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18TH ANNUAL REPORT 1996-97

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MARDIA CHEMICALS LIMITED

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I welcome you to the Eighteenth Annual General Meeting of your Company which is being held in the Golden Jubilee year of the Independence of our country.

The year had been a year without any resemblance of the past and saw three premiers, an indication of political and economic uncertainty. Confusing and conflicting policy statements coupled with high interest rates resulted into slow down of the economy.

Chemicals and dyes industry in general and your company in particular had also been affected by these uncertain conditions. The woes of dyes and dye stuff industry goes beyond the rise in input cost and high interest burden. Most of the units have to deal with the ecological issue, which at times is mis-interpreted by the media. The ban of government on azo dyes looks like an extension of the German ban. The haphazard growth of small scale industries over the years, have resulted into problems of quality and the current production capacity in the country far exceeds the demand.

The opening of the economy by reducing the import duties have also adversely affected the industry. The Indian industry is made to compete against the dumping of dyes and chemicals resorted by non WTO countries. Incidentally imports by the users are free from sales tax whereas Indian industry has to bear the burden on sales tax. Thus the rules of the game are not even. It is high time that the government considers restoration of level playing field neutralising the incentives received by the foreign exports in their countries, so that Indian Industry is not put at a disadvantage.

During the year your company also faced serious difficulties on account of very heavy cyclone coupled with torrential rain on 18th and 19th June, '96. On public interest litigation the Mardianagar unit of the Company was closed by the order of Sub Divisional Magistrate, Limbdi by its order dated 8th July, '96 and the same was confirmed by the Hon'ble High Court by its ad-interim order dated 11th July, '96. After long litigation the Hon'ble High Court passed an interim order in November, '96 confirming its ad-interim order of closure of the plants. Against this order the company filed a special leave petition in the Hon'ble Supreme Court of India. The Hon'ble Supreme Court directed Joint Inspection Team consisting of NEERI and CPCB to submit their report. After submission of reports by this team, Hon'ble Supreme Court, vide its order dated 13th January, '97, stayed the order of the Hon'ble High Court and allowed the company to re-start all the plants and since then majority of the plants are in operation. A continuous monitoring is being done by the CPCB and GPCB and they have submitted their various reports to the Hon'ble Supreme Court confirming that the company has got adequate facility to check the pollution and is Zero Discharge Company.

Recently, some of the news papers have published totally false & fabricated news against your company about pollution. We reiterate the statement that the company is zero discharge company and the industrial effluents generated by the company are either reused or incinerated.

The Vatva plant is under lock out because of violence by the workers and staff members of the plant. Looking to the safety of the plant and the surrounding people, the management of the company had no other option but to declare the lock out in the larger interest of the public. Once the normalcy restores and false cases filed against the management are withdrawn, the management is willing to re-start the plant.

It's a matter of pleasure to place on record that inspite of the long closure of over six months, the managers, staff members and workers at head office & Mardianagar continued with hard work and utmost sincerity and put in their best efforts to upgrade the various facilities in the plant as a result of which the company could start the production in the majority of the plants at Mardianagar and production in the remaining plants is also expected to commence soon.

Your company has installed Caustic Soda Plant of 343 TPD capacity in the month of June, 1997 and I am of great hope that the plant will be fully commissioned at its rated capacity for the commercial production during the current financial year.

I am happy to inform you that inspite of your company made a huge losses due to closure, the banks and financial institutions have been very considerate and have sanctioned the necessary loan required by the company to re-start the production facilities and complete the ongoing balance projects.

In the field of marketing also, inspite of closure for a period of over six months, the customers all around the world understood our difficulties and maintained confidence in your company at the crucial time, for which I express my gratitude to all of them on your behalf. Before I conclude, I take this opportunity to thank the shareholders, debentureholders, financial institutions, banks, and all our valued customers and suppliers for their whole-hearted continuous support. I also sincerely acknowledge the hardwork and sincerity put in by the employees who has risen to meet the challenges.

R. S. MARDIA

Chairman & Managing Director

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CHEMICALS LIMITED

BOARD OF DIRECTORS

Shri Rasiklal S. Mardia
 Shri Rakesh S. Mardia
 Shri A. N. Aggarwal
 Shri Satish P. Mardia
 Shri R. M. Desai
 Shri V. N. Nadkarni
 Shri M. M. Singhi
 Shri Rajeev S. Mardia

Chairman & Managing Director
Vice Chairman & Jt. Managing Director
Resident Director
Whole Time Director
Nominee Director, ICICI
Director
Director
Director

COMPANY SECRETARY

Shri Lalit M. Patel

AUDITORS

M/s. Mehta Lodha & Co.
 Chartered Accountants

LEGAL ADVISORS

M/s. Singhi & Co.
 Advocates & Notary

BANKERS

Bank of Baroda
 Union Bank of India
 Bank of India
 The British Bank of the Middle East
 Corporation Bank

REGISTERED OFFICE

'Mardia Plaza', 7th Floor, C. G. Road,
 Panchwati, Ahmedabad - 380 006.

PLANTS

- 468, G.I.D.C. Estate, Phase - II,
 Vatva, Ahmedabad - 382 445.
- Mardianagar, Tal. Sayla,
 Dist. Surendranagar, Gujarat.

MUMBAI OFFICE

15, Poddar Chambers, Ground Floor,
 Store Lane, Fort, Mumbai - 400 001.

18th ANNUAL GENERAL MEETING

Date : 26th September, 1997
 Day : Friday
 Time : 10.00 A.M.
 Place : Bhaikaka Hall,
 Bhaikaka Bhavan,
 Nr. Law Garden,
 Ahmedabad - 380 006.

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MARDIA CHEMICALS LIMITED**NOTICE**

NOTICE is hereby given that the Eighteenth Annual General Meeting of **MARDIA CHEMICALS LIMITED** will be held at Bhaikaka Hall, Bhaikaka Bhavan, Nr. Law Garden, Ahmedabad - 380 006 on Friday, the 26th September, 1997 at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 1997, the audited Balance Sheet as at that date togetherwith the Directors' and Auditors' reports thereon.
2. To appoint a Director in place of Mr. V. N. Nadkarni who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Rajeev S. Mardia who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

To consider and, if thought fit, to pass with or without modifications the following resolutions :

5. As a Special Resolution :

"RESOLVED THAT pursuant to Section 81 (IA) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of all other concerned authorities, if and to the extent necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to us 'the Board') to offer/issue/ allot at par or at premium 2,50,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 25 Crores (Rupees Twenty Five Crores Only) to the Financial Institutions and Banks on a Private Placement basis (which shall not in any case exceed 20% of the loan amount sanctioned/to be sanctioned by them) whether they are holder of Equity Shares of the Company or not, in one or more tranches, in the manner and on the terms and conditions as may be deemed fit by the Board or as may be prescribed in granting the approvals by the Appropriate Authorities which the Board may at its absolute discretion consider proper or expedient."

"RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid Resolution, the Board of Directors of the Company be and is hereby authorised to agree and to make such modifications and alterations from time to time as it deems fit and to take all steps as it may deem necessary, desirable or expedient and to resolve all questions of doubt and to do all act, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion shall deem fit to give effect to the aforesaid resolution."

6. As an Ordinary Resolution :

"RESOLVED THAT Shri Satish P. Mardia who was appointed as an Additional Director w.e.f. 1st March, 1997 under Section 260 of the Companies Act, 1956 and who holds office till the conclusion of this meeting and in respect of whom the company has received a notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company."

"RESOLVED FURTHER THAT Shri Satish P. Mardia would be liable to retire by rotation".

7. As an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, consent of the Company be and is hereby accorded, to the appointment of Shri Satish P. Mardia as Whole Time Director of the Company for a period of five years commencing from 1st March, 1997 on a remuneration and upon the terms, provisions and conditions contained in the draft agreement of appointment to be entered into with him (which is submitted to this meeting and initialed by the Chairman of this meeting for the purpose of identification) which draft agreement be and is hereby specifically approved with power to the Board of Directors to alter and vary the terms and conditions of the said agreement without increasing the remuneration mentioned therein and in such manner as may be agreed to between the Board of Directors and acceptable to Shri Satish P. Mardia, Whole Time Director."

ANNUAL REPORT 1996-97**mardia****8. As an Ordinary Resolution :**

"RESOLVED THAT Shri Amarnath Aggarwal who was appointed as an Additional Director w.e.f. 1st May, 1997 under Section 260 of the Companies Act, 1956 and who holds office till the conclusion of this meeting and in respect of whom the company has received a notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company."

"RESOLVED FURTHER THAT Shri Amarnath Aggarwal would be liable to retire by rotation".

9. As an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, consent of the Company be and is hereby accorded, to the appointment of Shri Amarnath Aggarwal as Resident Director of the Company for a period of five years commencing from 1st May, 1997 on the remuneration and upon the terms, provisions and conditions contained in the draft agreement of appointment to be entered into with him (which is submitted to this meeting and initiated by the Chairman of this meeting for the purpose of identification) which draft agreement be and is hereby specifically approved with power to the Board of Directors to alter and vary the terms and conditions of the said agreement without increasing the remuneration mentioned therein and in such manner as may be agreed to between the Board of Directors and acceptable to Shri Amarnath Aggarwal, Resident Director."

10. As a Special Resolution :

"RESOLVED THAT Pursuant to the provisions of Section 17 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the confirmation by the Company Law Board and also subject to such other approvals as may be necessary the Registered Office of the Company be shifted from "MARDIA PLAZA", 7TH FLOOR, NR. ASSOCIATED PETROL PUMP, C. G. ROAD, PANCHWATI, AHMEDABAD - 380 006 (GUJARAT) to 15, PODDAR CHAMBERS, GROUND FLOOR, STORE LANE, FORT, MUMBAI - 400 001 (MAHARASHTRA)."

"RESOLVED FURTHER THAT pursuant to the provisions of Section 16 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Clause II of the Memorandum of Association be substituted by the following new clause.

'II. The Registered Office of the Company will be situated in the State of Maharashtra.'

"RESOLVED FURTHER THAT on the aforesaid resolution becoming effective, the new address of registered office be mentioned in all its business letters, bills, letter heads, papers, notices and other publications of the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, things and matters and to give instructions, provide authority to the officers of the Company as may be necessary to give effect to the aforesaid resolution."

11. As a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 370 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) and subject to the approval of the Central Government, if any, and any other approval as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to :

- a. To make from time to time any loan or loans to any body or bodies corporate, whether or not under the same management as the company notwithstanding that making of such loan/loans may exceed the limit prescribed under section 370 of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force); provided that the aggregate of all the loans made and/or to be made to all bodies corporate shall not, at any time, exceed Rs. 200 crores.
- b. To give from time to time any guarantee(s) and/or provide any security, in connection with any loan(s) made by any other person to, or to any other person(s) by any bodies corporate whether or not under the same management as the company. Provided that the aggregate of guarantees so given, or securities provided shall not, at any time, exceed Rs. 200 crores.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to determine the total

MARDIA CHEMICALS LIMITED

amount upto which loans can be made/granted or guarantee(s) can be given and to decide all or any other matter as may be required in this regard and to do all such acts and things as may be necessary to implement this resolution."

12. As a Special Resolution :

"RESOLVED THAT the consent of the company be and is hereby accorded to the Board of Directors of the Company to get the equity shares of the Company delisted from The Vadodara Stock Exchange Ltd., The Delhi Stock Exchange Association Ltd. and The Calcutta Stock Exchange Association Ltd."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, things and matters and to give instructions, provide authority to the officers of the Company as may be necessary to give effect to the aforesaid resolution."

Registered Office :

'MARDIA PLAZA', 7th Floor, C. G. Road,
Panchwati, AHMEDABAD - 380 006.

By order of the Board

Place: AHMEDABAD

(LALIT M. PATEL)

Date : 16th August, 1997.

Company Secretary

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 PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the aforesaid special business is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 16th September, 1997 to Friday, the 26th September, 1997 (both days inclusive).
4. Regarding unclaimed dividends :-
 - a) Pursuant to the provision of Section 205A of the Companies Act, 1956, all unclaimed dividends upto and inclusive of financial year 1992-93 have been transferred to General Revenue Account of the Central Government. The dividend so transferred can be claimed by the members from the Registrar of the Companies, Gujarat, Dadra & Nagar Haveli, Jivabhai Chambers, Ashram Road, Ahmedabad, on submission of claim in the prescribed form.
 - b). The Dividend Warrants dated 18th October, 1994 being dividend for the year 1993-94 remaining unclaimed are due to be transferred to the General revenue Account of the Central Government on or after 18th October, 1997.
5. Members are requested to notify immediately change of address, if any, quoting their folio number.

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

The following Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, set out all material facts relating to the business mentioned in the accompanying Notice dated the 16th August, 1997.

Item No. 5 :

At the request of the company to finance a part of the cost overrun of the various projects undertaken by the company at Mardianagar unit of the company, the Financial Institutions and Banks have agreed to provide to the company the financial assistance to the tune of Rs. 100.31 Crores (Rupees One Hundred Crore Thirty One Lacs Only) subject to one of the condition that the company shall vest in them the option to convert 20 % of the loan amount into fully paid equity shares of the company at par or at premium at any time during the currency of the loan.

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Section 81 of the Companies Act, 1956 provides, inter alia, that when it is proposed to increase the subscribed Capital of the Company by allotment of further shares, such further shares shall be offered to the existing members of the Company unless the members in a General Meeting decide otherwise by a Special Resolution.

The Board recommends the resolution for approval of the Members.

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

Item No. 6 :

Shri Satish P. Mardia was appointed as an Additional Director at the meeting of the Board of Directors held on 1st March 1997. By virtue of provisions of Section 260 of the Companies Act, 1956, Shri Satish Mardia is holding office as Director only upto the date of this Annual General Meeting. Notice in writing has been received from a member of the Company under Section 257 of the Companies Act, 1956 signifying his intention to propose Shri Satish Mardia as a candidate for the office of Director. Shri Satish Mardia has around 9 years of Industrial experience.

The resolution for his appointment as a Director liable to retire by rotation is recommended to the members for approval.

Except Shri Satish Mardia, none of the Directors is concerned or interested in any way in the said resolution.

Item No. 7 :

The Board of Directors, recommend the appointment of Shri Satish P. Mardia as a Whole Time Director of the Company for a term of five years w.e.f. 1st March, 1997, in accordance with Schedule XIII read with Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 on the terms and conditions set out in the draft agreement for appointment as follow ;

Salary : Rs. 4,00,000/- per annum.

Period : Five years w.e.f. 1st March, 1997.

Perquisites : Perquisites payable are as under ;

- (a) Contribution to provident fund, superannuation fund or annuity fund to the extent either singly or put together are not taxable under the Income Tax Act, 1961.
- (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- (c) Encashment of leave at the end of tenure.
- (d) Children's education allowance in case of children studying in or outside India, an allowance limited to a maximum of Rs. 5000/- per month per child or actual expenses incurred, whichever is less. Such allowance is admissible upto a maximum of two children.
- (e) Holiday passage for children studying outside city limits of residence of appointee or outside India, return holiday passage once in a year to children from the place of their study to the place of residence of the appointee.
- (f) Leave travel concession:- Return passage for self and family in accordance with the rules specified by the company.
- (g) (i) The expenditure by the company on hiring unfurnished accommodation will be subject to ceiling of 60% of salary over and above 10% payable by the appointee.
(ii) If the accommodation is owned by the company, 10% of the salary of the appointee shall be deducted by the company.
(iii) If no accommodation is provided by the company, the appointee shall be entitled to house rent subject to a ceiling mentioned in (g) (i) above.

Explanation : The expenditure incurred by company on gas, electricity, water and furnishing shall be valued as per the Income-Tax Rules, 1962. This shall, however, be subject to a ceiling of 10% of the salary of the appointee.

- (h) Medical reimbursement for self and his family will be reimbursed in accordance with the rules specified by the Company.
- (i) Club fees subject to a maximum of two clubs excluding admission and life membership.
- (j) Personal accident insurance, premium not to exceed Rs. 20,000/- per year.
- (k) Provision of car for use on company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the individual appointee concerned.

Draft of agreement for appointment to be executed between the company and Shri Satish P. Mardia, is available for inspection by members of the company at its registered office between 10.00 a.m. and 12.00 noon on any working day of the company till the Annual General Meeting.

MARDIA CHEMICALS LIMITED

This may be treated as an abstract under Section 302 of the Act, of the terms of appointment of the Whole Time Director w.e.f. 1st March, 1997.

The resolution for appointment of Shri Satish P. Mardia as a Whole Time Director is recommended to the members for approval.

Shri Satsih P. Mardia, may be concerned or interested in the aforesaid resolution to the extent remuneration payable to him. Except him no other directors of the Company is concerned or interested in the resolution.

Item No. 8 :

Shri Amarnath Aggarwal was appointed as an Additional Director at the meeting of the Board of Directors held on 29th May, 1997. By virtue of provisions of Section 260 of the Companies Act, 1956, Shri Amarnath Aggarwal is holding office as director only upto the date of this Annual General Meeting. Notice in writing has been received from a member of the Company under Section 257 of the Companies Act, 1956 signifying his intention to propose Shri Amarnath Aggarwal as a candidate for the office of Director. Shri Amarnath Aggarwal has a very sound background with around 35 years of Industrial experience with companies like GNFC, GSFC, NCPL, NFL etc.

The resolution for his appointment as a Director liable to retire by rotation is recommended to the members for approval.

Except Shri Amarnath Aggarwal, none of the Directors is concerned or interested in any way in the said resolution.

Item No. 9 :

The Board of Directors, recommend the appointment of Shri Amarnath Aggarwal as Resident Director of the Company for a term of five years w.e.f. 1st May, 1997, in accordance with Schedule XIII read with Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 on the terms and conditions set out in the draft agreement for appointment as follows:

Salary : Rs. 5,00,000/- per annum.

Period : Five years w.e.f. 1st May, 1997.

Perquisites : Perquisites payable are as under ;

- (a) Contribution to provident fund, superannuation fund or annuity fund to the extent either singly or put together are not taxable under the Income Tax Act, 1961.
- (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- (c) Encashment of leave at the end of tenure.
- (d) Children's education allowance in case of children studying in or outside India, an allowance limited to a maximum of Rs.5000/- per month per child or actual expenses incurred, whichever is less. Such allowance is admissible upto a maximum of two children.
- (e) Holiday passage for children studying outside city limits of residence of appointee or outside India, return holiday passage once in a year to children from the place of their study to the place of residence of the appointee.
- (f) Leave travel concession:- Return passage for self and family in accordance with the rules specified by the company.
- (g) (i) The expenditure by the company on hiring unfurnished accommodation will be subject to ceiling of 60% of salary over and above 10% payable by the appointee.
(ii) If the accommodation is owned by the company, 10% of the salary of the appointee shall be deducted by the company.
(iii) If no accommodation is provided by the company, the appointee shall be entitled to house rent subject to a ceiling mentioned in (g) (i) above.

Explanation : The expenditure incurred by company on gas, electricity, water and furnishing shall be valued as per the Income-Tax Rules, 1962. This shall, however, be subject to a ceiling of 10% of the salary of the appointee.

- (h) Medical reimbursement for self and his family will be reimbursed in accordance with the rules specified by the Company.
- (i) Club fees subject to a maximum of two clubs excluding admission and life membership.
- (j) Personal accident insurance, premium not to exceed Rs.20,000/- per year.
- (k) Provision of car for use on company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the individual appointee concerned.