



Synthetics and Chemicals Ltd.

ANNUAL REPORT 1996-97

MID	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DPV	✓
TRA	✓		AC	✓
AGM	✓		SH	✓
YE	✓			✓

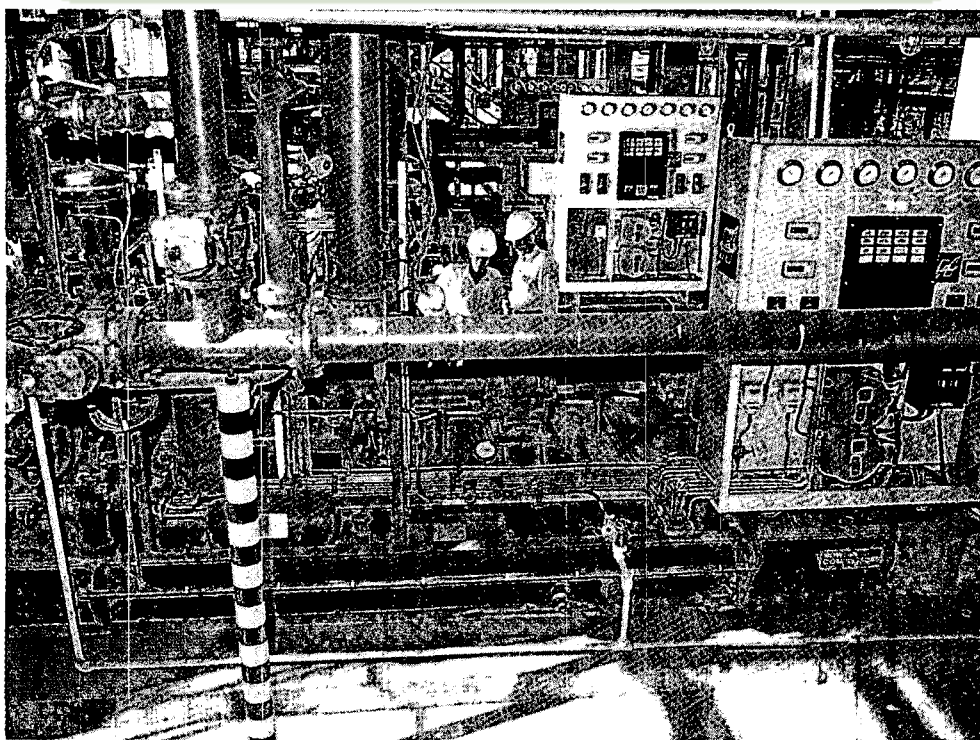
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EXPANSION OF SBR



Report **NLP CONTROL ROOM** Junction.com



BUTADIENE COMPRESSOR AREA



SYNTHETICS AND CHEMICALS LTD.

BOARD OF DIRECTORS

SURESH T. KILACHAND

Chairman

HEMRAJ C. ASHER

N. J. KAMATH

R. K. KAUL

UDAY S. KILACHAND

Managing Director

LT. GEN. S. P. MALHOTRA

Padma Bhushan, PVSM, ADC [Retd.]

AJAY S. KILACHAND

Executive Director

V. JAGANNATHAN

Nominee of GIC

P. M. KALE

Nominee of ICICI

HITEN A. KHATAU

P. N. RAMAMOORTHY

Nominee of UTI

BAHRAM VAKIL

HIRALAL C. SHAH

COMPANY SECRETARY

NALIN N. SHAH

BANKERS

STATE BANK OF INDIA

STATE BANK OF PATIALA

STATE BANK OF SAURASHTRA

BANK OF TOKYO-MITSUBISHI LTD.

BANK OF BARODA

AUDITORS

MESSRS DALAL & SHAH

MESSRS NANUBHAI & CO.

Chartered Accountants

LEGAL ADVISERS

Messrs Daphtary Ferreira & Divan

Messrs Amarchand & Mangaldas & Hiralal Shroff & Co.

REGISTERED OFFICE

Oriental House,

7, Jamsheedji Tata Road,

Mumbai 400 020

Phone : 2820161,

Fax No. 91-22-2870299

91-22-2836209

PLANT

P.O. Bhitaura Rubber Factory

Bareilly 243 501

Phone : 480711

Fax No. 91-0581-480970

REGIONAL OFFICES

Industry Manor,

A. Marathe Marg,

Mumbai 400 025.

Phone : 4221458

Fax No. 91-22-4360025

Hindi Bhavan

3rd Floor,

Vishnu Digambar Marg,

New Delhi 110 002.

Phone : 3231260 / 3237009

Fax No. 91 - 011 - 3238546

Lords, 7/1, Lord Sinha Road,

Calcutta 700 071

Phone : 2427161/64

Fax No. 91-033-2428768

7-E Century Plaza, 7th Floor,

560, Mount Road,

Chennai 600 018

Phone : 4347948/4349639

Fax No. 91-044-4349639

Members are requested to bring their copies of Annual Report along with them to the Annual General Meeting.



NOTICE

NOTICE is hereby given that the Thirtyseventh Annual General Meeting of SYNTHETICS AND CHEMICALS LIMITED will be held at The Indian Merchants Chamber, Walchand Hirachand Conference Hall, (4th Floor), IMC Marg, Mumbai 400 020, on Monday 29th December, 1997 at 3.30 P.M. to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 1997 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors.
2. To appoint a Director in place of Mr. R. K. Kaul, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. S. Kilachand, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Bahram Vakil who was appointed as an Additional Director and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing together with a deposit of Rs. 500/- from some members of their intention to propose Mr. Bahram Vakil as a Director.
5. To appoint a Director in place of Mr. H. C. Shah who was appointed as a Director in the casual vacancy caused by the death of Mr. S. C. Vajpeyi, and hold office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing together with a Deposit of Rs. 500/- from some members of their intention to propose Mr. H. C. Shah as a Director.
6. To consider, and, if thought fit, to pass, with or without modifications, the following resolution as a **Special Resolution** :
 "RESOLVED THAT the retiring Auditors M/s. Dalal & Shah, and M/s. Nanubhai & Company, Chartered Accountants be and are hereby re-appointed as Auditors of the Company for the financial year commencing on 1st April, 1997, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration plus out of pocket expenses, travelling and other expenses as may be mutually agreed upon between the Board of Directors and the Auditors."
7. To consider, and, if thought fit, to pass, with or without modifications, the following resolution as a **Special Resolution**:
 "RESOLVED THAT subject to the provisions of the relevant laws as applicable from time to time and subject to such consents, permissions and sanctions as may be required from appropriate authorities, the consent of the Company be and is hereby accorded for acquiring and holding of Equity Shares of the

Company by the Foreign Institutional Investors (FIIs), Overseas Corporate Bodies (OCBs) and Non-Resident Indians (NRIs) upto an aggregate limit of 30% of the paid-up Equity Share Capital of the Company or upto such other limit as may be permitted by law and approved by the Board of Directors of the Company provided, however, that the Equity Shareholding of a single FII or sub-account of a FII, in the Company shall not at any time exceed 10 percent of the paid-up Equity Share Capital of the Company or such other limit as may be permitted by law and approved by the Board of Directors of the Company".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things and execute all such documents, deeds and writings as may be required for the aforesaid purpose and which it may deem fit in the interest of the Company".

8. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to Section 163 of the Companies Act, 1956 (the Act) the Company hereby approves that the Registers and Indexes of Members/Debentureholders and copies of Annual Returns prepared under Section 159, of the Act, together with copies of the Certificates and Documents required to be annexed thereto under Section 161 of the Act or any one or more of them be kept at the Office of Company's Registrar and Transfer Agents, MCS Ltd., Sri Padmavathi Bhavan, Plot No. 93, Road No. 16, M.I.D.C., Andheri East, Mumbai 400093, w.e.f. such date as may be decided by the Board of Directors of the Company."

9. To consider, and, if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT subject to the approval, if required or necessary, of concerned Financial Institutions/Banks/Debenture Trustees and other authorities, if any, consent of the Company be and is hereby accorded in terms of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") to the Board of Directors of the Company (hereinafter called "the Board") to sell, transfer, lease and/or otherwise dispose off, as a running business or in any other manner, the whole or substantially the whole or any part of the Company's undermentioned undertaking (including all the right, title and interest in the assets, properties and stocks of every kind and description whether tangible or intangible) situate at Bareilly, U.P., viz the Company's Distillery Unit with effect from such date and on such terms and conditions as may be considered or deemed expedient, necessary or desirable by the Board to Bareilly

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Distillery Limited, a subsidiary of the Company or to a new company incorporated/to be incorporated under such name as may be approved by the Registrar of Companies."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise and decide on the terms and conditions of sale/transfer/disposition including consideration which shall not be less than the book value, at the date of transfer, of the assets to be sold/transferred/disposed off."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things (including finalising and executing deeds, documents and writings) as it may, in its sole and absolute discretion deem necessary, proper and/or desirable and to decide and settle any question, doubt or difficulty that may arise in regard to the sale/transfer/disposition including the retention of any asset or liability of the undertaking as the Board, in its sole discretion, deem fit."

10. To consider, and, if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT :

- a) Pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded
 - i) to the issue and allotment of 1290942 Equity Shares of Rs. 10/ each at par; to UTI, LIC, GIC and its subsidiaries and
 - ii) to the issue and allotment of 51640 (20%) Optionally Partly Convertible Debentures of Rs. 1000/- each to UTI, LIC, GIC and its Subsidiaries, being holder of 14% Non Convertible Debentures of the Company in lieu of and against conversion of overdue interest to the extent of Rs. 516.40 lacs payable by the Company to them for the period from 01.04.94 to 31.03.96 on following principal terms and conditions :

EQUITY SHARES

- a) The new equity shares to be so allotted shall be subject to the Memorandum and Articles of Association of the Company.
- b) The new equity shares shall rank pari passu in all respects with the existing equity shares of the Company except that, they shall only rank for dividend in the year of allotment pro rata from the date of such allotment upto the end of the Company's financial year next following;
- c) No letter of Allotment shall be issued and the share certificates in respect of the new equity shares to be allotted as aforesaid shall be completed and delivered within three months from the date of allotment;

OPTIONALLY PARTLY CONVERTIBLE DEBENTURES (OPCDs)

- a) The OPCDs will carry interest @ 20% per annum payable quarterly,
- b) OPCD Holders will have an option to convert 5% of OPCDs into equity Shares after 17 months from date of allotments at a price to be decided by applying guidelines issued by securities Exchange Board of India (SEBI) for preferential allotments.
- c) The non-convertible portion of the OPCDs would be repaid in three equal annual instalments.
- d) The OPCDs will be secured by first mortgage and charge ranking pari passu with other existing mortgages and charges."

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board of Directors of the Company be and is hereby authorised to do and perform all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, desirable or appropriate to settle any question, difficulty or doubt that may arise in regard to the new equity shares/OPCDs as they may think fit."

11. To consider, and, if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the creation by the Board of Directors of the Company "the Board" of such mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company as the Board may deem fit, on such assets of the Company, both present and future, in such manner as the Board may think fit, together with power to take over the management of the Company in certain events, to or in favour of ICICI as Debenture Trustees - (Proposed). For Optionally Partly Convertible Debentures of Rs. 516.40 lakhs to be allotted to UTI, LIC, GIC and its Subsidiaries."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise with the aforesaid parties or any of them, the documents for creating the mortgages/charges/ hypothecations and accepting or making any alterations, changes, variations to or in the terms and conditions, to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution."

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

"RESOLVED THAT pursuant to Section 31, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered as follows:



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- a. To insert the following Sub -Clauses in Article 2 :

Beneficial Owner :

Beneficial Owner mean the beneficial owner as defined in Clause (a) of Sub-Section (1) of Section 2 of the Depositories Act, 1996.

Depositories Act, 1996 :

Depositories Act, 1996 shall include any statutory modification or re-enactment thereof.

Depository

Depository shall mean a Depository as defined under Clause (e) of Sub-Section (1) of Section 2 of the Depositories Act, 1996.

- b. To insert Sub-Clause (aa) in Article 11, after Sub-Clause (a) :

(aa) "Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appear as beneficial owner of shares in the record of Depository, as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent or other claim to interest in such share on the part of any other person whether or not it shall have express or implied notice thereof."

- c. In Article 12 to add the following proviso at the end of the first sentence :

"Provided however that provision relating to progressive numbering shall not apply to the shares of the Company which have been dematerialised."

- d. To insert the following Sub-Clause in the existing Article 19 after Sub-Clause (c) :

19(d): "Notwithstanding anything contained herein, the Company shall be entitled to dematerialise its Shares, Debentures or any other securities pursuant to the Depositories Act, 1996 and to offer its Shares, Debentures and other securities for subscription in a dematerialised form. The Company shall further be entitled to

maintain a Register of Members with the details of members holding shares both in material and dematerialised form in any media as permitted by law including any form of electronic media."

- e. To insert the following new Article after the existing Article 55 :

55A.: In the case of transfer of shares or other marketable securities where the Company has not issued any Certificates and where such shares or securities are being held in an electronic form, the provisions of The Depositories Act, 1996 shall apply."

By Order of the Board

NALIN N. SHAH
Company Secretary

Registered Office :

Oriental House,
7, Jamshedji Tata Road,
Mumbai 400 020.

Dated : 29th November, 1997

NOTES

- 1] The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
- 2] A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 3] The Register of Members and Share Transfer Books of the Company will remain close from 15th December, 1997 to 29th December, 1997, both days inclusive.
- 4] The unclaimed dividends for the financial year 1994-95 and previous years have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956.
- 5] Members are requested to intimate the change, if any, in their Registered Addresses.

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

In respect of Item Nos. 4 & 5

Mr. Bahram N. Vakil was appointed as an Additional Director of the Company by the Board of Directors of the Company ("the Board"). Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") and Articles of Association of the Company, he holds the office upto the date of the Thirtyseventh Annual General Meeting of the Company. Notice has been received from some members of the Company in pursuance of Section 257 of the Act alongwith a deposit of Rs.500 proposing Mr. Vakil as a candidate for the office of Director of the Company. Mr. Vakil has given his consent, if appointed, to act as Director of the Company. Mr. B.Vakil is a Solicitor and Partner of a well known firm Messrs. Little & Company, Solicitors & Notary. He is also Directors of number of reputed companies.

Mr. H.C. Shah was appointed as a Director in casual vacancy caused by the death of Mr. S.C. Vajpeyi by the Board. Pursuant to the provisions of Section 262 of the Act, he shall hold office only upto the date up to which the director in whose place he is appointed would have held office if it had not been vacated as aforesaid. Mr. S.C. Vajpeyi was to hold office upto this Annual General Meeting.

Notice has been received from some members of the Company in pursuance of Section 257 of the Act alongwith a deposit of Rs.500 proposing Mr. H.C. Shah as a candidate for the office of Director of the Company. Mr. H.C. Shah has given his consent, if appointed, to act as Director of the Company.

Mr. H.C. Shah is a President / Director of various Companies and Associations. He is also a Trustee on various Charitable & Education Trusts. The above appointments are in the interest of the Company.

None of the Directors of the Company are interested except Mr. B. Vakil and Mr. H.C. Shah in their respective appointments.

In respect of Item No.6

This item relates to the re-appointment of the Auditors and the fixation of their remuneration. The Directors recommend the re-appointment of M/s. Dalal & Shah, and M/s Nanubhai & Company, Chartered Accountants as the Company's Auditors. Section 224A of the Companies Act, 1956 provides for the appointment or re-appointment at each Annual General Meeting of the Company (of the Auditor or Auditors of a Company) to be made by a special resolution if the Company is one in which not less than 25 per cent of its subscribed share capital is held whether singly or in combination inter alia by a public financial institution or Government companies or a Central Government or any State Government or any Financial or other institutions established by way of Provincial or State Act in which the State Government holds not less than fifty one percent of the subscribed share capital or a nationalised bank or insurance company doing general insurance business on the date of the Notice.

The holding of the financial institutions in the Company exceeds 25 percent of its subscribed share capital and hence the re-appointment of the Auditors is required to be made by a special resolution. As required under Section 224 of the Act, written certificates have been received from M/s. Dalal & Shah & M/s. Nanubhai & Company, Chartered Accountants to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Act.

None of the Directors are concerned or interested in the Special Resolution.

In respect of Item No.7

The Government has increased the limit of holding of Foreign Institutional Investors (FIIs) which shall include Overseas Corporate Bodies ("OCBs") and Non-Resident Indians ("NRIs") from 24 percent to 30 percent from 1st April, 1997. At the 32nd Annual General Meeting of the Company held on 12th September, 1992, an Ordinary Resolution was passed granting consent to the Board of Directors of the Company ("Board") for investment by FIIs including OCBs and NRIs upto 24 percent of the paid-up equity share capital of the Company. At present, various FIIs have shown interest in acquisition of equity shares of the Company, therefore, it is desired for an upward revision in the limit from 24 percent to 30 percent.

None of the Directors are interested or concerned in the Special Resolution.

In respect of Item No.8

The Company intends to reduce cost of servicing of the shareholders of the Company and has appointed MCS Limited as the Registrar and Share Transfer Agents. The Register and Index of Members and the Register and Index of Debentureholders, and copies of all the Annual Returns together with the relevant Annexures will be now kept at the office of the MCS Limited, situated at Sri Padmavathi Bhavan, Plot No.93, Road No.16 M.I.D.C. Andheri (East), Mumbai 400093. Under the provisions of the Act, the Register and Index of Members, the Register and Index of Debentureholders and copies of all Annual Returns prepared under Sections 159 and 160 of the Act are required to be kept at the Registered Office of the Company or with the approval of the Shareholders at any other place within the city, town or village in which the Registered Office is situated. The special resolution at Item No.8 is proposed for the purpose of enabling the Company to keep the records at the Office of the Registrars and Share Transfer Agents situated at Sri Padmavathi Bhavan, Plot No.93, Road No.16, M.I.D.C., Andheri (East), Mumbai 400093. The Registrar of the Companies, Maharashtra shall be given in advance a copy of the proposed Resolution. The actual date of commencement of services of MCS Limited as Registrar and Share Transfer Agents will be informed to the Members /Debentureholders of the Company.

None of the Directors are interested in the Special Resolution.



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In respect of Item No.9

In order for the Company to focus on core business of manufacturing SBR, the Board of Directors of the Company has decided to spin off its Distillery Unit located at Bareilly, UP Section 293 (1)(a) of the Companies Act, 1956 provides inter alia that the consent of the Company in general meeting is required for the Board of Directors of such company to sell or otherwise dispose of the whole, or substantially the whole, of any undertaking of such company. Hence the resolution in item No.9 of the Notice is placed for the approval of the Members. You are requested to accord your approval to the Ordinary Resolution.

None of the Directors of the Company are interested except Mr. A.S. Kilachand since Mr. A.S. Kilachand is a Director of Bareilly Distillery Limited.

In respect of Item Nos.10 & 11

Due to liquidity problem, the Company could not pay interest regularly, in respect of 14% NCD held by LIC, UTI, GIC and its subsidiaries. The Company has not paid the interest to them since 1st April, 1994. The Company has approached the debentureholders for conversion of overdue interest. Unit Trust of India holding 75% of debentures, has agreed to convert overdue interest from 1st April, 1994 to 31st March 1996, into Equity Shares and Optionally Partly Convertible Debentures vide their letter dated 14th January, 1997. The Company has approached the other Debentureholders viz. LIC, GIC and its subsidiaries for similar relief and concessions. The details of share holding and amount of overdue interest to be converted into equity shares/optionally partly convertible debentures is as follows :-

The allotment of equity shares and optionally partly convertible debentures require approval of Members under Section 81 of the Companies Act, 1956.

The Optionally Partly Convertible Debentures are to be secured against the assets of the Company for which consent is necessary from Members under Section 293 (1)(a) of the Companies Act, 1956.

You are requested to pass the Special & Ordinary Resolutions. None of the Directors are interested in these resolutions.

In respect of Item No.12

Members are aware that the Company has signed Agreement with National Securities Depository Limited and MCS Limited for the purpose of holding shares in electronic form. The Articles of Association requires to be amended, so as to include share holding in electronic mode by Members, as well as transfer of shares in a dematerialised form. The amendment proposed in the Article of Association are consequent of joining the National Securities Depository Limited.

None of the Directors are concerned or interested in the said resolution.

By Order of the Board

NALIN N. SHAH
Company Secretary

Registered Office :
Oriental House,
7, Jamshedji Tata Road,
Mumbai 400 020

Dated : 29th November, 1997

Name of the Institutions	Holdings (Rs. in Crs.)	Total Amount of Interest to Convert (Rs. in Lacs.)	Total Value of Equity (Rs. in Lacs)	Total Value of OPCD's (Rs. in Lacs)
LIC	5.00	112.52	22.50	90.02
NEW INDIA ASS. CO.	0.50	11.25	2.25	9.00
ORIENTAL INSURANCE	0.40	9.00	1.80	7.20
UNITED INDIA INSURANCE	0.50	11.25	2.25	9.00
GENERAL INSURANCE CORP.	0.30	6.75	1.35	5.40
NATIONAL INSURANCE	0.80	18.00	3.60	14.40
UNIT TRUST OF INDIA	21.18	476.71	95.34	381.38
TOTAL	28.68	645.48	129.09	516.40

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DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting the Thirtyseventh Annual Report with the Audited Accounts for the year ended 31st March, 1997.

FINANCIAL RESULTS

Gross Sales (including Excise)
Gross Profit before Depreciation and Taxation
Less : Depreciation
 : Taxation

Add : Balance brought forward

Surplus available for Appropriation
Appropriations :
Transferred to Debenture Redemption Reserve

Surplus carried to Balance Sheet

1996-97 (Rs.in lacs)	1995-96 (Rs.in lacs)
23808.97	22015.28
1017.44	1305.13
262.18	264.91
105.00	5.00
650.26	1035.22
523.12	25.40
1173.38	1060.62
250.00	537.50
923.38	523.12
1173.38	1060.62

DIVIDEND

The Board of Directors have decided not to recommend any dividend for the year 1996-97, as a measure of financial prudence.

OPERATIONS

During the year under report, the Company has maintained its performance.

The gross sales increased by 8 %, from Rs. 220.15 crores in 1995-96 to Rs. 238.09 crores in 1996-97. The Company could have achieved higher sales performance, but for the irregular supply of raw materials due to congestion at Kandla Port.

The international prices of SBR started showing a downward trend in the second half of the year under report, thereby affecting the margins, as the local prices of SBR are co-related to international prices of SBR. However, the prices of raw materials viz. Butadiene and Styrene were more or less constant. The profit margin was eroded due to higher input cost like Interest, Power, Fuel, Freight and handling charges. The Company has taken cost reduction measures to economise operations in consultation with Anderson Consulting. The Company's demand for further tightening of the input output norms, relating to duty free import of Synthetic Rubber by tyre exporters has been cleared by the Government recently. Due to the slowdown of Indian economy, there is a demand recession in the tyre and footwear industries which has affected the sales target.

FUTURE OUTLOOK

The Management strategy to face the challenges of the changing business environment on account of liberalisation has been strengthened by availing expert advice of renowned consultants like Anderson Consulting. The Company has approached the Government of India for anti-dumping duty on SBR, especially from all the eastern companies to safeguard its business interest. The Company has initiated actions for cost reduction in all areas

of its operation.

EXPANSION AND DIVERSIFICATION

The doubling of the Butadiene storage terminal at Kandla from 1800 MT to 3600 MT has been successfully completed and commissioned in April '97. This will ensure the regular supply of raw materials i.e Butadiene to Bareilly plant.

The expansion of SBR production capacity from 41,000 MTPA to 70,000 MTPA, is now complete and the trial runs have commenced. The Company has taken effective steps for implementation of the NBR project in technical collaboration with M/s Nippon Zeon Co. Ltd., Japan, and orders for the balancing equipment are in process of finalisation. The project is expected to go on stream within a year.

The Company is carrying out a feasibility study for the Carboxylated SBR Latex project using Nippon Zeon technology, after which the project will be implemented.

FINANCE

You are aware that the Company had undertaken expansion of SBR capacity from 41000 TPA to 70000 TPA for which the Company had taken Term Loans and Debentures. The implementation of the expansion has been delayed due to various factors resulting in substantial time and cost over-run, seriously impairing the servicing of existing term debts and interest obligations out of current operations. This has resulted in overdues towards debt repayments and interest commitments.

In the previous year, Industrial Credit & Investment Corporation of India, Industrial Finance Corporation of India and Industrial Development Bank of India had granted reschedulement of loan instalments and interest thereon. In the year under report, UTI has also granted similar reschedulement facilities on 14% Secured Redeemable Non-convertible Debentures. In terms of UTI's approval, the Company proposes to issue Equity Shares and OPCDs



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aggregating to Rs.645.50 lakhs to Debentureholders. You are requested to pass the Special Resolution proposed at the Annual General Meeting.

Anderson Consulting, one of the leading consulting firm in the world was retained by your Company to prepare next five years business plan and have conducted a study on the SBR Industry and also prepared five years projected financials for your Company. The study reveals that overall the SBR Industry and the Company in particular has a bright future and it should soon come out of its current financial constraints.

DISTILLERY SPIN-OFF

In order to focus on its core business, the Directors proposed to transfer the Distillery to a separate subsidiary company, which is subject to the approvals of the shareholders and financial institutions.

ISO-9002

The Company's products are well known for its quality. The policy of the Company is to manufacture and deliver Styrene-Butadiene Rubbers and Latices conforming to the specifications laid down by the consumers.

The Company is extremely proud to announce the receipt of the ISO-9002 Certification, from the TUV CERT Certification Body of Rheinisch-Westfalischer TUV e.V., Germany for quality process in respect of Styrene-Butadiene Rubbers and Latices. This award is a testimony to the success of our quality policy and commitment to excel in all that we do. The Company extends their sincere thanks to all the customers and the employees for this valuable recognition.

TULSIDAS KILACHAND NATIONAL AWARD

The Second Tulsidas Kilachand award was presented to Shri R. K. Jain, Joint Managing Director of Enkay (India) Rubber Co. Ltd., on 19th March 1997 by Mr. A. B. Vajpayee, Ex-Prime Minister of India. The Tulsidas Kilachand National Award was instituted by the Company in the year 1994 in memory of the Founder Chairman, Late Shri Tulsidas Kilachand. It consists of a cash prize of Rs. 1,51,000/-, a gold medal and a citation. The award is to be given every alternate year to an Indian National, who has made outstanding contribution to the overall growth of the rubber industry as a result of which the industry has been able to gain dimensional stability of considerable strength.

DEMATERIALISATION OF SHARES

The depository system for issuing, holding and dealing in shares and securities in an electronic form was introduced in India with the passing of the Depositories Act, 1996. This system is aimed at eliminating the difficulties faced by the investors as well as intermediaries like clearing house, stock and brokers in the present paper trading mechanism.

The Company has opted for dematerialisation of Equity Shares in March, 1997. At present, around 10.70% of the Equity Share Capital of the Company have been dematerialised.

SAFETY AND ENVIRONMENT

The Company has the highest standard of safety for its operations at the plant and continued to upgrade its Safety and Environment Control equipments to meet the stringent standards prescribed by the authorities.

INDUSTRIAL RELATIONS

The Company has signed the wage settlements at Bareilly and its Head Office and the industrial relations were cordial at all levels during the year under review. The Company concentrated, on the training needs of its employees for higher productivity. Dr. Om Kaul Associates have been retained for training and Human Resource Development activities at the plant and other offices of the Company.

DIRECTORS

The Unit Trust of India has nominated Mr. P. N. Ramamoorthy as a nominee Director w.e.f. 21st February, 1997.

Mr. S. C. Vajpeyi, Director of the Company, suddenly expired on 7th August, 1997. The Directors placed on record the valuable services rendered by Mr. Vajpeyi. Mr. Hiralala C. Shah was appointed as the Director to fill the casual vacancy created by the unfortunate demise of Mr. Vajpeyi.

Mr. Bahram N. Vakil was appointed by the Board as an additional Director on 22nd November, 1996. Mr. Hiralal and Mr. Bahram Vakil holds office as Directors upto the date of the Annual General Meeting. You are requested to approve their appointment as Directors of the Company.

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr. R. K. Kaul and Mr. A. S. Kilachand will retire by rotation at this Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. S. T. Kilachand, has resigned as Executive Chairman w.e.f. 1st June, 1997, however, he continues as the Chairman of the Company. The Directors have placed on record their deep appreciation of the highly valuable services rendered by Mr. S. T. Kilachand as the Managing Director of the Company over a period of more than thirteen years.

AUDITORS' REPORT

The observations made by the Auditors in their Report have been fully dealt with in the relevant notes forming part of the Accounts which are self-explanatory and do not call for any further explanation under Section 217(3) of the Companies Act, 1956.

AUDITORS

The term of M/s. Dalal & Shah and M/s. Nanubhai & Company as Auditors expires at the conclusion of this Annual General Meeting and they are eligible for re-appointment. The Auditors have given certificates to the effect that their re-appointment, if made, will be within in prescribed limits specified under Section 224(1B) of the Companies Act, 1956.

SUBSIDIARY COMPANY

The statement pursuant to Section 212 of the Companies Act, 1956 relating to the Company's subsidiary company, is attached.

PARTICULARS OF EMPLOYEES

The information in accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended is given in Annexure 'A'.