

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

ANNUAL REPORT 1996-97

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FOR, METROCHEM INDUSTRIES LTD.

Kne
COMPANY SECRETARY



METROCHEM INDUSTRIES Limited

BOARD OF DIRECTORS

Gautam M. Jain
Chairman & Managing Director

Rajendra M. Jain

Anil M. Jain
Deputy Managing Director

COMPANY SECRETARY
K. N. Nevatia

AUDITORS
Deepak Soni & Associates
Chartered Accountants
Ahmedabad

BANKERS
State Bank of India
Indian Bank

REGISTERED OFFICE
& UMRAIYA PROJECT
Village Umraiya,
Taluka Padra,
District Baroda,
GUJARAT - 391 440

ADMINISTRATIVE OFFICE
505/506, "SURYA RATH"
Near White House,
Panchwati, Ellisbridge,
Ahmedabad - 380 006

CORPORATE OFFICE
508/509 "SHILP"
C.G. Road, Navrangpura,
Ahmedabad - 380 009

WORKS
Phase II, G.I.D.C., Vatva,
Ahmedabad - 382 445

REGISTRARS &
TRANSFER AGENT
Pinnacle Finance Limited
Near Ashoka Mills,
Naroda Road,
Ahmedabad - 380 025

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NOTICE

Notice is hereby given that the Tenth Annual General Meeting of the members of **Metrochem Industries Ltd.** will be held on Tuesday, the 23rd September, 1997 at 11.30 A.M. at the Regd. Office of the Company at Village Umraiya, Taluka Padra, Dist. Baroda - 391 440 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Shri Anil M. Jain, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT the Authorised share capital of the Company be increased from Rs. 35,00,00,000/- (Rupees Thirty five crores only) divided into 2,00,00,000/- (Two crores only) Equity Shares of Rs. 10/- each and 1,50,00,000/- (One crore fifty lacs only) Cumulative/Non-cumulative Redeemable Convertible/Non-Convertible Preference Shares of Rs. 10/- each to Rs. 45,00,00,000/- (Rupees Forty five crores only) by creation of new 1,00,00,000/- (One crore only) Cumulative /Non-cumulative Redeemable Convertible/Non - Convertible Preference Shares of Rs. 10/- each."

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

"RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company be deleted and the same be substituted by the following:

V. "The Authorised Share Capital of the Company is Rs. 45,00,00,000/- (Rupees Forty five crores only) divided into 2,00,00,000/- (Two crores only) Equity Shares of Rs. 10/- (Rupees Ten only) each and 2,50,00,000/- (Two crores fifty lacs only) cumulative/Non-Cumulative Redeemable Convertible/Non-Convertible Preference Shares of Rs. 10/- (Rupees Ten only) each."

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

"RESOLVED THAT pursuant to section 31 of the Companies Act, 1956, and other applicable provisions, if any, the following words and figures appearing in existing Article 2 (a) of the Articles of Association of the Company viz."

"The Authorised Share Capital of the Company is Rs. 35,00,00,000/- (Rupees Thirty five crores only) divided into 2,00,00,000/- (Two crores only) Equity shares of Rs. 10/- (Rupees Ten only) each and 1,50,00,000/- (One crore fifty lacs only) Cumulative/Non-cumulative Redeemable Convertible /Non-Convertible Preference Shares of Rs. 10/- (Rupees Ten only)" each be substituted by the following words and figures:

"The Authorised Share Capital of the Company is Rs. 45,00,00,000/- (Rupees Forty five crores only) divided into 2,00,00,000/- (Two crores only) Equity Shares of Rs. 10/- (Rupees Ten only) each and 2,50,00,000/- (Two crores fifty lacs only) Cumulative/Non-Cumulative Redeemable Convertible /Non-Convertible Preference Shares of Rs. 10/- (Rupees Ten only) each."

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 5,6 & 7**

The existing authorised share capital of the Company is Rs.35,00,00,000/- (Rupees Thirty five crores only). To enable the Company to broad base its capital structure by issuing further share capital, it is considered necessary to increase the Authorised Share Capital from Rs.35,00,00,000/- (Rupees Thirty five crores only) to Rs.45,00,00,000/- (Rupees Forty five crores only).

The increase in Authorised Share Capital will also require necessary alterations in Memorandum and Articles of Association of the Company. Hence the resolution.

None of the Directors of the Company is interested in the proposed resolutions.

Item No. 8

With a view to augment resources for the ongoing business plans to be undertaken by the Company, it may become necessary to raise funds through issue of further Redeemable Preference Shares Cumulative/Non-Cumulative, including Convertible (fully or partly), Non-Convertible Redeemable Preference Shares to be allotted in one or more tranches for an aggregate nominal value not exceeding Rs. 10,00,00,000/- (Rupees Ten crores only), in Indian markets, by offering said Redeemable Preference Shares to Promoters, including Directors, Associates and Group Companies, Foreign Institutional Investors (FIIs), Non Resident Indians (NRIs), Overseas Corporate Bodies (OCBs), Financial Institutions (FIs), Indian Mutual Funds (IMFs), Foreign Companies and other entities through public issue, rights issue, private placements or preferential basis.

The proposed issue of Redeemable Preference Shares as aforesaid, will be subject to the approval of the Government of India, Reserve Bank of India, or any other relevant authorities, wherever necessary.

Section 81 of the companies Act, 1956, provides that where any further shares are to be offered to any person or persons other than existing shareholders, it is necessary to pass a Special Resolution to that effect by the Company, in General Meeting.

The Board of Directors recommends the resolution for the approval of the members.

None of the Directors of the Company, is in any way concerned or interested in the said resolution, except to the extent of their shareholding, if any.

Item No. 9

At the request of the Company, IDBI have agreed to provide Rupee term loan aggregating to Rs. 900 lacs for the manufacture of 3000 tpa of Vinyl Sulfone based intermediates project at Umraiya, Baroda. The term loans from the Financial Institutions have to be secured by a first mortgage/charge on the immovable and movable properties of the Company ranking pari-passu with the existing charges thereon. As the documents to be executed for securing the loans contains the power to take over the management of the Company in certain events, it is necessary for the members to pass a Resolution under section 293 (1) (a) of the Companies Act, 1956 for the creation of these mortgages/charges. Copies of the Letter of Intent/Sanction and the relevant documents executed between the Company and the said institution are open for inspection at the Registered Office of the Company between 10 A.M. and 6 P.M. on any working day of the Company.

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

By Order of the Board

Regd. Office:

Village Umraiya
Taluka Padra,
Dist. Baroda-391 440

K. N. Nevatia
Company Secretary

Date: 12th June, 1997

FROM THE DESK OF CHAIRMAN



Economic progress is synonymous with industrial progress. The stakeholders in every industrial activity look for sustained growth potential. At the macro level, the industrial units look upon Government intervention for facilitation at appropriate levels of industrial development.

In this sphere, the industrial sector has experienced uncertainty in recent times eventually resulting in deceleration in economic growth. There has been a steady decline in the realization of corporate objectives primarily due to decline in demand in a large majority of industries as well as not-too-favourable investment climate and resultant liquidity crisis. The political uncertainty continued to plague the environment which served as a major factor in eroding the confidence of industries, by and large.

The pragmatic approach adopted by the Government since early 1990s has enabled the industry to look far into the future and the consequent investment decisions by industries were tailored with a certain degree of optimism. The 1997 Union Budget had stressed on savings, investment and infrastructure. The economic policies framework announced thereafter raised expectations of the industry in regard to prospects for significant economic recovery. The success of such initiatives will depend entirely on the stability of the Government at the Centre.

Despite the scenario as stated above, Metrochem has improved upon its financial performance over the previous year, as reported. The suspension of manufacturing and related activities for extended periods of time last year (and during part of the current year) has had adverse consequences for your Company. However, following the permission granted by the Honorable High Court of Gujarat to resume the manufacturing activities at the Units, your Company has been able to effectively re-charge itself in meeting the obligations towards various stakeholders. Your Company has strictly monitored and managed to achieve the stipulated norms through the comprehensive Common Effluent Treatment Plant (CETP) as well as Zero - Effluent Discharge System (Z-EDS). The in-house specialists in environment management continue to strive in stepping up effectiveness and in operating all requisite facilities efficiently.

Your Company's manufacturing facilities at Umraiya are almost completed and the trial production has already started. The production in full swing is expected to commence by the end of this year.

Quality of products and services; and preservation of environment continue to be the focal issues at Metrochem. Notwithstanding the erratic economic fluctuations, marketing constraints and ever-increasing costs, your Company made no compromises in regard to its areas of concern. Your Company is steadfast in its belief that quality products and services is a must for sustained performance, progress and prestige. Also Metrochem accepts the responsibility and sensitivity of corporate citizenry for innovativeness and result-orientation to uphold the ultimate objective of improved quality of life for our people. Your Company shall incessantly attempt at attaining this objective through dedication and hard work.

Ahmedabad
12th June, 1997


Gautam M. Jain
Chairman



DIRECTORS' REPORT

Your Directors have pleasure in presenting their Tenth Annual Report together with the audited statement of Accounts for the year ended 31st March, 1997.

FINANCIAL RESULTS

(Rs. in Lacs)

	YEAR ENDED 31-03-1997	YEAR ENDED 31-03-1996
Sales & Other Income	8893.65	8080.76
Profit Before Interest, Depreciation and Tax	1184.31	946.03
Less : Interest	163.54	(-) 45.10
Depreciation	231.00	187.68
Profit Before Tax	789.77	803.45
Provision for Taxation	60.00	100.00
Provision for Tax on distributed profit	22.87	-
Provision for taxes for earlier years	-	3.44
Profit After Tax	706.90	700.01
Appropriations:		
Proposed Dividend	228.67	228.67
General Reserve	100.00	100.00
Balance Carried to Balance Sheet	378.23	371.34
	706.90	700.01

DIVIDEND

Your Directors are pleased to recommend a dividend of 20% on the equity shares for the year ended 31st March, 1997. The dividend will absorb Rs. 228.67 lacs and a further sum of Rs. 22.87 lacs towards tax on distributed profits is also provided.

OPERATIONS

During the year under review, turnover and other receipts amounted to Rs. 8893.65 lacs (previous year Rs. 8080.76 lacs). Net profit after tax was Rs. 706.90 lacs as against Rs. 700.01 lacs during the previous year. The exports turnover amounted to Rs. 5456.25 lacs as compared to Rs. 4617.91 lacs in the previous year showing a growth of 10.06% in total turnover and 18.15% in export turnover.

METROCHEM INDUSTRIES LIMITED

The Company could utilise its operating capacity only for about eight months due to stoppage of operations between 5th April, 1996 to 25th July, 1996 on account of industrial pollution litigation.

Thereafter, pursuant to the High Court Order, the manufacturing operations of all the Units recommenced. Based on the report submitted by the National Environmental Engineering Research Institute (NEERI) on the adequacy and efficacy of the newly established state-of-the-art CETP (Common Effluent Treatment Plant) and Zero Effluent Discharge System for the manufacturing units, The Hon'ble High Court of Gujarat and Gujarat Pollution Control Board accorded their permission for full commercial production at all the units.

DUTY ENTITLEMENT PASS BOOK CREDITS AGAINST EXPORTS

Your Company is entitled for pass book credits against its exports transactions during the year under review. The Company will take the benefit of the above pass book credit for import of duty free materials during the current year which will give additional profitability for the current year.

ISSUE OF PREFERENCE SHARES

During the year the Company has allotted 1,00,00,000 (One Crore only) 14% cumulative redeemable preference shares of Rs. 10/- each and raised Rs. 10,00,00,000/- (Rupees Ten Crores only) for the purpose of financing projects under implementation.

EXPANSION

The implementation of new project for manufacture of Dyes & Dye Intermediates of 4386 MTs p.a. at village Umraiya, Dist. Baroda is almost completed. All major plant and machineries are installed. A very modern effluent treatment plant is also under commissioning. Till the end of the year under review, the Company incurred Rs.4618.16 lacs towards the project. Trial production has already started. The production with full capacity is expected to commence by the end of this year.

DEPOSITS

The Company has not accepted any deposits from the Public within the meaning of Section 58-A of the Companies Act, 1956 read with Companies (acceptance of Deposits) Rules, 1975.

SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, the Audited Balance Sheet and Profit and Loss Account alongwith the Reports of Directors and Auditors of Metrochem Capital Trust Ltd., the Subsidiary Company of the Company are annexed hereto.

DIRECTORATE

Shri Anil M. Jain retires by rotation and being eligible, offers himself for reappointment.

AUDITORS

M/s. Deepak Soni & Associates, Chartered Accountants, Ahmedabad, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have expressed their willingness to serve, if reappointed.

Observations of the Auditors are self explanatory.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

The statement containing the necessary information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure and forms part of this Report.

PARTICULARS OF EMPLOYEES

The information, as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report is being sent excluding the statement of particulars of employees. Such statement will be



sent to the shareholders, who may be desirous of having the same, on a specific written request addressed to the Company.

INDUSTRIAL RELATIONS

During the year under review, the industrial relations remained harmonious and cordial.

The Directors wish to place on record the unstinted efforts and dedicated services extended by the employees at all levels. With their support, we look forward to a brighter future for the Company.

INFORMATION UNDER LISTING AGREEMENT

Utilisation of Funds

The Company raised Rs.3332.56 lacs by the issue of 30,29,600 shares through prospectus dated 1-08-1994. The funds so raised are being utilised to part finance the expansion project at Village Umraiya, Dist. Baroda. The Company has expended Rs. 4618.16 lacs towards the project against the projected utilisation of Rs. 5415 lacs as mentioned in the prospectus.

Profitability

The performance figures as well as the projections which were reported in the prospectus of the Company, are as follows :

(Rs. in Lacs)

Description	Projections	Actual Performance
	1996-97	1996-97
Total Income	13151	8893.65
Net Profit After Tax	2132	706.90
Earning Per Share	20.4	6.18

The reasons for lower performance can be mainly attributed to partial utilisation of manufacturing capacity on account of High Court order for closure of units in the matter of industrial pollution, delay in implementation of Umraiya Project and recessionary trends in domestic as well as international market.

ACKNOWLEDGEMENT

The Directors extend their sincere thanks to the Bankers, Financial Institutions, Central Government and State Government Authorities, Customers, Valued Shareholders and all others associated with the Company for their co-operation, continued support and confidence reposed by them in the Company.

For and on behalf of the Board

Ahmedabad,
12th June, 1997

Gautam M. Jain
Chairman & Managing Director

METROCHEM INDUSTRIES LIMITED

ANNEXURE TO
DIRECTORS' REPORT

FORM 'A'

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

The Company has made sustained efforts for energy savings. Effective measures have been taken to monitor generation and consumption of energy during the process of production. Certain equipments have been installed to ensure optimum utilisation of steam and power. Energy intensive open evaporators for zero effluent discharge were replaced by energy efficient multi effect cloud evaporators. Improved process controls and debottlenecking have harmonised Plant operations. The Company has rationalised use of electric motors and some old motors have been replaced by high efficiency motors. The Company has replaced certain existing light fittings by energy efficient lighting.

The above measures have been resulted in optimum utilisation and saving of energy, reduction in cost of production and thereby making the products more cost competitive.

Total energy consumption and energy consumption per unit of production :

Form A is Annexed.

B. TECHNOLOGY ABSORPTION

Form B is annexed

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Activities relating to exports :

The Company has retained its position of leading player in the international market and achieved the status of **Trading House**. It has also explored certain new export markets.

(b) Foreign Exchange Earnings and Outgo

	(Rs./Lacs)	
	1996-97	1995-96
(i) Earnings	5456.25	4617.91
(ii) Outgo	273.54	649.54

A. POWER AND FUEL CONSUMPTION :

(Rs./Lacs)

PARTICULARS	1996-97	1995-96
1. Electricity		
a) Purchased		
Units (kwh/Lacs)	69.34	62.93
Total Amount		
(Rs./Lacs)	262.79	193.38
Rate/Unit(Rs.)	3.79	3.07
b) Own Generation		
Through Diesel		
Generator		
Unit (kwh/Lacs)	1.72	3.75
Unit per ltr. of		
diesel oil	2.95	2.90
Cost/unit (Rs.)	3.07	2.72
2. Light Diesel Oil (LDO)		
Quantity (ltr./Lacs)	34.49	31.59
Total Cost (Rs./Lacs)	320.68	217.00
Average Rate (Rs./Ltr)	9.30	6.87

B. CONSUMPTION PER UNIT OF PRODUCTION

Production of Dyes & Dyes Intermediates (Tonnes)	5111.03	4548.65
i) Electricity (Units per Tonne)	1390.33	1465.93
ii) LDO (Ltr./Per Tonne)	674.82	694.49

Note : There are no separate standards available for each product since the product range consists of various products with different consumption.

**FORM 'B'**

Form for disclosure of particulars with respect to :

RESEARCH & DEVELOPMENT (R & D)**1. Areas on which R&D is being carried out:**

- a. The R&D centre continued to support the Company's business by providing improved as well as new products and processes to establish leadership in the domestic as well as international market.
- b. Pollution control was given top priority. Process parameters of a major Vinyl Sulphone was examined in detail and development activities directed towards "reduction at source". Waste and all pollution control measures further consolidated.
- c. Continuous upgradation of technology, conservation of energy, water and raw material resources.

2. Benefits derived as result of above R&D

- a. Extension in the range of Company's products resulting in improved marketability.
- b. Cost reduction by process rationalisation, yield improvement, energy saving and overall quality upgradation continue to be the benefits derived from R&D work.
- c. Successful process modification of commercialised Vinyl Sulphone, resulting in reduction of pollution at source, by-product recovery and utilisation, resource conservation and enhanced productivity.

3. Future Plan of action

- a. Efforts shall be focussed on development of more dyes and intermediates.
- b. Emphasis on process & quality improvement shall continue to be the priority areas of R&D activity.
- c. Consolidation of pollution control measures, source reduction & waste minimisation shall be the top priority R&D activity.

4. Expenditure on R & D :

PARTICULARS	1996-97 (Rs. in Lacs)	1995-96 (Rs. in Lacs)
i) Capital	1.39	4.30
ii) Recurring	44.07	14.09
iii) Total	45.46	18.39
iv) Total R & D Expenditure as percentage to turnover	0.52	0.23

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**1. Efforts made :**

- a. The R&D department absorbs knowledge of chemistry and technology from various sources such as know-how from consultants, own experimental data bank, published literature etc., and adopts the same to effect improvements in process and abatement of pollution.
- b. The Company maintains a continuous interaction with National Chemical Laboratory (NCL) and has sponsored a research project at NCL for elimination of a type of solid waste in a major naphthalene intermediate.
- c. The R & D department keeps abreast of technology developments relating to the Company's line of products world-wide to bring about improvement in quality of products, cost effectiveness, energy saving, latest analytical techniques, safety and pollution control.

2. Benefits derived as a result of above efforts :

- a. Commercialisation of latest technological developments has helped the Company to achieve cost effectiveness and remain globally competitive.
- b. Better customer services.

3. Imported technology :

No imported technology is involved. The in-house R&D centre of the Company, recognised by the Department of Scientific and Industrial Research (DSIR) is continuously engaged in technology upgradation.