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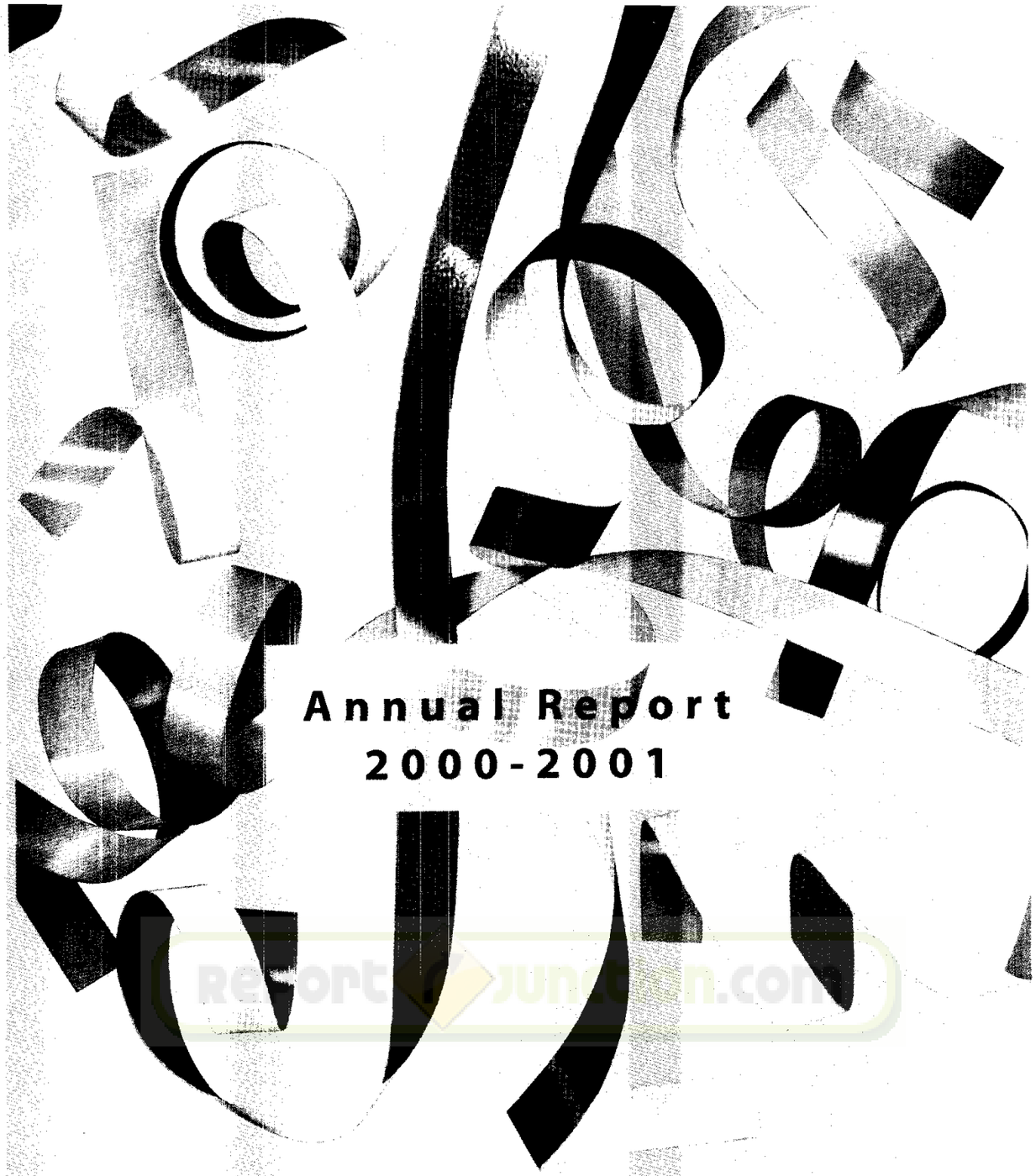

Annual Report 2000-2001

METROCHEM INDUSTRIES LIMITED

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FROM THE CHAIRMAN

The year ended March, 2001 was very challenging for Indian economy. A series of natural calamities including the recent earthquake in Gujarat had a dampening effect on economy.

With the impact of continued high cost of inputs, unremunerative prices of the products in the domestic and International market and slackness in demand have affected adversely.

Transitional effect of globalisation and thereby stiff competition in the domestic as well as international market also played its role for the sluggishness in the industry.

MetroChem's products and services are recognised for their superiority in quality, timely delivery and value for money. We, at MetroChem, endeavour for product diversification and improvement through our in - house Research and Development facilities for upgradation for successful survival. Specially in the prevailing unfriendly and volatile market conditions. On the other hand, efforts are made to reduce cost of production to make our products competable which alone will ensure profitable business operations in the Global Competition which is there to stay.

MetroChem has always believed that "when the going gets tough, the tough gets going". These are difficult times, not only for the Dyes and Chemical industry, but also for Indian industry per se; but we are confident of our ability of "Meeting the Challenges" and "Beating the Odds".

Ahmedabad
July 05, 2001

Gautam M. Jain

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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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CONTENTS

Notice	2
Directors' Report	6
Auditors' Report	11
Balance Sheet	13
Profit & Loss Account	14
Schedules	15
Balance Sheet Abstract and Company's General Business Profile	33
Statement Under Section 212	34
Cash Flow Statement	35
Accounts of Subsidiary Company	37

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METROCHEM INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of the members of Metrochem Industries Ltd. will be held on Saturday, the 15th September, 2001 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, 2001, 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 Redeemable Preference Shares 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 re-appointment.
4. To appoint a Director in place of Shri S. S. Bhandari, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended and/or altered in the following manner:

(i) The following new Article with the marginal notes as indicated be inserted as Article 22A after the present Article 22:

22A Dematerialisation of Securities:

Definitions :

(1) For the purpose of this Article:

"Beneficial Owner" means a person whose name is recorded as such with a Depository;

"Depository" means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration under the Securities and Exchange Board of India Act,1992;

"Depositories Act" means the Depositories Act,1996 or any statutory modification or re-enactment thereof;

"Registered Owner" means a Depository whose name is entered as such in the records of the Company;

"Security" means such security as may be specified by the Securities and Exchange Board of India, from time to time.

Dematerialisation/Rematerialisation of Securities:

(2) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise/rematerialise its securities and to offer securities in the dematerialised form pursuant to the Depositories Act.

Securities in fungible form:

(3) All securities held by a Depository shall be dematerialised and shall be in fungible form. No certificate shall be issued for the securities held by the Depository. Nothing contained in Sections 153, 153A, 153B, 187C and 372A of the Act, shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

Numbering of Securities:

(4) Nothing contained in this Act or these Articles, regarding the necessity of having Distinctive Numbers/Certificate Numbers shall apply to securities held in a Depository.

Service of documents:

(5) Nothwithstanding anything contained in the Act or these Articles where the Securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company, by means of electronic mode and/or by delivery of floppies or disks.

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Transfer of Securities:

(6) Nothing contained in these Articles shall apply to transfer of securities held in Depository.

Allotment of Securities:

(7) Where the securities are dealt with in a Depository, the Company shall intimate the details of allotment or relevant securities to the Depository on allotment of such securities.

Register and Index of Beneficial owners:

(8) The Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act shall be deemed to be a Register and Index of Members and other Securityholders.

Rights of Depository and Beneficial Owners:

(9) As a registered owner, Depository shall not have any voting rights or any other rights in respect of the securities held by it. Every person whose name is entered as the beneficial owner of shares in the records of the Depository shall be deemed to be a member of the Company. Every beneficial owner of securities shall be entitled to all the rights and benefit and be subject to all the liabilities in respect of the securities which are held by the Depository.

(ii) The following new Article with the marginal notes as indicated be inserted as Article 24(A) and 24(B) after the present Article 24:

24A Nomination :

(1) Every holder of share(s) in and/or debenture(s) of the Company, so entitled under the Act and Rules framed thereunder, may, at anytime, nominate, in the manner prescribed under the Act, a person to whom his share(s) and/or debenture(s) of the Company shall vest in the event of his death.

(2) Where the share(s) in and/or debenture(s) of the Company are held by more than one person jointly, the jointholders, may, together nominate, in the manner prescribed under the Act, a person to whom all the rights in the share(s) in and/or debenture(s) of the Company, as the case may be, shall vest in the event of the death of all the joint holders.

(3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentry or otherwise, in respect of the share(s) in and/or debenture(s) of the Company, where a nomination is made in the manner presribed under the Act, purports to confer on any person the right to vest the share(s) in and/or debenture(s) of the Company, the nominee shall, on the death of the share holder and/or debentureholder concerned or on the death of the joint holders, as the case may be, become entitled to all the rights in relation to such share(s) and /or debenture(s), to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner prescribed under the Act.

(4) Where the nominee is a minor, the holder of the share(s) in and/or debenture(s) of the Company can make a nomination in the manner prescribed under the Act, to appoint any person to become entitled to the share(s) in and/or debenture(s) of the Company, in the event of his death, during the minority.

24B Transmission in case of nomination:

(1) Any person who becomes a nominee by virtue of the provisions of Article 24A, upon the production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either-(a) to be registered himself as holder of the share(s) and/or debenture(s) , as the case may be; or (b) to make such transfer of the share(s) and/or debenture(s), as the case may be, as the deceased shareholder and/or debentureholder concerned or deceased joint holder, as the case may be, could have made.

(2) In case the person being a nominee, so becoming entitled, elects himself to be registered as holder of the share(s) and/or debenture(s), as the case may be, he shall deliver or send to the Company, a notice in writing duly signed by him stating that the nominee concerned so elects and such notice shall be accompanied with the death certificate(s) of the deceased shareholder/ debentureholder/joint holders, as the case may be.

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(3) All the limitations, restrictions and provisions of the Articles of Association of the Company, relating to the right to transfer and the registration of transfer of share(s) and/or debenture(s) shall be applicable to any such notice or transfer as aforesaid as if the death of the shareholder/debentureholder had not occured and the notice or transfer were signed by that shareholder and/or debentureholder or jointholders, as the case may be.

(4) A person, being a nominee, becoming entitled to the share(s) and/or debenture(s) by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he was the registered holder of the share(s) and/or debenture(s), except that he shall not, before being registered a member in respect of his share(s) or debenture(s), be entitled in respect of it to exercise any right conferred by membership in relation to meeting of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share(s) and/or debenture(s), and if the notice is not complied with, within ninety days, the Board may thereafter withhold payments of all dividends, bonuses or other moneys payable or rights accruing in respect of the share(s) and/or debenture(s), until the requirements of the notice have been complied with."

By Order of the Board

For, **METROCHEM INDUSTRIES LIMITED**

Ahmedabad.
July 05, 2001

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. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 23rd August, 2001 to Thursday, the 30th August, 2001 (both days inclusive).
4. Members are requested to promptly notify any change in their address to their Depository Participants (DPs) in respect of their Electronic Shares Account and to the Registrars and Transfer Agents M/s. Pinnacle Shares Registry Private Limited in respect of their Physical Share folios, if any.
5. The Dividend as recommended by the Board, if sanctioned at the meeting, will be paid on or after 15th September, 2001 to those members whose names appear on the Company's Register of Members on 30th August, 2001. In respect of the shares in Electronic Form the Dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
6. Pursuant to Section 205A of the Companies Act,1956 the Company would transfer all unclaimed dividends upto the Financial Year ended on 31st March, 1995 to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the aforesaid year are requested to claim the amount.
7. The Equity Shares of the Company are being traded compulsorily in Demat Form from 30/04/2001. The Company has entered into an agreement with NSDL and CDSL for the purposes. Shareholders are requested for

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dematerialisation of their shareholdings for trouble free trading at the Stock Exchanges.

8. Pursuant to new Section 109A inserted in the Companies Act, 1956 individual shareholders holding shares in the Company singly or jointly may nominate an individual to whom all the rights in the shares of the Company shall vest in the event of death of the sole/ all joint shareholders.

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

ITEM NO. 6

With the enactment of the Depositories Act, 1996, and the introduction of the Depositories System, certain provisions of the Companies Act,1956, pertaining to issue, holding, transfer and dealing in shares and other securities as also Certificates thereof have been amended with a view to facilitating the operation of the Depository System. In view of this, consequent changes are required to be incorporated in the Articles of Association of the Company. This is sought to be done by introduction of a new Article 22A in terms of the Resolution at Item No. 6(i) so that the Articles of Association of the Company are in line with the amended provisions of the Depositories Act,1996.

Further, as per the provisions of Sections 109A and 109B of the Companies Act,1956, as amended by the Companies (Amendment) Act, 1999, every holder of shares in, or debentures of the Company may at any time nominate in the prescribed manner, a person to whom his shares in, or debentures of the Company shall vest in the event of his death.

It is, therefore, proposed to insert new Articles 24A and 24B in the Articles of Association of the Company to give effect to the said provisions as detailed in the Special Resolution set out at Item 6(ii) of the accompanying Notice.

Pursuant to the provisions of the Companies Act, 1956, a Company may by a Special Resolution alter its Articles of Association. Accordingly your Directors recommend the Special Resolution as set out under Item No. 6 of the notice for approval by the Shareholders.

A Copy of the Memorandum and Articles of Association of the Company together with the proposed alteration would be available for inspection by the members at the Registered Office of the Company during business hours on any working day.

None of the Directors of the Company is, in any way, concerned or interested in the Resolution.

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DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting their Fourteenth Annual Report together with the audited Statement of Accounts for the year ended 31st March, 2001

FINANCIAL RESULTS

(Rs. in Lakh)

	YEAR ENDED 31-03-2001	YEAR ENDED 31-03-2000
Sales & Other Income	13543.80	15478.65
Profit Before Interest, Depreciation and Tax	2024.35	2318.90
Less : Interest	770.64	774.03
Depreciation	938.00	928.82
Profit Before Tax	315.71	616.05
Less : Provision for Tax	23.68	50.00
	292.03	566.05
Less : Provision for Tax on distributed profit	30.92	47.43
Profit After Tax	261.11	518.62
Appropriations:		
Interim Dividend on Pref.Shares	49.49	202.50
Proposed Dividend on Pref.Shares	139.23	NIL
Interim Dividend on Equity Shares	NIL	228.67
Proposed Dividend on Equity Shares	57.17	NIL
General Reserve	14.60	50.00
Balance Carried to Balance Sheet	0.62	37.45
	261.11	518.62

OPERATIONS

During the year under review, turnover and other receipts amounted to Rs.13543.80 lakhs (previous year Rs.15478.65 lakhs). Net profit after tax was Rs.292.03 lakhs as against Rs. 566.05 lakhs during the previous year. The exports turnover amounted to Rs. 9214.96 lakhs as compared to Rs.10061.53 lakhs in the previous year showing a decline of 12.50% in total turnover and 8.41% in export turnover. The decline in the volume of turnover was basically due to sharp decline in per unit selling prices in domestic as well as in international market. Overall economic downtrend was witnessed in the industry.

DIVIDEND

Your Directors are pleased to report that an interim dividend on @12.5% - 50,00,000 Redeemable Preference Shares of Rs.10 each was paid pro rata till the date of redemption amounting to Rs. 49.49 Lakhs (previous year Rs.62.50 Lakhs). Your Directors also recommend dividend on 14% - 1,00,00,000 Preference Shares of Rs.10 each pro rata till the date of redemption amounting to Rs.139.23 Lakhs (previous year Rs.140 Lakhs) and @ 5% on Equity Shares amounting to Rs. 57.17 Lakhs for the year 2000-2001(previous year @20% Rs.228.67 Lakhs). The total amount of dividends including the Income tax on dividends amounting to Rs.30.92 Lakhs (previous year Rs.47.43 Lakhs) comes to Rs.276.81 Lakhs (previous year Rs.478.60 Lakhs).

REDEMPTION OF PREFERENCE SHARES

During the year under review 50,00,000-12.50% Redeemable Preference Shares of Rs.10 each and

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1,00,00,000- 14% Redeemable Preference Shares of Rs.10 each were redeemed at par out of the accumulated profits.

REDEMPTION OF NON CONVERTIBLE DEBENTURES

During the year under review your Company has redeemed 17% 13,00,000 Non Convertible Debentures of Rs.100 Each.

EXPANSION

The capacity utilisation at the new project for manufacture of Dyestuffs & Dye Intermediates with an installed capacity of 6,000 MT p.a. at village Umraya, Dist. Baroda, was at 102.15% during the year under review at 6128.78 MTs. The Company has installed one no.20 TPH Lignite-cum Coal fired Boiler during current year and further expansion plans are under study and will be implemented after carefully observing the emerging Globalisation and WTO effects.

CAPITAL EXPENDITURE

Your Company has spent Rs. 683 lakhs on various additions in fixed assets during the year under review.

INSURANCE

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

ENVIRONMENT AND POLLUTION CONTROL MEASURES

The Company has put the environment and pollution control measures under top priority. The Company has spent Rs.378.20 Lakhs as revenue expenditure during the year under review.

FINANCE

The Company raised Rs.1500 lakhs of Corporate loans to repay its high interest bearing Non Convertible Debentures etc. to conserve 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 current year has been paid to these Stock Exchanges.

DEMATERIALISATION OF EQUITY SHARES

Your Company's Equity Shares are being compulsorily traded in DEMAT FORM from April 30, 2001 as per the SEBI Notification.

COST AUDIT

Your Company has appointed M/s.Kiran J. Mehta, Cost Accountants, for the year 2001-2002 for the cost audit of the Company's cost records persuant 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 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, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

In compliance of Section 217 (2AA), as incorporated by the Companies (Amendment) Act, 2000 in the Companies Act, 1956, your Directors confirm that:

a) The Company has followed the applicable accounting standards in the preparation of the Annual Accounts and there had been no material departure;

b) The directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for the aforesaid period;

c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregulatories;

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d) The directors have prepared the Annual Accounts on a going concern basis.

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 willingness to serve, if reappointed.

Observations of the Auditors are self-explanatory.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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

There was no employee drawing salaries exceeding the limit stipulated under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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 all others who have been associated with the Company, for their cooperation, continued support and for the confidence reposed in management of the company.

For and on behalf of the Board

Ahmedabad
July 05, 2001

Gautam M.Jain
Chairman & Managing Director

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