



ANNUAL REPORT 2002-2003



METROCHEM INDUSTRIES LTD.

Profile

MetroChem began its operations in 1976 with small installed capacity of 100 tons per year and today its manufacturing capacity is in the range of 17,600 MT per year. Metrochem Industries Limited, a Govt. of India Recognised Trading House, (for its exports performance) is having manufacturing facilities at two locations, GIDC, Vatva, Ahmedabad and at Umraya, Vadodara.

MetroChem's commitment to quality and customer satisfaction has found a new expression by its obtaining ISO 9001 Certification. KPMG, Internationally renowned Quality Registrars, has recognised company's manufacturing facility at Vatva Unit, Ahmedabad, Kroma Labs and Corporate functions by awarding ISO 9001, its highest citation.

MetroChem, today enjoys a distinct leadership advantage in dyestuff and dye intermediates industry. The total sales turnover of the Company went up from Rs. 15 crores in 1986-87 to Rs. 162 crores in 2002-03. Nearly 80% of the Company's turnover comes from exports. Its products find acceptance by renowned multinational corporations and several other customers in over 30 countries, worldwide. The company is among the top exporters of dyestuff and intermediates from India for several years.

The company also has Strategic Alliance with Ciba Speciality Chemicals (Ciba), a leading worldwide supplier of textile dyes and chemicals. Recently, both the companies have extended their co-operation agreement. The strengthened co-operation will allow MetroChem to exploit the capacity of its' plants.

Research and Development and Quality Assurance facilities are the key success factors behind the company's excellence over the years. It has an integrated state-of-the-art R&D and QC facility - KROMA LABS, a division of MetroChem, which is established with investment of Rs. 6 crores. The lab is recognised as 'In-house R&D and QC lab' by the Ministry of Science and Technology, Govt. of India.

In its endeavour to excel in the industry and to protect the environment, MCIL has taken due care for the preservation of nature by constructing state-of-the-art Effluent Treatment Plant which is designed to treat effluent in compliance with the statutory norms. The Effluent Treatment facilities have been set-up with investment of approx. Rs. 7 Crores and Rs. 15 Crores in Ahmedabad and Vadodara respectively. The plants at both the locations are equipped to perform Primary, Secondary and Tertiary treatment for Biodegradable Effluent and for other difficult degradable effluent, a ZERO EFFLUENT DISCHARGE System is created. The location at Umraya has an added advantage of having proximity to Effluent Disposal Channel for safe disposal of treated effluent, as per marine norms.

NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the members of Metrochem Industries Limited will be held on Saturday, the 27th September, 2003, at 11.30 a.m. at the Registered 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 2003, 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 Equity Shares.
3. To appoint a Director in place of Shri Sunil K. Kanojia, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Sudhir N. Doshi, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS: ORDINARY RESOLUTION

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

RE APPOINTMENT OF SHRI GAUTAM M. JAIN AS MANAGING DIRECTOR

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act), the Company hereby accords its consent and approval to the reappointment of Shri Gautam M. Jain as the Managing Director of the Company for a further period of five years with effect from October 15, 2003 on the terms and conditions including remuneration as set out in the Draft Agreement to be entered into between the Company and Shri Gautam M. Jain, a copy whereof is placed before this meeting, duly initialled for the purpose of identification, which agreement is hereby specifically approved."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the said draft Agreement to the extent the Remuneration Committee of the Board and / or the Board of Directors may consider appropriate, and as may be permitted or authorised in accordance with the relevant provisions of the Act, for the time being in force, provided however, that the remuneration payable to Shri Gautam M. Jain shall be within the limits set out in the Act including Schedule XIII to the Act or any amendment(s) thereto or any modification(s) or statutory re-enactment(s) thereof and / or any rules or regulations framed thereunder and the terms of the aforesaid Agreement between the Company and Shri Gautam M. Jain shall be suitably modified to give effect to such variation or increase as the case may be."

"RESOLVED FURTHER THAT during the currency of the tenure of the Managing Director, where in any financial year, the Company has no profits or its profits are inadequate, the Company do pay to the Managing Director, remuneration by way of salary and perquisites as specified above as per the relevant provisions of law including Schedule XIII to the Act."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to execute the Agreement and other documents and take such steps as may be necessary and desirable to implement and give effect to the foregoing resolution."

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

DELISTING OF EQUITY SHARES

"RESOLVED THAT pursuant to the provisions of Section 61 and other applicable provisions of the Companies Act, 1956 and the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines - 2003 (hereinafter referred to as "Delisting Guidelines") and subject to the approval(s) of the Stock Exchange (s) where the Shares of the Company are listed 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 by any authority while granting such approval, permission and sanction, which may be agreed to by the Board of Directors of the Company (the Board which term shall be deemed to include any committee thereof), consent of the Company be and is hereby accorded to delist of the Equity Shares of the Company from Madras Stock Exchange Ltd. and Delhi Stock Exchange Association Ltd."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the aforesaid voluntary delisting of shares as it may in its absolute discretion deem fit without being required to seek any further approval of the members or otherwise to the end and intent, that the members shall be deemed to have given their approval expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all necessary steps in this regard in order to comply with all legal and procedural formalities and further to authorise any of its Committee or any of its Directors or any of the Officer of the Company to do all such acts, deeds or things to give full effect to the aforesaid resolution."

**By the Order of the Board
For Metrochem Industries Limited**

Place : Ahmedabad
Date : 28.06.2003

**K.N. NEVATIA
Company Secretary**

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member of the Company. 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 Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 6th August, 2003 to Tuesday the 19th August, 2003 (both days inclusive).
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto and forms part of the notice.
4. Members who hold the shares in dematerialised form are requested to bring their Client ID and DP ID for easier identification of attendance at the AGM.
5. Members holding the shares in physical mode are requested to notify immediately for change of their address and bank particulars to the Company or its Share Transfer Agent.

AND

In case their shares are held in dematerialised form then information should be passed on directly to their respective Depository Participants and not to the Company / Share Transfer Agent without any delay.

6. The dividend as recommended by the Board, if declared at the meeting, will be payable to those members whose names appear on the Company's Register of Members as on 19th August, 2003.
7. Any request by demat holders for change of bank particulars after despatch of Dividend Warrant should be accompanied by copy of Client Master list showing the changed bank details.
8. In terms of Section 205A and 205C of the Companies Act, 1956, any dividend remaining unclaimed for a period of seven years from the due date of payment is required to be transferred to the Investors' Education and Protection Fund (IEPF). Accordingly, the unclaimed dividend for the financial year 1994-95 has been transferred to the said fund. The dividend for the financial year 1995-96 and thereafter, which remain unclaimed for a period of seven years will be transferred by the Company to the IEPF. Members who have not encashed their dividend warrant (s) so far, for the financial year 1995-96 and the subsequent years, are requested to make their claims to the office of the Registrar & Transfer Agents, Pinnacle Shares Registry Private Limited. It may be noted that once the unclaimed dividend is transferred to the IEPF as above, no claim shall lie against the Company or the said fund in respect of any amounts which were unclaimed / unpaid for a period of seven years from the dates that they first become due for payment and no payment shall be made in respect of any such claims.
9. As required under the Listing Agreement with the Stock Exchanges, the particulars of Directors who are proposed to be appointed / re-appointed are as per attached Annexure 1.

**By the Order of the Board
For Metrochem Industries Limited**

Place : Ahmedabad
Date : 28.06.2003

K.N. NEVATIA
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO. 6**

Shri Gautam M. Jain was re-appointed as a Managing Director of the Company with effect from 15-10-1998 for a period of 5 years and his term of office as Managing Director of the Company will expire on 14-10-2003. In view of his qualification, experience and the performance, his re-appointment has been proposed for the next five years with effect from 15-10-2003.

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 15-10-2003.
- (ii) Remuneration :

1. Salary :

Rs. 55,000 per month in the scale of Rs. 55,000-Rs. 80,000.

The annual increments, which will be effective from 1st April each year, will be decided by the Remuneration Committee and / or Board of Directors in their absolute discretion and will be merit-based and will 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 allowances 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 salaries.
- (ii) For the purpose 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.

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, as may be determined by the Remuneration Committee and / or the Board of Directors of the Company, @ 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 amendment 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 being relative of each other are concerned or interested in item No.6 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. 7

As the members are aware, the Company's shares are presently listed on five Stock Exchanges, namely, Mumbai, Ahmedabad, Vadodara, Delhi and Madras Stock Exchange.

Consequent to the recent rapid changes in the Capital Market and with the availability of nationwide trading facility on the Mumbai Stock Exchange, substantial volume of trading is carried out through this Stock Exchange. Accordingly, the trading volumes at the Madras Stock Exchange Ltd. and Delhi Stock Exchange Association Ltd. are negligible/nil. No particular benefit is available to the shareholders of the Company by continuing the listing of shares on these Stock Exchanges and do not justify the payment of listing fees of these Exchanges. The listing fees payable to the Madras Stock Exchange Ltd. and Delhi Stock Exchange Association Ltd. is burdensome to the Company as the shares are infrequently traded on these exchanges and moreover these Stock Exchanges do not provide any value added services to the Company or to its shareholders. The Company is therefore, contemplating the possibility of delisting of its shares from these Stock Exchanges for the present.

As per the recent Delisting of Securities Guidelines, 2003, issued by Securities & Exchange Board of India (SEBI), an exit opportunity need not be given to the shareholders of the Company on delisting of its shares from the Stock Exchanges, provided the shares of the Company continue to be listed at the Stock Exchange, Mumbai.

It is accordingly proposed to give the authority to the Directors to delist the shares of the Company from the above two stock exchanges where trading volumes are not large after taking into consideration the interest of the shareholders of the particular region.

The resolution at Item No. 7 is proposed in modification to the resolution passed for delisting of shares from Madras Stock Exchange Ltd., and Delhi Stock Exchange Association Ltd., at the Annual General Meeting held on Saturday, the 25th September, 1999.

The Directors recommend this resolution for approval of shareholders.

None of the Directors of the Company is concerned or interested in this resolution.

**By the Order of the Board
For Metrochem Industries Limited**

Place : Ahmedabad

Date : 28.06.2003

K.N. NEVATIA

Company Secretary

ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING

DETAILS OF THE DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT IN ANNUAL GENERAL MEETING TO BE HELD ON 27TH SEPTEMBER, 2003

Name of Director	Mr. Gautam M. Jain	Mr. Sudhir N. Doshi	Mr. Sunil K. Kanojia
Date of Birth	18/06/1952	03/09/1952	02/07/1959
Date of Appointment	15/10/1998	28/09/2002	28/09/2002
Qualification	B.SC., LL.B.	B. Com., LL.B., FCA	B. E. (Electronics), M.B.A.
Expertise in specific functional areas	Industrialist.	Practicing as Chartered Accountant having experience in auditing and taxation.	President of Sintex Industries Limited having rich experience in the field of marketing.
List of Companies in which outside Directorship held	Public Companies Metrochem Capital Trust Ltd. Private Companies 1. Amaze Trading & Investment Pvt. Ltd. 2. Maiden Tradefin P.Ltd. 3. Worship Trading & Investment Pvt. Ltd. 4. Harvest Trade Finvest Pvt. Ltd. 5. Eximco Electronics (India) Pvt. Ltd. 6. Precision Footcare Pvt. Ltd. 7. Anil Dychem Industries Pvt. Ltd.	Public Companies NIL Private Companies NIL	Public Companies NIL Private Companies NIL
Chairman / Member of the Committee of the Board of Directors of the Company	Member of Audit Committee	1. Chairman of Audit Committee 2. Member of Remuneration Committee 3. Member of Investors Grievance Committee	1. Chairman of Investors Grievance Committee 2. Member of Audit Committee 3. Member of Remuneration Committee
Chairman/Member of the Committees of Directors of other Companies in which he is a Director	NIL	NIL	NIL



From the Chairman

Every period and phase of business enterprise makes its own demands upon the resources, skills, strategies and ingenuity of an organization to successfully meet the challenges and open up new directions in the pursuit of progress.

The year in retrospect has seen changing equations emerging in various areas. Uncertainty in business sentiment kept the industry in a constant state of alert and anxiety to survive and hopefully prevail through competitive quality, services and prices. Global giants like China pushed the industry to be creative in strategy and focus on core strengths for consolidation and growth.

The continuation of a strong rupee against the dollar, though a positive national development, has reduced industry's forex earnings for the same volumes. On the other hand, fluctuating and usually higher prices of inputs have increased costs and reduced margins.

Even in the midst of all these difficult factors, your company has achieved progressive performance. Exports grew significantly both in volume and as share of total revenues which also grew. The setting up of a captive power plant has given greater control over production and leverage in pricing. Adoption of advanced technical and management techniques, evolving closer customer relationships, strengthening the supply network and enriching the value chain are steps taken to enhance competitively successful performance.

Your company is also embarking upon a renewed and more energetic global marketing plan. The broader coverage will not only include a wider product range in more countries but also offer better availability, networking and services. Warehousing facilities in these regions will shorten the order-supply time and galvanize our associates to intensified efforts.

Our own continued focus on better products, quality and services will be elevated to higher levels through professional knowledge and training.

The satisfying performance, impressive progress and exciting plans of the company would not be possible without the generous and wholehearted support of all our stakeholders shareholders, employees, associates, distributors, suppliers and others who have made their own unique contributions.

I assure all the devotion and dedication of my entire team to achieve the dream that we share.

Date : July 29, 2003

Gautam M. Jain



METROCHEM INDUSTRIES LIMITED

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CONTENTS

Directors' Report	3-8
Report on Corporate Governance	9-16
Auditors' Report	17-19
Balance Sheet	20
Profit & Loss Account	21
Schedules	22-35
Balance sheet Abstract and Company's General Business Profile	36
Cash flow Statement	37
Statement Under Section 212	38
Consolidated Financial Statements	39-57
Documents of Subsidiary Company	58-75

**METROCHEM INDUSTRIES LIMITED**

BOARD OF DIRECTORS	: Gautam M. Jain Chairman & Managing Director Anil M. Jain Deputy Managing Director Sandip M. Singhi Sunil K. Kanojia Sudhir N. Doshi
COMPANY SECRETARY	: K. N. Nevatia
AUDITORS	: Deepak Soni & Associates Chartered Accountants Ahmedabad
BANKERS	: State Bank of India Indian Bank Citibank
REGISTERED OFFICE	: Village : Umraya Taluka : Padra District : Baroda - 391 440 GUJARAT
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 : Umraya, Taluka : Padra, District: Baroda 391 440.
REGISTRARS AND TRANSFER AGENTS	: Pinnacle Shares Registry Pvt. Limited Near Ashoka Mills, Naroda Road, Ahmedabad - 380 025

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their Sixteenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

		(Rs./Lacs)
	YEAR ENDED 31-03-2003	YEAR ENDED 31-03-2002
Sales & Other Income	16267.21	14005.44
Profit Before Interest, Depreciation and Tax	2262.92	2045.68
Less : Interest	751.11	593.81
Depreciation	1061.30	960.85
Profit Before Tax	450.51	491.02
Less : Provision for Tax	56.00	17.79
	394.51	473.23
Add : Excess provision of Income Tax for Earlier Years	—	2.80
Profit After Tax	394.51	476.03
Appropriations:		
Tax on Dividend	29.30	—
Proposed Dividend on Equity Shares	228.67	228.67
General Reserve	42.23	47.60
Balance Carried to Balance Sheet	94.31	199.76
	394.51	476.03

OPERATIONS

During the year under review, turnover and other receipts amounted to Rs. 16,267.21 lacs (previous year Rs. 14005.44 lacs). Net profit after tax was Rs. 394.51 lacs as against Rs. 476.03 lacs during the previous year. The exports turnover amounted to Rs. 12547.06 lacs as compared to Rs. 9019.67 lacs in the previous year showing an increase of 16.14% in total turnover and 39.10% in export turnover.

DIVIDEND

The Board of Directors have recommended dividend @ 20%, tax free in the hands of shareholders, (previous year @ 20% subject to tax) on paid up equity share capital of the Company for the year ended 31st March, 2003, subject to the approval by the shareholders, at the Annual General Meeting.

CAPITAL EXPENDITURE

Your Company has spent Rs. 1340 lacs on various additions in fixed assets during the year under review. Further expansion plans are under study and will be implemented after carefully observing the emerging Globalisation and WTO effects.

CAPTIVE POWER PLANT

A captive power plant to take care of the power requirements at the Umraya Plant was installed and became operational during the year under review.

INSURANCE

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

ENVIRONMENT AND POLLUTION CONTROL MEASURES

The Company continues to embark upon the environment and pollution control measures. The Company has spent Rs. 390.90 lacs as revenue expenditure during the year under review.