

ANNUAL REPORT 2007 - 2008


**METROCHEM
INDUSTRIES LIMITED**

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ACHIEVEMENTS

1985-86	Award for Successful Introduction of New Product in the International Market	DMAI
1986-87	Award in recognition of excellent performance in Export of Dye-Intermediates	DMAI
1986-87	Second Award for Direct Export of Dye-Intermediates	GDMA
1986-87	First Award for Indirect Export of Dye-Intermediates	GDMA
1987-88	Award in recognition of Excellent Performance in Export of Dye-Intermediates	DMAI
1987-88	"National Export Award" Trophy	Ministry of Commerce
1988-89	First Export Award	CHEMEXCIL
1988-89	Award in recognition of Excellent Performance in Export of Dye-Intermediates	DMAI
1989-90	First Export Award	CHEMEXCIL
1989-90	Award in recognition of Excellent Performance in Export of Dye-Intermediates	DMAI
1989-90	Award in recognition of Excellent Performance in Export Dyestuff	DMAI
1989-90	First Award - for Export of Dye-Intermediates	GDMA
1989-90	Highest Foreign Exchange Earner Award	GDMA
1990-91	Award in recognition of Excellent Performance in Export of Dyestuff	DMAI
1990-91	Highest Foreign Exchange Earner Award	GDMA
1991-92	Top Export Award	CHEMEXCIL
1991-92	Award in recognition of Excellent Performance in Export of Dyestuff	DMAI
1992-93	National Export Certificate	Ministry of Commerce
1993-94	Award for Good House Keeping and Safety Measures	GDMA
1997-98	Second Award in recognition of Excellent Performance in Export of Dyestuff	DMAI
1997-98	Certificate of Merit recognition of Excellent Performance in Export of Dye-Intermediates	DMAI
1997-98	Export Appreciation Award in recognition of outstanding Performance in Dyes and Dye-Intermediates	GCCI
1998-99	First Award - Dye & Dye-Intermediates	CHEMEXCIL
1998-99	Star Exporter of the Year	GDMA

CHEMEXCIL	-	Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council.
GCCI	-	Gujarat Chamber of Commerce and Industry
DMAI	-	Dye Manufacturers Association of India
GDMA	-	Gujarat Dyestuffs Manufacturers Association



From the Chairman

REACHING DEEPER AND FURTHER

Consolidation and Expansion for Growth

The year in review was a test of faith, resolve, and commitment.

Concerted efforts made in the direction of business plans required a rethink in strategy and action. While this change is now under process your company has to regroup and consolidate its resources with a new vision that can overcome the impact of the effects it experienced.

This revised goal focuses on optimizing all its resources and expanding its reach with all stakeholders to add maximum value. During the recent past your company has invested in expanding its capacity, and in the field of dyes has raised it by 3000 tonnes giving it the extra advantage of scale and supply for higher productivity and competitive pricing. This will enable your company to make better offers to the best customers driving global result oriented sales. India is becoming a more attractive choice again for several developed nations because of higher quality and reliability and your company aims to explore this renewed opportunity to the utmost by its increased capacity.

Your company has also chalked out a comprehensive plan for expanding its customer base not only in quantity but also their scale and value. For this it has revamped and created a full-fledged marketing division that will concentrate on customer satisfaction through quality and service. It will adopt the latest technology, know-how and best practices to give your company the cutting competitive edge in this global market.

The chemical industry has unfortunately been seen as a polluting sector with unhealthy impact on the environment. Your company has always taken the lead to correct this impression through action and concrete steps utilizing technology and management. It is now undertaking more vigorous measures to ensure that the environment is not only protected but becomes better with the adoption of many eco-friendly plans.. The standards and implementation will further improve from here and your company will continue its corporate social responsibility actively and fully.

All experience must be seen as opportunity to learn how to plan and perform better. Your company has undergone a difficult phase not only in year under consideration but also in its growth and progress plans for the future. It now aims at consolidation for growth, the platform for progress. It will maintain and later expand all areas of its activities in a systematic planned and integrated manner to optimize both resources and results. Your company has a track record that enables it to assure you of its success in the future.

It is our shareholders and other stakeholders — operational team, supply and distribution networks, customers, institutions who have given us the support and confidence to dream and succeed even in the most trying of situations. It is with this that we face the future with the confidence to deliver value as a company.

I seek and hope for their continued interest and support for your company.

Ahmedabad

28th June, 2008

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
Rahul Jain
Executive Director
Sudhir N. Doshi
Nilesh Desai
Sandip S. Bhandari

COMPANY SECRETARY

: **Nitin S. Shah**

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) Unit : 2, Plot No. 407-408,
Phase II, G.I.D.C., Vatva,
Ahmedabad - 382 445
(II) Unit : 3, Plot No. 472-475 and 489-492,
Phase II, G.I.D.C., Vatva,
Ahmedabad - 382 445
(III) 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



NOTICE

Notice is hereby given that the twenty first Annual General Meeting of the members of Metrochem Industries Limited will be held on Saturday, the 27th September, 2008, 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 2008, 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 Anil M. Jain, who retires by rotation and being eligible, offers him self for reappointment.
4. To appoint a Director in place of Shri Nilesh R. Desai, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"REAPPOINTMENT 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, 2008 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 initialed 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 authorized 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 / on the Board of Directors may consider appropriate, and as may be permitted or authorized 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 there under 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 authorized to execute the Agreement and other documents as may be necessary and desirable to implement and give effect to the foregoing resolution."

By the Order of the Board
For Metrochem Industries Limited

Nitin S. Shah
Company Secretary

Place : Ahmedabad
Date : 28/06/2008

Registered Office : Village Umraya, Taluka Padra,
Dist. : Baroda - 391 440, India.

**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 him 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 3rd September, 2008 to Wednesday the 10th September, 2008 (both days inclusive).
3. 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.
4. 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. In case their shares are held in dematerialized form then information should be passed on directly to their respective Depository Participants and not to the Company / Share Transfer Agent without any delay.
5. 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 03rd September, 2008.
6. 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.
7. 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 2000-01 has been transferred to the said fund. The dividend for the financial year 2000-01 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 so far, for the financial year 2001-2002 and the subsequent years, are requested to make their claims to the office of the Registrars 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.
8. 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

Nitin S. Shah
Company Secretary

Place : Ahmedabad
Date : 28/06/2008
Registered Office : Village Umraya, Taluka Padra,
Dist. : Baroda - 391 440, India.



ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING

DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT IN ANNUAL GENERAL MEETING TO BE HELD ON 27th SEPTEMBER, 2008

Name of Director	Mr. Anil M. Jain	Mr. Nilesh R. Desai
Date of Birth	03/01/1966	06/07/1960
Date of Appointment	10.03.1987	05.05.2007
Qualification	MS in Chemistry, USA.	B.Sc.
Expertise in specific functional areas	Overall Administration of the Chemical plants and research and developments.	Insurance Consultant & Advisor and having vast experience of different Industries
List of Companies in which outside Directorship held	Public Companies NIL Private Companies 1. Sparkling Tradefin Pvt. Ltd. 2. Search Invatrade Pvt. Ltd. 3. Anil Dyechem Industries Pvt. Ltd.	Public Companies NIL Private Companies NIL
Chairman / Member of the Committee of the Board of Directors of the Company	NIL	Remuneration Committee - Chairman Audit Committee - Member Shareholder Grievance Committee - Member
Chairman/Member of the Committees of Directors of other Companies in which he is a Director	NIL	NIL

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in Respect Special Business of item no. 6 of the notice.

Item No.6

Shri Gautam M. Jain was re-appointed as a Managing Director of the Company with effect from 15-10-2003 for a period of 5 years and his term of office as Managing Director of the Company will expire on 14-10-2008. In view of his qualification, experience and the performance, his re-appointment has been proposed for the next five years with effect from 15-10-2008.

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 15-10-2008

(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 wherein 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 is 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.



DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their Twenty first Annual Report together with the audited Statement of Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS

	(Rs. Lacs)	
	YEAR ENDED 31-03-2008	YEAR ENDED 31-03-2007
Sales & Other Income	24860.64	24060.11
Profit Before Interest, Depreciation and Tax	2979.38	2548.35
Less : Interest	912.41	693.63
Depreciation	1056.45	1102.66
Profit Before Taxes	1010.52	752.06
Less : Provision for Tax		
Current Tax	210.00	380.00
Deferred Tax	108.87	(146.47)
Fringe Benefit Tax	8.00	7.00
Profit After Tax	683.65	511.53
Add: Balance brought forward from the previous year	825.12	731.12
Profit Available for Appropriation	1508.77	1242.65
Appropriations:		
Transfer to General Reserve	150.00	150.00
Proposed Dividend on Equity Shares	228.67	228.67
Tax on Dividend	38.86	38.86
Total	417.53	417.53
Balance Carried to Balance Sheet	1091.24	825.12
	1508.77	1242.65

OPERATIONS

During the year under review, sales and other income amounted to **Rs. 24860.64 Lacs** (previous year Rs. 24060.11 Lacs). The exports turnover amounted to **Rs. 16819.83 Lacs** (previous year Rs. 18032.47 Lacs) showing an increase of 3.32% in total turnover and an decrease of 6.72% in export turnover. The nominal increase in the turnover was the result of better sales realizations. The better profitability is due to better export sales realizations.

Net profit after tax was **Rs.683.65 lacs** as against Rs. 511.53 lacs during the previous year showing an increase of **33.65%**.

During the year under review, the Production of Dyes and Dye intermediates was **20921.09 MT** inclusive of captive consumption (previous year 21365.27 MT) showing an decrease of 2.07%. The sale of Dyes and Dye intermediates was **12789.07 MT** (previous year 13894.06 MT) showing an decrease of 7.95%. For trading of finished goods, the company purchased 3092.07 MT of Dyes and Dye intermediates (previous year 1078.64 MT) and sold 3094.27 MT (previous year 1061.64 MT).

There was no sale of Iron Ore during the year as well as during the previous year.

DIVIDEND

The Board of Directors have recommended dividend @ 20%, (previous year @ 20%) on paid up equity share capital of the Company for the year ended 31st March, 2008 subject to the approval by the shareholders at the Annual General Meeting.