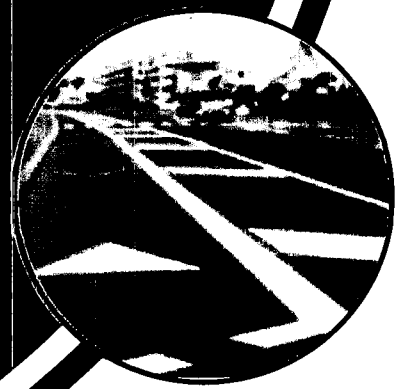
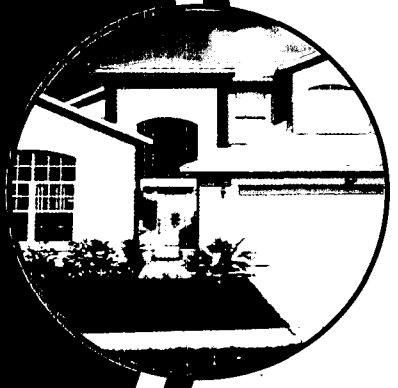
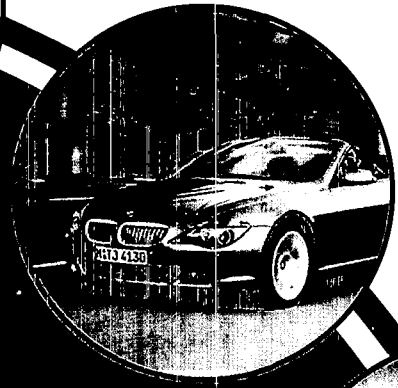


20 MICRONS LIMITED



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18th ANNUAL REPORT
2004-2005

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BOARD OF DIRECTORS :

Mr. Chandresh S. Parikh	<i>Chairman & Managing Director</i>
Mr. Rajesh C. Parikh	<i>Technical Director</i>
Mr. Sudhir R. Parikh	<i>Director (Finance)</i>
Mr. Vishnu Varshney	<i>Nominee Director – GVFL</i>
Mrs. Darshana J. Mankad	
Mr. Vithaldas D. Talati	
Mr. Bharat Kanani	<i>Nominee Director – GVFL</i>
Mr. D.D. Bhattacharjee	<i>Nominee Director – IDBI</i>

COMPANY SECRETARY :

Mr. V.D. Talati

BANKERS :

State Bank of India
Small Industries Development Bank of India

STATUTORY AUDITORS :

M/. N.C. Vaishnav & Co.,
Chartered Accountants
VADODARA.

REGISTERED OFFICE :

9/10, GIDC Industrial Estate,
WAGHODIA – 391 760
GUJARAT STATE. INDIA.

CORPORATE OFFICE :

134-135,
Hindustan Kohinoor Industrial Estate,
L.B.S. Marg, Vikhorli (W),
Mumbai, India.
Phone : (022) 25771325 / 50
Tele fax : (022) 25771333
e-mail : enquiry@20microns.com
website : www.20microns.com

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20 MICRONS
LIMITED**DIRECTORS' REPORT**

To,
THE MEMBERS,

Your Directors have pleasure in presenting the Eighteenth Annual Report together with Audited Statement of Accounts for the year ended 31st March 2005.

PERFORMANCE OF THE COMPANY

The Company's performance during the year 2004-05 is summarized below:

	2004-05 (Rs. in lacs)	2003-04 (Rs. in lacs)
Sales and Other Income	5693.57	5210.85 *
Expenses	5016.99	4746.49 *
Profit before Depreciation, Interest and Tax	676.58	464.36
Interest for the year	346.18	364.38
Depreciation for the year	299.12	261.99
Profit/(loss) for the year	31.28	(162.01)
Tax liability	2.80	----
Net Profit/(loss) for the year	28.48	(162.01)

Your Directors consider the working results satisfactory.

* The figures of sales and other income and expenses of the previous year have been regrouped to bring them in line with those of 2004-05.

YEAR IN RETROSPECT

The Sales & Other Income for the year under review were Rs 5693.57 lacs against Rs. 5210.85 lacs for the previous year registering an increase of 9.26%. The Profit before tax (after depreciation) was Rs. 31.28 lacs for the year under report against the loss of Rs. 162.01 lacs, improved by 119.3%.

DIVIDEND

Your Directors regret their inability to recommend payment of any dividend to the shareholders for the year under review, on account of the inadequacy of profit during the year.

RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make following statements in terms of Section 217(2AA) of the Companies Act, 1956:

- The applicable accounting standards have been followed in the preparation of the Annual Accounts along with proper explanations relating to material departures;
- Accounting policies are selected and applied consistently and judgments and estimates are made which are reasonable and prudent so as to give a true and fair view of the state of the affairs at the end of financial year and of the profit of the Company for the year under review;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the accounts on a "going concern" basis.

REPORTS ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS

Reports on Corporate Governance and Management Discussions & Analysis, which form part of this report are enclosed as Annexure and they deal with the Subject matter exhaustively.

FUTURE OUT LOOK

In the 10 years since incorporation, the Company has built up a different and still better Micronised minerals-producing Segment in the Industry. From a scale and magnitude of a small and medium sized producer, the Company has created the largest and most comprehensive, global Corporation in the Mining Industry.

DIRECTORS' REPORT

The Company has recently strengthened its global position with its new operations in Tirunilveli which will serve the growing markets in Southern India by supplying locally produced China-clay and Calcium carbonate.

Every year, the Company produces and sell in excess of about 1 lac tons of micronised minerals. The Company's spread of over 10 ore-bodies, mines and processing plants in Gujarat, Rajasthan and Tamilnadu has placed the Company in a very unique position in the mineral market.

The Company's unrivalled range of MICRONISED products can meet all end-use requirements and its overall logistics are exemplary.

Ownership of ore-bodies alone, however, is not enough. The Company fully recognize that the Inorganic minerals business requires it to be a marketing-oriented mining Company. Future growth and added value have to be invented today, in cooperation with the Customers. This requires top quality, inventive, lateral thinkers throughout our Organisation. The Company support them by annually investing over 2% of revenues in R & D.

To serve the Market even more efficiently, the Company will increasingly focus its Organisation by end-use application : paper, polymers, coatings and industrial specialities. The Company's mission remains to create optimum value for its Stakeholders, Customers, Employees, Suppliers, Social Partners and Local Communities while working within the best sustainable business practices and environmental constraints.

Your Company will remain innovative, dynamic, productive and efficient to secure long-term Leadership of the specialized Clay industry, Worldwide.

RE-APPOINTMENT OF SHRI C.S. PARIKH AS A MANAGING DIRECTOR FOR A FURTHER PERIOD OF FIVE YEARS.

The term of office of Shri Chandresh S. Parikh as Managing Director, which was approved by the Board of Directors of the Company in their meeting held on 2nd March, 2000 followed by a Special Resolution passed by the shareholders in their Annual General Meeting held on 7th September, 2000, expired on 31st March, 2005.

Looking to the business acumen, far sightedness, practical wisdom and experience and his other qualities of management, your Directors have decided in their Meeting held on 10.03.2005, subject to the approval of the Company in general meeting, to re-appoint Mr. C.S. Parikh as Managing Director of the Company for a further period of 5 years effective 1st April, 2005 on the terms and conditions including remuneration payable to him the details of which are spelt out in the special resolution submitted to you for your approval. The Remuneration Committee of Directors also approved the remuneration payable to Mr. C.S. Parikh prior to the approval of the same by the Board of Directors. The necessary resolution in this behalf is being included in the Notice for your approval and acceptance.

REMUNERATION TO INDEPENDENT DIRECTORS

Your Directors have sought your approval for payment of remuneration @ Rs. 1000 for a Board Meeting and @ Rs. 750 for a Committee Meeting or such other amount as may be approved by the Board of Directors subject to the ceiling prescribed under the Companies Act, 1956 or Rules framed thereunder as amended from time to time as Sitting Fees for each Meeting of the Board of Directors or Committee(s) thereof, attended by the Independent Directors of the Company.

We are an unlisted Company and provisions of the listing agreement are inapplicable to us. Since the Company has been submitting Reports on Corporate Governance, year after year, it would be necessary for the Company to seek your prior approval for payment of Sitting Fees to the Independent Directors as per revised Clause 49 of the listing agreement for appraising you better. The necessary resolution in this behalf is being included in the Notice for your approval and acceptance.

FINANCE***Corporate Debt Restructuring Rehabilitation Package.***

Your Directors last reported that GSFC and SBI Factors & Commercial Services were not agreeable to abide by the terms of CDR Cell. The present status is as under :

20 MICRONS LIMITED

- a) Gujarat State Financial Corporation (GSFC) :
GSFC has agreed partially to extend the repayment period but they are not ready to extend any relief like reduction in rate of interest, waiver of interest and funding of interest.
- b) SBI Factors & Commercial Services :
Totally discontinued the sales & purchase of bills discounting facility amounting to Rs. 1.25 Crores. Therefore, the question of seeking any relief from them does not arise.

It may be noted that both the above financial institutions are not the Members of CDR Cell.

Restructuring of Debtors & Stocks

Restructuring of Debtors and Stocks was carried out during the year on account of Stocks carried over by the Company which were obsolete in view of the change of technology, difference in forecasted grades of production and globalisation and claim of rejected material lying at customers places.

TECHNICAL EVALUATION OF BHUJ OPERATIONS

With a view to reassessing technical and economic aspects of the wet operations which are carried out at Mamuara, Bhuj, a technical due diligence survey was carried out and report was obtained from world renowned engineering consultancy firm viz. Dalal, Mot & McDonald, Ahmedabad and their recommendations for further improving the working of the project are under implementation.

MANAGEMENT CONSULTANTS

The Company has engaged a renowned Management Consultant's Firm, M/s. Avelon, Mumbai for assisting the Company to decide growth strategy and prepare road map for the same. Based on the data and discussions with the core management group of the Company, major recommendations are already received and implementation of the same in the forthcoming years shall lead the Company to an apex position in the mineral industry.

ISO ACCREDITATION

Your Directors are pleased to report that in addition to the ISO Accreditation by the Company for its Waghodia & Bhuj manufacturing Units, the Company has, during the year under review, obtained the ISO Accreditation for its other manufacturing Units at Hosur & Vadadala.

SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts for the year ended 31st March 2005 along with the Report of the Board of Directors and Auditors' Report of the Speciality Minerals Ltd., a subsidiary of the Company, as also a Statement under sub-section (1) (e) of the said Section relating to the interest of the Company in the said subsidiary are annexed.

It will be observed from the Directors Report that the sales turnover of the Company, which stood at Rs.53.96Lacs in the previous year, got increased to Rs.57.25 Lacs during the year under report. The Subsidiary Company is slowly and steadily growing.

FIXED DEPOSITS

Fixed Deposits from Public and Shareholders stood at Rs. 648.62 Lacs on 31st March, 2005. 51 (Fifty one) deposits totaling to Rs. 15.07 Lacs due for repayment on or before 31st March 2005 were not claimed by the depositors on that day.

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and outgo required to be given pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are given in the Annexure 'A' to this Report.

PERSONNEL

Your Company strongly believes that the bedrock of success for your Company is the capability and Competence of the Human Resources and efforts continue to be made regularly to develop the personnel for improving performance and Values. The Company believes that this will be of great value addition.

The Board of Directors wishes to place on record their sincere appreciation to all the employees for their dedication and loyalty to the Company.

The Company does not have any employee to whom the provisions of Section 217(2A) of the Companies Act, 1956 read with the Company's (Particulars of Employees) Rules, 1975 are applicable.

INDUSTRIAL RELATIONS

Industrial Relations remained cordial throughout the year at all the factories.

INSURANCE

All the insurable interests of the Company including inventories, buildings, plants and machinery and liabilities under legislative enactments are adequately and appropriately insured.

DIRECTORATE

IDBI by their letter dated 15.04.2005 withdrew the Nomination of Smt. Vasanthi Mohanram as its Nominee Director on the Board of Directors of the company and in her place nominated Shri D.D. Bhattacharjee as its Nominee Director with effect from 29.04.2005

The Directors have placed on record their appreciation for the assistance received from Smt. Vasanthi Mohanram while she was on the Board.

Shri Vishnu Varshney and Shri V.D. Talati retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment. Appropriate resolutions for their re-appointment are being placed for your approval at the forthcoming Annual General Meeting.

AUDITORS

M/s. N.C. Vaishnav & Co., which have been acting as the Statutory Auditors of the Company since last many years expressed their desire to retire as Statutory Auditors keeping in view the trend of good corporate governance.

Your Directors therefore propose to appoint M/s. Manubhai & Co., Chartered Accountants, Ahmedabad as the Statutory Auditors of the Company, in their place. M/s. Manubhai & Co. have consented to act as the Statutory Auditors of the Company. The Company has also obtained necessary certificate from them to the effect that in case their appointment is made, it would be within the specified limit under Section 224 (1B) of the Companies Act, 1956. This item is being included in the notice for your approval.

THANK YOU

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Government Authorities, Financial Institutions, Bankers, Consultants, other professionals, Customers, Vendors, investors and depositors during the year under review.

For and on behalf of the Board of Directors

Place : Vadodara,
Date : 9th May, 2005

Chandresh S. Parikh
Chairman and Managing Director

ANNEXURE - A**ANNEXURE TO THE DIRECTORS' REPORT**

Statement pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of the Directors' Report

Conservation of Energy

The company's operations do not involve substantial consumption of energy in comparison to the cost of production. Whatever possible, energy conservation measures have been implemented. Total energy consumption is as per Form - A and forms part of the report

FORM - A**CONSERVATION OF ENERGY FOR THE ACCOUNTING PERIOD ENDED 31ST MARCH, 2005****a. Power and Fuel Consumption**

A). Fuel Consumption		2004-05	2003-04
1	Electricity		
	Purchased from Electricity Board		
	Unit consumed	10618954	8923523
	Total Amounts (Rs. in Lacs)	494.65	412.27
	Average Rate / unit (Rs.)	4.658	4.62
2.	Diesel / SKO		
	Diesel / SKO Liters	255803	266207
	Total Amount (Rs. in Lacs)	69.00	55.90
	Average Rate / Liter (Rs.)	26.97	21.00
3	Gas		
	Gas used MT	227.55	455
	Total (Rs. In Lacs)	60.078	110.37
	Average Rate/ MT (Rs)	26402	24268
4	Coal / wood		
	Coal / wood used MT	3331.79	3205
	Total Amount (Rs. in Lacs)	137.50	108.27
	Average Rate/ MT (Rs)	4127	3378

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION:**1. Research and Development(R & D):****a) Specific areas in which R&D carried out by the Company:**

As per Directors' Report.

b) Benefits derived as a result of the above R & D:

As per Directors' Report.

c) Future plan of action:

As per Directors' Report.

d) Expenditure on R & D

- a) Capital : Rs. Nil.
- b) Recurring : Rs. Nil.
- c) Total : Rs. Nil.
- d) Total R & D expenditure
as a percentage of total
turnover : Nil.

1. Technology absorption, adaptation and innovation:**1. Efforts in brief made towards technology absorption, adaptation and innovation.***As per Directors' Report.***2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc.,***As per Directors' Report.***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:**

- a) Technology imported
No.
- b) Year of import
Not Applicable.
- c) Has technology been fully absorbed ?
Not Applicable.
- d) If not fully absorbed, areas where this has not taken place, reasons therefore
and future plans of action.
Not Applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO:**a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:***As per Directors' Report.***b) Total Foreign Exchange used and earned:**

- i. Foreign Exchange Earned: Rs. 936,83,491/-
- ii. Foreign Exchange Used : Rs. 8,86,137/-

MANAGEMENT DISCUSSION AND ANALYSIS

The Management of 20 Microns Limited presents the analysis of performance of the Company for the year 2004-05 and its outlook for the future, which is based on assessment of the current business practices. It may vary due to future economic and other developments, both in India & abroad.

2004-05 was marked by a positive swing in business on the group's main markets. However, the macro-economic environment was affected by the rising cost of some external factors.

OPERATIONS :

The Sales turnover of dry and wet process operations, during the year under report, was significantly higher at Rs. 5693.57 lacs as compared to Rs. 5210.85 lacs in the previous year recording an increase of 9.26 %. Gross Profit & Net Profit had been higher and they stood at Rs. 1786.21 lacs and Rs. 31.28 lacs as at 31st March, 2005 as against Rs. 1509.86 lacs and a loss of Rs. 162.01 lacs in the previous year, improved by 119.3%..

This had been made possible on account of the following factors :

- 1.Reduction in Raw Material consumption, selling & administrative expenses and financial costs.
- 2.As expected the Cryogenic Magnet was utilized at its maximum capacity and beneficial effects thereof were also felt during the year.
- 3.Formulated and effectively implemented production incentive schemes to enable every plant of wet and dry process to reach to its installed capacity without any more increase in the labour.
- 4.The use of mining material mined by our subsidiary Company, Speciality Minerals Limited, helped a lot in reducing the cost of Raw Material.

It is noteworthy that personnel costs and administrative expenses remained at the same level as that of last year.

Despite of the fact that the prices of Diesel/Power went up, the Company has succeeded in controlling the manufacturing cost and attempts have been made to reduce the selling and distribution costs.

Business Review

Both Dry-grinding and Wet grinding operations were reorganized in depth for achieving the focus of attaining double-digit CAGR's starting from this new financial year. A very thorough analysis was done in identifying turnaround. Some strategies out of a bundle of many, which were implemented in 2004-05, are highlighted as follows:

- Re-organising and revamping of the managerial cadres at plant levels to bring in fresh operating focus and revolutionise the old manufacturing practices.
- Creating a concept to realign our resources of research, funds, and strategies to extract raw materials (crude) from our own mines and reduce the consumption of outsourced crudes.
- Formulated and effectively implemented production incentive schemes to enable every plant of wet and dry process to reach to its installed capacity without any more increase in the labour.
- Implemented strategies to monitor our power cost. The motto is 'constant and on-going drive to combat the ever increasing power costs'. Alternate power generation programs are discussed on monthly basis and the available funds resources are channelised into this strategy. It will be an on-going strategy for years to come.

Both grinding groups contributed to obtain better results. This performance reflects:

- The highly favourable impact on operations of the significant upturn in sales volumes;
- Positive trends in the price/mix component, driven by sound marketing strategy;
- Continued operating efforts in all the group's businesses.

PROSPECTS FOR THE YEAR 2005-06

In 2004-05, our gross income from recurring operations has increased. We took advantage of favourable conditions on our main markets and benefited from all the actions taken in recent years, to enhance the value addition of our products and the efficiency of our production units. Substantial capital expenditures were implemented during the year to ensure future growth, yet we continued to maintain our financial structure. Therefore, we have begun in good conditions to step up our growth.

DOMESTIC**Minerals in Paint Industries**

Indian Paints industry is continuously growing at the rate of 10 to 12% since last 12 years. The total size of Paint Market is about 830,000 MT and 70% of the Market is captured by major organized players where 20 Microns has a very good presence. Since all organized sectors in Paint application is expected to grow by 10 to 12%, the use of Extender will relatively increase with organized sector in the year 2005-06.

Calcined Clay is being introduced to the Paint industry and the product is very well accepted for the use of Water based Paints which will contribute substantially to the growth of Extenders.

As per capita consumption of less than a liter per year as compared to much more in other countries point to a market with enormous room for growth.

Paints are also being used in automobiles & powder coating Industries. Both the industries are growing at a substantial rate and therefore, there is enough room for mineral industry to grow. It may be stated that the Indian paint industry is on a continuous growth pattern and is likely to achieve double-digit growth in the near future.

Minerals in Plastics Industries

As reported last, the per capita consumption of Plastics in India is at the bottom of 1.8kg. in comparison to worldwide consumption of the same at 16kgs. The difference between the two is much higher and therefore, plastic industry is to register a growth, which in turn will help Mineral Industry to grow.

New products have been developed and established in various plastics application during 2004-05 which will help achieving a growth in Sales during 2005-06.

Major plastic applications like Agriculture, Building & Constructions, Tele-Communications, Power, Packing Automobiles and other consumer products envisage an overall growth of 10 to 12% in their industry which will accelerate our market share also.

The production capacities of other end applications such as antifab compound, coloured Master batch are also increasing rapidly which will generate additional demand for fillers in plastic applications. The role of function fillers is ever increasing in the plastic application as it provides functional properties in terms of mechanical, electrical etc. as will it gives price competitiveness to their product.

Other Applications

During Year 2004-05 business in paper, ceramics, agrochemicals, rubber, construction, Inks and pigments have shown better growth. The same trend would continue due to the increasing demand of minerals in paper, ceramics and Ink application. In paper industry lot of un tapped potential can be converted into business this year which will contribute to business growth. The entire Paper industry shows a positive sign as they are getting good price for their products even though global competition has increased over the years.

Also with growth of ceramics industry particularly in the granite sector (vitrified tiles) with new projects started in year 2004-05 and more are to come up in year 2005-06, demand of various minerals especially China Clay will increase.