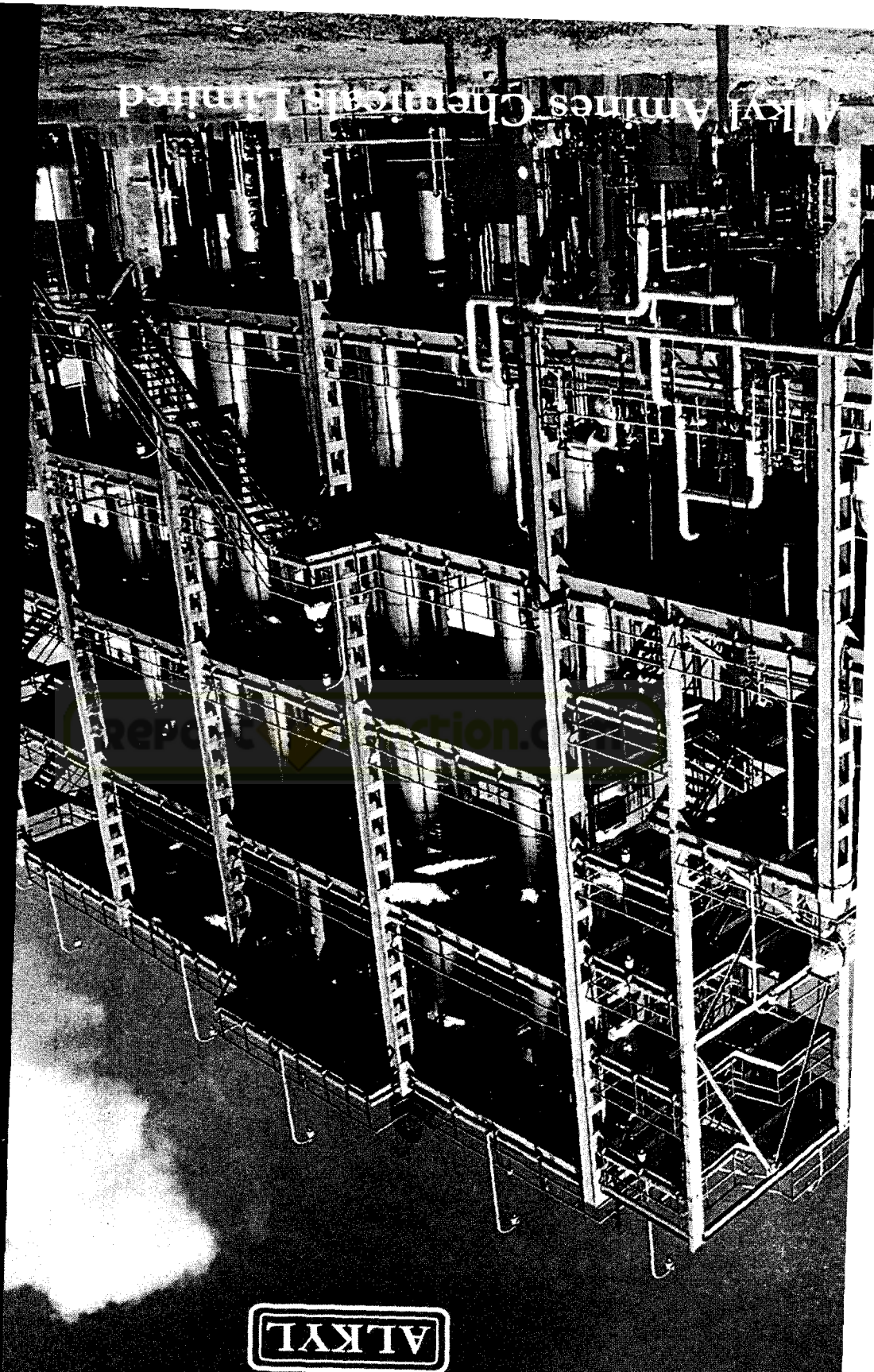


Alkyl Amines Chemicals Limited

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ALKYL

## FINANCIAL HIGHLIGHTS OF THE LAST DECADE

YEAR ENDING	31.03.1994	31.03.1995	31.03.1996	31.03.1997	31.03.1998	31.03.1999	31.03.2000	31.03.2001	31.03.2002	31.03.2003
GROSS REVENUE	2829.08	3401.38	4416.62	4998.04	6247.28	8612.41	8298.00	7969.67	9409.50	10469.37
OPERATING PROFIT (PBIDT)	617.09	590.52	909.61	1221.57	1176.56	2448.39	1707.88	660.30	1651.27	1857.92
PROFIT BEFORE TAX	144.99	160.04	483.25	648.13	488.98	1639.97	872.84	-842.58	278.46	567.39
PROFIT AFTER TAX	144.97	160.04	483.25	527.93	428.79	1284.88	774.72	-842.69	172.25	331.39
GROSS FIXED ASSETS	2933.04	3031.16	4013.65	5075.57	5335.66	5731.03	9292.66	9794.09	10033.48	10217.40
NET FIXED ASSETS	2080.69	2059.20	2914.22	3792.19	3826.84	3952.51	7250.72	7307.95	7092.05	6828.49
NET CURRENT ASSETS	974.91	1175.28	1439.57	1777.94	2605.39	2991.04	4465.89	3744.62	3682.48	4034.19
EQUITY SHARE CAPITAL	266.09	265.96	266.22	365.84	730.52**	730.57	730.58	886.49	886.49	886.49
RESERVES & SURPLUS	766.04	880.49	1289.95	2018.64	1986.14	2925.71	3530.70	2967.20	3230.87	3653.08
BOOK VALUE (Rs.)	38.46	42.92	58.39	64.87	36.35	50.05	58.33	43.47	46.45	51.21
EARNING PER SHARE (RS.)	5.24	5.80	17.95	17.62	9.00*	17.59	10.60	-9.51	1.94	3.74
EQUITY DIVIDEND (%)	12.00	12.00	25.00	25.00	20.00**	40.00	20.00	—	—	12.00

\* WEIGHTED AVERAGE BASIS ON INCREASED EQUITY BASE

\*\* AFTER ISSUE OF BONUS SHARES IN THE RATIO OF 1:1

**ALKYL AMINES CHEMICALS LIMITED****ANNUAL REPORT 2002-2003****MANAGEMENT TEAM**

*Chairman &  
Managing Director*  
**Yogesh M. Kothari**

*Executive Director*  
**Kirat Patel**

*Vice President*  
**G.G. Chendwankar**

*Vice President  
(Technical)*  
**Sameer S. Katdare**

*Vice President  
(Manufacturing)*  
**R. N. Iyer**

*General Manager  
(Finance & IT)*  
**D. A. Pradhan**

*General Manager  
(Secretarial & Legal)*  
**K. P. Rajagopalan**

**Non-Executive Directors :**

**Hemendra M. Kothari**  
**Shyam B. Ghia**  
**Shobhan M. Thakore**  
**Dilip G. Piramal**  
**Premal N. Kapadia**  
**K. R. V. Subrahmanian**  
**Anand S. Bhatt**  
**N. Shankar** (Nominee Director) (W.e.f. January 2, 2003)

**Auditors**

Messrs Bansi S. Mehta & Co.

**Legal Advisors**

Messrs Bhaishankar Kanga and Girdharlal  
Messrs Wadia Ghandy & Co.

**Bankers**

State Bank of India  
Bank of Baroda  
State Bank of Mauritius Ltd.  
ICICI Bank Limited

**Registrar & Transfer Agents****Sharex (India) Pvt. Limited**

**Fort Office :** 17/B, Dena Bank Building, 2nd floor, Horniman Circle, Fort, Mumbai - 400 001. Ph.: 22702485, 22641376 • Fax : 022 22641349

**Branch Office :** Unit No. 1, Luthra Ind. Premises, Andheri Kurla Road, Safed Pool, Andheri (E), Mumbai - 400 072  
Ph.: 28515606, 28515644 • Fax : 022 2851 2885  
Email : sharexindia@vsnl.com • www.sharexindia.com

**Registered Office :**

401-407, Nirman Vyapar Kendra,  
Plot No. 10, Sector 17, DBC, Vashi, Navi Mumbai 400 703.  
Ph. 27890632 • Fax : 27890631 • Email : investorinfo@alkylamines.com

**Plants :****Patalganga Plant**

Plot No. A-7 & A-25,  
MIDC Patalganga Industrial Area, Dist. Raigad 410 220, Maharashtra

**Kurkumbh Plant :**

Plot No. D-6/1, MIDC Kurkumbh Industrial Area,  
Tal. Daund, Dist. Pune - 413802, Maharashtra

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ALKYL

## ALKYL AMINES CHEMICALS LIMITED

Registered office: 401-407 Nirman Vyapar Kendra,  
Plot No. 10, Sector 17, DBC, Vashi, Navi Mumbai-400 703

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 23<sup>rd</sup> Annual General Meeting of **ALKYL AMINES CHEMICALS LIMITED** will be held at Chandragupt Hall, 2<sup>nd</sup> Floor, Hotel Abbott, Sector 2, Vashi, Navi Mumbai 400 703 on Thursday, the 31<sup>st</sup> July, 2003 at 2.30 p.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2003, Profit and Loss Account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To declare dividend for the financial year ended 31<sup>st</sup> March, 2003.
3. To appoint a Director in place of Mr. S.M. Thakore, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. K.R.V. Subrahmanian, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS:**

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

**"RESOLVED THAT** pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and provisions of the other statutes, as may be applicable, and subject to such approvals, consents, permissions and sanctions, as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby altered as follows:

- (I) After the existing Clause 9 of the Articles, the following new Article 9A shall be inserted viz:

**9A. Buy Back of Shares**

Notwithstanding anything contained in these Articles, the Company may

purchase its own shares or securities, and the Board of Directors may, when and if thought fit, buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions and subject to such approvals, as may be permitted by law.

- (II) After the existing Clause 109 of the Articles, the following new Article 109A shall be inserted viz:

**109A. Vote by Postal Ballot**

Subject to the provisions of Section 192A of the Act and these Articles, and as may be applicable by law, votes may be given on certain resolutions as may be notified by the Government from time to time, by postal ballot instead of transacting the business in General Meeting.

- (III) After the existing Clause 146 (a) to (f) of the Articles, the following new sub - clause (g) shall be inserted viz:

- (g) he is Director of a Public Company, which has failed to file the annual accounts and annual returns for any continuous period of three financial years or has failed to repay its deposits or interest or redeem debentures on due dates or pay Dividend, and such failure continues for 1 year or more or for a period of 5 years from the date of such default.

By order of the Board

**K. P. RAJAGOPALAN**

General Manager (Secretarial & Legal)

**Registered Office :**

401-407, Nirman Vyapar Kendra,  
Plot No. 10 Sector 17, DBC  
Vashi, Navi Mumbai 400 703.

Dated May 12, 2003.



**ALKYL AMINES CHEMICALS LIMITED****ANNUAL REPORT 2002-2003****NOTES**

1. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books will remain closed from 24<sup>th</sup> July, 2003 to 31st July, 2003 (both days inclusive) for the purpose of Annual General Meeting and declaration of Dividend.
4. Dividend, if declared at the meeting, will be paid on or after 7<sup>th</sup> August, 2003 to those shareholders whose names appear in the Register of Members of the Company or in the Register of Beneficial Owners maintained by the Depositories as at the close of their business hours on 23<sup>rd</sup> July, 2003.
5. Please note that pursuant to Section 205A of the Companies Act, 1956 all unclaimed / unpaid dividends upto the financial year ended 1994-95 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrant(s) for the said period(s) are requested to claim the amount(s) from the Registrar of Companies, Maharashtra, C.G.O. Complex, 2<sup>nd</sup> Floor, C.B.D., Belapur, Navi Mumbai 400 614.

Kindly note that in terms of Section 205C of the Companies Act 1956, the unclaimed dividend for the financial year 1995-96 (which has remained unclaimed for a period of seven years from 1995-96 will become due for transfer to Investor Education and Protection Fund in the month of October 2003.

6. We are pleased to offer the facility of electronic credit of dividend directly to the respective bank accounts of our shareholders, through **Electronic Clearing Service (ECS)**. This is in addition to the Bank mandate facility that already exists whereby bank account details are printed on the dividend warrants. Shareholders who would like to avail of the ECS facility or the Bank mandate facility (if not done earlier) are requested to complete and submit the ECS/Bank mandate Form that is also sent with this Annual Report, to the Company's

Registrar and Transfer Agents so as to reach them latest by 19th July, 2003. Kindly note that shareholders holding shares in dematerialised form would receive their dividend directly to the bank account nominated by them to their Depository Participant, as per SEBI directives.

7. The members are requested to notify change of address, if any, to the Company.
8. The shareholders holding shares in physical form are once again advised to seek their shareholding changed to dematerialized form, since in terms of SEBI and Stock Exchange guidelines, no physical shares can be traded on the Stock Exchanges. If you have any query and need help in this regard, please write to the Share Department at the Registered Office of the Company.
9. The members may note that the company's Equity Shares are listed on the Mumbai Stock Exchange and the company has paid the listing fees to the Stock Exchange in time and has never made any default in the payment of listing fees in the past.

By order of the Board

**K. P. RAJAGOPALAN**  
General Manager (Secretarial & Legal)

**Registered Office :**

401-407, Nirman Vyapar Kendra,  
Plot No. 10 Sector 17, DBC  
Vashi, Navi Mumbai 400 703.

Dated May 12, 2003.

**ANNUAL REPORT 2002-2003****ALKYL AMINES CHEMICALS LIMITED****ANNEXURE TO THE NOTICE**

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 and also under Corporate Governance

**ITEM NO. 3:**

Mr. S.M. Thakore retires by rotation at the ensuing Annual General Meeting, and being eligible, has offered himself for reappointment.

Mr. S.M. Thakore has been on our Board for around 19 years. He is the Chairman of our Investors' Grievance Committee and also a member of Remuneration Committee.

Mr. S.M. Thakore is a leading Solicitor and Partner of Messrs Bhaishankar Kanga & Girdharlal, Mumbai. He is also on the Board of the following companies:

1. Bharat Forge Limited
2. Camphor & Allied Products Limited
3. Carraro India Pvt. Ltd.
4. Carraro PNH Components (India) Pvt. Ltd.
5. Novacel Life Science Ltd.
6. Dharamsi Morarjee Chemical Co. Ltd.
7. Millenium Broadcast Company Pvt. Ltd.
8. RMC Readymix (India) Pvt. Ltd.
9. Siap Gears India Pvt. Ltd.

He is also a Member on the Advisory Board of DSP Merrill Lynch Investment Managers Limited.

It will be in the interest of the Company that Mr. S. M. Thakore continues as Director of the Company.

**ITEM NO. 4:**

Mr. K.R.V. Subrahmanian retires by rotation at the ensuing Annual General Meeting, and being eligible, has offered himself for reappointment.

Mr. K.R. V. Subrahmanian has been on the Board of the Company since October 11, 1999. He has vast experience in the Chemical Industry. Mr. K.R.V. Subrahmanian is the Chairman of our Audit Committee. He is also on the Board of the following companies:

1. Matrix Laboratories Ltd.
2. ING Vysya Life Insurance Co. Pvt. Ltd.
3. Sesa Industries Limited
4. DSP Merrill Lynch Fund Managers Ltd.
5. Trumac Engineering Co. Pvt. Ltd.
6. ING Vysya Bank Ltd.

7. RPG Life Sciences Ltd.
8. Colour-Chem Limited
9. Century Enka Limited
10. Bayer Industries Pvt. Ltd.
11. Bayer ABS Limited
12. Sesa Goa Ltd.
13. Insilco Limited.

It will be in the interest of the Company that Mr. K.R.V. Subrahmanian continues as Director of the Company.

**Item No. 6:**

The proposed amendments to the Articles of Association are consequent to the amendments made by the Companies (Amendment) Act, 2000 in order to bring the provisions of the Articles of Association relating to Buyback of Shares, Voting through Postal Ballot and Disqualification of Directors, in line with the provisions of the Companies Act, 1956.

The new draft of the Articles of Association as also the existing Articles of Association of the Company are available for inspection by the Members at the Registered Office of the Company on any working day except Public Holidays & Sundays between 3.00 p.m. to 5.00 p.m. upto the date of the Annual General Meeting of the Company.

None of the Directors is concerned or interested in this resolution.

By Order of the Board

**K.P. RAJAGOPALAN**

General Manager (Secretarial & Legal)

**Registered Office :**

401-407, Nirman Vyapar Kendra  
Plot No.10, Sector 17, DBC,  
Vashi, Navi Mumbai 400 703  
Dated: May 12, 2003.

**ALKYL AMINES CHEMICALS LIMITED****ANNUAL REPORT 2002-2003****DIRECTORS' REPORT TO THE MEMBERS**

Your Directors have pleasure in presenting their Report and Audited Accounts of the Company for the year ended March 31, 2003.

**1. FINANCIAL HIGHLIGHTS & APPROPRIATION**

	<b>2002-2003</b> <b>(Rs. in lacs)</b>	<b>2001-2002</b> <b>(Rs. in lacs)</b>
Profit/(Loss) before interest, depreciation & taxation	<b>1857</b>	1651
Interest & financial expenses	<b>828</b>	918
Depreciation	<b>462</b>	455
Profit before tax	<b>567</b>	278
Provision for taxation:		
a. Current Income tax/wealth tax	<b>45</b>	7
b. Deferred Income tax	<b>191</b>	99
Profit/(Loss) after Taxation	<b>331</b>	172
(Less)/Add: Adjustments relating to earlier years	20	(8)
Add/(Less): Balance Profit/(Loss) b/f	(25)	(189)
Surplus available for appropriation:	326	(25)
Transfer to Debenture Redemption Reserve	83	—
Equity Dividend (including Income tax)	120	—
Transfer to General Reserve	33	—
Balance profit/(loss) carried to Balance Sheet	90	(25)

**2. DIVIDEND:**

Your Directors are pleased to recommend for your approval Equity Dividend at the rate of Rs.1.20 per Equity Share of Rs.10/-. The total amount of dividend including Income tax thereon would amount to Rs.1.20 crores.

**3. OPERATIONS:**

Total income (gross) for the year 2002-2003 was Rs.10469 lacs compared to Rs. 9409 lacs for the year 2001-2002, i.e. an increase of 11%. The Profit before tax amounted to Rs.567 lacs compared to Rs. 278 lacs for the year 2001-2002, i.e. an increase of 104%. During the year 2002-2003 we have achieved a profit after tax of Rs.331 lacs compared to Rs.172 lacs of the previous year, i.e. an increase of 92%.

Further details of operations are given in the Management Discussion and Analysis Report annexed (Annexure 1).

**4. EXPORTS/ FOREIGN EXCHANGE:**

During the year 2002-2003, we achieved an export turnover of Rs.2791 lacs (FOB) compared to Rs.2406 lacs (FOB) of the previous year, an increase of 16%. During the year we have utilised a sum of Rs.949 lacs in foreign currency mainly to import raw materials, trading material, stores, spares, etc.

**5. ASSOCIATE COMPANIES****a. Diamines & Chemicals Limited, Baroda:**

As the members are aware, we had in 2001 acquired 32% of the shareholding of Diamines and Chemicals Ltd., Baroda, which is a company under revival as per the Rehabilitation Scheme approved by the Board for Industrial & Financial Reconstruction. For the year 2002-2003 DACL has achieved a gross sales turnover of Rs.1991 lacs and a profit after tax of Rs. 191 lacs. The outstanding loans of term lenders have been paid off. The networth of DACL is expected to be positive during the year 2003-2004 and consequently, it would come out of the purview of BIFR.

**b. Goldschmidt Alkyl Speciality Chemicals Private Ltd.**

This is a joint venture company with Goldschmidt AG of Germany (a Degussa Group Company). For the year 2002-2003, this company has achieved a sales turnover of Rs.29 lacs with a net loss of Rs.25 lacs. We are in discussion with Goldschmidt AG, our Joint Venture Partner, to restructure the business operations of this company.

**ANNUAL REPORT 2002-2003****ALKYL AMINES CHEMICALS LIMITED****6. CONSERVATION OF ENERGY:**

Considering the importance of energy conservation, your Company has taken various measures for conservation of energy. These include de-bottlenecking to enhance plant capacity, planned production at optimum levels, regular monitoring of electricity and fuel consumption and corrective steps where required and utilisation of by-product steam. These measures have helped us to reduce energy costs. The efforts during the year for energy conservation have resulted in further reduction in electricity consumption per unit of production from 562 KW per MT of amines and amine derivatives of the previous year to 546 KW per MT and for production of hydrogen from 0.432 KW to 0.354 KW.

However, furnace oil/LSHS consumption per unit of production for amines and amine derivatives amounted to 0.625 MT as against 0.615 MT of the previous year. This was due to change of productmix to suit the market requirements.

Additional investments are being considered for reducing fuel and power costs with the use of Biomass as fuel and cogeneration system to meet captive power requirement.

More details are given in Annexure 2 (Form A) annexed to this report.

**7. TECHNOLOGY ABSORPTION/ R & D**

The information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure 3 (Form B) attached to this report.

**8. SAFETY, HEALTH AND ENVIRONMENT:**

1. **Safety** – Safety is accorded high priority and concerted efforts are made to ensure safe working conditions for employees. All incidents are analysed in safety committee meetings and corrective actions are taken immediately. All employees are trained in safe practices to be followed at workplace. Active participation is done in Mutual Aid scheme in the respective industrial areas.

2. **Health** – Health of employees is also accorded importance. Periodic check up of all employees is done to monitor their health. Regular work area monitoring to check concentration of chemicals, noise level, and quality of ambient air is done. We also have Occupation Health Centres with staff at both manufacturing sites at Patalganga and Kurkumbh.

3. **Environment:** The Company also attaches importance to Environment protection and adherence to pollution control norms.

a) **Air Emissions** – Emissions from various sources are monitored regularly and compliance to statutory requirement is ensured. Projects are undertaken for reduction of emissions.

b) **Liquid waste Treatment** – The Company has integrated Effluent Treatment Plants and outlet standards are maintained within the prescribed limits. Continuous efforts are made to minimise the quantity of effluent generated and feasibility of recycling of treated effluent is being studied.

c) **Solid Waste Management** – Solid wastes are either incinerated or disposed off to secured landfill.

**9. FIXED DEPOSITS:**

The Company has not accepted any fixed deposits from the public within the meaning of the Companies (Acceptance of Deposits) Rules 1975 during the year.

**10. DIRECTORS:**

Export-Import Bank of India has on January 2, 2003 appointed Mr. N. Shankar as its Nominee Director on the Board. Mr. Shankar, a Chartered Financial Analyst and a Professional Banker, is working as General Manager in Exim Bank and has over 26 years' experience in the Financial Sector. He is not on the Board of any other Companies. His rich experience in the Financial Sector would be beneficial to the company.

Mr. S.M. Thakore and Mr. K.R.V. Subrahmanian retire by rotation at the Annual General Meeting and, being eligible, have offered themselves for re-appointment. Your Directors recommend the re-appointment of Mr. Thakore and Mr. Subrahmanian.

**11. AUDITORS:**

Members are requested to appoint Auditors and fix their remuneration. M/s. Bansilal S. Mehta & Co., Chartered Accountants, the retiring Auditors, are eligible for re-appointment. The Company has received a Certificate



**ALKYL AMINES CHEMICALS LIMITED****ANNUAL REPORT 2002-2003**

from them to the effect that their appointment, if made, will be within the prescribed limit under Section 224(1-B) of the Companies Act, 1956.

**12. RESPONSIBILITY STATEMENT**

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

- (a) That in the preparation of the annual accounts for the year ended March 31, 2003, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any;
- (b) That such accounting policies as mentioned in Schedule 18 to the annual accounts have been selected and applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended on March 31, 2003 and of the profit of the company for that year;
- (c) That proper and sufficient care has been taken 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 to prevent and detect fraud and other irregularities;
- (d) That the Annual accounts for the year ended 31st March, 2003 have been prepared on a going concern basis.

**13. CORPORATE GOVERNANCE**

A separate detailed Corporate Governance report is attached herewith as Annexure 4.

**14. EMPLOYEES**

Employee relations continue to be cordial. Your Directors wish to acknowledge the sincere and dedicated efforts of the employees of the company and would like to thank them for the same.

Information required to be given pursuant to the provisions of Section 217(2A) of The Companies Act, 1956 is given in the Annexure a copy of which can be obtained by the members from the Company's Registered Office on request.

**15. ACKNOWLEDGEMENTS:**

The Directors wish to place on record their appreciation of the continuous support received by the Company from the investors, participating Financial Institutions, Banks, Foreign Principals, Central/State Government Departments, its Customers and Suppliers.

For and on behalf of the Board.

Place: Mumbai  
Dated: May 12, 2003

**YOGESH M. KOTHARI**  
Chairman & Managing Director

**ANNUAL REPORT 2002-2003****ALKYL AMINES CHEMICALS LIMITED****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****ANNEXURE 1****INDUSTRY STRUCTURE AND DEVELOPMENT**

We are one of the leading producers of speciality chemicals, i.e. aliphatic amines, amine derivatives etc. We have our plants at Patalganga and Kurkumbh. We also have an R&D Centre at Pune. We cater to both domestic and international markets. Our products have application in important industries like pharmaceuticals, agro-chemicals, rubber chemicals, etc. We have a good team of technical and commercial professionals with expertise in chemicals manufacture and marketing. For more details please refer to our web-site [www.alkylamines.com](http://www.alkylamines.com).

Some of our products are imported into the country. There are also a few domestic producers for some of the products.

**PERFORMANCE****Manufactured Products:**

Sales of speciality chemicals (i.e. amines and amine derivatives) for the year 2002-2003 amounted to Rs.9958 lacs compared to Rs.8992 lacs of the previous year, i.e. an increase of 11%. Sales in quantity also increased to 12903 MT as compared to 11575 MT of the previous year (11%).

Production of speciality chemicals increased to 14706 MT for the year 2002-2003 compared to 13149 M.T. for the year 2001-2002. Due to lower capacity utilisation of our amine plants, we had to re-deploy/restructure the workforce to reduce the overheads. Production during the month March 2003 was also affected due a prolonged shutdown for boiler repairs at Patalganga.

We were also engaged during the year in contract processing of chemicals. Income from contract processing amounted to Rs. 108.21 lacs compared to Rs.107.96 lacs of the previous year.

**Trading:**

We also continued with marketing of Speciality Chemicals of Foreign Principals. The speciality chemicals include additives for Industries like Petroleum, Paints, PU Foams, etc. We achieved a turnover of Rs.155 lacs as against Rs.145 lacs of the previous year. We earned a commission of Rs.33.75 lacs for the year 2002-2003 compared to Rs.25.42 lacs for the previous year.

**OPPORTUNITIES, THREATS, RISKS AND CONCERNS**

The Company continues to consolidate its pre-eminent position in various amines and amine derivative markets. The new Division, Custom Synthesis Division, offers many opportunities for the Company to grow and diversify. This Division undertakes activities like reductive amination (liquid and vapour phase), air oxidation, high pressure hydrogenation, peroxide oxidation, etc. for customers both domestic and international.

The proposed reduction in customs tariffs as per WTO, can be a matter of concern to a Company like yours and competition from a few established players globally can be a threat to maintain the turnover and profitability.

Our Core Competence in chemicals handling and manufacturing supported by an able Technical Team, focussing more on customer relationship management should provide a lot of opportunities and scope to the company to improve its performance in an otherwise difficult business environment.

**FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

We are pleased to report that, despite the recession in chemical industry, the operating profit before tax amounted to Rs.567 lacs compared to Rs.278 lacs reported last year. This achievement was possible due to better volume by proper utilization of facilities, tight cost control measures effected by the Company, better sourcing, better marketing strategies etc.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has installed a good system of internal controls in all spheres of its activity. The internal control is supplemented by effective internal audit being carried out by an external firm of chartered accountants. The Audit Committee of Directors regularly reviews the findings of the Internal Auditors and effective steps to implement the suggestions/observations of the Auditors are taken and monitored regularly. In the opinion of the Board, an effective internal control system adequate to the size of the Company exists.

**HUMAN RESOURCE/INDUSTRIAL RELATIONS**

There have been excellent relations between the employees at various levels and the management. Based on a training identification system, employees are given training by attending seminars/ workshops (both inhouse and outside) to enhance their skills and knowledge. For continual improvement of the working of the company and to encourage employees participation, the Company had introduced a Suggestion Scheme which has received a good response. Some of the suggestions approved by the management have been implemented. The existing performance appraisal system is being restructured with a view of motivating the employees.

During the year the company introduced a VRS Scheme for its employees at Patalganga plant and Vashi and Worli Offices.

**OUTLOOK**

The outlook for the year 2003-2004, may have to be viewed considering the effects of various external and internal factors on the working of the Company. We are trying to maintain our market share and also increase our export