

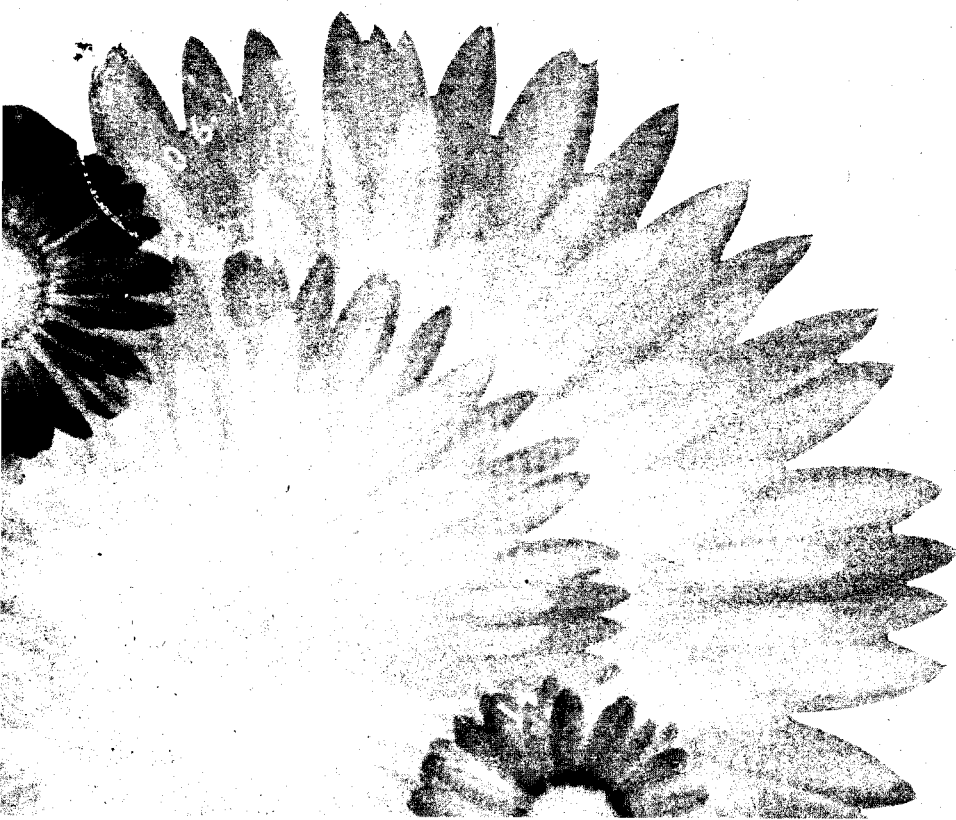
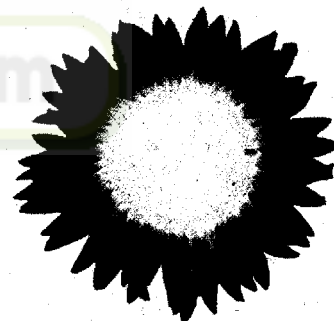


# METROCHEM

INDUSTRIES LIMITED

ANNUAL REPORT 2003-04

Report  junction.com





# PROFILE

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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 18,000 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. 156 crores in 2003-04. Nearly 72% 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.

MetroChem has initiated the export business of Iron Ores and other minerals as a diversified activity.



## **From the Chairman**

### **Looking Within and Beyond**

*The passage of time marks the milestones and shapes the history of an organization. The performances and achievements have to be evaluated in context of the circumstances and challenges encountered during the period.*

*The year has been a combination of both continuity and change. The immense pressure of the recessive economy and competition have not only continued but have increased and intensified to test the skills, ingenuity and commitment of most businesses. It has also been a phase of change in the attitude and applications of companies determined to survive and even thrive amidst difficult situations.*

*The challenges faced by your company have been strong forces. Global competition specially from China in the domestic and international market, fluctuations in the exchange rates and thereby reduced margins. Sustaining high quality standards of the company, and keeping pace with the technological advances have demanded constant focus and innovation.*

*However, with all these constraints, your company has been able to earn reasonable profits. Sales have decreased by 3.98% and the contribution from exports was lower by 10.64%, the quantity produced was marginally higher by 2.27%. Global market competitiveness has been sharpened through a series of steps to improve Product quality and attain higher productivity. Knowledge enhancement through training and learning, establishing a more streamlined distribution system, value added customers services and emphasis on R&D are some developments that have enabled better achievements in the year.*

*The major strategy to overcome the external challenges has not only been adoption of professional management systems and modern technology but the insight and pursuit of optimum utilization of all internal resources including manpower.*

*The efforts in technology up-gradation, management knowledge and value chain enrichment will continue with vigour and sincerity.*

*In this era of positive collaboration, any major success is possible only with the valuable inputs of all the stakeholders, shareholders, customers, employees, associates, distributors, suppliers, institutions and others who have played a major role in the progress of your company.*

*It is this faith and support that encourage me to confidently renew our pledge to continue fulfilling the trust placed in us.*

**Gautam M. Jain**

**Date : June 19, 2004**



**METROCHEM INDUSTRIES LIMITED**

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**METROCHEM INDUSTRIES LIMITED**

<b>BOARD OF DIRECTORS</b>	: <b>Gautam M. Jain</b> Chairman & Managing Director <b>Anil M. Jain</b> Deputy Managing Director <b>Sandeep M. Singhi</b> <b>Sudhir N. Doshi</b> <b>Sandeep S. Bhandari</b>
<b>COMPANY SECRETARY</b>	: <b>K. N. Nevatia</b>
<b>AUDITORS</b>	: <b>Deepak Soni &amp; Associates</b> Chartered Accountants , Ahmedabad
<b>BANKERS</b>	: <b>State Bank of India</b> <b>Indian Bank</b> <b>Citibank</b>
<b>REGISTERED OFFICE</b>	: Village : Umraya Taluka : Padra District : Baroda - 391 440 GUJARAT
<b>ADMINISTRATIVE OFFICE</b>	: 505/506, "SURYA RATH" Near White House, Panchwati, Ellisbridge Ahmedabad - 380 006
<b>CORPORATE OFFICE</b>	: 508/509 "SHILP" C.G. Road, Navrangpura, Ahmedabad - 380 009
<b>WORKS</b>	: (I) Phase II, G.I.D.C., Vatva, Ahmedabad - 382 445 (II) Village : Umraya, Taluka : Padra, District: Baroda 391 440.
<b>REGISTRARS AND TRANSFER AGENTS</b>	: 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 Seventeenth Annual Report together with the audited Statement of Accounts for the year ended 31st March, 2004.

**FINANCIAL RESULTS**

	(Rs./Lacs)	
	YEAR ENDED 31-03-2004	YEAR ENDED 31-03-2003
Sales & Other Income	15,620.13	16,267.21
Profit Before Interest, Depreciation and Tax	1,990.62	2,262.92
Less : Interest	547.69	751.11
Depreciation	1,208.17	1,061.30
Profit Before Tax	234.76	450.51
Less : Provision for Tax	43.00	56.00
Profit After Tax	191.76	394.51
Balance in Profit & Loss Account brought forward	984.10	889.79
Profit Available for Appropriation	1,175.86	1,284.30
<b>Appropriations:</b>		
Transfer to General Reserve	25.00	42.23
Proposed Dividend on Equity Shares	114.33	228.67
Tax on Distributed Profits	14.65	29.30
Balance Carried to Balance Sheet	1,021.88	984.10
	1,175.86	1,284.30

**OPERATIONS**

During the year under review, sales and other income amounted to Rs.15620.13 Lacs (previous year Rs.16267.21 Lacs). Net profit after tax was Rs.191.76 Lacs as against Rs.394.51 Lacs during the previous year. The exports turnover amounted to Rs.11211.81 Lacs as compared to Rs.12547.06 Lacs in the previous year showing a decrease of 3.98% in total turnover and 10.64% in export turnover. The net profit for the year under review showing a decrease of Rs. 202.75 Lacs mainly due to increased depreciation of Rs. 146.87 Lacs in comparison to last year, volatility in raw materials prices, sluggishness in the local market, strong Rupee against US Dollars affecting export realisation and erosion in sales prices.

During the year under review, the Production of Dyes and Dye intermediates was 14782.20 MT inclusive of captive consumption (previous year 14453.66 MT) showing an increase of 2.27%. The sales of Dyes and Dye intermediates was 11383.33 MT (previous year 11275.35 MT) showing an increase of 0.96%.

For trading of finished goods, the company purchased 1356.70 MT of Dyes and Dye intermediates (previous year 566.12 MT) and sold 1353.70 MT (previous year 566.29 MT).

**DIVIDEND**

The Board of Directors have recommended dividend @ 10% in the hands of shareholders, (previous year @ 20%) on paid up equity share capital of the Company for the year ended 31st March, 2004, subject to the approval by the shareholders at the Annual General Meeting.

**CAPITAL EXPENDITURE**

Your Company has spent Rs.645 Lacs (Previous year 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.

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**INSURANCE**

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

**ENVIRONMENT AND POLLUTION CONTROL MEASURES**

The Company continues to embark upon the environment and pollution control measures. The Company has spent Rs.301.75 Lacs as revenue expenditure during the year under review.

**AWARDS**

The Company has been awarded with the following award :

Gujarat Dyestuffs Manufacturers Association – Star Exporter of year Award for earning of highest foreign exchange for the financial year 2002-03.

**CHANGE IN THE OBJECT CLAUSE**

In order to diversify into other areas in the export market, your Company has changed its object clause to include Sub Clause 66 to the Clause C of the Object Clause in the Memorandum of Association as approved at the Extraordinary General Meeting held on 13/03/2004. Accordingly, the activities relating to export of Iron Ores have been undertaken and the first ship containing Iron Ores will be sailing shortly.

**FINANCE**

Your Company has been sanctioned a term loan of Rs.20 Crores during the year under review for Iron Ores Fines export business.

**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. About 14.95% of the shares have been dematerialized as on March 31, 2004.

**COST AUDIT**

Your Company has appointed Kiran J. Mehta & Co., Cost Auditors, a firm of practising Cost Accountants, for the financial year 2004-2005 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.

**CONSOLIDATED ACCOUNTS**

As required under Clause 32 of the Listing Agreement with the Stock Exchanges, audited consolidated financial statements form part of the Annual Report.

**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, Subsidiary Company of the Company, are annexed hereto. The Subsidiary Company has changed its object clause to convert it into a manufacturing and trading company.

**DIRECTORS**

Shri Anil M. Jain, Dy. Managing Director, is proposed to be re-appointed as Dy. Managing Director at the ensuing Annual General Meeting, as his term of office will expire on 30th September, 2004. Shri Sandeep M. Singhi and Shri Anil M. Jain, Directors of the Company, retire by rotation and being eligible offer themselves for reappointment. Shri Sunil K. Kanojia resigned from the Board of Directors due to preoccupations. Shri Sandeep S. Bhandari was appointed as an additional director and proposed to be appointed as director at the ensuing Annual General Meeting.

**FIXED DEPOSITS**

During the year under review, your Company has renewed fixed deposits of Rs. 580 Lacs and the outstanding fixed deposits at the end of the year under review were Rs.580 Lacs.



## MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis as required under the Listing Agreement with the Stock Exchanges is enclosed.

## CORPORATE GOVERNANCE

A separate report on Corporate Governance, alongwith Auditors Certificate on its compliance, is enclosed.

## 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 judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2004 and of the Profit of the Company for the year ended on that date.
- c) The directors had 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 fraud and other irregularities.
- 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 reappointment. They have expressed 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 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 other who have been associated with the Company, for their co-operation, continued support and for the confidence reposed in the management of the Company.

For and on behalf of the Board

Ahmedabad  
19th June, 2004

**GAUTAM M. JAIN**  
Chairman & Managing Director



**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 is making continuous effort for energy conservation. Effective measure have been taken to monitor generation & consumption of energy during the process of manufacture. Certain equipment have been installed to ensure optimum utilization of steam & power.

Some of these measures are as follows :

- No steam leakage from joints of pipelines by providing proper quality steam packings.
- Steam trap of proper rating in all steam lines for efficient use of steam.
- Electric motors of proper ratings for all the equipment.
- A.C. Drives in all High H. P. motors to avoid kick loads & burning of motors.
- Capacitor banks to improve power factor and maximum utilisation of power.
- Energy efficiency multi effect Evaporators for improved process control.
- De bottlenecking of plant operation.

The above measures have resulted in optimum utilization of energy and reduction in cost of production and therefore making the products more 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./Lacs)	
	2003-2004	2002-2003
(i) Earnings	11211.81	12547.06
(ii) Outgo	2548.38	2258.64

**FORM 'A'****A. POWER AND FUEL CONSUMPTION**

	(Rs./Lacs)	
PARTICULARS	2003-2004	2002-2003
1. Electricity		
a) Purchased		
Units (kwh/Lacs)	41.36	95.62
Total Amount (Rs/Lacs)	238.87	521.86
Rate/Unit (Rs.)	5.78	5.46
b) Own Generation		
Through Power Plant		
Units (kwh/Lacs)	168.87	21.05
Total Amount (Rs/Lacs)	705.75	61.74
Rate/unit	4.18	2.93
c) Own Generation		
Through Diesel Generator		
Unit (kwh/Lacs)	5.57	93.00
Unit per litre of diesel oil	3.71	3.98
Cost/unit (Rs.)	4.49	2.98

		(Rs./Lacs)	
PARTICULARS	2003-2004	2002-2003	
2. Light Diesel Oil (LDO) and Furnace Oil			
Quantity (ltr/Lacs)	24.31	44.11	
Total Cost (Rs./Lacs)	273.70	502.66	
Average Rate (Rs/Ltr)	11.26	11.40	
3. Fire wood			
Quantity (M.T.)	2477.53	20876.00	
Total Cost (Rs. Lacs)	29.66	228.86	
Average Rate (Rs. Lacs/M.T.)	1.20	1.10	
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>			
Production of Dyes & Dyes Intermediates (Tonnes)	14782.20	14453.66	
(i) Electricity (Units per Tonne)	1459.86	1452.71	
(ii) LDO (Ltr/Per Tonne) and Furnace Oil	164.45	305.18	
(iii) Firewood (Units per tonne)	0.17	1.44	

**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)

- Areas in which R & D is being carried out :  
R & D was carried out on new product development, process optimization & pollution control.  
Brief points are given below.
  - Some dye intermediates of the benzene and naphthalene series and few reactive dyes successfully developed.
  - Process upgradation on the Company's major dye intermediate standardized.
  - Efforts continued towards pollution abatement by addition of new analytical instruments.
- Benefits derived as a result of above R & D :
  - Increase in product range resulting better marketability.
  - Increased capability in meeting demanding international specifications.
  - Improvement in quality control, energy conservation and pollution abatement leading to cost reduction.
- Future plan of action :
  - Development of newer dyes and dye intermediates to augment product range.
  - Development of cleaner technology and waste minimization.
  - Product quality improvement.
- Expenditure on R & D.

		(Rs./Lacs)	
PARTICULARS	2003-2004	2002-2003	
i. Capital	6.46	14.39	
ii. Recurring	70.94	62.66	
iii. Total	77.40	77.05	
iv. Total R & D Expenditure as percentage to turnover	0.50	0.47	

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts made :
  - R & D absorbs technology from various sources for effecting improvement in processes.
  - Emphasis on technical services to meet customer's requirement.
  - R & D keeps abreast of technological development to bring about improvement in product quality and process optimization.
- Benefits derived as a result of above efforts :
  - Increased marketability of products and cost effectiveness.
  - Better customer services.
- Imported technology :
  - There is no import of technology.
  - The R & D center is wholly dedicated towards technology upgradation.