

ANNUAL REPORT 1998-99

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METROCHEM INDUSTRIES Limited

FROM THE DESK OF CHAIRMAN



The industrial slowdown witnessed by Indian Economy in 1998-99 has had its impact on Metrochem as well. In view of extended demand recession globally, the margins came under immense pressure in respect of most of the products. At the same time, the manufacturing activities had to be maintained at reasonable levels to ensure consistency in supplies to customers worldwide as well as to adequately satisfy the interest of other stakeholders.

The recent misadventure of Pakistan on our National Borders has compelled us to step up our military efforts. The imminent defence expenditure will impact the Indian Economy which had shown signs of recovery in recent months. We have had a robust agricultural growth, improved export performance, low inflation, higher inflow of FII and comfortable foreign exchange reserves.

Metrochem has continually improved its effectiveness in operations. Wastages of resources of all descriptions were eliminated after close scrutiny. An all out attempt was made to rationalise and optimise the Company's resource-base and its use. In an environment of unprecedented competitive pressures at the marketplace, it has become imperative for the Company to adopt stringent measures.

Metrochem's obsession with quality and customer satisfaction has found a new expression by its accession as an ISO 9001 Company. Our Unit III and Kroma Labs have received the Certificate of Registration from KMPG Quality Registrars. The quality system is applicable to Design, Development, Manufacture and Supply of Reactive, Direct and Acid Dyestuff.

Metrochem's emphasis on excellence in quality of its products and services through continuous improvement will remain the hallmark of future growth.

Place : Ahmedabad
Date : 1st July 1999

Gautam M. Jain

BOARD OF DIRECTORS

Gautam M. Jain
Chairman & Managing Director

Anil M. Jain
Deputy Managing Director

Rajendra M. Jain
S. S. Bhandari
Sandeep M. Singhi

COMPANY SECRETARY

K. N. Nevatia

AUDITORS

Deepak Soni & Associates
Chartered Accountants
Ahmedabad

BANKERS

State Bank of India
Indian Bank

**REGISTERED OFFICE
& UMRAYIYA 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

- (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

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NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of the members of Metrochem Industries Limited will be held on Saturday, 25th September, 1999 at 11.30 a.m. at the Registered Office of the Company at Village Umraiya, Taluka Padra, Dist. Baroda, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999, 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 Anil M. Jain, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri S. S. Bhandari who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

REAPPOINTMENT OF SHRI ANIL M. JAIN AS DY. MANAGING DIRECTOR.

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

"RESOLVED that pursuant to Section 198, 269, 309, 310, 311, Schedule XIII (and other applicable provisions, if any) of the Companies Act 1956, the Company hereby approves of the reappointment of Shri Anil M. Jain as Dy. Managing Director of the Company, for a period

of five years with effect from 1st October, 1999 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 Anil M. Jain."

VOLUNTARY DELISTING OF COMPANY'S EQUITY SHARES FROM STOCK EXCHANGES AT NEW DELHI AND MADRAS.

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

RESOLVED that subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, 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 (hereinafter referred to as "the Board", which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to delist its Equity Shares from the Delhi Stock Exchange Association Limited and Madras Stock Exchange Limited. "

By the Order of the Board

Place : Ahmedabad
Date : 1st July 1999

K. N. Nevatia
Company Secretary

METROCHEM INDUSTRIES LIMITED

NOTE :

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 the proxy need not be a member. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. The relative explanatory statement as required under Section 173 of the Companies Act 1956, is attached.
3. The Register of Members and Share Transfer Books shall remain closed between 18th August, 1999 to 25th August, 1999 (both days inclusive).
4. Dividends, if declared, will be paid to the members whose names appear in the Register of Members as on 26th August, 1999.
5. Members are requested to promptly notify any change in their address to the Registrars and Transfer Agent M/s. Pinnacle Finance Limited.

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

Item No. 6

Shri Anil M. Jain was appointed as Dy. Managing Director of the Company on 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. In view of his valuable services, it is considered appropriate to reappoint Shri Anil M. Jain as Dy. Managing Director for a further period of FIVE YEARS with effect from 01/10/1999 on the following terms and conditions :

- i) Period of agreement : From 01/10/1999 to 30/09/2004.
- ii) Remuneration :

1. Salary

Rs. 45,000/- per month payable from 1st october, 1999, with a provision of yearly increment not exceeding Rs. 5,000/-.

2. Perquisites & Allowances

- (i) In addition to the salary and commission payable,

Dy. Managing Director shall 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 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 aforesaid remuneration or perquisites.

3. Commission

Such remuneration by way of commission, in addition to the salary, 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.

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.

In compliance with the provisions of Section 309 of the Act, the terms of remuneration specified above are now being placed before the members at the General Meeting for approval.

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 11.00 a.m. and 1.00 p.m. on any working day of the Company.

Shri Gautam M. Jain, Shri Anil M. Jain and Shri Rajendra M. Jain being relatives of one another are concerned or interested in item No.6 of the Notice.

This may be treated as an abstract of the Draft Agreement between the Company and Shri Anil M. Jain pursuant to Section 302 of the Act.

Item No. 7

Presently the Company's equity Shares are listed on the following five stock exchanges in India :

- i. The Vadodara Stock Exchange Limited
- ii. The Stock Exchange, Mumbai

iii. Madras Stock Exchange Limited

iv. The Delhi Stock Exchange Association Limited

v. The Stock Exchange, Ahmedabad

A minicule number of Shareholders are located in the region where The Delhi Stock Exchange Association Limited and Madras Stock Exchange Limited is situated and the trading volumes on the said Stock Exchanges in the Company's shares is negligible. The proposed delisting of the Company's Equity Shares on these Stock Exchanges will not therefore adversely affect any investor including the members located in regions where the said Stock Exchanges are situated.

Stock Exchanges in India with the permission of SEBI are now free to fix the prescribed listing fees unilaterally and it has been observed that the listing fees paid to the Stock Exchanges situated at Delhi and Madras are not at all commensurating to the trading volumes in comparison to the other remaining Stock Exchanges.

In line with the SEBI regulations for voluntary delisting of the Companies Securities by the Companies, members approval is sought by a Special Resolution for delisting its Equity Shares from the Stock Exchanges situated at Delhi and Madras.

The proposed delisting is in the interest of the Company and the Board commends the Resolution for acceptance by members.

By the Order of the Board

Place : Ahmedabad
Date : 1st July 1999

K. N. Nevatia
Company Secretary

METROCHEM INDUSTRIES LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Twelfth Annual Report together with the audited Statement of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

(Rs. in Lakh)

	YEAR ENDED 31-03-1999	YEAR ENDED 31-03-1998
Sales & Other Income	13152.62	12378.66
Profit Before Interest, Depreciation and Tax	2325.40	2193.47
Less : Interest	862.34	449.82
Depreciation	861.01	442.20
Profit Before Tax	602.05	1301.45
Provision for Tax	50.00	70.00
Provision for Tax on distributed profit	42.91	42.58
Profit After Tax	509.14	1188.87
Appropriations :		
Interim Dividend	17.12	---
Proposed Dividend	372.95	425.83
General Reserve	60.00	400.00
Balance Carried to Balance Sheet	59.07	363.04
Total	509.14	1188.87

DIVIDEND

Your Directors are pleased to recommend a dividend @14% on 1,00,00,000 14% Preference Shares of Rs. 10 each and @12.5% on 12.5% 50,00,000 Preference Shares of Rs. 10 each (prorata and including interim dividend paid @10%) and @20% on the Equity Shares for the year ended 31st March, 1999. The dividend will absorb Rs. 390.07 Lakh and a further sum of Rs. 42.91 Lakh towards tax on distributed profits is also provided.

OPERATIONS

During the year under review, turnover and other receipts amounted to Rs. 13152.62 Lakh (previous year Rs. 12378.66 Lakh). Net profit after tax was Rs. 552.05 Lakh as against Rs. 1231.45 Lakh during the previous year. The exports turnover amounted to Rs. 8408.21 Lakh as compared to Rs. 8107.61 Lakh in the previous year showing a growth of 6.25% in total turnover and 3.71% in export turnover. The Company could achieve these results despite continued sluggishness in the domestic and international markets.

Prices of Dyestuff and Dye Intermediates in the domestic and international markets were continued to fall and overall economic downtrend was witnessed in the industry.

EXPANSION

The capacity utilisation at the new project for manufacture of Dyestuffs & Dye Intermediates with an installed capacity of 6000 MT p.a. at Village Umraiya, Dist. Baroda, completed during pervious year has shown improvement during the year under review and is being gradually increased to the installed capacity.

The Company has further programmes for expansion on the anvil and efforts are on to implement the same by raising term loans and through internal accruals.

ENVIRONMENT AND POLLUTION CONTROL MEASURES

The Company continued its focus on effective and efficient management of its environment and steadily progressed on achieving pollution control norms at all its work stations. The practices employed have been in



complete conformity with the statutory requirements and the systems followed have ensured adequate protection to employees and the external environment. The effluent treatment and disposal facilities have assumed a pivotal role and became an integral part of the Company's manufacturing processes and plans.

ENERGY AUDIT

Your Company has assigned the task of Energy Audit at the company's plants at umraiya, Baroda to Petroleum Conservation Research Association, Mumbai. The report of the Energy Audit was very satisfactory.

COST AUDIT

your Company has appointed M/S. Kiran J. Mehta, Cost Accountants, for the year 1999-2000 for the cost audit of the Company's cost records pursuant to an order of the Department of Company Affairs, Company Law Board, New Delhi.

ISO 9001

Your Company has been accredited with ISO 9001 certification for its Unit III and Kroma Labs, the R&D Division from KMPG Quality Registrars. The quality system is applicable to Design, Development, Manufacture and Supply of Reactive, Direct and Acid Dyestuff.

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.

Y2K COMPLIANCE

All computer operations at the Company are Y2K compliant. The Company is equipped to meet the cost. The Company is prepared for any system failure and contingency plans include the transfer of transaction applications from electronic system to manual effort. For this purpose, the required procedures, systems, processes and infrastructure are provided.

SUBSIDIARY COMPANY

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

DIRECTORS

Shri Anil M. Jain and Shri S. S. Bhandari retire by rotation and being eligible, offer themselves for re-appointment.

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 re-appointed.

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 a 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, the Company looks forward to a brighter future.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Ahmedabad
1st July 1999

Gautam M. Jain
Chairman & Managing Director

METROCHEM INDUSTRIES LIMITED

ANNEXURE TO DIRECTORS' REPORT

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./Lakh)
	1998-99	1997-98
(i) Earnings	8408.21	8107.61
(ii) Outgo	1457.50	1968.53

FORM 'A'

A. POWER AND FUEL CONSUMPTION :

(Rs./Lakh)

PARTICULARS	1998-99	1997-98
1. Electricity		
a) Purchased		
Units (kwh/Lakh)	175.15	90.01
Total Amount (Rs./Lakh)	709.78	345.15
Rate/Unit (Rs.)	4.05	3.83
b) Own Generation		
Through Diesel Generator		
Unit (kwh/Lakh)	0.76	18.22
Unit per ltr. of Diesel Oil	3.08	3.05
Cost/Unit (Rs.)	3.58	3.54
2. Light Diesel Oil (LDO)		
Quantity (Ltr./Lakh)	42.88	57.62
Total Cost (Rs./Lakh)	354.96	465.21
Average Rate (Rs./Ltr.)	8.28	8.07

B. CONSUMPTION PER UNIT OF PRODUCTION

Production of Dyes & Dyes Intermediates (Tonnes)	10221.30	7680.73
i) Electricity (Units per Tonne)	1721.01	1409.11
ii) LDO (Ltr./Per Tonne)	884.23	750.19

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 in which R&D is being carried out**

The R&D centre continue to strengthen the Company's business by providing new products & process, optimisation of the existing range and pollution control. Brief details are given below :

- a. Two new dyes of VS series & Three new dye intermediates developed and successfully commercialised.
- b. Strong R&D support has enabled development of various dyes & dye intermediates.
- c. Process control by instrumentation was given priority for consistency in product quality.
- d. Pollution control was given importance and efforts directed towards reduction at source and by product recovery and usage.

2. Benefits derived as a result of above R&D

- a. Increase in product range, augmenting export potential and marketing.
- b. Product consistency for remaining globally competitive.
- c. Improvement in process control, conservation of energy and raw materials and process optimisation resulting in cost reduction.

3. Future plan of action

- a. Upgradation and development of more dyes and dye intermediates.
- b. Commercialisation of new products developed.
- c. Product quality improvement, better process control and cost reduction.
- d. Waste minimisation and development of cleaner technology.

4. Expenditure on R&D :

PARTICULARS	1998-99	1997-98
	(Rs.in Lakh)	(Rs.in Lakh)
i) Capital	19.66	54.67
ii) Recurring	52.43	38.59
iii) Total	72.09	93.26
iv) Total R&D Expenditure as percentage to turnover	0.55	0.76

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

- a. Improvement in technical services to meet customer requirements.
- b. Interaction with CSIR Laboratories and consultants for improving process and pollution control.
- c. Addition of new instruments and methods for better process control.

2. Benefits derived as a result of above efforts

- a. Better customer satisfaction.
- b. Cost effectiveness and increase in marketability.
- c. Better technical services.

3. Imported Technology

No import of technology is involved. The R&D centre, duly recognised by DSIR is sufficient and engaged in technology upgradation.