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SUMEX CHEMICALS LIMITED

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Eleventh Annual Report
1996-97



ANNUAL GENERAL MEETING

VENUE : All India Manufacturers Organisation Hall,
Jeevan Sahakar Bldg., 4th Floor,
Sir. P.M. Road, Fort, Mumbai 400 001.

DAY : Thursday

DATE : 11th September, 1997

TIME : 10.30 A.M.

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ANNUAL REPORT 1996-97

BOARD OF DIRECTORS	:	D.N. Chaturvedi S.K. Agarwal L.S. Sarma S.D. Chaturvedi Prakash Shah	Chairman & Managing Director
BANKERS	:	Canara Bank Bank of Baroda Union Bank of India Indian Bank	
SOLICITORS	:	CRAWFORD BAYLEY & CO. Mumbai.	
AUDITORS	:	B.S. Sharma & Co. Mumbai.	
REGISTERED OFFICE	:	10, Madhu Industrial Estate, Pandurang Budhkar Marg, Worli, Mumbai 400 013.	
PLANTS	:	1. P.O. Box 144, Lilapor Chikhla, State Highway No. 6, Valsad 396 001. Gujarat. 2. Plot No. 10003/1 GIDC Phase III, Vapi 396 195, Gujarat.	
RESEARCH FARM	:	Seeds Division: Karikingaon, Taluka : Paithan, District : Aurangabad.	
REGISTRARS & SHARE TRANSFER AGENTS	:	Consolidated Share Services Pvt. Ltd. Shanti Nagar, Cross Road 'A', Near MIDC Bus Depot, MIDC, Andheri (E), Mumbai 400 093.	



SUMEX CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the ELEVENTH Annual General Meeting of the Members of Sumex Chemicals Limited will be held on Thursday, 11th September, 1997 at 10.30 a.m. at All India Manufacturing Organisation Hall, Jeevan Sahakar Building, 4th Floor, Sir P.M. Road, Fort, Mumbai 400 001 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. L.S. Sarma who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a director in place of Dr. Sandip Chaturvedi who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT subject to approval of the Government of India, the medical expenses reimbursed to Shri D.N. Chaturvedi, Chairman and Managing Director of the Company amounting to Rs. 2,06,531/- incurred by him in connection with the treatment of his heart ailment and which are in excess of the limit approved by Government of India be and are hereby approved."

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

"RESOLVED THAT in supersession to the resolution passed by the members at the 10th Annual General Meeting held on 27th December, 1996 the Board of Directors be and is hereby authorised pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to borrow money from time to time at their discretion together with the moneys to be borrowed/already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) either from the Company's bankers and/or any one or more persons or Financial Institutions whether by way of cash credit, advances, loans or bills discounting, issue of debentures or otherwise and whether unsecured or secured, on such terms and conditions as may be considered suitable by the Board of Directors upto a limit of Rs. 40 Crores (Rupees Forty Crores only) in excess of the aggregate of the paid-up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose."

ANNUAL REPORT 1996-97**NOTES**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The relative Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business under Item No. 5 is annexed hereto.
3. The Register of Members and the Share Transfer books of the Company will remain closed from 2nd September, 1997 to 11th September, 1997 (both days inclusive).
4. Members are requested to notify change of address, if any, to the Company.
5. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of the Annual Report to the meeting.
6. Members are requested to send their queries, if any, at least 15 days in advance of the meeting so as to enable the management to reply at the meeting.

By Order of the Board

D.N. Chaturvedi
Chairman & Managing Director

Registered Office:

10, Madhu Industrial Estate,
 Pandurang Budhkar Marg,
 Worli, Mumbai 400 013.
 Dated : 15th July, 1997

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No.5**

Mr. D.N. Chaturvedi has been associated with the Company since its inception. He has been working as Wholetime Chairman and Managing Director from 1st July, 1988. He had undergone Bypass surgery in January, 1993. He again developed some complication in August, 1996 and had to undergo Angioplasty of heart at Jaslok Hospital, Mumbai. The Board had resolved to reimburse the medical expenses incurred by him in excess of the amount approved by the members taking into account his contribution and services to the Company. The Directors commend this resolution for approval of the members.

Mr. D.N. Chaturvedi and Dr. Sandip Chaturvedi are interested or concerned in this resolution.

Item No.6

Members in their 10th Annual General Meeting had authorised pursuant to Section 293(1)(d) of the Companies Act, 1956, the Board of Directors to borrow from time to time upto an aggregate of Rs. 20 Crores.

Since the Company may require to borrow additional funds for funding working capital requirement and part finance the expansions, the existing borrowing limit may be exceeded. Hence, the Directors thought it prudent to sought members' approval under Section 293(1)(d) of the Companies Act, 1956 for the borrowing upto a limit of Rs. 40 Crores.

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

By Order of the Board

D.N. Chaturvedi
Chairman & Managing Director

Registered Office:

10, Madhu Industrial Estate,
 Pandurang Budhkar Marg,
 Worli, Mumbai 400 013.
 Dated : 15th July, 1997



SUMEX CHEMICALS LIMITED

DIRECTORS' REPORT

To,

The Members of SUMEX CHEMICALS LIMITED

The Directors hereby present their ELEVENTH Annual Report together with the audited statements of accounts for the year ended 31st March, 1997:

	(Rs. in Lacs)	
	1996-97	1995-96
1. FINANCIAL RESULTS:		
Revenue	892.89	2439.15
Profit/(Loss) before Tax	(894.15)	(198.28)
Less: Provision for taxation	—	—
Net Profit/(Loss) for the year	(894.15)	(198.28)
Less : Excess Income Tax of earlier years	4.00	1.22
Add/(Less) : Balance Profit/(Loss) brought forward from previous year	(76.17)	120.89
Profit/(Loss) for appropriation	(966.32)	(76.17)
Less : Transfer from General Reserve	128.59	—
Less : Transfer from Investment Utilization Reserve	10.54	—
Balance Carried to Balance Sheet	(827.19)	(76.17)

2. DIVIDEND :

In view of loss, Directors do not recommend any dividend.

3. OPERATIONS :

Operations of the company received a big set back and resulted in a loss of Rs. 8.94 Crores during the year under review against loss of Rs.1.98 Crores during the previous year. The main reasons for the loss were erosion of working capital resulting in poor utilisation of plant and machinery, reduction in sales and heavy interest cost. Thus, sales during the year declined to Rs.8.73 Crores as compared to Rs.24.13 Crores in the previous year. The low volume of sales could not sustain the increasing interest burden and other costs. This resulted in erosion of working capital and stoppage of production since November 1996.

4. CURRENT YEAR :

Production at the two units i.e. Vapi and Valsad of the company has yet to resume. Company has been trying hard to make adequate financial arrangements and start production as soon as possible. Negotiations in this regards are in progress with the bankers of the company.

In view of the total erosion of total net worth of the company due to heavy losses during the year under review, the directors have decided to refer the company to the Board for Industrial and Financial Reconstruction for registering as a Sick Company.

ANNUAL REPORT 1996-97**5. DIRECTORS :**

During the year Mr. J. R. Shroff and Mr. D. D. Udeshi resigned from the Board of Directors. The Directors place on record their appreciation for the valued guidance received from them during their tenure on the Board. In accordance with the Articles of Association of the Company, Mr. L. S. Sarma and Dr. Sandip Chaturvedi, Directors retire by rotation and being eligible, offer themselves for re-appointment.

6. AUDITORS REPORT :

Directors refer to the observations made in the auditors report and refer to notes to accounts which are self explanatory.

7. EMPLOYEES :

The Company maintained good relations with the employees at all levels. The Directors place on record their appreciation of the contribution made by the employees towards the growth of the Company.

Particulars of employees as required pursuant to the Provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are annexed herewith and form part of this report.

8. CONSERVATION OF ENERGY/TECHNOLOGY ABSORPTION/RESEARCH DEVELOPMENT ETC.

Particulars as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are annexed in Form A & B.

9. AUDITORS :

B.S. Sharma & Co., Chartered Accountants, Auditors, will retire at the conclusion of the ensuing Annual General Meeting. They have conveyed their decision of not seeking re-appointment. The company has received a letter from Anand Jain & Associates, Chartered Accountants confirming that their appointment, if made, shall be within the provisions of Section 224 of the Companies Act, 1956. Members are requested to appoint auditors and fix their remuneration.

10. ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation for the valuable co-operation and support extended by the Financial Institutions and Bankers.

For and on behalf of the Board of Directors

D.N. Chaturvedi
Chairman & Managing Director

Registered Office:

10, Madhu Industrial Estate,
Pandurang Budhkar Marg,
Worli, Mumbai 400 013.

Dated : 15th July, 1997



SUMEX CHEMICALS LIMITED

ANNEXURE TO DIRECTORS' REPORT

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(A) POWER AND FUEL CONSUMPTION

FORM - A

(For Disclosure of particulars with respect to conservation of energy)

	Current Year	Rs. '000 Previous Year
ELECTRICITY		
a) Purchased		
Units	410592	796116
Total Amount	Rs. 1622	Rs. 2092
Rate/Unit	Rs. 3.95	Rs. 2.63
b) Own Generation		
Through Diesel Generator		
Units	5998	3655
Total Amount	Rs. 27	Rs. 14
Cost per unit	Rs. 4.50	Rs. 3.95

(B) CONSUMPTION PER UNIT OF PRODUCTION

Standard

Electricity (Units).... There are no specific standards as consumption per Unit depends on the product
 Furnace Oil (Litres)... mix of Technical Grade Chemicals & Formulations.

FORM - B

(Form for disclosure of particulars with regard to absorption)

NOT APPLICABLE

(C) FOREIGN EXCHANGE EARNINGS & OUTGO

Foreign Exchange earnings (Direct)	—	Rs. NIL
Foreign Exchange used (Travelling)	51	Rs. NIL
Materials	744	Rs. NIL

(D) PARTICULARS OF EMPLOYEES

Information pursuant to Section 217(2A) of the Companies (Amendment) Act, 1988 read with the Companies (Particulars of Employees)(Amendment) Rules, 1990 for the Year ended 31st March, 1997.

Sr. No.	Name	Designation	Qualification	Age	Date of joining	Experience (Yrs)	*Gross Remuneration	Previous employment & Designation
1.	D. N. Chaturvedi	Chairman & M.D.	M.Com., FCA, FCS, FICWA	57	May 1986	34	4,91,863	Searle (I) Ltd. Finance Director & Co. Secretary

* Includes Salary, Medical benefits, PF, LTA & Taxable Perquisites

ANNUAL REPORT 1996-97**AUDITOR'S REPORT**

TO THE MEMBERS OF SUMEX CHEMICALS LIMITED WORLI, MUMBAI-400 013

I have audited the attached **BALANCE SHEET** of SUMEX CHEMICALS LIMITED., as at 31st March, 1997 and also **PROFIT & LOSS ACCOUNT** for the year ended on that date annexed thereto. I report as follows:

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, I annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to my comments in the Annexure referred to in paragraph (1) above:
 - (a) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit;
 - (b) In my opinion, proper books of account as required by law have been kept by the Company so far as appears from my examination of the books;
 - (c) The **BALANCE SHEET** and the **PROFIT & LOSS ACCOUNT** are in agreement with the books of accounts;

Subject to Notes in Schedule 14 relating to Non provisions for disputed sundry debtors, liability for gratuity and leave encashment, tax at source and debenture redemption fund, writing off of inventories, sundry debtors, Loan and advances and others. Non-compliance with the provision of section 205A of the Companies Act 1956., Prior period expenses of Rs.65.56 lacs (Rs.3.30 lacs) debited to P&L A/c thereby over stating the loss for the year by that amount, Debit & Credit balances as shown in the statement of accounts subject to reconciliation and confirmation.

In my opinion, and to the best of my information and according to the explanations given to me, the said accounts **SUBJECT** to and read with the **NOTES** to accounts as given in Schedule 14 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

- (i) In the case of the **BALANCE SHEET** of the state of affairs of the Company as at **31ST MARCH, 1997** and
- (ii) In the case of the **PROFIT & LOSS ACCOUNT OF THE LOSS** of the Company for the year ended on that date.

Place : Mumbai
Dated : 15th July, 1997

FOR B.S. SHARMA & CO.
Chartered Accountants

B.S. Sharma
Proprietor