



**MONTARI INDUSTRIES LIMITED
ANNUAL REPORT 1998-99**

DIRECTORS

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

GROUP CHIEF EXECUTIVE Shri Ashok Mehra

SECRETARY Shri Subhash Setia

AUDITORS Walker, Chandio & 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

PLANT Bhai Mohan Singh Nagar
 Toansa, Tehsil Balachaur
 Distt. Nawanshahr, Punjab

CORPORATE OFFICE 78, Nehru Place
 New Delhi-110 019

AGRO HEAD OFFICE 41, Industrial Area
 Phase II, Ram Darbar
 Chandigarh-160 002

MONTARI

Directors' Report

Your Directors have pleasure in presenting the Sixteenth Annual Report together with Audited Accounts of the Company for the year ended 30th September, 1999.

Corporate Results

The financial results of your Company for the year ended 30th September, 1999 are as under :-

	1998-99	Rs in lacs 1997-98
Sales & Other Income	7506	5825
Profit/(Loss) before Interest & Depreciation	2300	81
Net Profit/(Loss) after Interest & Depreciation	1448	(1680)
Written Back/(Provision) for amounts due from wholly owned Subsidiary Companies	(604)	406
Net Profit/(Loss)	844	(1274)

Operational

During the year under report, the sales of the Company was lower than last year by approximately 10%. Though the domestic sales up by 7%, the export sales dropped by approximately 33%.

The sales price of Company's major product Isoproturon Technical went down drastically both in the Domestic as well as Export market leading to lower realisation of revenue and profits.

However, part of the above negative were offset by favourable raw material consumption and prices and other cost improvement programmes undertaken in the plant.

The operations of the Company continue to suffer on account of paucity of working capital.

Because of severe financial constraints, the Company is passing through a very difficult situation.

However, during the year under review, the lead bankers exhibited positive understanding and support which considerably helped the Rehabilitation Scheme at this difficult juncture.

BIFR Status

During the year under review, IDBI, the operating Agency, called a meeting of all the secured creditors/lenders, financial institutions and banks and invited their comments to the draft rehabilitation scheme submitted by the Company. After examining the viability of the Company, and incorporating comments of creditors, IDBI forwarded the Draft Rehabilitation Scheme to BIFR for its perusal and approval.

BIFR after examining the rehabilitation scheme, circulated the same to all secured creditors and also issued statutory advertisement/notice in The Tribune on 13.4.1999.

Meanwhile with the concurrence of BIFR, your company disposed off its investment in the equity shares of Bausch & Lomb India Limited which were pledged with IDBI against its short term loan.

The proceeds received from the sale of Bausch & Lomb India Ltd. shares were utilised to repay the outstanding dues of both IDBI and ICICI in full. Both these



Research & Development

organisations supported the Company by giving substantial waivers. Some of the funds were utilised for paying pressing creditors. All payments were in conformity with the Draft Rehabilitation Scheme which was submitted to BIFR.

However, an objection was raised by a creditor to utilisation of these funds and due to a misunderstanding BIFR passed an order on 17th June, 1999 desiring the Company to recall the sale proceeds of the shares of Bausch & Lomb India Ltd. from IDBI. The Company went in appeal against this order to the Hon'ble AAIFR, who upheld the contention of the Company.

BIFR thereafter directed, that a revised Draft Rehabilitation Scheme be prepared. The same is under preparation and will be submitted shortly.

It is gratifying however that your Company could meet the challenges of the year under review because of the hard work & extreme dedicated high degree of commitment and devotion of one and all within the organisation and unstinted support 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.

R & D continues to be a key focus area for your Company. Besides continuously working on improvements on the current products, R & D division is in the process of developing newer products involving high grade sophisticated technology.

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

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

Fixed Deposits

During the year under report, Deposits amounting to Rs. 52.21 lacs matured for repayment out of which Rs.2.10 lacs only could be repaid and balance are outstanding due to financial stringencies. Deposits aggregating Rs.2.53 lacs belonging to 21 depositors remained unclaimed. Your Company is conscious of the discontentment of the depositors and shall endeavour to discharge the debt at the earliest possible.

Subsidiaries

As required under Section 212 of Companies Act, 1956, Audited statement of accounts alongwith reports of the Directors and the Auditor's of its subsidiaries is annexed and forms an integral part of this report.

Disclosure of Particulars

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

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 included in the Report.

Directors

With profound sorrow and grief we wish to inform you the sad demise of Director Shri Manmohan Singh, former President of Confederation of Indian Industry and Indo American Chamber on 28.7.1999.

BIFR made a change of their nominee Director and nominated Shri Vinod Kumar Mehrotra a former Deputy Managing Director of State Bank of India on the Board.



Your Directors placed on record, their high appreciation of the valuable services rendered by Late Shri Manmohan Singh and Shri K.S. Bains during their tenures of Directorship.

Shri S.S. Grewal and Shri Rajive Sawhney Directors, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

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, form 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. In case you desire to have a copy thereof please write to the Company Secretary.

General

Notes forming part of the Accounts, being self explanatory. Auditors comments on their report, have not been dealt with separately.

Acknowledgement

Your Directors express their deep appreciation for the valuable assistance, co-operation and unstinted support extended by Financial Institutions, Banks, other lenders, domestic and foreign Associates, Suppliers, Distributors, Stockists, Dealers and various Govt. authorities

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

The Board express thanks and its high appreciation to all officers and staff at all levels for their dedicated hard work and static efforts being put for revival of your company.

On behalf of the Board of Directors

New Delhi
31st March, 2000

Dr. BHAI MOHAN SINGH
CHAIRMAN



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:**
- Use of Hot Thermic Fluid reduced by 5 hours in residue rely plant.
 - Once-through Hot Oil circulation system adopted for new reactor installed in residue rely plant, this led to fuel savings and avoided additional capex.
 - Use of combination of liquid ring vacuum pump and steam ejector in Butachlor Plant to reduce fuel oil consumption.
 - Sequence capacity controller installed for chilled water unit resulting in power saving due to reduced running.
 - Running of IPU and CPP Plant synchronised to derive maximum utilisation of running of utilities thus reducing specific energy consumption.
 - Unitwise Energy Meters installed to closely monitor energy usage in the plant.

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

- Replaced 160W Mercury Lamps with 18W CF Lamps for Plant Lighting. Trials in progress.
- Replaced HSD with Furnace Oil as Boiler Fuel. Procurement action taken.
- Hot, Cold and dual insulation jobs for pipelines undertaken as and when required.

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)	44.61	46.41
Total Amount (Rs. in lacs)	149.89	133.14
Rate/Unit (Rs.)	3.36	2.87
b. Own Generation (through D.G. Unit)		
Units (in lacs)	4.72	2.56
Units/Ltr. of Diesel Oil	3.24	3.28
Cost/Unit (Rs.)	2.86	2.95
2. Furnace Oil		
Quantity (K.Ltrs.)	1003.08	813.04
Total Amount (Rs. in lacs)	92.87	78.54
Average/K.Ltr. (Rs.)	9258.53	9660.01
(B) Consumption per unit of production:		
Pesticide Technicals		
Electricity (Unit/Kg)	3.31	3.26
Furnace Oil (Ltr/Kg)	0.67	0.54

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 like herbicides, insecticides.
- 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 Chlorotoluron, Triazophos, Triclopyr, Butachlor and 3,5,6 Trichloropyridinol.

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	1.18	2.55
b)	Recurring	61.90	70.17
c)	Total	63.08	72.72
d)	Total R&D expenditure as a percentage of total turnover	1.37	1.38

B) Technology absorption, adaptation & innovation**1. Efforts in brief made towards technology absorption, adaptation and innovation.**

- Pilot plant trials completed for a new product Triclopyr, 3,5,6 Trichloropyridinol 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 Chloropyriphos, Isoproturon, Chlorpyriphos methyl and Butachlor. Chloropyriphos and Isoproturon have been marketed within the country and all first 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	1035.34	1713.86
(b)	Outgo	186.41	101.14

SHAREHOLDERS INFORMATION**Stock Exchanges on which the Company's Securities are listed**

The Company's Equity Shares and Partly Convertible Debentures (PCDs) are listed at the following three Stock Exchanges:

- | | | |
|---|--|---|
| 1. The Ludhiana Stock Exchange Association Limited
Feroze Gandhi Market
Ludhiana-141 001 | 2. The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001 | 3. The Delhi Stock Exchange Association Limited
DSE House
3/1 Asaf Ali Road
New Delhi - 110 002 |
|---|--|---|

MONTARI

AUDITORS' REPORT

To the Shareholders

We have audited the attached Balance Sheet of **Montari Industries Limited** as at 30th September, 1999 and also the annexed profit and loss account of the Company for the year ended on that date and report that:

1. 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, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above:
 - i) 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;
 - ii) 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;
 - iii) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - iv) (a) As stated in note 1 (a) in schedule 19, though the Company is a sick industrial company as per the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 the accounts have been prepared on the concept that the Company will continue to be a going concern.
 - b) As stated in note 2 (a) in Schedule 19, 14% Redeemable Cumulative Preference Shares which were due for redemption on 16 December, 1995 have not been redeemed as yet.
 - c) As stated in note 15 in Schedule 19, the Company has made provision of Rs. 1,301.71 lacs only against due from subsidiary companies amounting to Rs. 3,176.08 lacs, the recoverability of which is dependant upon the revival of Companies in which these companies have made investments.
 - d) As stated in note 19 (b) in Schedule 19, the total outstanding of small scale undertakings and names of the undertakings to whom the Company owes sum exceeding Rs. 1 lac have not been disclosed.
 - e) As stated in note 20 in Schedule 19, the liability in respect of interest and principal amount to lenders aggregating Rs. 3,512.94 lacs has not been provided.
 - f) In case full provision is made in respect of (c) & (e) above, the net profit for the year will be converted into loss of Rs. 4,543.36 lacs and the accumulated loss will amount to Rs. 13,372.61 lacs against Rs. 7,985.30 lacs shown in the balance sheet.

Subject to the foregoing, 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, comply with the accounting standards referred to in sub-section (3c) of Section 211 of the Companies Act, 1956 and 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, 1999; and
- (b) in the case of profit and loss account, of the profit for the year ended on that date.

for Walker, Chandio & Co.,
Chartered Accountants

New Delhi
31st March, 2000

Vinod Chandio
Partner

ANNEXURE TO THE AUDITORS' REPORT

Statement referred to in paragraph (1) of our report of even date to the shareholders of Montari Industries Limited on the account for the year ended 30 September 1999.

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets, which are being updated. The management has physically verified some of the assets covering significant values and no discrepancy has been found. 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;

6



MONTARI

- (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 sub-section (1B) of Section 370 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 sub-section (1B) of Section 370 of the Companies Act, 1956;
- (ix) The loans and advances in the nature of loans made by the Company amounting to Rs. 740.70 lacs are interest free and without stipulations as to repayment in addition to interest free loans to subsidiary companies amounting to Rs. 3176.08 lacs as at 30 September 1999;
- (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;
- (xi) 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 required to be entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 (Rupees fifty thousand) 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 with regard to acceptance of deposits. However, the entire amount of fixed deposit of Rs. 50.11 lacs and interest thereon upto 30 September 1999 is overdue for repayment. Further, the annual return of deposits as at 31 March 1999 has not been filed with the Registrar of Companies;
- (xiv) The Company is maintaining proper records for sale and disposal of realisable scrap and by-product;
- (xv) According to the information and explanations given to us there was no formal internal audit system in vogue during the year commensurate with the size of the Company and nature of its business;
- (xvi) We have broadly reviewed the books of accounts maintained by the Company pursuant to the order by the Central Government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion the prima facie, the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records;
- (xvii) According to the records of the Company Provident Fund and Employees State Insurance dues were not been deposited with the concerned authorities in time and as at 30 September, 1999 Provident Fund due amounting to Rs. 4.37 lacs were in arrears;
- (xviii) According to the information and explanations given to us, except for sales-tax amounting Rs. 6.60 lacs, there were no 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 as at 30 September 1999;
- (xix) On the basis of the examination of the books of account carried-out 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 and reference has been made to the Board for Industrial and Financial Reconstruction under section 15 of the Act;

for Walker, Chandio & Co.,
Chartered Accountants

New Delhi
31st March, 2000

Vinod Chandio
Partner



Balance Sheet as at 30th September, 1999

	Schedule	Rs. in Lacs	
		As At 30.09.99	As At 30.09.98
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	1,707.60	1,504.54
Reserves & Surplus	2	2,952.13	2,458.85
		<u>4,659.73</u>	<u>3,963.39</u>
LOAN FUNDS			
Secured Loans	3	6,230.03	9,430.32
Unsecured Loans	4	1,648.35	1,548.10
		<u>7,878.38</u>	<u>10,978.42</u>
Total		<u>12,538.11</u>	<u>14,941.81</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	3,803.31	3,733.07
Less: Depreciation		<u>1,782.75</u>	<u>1,594.66</u>
Net Block		2,020.56	2,138.41
Capital Work-in-Progress (Including Capital Advances)		7.96	14.09
INVESTMENTS			
6		0.02	158.12
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	723.18	524.19
Sundry Debtors	8	1,081.17	1,234.63
Cash & Bank balances	9	206.53	193.26
Loans and Advances	10	3,120.91	4,165.38
		<u>5,131.79</u>	<u>6,117.46</u>
Less:			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	2,666.42	2,446.24
Provisions	12	<u>113.89</u>	<u>109.12</u>
		<u>2,780.31</u>	<u>2,555.36</u>
NET CURRENT ASSETS		2,351.48	3,562.10
Miscellaneous Expenditure			
(to the extent not written off or adjusted)			
Project Development Expenditure		172.79	225.49
PROFIT & LOSS ACCOUNT		7,985.30	8,843.60
Total		<u>12,538.11</u>	<u>14,941.81</u>

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, Chandio & Co.,

Chartered Accountants

Vinod Chandio
Partner

Ashok Mehra
Group Chief Executive
Tarun Sud
Vice President-Finance
Subhash Setia
Group Company Secretary

V.K. Mehrotra
M.P. Setia
Prem Pandhi
S.C. Chhabra
Directors

Dr. Bhai Mohan Singh
Chairman
Bhai Manjit Singh
Managing Director

New Delhi
31 March, 2000

