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MONTARI

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MONTARI INDUSTRIES LIMITED
ANNUAL REPORT 1997-98

DIRECTORS

Dr. Bhai Mohan Singh—*Chairman*
Shri K.S. Bains—*Nominee of BIFR*
Shri Malkiat Singh—*Nominee of PSIDC*
Shri M.P. Setia—*Nominee of UTI*
Shri Rajive Sawhney
Shri Prem Pandhi
Shri Manmohan Singh
Shri S.S. Grewal
Shri Shrichand Chhabra
Bhai Manjit Singh—*Managing Director*

GROUP CHIEF EXECUTIVE

Shri Ashok Mehra

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



NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS STEAD AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM IS ENCLOSED. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No. 5 is annexed hereto and forms part of the Notice.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 29th March, 1999 to Wednesday, the 31st March, 1999 (both days inclusive).
4. Members are requested to intimate the Company changes, if any, in their Registered Addresses alongwith Pin Code Numbers.
5. The members who are holding shares in multi folios are requested to send their Share Certificates to the Company Secretary at 78, Nehru Place, New Delhi for consolidation.
6. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
7. In view of the inconvenience faced by the members, due to unsatisfactory transport arrangements from Ropar and from Balachaur to Company's Registered Office at Bhai Mohan Singh Nagar, the management has decided for the convenience of members desiring to attend the meeting to make available a Bus/Van bearing banner "MONTARI AGM" at Ropar Bus Stand near Stadium and at Balachaur bye pass near Verka Milk Chilling Centre on Balachaur-Jalandhar Highway which shall leave at 8.45 A.M. sharp for venue of the meeting and return to the same spots after the meeting. Members desiring to avail this facility are welcome.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

90,000 14% Preference Shares of Rs.100 each were issued on 16.12.1988 with conditions inter-alia to be redeemed not later than the expiry of 7 years from the date of allotment i.e. by 15.12.95. Considering financial stringencies, the Board of Directors extended the redemption period upto 15.12.1998. Due to continued financial stringencies the Company eroded its entire networth and a mandatory reference was filed with Board for Industrial and Financial Reconstruction (BIFR). In the draft rehabilitation scheme forwarded by IDBI, the Operating Agency (OA) to BIFR, the OA has not provided for any redemption during the period of the scheme, therefore it is proposed to redeem these shares in the years 2006 - 2007 when the accumulated losses would be wiped off. This would require the consent of Preference Shareholders in terms of Section 106 of the Companies Act, 1956 read with Clause 70 of the Articles of Association of the Company, which will be obtained separately, hence this enabling resolution.

None of the Directors is interested or concerned in passing of the said resolution.

New Delhi
4th March, 1999

Regd. Office :
Bhai Mohan Singh Nagar,
Toansa, Distt. Nawanshahr, Punjab

By order of the Board

SUBHASH SETIA
Group Company Secretary



MONTARI

MONTARI INDUSTRIES LIMITED

Regd. Office : Bhai Mohan Singh Nagar, Toansa, Distt. Nawanshahr, Punjab

NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of **Montari Industries Limited** will be held on **Wednesday, the 31st March, 1999 at 9.15 A.M.** at the Registered Office of the Company at Bhai Mohan Singh Nagar, Toansa, Distt. Nawanshahr, Punjab to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt Audited Accounts and Reports of Auditors and Directors thereon for the year ended 30th September, 1998.
2. To appoint a Director in place of Shri Manmohan Singh, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri Prem Pandhi, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration. M/S Walker, Chandio & Co., retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution** :-

"RESOLVED that subject to the approval of the holders of 14% Redeemable Preference Shares, consent be and is hereby accorded to the Board of Directors of the Company authorising it to extend the redemption period of the said Shares for a further period of 9 years i.e. upto 15th December, 2007 and to vary the terms of issue including enhancement/reduction in coupon rate of dividend of 14% p.a., if the Board of Directors of the Company deem it fit, and so recommended for the existing 90,000 14% Redeemable Preference Shares of Rs. 100 each."

"RESOLVED FURTHER that for the purpose of giving effect to the above, the Board of Directors of the Company be and are hereby authorised to give such directions as they may think fit and proper, including directions for settling any questions or difficulties that may arise in regard to varying the terms of the issue and/or redemption of the said Preference Shares."

New Delhi
4th March, 1999

Regd. Office :
Bhai Mohan Singh Nagar,
Toansa, Distt. Nawanshahr, Punjab

By Order of the Board

SUBHASH SETIA
Group Company Secretary



Directors' Report

Your Directors have pleasure in presenting the Fifteenth Annual Report of your Company together with Audited Accounts for the year ended 30th September, 1998.

Corporate Results

The financial results of your Company for the year ended 30th September, 1998 are as under :-

	1997-98	Rs in lacs 1996-97
Sales & Other Income excluding Non-Recurring Items	5715	6858
Total Expenditure excluding Non-Recurring Items	5193	6418
Gross Profit/(Loss) before Interest/Depreciation/Tax	522	440
Interest & Depreciation	1761	1545
Profit/(Loss) after Interest & Depreciation '	(1239)	(1105)
Non-Recurring Expenses Write off/Write-on (Net)	441	-
Net Profit/(Loss) for the year	(1680)	(1105)
Written Back/(Provision) for amounts due from wholly owned Subsidiary Companies	406	171
Net Profit/(Loss)	(1274)	(934)

Operational

During the year under review certain steps were taken to improve performance of your Company including cost cutting, such as closure of unviable branches and export office at Mumbai, curtailing of manpower and re-location of Kisan formulation unit from Chandigarh to Toansa where the technical manufacturing plant is located.

The Company introduced a new insecticide - "Lethal Super" mainly used for the cotton crop and also re-introduced scabicide. Innovative sales scheme were also introduced for the first time for farmers for Milron a major product. These innovative schemes yielded good results.

However, the operations of the Company were hampered because of a ban on the use of plant growth regulators and also for a certain time on combination products. Adverse market conditions both in the domestic and international markets also had an impact. In spite of this your Company has been able to achieve a marginal positive profit before the depreciation, interest and tax.

BIFR Status

As informed in the previous report your Company had submitted a draft rehabilitation scheme/package to Industrial Development Bank of India (IDBI), the operating agency appointed by the Board for Industrial & Financial Reconstruction (BIFR) in terms of Section 17(3) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) .

IDBI had after examining the viability of your plant, and after conducting such other checks as advised by BIFR, called meetings of all the secured creditors/ lenders, financial institutions and banks. It is pertinent to report that all the secured lenders agreed to support the rehabilitation package.

IDBI has since submitted the draft Rehabilitation Scheme to BIFR and the BIFR is in processing the matter further to take decision on the same.



As soon as the rehabilitation scheme is approved by BIFR, the Company would forthwith proceed for implementation of the same. During the interim period Company's lead Bank has been extending its support which helped the Company to improve its performance.

Your Company could meet the challenges of the year under review because of the hard work, commitment and dedication of all within the organisation and unstinted supports from its customers, bankers, financial institutions and business associates. The functional teams are continuously working as a core team towards further improvements to meet future objectives of the Company.

It is mentioned for your information that during the year under review, one unsecured creditor had appealed to the Appellate Authority for Industrial and Financial Reconstruction (AAIFR), against the BIFR decision of 22.7.97 declaring the company as Sick Industrial Undertaking under Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) which appeal is still pending.

Research & Development

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

The 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 Deposits

During the year under report, deposits for Rs. 54.81 lacs matured for repayment out of which Rs.2.60 lacs could only be repaid and remaining deposits of Rs.52.21 lacs are outstanding due to continued financial stringencies. Deposits aggregating to Rs.2.65 lacs belonging to 22 depositors remained unclaimed. The Company is however endeavoring to repay the pending deposits at the earliest possible. For this reason in the rehabilitation package, Company has recommended priority for these repayments.

Subsidiaries

As required under Section 212 of the Companies Act, 1956, the audited statement of accounts alongwith reports of the Board of Directors and the Auditor's reports 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 in the Annexure to this Report.

Share Capital

9700 equity shares out of forfeited shares were issued at unpaid value of Rs. 5 per share and as a consequence, the equity share capital has been increased by Rs.0.97 lac.

**Extension in Redemption Period of 90,000
14% Preference Shares of
Rs. 100 each, 3,80,140
15% Non-Convertible
Debentures of Rs. 100 each
and 28,98,057
15% Non Convertible
Debentures of Rs. 50 each.**

IDBI, the Operating Agency in its draft rehabilitation scheme forwarded to BIFR for its approval has not provided for any redemption of Preference Shares during the period of scheme. In view of this it is proposed to redeem the Preference Shares in the years 2006-2007 when the accumulated losses would be wiped off, subject to the approval of the holders.

IDBI has further recommended re-schedulement in the redemption period of 3,80,140 - 15% Secured Debentures of Rs.100 each to be repaid in the years 1999-2000 without any overdue interest.



IDBI has also recommended redemption period of 28,98,057 - 15% Secured Non-Convertible Debentures of Rs. 50 each be extended and the said debentures be redeemed in three annual instalments starting from 2000-01 to 2002-03 at the document rate of interest.

IDBI has further recommended deferment of 50% of the simple interest outstanding as on 31.12.1997, to be paid in three years starting from 1999-2000 @ 15.5% p.a., and waiver of balance 50% simple interest alongwith and entire compound interest and penal charges as on 31.12.97 on these debentures.

**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 Abstract of Balance Sheet and Company's General Business Profile, is given in the Report for your information.

Directors

Shri Malkiat Singh and Shri M.P. Setia were nominated as Directors of your Company by Punjab State Industrial Development Corporation Ltd. (PSIDC) and Unit Trust of India, (UTI) respectively.

Shri Ashok Mehra, Joint Managing Director vacated his office as such but was requested to be Group Chief Executive of your Company. Your directors placed on record their appreciation for the valuable services rendered by Shri Mehra during his tenure as J.M.D. Considering Mr. Mehra's contribution in revival of the Company, your Board extended invitation to him to continue attending Company's Board Meetings.

Auditors

M/s. Walker, Chandio & Co., the present Auditors have furnished a certificate regarding their eligibility for re-appointment as Company's Auditors, pursuant to Section 224 (1-B) 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 as amended, 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 thereof 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 appreciation for the valuable continued co-operation and unstinted support extended by Financial Institutions, Banks, other lenders, domestic and foreign Associates, Suppliers, Distributors, Stockists, Dealers and various Govt. agencies, at the time of need.

I also wish to place on record my appreciation for the wise counsel, guidance and co-operation extended by my colleagues on the Board.

The Board expresses its appreciation and thanks to all officers and staff at all levels for their dedicated hard work and energetic efforts for revival of the company.

On behalf of the Board of Directors


Dr. BHAI MOHAN SINGH
CHAIRMAN

New Delhi
4th March, 1999



MONTARI

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:**
- Power consumption reduced in CPP Plant by
 - replacing chilled brine of - 25 degree centigrade with that of - 12 degree centigrade.
 - reduction in grinding mill operation time by more than 80%.
 - Cooling water temperatures reduced by commissioning of 180 M3/Hr. third bay and overhauling of existing 2 bay of cooling tower thereby improving operation efficiencies of energy intensive refrigeration units and also achieving better solvent recovery in the plant.
 - Augmentation of IPU(T) milling capacity thereby reducing specific energy consumption.
 - Steam losses prevented by providing automatic temperature control valve on steam line of hot water tank.
 - In house insulation audit carried out and corrective measures taken for both hot and cold insulation lines.
- b) **Additional investments and proposals, if any, being implemented for reduction of consumption of energy:**
- Installation of unitwise energy meters to closely monitor the specific energy consumption and take corrective actions wherever required.
 - Working on the feasibility of using LDO instead of HSD in steam boilers.
 - Improving boiler efficiencies by use of recommended additives both on fuel and water side.
 - Use of 2 air compressors of smaller HPs (20+10) to avoid usage of single 60 HP compressor for most of the time.
 - On-going jobs on hot & cold insulation.
- 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 of 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)	46.41	43.04
Total Amount (Rs. in lacs)	133.14	114.74
Rate/Unit (Rs.)	2.87	2.67
b. Own Generation (through D.G. Unit)		
Units (in lacs)	2.56	2.80
Units/Ltr. of Diesel Oil	3.28	3.44
Cost/Unit (Rs.)	2.95	2.35
2. Furnace Oil		
Quantity (K.Ltrs.)	813.04	815.35
Total Amount (Rs. in lacs)	78.54	65.78
Average/K.Ltr. (Rs.)	9660.01	8067.67
(B) Consumption per unit of production:		
Pesticide Technicals		
Electricity (Unit/Kg)	3.26	3.27
Furnace Oil (Ltr/Kg)	0.54	0.58



II. TECHNOLOGY ABSORPTION

(A) Research and Development (R&D)

1. **Specific areas in which R&D was carried out by the company.**
 - Process development for newer products.
 - 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 Chlorpyriphos - methyl and Deltamethrin.
3. **Future Plan of Action**
 - Development of technology for pesticides (technical) and intermediates currently not manufactured by the Company.
4. **Expenditure**

		(Rs. in lacs)	
		Current Year	Previous Year
a)	Capital	2.55	2.96
b)	Recurring	70.17	60.46
c)	Total	72.72	63.42
d)	Total R&D expenditure as a percentage of total turnover	1.38	0.98

(B) Technology absorption, adaptation & innovation

1. **Efforts in brief made towards technology absorption, adaptation and innovation.**
 - Pilot plant trials completed for a new product Chlorpyriphos methyl and found conforming to international specifications.
 - Process for manufacture of a new product by more cost effective and eco-friendly 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 and Chlorpyriphos methyl. Chlorpyriphos and Isoproturon have been marketed within the country and all three have been 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	1713.86	1876.94
(b)	Outgo	101.14	81.89



AUDITORS' REPORT

To the Shareholders

We have audited the attached Balance Sheet of **Montari Industries Limited** as at 30th September, 1998 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.7.81 crores are interest free and without stipulation as to repayment in addition to interest free loans to subsidiary Companies amounting to Rs. 33.36 crores as at 30th September, 1998;
 - (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 its business for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods;