

**23RD
ANNUAL REPORT
2001-2002**





mardia

CHEMICALS LIMITED

BOARD OF DIRECTORS**Shri Rasiklal S. Mardia****Shri Rakesh S. Mardia****Shri Satish P. Mardia****Shri A. K. Gore****Shri G. S. Agarawalla****Shri D. H. Shinde****Shri N. L. Ajwalia****COMPANY SECRETARY****Shri K. B. Kapadia***Chairman & Managing Director**Vice Chairman & Jt. Managing Director**Whole Time Director**Nominee Director of ICICI**Nominee Director of L.I.C.**Nominee Director of IFCI**Nominee Director of BOI***AUDITORS****M/s. Mehta Lodha & Co.**

Chartered Accountants

REGISTERED OFFICE

'Mardia Plaza', 6th Floor, C. G. Road,

Panchwati, Ahmedabad - 380 006.

23rd ANNUAL GENERAL MEETING**Date** : 18th June, 2002**Day** : Tuesday**Time** : 10.00 A.M.**Place** : 'Mardia Plaza', 6th 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 TWENTY THIRD ANNUAL GENERAL MEETING of MARDIA CHEMICALS LIMITED will be held on Tuesday, the 18th June, 2002 at 10.00 a.m. at 6th Floor, Mardia Plaza, C. G. Road, Panchawati, Ahmedabad - 380 006 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider, approve and adopt the audited Profit and Loss Account for the year ended 31st March, 2002, the audited Balance Sheet as at that date and the Directors' and Auditors' reports thereon.
2. To appoint a Director in place of Rasiklal S. Mardia who retires by rotation, and being eligible, offers himself for reappointment.
3. 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 :

4. To consider and, if thought fit, to pass with or without modifications the following resolution 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 reappointment of Shri Satish P. Mardia as Whole Time Director of the Company for a period of five years commencing from 1st March, 2002 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."
5. To consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to section 293(1)(e) of the Companies Act, 1956, the consent of the company be and is hereby accorded to the Board of Directors contributing and/or subscribing from time to time to any national, charitable, benevolent, public or general and other funds not directly relating to the business of the company or the welfare of its employees up to an aggregate amount of Rs.5,00,000 (Rupees Five lakhs only) in any financial year as may be considered proper by the Board of Directors notwithstanding that such amount in any financial year may exceed Rs.50,000/- or 5 % of the average net profits of the company, as determined in accordance with the provisions of sections 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceeding, whichever is greater."

REGISTERED OFFICE :

"MARDIA PLAZA", 6TH FLOOR,
C. G. ROAD, PANCHWATI,
AHMEDABAD - 380 006.

DATE : 6TH APRIL, 2002.

PLACE : AHMEDABAD

BY ORDER OF THE BOARD OF DIRECTORS

(K. B. KAPADIA)
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 THE 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 Saturday the 15th June, 2002 to Tuesday, the 18th June, 2002 (Both days inclusive).
4. Members are requested to notify immediately any change of address, if any.
5. The Company's Equity Shares are compulsorily traded in dematerialised form. The shareholders who intends to dematerialise the same are requested to submit their demat request form and share certificates at the registered office of the Company through their Depository Participant.

EXPLANATORY STATEMENT

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

ITEM NO. 4 :

The Board of Directors, recommend the reappointment of Shri Satish P. Mardia as a Whole Time Director of the Company for a term of five years w.e.f. 1st March, 2002, 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

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agreement for appointment as follow ;

Salary : Rs. 4,00,000/- P.A.

Period : Five years w.e.f. 1st March, 2002.

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) (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 the appointee.
(2) If the accommodation is owned by the company, 10% of the salary of the appointee shall be deducted by the company.
(3) If no accommodation is provided by the company, the appointee shall be entitled to house rent subject to a ceiling mentioned in (g) (1) 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 : Medical expenditure 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 the 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 reappointment 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.

This may be treated as abstract under section 302 of the Act, of the terms of the reappointment of the Whole Time Director w.e.f. 01/03/2002.

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

Shri Satish 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. 5 :

The Company is a society of the member and it has to contribute its funds to the welfare of the society during natural calamities or some other events.

Section 293(1)(e) of the Companies Act, 1956, puts restriction on the powers of the Board of Directors of the Company to contribute to charitable and other funds not directly relating to the business of the company or the welfare of its employees, in excess of Rs.50,000/- or 5 % of its average net profits during the three financial years immediately preceeding, whichever is greater. Any donation in excess of the aforesaid limit by the Board requires approval of the company in general meeting.

The company is required to contribute for the welfare of the society during the natural calamities or some other events and therefore, it is necessary to obtain consent of the shareholders of the company.

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

REGISTERED OFFICE :

"MARDIA PLAZA", 6TH FLOOR,
C. G. ROAD, PANCHWATI,
AHMEDABAD - 380 006.

DATE : 6TH APRIL, 2002.

PLACE : AHMEDABAD

BY ORDER OF THE BOARD OF DIRECTORS

(K. B. KAPADIA)
COMPANY SECRETARY

MARDIA CHEMICALS LIMITED**DIRECTORS' REPORT**

Dear Shareholders,

Your directors present the Twenty Third Annual Report of your Company together with the audited statement of accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS :

<u>PARTICULARS</u>	(Rupees in Lakhs)	
	2001 - 2002	2000 - 2001
TOTAL INCOME	20815.12	15701.29
GROSS PROFIT/(LOSS) Before Intrest & Deprecition	538.99	282.38
INTEREST	26638.16	20103.67
DEPRECIATION	4158.24	4161.80
NET PROFIT/ (LOSS) FOR THE YEAR	(30257.41)	(23983.09)
PREVIOUS PERIOD ADJUSTMENTS	(1481.44)	(4.10)
EARLIER YEARS DEPRECIATION DUE TO CHANGE IN METHOD OF DEPRECIATION	0.00	17635.63
TRANSFER FROM/TO RESERVES	0.00	0.00

OPERATIONS :

The year under review is another successive critical year faced by the Company. The entire economy of the country is passing through recession and it has also affected the working of your Company.

The majority plants of the Company are not operating and the plants which are in operation, are also operating on a low capacity due to shortage of Working Capital and various other constrains. Other major important reasons for the poor performance of the company is the highest electricity cost in Gujarat in comparison with other parts of the country. In Caustic Chlorine Plants for this year electricity cost has been around 80% in comparison to the sales value net of excise.

Inspite of non-operation of majority of the plants and very high electricity cost, the Company could achieve marginal profit before interest and depreciation of Rs.538.99 lacs in comparison with the previous year profit of Rs.282.38 lacs which is an increase of 90%, due to hard working of all the employees of the company. Also company's sales has increased from Rs.15701.29 lacs during 2000-2001 to Rs.20815.12 lacs during 2001-2002 which is an increase of 32.56%.

DIVIDEND :

In view of losses during the year under review, your Directors express their inability to recommend any dividend for the year 2001-2002.

REFERENCE TO BIFR UNDER SECTION 15 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985:

The reference filed by the company on the basis of accounts for the year ended 31/03/2001 has been rejected against which the company has filed appeal in AAIFR which is pending.

At the end of the current financial year ended on 31/03/2002, the accumulated losses exceed the net worth of the Company (after recomputing the depreciation as per Straight Line Method), resulting in the complete erosion of the net worth of the Company by Rs.748.41 Crores. Out of total erosion, Rs. 789.52 Crores from 1998-99 to 2001-2002 is on account of interest and Rs. 166.36 Crores is on account of depreciation on straight line method totalling to Rs. 955.88 Crores.

Thus, the Company is a sick industrial company as per the provisions of Section 3(1) (o) of SICA and the Company is required to make a reference to the BIFR under Section 15(1) of SICA. Accordingly, the reference will be made by the Company to the BIFR within the time limit prescribed under the said Act.

DEPOSITS :

During the year the company has not repaid fixed deposit amounting to Rs.200 lacs and interest thereon due non availability of liquidity.

DIRECTORS :

Shri Rasiklal S. Mardia retire by rotation in the forthcoming Annual General Meeting, being eligible and offer himself for reappointment.

AUDITORS

The Auditors, M/s Mehta Lodha & Co., are retiring and are eligible for re-appointment.

ANNUAL REPORT 2001-2002**mardia****AUDITORS' OBSERVATIONS :**

The notes No 3 & 5 of Schedule 16 to the Accounts referred to in the Auditors' Report are self explanatory and therefore, do not call for any further explanation under section 217(3) of the Companies Act, 1956.

In our company there are common facility, therefore it is not possible to segregate expenses segment wise.

PARTICULARS OF EMPLOYEES :

The information in accordance with the section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is given as Annexure "A" to this report.

INFORMATION ON ENERGY CONSERVATION & TECHNOLOGY ABSORPTION :

Disclosure as required under the Companies (disclosure of particulars in the report of Board of Directors) Rules, 1988, with regard to conservation of energy, Research & Development, technology absorption, adoption and innovation and foreign exchange earnings and outgo is given in Annexure "B" to this report.

CORPORATE GOVERNANCE :

A separate report on Corporate Governance and Management discussion and Analysis Report forms part of the Annual Report of the Company is annexed. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT :

Your Directors hereby confirm that :

- in the preparation of statement of accounts, the applicable accounting standards have been followed, unless otherwise stated.
- the Directors have selected such accounting policies and applied them and made judgments 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 profit or loss of the Company for the period.
- the Directors have 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 frauds and other irregularities.
- the Directors have prepared the accounts on a going concern basis.

DEMATERIALIZATION OF SHARES OF THE COMPANY :

The Company's shares are compulsorily traded in dematerialised form and dematerialisation of shares has been effected in large number.

Those members who are desirous of opting for this facility may contact one of the Depository Participants (DPS) as per their own evaluation and convenience.

ACKNOWLEDGMENTS :

Your Directors would like to express their gratitude towards Government, Share holders, Suppliers & Customers for their Valuable support at this difficult time of the Company.

ON BEHALF OF THE BOARD

DATE : 6TH APRIL, 2002.

PLACE : AHMEDABAD

(RASIKLAL S. MARDIA)

CHAIRMAN & MANAGING DIRECTOR

ANNEXURE - " A "

Statement of particulars of Employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956.
Names of the employees employed throughout the year and were receipt of remuneration of not less than Rs. 12,00,000 per annum.

Sr. No.	Name of Employee	Designation	Remuneration (Rs.)	Qualification (No. of Yrs)	Experience	Age	Dt. of commenc. of employment	Last Employment
1.	Shri Rasiklal S. Mardia	Chairman & Managing Director	1782615	Industrialist	31 years	52 Yrs.	6th Dec. 1988	-
2.	Shri Rakesh S. Mardia	Vice Chairman & Jt. Managing Director	1374916	Industrialist	22 years	45 Yrs.	1st Jan. 1989	-

MARDIA CHEMICALS LIMITED**ANNEXURE - " B "**

Information as required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

(A) CONSERVATION OF ENERGY :**(a) Energy conservation measures taken.**

1. Steam generated while manufacturing Sulphuric Acid, is being utilised in power turbine chilling plant and CCP. This conserves substantial power fuel.
2. The company recovers hot water from the steam line for recycling in the boiler which helps to save the fuel.
3. Hydrogen which is a by-product in CCP is being utilized as fuel.
4. Various High Power Motors are changed with adequate required horse power motors.

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

1. Improvement in utilisation of energy intensive equipments and machineries.
2. Introduction of new energy efficient technologies.
3. Implementation of suggestions made by technical agencies.

(c) Impact of the measures (a) and (b) for the reduction of energy consumption and consequent impact on the cost of production of goods :

There has been a substantial saving in the energy consumption. But due to very high energy cost in our Caustic Chlorine Plant the impact on saving of the energy cost is negligible.

(d) Total energy consumption and the energy consumption per unit of production :

a. Power and fuel Consumption :	Current Year 2001-2002	Prev. Year 2000-2001
1 ELECTRICITY :		
a. Purchased		
Units (In KVA)	157482168	105572555
Total Amount Rs.	735597081	510501158
Rate Per Unrit	4.67	4.84
b. Own Generation		
Through Diesel Generation		
Units in KVA	4050	2739
Units per litre of Diesel (In KVA)	1.858	1.716
Diesel Oil Cost/Unit	10.62	13.02
Through Steam turbine/Generator		
Units	NIL	NIL
Units per litre of Fuel/oil/Gas	NIL	NIL
Cost/Units	NIL	NIL
2 COAL (Specify Qty and where used.)		
Quantity (In Kgs.)	NIL	500290
Total Cost Rs	NIL	1371918
Average Rate Rs.	NIL	2.74
3 FURNACE OIL		
Quantity (In Litre)	3285986	2573711
Total Cost Rs	26672161	21141809
Average Rate Rs.	8.11	8.21
4 Others (LDO & Diesel)		

ANNUAL REPORT 2001-2002**mardia****a. Power and fuel Consumption :**

	Current Year	Prev. Year
	2001-2002	2000-2001
Quantity (In Litre)	653300	1193022
Total Cost Rs	8412445	11878677
Average Rate Rs.	12.88	9.96

b. Consumption per unit produced

Production (MT)	472565	332411
Electricity (Units) PMT	333.25	317.60
Furnace oil(Litres) PMT	6.95	7.74
Coal (Kgs)PMT	NIL	1.51

e. RESEARCH & DEVELOPMENT :**1. Specific areas in which R & D is conducted by the company :**

- Reduction in time cycle of intermediate product.
- Reduction in water consumption almost by 20 %.
- Reuse of waste generated during the manufacturing process as a raw material for other finished products which resulted into a substantial cost saving by way of reduction of the lime consumption & also helped to reduce the cost of pollution control.
- The by-products recovery has been started in Vinyl Sulphone plant and other plants which has directly helped to bring down the cost on Effluent Treatment Plant.
- From V.S. Plant process gases are being recovered and used for value addition which also helps to keep clean air environment.
- Directly HCL gas is used to make high value added production and this helps in saving of D.M. water over one Lac Ltrs. per day and also reduce the spent acid generation of 1.50 Lac Ltrs. per day.

2. Future plan of action :

Further strengthening of R & D base of the Company.

3. Expenditure on R & D.

	Current Yr. 2001-2002	Previous Yr. 2000-2001
a. Capital	Nil	Nil
b. Recurring	Nil	6.79
c. Total	Nil	6.79

4. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

- Direct HCL gas is used to make chloro-sulphonic acid.
- Technology is developed to recover sodium bisulfate from gases.
- Information regarding technology imported during last 5 years.

a. Technology imported	Nitration	Caustic Chlorine
b. Year of import	1994	1995
c. Has technology been fully absorbed	The technology has not been fully absorbed as the project is under implementation.	The technology has been fully absorbed. The project is completed. The plant operations are being stabilized.

- As a result of absorption of technology, the company has reduced its cost on the consumption of the various materials within the plant by upgrading the technology.

	Current Year	(Rs. in lacs) Prev. Year
	2001-2002	2000-2001
c. Foreign exchange earnings & Outgoing		
Total Foreign Exchange Used	409.86	980.37
Total Foreign Exchange Earned	13.37	274.95