

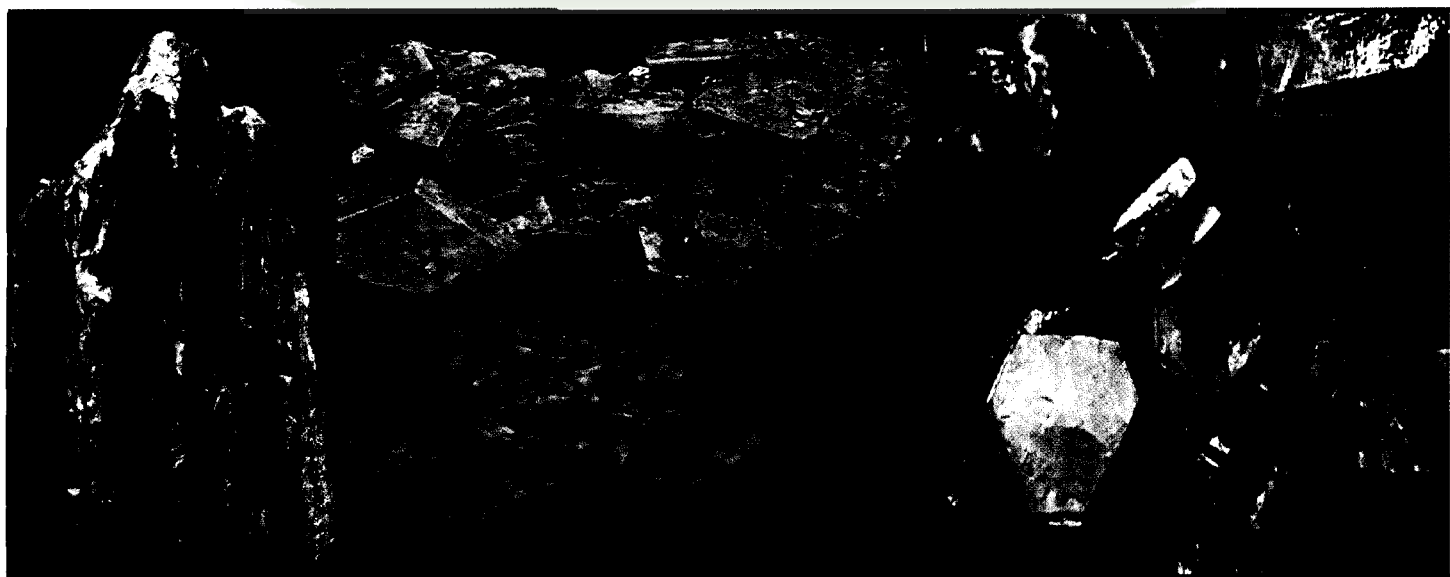
20 MICRONS

L I M I T E D

19th Annual Report 2005-06

From Mining to
Micronizing to
Submicronizing to
Speciality Chemicals

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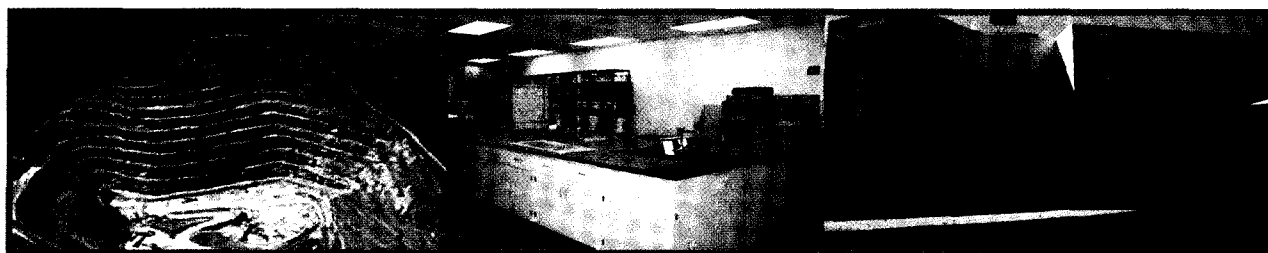


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2005-06 in Brief:

- Sales increased to Rs.7207 Lacs ; 20% organic growth
- Operating Income amounted to Rs.819 Lacs, an increase of 21%
- Net Profit (PAT) increased to Rs.78 Lacs, an increase of 17.8%
- Company's Performance Back to Shareholders delight



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BOARD OF DIRECTORS :

Mr. Chandresh S. Parikh	<i>Chairman & Managing Director</i>
Mr. Rajesh C. Parikh	<i>Joint Managing 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. Vithaldas D. Talati

BANKERS :

State Bank of India
Small Industries Development Bank of India

STATUTORY AUDITORS :

M/s. Manubhai & Co.,
Chartered Accountants
AHMEDABAD.

REGISTERED OFFICE & WORKS :

9/10, GIDC Industrial Estate,
WAGHODIA. Dist. : Vadodara.
GUJARAT STATE. INDIA.

CORPORATE OFFICE :

134-135, Hindustan Kohinoor Industrial Estate,
L.B.S. Marg, Vikhroli (W), Mumbai, India.
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Fax : +91 22 25771333
E-Mail: corporate@20microns.com
Visit Us : www.20microns.com

DIRECTORS' REPORT**The Members,**

Unlike all the previous years, *the year 2005-06* was an unprecedented year and can be said to be a **LANDMARK** in the **CORPORATE HISTORY** of the Company. Production, Productivity & Profitability scaled **NEW HEIGHTS**. Capacity utilization, if not full, at all the manufacturing units was at peak. As a consequence thereof, sales turnover and net profits were also on the higher sides. Regular re-payment of the interest dues to the Financial Institutions and Banks and pre payment of high cost loans with the consent of other lenders, lightened financial burden. Cash flow was at all times comfortable on account of tightening of Credit Control Operations. Human Resources, due to their untiring efforts, responded well and thus, there was all around improvement say, Production, Marketing, R & D, Finance, Human Resources, etc.

With this context, your Directors have pleasure in presenting the *19th Annual Report* together with Audited Statement of Accounts for the year ended 31st March, 2006.

PERFORMANCE OF THE COMPANY

The Company's performance during the year 200506 is:

[Rs. in lacs]

	2005-06	2004-05
Sales and Other Income (gross)	7207.53	5991.88
Profit before Depreciation, interest and Tax	819.87	16.85
Interest for the year	371.47	346.18
Depreciation for the year	340.36	299.12
Profit/(loss) for the year	108.04	(628.45)
Tax liability :-		
Current Year	11.00	2.80
Earlier Years	5.29	0.00
Fringe Benefit Tax	19.00	0.00
Deferred Tax Liability/(Asset)	(107.36)	0.00
Net Profit/(loss) for the year	180.11	(631.25)

Your Directors consider the working results **EXCELLENT**.

OPERATIONS

The year 2005-06 was successful for the Company with Sales & other income totaling to Rs. 7207.53 lacs (inclusive of Excise and Sales Tax) and with an EBIT that rose by 6.8% to Rs. 820 lacs. The year started strongly with relatively weak third quarter. But overall Sales recorded a growth of 20% for the full year.

These figures reflect good demand on the domestic market. The Company has generally strengthened its position through increased customer focus both within its traditional businesses and in segments of higher market growth such as Plastics, Paints, Ceramics and Paper. The Leverage & Growth program initiated in early 2005 was concluded at the end of the year. The program has improved the efficiency and productivity of the Group with estimated annual savings of Rs. 5 Million.

The year showed good development and progress in many areas, which have improved the Company's foundation for continued success. This would not have been possible without the excellent professional work carried out by our Executives & Employees. They have shown their willingness to change and respond to the challenges of the future. They know that continuous improvements are what it takes to create success.

DIVIDEND

Your Directors regret their inability to recommend payment of any dividend to the shareholders for the year under review, in order to conserve cash resources and maintain higher liquidity for robust Growth & Development of the Company for the ensuing 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:

- (a) The applicable accounting standards have been followed in the preparation of the Annual Accounts along with proper explanations relating to material departures;
- (b) 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 as at the end of financial year and of the profit of the Company for the year under review;
- (c) 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;
- (d) The Directors have prepared the accounts on a "going concern" basis.

MANAGEMENT DISCUSSIONS AND ANALYSIS & REPORTS ON CORPORATE GOVERNANCE

These Reports are annexed hereto in order to be more transparent, objective & informative although, the provisions of Clause 49 of the Listing Agreement are inapplicable to the Company.

FUTURE OUTLOOK

Organic Sales growth is expected to continue at a good rate. The operating margin [EBIT] and operating cash flow are expected to develop well, excluding the effects of future restructuring. In a Long-run, the Company expects an increase in ultrafine minerals-driven demand. Focus on end-user value and innovation as well as leverage on the Company's strong position will accelerate growth and increase profitability.

A lot of work to improve the efficiency and exploit synergies within Company's various plants remain for the years to come. The Company is continuing to consolidate, relocate and outsource manufacturing, to co-ordinate Research & Development and to introduce shared administrative services. Product development will be increasingly directed towards creating innovative products for market segments with higher growth, which includes Speciality Chemicals.

Customers are increasingly looking for total solutions that include ease of use after timely logistic availability. The Company strives to add customer value through being close to the customer. Our efforts to lead the market through early involvement in the customers' selection of cost effective solution are a good example of this approach.

The Company is the largest Company in our industry. We have the right people and the necessary competencies to continue to develop and strengthen the position of the Company.

The Company is a relatively young Company, created in 1987. The Company has been formed from a small micronised manufacturer to a large scale Industrial Mineral Manufacturer, but has in recent years focused more on integrating, improving and renewing the various products related to the main objective.

The future creation of shareholders value will come from a combination of profitable organic growth based on the development of innovative new products and services, extended global market presence and continued improvements in efficiency.

ELEVATION OF MR. RAJESH C. PARIKH TO THE POSITION OF JOINT MANAGING DIRECTOR.

Looking to his educational qualifications and long association with the Company, your Directors have chosen Mr. Rajesh Parikh as a fit & proper person and elevated him to the position of the Joint Managing Director, for his un-expired term upto 02.07.2008 on the same terms and conditions as hitherto.

Effective 31.03.2006, Mr. Rajesh C. Parikh who has been earlier the Whole-time Director, designated as Technical Director, took-over as Joint Managing Director of the Company pursuant to Article 159 of the Articles of Association of the Company, to share the responsibilities of the Managing Director.

Necessary resolution is being included in the notice in this behalf for your consideration and approval.

RE-APPOINTMENT OF MR. S.R. PARIKH AS THE WHOLE-TIME DIRECTOR FOR A FURTHER PERIOD OF 5 YEARS.

The term of Office of Mr. S.R. Parikh as the Whole-time Director, designated Director [Finance], which was approved by the Board of

Directors of the Company in their Meeting held on 02.03.2000 followed by a Special Resolution passed by the Shareholders in their Annual General Meeting held on 07.09.2000, expired on 09.04.2005. He has been holding and continuing to hold the said position since 10.04.2005.

At the Board Meeting held on 31.03.2006, your Directors, looking to the business acumen, far sightedness, practical wisdom and experience and his other qualities of management especially, in Finance, Accounts, Legal & Administration, have decided, subject to the approval of the Company in General Meeting, to re-appoint him as the Whole-time Director, designated as Director [Finance], of the Company for a further period of 5 (five) years effective 10th April, 2005 on the terms and conditions including remuneration payable to him, the details of which are spelt out in the explanatory statement to be annexed with the notice convening the Annual General Meeting of the Company.

Necessary resolution is being included in the notice in this behalf for your consideration and approval.

FINANCE

State Bank of India

The Company's Bankers, State Bank of India were good enough to renew and enhance the overall credit facilities from Rs. 575 lacs to Rs. 800 lacs, during the year.

Gujarat State Financial Corporation

The entire amount of Rs. 89.31 lacs due to GSFC against the Loan has already been re-paid fully during the year.

SUBSIDIARY

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts for the year ended 31st March, 2006 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.

FIXED DEPOSITS

As on 31.03.2006, Fixed Deposits from Public and Shareholders stood at Rs. 615.03 Lacs. 111 (one hundred eleven) deposits totaling to Rs. 15.30 Lacs due for repayment on or before 31.03.2006 were not claimed by the depositors on that day.

It is gratifying to note that despite of reduction in the rates of interest during the year, there had been increase in the total Deposits as at the end of the year compared to the previous year.

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

Management recognizes that employees represent our greatest assets and it is only through motivated, creative and committed employees that we can achieve our aims. Hence, the Company takes full care for the welfare and betterment of employees.

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

Mr. Bharat Kanani and Mrs. Darshana J. Mankad retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS

M/s. Manubhai & Co., Statutory Auditors, retire at the ensuing Annual General Meeting and have made themselves available for re-appointment. The Company has received a letter from Statutory Auditors 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. You are requested to re-appoint them and to fix their remuneration.

THANK YOU

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Government Authorities, GVCf 1995 - the investor, Industrial Development Bank of India, Small Industrial Development Bank of India, EXIM Bank, State Bank of India, Consultants, other Professionals, Customers, Vendors, Investors and Depositors during the year under review.

For and on behalf of the Board of Directors

Place : Vadodara,

Chandresh S. Parikh

Date : 29.06.2006

Chairman and Managing Director

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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 YEAR ENDED 31ST MARCH, 2006****a) Power and Fuel Consumption**

A).	Fuel Consumption	2005-06	2004-05
1.	Electricity		
	Purchased from Electricity Board		
	Unit consumed	1,16,44,799	1,06,18,954
	Total Amounts (Rs. in Lacs)	551.10	494.65
	Average Rate / unit (Rs.)	4.73	4.66
2.	Diesel / SKO		
	Diesel / SKO Liters	85,494	2,55,803
	Total Amount (Rs. in Lacs)	27.62	69.00
	Average Rate / Liter (Rs.)	32.30	26.97
3.	Gas		
	Gas used MT	22.00	227.55
	Total (Rs. In Lacs)	6.91	60.078
	Average Rate/ MT (Rs)	31,230	26,402
4.	Coal/Wood		
	Coal / wood used MT	5369	3331
	Total Amount (Rs. in Lacs)	206.66	137.50
	Average Rate/ MT (Rs)	3,849	4,127

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%

2. 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. 722 lacs
- ii. Foreign Exchange Used : Rs. 94 lacs

MANAGEMENT DISCUSSIONS AND ANALYSIS

The Management Discussions & Analysis of the Company for the year 2005-06 is presented with future outlook and the same is translated with the assessment of the current business policies & practices.

Business Review

For the past 19 years, the Company's products are making their presence felt in more ways than one. The Company was formed as a small micronised mineral manufacturer, grown to a large scale manufacturer but has in recent years focused more on integrating, improving, renewing existing products and adding new range of value added products related to the main objectives.

Dry & Wet Operations :

The Company's Dry & Wet operations have been making significant head-ways by :

1. Higher capacity utilization at all manufacturing units;
2. Identification of high-value products as compared to low-value products thereby achieving a better return on capital,
3. More emphasis on improvement of the quality of the products of the Company & Evaluation of human resources by proper rewards.

Speciality Chemicals :

A new horizon created by the Company to develop customer-oriented innovations. Its resourcefulness, based on the company's unique pool of know-how, uses them to open up additional market opportunity to serve the niche technological needs of our customers. It combines economic success with responsibility for contributing to a better future for our reliable long-term customers.

PROSPECTS FOR THE YEAR 2006-07

In the Year 2005-06, being landmark year of Growth & Development, the company took advantage of comfortable conditions in our main markets and started yielding benefits from all the actions implemented in recent years i.e. to enhance the value addition of our products and the efficiency of our production units. Therefore, the company has begun in good conditions to step up our growth.

Strategy :

For some years, the Company has followed a strategy model on three phases of development -

1. Global Platform. Build a world-wide presence and steadily add new areas of expertise.
2. Leverage synergies and develop the Company's strength.
3. Customer value. Increase organic growth by creating value for customers.

The refined strategy for 2006-07

This strategy has been refined to enable the Company to realize the group's vision, Business concept and financial objective. The refined strategy is based on three over-riding themes, implementation of which has been in hands since its introduction in 2004.

Theme 1 Grow our core business.

Lead the Application markets

Company's goal is to strengthen its collaboration with the customers and to reach to the end of the customer's customer. Today's large-scale increase in infrastructure is due to demand of the customers in various fields like Paints, Ceramics and Plastics to offer stringent quality and reasonable prices. The Company, therefore, empowers its customers to work together in bringing down their formulations cost at a better quality. During 2005, work on joint working solutions was intensified and the number of products grew satisfactorily.