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# 19<sup>TH</sup> ANNUAL REPORT 1997-98

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# mardia

**MARDIA CHEMICALS LIMITED**

**CERTIFIED TRUE COPY**

FOR, MARDIA CHEMICALS LIMITED

*Sudhakar*  
COMPANY SECRETARY



# mardia

## CHEMICALS LIMITED

### BOARD OF DIRECTORS

**Shri Rasiklal S. Mardia**

*Chairman & Managing Director*

**Shri Rakesh S. Mardia**

*Vice Chairman & Jt. Managing Director*

**Shri A. N. Aggarwal**

*Resident Director*

**Shri Satish P. Mardia**

*Whole Time Director*

**Shri V. N. Nadkarni**

*Director*

**Shri M. M. Singhi**

*Director*

**Shri Rajeev S. Mardia**

*Director*

**Smt. Rita Vasan**

*Nominee Director, I.C.I.C.I.*

**Shri Kumar S. De**

*Nominee Director, L.I.C.*

### COMPANY SECRETARY

**Shri S. K. Shah**

### AUDITORS

**M/s. Mehta Lodha & Co.**

Chartered Accountants

### 19th ANNUAL GENERAL MEETING

**Date : 29th July, 1998**

**Day : Wednesday**

**Time : 10.00 A.M.**

**Place : Bhaikaka Hall,  
Bhaikaka Bhavan,  
Nr. Law Garden,  
Ahmedabad - 380 006.**

### 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.

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**MARDIA CHEMICALS LIMITED****NOTICE**

NOTICE is hereby given that the Nineteenth Annual General Meeting of **MARDIA CHEMICALS LIMITED** will be held at Bhaik Hall, Bhaikaka Bhavan, Nr. Law Garden, Ahmedabad - 380 006 on Wednesday the 29th day of July, 1998 at 10.00 A.M. to transact following business:

**ORDINARY BUSINESS ;**

1. To receive, consider, approve and adopt the audited Profit and Loss Account for the year ended 31st March, 1998, the audited Balance Sheet as at that date and the Directors' and Auditors' reports thereon.
2. To appoint a Director in place of Mr. M. M. Singhi who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Satish P. Mardia who retires by rotation, and being eligible, offers himself for reappointment.
4. To reappoint Auditors of the Company and to fix their remuneration.

**SPECIAL BUSINESS :**

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

5. 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, an approval of the Company be and is hereby accorded, subject to the approval of the Central Government, if necessary, to the re-appointment for a period of Three years commencing from April, 1998 of Shri Rasiklal S. Mardia as Chairman and Managing Director of the Company on the remuneration and upon the terms, provisions and conditions contained in the agreement of re-appointment entered into with him which 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 Central Government and the Directors and acceptable to Shri Rasiklal S. Mardia, Chairman and Managing Director."

6. 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, an approval of the Company be and is hereby accorded, subject to the approval of the Central Government, if necessary, to the re-appointment for a period of Three years commencing from April, 1998 of Shri Rakesh S. Mardia as Vice Chairman and Joint Managing Director of the Company on the remuneration and upon the terms, provisions and conditions contained in the agreement of re-appointment entered into with him which 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 Central Government and the Directors and acceptable to Shri Rakesh S. Mardia, Vice Chairman and Joint Managing Director."

7. 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 equity shares of the Company delisted from The Madras Stock Exchange."

**"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.**

**DATE : 28th May, 1998.**

**PLACE : AHMEDABAD**

**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, ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday the 16th July, 1998 to Wednesday the 29th July, 1998. (Both days inclusive).

3. Members are requested to notify immediately any change of address, if any.

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 1993-94 have been transferred to General Revenue Account of the Central Government. The dividend so transferred be claimed by the members from the Registrar of the Companies, Gujarat, Dadra & Nagar Haveli, ROC Bhavan, Opp. Ru Park, Nr. Ankur Bus-stop, Naranpura, Ahmedabad- 380 013, Gujarat, on submission of claim in the prescribed form.

- b) The Dividend Warrants dated 9th November, 1995 being dividend for the year 1994-95 remaining unclaimed are due to be transferred to the Central Government Account on or after 16th November, 1998.

**BY ORDER OF THE BOARD OF DIRECTORS**

**(S.K.SHAH)**

**COMPANY SECRETARY**

**ANNUAL REPORT 1997-98****mardia****DECLARATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.****ITEM NO. 5 :**

The present term of appointment of Shri Rasiklal S. Mardia expires on 31st March, 1998. During the tenure of his office as Chairman and Managing Director, the Company has achieved considerable progress and profitability due to the efficient manner in which the affairs of the company have been conducted. The Board of Directors is of the opinion that he is fit and proper person and it is in the interest of the company that he should continue as the Chairman and Managing Director of the Company.

The Board of Directors, therefore recommend the re-appointment of Shri Rasiklal S. Mardia as Chairman and Managing Director of the company for a further term of Three years commencing from 01.04.98, in accordance with Schedule XIII read with Sections 269/198/309 of the Companies Act, 1956 and/or subject to the approval of the Central Government, if necessary, on following terms & conditions :

**Salary** : Rs.80,000/- per month.

**Period** : Three years from 01.04.98 (period of contract of Appointment).

**Perquisites** : Perquisites payable are as under.

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.

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

Encashment of leave at the end of tenure.

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.

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.

Leave travel concession:- Return passage for self and family in accordance with the rules specified by the company.

(1) The expenditure by the company on hiring unfurnished accommodation will be subject to ceiling of 50% of salary over and above 10% payable by him.

(2) If the accommodation is owned by the company, 10% of the salary of the Whole Time Director shall be deducted by the company.

(3) If no accommodation is provided by the company, the Whole Time Director shall be entitled to house rent subject to a ceiling mentioned in (g) of (1) above.

Explanation :- The expenditure incurred by companies 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.

Medical reimbursement for self and his family will be reimbursed by the Company.

Club fees subject to a maximum of two clubs excluding admission and life membership.

Personal accident insurance, premium not to exceed Rs.20,000/- per year.

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.

Other terms and conditions of the re-appointment contained in the agreement executed on 01.01.97 will remain unchanged.

A copy of Agreement for re-appointment executed between the Company and Shri Rasiklal S. 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.

It may be treated as an abstract under Section 302 of the Act, for the terms of re-appointment of the Chairman and Managing Director w.e.f. 04.98.

Shri Rasiklal S. Mardia and his two relatives Shri Rakesh S. Mardia, Vice Chairman and Joint Managing Director and Shri Rajeev S. Mardia, Director of the company may be considered or interested in the aforesaid resolution. Except them no other directors of the company is considered or interested in the resolution.

**ITEM NO. 6 :**

The present term of appointment of Shri Rakesh S. Mardia expires on 31st March, 1998. During the tenure of his office as Vice Chairman and Joint Managing Director, the Company has achieved considerable progress and profitability due to the efficient manner in which the affairs of the company have been conducted. The Board of Directors is of the opinion that he is fit and proper person and it is in the interest of the company that he should continue as the Vice Chairman and Joint Managing Director of the Company.

The Board of Directors, therefore recommend the re-appointment of Shri Rakesh S. Mardia as Vice Chairman and Joint Managing Director of the Company for a further term of Three years commencing from 01.04.98, in accordance with Schedule XIII read with Sections 269/198/309 of the Companies Act, 1956 and/or subject to the approval of the Central Government, if necessary, on the following terms & conditions :

**Salary** : Rs.60,000/- per month.

**Period** : Three years from 1.4.98 (period of contract of appointment).

**Perquisites** : Perquisites payable are as under.

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.

**MARDIA CHEMICALS LIMITED**

(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/- 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 or 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) (1) The expenditure by the company on hiring unfurnished accommodation will be subject to ceiling of 60% of salary over and above 10% payable by him.

(2) If the accommodation is owned by the company, 10% of the salary of the Vice Chairman and Joint Managing Director shall be deducted by the company.

(3) If no accommodation is provided by the company, the Vice Chairman and Joint Managing Director shall be entitled to house rent subject to a ceiling mentioned in (g) of (1) above.

Explanation :- The expenditure incurred by companies 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 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.

The other terms and conditions of the re-appointment contained in the agreement executed on 01.01.97 has remained unchanged.

Copy of Agreement for re-appointment executed between the Company and Shri Rakesh S. 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.

This may be treated as an abstract under Section 302 of the Act, for the terms of re-appointment of the Vice Chairman and Joint Managing Director w.e.f. 01.04.98.

Shri Rakesh S. Mardia and his two relatives Shri Rasiklal S. Mardia, Chairman and Managing Director and Shri Rajeev S. Mardia, Director of the company may be considered or interested in the aforesaid resolution. Except them no other directors of the Company are considered or interested in the resolution.

**Item No. 7 :**

The equity shares of the Company are presently listed at three Stock Exchanges over and above the Ahmedabad Stock Exchange, Regional Stock Exchange. The other three Stock Exchanges where the share of the company listed are Bombay, Madras, and National Stock Exchange. It is observed that the trading volume on Madras Stock Exchange is almost nil or very thin for last three years. In view of the same it is proposed to delist the trading of equity shares from this Stock Exchange. After delisting of equity shares from this Stock Exchange, Company's equity shares will still continue to be listed and traded on Ahmedabad, Mumbai, National Stock Exchanges giving sufficient liquidity for trading.

The Board recommend the resolution for your approval.

None of the Directors is in any way concerned or interested in the said resolution.

**REGISTERED OFFICE :**

**BY ORDER OF THE BOARD OF DIRECTORS**

**"MARDIA PLAZA", 7TH FLOOR,**

**C. G. ROAD, PANCHWATI, AHMEDABAD - 380 006.**

**( S.K.SHAIKH )**

**DATE : 28TH MAY, 1998.**

**COMPANY SECRETARY**

**PLACE : AHMEDABAD**

**ANNUAL REPORT 1997-98****mardia****DIRECTORS' REPORT**

Dear Shareholders,

Your directors present the Nineteenth Annual Report of your Company together with the audited statement of accounts for the year ended 31st March, 1998.

**FINANCIAL RESULTS :**

	<b>(Rupees in Lakhs)</b>	
	<b>1996 - 1997</b>	<b>1997 - 1998</b>
<b>TOTAL INCOME</b>	<b>16038.89</b>	<b>19165.90</b>
<b>GROSS PROFIT/(LOSS)</b>	<b>(1331.32)</b>	<b>3805.09</b>
<b>INTEREST</b>	<b>4339.12</b>	<b>3750.99</b>
<b>DEPRECIATION</b>	<b>1395.68</b>	<b>1454.32</b>
<b>NET PROFIT/ (LOSS)</b>	<b>(7066.12)</b>	<b>(1400.22)</b>
<b>TRANSFER FROM/TO RESERVES</b>	<b>(4959.77)</b>	<b>(1053.55)</b>

**DIVIDEND :** In view of losses during the year under review, your Directors express their inability to recommend any dividend for the year 1997-98.

**OPERATIONS :**

The operations of the Company were affected due to closure of its Mardianagar Unit for more than half of the year in 1996-97 coupled with general squeeze of margins in industry, additional interest burden and steep rise in the power expenses mainly due to increase in power tariff which resulted into a Net Loss of Rs.14.00 Crores against the Net Loss of Rs. 70.66 Crores for the previous year during which period the plant was closed for 8 months. The operations of the company were seriously affected because of delay in re-starting the plants after a long closure of around 8 months as a result of heavy corrosion in the machineries which was to be repaired / replaced. This also involved a substantial amount of expenditure to put our plant on operations. Although majority of the plants have been restarted, but some additional investment is required to restart some of other production activity and for which work is in progress. The closure of the plant also led to loss of morale of workers and staff at all level and hence during the restarting operation of the plant, all involved were extra cautious and sensitive in response of the past experience took much longer time to restabilize various plants. Beside, many technical people and senior executives including skilled operators, left the company during the closure period. It took time to recruit and train new personnel to take the charge of the plant at various level and still it may take few more months to instill confidence at all levels keeping in view of the fact that ours is a chemical plant for which safety is the most important factor. Human resources are the most important resources for any successful organisation and till we succeed to develop the same in time, it will be very difficult for the company to achieve its targeted goals. At all levels efforts are being made towards this objective and the Company has recruited senior / technical persons to look after the day-to-day affairs and as a result of these steps the Company has started showing an improving trend. The Company has taken up steps to strengthen management set-up by appointing Senior Executives including Resident Director, Executive Director (Production), Director (Finance) & Director (Marketing.)

Vatva Plant of the Company remained closed because of the labor unrest and till date plant is closed. Therefore, there was no contribution to the company from the Vatva Plant.

**MARKET CONDITIONS :**

The year 1997-98 was one of the worst in the history of the Chemical Industry where some of the products were to be sold below cost of production and in certain products not only the cost of raw material, salary and other cost remained uncovered but also the cost of electricity which is the major input cost could not be passed on to the end user of the products. Needless to mention, that interest and depreciation recovery was beyond the capability of being recovered. However the company could face this long and worst recession in the Industry in general as well as closure of its plants in particular mainly because of backward and forward integration which enables company to convert less expensive basic raw materials into high value added finished products.

The Company has improved its workings in the first quarter in terms of tonnage of production vis-a-vis corresponding period in the previous year.

Month	Production in Tonnage	
	<b>1997-98</b>	<b>1998-99</b>
April	<b>23685</b>	<b>49638</b>
May	<b>25727</b>	<b>46868</b>
<b>TOTAL</b>	<b>49412</b>	<b>96506</b>

This shows that there is 95 % increase in tonnage of production in the first two months of the first quarter of 1997-98. However, achievement could not be translated into improved cash flow for the company because of the highly depressed market condition which led to decline in selling prices of some of the major products by about 50% of those during the corresponding period between April & May, 1997.