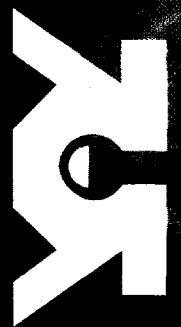


ANNUAL REPORT 2004-2005



Report



Metrochem Industries Limited

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 21,000 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. 200 crores in 2004-05. Nearly 73% 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 facility 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 started the export business of Iron Ores and other minerals as a diversified activity.



From the Chairman

OPTIMISING ALL RESOURCES — STRATEGY FOR THE FUTURE

All across the world the phenomenon of change has shaken up societies, economies, and nations. It is unprecedented in scale, scope and speed throwing up new and unforeseen issues.

The past year has experienced the shock and impact of this onslaught in very concrete terms. The challenges of growth and competition have taken menacing dimensions that can threaten even the survival of the companies in the absence of clarity and commitment. Global competition, growing customer expectations, increased market complexity, stringent legal procedures, higher input costs, environmental sensitivity have tested the resources, management and ingenuity of industry stalwarts and individual leaders.

Even as the external environment imposed several shackles and obstacles, your company has turned out a improved and satisfactory performance. Production and productivity and also the export turnover showed quantum jump. Expansion of markets in the midst of cutthroat competition has been achieved by greater region-wise, sector-wise, and customer-wise concentration. Fine-tuning of distribution networks to ensure quick and timely availability has had a positive effect in supply chain value and customer satisfaction. Continuous up-gradation of technology and knowledge has led to higher achievement this year.

Yet your company is not complacent. It has richer dreams and greater vision for the coming years. It has therefore searched for a strategy that could enable it to attain its future goals without heavy resource inputs by utilizing its unique strength and features. It has chosen to expand and enrich its own special resources of Shared Vision and Values, Loyalty, Professionalism, Team Spirit, Leadership and other qualities to meet and overcome the challenges of the future.

Your company decided to network and integrated all these features that have been developed over the years. This will give it a tremendous edge in market-share, mind-share and heart-share of the customers.

Nor are conventional successful areas being ignored. Technology, Quality Control, Productivity, Professional Management Knowledge And Techniques, Organized Distribution, Efficient Supply, Skill Up-Gradation, Human Resources Development, Customer Relationship Management are all continuous areas of attention.

Your company is surging ahead with great confidence in its renewed vision and values. The combination of maximizing internal resources including its professional and entrepreneurial culture and heritage with modern technology and knowledge will catapult it into a position of strength to perform more efficiently in the future with better results.

Your company has built a brand accepted and respected in India and several other developed countries. This is the result of the guidance, support and feedback of all its stakeholders – shareholders, management, employees, distributors, institutions, suppliers and customers who have all contributed to make the company what is today and with whose support it moves into the future.

It is this invaluable strength and confidence that enables me and my team to reaffirm our total commitment to the realization of our shared vision.

Ahmedabad
27th June, 2005

Gautam M. Jain



METROCHEM INDUSTRIES LIMITED

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METROCHEM INDUSTRIES LIMITED

BOARD OF DIRECTORS	: Gautam M. Jain Chairman & Managing Director Anil M. Jain Deputy Managing Director Sudhir N. Doshi Sandip M. Singhi Sandip S. Bhandari
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 Eighteenth Annual Report together with the audited Statement of Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	YEAR ENDED 31-03-2005	(Rs. Lacs) YEAR ENDED 31-03-2004
Sales & Other Income	19991.48	15,620.13
Profit Before Interest, Depreciation and Tax	2218.96	1,990.62
Less : Interest	593.32	547.69
Depreciation	1212.84	1,208.17
Profit Before Tax	412.80	234.76
Less : Provision for Tax		
Current Tax	180.00	32.00
Deferred Tax	(30.00)	11.00
Profit After Tax	262.80	191.76
Add: Balance brought forward from the previous year	1021.88	984.10
Profit Available for Appropriation	1284.68	1,175.86
Appropriations:		
Transfer to General Reserve	30.00	25.00
Proposed Dividend on Equity Shares	228.67	114.33
Tax on Dividend	32.36	14.65
Total	291.03	153.98
Balance Carried to Balance Sheet	993.65	1,021.88
	1284.68	1,175.86

OPERATIONS

During the year under review, sales and other income amounted to Rs. 19991.48 lacs (previous year Rs. 15620.13 lacs). The exports turnover amounted to Rs.14608.02 lacs (previous year Rs. 11257.32 lacs) showing a increase of 27.98% in total turnover and 29.76% in export turnover. The increase in export turnover exceeding 20% entitled the Company for additional benefit under TARGET PLUS SCHEME announced by the Commerce Minister while announcing New Foreign Trade Policy for the years 2004-2009 on 31st, August 2004.

Net profit after tax was Rs. 262.80 lacs as against Rs. 191.76 lacs during the previous year showing an increased by 37.05%.

During the year under review, the Production of Dyes and Dye intermediates was 19848.73 MT inclusive of captive consumption (previous year 14782.20 MT) showing an increase of 34.28 %. The sales of Dyes and Dye intermediates was 13071.52 MT (previous year 11383.33 MT) showing an increase of 14.83 %.

For trading of finished goods, the company purchased 2311.61 MT of Dyes and Dye intermediates (previous year 1356.70 MT) and sold 2297.61 MT (previous year 1353.70 MT).

During the year under review your company had commenced export of Iron Ores . The total export of the Iron Ores was 33000MT amounting to Rs.703.31 lacs initiated during the year under review and local sales was 3534 MT amounting to Rs.64.50 lacs.

DIVIDEND

The Board of Directors have recommended dividend @20%, (previous year @ 10%) on paid up equity share capital of the Company for the year ended 31st March, 2005, subject to the approval by the shareholders at the Annual General Meeting.

CAPITAL EXPENDITURE

Your Company has spent Rs.465.46 lacs (Previous year Rs. 645 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.

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. In order to keep the plants environmental friendly, natural plants and trees are developed in and around the manufacturing area and all measures to keep pollution in control are taken.

AWARDS

The Company has been awarded with the following awards for its export performance:

THE DYESTUFFS MANUFACTURERS' ASSOCIATION OF INDIA, MUMBAI-

- First Award in recognition of excellent performance in export of Dyestuffs by a large Scale unit for the year 2004-2005,
- First Award in recognition of excellent performance in export of Dyes intermediates by a large Scale unit for the year 2004-2005,
Gujarat Dyestuffs Manufacturers' Association -
- Star Exporter of year Award for earning of highest foreign exchange for the financial year 2003-04.

FINANCE

Your Company has repaid FCNRB Term Loans to the extent of Rs. 145 lacs whereas it resorted to increased working capital utilisation of Rs.257 lacs from banks and Rs.115 lacs from Corporate Bodies to take care of increased volumes.

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 16.86% of the shares have been dematerialized as on March 31, 2005.

COST AUDIT

Your Company has appointed Kiran J. Mehta & Co., Cost Auditors, a firm of practising Cost Accountants, for the financial year 2005-2006 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 of the Company, are annexed hereto.

DIRECTORS

Shri Sudhir N.Doshi and Shri Sandeep S.Bhandari, Directors of the Company, retire by rotation and being eligible offer themselves for reappointment.

FIXED DEPOSITS

During the year under review, your Company has repaid fixed deposits amounting to Rs.31.55 lacs and renewed amounting to Rs.548.45 lacs and the outstanding fixed deposits at the end of the year under review were Rs.548.45 Lacs.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

A separate report on Corporate Governance, along with 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, 2005 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
27th June, 2005

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 :

- Steam Leakages of Sulphonator vessel joints sealed,
- Variable frequency drives installed in 5 Nos. autoclaves of Solvent plants,
- Increased the capacitor banks in MCC for Optimization of P.F.
- Optimization of the steam pipe size for evaporators and Sulphonator pressure drop reduced with higher pressure in evaporators, the cycle time reduced,
- Boiler put on effective automatic pressure controls to avoid steam pressure variation,
- Project of installation of multi stage evaporator for reduction in steam consumption and increase in concentration is in final stage of completion,
- Vapor absorption chiller efficiency improved by replacing heat exchangers and
- Perfect steam and power balance achieved for extraction card turbine.

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)

	2004-2005	2003-2004
(i) Earnings	14608.02	11257.32
(ii) Outgo	2743.65	2548.38

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

(Rs./Lacs)

PARTICULARS	2004-2005	2003-2004
1. Electricity		
a) Purchased		
Units (kwh/Lacs)	37.53	41.36
Total Amount (Rs.Lacs)	182.32	238.87
Rate/Unit (Rs.)	4.86	5.78
b) Own Generation		
Through Power Plant		
Units (kwh/Lacs)	183.45	168.87
Total Amount (Rs. Lacs)	880.00	705.75
Rate/unit	4.80	4.18
c) Own Generation		
Through Diesel Generator		
Unit (kwh/Lacs)	34.59	5.57
Unit per litre of diesel oil	3.64	3.71
Cost/unit (Rs.)	5.31	4.49

PARTICULARS	(Rs./Lacs)	
	2004-2005	2003-2004
2. Light Diesel Oil (LDO) and Furnace Oil		
Quantity (ltr/Lacs)	27.27	24.31
Total Cost (Rs. Lacs)	313.66	273.70
Average Rate (Rs/Ltr)	11.50	11.26
3. Fire wood		
Quantity (M.T.)	5875.43	2477.53
Total Cost (Rs. Lacs)	69.65	29.66
Average Rate (Rs. Lacs/M.T.)	1.19	1.20
B. CONSUMPTION PER UNIT OF PRODUCTION		
Production of Dyes & Dyes Intermediates (Tonnes)	19848.73	14782.20
(i) Electricity (Units per Tonne)	1287.59	1459.86
(ii) LDO (Ltr/Per Tonne) and Furnace Oil	137.39	164.45
(iii) Firewood (Units per tonne)	0.30	0.17

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 AND DEVELOPMENT (R&D)

- 1) Areas in which R & D is being carried out :
The R & D Center continues to strengthen the Company's business by providing new products and optimizing processes. A brief note on the same is given below:
 - a) Certain reactive and direct dyes successfully developed and commercialized,
 - b) Process improvement in some dyes intermediates,
 - c) Pollution control was given continued importance,
 - d) Process control strengthened by addition of newer version of some analytical instruments.
- 2) Benefits derived as a result of above R & D :
 - a) Cost reduction, improvement in product quality and enhanced productivity,
 - b) Increase in product range resulting in better marketability,
 - c) Process control improvement, and up gradation of processes.
- 3) Future plan of action :
 - a) New product development to expand product range,
 - b) Pollution abatement and waste minimization,
 - c) Commercialization of new products.
- 4) Expenditure on R & D.

PARTICULARS	(Rs. Lacs)	
	2004-2005	2003-2004
i) Capital	13.39	6.46
ii) Recurring	53.05	70.94
iii) Total	66.44	77.40
iv) Total R & D Expenditure as percentage to turnover	0.33	0.50

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- 1) Efforts made :
 - a. R & D absorbs technology from various sources for new product development, pollution control and process upgradation,
 - b. Strengthening the R & D team and increasing process control capabilities,
 - c. Emphasis on technical services to meet customer's requirements.
- 2) Benefits derived as result of above efforts :
 - a. Cost effectiveness.
 - b. Better customer services.
- 3) Imported technology :
There is no import of technology.