



Annual Report

1999-2000

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METROCHEM INDUSTRIES LIMITED

FROM CHAIRMAN'S DESK



Indian economy has shown selectively, though not significantly, signs of recovery from the perennial recessionary pressures experienced over the past couple of years. Notwithstanding the prophecy of pundits to the effect that the industry is rapidly moving towards an upswing, most traditional industries continue to be in the grip of unprecedented cash crunch, market stringency and negative margins. In many cases, it has become imperative for companies to abandon, or at least suspend, manufacture of select products to arrest the erosion in price realization.

MetroChem continued relentlessly to sustain and withstand the onslaught emanating from external environment while maintaining utmost prudence in operational efficiencies and cost effectiveness. An extreme sense of alertness, proactivity and selectivity was exercised in formulating strategies, plans and approach in order to deal with the dynamic and ever-changing scenario affecting the growth of your Company.

MetroChem's products and services are recognized for their superiority in quality, delivery and value for money. While efforts were made towards continuous improvement in every segment of MetroChem's activities, quality considerations at MetroChem have been fundamental to its very survival especially in the prevailing unfriendly and volatile market-place.

MetroChem truly believes that the steady deceleration in profitability is a temporary phenomenon and, very soon, the industrial climate will change for the better -- eventually helping the Company fulfil the expectations of its stakeholders.

Ahmedabad
12th June, 2000

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
IDBI Bank Limited

REGISTERED OFFICE & UMRAYA PROJECT

Village : Umraya
Taluka : Padra
District : Baroda - 391440.
GUJARAT

ADMINISTRATIVE OFFICE

505/506, "SURYARATH"
Near White House
Panchvati, Ellisbridge
Ahmedabad - 380006.

CORPORATE OFFICE

508/509, "SHILP"
C. G. Road, Navrangpura
Ahmedabad - 380009.

WORKS

- (i) Phase II, G.I.D.C., Vatva
Ahmedabad - 382445.
- (ii) Village : Umraya, Taluka : Padra
District : Baroda - 391440.
GUJARAT

REGISTRARS & TRANSFER AGENT

Pinnacle Shares Registry
Private Limited
Near Ashoka Mills
Naroda Road, Ahmedabad - 380025.

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NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the members of Metrochem Industries Limited will be held on Tuesday, the 26th September, 2000 at 11.30 A.M. at the Regd. Office of the Company at Village : Umraya, 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, 2000, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Rajendra M. Jain, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Sandeep M. Singhi, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

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 Thursday, the 17th August, 2000 to Friday, the 25th August, 2000 (both days inclusive).
3. Members are requested to promptly notify any change in their address to the Registrars and Transfer Agent M/s. Pinnacle Shares Registry Private Limited.
4. The Equity Shares of the Company will be traded compulsorily in Demat Form from 29/01/2001. The Company is under process to enter into an agreement with NSDL and CDSL for the purposes. Shareholders are requested for dematerialisation of their shareholdings in due course for trouble free trading at the Stock Exchanges from 29/01/2001.

By Order of the Board

Place : Ahmedabad

K. N. Nevatia

Date : 12th June, 2000 Company Secretary

METROCHEM INDUSTRIES LIMITED

DIRECTORS' REPORT

To,
The Members,
Your Directors have pleasure in presenting their Thirteenth Annual Report together with the audited Statement of Accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

(Rs. in Lakh)

| | YEAR ENDED 31-03-2000 | YEAR ENDED 31-03-1999 |
|---|--------------------------|--------------------------|
| Sales & Other Income | 15478.65 | 13152.62 |
| Profit Before Interest, Depreciation and Tax | 2318.90 | 2325.40 |
| Less : Interest | 774.03 | 862.34 |
| Depreciation | 928.82 | 861.01 |
| Profit Before Tax | 616.05 | 602.05 |
| Less : Provision for Tax | 50.00 | 50.00 |
| | 566.05 | 552.05 |
| Less : Provision for Tax on distributed profit | 47.43 | 42.91 |
| Profit After Tax | 518.62 | 509.14 |
| Appropriations : | | |
| Interim Dividend | 431.17 | 17.12 |
| Proposed Dividend | NIL | 372.95 |
| General Reserve | 50.00 | 60.00 |
| Balance Carried to Balance Sheet | 37.45 | 59.07 |
| Total | 518.62 | 509.14 |

OPERATIONS

During the year under review, turnover and other receipts amounted to Rs. 15478.65 lakh (previous year Rs. 13152.62 lakh). Net profit after tax was Rs. 566.05 lakh as against Rs. 552.05 lakh during the previous year. The exports turnover amounted to Rs.10061.53 lakh as compared to Rs. 8408.21 lakh in the previous year showing a growth of 17.68% in total turnover and 19.66% in export turnover. The Company could achieve these results despite continued sluggishness and unremunerative prices prevailing in the domestic and international markets. Overall economic downtrend was witnessed in the Industry.

DIVIDEND

Your Directors are pleased to report that an Interim Dividend @14% on 1,00,00,000 14% Preference Shares of Rs. 10 each and @12.5% on 50,00,000 12.5% Preference Shares of Rs. 10 each and 20%

on the Equity Shares for the year ended 31st March, 2000 was declared by the Board and the same was paid on 26th May, 2000. Rs. 47.43 lakh towards tax on distributed profits is also paid. Your Directors do not recommend any final dividend now.

Y2K

The Changeover to 2000 caused no problems in any systems or other areas of your Company's operations.

EXPANSION

The capacity utilisation at the new project for manufacture of Dyestuffs & Dyes Intermediates with an installed capacity of 6,000 MT p.a. at village Umraiya, Dist. Baroda, completed during previous year has shown improvement during the year under review and is being gradually increased to the installed capacity. The expansion programmes are under study and will be implemented after carefully observing the emerging Globalisation and WTO effects.



CAPITAL EXPENDITURE

Your Company has spent Rs.1195.70 Lakh on various additions in fixed assets during the year under review.

INSURANCE

The fixed and current assets of the Company are fully insured.

ENVIRONMENT & POLLUTION CONTROL MEASURES

The Company has put the Environment and Pollution Control measures under top priority. The Company has spent Rs. 576 lakhs as revenue expenditure during the year under review.

FINANCE

The Company has not raised any Term Loans to finance its Capital Expenditure and managed with the internal accruals. With the help of various measures, it kept under control the Interest cost.

LISTING

The Company's equity shares are listed at the Stock Exchanges at Vadodara, Ahmedabad, Mumbai, Chennai and Delhi. Listing Fee for the year 1999-2000 has been paid to all the five Stock Exchanges.

DEMATERIALISATION OF EQUITY SHARES

Your Company's Equity Shares will be compulsorily traded in demat form from January 29, 2001 as per the SEBI notification. The process for the execution of agreements with National Security Depository Limited and Central Depository Services (India) Limited will be completed very shortly.

COST AUDIT

Your Company has appointed M/s. Kiran J. Mehta, Cost Accountants, for the year 2000-2001 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.

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 Limited a Subsidiary of the Company, are annexed hereto.

DIRECTORS

Shri Rajendra M. Jain and Shri Sandeep M. Singhi, Directors of the Company, retire by rotation and being eligible, offer themselves 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 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 Government and State Government Authorities, Customers, Shareholders and all others who have been associated with the Company for their co-operation, continued support and for the confidence reposed on management of the Company.

For and on behalf of the Board

Ahmedabad
12th June, 2000

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 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) | |
|--------------|------------|---------|
| | 1999-2000 | 1998-99 |
| (i) Earnings | 10061.53 | 8408.21 |
| (ii) Outgo | 912.88 | 1457.50 |

FORM 'A'

A. POWER AND FUEL CONSUMPTION :

(Rs./Lakh)

| PARTICULARS | 1999-2000 | 1998-99 |
|----------------------------------|-----------|---------|
| 1. Electricity | | |
| a) Purchased | | |
| Units (kwh/Lakh) | 211.01 | 175.15 |
| Total Amount (Rs./Lakh) | 868.98 | 709.78 |
| Rate/Unit (Rs.) | 4.12 | 4.05 |
| b) Own Generation | | |
| Through Diesel Generator | | |
| Unit (kwh/Lakh) | 2.25 | 0.76 |
| Unit per ltr. of Diesel Oil | 3.14 | 3.08 |
| Cost/Unit (Rs.) | 4.30 | 3.58 |
| 2. Light Diesel Oil (LDO) | | |
| Quantity (Ltr./Lakh) | 95.91 | 42.88 |
| Total Cost (Rs./Lakh) | 792.70 | 354.96 |
| Average Rate (Rs./Ltr.) | 8.26 | 8.28 |

B. CONSUMPTION PER UNIT OF PRODUCTION

| | | |
|--|----------|----------|
| Production of Dyes & Dyes Intermediates (Tonnes) | 13078.37 | 10221.30 |
| i) Electricity (Units per Tonne) | 1630.69 | 1721.01 |
| ii) LDO (Ltr./Per Tonne) | 733.38 | 884.23 |

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 continued to strengthen the Company's business by providing new products &



process, optimisation of the existing range & pollution control. Brief details are given below :

- a. Few new reactive bifunctional dyes developed and successfully commercialised.
- b. Two new supra blue dyes and two dye intermediates of the benzene series developed and successfully commercialised.
- c. Continued importance was given to pollution control, by-product recovery and energy conservation.
- d. Process control was further strengthened and a new Lab established.

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

- a. Expansion of product range resulting in better marketability.
- b. Improved Quality Control measures leading to product quality upgradation, energy and raw material savings, yield optimisation and enhanced productivity.

3). Future Plan of action :

- a. Development of more dyes and dye intermediates to expand product range.
- b. Consolidation of Pollution Control Measures and development of cleaner technology and energy Conservation.
- c. Diversification towards speciality intermediates and fine chemicals.

4). Expenditure on R&D :

| PARTICULARS | 1999-2000 (Rs.in Lakh) | 1998-99 (Rs.in Lakh) |
|--|---------------------------|-------------------------|
| i) Capital | 37.20 | 19.66 |
| ii) Recurring | 60.17 | 52.43 |
| iii) Total | 97.37 | 72.09 |
| iv) Total R&D Expenditure as percentage to turnover | 0.63 | 0.55 |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1). Efforts made

- a. Technology absorption from various CSIR laboratories, consultants and literatures for effective improvement in process.
- b. Strengthening of analytical process control capabilities by installation of a new HPLC and Particle Size Analyzer.
- c. Emphasis on Technical Services to achieve maximum customer satisfaction.

2). Benefits derived as a result of above efforts :

- a. Increased marketability of products and cost effectiveness.
- b. Better customer services.

3). Imported Technology :

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

METROCHEM INDUSTRIES LIMITED

AUDITOR'S REPORT TO THE MEMBERS OF METROCHEM INDUSTRIES LIMITED

We have audited the attached Balance Sheet of Metrochem Industries Limited as at 31st March, 2000 together with the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report that :

- 1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 2) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
- 3) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4) In our opinion, the Profit & Loss Account and the Balance-Sheet comply with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956.
- 5) In our opinion and to the best of our information and according to the explanations given to us the accounts read with and subject to the notes thereon and particularly
 - a) Note no. 2 regarding treatment of expenditure by the Company on pollution control in the nature of deferred revenue expenses,
 - b) Note no. 6 regarding non-provision of debtors doubtful of recovery amounting to Rs. 28.41 lakh, and
 - c) Note no. 7 regarding credit to the Profit & Loss Account of withdrawal of Rs. 193.24 lakh from the surplus in the Profit & Loss Account in respect of the advances written off give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - a) in the case of the Balance Sheet, of the state of the Company's affairs as at 31st March, 2000, and
 - b) in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date.
- 6) As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate

and according to the information and explanations given to us, we further report that:

- i. The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets. We are informed that the physical verification of fixed assets was conducted by the management at reasonable intervals and no discrepancy was noticed on such verification.
- ii. The fixed assets of the Company have not been revalued during the year.
- iii. Physical verification of Finished Goods, Raw Materials, Stores and Spare Parts has been conducted during the year at reasonable intervals by the management.
- iv. In our opinion, and according to the information and explanations given to us, the procedures of verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- v. The discrepancies noticed on physical verification of stocks as compared to the book records were not material and the same have been properly dealt with in the books of account.
- vi. In our opinion, valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceeding year.
- vii. The Company has taken unsecured loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. According to the information and explanations given to us, in our opinion the rate of interest and other terms and conditions are not prima-facie prejudicial to the interest of the Company. We have been informed that there is no Company under the same management as defined in sub-section (1B) of Section 370 of the Companies Act, 1956.
- viii. In our opinion and according to the information and explanations given to us, the rate of interest and the terms and conditions on which unsecured loans have been given to companies listed in the register maintained under Section 301 of the Companies Act, 1956 are not prima-facie prejudicial to the interest of the Company. The



- Company has not given any loan, secured or unsecured, to any other firms or parties listed in the register maintained u/s. 301 of the Companies Act, 1956. We have been informed that there is no Company under the same management as defined under section 370(1B) of the Companies Act, 1956.
- ix. The parties other than to the parties considered as doubtful and employees to whom the loans or advances in the nature of loans have been given by the Company are generally repaying the principal amounts as stipulated or as rescheduled from time to time and have also been regular in payment of interest wherever applicable except in the case of few employees who have left Company's services. In our opinion having regard of the nature of loans and advances, reasonable steps have been taken by the Company for the recovery of the principal and interest.
 - x. On the basis of checks carried out during the course of audit and according to the information and explanations given to us, we are of the opinion that existing internal control procedures relating to purchases of raw materials, stores, including components, plant and machinery, equipments and other assets are adequate.
 - xi. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at the prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
 - xii. The Company has regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods and provision for the loss in respect thereof has been made in the accounts.
 - xiii. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
 - xiv. The Company has for sale and disposal of by products and realisable scrap, in our opinion, maintained reasonable records.
 - xv. In our opinion the Company has an adequate internal audit system commensurate with the size and the nature of the business of the Company.
 - xvi. We have broadly reviewed the books of account maintained by the Company in respect of the products where pursuant to the rules made by the Central Government the maintenance of cost records has been prescribed under Section 209 (1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
 - xvii. According to the records of the Company, the Provident Fund and Employees' State Insurance have generally been regularly deposited by the Company during the year with the appropriate authorities.
 - xviii. According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs Duty and Excise duty which have remained outstanding as at 31st March, 2000 for a period of more than six months from the date they became payable.
 - xix. According to the information and explanations given to us, no personal expenses of employees and directors have been charged to revenue accounts other than those payable under contractual obligations or in accordance with generally accepted business practices.
 - xx. The Company is not a sick industrial Company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
 - xxi. According to information and explanations given to us, the Company during the year under review did not have any damaged goods in respect of trading items.
- For Deepak Soni & Associates**
Chartered Accountants
- Deepak Soni**
(Proprietor)
- Ahmedabad
12th June, 2000