No. 53-56,
Electronic Sadan No. 1,
Shil Mahape Road, M.I.D.C., T.T.C.
Mahape, Navi Mumbai - 400 709

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MAHARASHTRA POLYBUTENES LIMITED

NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the members of Maharashtra Polybutenes Limited will be held on Wednesday, 25th August 2004 at 4.00 p.m. at the Rotary Club of New Bombay, Rotary Centre, Next to Sacred Heart Convent School, Sector-6, Vashi, Navi Mumbai 400703 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2003 together with Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Mr. P. S. Sharma who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification (s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. V. B. Dalal who was appointed as an Additional Director of the Company by the Board of Directors and who hold office upto the date of this Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 159 of the Articles of Association of the Company, and in respect of whom the Company has received notice in writing from a member of the Company expressing his intention of proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 311, 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government and other necessary approvals, if necessary, the company do hereby re-appoint Mr. L. K. Guglani as the Managing Director of the company for a further period of 3 years w.e.f. October 1, 2003 on the terms and conditions as set out in the Draft Agreement and on payment of a consolidated salary of Rs. 1,00,000/- p.m. effective October 1, 2003 AND THAT the Board of Directors of the Company be and is hereby authorised to alter, vary the terms of his appointment from time to time in such manner as may be agreed upon between the parties."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year during the tenure of the Managing Director, Mr. L. K. Guglani shall be paid the remuneration as minimum remuneration as set out in the draft agreement."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to enter into an agreement on behalf of the company with Mr. L. K. Guglani as Managing Director and to take such steps and do all such acts, deeds, matters and things as may be necessary, expedient or desirable to give effect to the aforesaid resolution."

6. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT subject to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Article No. 196(1) read as

"The Chairman of the Board shall be a nominee of Maharashtra Petrochemicals Limited and the Board shall elect from time to time one of its number to be the Vice-Chairman of the Board and the Board shall at the time of such nomination or election as the case may be determine the period for which each of them is to hold such office." be deleted and substituted by

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"The Board shall elect from time to time one of its member to be the Chairman of the Board, and may also elect from time to time one of its member to be the Vice-Chairman of the Board and the Board shall at the time of such election determine the period for which each of them to hold such office."

7. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with Stock Exchanges and the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, or any amendment or modification thereof, and subject to such other approvals, permissions and sanctions as may be necessary and such conditions and modifications as may be prescribed or imposed by any Authority while granting such approvals, permissions or sanctions which may be agreed to by the Board of Directors of the Company ('the Board') or any Committee / person (s) authorised by the Board, consent be and is hereby accorded to delist the Ordinary Shares of the Company from the Stock Exchange at Ahmedabad."

"RESOLVED FURTHER that authority be and is hereby accorded to the Board or any Committee / person (s) authorized by the Board, to settle all questions, difficulties or doubts that may arise in this regard and to do all such acts, deeds and things as may be necessary, expedient and desirable, for the purpose of giving effect to this Resolution."

By Order of the Board
For Maharashtra Polybutenes Ltd.

B. M. RAUL
Company Secretary

Dated : July 5, 2004

Registered Office :
R-802, TTC Industrial Area
Thane Belapur Road
Navi Mumbai - 400 701

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 AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under item Nos. 4 to 7 is annexed hereto.
3. The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the meeting.
4. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on all working days except Saturday and holidays upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 18th August 2004 to 25th August, 2004 (both days inclusive).
6. Members / Proxies who attend the meeting are requested to bring the enclosed attendance slip duly filled in and deliver the same at the entrance of the meeting hall.
7. Members are requested to bring their copies of Annual Report at the time of attending the Meeting.

MAHARASHTRA POLYBUTENES LIMITED

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 4 :

The Board of Directors of the Company has appointed Mr. V. B. Dalal as an additional Director in its Meeting held on October 31, 2003. In accordance with Section 260 of the Companies Act, 1956 and the Article 159 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting. Mr. V. B. Dalal is a practicing Chartered Accountant with varied experience. Mr. V. B. Dalal is a Member of the Audit Committee of the Directors of the Company. He is also a Director on the Board of Directors of Oxides and Specialities Ltd. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. V. B. Dalal as a candidate for the office of Director together with requisite deposit as required by law.

None of the Directors other than Mr. V. B. Dalal may be deemed to be concerned or interested in this resolution.

ITEM NO. 5 :

The term of Mr. L. K. Guglani as Managing Director (MD) expired on September 30, 2003. At the meeting of the Board of Directors held on October 31, 2003, he was reappointed as a MD effective October 1, 2003 for a further term of 3 years subject to approval of Central Govt. and other necessary approvals. At the meeting of the Board of Directors held on January 29, 2004 the Board approved a consolidated salary of Rs. 1,00,000/- p.m. to Mr. Guglani effective his date of re-appointment for the tenure to be paid till approval.

The draft of the agreement entered into between the Company and Mr. L. K. Guglani as MD contains interalia terms and conditions as to his remuneration. Mr. L. K. Guglani being Managing Director of another company Gujarat Carbon Industries Limited draws remuneration from that Company. The remuneration is approved by the Board in line with Schedule XIII to the Companies Act, 1956 and as per the Notification dated January 16, 02 of the Central Govt. Necessary application for approval of the Central Govt. to the re-appointment and payment of remuneration to Mr. L. K. Guglani is made to the Dept. of Company Affairs as per the requirements of revised Schedule XIII.

The resolution at item no. 5 is accordingly recommended for the approval of the members.

None of the Directors other than Mr. L. K. Guglani may be deemed to be concerned or interested in this resolution.

Information required to be disclosed in terms of Notification No. G.S.R. 36 (E) dated 16th January, 2002 issued by Government of India under the provisions of the Schedule XIII of the Companies Act, 1956 is as under :

I. General Information

- 1) Nature of industry :
Manufacture of Polybutenes (PIB)
- 2) Date of commencement of commercial production :
September, 1993
- 3) Export performance and net foreign exchange collaborations :
The Company was having a tolling arrangement with Indian Petrochemicals Corporation Limited (IPCL) / Reliance Industries Limited (RIL) till March 31, 2004 as per which marketing was handled by IPCL / RIL. There were no exports of PIB.
- 4) Foreign investments or collaborators, if any :
The project was set up in Technical Collaboration with FINA Technology Inc., USA. Now Company is on its own.

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II Information about the appointee :**i) Background details :**

Mr. L. K. Guglani is a Chemical Engineer by profession and MBA with over 28 years in the industry. Mr. L. K. Guglani presently holds the position of Managing Director of M/s. Gujarat Carbon Industries Limited (a Duncan Goenka Group Company) a widely held public limited company.

Mr. L. K. Guglani through his dynamic leadership has turned around Gujarat Carbon Industries Limited with various technical and financial initiatives.

ii) Past remuneration :

a) From 1-1-2000 to 31-03-2002 without remuneration.

b) From 1-04-2002 to 30-09-2003 salary of Rs. 40,000/- p.m. and performance incentive of Rs. 10,000/- p.m. for exceeding the actual production beyond the nameplate capacity of the PIB plant. During the period he was paid salary of Rs. 7.20 Lac and performance incentive of Rs. 0.90 Lac.

iii) Recognition or awards : —**iv) Job profile and his suitability :**

a) Management of the day to day affairs of the company subject to the superintendence, control and direction of the Board of Directors of the company.

b) Running of the plant of the company more effectively so as to increase the productivity and reduce the cost of production.

c) Efforts to get sanctioned the Rehabilitation proposal submitted to Board for Industrial and Financial Reconstruction (BIFR) and revival of the company.

d) Deal with financial institutions and make One Time Settlement (OTS) with UTI.

v) Remuneration proposed :

Consolidated salary of Rs. 1,00,000/- p.m.

vi) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person :

Details not available

vii) Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any.

As Managing Director of the Company.

III Other Information :**i) Reasons of loss or inadequate profits :**

Consistent loss from inception due to increasing cost of raw materials, high cost of servicing of term loans and other borrowings and inadequate demand for finished product.

ii) Steps taken for improvement :

The Company had made a toll conversion arrangement with Indian Petrochemicals Corporation Limited (IPCL) / Reliance Industries Limited (RIL) since November, 1999. As per the arrangement marketing was handled by IPCL / RIL. With minor modifications and better operating practices the plant has achieved higher capacity utilization against the name plate capacity. BIFR has since sanctioned Rehabilitation Scheme effective December 31, 2002.

The Company has so far paid Rs. 5.86 crores to Financial Institutions (FIs) / Bank. UTI has been fully settled under OTS.

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iii) Expected increase in productivity and profits in measurable terms :

The conversion contract with IPCL due for renewal in April 2004 is not yet renewed and the management is exploring other possibilities to restart the operations of the company. The company has already demonstrated its ability to consistently produce way above name plate capacity, with quality and efficiency. The company does not have the working capital arrangement to run independent operation and the future is entirely dependent on the possibility of tying up conversion contract with a feedstock supplier. In the eventuality of arrangement working out the productivity and profitability is assured with DRS approval.

ITEM NO. 6 :

As per Article no. 196(1) of the Articles of Association of the Company, the Chairman of the Board was required to be nominee of Maharashtra Petrochemicals Corporation Limited. Since Maharashtra Petrochemicals Corporation Limited has ceased to be a co-promoter, it is proposed to alter the Article no. 196(1) to authorize Board to elect its Chairman from time to time from one of its members. The alteration needs approval of members by special resolution.

The resolution at item no. 6 is accordingly recommended for the approval of the members.

None of the Directors may be deemed to be concerned or interested in the passing of this resolution.

ITEM NO. 7 :

The Ordinary Shares of Rs. 10/- each of your Company, commonly known as Equity Shares, are presently listed on the following Stock Exchanges in India.

- a. The Stock Exchange, Mumbai (BSE)
- b. The Stock Exchange, Ahmedabad (ASE)

Data on trading volumes indicates that the Company's shares, which are required to be compulsorily traded in the dematerialized form are not traded in material volumes at Stock Exchanges other than BSE. BSE account for major share of the traded volumes of the Company's shares and have extensive networking of trading terminals, which facilitates trading by Members / Investors across the country. The trading volumes in the Company's shares on ASE is insignificant. Continued listing on ASE neither serves the interest of the Members / Investors nor that of the Company.

The Board of Directors of your Company ("the Board") at its meeting held on 29th April, 2004, accordingly recommended for the approval of the Members, the proposal to voluntarily delist the Company's Shares from the Stock Exchange at Ahmedabad. The Company's shares will however continue to be listed on the BSE.

Delisting of the Company's shares from the aforesaid Stock Exchange would result on administrative convenience and saving in costs on account of listing fees, etc.

In accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, consent of the Members by way of a Special Resolution is required for voluntary delisting of the Company's shares from the aforesaid Stock Exchange.

The Board recommends this Special Resolution for your approval.

None of the Directors may be deemed to be concerned or interested in the passing of this Special Resolution.

By Order of the Board
For Maharashtra Polybutenes Limited

B. M. RAUL
Company Secretary

Dated : July 5, 2004

Registered Office :

R-802, TTC Industrial Area

Thane Belapur Road

Navi Mumbai - 400 701

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REPORT OF THE DIRECTORS

The Directors present herewith the Fifteenth Annual Report together with the Audited Accounts of the Company for the year ended December 31, 2003.

1. FINANCIAL RESULTS

	Year ended 31 st December, 2003 (12 months)	(Rs. in lacs) Period ended 31 st December, 2002 (17 months)
Conversion Charges	832.03	1272.22
Other Income	41.12	83.15
	<u>873.15</u>	<u>1355.37</u>
Profit/ (Loss) before depreciation	(134.01)	(1482.74)
Profit / (Loss) before prior period adjustments, exceptional items and taxation for the year/period	19.81	(1697.43)
Prior period adjustments	(13.89)	100.73
Exceptional items	4144.49	—
Profit/ (Loss) before taxation	4150.41	(1596.71)
Income tax adjustments for earlier years	—	(0.64)
Profit/ (Loss) after taxation	4150.41	(1597.35)
Profit/ (Loss) carried to the Balance Sheet	<u>(1905.91)</u>	<u>(6056.32)</u>

2. OPERATIONS :

During the year the capacity utilisation was 103% although the plant was not running for 4 months. The income from conversion charges during the period was Rs. 832.03 lacs against Rs. 1272.22 lacs in the previous period of 17 months.

The conversion contract with IPCL due for renewal in April, 04 is not renewed and the management is exploring other possibilities to restart the operations of the company. In the meantime the company has taken adequate steps to bring plant in safe condition, evacuate hydrocarbons and completely minimised establishment expenses with only a token manpower to ensure security and statutory company work.

In the event of the alternative arrangement not working out, the company faces the threat of liquidation / closure of company.

Lack of working capital does not enable the company to exercise the option of operating independently. However, in the joint meeting held with Financial Institutions (FIs) during June 2004 FIs have shown willingness to refer our case to Asset Reconstruction Company (India) Limited (ARCIL) for exploring necessary investment opportunities and working capital arrangement in the event of the alternative arrangement for job work does not crystallise. In the event ARCIL also does not evince interest, the lenders can takeover the assets under the SRFAESI Act.

3. STATUS ON REFERENCE TO BIFR :

The Honorable BIFR had circulated the Draft Rehabilitation Scheme (DRS) to all the secured lenders and concerned Govt. departments in July 2003. Thereafter a hearing was held before the Hon. BIFR Bench on 16th October, 2003 in which the Board had directed to sort out with UTI with upfront payment of 100% principal and 25% of the simple interest. Accordingly, an one time settlement was reached between UTI and the company with change in cut-off date to 30/9/2003 instead of 31/12/2002. The company has settled UTI dues as per BIFR directives. The matter has been reported to Hon. BIFR. In the meantime pending approval of DRS the company has paid to the Financial Institution and bank interest upto February 2004 and principal installments upto January 2004.

BIFR has vide its order dated May 11, 2004 sanctioned the Rehabilitation Scheme of the company. The audited accounts for the year ended December 31, 2003 approved by the Board of Directors on April 29, 2004 are recasted to give effect to the reliefs and concession granted by BIFR.

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4. PROMOTERS :

Maharashtra Petrochemicals Corporation Ltd., (MPCL) the Co-promoter of the company have transferred their share holding to "ISG Traders Ltd.," and hence ceased to be co-promoter of the company.

5. ACCOUNTS :

The accounts for the year have been prepared on the basis of "going concern" as the rehabilitation package for the Company's revival has been sanctioned by the BIFR and the Company is trying to tie-up for alternative conversion arrangement.

The accumulated losses amounting to Rs. 1529.42 lacs were adjusted against the revaluation reserves following legal advice.

As disclosed in the Accounting Policies and Notes to the Accounts, the technical know-how, and consultation fees will be accounted on cash basis.

Depreciation on Plant and Machinery has been provided on actual capacity utilisation basis since the deterioration in the span of actual life of Plant and Machinery would be lower to that extent.

The rest of the notes are self-explanatory.

6. PARTICULARS OF EMPLOYEES :

The provision of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended are not applicable to the Company as none of the employees throughout the year or employed for part of the year has received remuneration equal to or exceeding the limits prescribed in the said section.

7. THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

Particulars under Section 217(1)(e) of the Companies Act, 1956 relating to the conservation of energy, technology absorption, foreign exchange earnings and outgo are annexed.

8. DIRECTORS

Mr. V. B. Dalal was appointed as an Additional Director of the company on October 31, 2003. The company has received notice in writing from a member pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director.

Ms. Sharwaree Gokhale Nominee Director of Maharashtra Petrochemicals Corporation Limited (MPCL) and also Chairperson of the Company has resigned from the Board in view of MPCL ceasing to be the co-promoter.

Mr. A. D. Mahajan and Mr. A. D. Joshi who had been associated with the company as nominee of MPCL have ceased to be Directors on withdrawal of nomination by MPCL.

The Board wish to place on record its sincere appreciation for the valuable contribution made by Ms. Sharwaree Gokhale, Mr. A. D. Mahajan and Mr. A. D. Joshi during their tenure as a Directors of the company.

The Board of Directors at its meeting held on October 31, 2003 has re-appointed Mr. L. K. Guglani as Managing Director for a further term of 3 years w.e.f. 1st October 2003 and has approved payment of remuneration to Mr. L. K. Guglani, Managing Director of the company in the meeting held on January 29, 2004 effective date of reappointment subject to the approval of members of the company at their next Annual General Meeting and approval of Statutory Authorities as may be deemed necessary as per resolution recommended for the approval at the ensuing Annual General Meeting.

Mr. P. S. Sharma, Director, retires by rotation and being eligible offers himself for re-appointment at the forthcoming Annual General Meeting.

9. FIXED DEPOSITS :

During the year under review, the Company has not accepted any deposits from the public pursuant to Section 58-A of the Companies Act, 1956.

10. THE CORPORATE GOVERNANCE CODE :

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a compliance report on Corporate Governance is annexed as part of the Annual Report.

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11. DEMATERIALISATION OF SHARES :

In terms of the notification issued by the Securities and Exchange Board of India (SEBI) the Company has dematerialised its shares with both the depositories CDSL and NSDL.

12. DIRECTOR'S RESPONSIBILITY STATEMENT :

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956 the Board of Directors of the Company hereby state and confirm that:

- i) in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/loss of the Company for that period;
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The Directors had prepared the annual accounts on a going concern basis.

13. AUDITORS :

The Auditors, M/s Lodha & Company, Chartered Accountants, Mumbai retire at the ensuing Annual General Meeting and are eligible for re-appointment. The members are requested to appoint Auditors for the current year and fix their remuneration.

14. ACKNOWLEDGEMENTS :

The Directors acknowledge with gratitude and place on record their appreciation of the support and co-operation received by the Company from Financial Institutions, Maharashtra Petrochemicals Corp. Ltd., Banks and Duncans Industries Ltd.

The Directors further acknowledge the support and co-operation from its Personnel, Contractors and Suppliers.

For and on behalf of the
Board of Directors

Place: Mumbai

Dated : July 5, 2004

Registered Office & Works :

R-802, TTC Industrial Area

Thane Belapur Road

Navi Mumbai - 400 701

L. K. GUGLANI

Managing Director

S. P. VOHRA

Director

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2003.

A. CONSERVATION OF ENERGY :

- (a) Energy Conservation Measures taken :
 - i) Waste streams were incinerated and the heat was recovered as fuel equivalent.
 - ii) Electricity consumption was brought down through planned production and judicious usage of equipments.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy : Not Envisaged.
- (c) Impact of energy conservation measures :
Specific energy consumption of fuel oil per ton of steam generated and electricity consumption had come down due to measures adopted in A(a) (i) and (ii) above.
- (d) Total energy consumption per unit of production : As per Form A.