

ANNUAL REPORT 2008-2009



**METROCHEM
INDUSTRIES LTD**



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



CHAIRMAN MESSAGE 2009

Mantra 2009 — Smaller, Smarter and Better

"Tough times don't last, tough people do."

The world has seen and experienced one of the most difficult and challenging times ever faced. Even today, the crisis has still not blown over and will require the collective ingenuity of all people from many nations to guide it towards survival and later to prosperity. This situation is due to the impact of vulnerable interdependent global economy that ran out of control. They say that if the US sneezes and Europe coughs the rest of the world catches flu. Enough analysis is being carried out to pinpoint the reasons and the blame for this disaster. For companies and organizations, the important aspect is the fall out and price to be paid by them. Though there are indications of some relief in the situation and improvement in the conditions, the road ahead is long, uneven and demanding to say the least.

Your company is not isolated from the influence of global business, both directly and indirectly. It has faced the problems created out of the recession and has had to search far and delve deep into its resources to hang on and try to emerge stronger in the future. As you are aware, Metrochem's exports to the developed countries of US and Europe are a major share of its revenues that include strategic tie-ups and other agreements. The steep fall in demand from these partners has only been further compounded by the reduced consumption of the global market as a whole thus placing severe strain upon your company in underutilization of resources, inventory pile up, unviable competitiveness and financial burden that may take its toll later also.

The economic turmoil gripping the developed nations all over the world has also undoubtedly affected the Dyes and Dyes Intermediates industry very adversely. A major share of dyestuffs from our country is exported to US, EU and South Asian Countries. Slow down of economy and recessionary trends in the second quarter of 2008-09 mainly in US and Europe has cast a shadow on our exports to these regions both directly and indirectly. Consuming sectors including garments and textiles, leather, etc., have been hit most seriously.

The sharp fall in international prices of Crude Oil and Sulphur has resulted in huge losses for dyes and intermediates manufacturers in India. Further the high forex volatility has also badly affected the industry, more specifically during the second half year of Financial Year 2008-09.

However, our company has continuously strived to optimize all its resources and fully utilize its persuasive, entrepreneurial and visionary skills to make the best of a difficult situation. It has also persisted in its endeavors without losing heart or hope. This attitude has now borne fruit and your company has been able to successfully implement its strategy of becoming leaner and more dynamic. With the energy and commitment of the management, the company has achieved its goal of demerging the Vadodara division into a separate company by getting approval from High Court of Gujarat on 15 May 2009. The strategic decision to unlock the intrinsic value of Vadodara division has strengthened the resources of the company which will enable your company to focus on exploring various business opportunities.

The constant and unwavering support and encouragement received from the directors, management team, shareholders, suppliers, bankers, and other stakeholders has been invaluable. I place on record my gratitude to all of them. I also assure them that there will not only be any slackening in the efforts of our team but we will take up all challenges and convert them into opportunities for the progress of your company.

Creating a more valuable future for all of us.

Gautam M. Jain

Ahmedabad
31st July, 2009



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. 472-475 and 489-492, Phase II, G.I.D.C., Vatva, Ahmedabad - 382 445 (II) Unit : 3, Plot No. 407-408, Phase II, G.I.D.C., Vatva, Ahmedabad - 382 445
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 Second Annual General Meeting of the members of Metrochem Industries Limited will be held on Wednesday, the 30th September, 2009, 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 2009, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Sudhir Doshi, who retires by rotation and being eligible, offers him self for reappointment.
3. To appoint a Director in place of Shri Sandeep S. Bhandari, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

ORDINARY RESOLUTION:

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

REAPPOINTMENT OF SHRI ANIL M. JAIN AS DEPUTY 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 Anil. M. Jain as the Deputy Managing Director of the Company for a further period of Five years with effect from October 01, 2009 on the terms and conditions including remuneration as set out in the explanatory statement."

"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 Anil 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 Anil 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 Deputy Managing Director, where in any financial year, the Company has no profits or its profits are inadequate, the Company do pay to the Deputy 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

Place : Ahmedabad
Date : 31/07/2009
Registered Office : Village Umraya, Taluka Padra,
Dist. : Baroda - 391 440, India.

Nitin S. Shah
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 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 23rd September, 2009 to Wednesday the 30th September, 2009 (both days inclusive).

**METROCHEM INDUSTRIES LIMITED**

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. 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 2001-02 has been transferred to the said fund. The dividend for the financial year 2001-02 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 2002-2003 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.
6. 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.

By the Order of the Board
For Metrochem Industries Limited

Nitin S. Shah
Company Secretary

Place : Ahmedabad
Date : 31/07/2009
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 30th SEPTEMBER, 2009

Name of Director	Mr. Sudhir N. Doshi	Mr. Sandeep S. Bhandari
Date of Birth	03/09/1952	19/12/1962
Date of Appointment	28/09/2002	29/01/2004
Qualification	B. Com., LL.B., FC A	MBA
Expertise in specific functional areas	Practicing as Chartered Accountant having experience in auditing and taxation.	Worked as General Manager in Chemical Industry for 20 years and having wide experience in managing chemical and other plants.
List of Companies in which outside Directorship held	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	1. Chairman of Audit Committee 2. Member of Remuneration Committee 3. Member of Investors Grievance Committee	Chairman of Shareholders Grievance Committee Member of Audit Committee Member of Remuneration Committee
Chairman/Member of the Committees of Directors of other Companies in which he is a Director	NIL	NIL
Chairman / Member of the Committee of the Board of Directors of the Company	NIL	Chairman of Remuneration Committee Member of Audit Committee Member of Shareholders Grievance Committee
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. 5 of the notice.

Item No.5

Shri Anil M. Jain was re-appointed as a Deputy Managing Director of the Company with effect from 01-10-2004 for a period of 5 years and his term of office as Deputy Managing Director of the Company will expire on 30-09-2009. In view of his qualification, experience and the performance, his re-appointment has been proposed for the next five years with effect from 01-10-2009.

The Draft Agreement between the Company and Shri Anil M. Jain contains the following main terms and conditions:

(i) Period of Agreement: Five years with effect from 01-10-2009

(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) addition to the salary and commission payable, the Deputy 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 Anil 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 Deputy 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 Deputy 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 Anil 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. 5 of the notice.

(v) This may be treated as an abstract from the Draft Agreement between the Company and Shri Anil M. Jain pursuant to Section 302 of the Act.



DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their Twenty Second Annual Report together with the audited Statement of Accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS

PARTICULARS	(Rs. Lacs)	
	YEAR ENDED 31-03-2009	YEAR ENDED 31-03-2008
Sales & Other Income	22318.87	24860.64
Profit Before Interest, Depreciation and Tax	1043.52	2979.38
Less : Interest	699.65	912.41
Depreciation	868.17	1056.45
Profit / (loss) Before Taxes	(524.30)	1010.52
Less : Provision for Tax		
Current Tax	0.00	210.00
Deferred Tax	(204.00)	108.87
Fringe Benefit Tax	6.00	8.00
Profit / (loss) After Tax	(326.30)	683.65
Add: Balance brought forward from the previous year	1091.24	825.12
Profit Available for Appropriation	764.94	1508.77
Appropriations:		
Transfer to General Reserve	0.00	150.00
Proposed Dividend on Equity Shares	0.00	228.67
Tax on Dividend	0.00	38.86
Total	0.00	417.53
Balance Carried to Balance Sheet	764.94	1091.24
	764.94	1508.77

OPERATIONS

During second half of the year 2008-2009, due to drop in demand and falling international price of crude oil (from 140 US \$ per barrel to 40 US \$ per barrel) and sulphur price (Rs. 40 per kg. to Rs. 5 per kg.) the price of most of the dyes intermediates and dyes were fallen by more than 50% abruptly. Valuation of all the inventories lying in stock during that period were dropped drastically by more than 50%, resulting into heavy losses and lower sales during the period.

During the year under review, sales and other income amounted to **Rs 22318.87 Lacs** (previous year Rs.24860.64 Lacs). The exports turnover amounted to **Rs 9599.59 Lacs** (previous year Rs. 16819.83 Lacs).

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

DIVIDEND

Your directors regret their inability to recommend any dividend on the equity shares in view of the losses suffered by your company during the year under review.

CAPITAL EXPENDITURE

Your Company have made a net addition of **Rs. 936.80 lacs** to various manufacturing fixed assets (Previous year Rs. 2671.65 lacs) during the year under review.