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**ANNUAL
REPORT**

1997-98

METROCHEM INDUSTRIES LIMITED

FROM THE DESK OF CHAIRMAN



The challenge before the organisations is to stand to the test of time. It must retain, reward and enthuse its human resources. Basically the operations of a Company must benefit the stakeholders, the community and the Nation.

With the deceleration in economic growth, resources crunch, higher fiscal deficit, it becomes really a challenge to withstand the situation and satisfy the members of the society concerned with growth of the organisation.

Crisis, developed with the turmoil in currencies of certain South-East Asian Countries, is having its effects on economic status of the other countries in one way or the other. It remains to be seen how long the crisis will continue and situation will normalise in the region.

Economic scenario will become all the more critical with the situation, which may emerge due to nuclear experiments. For developing countries like ours, the economic growth largely depends upon Border Harmony, which seems to be at stake for the present. Huge funds are proposed to be earmarked for defence spending to take care the crisis.

Fiscal deficits which is to be financed from the taxes and levies are alarming and it will have its negative impact on the masses.

In the over all situation the surrounding atmosphere is bleak in terms of achieving the targetted results. But, after all we have to stand to the test of time.

To maintain industrial growth, if not accelerate, in the given situation itself is a difficult task. We at Metrochem, have achieved better results in comparison to previous year, despite odds. Our facilities developed for effluent treatment is fully meeting with the requirements of the regulating agencies. Our first phase of expansion programme has been completed. We are working on further expansion plans.

We are confident of tiding over the overall unfavourable situation with the help of hard work and dedication.

Place : Ahmedabad
Date : 2nd June, 1998

Gautam M. Jain
Chairman

BOARD OF DIRECTORS**Gautam M. Jain***Chairman & Managing Director***Rajendra M. Jain****S. S. Bhandari****Sandeep M. Singhi***Director***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**& PROJECT OFFICE**

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

(i) Phase II, G.I.D.C., Vatva,

Ahmedabad - 382 445.

(ii) Village Umraiya, Taluka Padra,

District Baroda,

GUJARAT - 391 440.

REGISTRARS &**TRANSFER AGENT**

Pinnacle Finance Limited

Near Ashoka Mills,

Naroda Road,

Ahmedabad - 380 025.

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

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NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the members of Metrochem Industries Ltd. will be held on Saturday, the 26th September, 1998 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, 1998, 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 on Preference and Equity Shares.
3. To appoint a Director in place of Shri Rajendra M. Jain, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modifications the following resolution as an Ordinary Resolution.

"RESOLVED THAT Shri S. S. Bhandari, an Additional Director of the Company, who holds office upto the end of this Annual General Meeting as per the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed a Director of the Company."

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

"RESOLVED THAT Shri Sandeep M. Singhi, an Additional Director of the Company, who holds office upto the end of this Annual General Meeting as per the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed a Director of the Company."

Re-appointment of Shri Gautam M. Jain as Managing Director

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

"RESOLVED THAT pursuant to Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the re-appointment and terms of remuneration of Shri Gautam M. Jain, Managing Director of the Company for a period of five years with effect from 15th October, 1998 upon the terms and conditions set out in the Draft Agreement submitted to this meeting and for identification signed by a Director thereof, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said re-appointment and/or Agreement in such manner as may be agreed to between the Directors and Shri Gautam M. Jain."

Revision in remuneration of Dy. Managing Director Shri Anil M. Jain

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

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the revision in terms of remuneration of Shri Anil M. Jain, Dy. Managing Director of the Company with effect from 1st October, 1998 upon the revised terms and conditions set out in the Draft Agreement submitted to this meeting and for identification signed by a Director thereof, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said revision and/or Agreement in such manner as may be agreed to between the Directors and Shri Anil M. Jain."

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Buy-Back of Equity Shares

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

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof and any Ordinance promulgated in this regard for the time being in force and as may be enacted/promulgated from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board to buy-back, from the existing holders of shares and/or other securities giving right to subscribe for shares of the Company, on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of the securities (odd lots) and or by

purchasing the securities issued to the employees pursuant to the scheme of stock option, the shares or such other securities or securities having such underlying voting rights as may hereafter be notified by the Central Government or any other regulatory, from time to time (herein for brevity's sake referred to as the securities), of the Company, from out of its free reserves or out of the securities premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose, or from such other sources as may be permitted by law, on such terms, conditions and in such manner as may be prescribed by law from time to time; provided that the aggregate of the securities so bought back shall be upto such limits as may be prescribed by the law."

Regd. Office :

Village Umraiya,
Taluka Padra,
Dist. Baroda-391 440.
Date : 2nd June, 1998.

By Order of the Board

K. N. Nevatia
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 18th August, 1998 to Wednesday, the 2nd September, 1998 (both days inclusive).
3. Payment of dividend when sanctioned will be made to those Members whose names appear on Company's Register of Members on 2nd September, 1998.
4. Members are also requested to advise, indicating their Folio Number, the change of their addresses, if any, to M/s. PINNACLE FINANCE LIMITED, the Registrars and Share Transfer Agent of the Company.
5. The Company will be transferring unpaid Dividends declared upto the year ended 31/03/95 to the General Revenue Account of the Central

Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those Shareholders who have so far not claimed or collected their dividend upto the financial year aforesaid, may claim their dividend from the Registrar of Companies, Gujarat, Dadra & Nagar Haveli, CGO Complex, Opp. Rupal Park, Ankur Char Rasta, Naranpura, Ahmedabad 380 013.

The Unpaid Dividends that are due for transfer to the Central Government are as under :

Financial Year ended	Due for transfer on
31-03-1995	03-11-1998
31-03-1996	15-11-1999
31-03-1997	11-11-2000

Members, who have not encashed their dividend warrants for the aforesaid financial years, are requested to approach M/S. Pinnacle Finance Limited, Near Ashoka Mills, Naroda Road, Ahmedabad 380 025., the Company's Registrar and Transfer Agents, for obtaining duplicate dividend warrants.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5 & 6

Shri S. S. Bhandari and Shri Sandeep M. Singhi were appointed as additional directors on 02-06-98 in terms of section 260 of the Companies Act, 1956.

Shri S. S. Bhandari and Shri Sandeep M. Singhi vacate their office at this Annual General Meeting pursuant to section 260 of the Companies Act, 1956. Due notices under section 257 of the Companies Act, 1956 have been received proposing the appointment of Shri S. S. Bhandari and Shri Sandeep M. Singhi as Directors of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation. Requisite consents have been filled by Shri S. S. Bhandari and Shri Sandeep M. Singhi, pursuant to the provisions of Section 264 (1) of the Companies Act, 1956 to act as such Directors, if appointed.

None of the Directors of the Company other than Shri S. S. Bhandari and Shri Sandeep M. Singhi, are interested in the Resolutions.

The Board of Directors of your Company Recommends the Resolutions for your approval.

Item No.7

Shri Gautam M. Jain was appointed as a Managing Director of the Company from 15-10-1993 for a period of 5 years. His term of office as Managing Director of the Company will expire on 14-10-1998. In view of his qualification, experience and the performance, his re-appointment has been proposed for the next five years with effect from 15-10-1998.

The Draft Agreement between the Company and Shri Gautam M. Jain contains the following main terms and conditions:

- i) Period of Agreement : Five years with effect from 15-10-1998.
- ii) Remuneration:

1. Salary :

Rs. 50,000 per month in the scale of Rs.50,000-75,000.

The annual increments which will be effective from 1st April each year, will be decided by Board and will be merit-based and will be take into account the Company's performance.

2. Perquisites & Allowances :

- (i) In addition to the salary and commission payable, the Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs; medical reimbursement; club fees and leave travel concession for himself and his family; medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Shri Gautam M. Jain, such perquisites and allowances will be subject to a maximum of 125% of his annual salary.
- (ii) For the purposes of calculating the above ceiling, perquisites shall be evaluated as per Income-Tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
- (iii) Company's contribution to Provident fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income-Tax Act, gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

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3. Commission :

Such remuneration by way of commission, in addition to the salary and perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year @1% subject to the overall ceiling stipulated in Sections 198 and 309 of the Act.

Minimum Remuneration :

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances as specified above.

- i) The terms and conditions of the said reappointment and/or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to Managing Director in accordance with Schedule - XIII to the Act or any amendments made hereafter in this regard.
- ii) In compliance with the provisions of Section 309 of the Act, the terms of remuneration specified above are now being placed before the members in General Meeting for their approval.
- iii) The Draft Agreement between the Company and Shri Gautam M. Jain is available for inspection by the members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day of the Company.
- iv) Shri Gautam M. Jain, Shri Anil M. Jain and Shri Rajendra M. Jain being relatives of each other are concerned or interested in item No.7 of the Notice.
- v) This may be treated as an abstract from the Draft Agreement between the Company and Shri Gautam M. Jain pursuant to Section 302 of the Act.

Item No.8

Shri Anil M. Jain was appointed Dy. Managing

Director of the Company from 01-10-1994 for a period of 5 years. His term of office as Dy. Managing Director of the Company will expire on 30-09-1999. His salary and other remunerations is proposed to be revised with effect from 1st October, 1998 due to the fact that there is no annual increase commensurate to the job provided, he is allowed the same salary and other remunerations which he was drawing in 1994. In view of the same, his salary and other remunerations have been proposed to be revised with effect from 01-10-98 for the balance period of his appointment:

The Draft Agreement between the Company and Shri Anil M. Jain contains the following main terms and conditions :

i) Period of Agreement : From 01-10-1998 to 30-09-1999.

ii) Remuneration :

1. Salary :

Rs. 45,000 per month payable from 1st October, 1998.

2. Perquisites & Allowances :

- (i) In addition to the salary and commission payable, the Dy. Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs; medical reimbursement; club fees and leave travel concession for himself and his family; medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Shri Anil M. Jain, such perquisites and allowances will be subject to a maximum of 125% of his annual salary.
- (ii) For the purposes of calculating the above ceiling, perquisites shall be evaluated as per Income-Tax Rules, wherever applicable. In absence of



any such Rules, perquisites shall be evaluated at actual cost.

Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

- (iii) Company's contribution to Provident fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income-Tax Act, gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

3. Commission :

Such remuneration by way of commission, in addition to the salary and perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year @1% subject to the overall ceiling stipulated in Sections 198 and 309 of the Act.

Minimum Remuneration :

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Dy. Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances as specified above.

- i) The terms and conditions of the said revision and/or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to Dy. Managing Director in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.
- ii) In compliance with the provisions of Section 309 of the Act, the terms of remuneration specified above are now being placed before the members in General Meeting for their approval.

- iii) The Draft Agreement between the Company and Shri Anil M. Jain is available for inspection by the Members of the Company at its Registered Office between 11.00A.M. and 1.00 P.M. on any working day of the Company.
- iv) Shri Gautam M. Jain, Shri Anil M. Jain and Shri Rajendra M. Jain being relatives of each other are concerned or interested in item No. 8 of the Notice.
- v) This may be treated as an abstract from the Draft Agreement from between the Company and Shri Anil M. Jain pursuant to Section 302 of the Act.

Item No.9

Buy-back of own shares or other securities convertible into equity shares by the Companies is presently not allowed under the Companies Act, 1956. The Companies Bill, 1997, sought to lay down the operative provisions to regulate the buy back of shares/securities by the Companies. The said bill has not yet become law. It is expected that, in due course of time, the law will be amended to allow such buy-back.

At the Extra Ordinary General Meeting held on 31st August, 1994, a resolution authorising the Board to buy-back the Company's own shares was passed. Now when the Companies Bill, 1997 is ready for consideration, it is considered worthwhile to take revised approval of the shareholders in lieu of the earlier resolution as stated above.

It is proposed to buy-back voting powers relating to the shares or other securities giving right to subscribe for shares of the Company, from the existing shareholders on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of the securities (odd lots) and/or by purchasing the securities issued to the employees of the Company pursuant to the scheme of stock option, subject to necessary enactments in this regard and upto such limits as may be prescribed.

The buy-back of shares as aforesaid would entail investing of an amount which would not be less than the market value of the shares or the other securities

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giving right to subscribe for shares of the Company and shall be met out of the free reserves and/or the securities premium account and/or out of the proceeds of an issue specifically made for the purpose or from such other source as may be permitted by law. The shares so bought back shall be dealt with as per the then prevailing law/regulation.

The Board is of the opinion that it will be in the interest of the Company, if shareholders approve the said resolution, permitting such buy back, so that the Company will be able to implement this resolution once the law is amended. The resolution, if approved, will be operative and given effect to from the applicable date as may be prescribed in this regard.

The resolution is an enabling provision aimed at facilitating the Company to buy back its shares as soon as legally permissible.

The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company are, in any way, concerned or are interested in the resolution.

By the order of the Board

Place : Ahmedabad

K. N. Nevatia

Date : 2nd June, 1998.

Company Secretary

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DIRECTORS' REPORT

Your Directors have pleasure in presenting their Eleventh Annual Report together with the audited statement of Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

(Rs. in Lacs)

	YEAR ENDED 31-03-1998	YEAR ENDED 31-03-1997
Sales & Other Income	12378.66	8884.42
Profit Before Interest, Depreciation and Tax	2193.47	1175.08
Less: Interest	449.82	154.31
Depreciation	442.20	231.00
Profit Before Tax	1301.45	789.77
Provision for Taxation	70.00	60.00
Provision for Tax on distributed profit	42.58	22.87
Profit After Tax	1188.87	706.90
Appropriations:		
Debenture Redemption Reserve	250.00	-
Proposed Dividend	425.83	228.67
General Reserve	400.00	100.00
Balance carried to Balance Sheet	113.04	378.23
	1188.87	706.90

DIVIDEND

Your Directors are pleased to recommend a dividend @14% on the preference shares and @25% on the equity shares for the year ended 31st March, 1998. The dividend will absorb Rs. 425.83 lacs and a further sum of Rs.42.58 lacs towards tax on distributed profits is also provided.

OPERATIONS

During the year under review, turnover and other receipts amounted to Rs.12378.66 lacs (previous year Rs. 8884.42 lacs). Net profit after tax was Rs.1188.87 lacs as against Rs. 706.90 lacs during the previous year. The exports turnover amounted to Rs. 8107.61 lacs as compared to Rs. 5456.25 lacs in the previous year showing a growth of 39.33% in total turnover and 48.59% in export turnover. The

Company could achieve these results despite sluggishness in the domestic and international market. Due to its major exports in Europe, the economic turmoil in South Asian Countries have not affected the exports of the Company.

However, the prices of dyes and dye intermediates in the domestic and international market continue to fall and the overall economic downtrend is witnessed in the industry.

ISSUE OF SECURED REDEEMABLE NON CONVERTIBLE DEBENTURES ON PRIVATE PLACEMENT BASIS

During the year the Company issued and allotted 13,00,000 17% Secured Redeemable Non Convertible Debentures of Rs.100 each and 2,00,000 16.5% Secured Redeemable Non Convertible Debentures