MONTARI

MONTARI INDUSTRIES LIMITED
ANNUAL REPORT 1996-97

DIRECTORS	Dr. Bhai Mohan Singh—*Chairman* Shri K.S. Bains—*Nominee of BIFR* Shri Rajive Sawhney Shri Prem Pandhi Shri Manmohan Singh Shri S.S. Grewal Shri Shrichand Chhabra Bhai Manjit Singh—*Managing Director* Shri Ashok Mehra—*Joint Managing Director*
SECRETARY	Shri Subhash Setia
AUDITORS	Walker, Chandiok & Co. Chartered Accountants 41 - L, Connaught Circus New Delhi-110 001
BANKERS	State Bank of Patiala Standard Chartered Bank ANZ Grindlays Bank Punjab National Bank Punjab & Sind Bank ABN Amro Bank Banque Nationale de Paris
REGISTERED OFFICE	Bhai Mohan Singh Nagar Toansa, Tehsil Balachaur Distt. Nawanshahr, Punjab
PLANTS	(i) Bhai Mohan Singh Nagar Toansa, Tehsil Balachaur Distt. Nawanshahr, Punjab (ii) 67 & 68, Industrial Area Phase II, Ram Darbar Chandigarh - 160 002
CORPORATE OFFICE	78, Nehru Place New Delhi-110 019
AGRO HEAD OFFICE	41, Industrial Area Phase II, Ram Darbar Chandigarh-160 002

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Directors' Report

Your Directors have pleasure in presenting the Fourteenth Annual Report together with Audited Accounts of the Company for the year ended 30th September, 1997.

Corporate Results

The financial results of your company for the year ended 30th September, 1997 are as under :-

		Rs in lacs
	1996-97	1995-96
Sales & Other Income	**6858.07**	4362.80
Profit/(Loss) before Interest & Depreciation	**440.00**	(624.08)
Net Profit/(Loss) after Interest & Depreciation	**(1105.11)**	(2354.08)
Written Back/(Provision) for Amounts due from wholly owned subsidiary companies	**170.64**	69.18
Net Profit/(Loss)	**(934.47)**	(2284.90)

During the year under review, inspite of financial stringencies, bad market conditions both in domestic and international, the Company improved its performance and has been able to achieve an increase of 57.19% in sales turnover. Further more the company has made an operating profit before interest and depreciation of Rs. 440.00 lacs as compared to an operating loss of Rs. 624.08 lacs in the previous year.

BIFR Status

As informed in the previous report that your company had submitted a draft rehabilitation scheme/package to the Board for Industrial & Financial Reconstruction (BIFR) in compliance of its order dated 2.6.1996. However, the said package could not be considered by BIFR due to challenging of its order by one of the unsecured creditors, before the Appellate Authority for Industrial and Financial Reconstruction (AAIFR). The BIFR order dated 2nd June, 1996 declaring your company as a "Sick Industrial Company" under the provisions of Section 15 (1) of Sick Industrial Companies (Special Provisions) Act, 1985, (SICA) was struck off by AAIFR on 4.3.1997 being of the opinion that losses due to decline in value of investments held by subsidiaries are not to be taken into account while considering networth of the Company. Your company was thereafter advised that the said order of AAIFR was bad in law, hence an appeal was filed before the Hon'ble High Court of Delhi which was admitted and is still pending. In the meanwhile, on the basis of Audited Accounts for the subsequent year ended 30th September, 1996, your Directors after taking legal advice formed an opinion that the company was a sick company under the provisions of Section 15 (1) of SICA and therefore mandatory reference was filed with BIFR on 4th March, 1997. The BIFR after hearing/examining views of various creditors and after conducting inquiry under Section 16 of SICA, declared the company as a "Sick Industrial Company" on the basis of Accounts for the year ended 30th September, 1996 vide its order dated 11th August, 1997. While declaring the Company as a Sick Company, BIFR appointed

Industrial Development Bank of India (IDBI), as the operating agency in terms of provisions of Section 17(3) of SICA to examine the viability and to submit its report.

Your Company has since submitted to the IDBI its draft rehabilitation scheme/package. Recently, IDBI had called a meeting of all the secured creditors/lenders. It is pertinent to report that all the secured lenders agreed in principle to support the package. IDBI had also held seperate institutional meeting including bankers wherein support to the rehabilitation package was reconfirmed.

While the approval of BIFR to the rehabilitation scheme, is expected in due course whereafter the banks will provide additional working capital limits as sought/recommended by BIFR under the package and your company would then begin implementation of the scheme. During the intervening period, the lead bank has been extending its support which helped your company to improve and enhance its performance to a higher level of operations.

Your Company could meet the challenges of the year under review only because of the hard work, commitment and dedication from all in the organisation. The functional teams are continuously working as a core group towards further improvements to meet the future objectives of your Company.

Research & Development

R & D continues to be a key focus area for your Company. Besides continuously working on improvements on the current products, the R & D is in the process of developing some new products which involve very sophisticated technology.

Your Company is also in dialogue with some international companies of repute to enter into a strategic alliance for certain technical inputs of new generation products.

The introduction of these products would certainly have a significant positive impact on the sales and profitability of your Company.

Fixed Deposit

During the year under report, deposits for Rs. 52.92 lacs were matured for repayment out of which Rs.0.60 lacs could only be repaid and remaining deposits of Rs. 52.32 lacs are outstanding due to continued financial stringencies. Deposits aggregating to Rs.3.00 lacs belonging to 26 depositors remained unclaimed. Your Company is very conscious of the delay in repayment of Fixed Deposits. Accordingly in its rehabilitation package it has given priority to the repayment.

Subsidiaries

As required under Section 212 of the Companies Act, 1956, the statement in respect of the subsidiaries is annexed and forms an integral part of this report.

Disclosure of Particulars

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the relevant information and data is given Annexure to this Report.

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Disclosure Under Clause 43 of Listing Agreements

Disclosures as to projected profitability and utilisation of funds and their comparison with actuals, as required under Clause 43 of the Listing Agreement with Stock Exchanges, are annexed herewith as an integral part of the report.

Additional Information—Balance Sheet Abstract and Company's General Business Profile

Information pursuant to Department of Company Affairs' Notification dated 15th May,1995, relating to the Balance Sheet Abstract and Company's General Business Profile is given in the Annual Report for your information.

Directors

Shri Rajive Sawhney and Shri S.C. Chhabra, Directors retire by rotation and are eligible for re-appointment.

Auditors

M/s. Walker, Chandiok & Co., the present Auditors have furnished a certificate regarding their eligibility for reappointment as Company's Auditors, pursuant to Section 224 (1) of the Companies Act, 1956.

Particulars of Employees

Information as per Section 217 (2-A) of Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per the provisions of Section 219 (1)(b)(iv) of Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the company excluding the statement of particulars of employees. However any shareholder desirous of obtaining a copy therefore should write to the Company.

General

The notes forming part of the Accounts, being self explanatory, the comments made by the Auditors in their report, are not being dealt with separately.

Acknowledgement

Your Directors express their deep appreciation for the valuable co-operation and assistance provided by various Financial Institutions, Banks, other lenders, domestic and foreign Associates, Suppliers, Distributors, Stockists, Dealers and various Govt. agencies, particularly during this critical period through which your Company has been passing.

I also wish to place on record appreciation for the wise counsel, guidance and co-operation extended by my colleagues on the Board, and express my own appreciation and thanks to all officers and staff at all levels for their hard work and dedication particularly at this critical juncture.

On behalf of the Board of Directors

Mohan Singh

New Delhi
15th April, 1998

Dr. BHAI MOHAN SINGH
CHAIRMAN

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ANNEXURE TO THE DIRECTORS' REPORT

DISCLOSURES UNDER SECTION 217(1)(e) OF THE COMPANIES ACT,1956 READ WITH COMPANIES(DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES,1988.

I. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

i) Ensured constant 11 KV voltage supply from independent PSEB feeder, thereby reducing consumption and break-downs owing to fluctuations.

ii) IPU PLANT :- Re-designing of condensers and vaccum pump in residue recovery plant thereby increasing recoveries and reducing utility loads (by way of better maintenance).

iii) CPP PLANT :-
a) Centrifuge running out by 50% by increasing Caustic dilution.
b) Driers running reduced by 25% by changing procedures.

iv) Continuation of efforts by Energy Group-
— Control of steam wastages in closed system with steam trap monitor.
— Better xylene recoveries by way of maintenance of Brine condensers in xylene recovery unit.
— Power/reduction on pit pumps by level switches.
— Filter installed in old cooling tower, thereby reducing soft scale formation in condenser.
— Doubling of 10 ACM capacities - reduced specific energy consumption.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

i) Use of FRP fan, Erection of 180 M3/Hr. third bay and on line descaling for attempting reduction power consumption in cooling tower by 6%.
ii) Use of fuel additive in boilers for reducing consumption by 4%.
iii) Energy Audit with ITT clamp on meter on lines of NPC Audit.
iv) Use of Thermostatic control valve for direct steam inspection.
v) Efficiency improvement on Boilers by fuel efficiency meter (FEM)
vi) Use of translucent sheets for use of natural light.
vii) Cold insulation repairs of chilled water & brine lines completed.

c) Impact of implementation of above measures (a) and (b) for reduction of energy consumption and consequent impact on cost of production of goods.

— Implementation of above proposals/measures shall reduce energy consumption resulting in direct saving fuel oil and electric power consumption.

d) Total energy consumption and energy consumption per unit production:

	Particulars	**Current Year**	Previous Year
(A)	**Power and Fuel Consumption:**		
1.	**Electricity**		
a.	Purchased		
	Unit (in lacs)	**43.04**	46.51
	Total Amount(Rs.in lacs)	**114.74**	102.54
	Rate/Unit(Rs.)	**2.67**	2.20
b.	Own Generation(through D.G.Unit)		
	Units (in lacs)	**2.80**	2.24
	Units/Ltr. of Diesel Oil	**3.44**	3.42
	Cost/Unit(Rs.)	**2.35**	1.99
2.	**Furnace Oil**		
	Quantity (K.Ltrs.)	**815.35**	818.80
	Total Amount (Rs.in lacs)	**65.78**	55.74
	Average/K.Ltr.(Rs.)	**8067.67**	6807.56
(B)	**Consumption per unit of production:**		
	Pesticide Technicals		
	Electricity (Unit/Kg)	**3.27**	3.87
	Furnace Oil (Ltr/Kg)	**0.58**	0.65

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II. TECHNOLOGY ABSORPTION

(A) Research and Development (R&D)

1. Specific areas in which R&D was carried out by the company.

— Process Development
— R&D support to manufacturing operations in the existing product range.
— Import substitution and optimisation of parameters.
— Testing of efficacy of new products and trouble shooting in the existing product range.

2. Benefits derived as a result of above R&D

— Improvement in efficiency, yield, purity and cost reduction.
— *Import substitution of pesticides, thereby improving self reliance in newer pesticides.*
— Lab scale technology developed for certain new products.

3. Future Plan of Action

— Development of technology for pesticides (technical) and intermediates currently not manufactured by the Company.
— Continuous support to the present manufacturing operations.
— Development of improved process for technical pesticides.

4. Expenditure

(Rs. in lacs)

		Current Year	Previous Year
a)	Capital	**2.96**	5.90
b)	Recurring	**60.46**	45.49
c)	Total	**63.42**	51.39
d)	Total R&D expenditure as a percentage of total turnover	**0.98**	1.28

B) Technology absorption, adaptation & innovation

1. Efforts in brief made towards technology absorption, adaptation and innovation.

— Pilot plant trials completed for a new product and found comparable to imported product.
— Process for manufacture of a new product by the more cost effective and ecofriendly technology with savings on utilities, manpower,machinery & methods.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.

— *Manufactured international quality Chlorpyriphos, Isoproturon.* Both these products have been marketed within the country as well as exported.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.

—Not Applicable.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. in lacs)

		Current Year	Previous Year
(a)	Earned	**1876.94**	1576.52
(b)	Outgo	**1399.90**	107.61

DISCLOSURE PURSUANT TO CLAUSE 43 OF THE LISTING AGREEMENT

a. Profitability Projections for the Financial Year ended 31st March, 1997 as per Letter of Offer dated 30th December, 1994 in respect of Company's Rights Issue of Equity Shares were Sales Rs.14585 lacs; Interest Rs. 900 lacs, Depreciation Rs. 223 lacs and Net Profit Rs.1375 lacs.
The figures are not comparable as the Financial Year has changed from March to September ending.

b. The Projected Utilisation of funds as per the said Letter of Offer were; to repay part of the high cost of borrowings.
Actual utilisation of fund has been stated in the said Letter of Offer.

c. The shortfall in projected to turnover and consequently in the projected profitability is due to inadequate availability of Working Capital.

AUDITORS' REPORT

To the Shareholders

We have audited the attached Balance Sheet of Montari Industries Limited as at 30th September, 1997 and also the annexed Profit and Loss Account of the Company for the year ended on that date and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books;

3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

4. As required by the Manufacturing and other Companies (Auditors' Report) order, 1988 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we further report that:

   (i) The Company maintains records showing particulars including quantitative details and situation of the fixed assets which are being updated. The management has stated that some of the assets covering significant values have been physically verified during the year which are being reconciled with the books of account. In our opinion, the frequency of physical verification is reasonable;

   (ii) There has been no revaluation of fixed assets during the year;

   (iii) The stocks of finished goods, spare parts, raw materials and major items of stores have been physically verified during the year at reasonable intervals by the management.

   (iv) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;

   (v) The discrepancies noticed on verification between physical stocks and book records were not material and the same have been properly dealt with in the books of account;

   (vi) In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year;

   (vii) The Company has not taken any loans secured or unsecured from Companies, firms or other parties listed in the register maintained under section 301/ bodies Corporate under the same management as defined under section 370 (1B) of the Companies Act, 1956;

   (viii) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in the register maintained under section 301/ bodies Corporate under the same management as defined under section 370 (1B) of the Companies Act, 1956;

   (ix) In our opinion and according to the information and explanations given to us, the loans and advances in the nature of loans made by the Company amounting to Rs.7.99 crores are interest free and without stipulation as to repayment in addition to interest free loans to subsidiary Companies amounting to Rs. 32.97 crores as at 30th September, 1997;

   (x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of business for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods;

(xi) In our opinion and according to the information and explanations given to us, there were no transaction for the purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect of each party;

(xii) As explained to us unserviceable or damaged stores, raw materials and finished goods are determined by the Company and adequate provision for the loss has been made in the accounts;

(xiii) The Company has not accepted any deposits from the public during the year and accordingly the provisions of Section 58 A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not attracted;

(xiv) The Company is maintaining proper records for sale and disposal of scrap and by-product;

(xv) According to the information and explanations given to us internal audit has been conducted by an outside agency and the internal audit system is commensurate with the size of the Company and nature of its busines;

(xvi) The Central Government has prescribed under section 209 (1) (d) of the Companies Act, 1956 maintenance of cost records in respect on Insecticide Technical Grade. We have broadly reviewed the books of account maintained and in our opinion, the prescribed accounts and records have prima facie been made and maintained by the Company;

(xvii) According to the records of the Company Provident Fund and Employees State Insurance dues have generally been regularly deposited during the year with the appropriate authorities;

(xviii) According to the information and explanations given to us, there were no material undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty and Excise duty which were due for more than six months on the last day of the financial year;

(xix) On the basis of the examination of the books of account carried by us in accordance with generally accepted auditing practices and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to the Profit and Loss Account other than those payable under contractual obligations or in accordance with generally accepted business practice;

(xx) The Company is a sick industrial company within the meaning of section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985;

(xxi) In respect of trading activities, we are informed that there are no damaged goods included in the stocks and accordingly no provision is required;

5. In our opinion and to the best of our information and according to the explanations given to us, the accounts read together with the significant accounting policies and notes and subject to note 18 regarding Modvat/Customs duty adjustable of about Rs. 60.0 lacs which is in excess of amount available on inventories is not in consonance with the principle of matching costs with revenue and note 22 regarding non provision of interest/discounting charges amounting to Rs. 1761.71 lacs, upto 30th September, 1997 (Rs. 1147.52 lacs upto 30th September, 1996) in Schedule 19 and consequent thereto the loss for the year is lower by Rs. 614.19 lacs, give the information required by the Companies Act, 1956 , in the manner so required and give a true and fair view :-

   (a) in the case of the Balance Sheet of the state of affairs of the Company as at 30th September, 1997; and

   (b) in the case of Profit and Loss Account, of the loss for the year ended on that date.

for Walker, Chandiok & Co.,
Chartered Accountants

New Delhi
15th April, 1998

(Vinod Chandiok)
Partner

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Balance Sheet as at 30th September, 1997

	Schedule	Rs. in Lacs As At 30.09.97	As At 30.09.96
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	1,504.06	1,503.24
Share Application Money		0.39	—
Reserves & Surplus	2	2,462.70	2,541.31
		3,967.15	4,044.55
LOAN FUNDS			
Secured Loans	3	8,388.85	7,276.86
Unsecured Loans	4	1,671.16	1,931.43
		10,060.01	9,208.29
Total		14,027.16	13,252.84
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	3,710.09	3,641.86
Less: Depreciation		1,404.01	1,215.53
Net Block		2,306.08	2,426.33
Capital Work in Progress (Including Capital Advances)		8.20	55.25
		2,314.28	2,481.58
INVESTMENTS	6	175.89	190.00
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	939.34	1,193.55
Sundry Debtors	8	1,279.26	790.06
Cash & Bank balances	9	146.43	215.26
Loans and Advances	10	4,074.89	4,219.55
		6,439.92	6,418.42
Less:			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	2,593.24	2,706.48
Provisions	12	87.15	73.04
		2,680.39	2,779.52
NET CURRENT ASSETS		3,759.53	3,638.90
Miscellaneous Expenditure (to the extent not written off or adjusted)			
Project Development Expenditure		191.67	157.15
Capital Issue Expenses		15.10	54.93
PROFIT & LOSS ACCOUNT		7,570.69	6,730.28
Total		14,027.16	13,252.84
NOTES TO THE ACCOUNTS	19		

The schedules referred to above form an integral part of the Accounts

This is the Balance Sheet referred to in our report of even date

On behalf of the Board of Directors

For Walker, Chandiok & Co.
Chartered Accountants
Vinod Chandiok
Partner

New Delhi
15.04.1998

Tarun Sud
Vice President-Finance

Subhash Setia
Group Company Secretary

K.S. Bains
Rajive Sawhney
Prem Pandhi
S.C. Chhabra
Directors

Dr. Bhai Mohan Singh
Chairman
Bhai Manjit Singh
Managing Director
Ashok Mehra
Jt. Managing Director