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ATUL LIMITED

A MEMBER OF LALBHAI GROUP

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Atul

Annual Report
1997-98



CORPORATE MISSION

We are a chemical company in pursuit of creating wealth.

We will endeavour to become leaders in our chosen markets by providing quality products and services to our customers. We will seek profitable growth by innovative application of science and technology.

Our employees will strive for excellence in all that they undertake. We will support them to continuously improve.

We will take responsible care of the environment around us and improve the quality of life in the communities we operate in.

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1. Members intending to require information about accounts to be explained in the meeting are requested to inform the Company at its registered office, at least 7 days in advance of the annual general meeting.
2. Members are requested to bring their copy of the annual accounts to the annual general meeting. It may please be noted that the same will not again be distributed at the time of the annual general meeting.



ATUL LIMITED

21st Annual Report 1997-98

Directors :

Mr Siddharth Kasturbhai
(Chairman & Managing Director)

Mr Keshub Mahindra

Mr Nusli N Wadia

Mr Manan Lalbhai
(Managing Director)

Mr R A Shah

Mr G S Patel

Dr S S Baijal

Mr Sunil S Lalbhai
(Managing Director)

Mr Manu R Shroff

Mr Bansi S Mehta

Mr Hasmukh S Shah

Dr H Kaiwar

Dr K Aparajithan

Mr A N Palwankar
(Nominee of UTI)

Mrs Shalini S Shah
(Nominee of ICICI Ltd.)

Secretary :

Mr T R Gopi Kannan

Auditors :

Messrs Dalal & Shah
Chartered Accountants

Cost Auditors :

R Nanabhoy & Co.

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Subsidiary Companies :

Ameer Trading Corporation Ltd. 41

Anusandhan Investments Ltd 47

Atul Americas Inc. 51

Atul Europe Ltd. 54

Cibatul Limited 57

Sharik Investments Ltd. 74

Registered Office :

Ashoka Chambers
Rasala Marg
Mithakhali Cross Road
Ellisbridge
Ahmedabad 380 006
Gujarat, INDIA

Bankers :

State Bank of India
ANZ Grindlays Bank
Bank of Baroda
Bank of India
United Bank of India
Credit Lyonnais
Credit Agricole Indosuez
Dena Bank
Uco Bank

Atul® Limited**NOTICE**

NOTICE is hereby given that the Twenty-First Annual General Meeting of the shareholders of the Company will be held on Tuesday, the 29th September, 1998 at 10.30 a.m. at Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad 380 006, to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at March 31, 1998 and the Profit and Loss Account for the year ended on that date together with the reports of Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr Bansi S Mehta, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr G S Patel, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr Keshub Mahindra, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
6. To appoint a Director in place of Mr Nusli NWadia, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
7. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :
"RESOLVED THAT Messrs Dalal & Shah, Chartered Accountants, be and they are hereby appointed as Auditors of the Company, to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting, on a remuneration of Rs 6,00,000/- (Rupees Six Lacs Only) plus the reimbursement of expenses incurred by them for attending to the audit work of the Company."

SPECIAL BUSINESS :

8. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution :
RESOLVED THAT pursuant to the provisions of Section 198, 269, 314 and other applicable provisions of the Companies Act, 1956, the Company hereby accords its approval to Mr Sunil S Lalbhai to the reappointment and receiving

remuneration including minimum remuneration as Managing Director of the Company for a further period of five years with effect from 1st July, 1999, as per the draft of agreement submitted to this meeting and for identification initialled by the Chairman, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said reappointment and/or agreement in such manner as may be agreed to between the parties and within the limits prescribed by the Central Government.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to alter and vary any or all of the terms and conditions as approved vide this resolution as may be deemed fit or expedient or required for considering modifications by the Central Government as aforesaid, in accordance with any changes in the Government's policy on managerial remuneration and/or in the guidelines framed thereunder from time to time which may have effect in increase of remuneration or perquisites or benefits.

9. To consider and, if thought fit to pass, with or without modifications the following resolution as a special resolution.

"RESOLVED THAT pursuant to Article 126 of the Articles of Association of the Company and in accordance with the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, the Ordinary Directors of the Company be paid, remuneration by way of commission over and above the sitting fees up to one percent of the Net Profits of the Company, computed in the manner laid down in Section 198 of the Companies Act, 1956, for each of the five financial years commencing from April 01, 1998 in such proportion and manner as the Board may from time to time determine."

By Order of the Board
T R Gopi Kannan
President-Finance &
Company Secretary

Registered Office :

Ashoka Chambers
Rasala Marg
Mithakhali Cross Road
Ahmedabad - 380 006
July 24, 1998

N. B.

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. **Appointment of Auditors :** It may be noted by the members that a Special Resolution for the appointment of Auditors is to be passed pursuant to Section 224A of the Companies Act, 1956 as the Public Financial Institutions and Nationalised Banks together hold not less than 25% of the Subscribed Capital of the Company.
3. Annexure : An Explanatory Statement as required by Section 173 of the Companies Act, 1956, is annexed to this notice.
4. Printed copies of the Balance Sheet, the Profit & Loss Account, the Directors' Report, the Auditors' Report and every other document required by law to be annexed or attached to the Balance Sheet for the financial year ending March 31, 1998 are enclosed herewith.
5. **Book Closure :** The Register of Members and the Share Transfer Books of the Company will



remain closed from August 01, 1998 to August 15, 1998 (both days inclusive).

6. **Distribution of Dividend :** Dividend on Equity Shares, if sanctioned by the General Meeting, shall be paid to those shareholders whose names appear on the Register of the Company as on August 15, 1998. The members are requested to notify immediately any change in address.
7. **Transfer of unclaimed dividend pursuant to Section 205A of the Companies Act, 1956 :** The Company has transferred the unclaimed dividend to the General Revenue Account of the Central Government for and up to the financial year ended on March 31, 1994. The concerned members may therefore submit their claims to the Registrar of Companies, Gujarat, Ahmedabad.
8. The Draft Agreement relating to the reappointment of the Managing Director of the Company referred to in Resolution No. 8 would be available for inspection to the members of the Company at the Registered Office of the Company on any working day from 2.30 p.m. to 5.00 p.m. prior to the date of the meeting.

EXPLANATORY STATEMENT :

The following Explanatory Statement, as required by Section 173 of the Companies Act, 1956, sets out all material facts including the nature, concern or interest of the Directors in relation to the items of Special Business under Item Nos. 8 and 9 mentioned in the accompanying Notice, dated July 24, 1998.

Item No. 8

This Resolution relates to your approval for reappointment of Mr Sunil S Lalbhai as Managing Director of the Company for a period of five years from July 1, 1999 and his terms of reappointment as well as remuneration. Mr Sunil S Lalbhai has been Managing Director of the Company since July 1, 1989. The term of his office is due to expire on June 30, 1999.

The contribution made by this Managing Director in the management of the affairs of the Company is well known and it is in the interest of the Company that he be reappointed for a further period of five years as mentioned above.

The terms and conditions of the reappointment of the Managing Director are set out in the draft agreement, which is placed before the meeting. The material terms of the draft agreement are as under:-

1. Mr Sunil S Lalbhai is reappointed as Managing Director to carry out the management functions entrusted to him by the Board subject to the superintendence, direction and control of the Board. Certain special powers relating to the management are conferred upon him and enumerated in the draft agreement.
2. Period of office of the Managing Director, is five years with effect from July 1, 1999.
3. The Managing Director to devote his time and attention to the business of the Company as required by the Board and follow directions and instructions of the Board in performance of duties.

4. Remuneration payable to the Managing Director-
 - (a) Salary Rs 25,000/- p.m.

Dearness Allowance, if any, payable under the Rules of the Company will be treated as part of the salary.

- (b) Perquisites :

In addition to salary, the following perquisites shall be allowed to the Managing Director.

CATEGORY - "A"

- i) Housing :

The Company shall provide furnished accommodation to the Managing Director. If the Managing Director is having his own accommodation, the Company shall pay house rent allowance at the rate of 60% of the salary.

The Company shall provide equipments and appliances, furniture, fixtures and furnishing at the residence of the Managing Director at the entire cost of the Company.

The Company shall reimburse the expenses of gas, electricity, water etc. The expenditure on these, valued in accordance with the Income-tax Rules, shall not exceed 10% of the salary.

- ii) Medical Reimbursement :

Medical Expenses actually incurred for self and family shall be reimbursed by the Company.

- iii) Leave Travel Concession :

The Company shall provide leave travel fare for the Managing Director and his family once in a year.

- iv) Personal Accident Insurance :

The Company shall pay Personal Accident Insurance upto Rs.5,000/- per annum.

- v) Club fees :

The Company shall reimburse annual fees for a maximum of two clubs.

CATEGORY - "B"

- i) The Company shall contribute towards Provident Fund/Superannuation Fund/Annuity Fund provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the Income-tax Act.

- ii) The Company shall pay Gratuity at the rate applicable to Senior Executives of the Company.

- iii) Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per rules of the Company.

The perquisites under this Category shall not be included in the computation of ceiling on remuneration.

CATEGORY - "C"

- i) The Company shall provide a Car with Driver at the entire cost of the Company for use on the business of the Company. Use of Car for personal purposes shall be billed by the Company.

- ii) The Company shall provide telephone at the residence of the Managing Director at the entire

Atul® Limited

cost of the Company. Personal long-distance calls shall be billed by the Company.

5. The Managing Director shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however, be reimbursed the actual travelling, lodging and Boarding expenses incurred by him for attending meetings of the Board of Directors and/or Committees thereof.
6. The remuneration referred to in Clause 4 is subject to the limit of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company, on the remuneration of the Managing Directors and Whole time Director(s) of the Company taken together. Provided, however, that in the event of absence or inadequacy of profit, the Managing Director shall be entitled to remuneration mentioned under 4(a) above and perquisites as above within the minimum remuneration specified in Schedule XIII to the Companies Act, 1956.
7. In the event of cessation of office during any financial year, a rateable proportion of the aforesaid remuneration shall be payable by the Company.
8. The Managing Director shall be entitled to reimbursement of expenses incurred by him in connection with the business of the Company.
9. The Directors are at liberty to appoint more than one Managing Director.
10. The Managing Director may resign office, subject to three calendar months' notice.
11. In the event of termination of office, the Managing Director is entitled to compensation in accordance with Section 318 of the Companies Act, 1956.
12. In the event of any dispute or difference arising out of this agreement between the parties, such dispute or difference shall be referred to arbitration in accordance with the provisions of The Arbitration And Conciliation Act, 1996 or any statutory modification or substitute thereof and all the provisions of that Act so far as are applicable or of any of them for the time being in force shall apply to every reference thereof.

MEMORANDUM OF INTEREST :

The nature of the concern or interest of Mr Sunil S Lalbhai, Managing Director of the Company is that the above resolution pertains to his agreement with the Company and he will be receiving the remuneration as stated therein if approved. None of the other Directors of the Company, except Mr S K Lalbhai who is relative, is interested in the resolution.

The above statement may be treated as an abstract of the terms and memorandum of interest under Section 302 of the Companies Act, 1956.

ITEM NO. 9

Pursuant to Article 126 of the Articles of Association of the Company read with Section 309 of the Companies Act, 1956, the Ordinary Directors of the Company are entitled to receive commission up to one percent of the Net Profits of the Company in any financial year, with the authorisation of the Company by way of a special resolution, which shall not remain in force for a period of more than five years.

In view of the time and attention which the Directors of the Company are called upon to give for the purpose of the business of the Company it is considered that the payment of such commission to the Ordinary Directors as permitted by Article 126 aforesaid should be made for the period of five years from April 01, 1998.

All the Directors except Mr S K Lalbhai, Mr Manan N Lalbhai and Mr Sunil S Lalbhai, Managing Directors and Dr K Aparajithan, Director in whole-time employment, may be deemed to be interested in this special resolution.

By Order of the Board
T R Gopi Kannan
President-Finance &
Company Secretary

Registered Office :

Ashoka Chambers
Rasala Marg
Mithakhali Cross Road
Ahmedabad - 380 006

July 24, 1998

**Distribution of Shareholding
(As on 31.03.1998)**

No. of Shares	No. of Accounts	Total Shares
1 to 10	6,042	34,957
11 to 50	24,917	699,866
51 to 100	8,876	713,719
101 to 500	12,433	2,831,420
501 to 1000	1,849	1,297,162
1001 to 5000	1,079	2,110,109
5001 to 10000	104	753,231
OVER 10000	137	21,221,169
Total	55,437	29,661,633



A TEN YEARS' REVIEW

(Rs in lacs)

OPERATING RESULTS:	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
										(c)
REVENUE	47400	48635	42478	26726	26469	23923	21546	19343	17943	20149
GROSS PROFIT	4210	3889	3580	2564	2196	1495	1473	1676	1393	980
DEPRECIATION	2381	2161	2086	984	768	791	691	482	736	545
TAXATION	136	207	5	32	2	2	-	(4)	70	45
NET PROFIT	1693	1521	1489	1566	1426	702	782	1198	587	390
DIVIDENDS	*455	782*	870	616	392	319	246	246	198	221
(* Inclusive of Dividend Tax)										
PROFIT RETAINED (a)	1219	523	232	931	1034	383	536	952	389	169

FINANCIAL POSITION :

(Rs in lacs)

GROSS BLOCK	46564	44177	40711	23082	19480	17408	14662	13243	10623	9816
NET BLOCK	26291	26252	24897	13842	11183	9609	7504	6755	4592	4455
NET CURRENT & OTHER ASSETS	32837	31114	29032	12917	12822	8368	8791	6182	5499	4975
CAPITAL EMPLOYED	59128	57366	53929	26759	24005	17977	16295	12937	10091	9430
EQUITY SHARE CAPITAL	2966	2966	2966	2593	1744	1363	982	982	786	786
RESERVES AND SURPLUS (b)	19278	18087	17627	13351	9472	7419	5149	4611	3681	3291
SHAREHOLDERS' EQUITY	22244	21053	20593	15943	11216	8782	6131	5593	4467	4077
PREFERENCE SHARE CAPITAL	950	950	900	-	-	-	-	-	10	10
BORROWINGS	35934	35363	32436	10816	12744	9195	10164	7344	5614	5343

PER EQUITY SHARE :

(In Rupees)

DIVIDENDS	*1.00	*2.00	3.00	3.00	2.75	2.50	2.50	2.50	2.50	2.80
(*tax free)										
BOOK VALUE (b)	75	71	69	61	64	64	62	57	57	52

Notes :- (a) After adjusting amounts in respect of previous year/s.

(b) Including Revaluation Reserve created in 1985 Rs785 lacs and Capital Reserve of Rs.678 lacs on amalgamation of Atic Industries Ltd. in 1995-96.

(c) Accounts for 1988-89 are for 15 months period.

(d) The figures of 1995-96 onward include figures of erstwhile Atic Industries Ltd. which amalgamated with the Company w.e.f. 1.4.1995.

Atul® Limited**DIRECTORS' REPORT**

To

The Members,

The Directors of Atul Limited present the Annual Report of the Company together with the audited Statement of Accounts for the year ended March 31, 1998.

FINANCIAL RESULTS:

	(Rs in lacs)	
	<u>1997-98</u>	<u>1996-97</u>
Sales and Operating Income	43813	48093
Other Income	3587	542
Total Revenue	47400	48635
Profit before taxation	1829	1728
Taxation	136	207
Profit after tax	1693	1521
Balance brought forward	963	2061
Transferred from Investment Allowance Reserve	—	40
Transferred from Debenture Redemption Reserve	928	—
(Debits)/Credits relating to earlier years	(19)	(216)
Disposable surplus	<u>3565</u>	<u>3406</u>

Appropriation:

Capital Redemption Reserve	300	—
Debenture Redemption Reserve	491	1560
General Reserve	—	101
Preference dividend paid	117	129
Proposed Dividend	297	593
Dividend Tax on above	41	60
Balance carried forward	2319	963
	<u>3565</u>	<u>3406</u>

DIVIDEND:

The Directors of the Company recommend payment of dividend of Rs 1/- per share on 2,96,61,633 Equity Shares of Rs10/- each fully paid-up as on April 01, 1997.

SHARE CAPITAL:

During the year 1997-98, there was no increase in the Share Capital of the Company. However, during the year the Company redeemed 9,00,000 14% Cumulative Redeemable Preference Shares of Rs. 100/- each amounting to Rs 900 Lacs and issued 9,00,000 Cumulative Redeemable Preference Shares (13% 1,00,000 Cumulative Redeemable Preference Shares and 12.50% 8,00,000 Cumulative Redeemable

Preference Shares) of Rs 100/- each amounting to Rs 900 Lacs.

PROFITABILITY:

In spite of a reduction in net sales of Rs 522 lacs, the operating PBIDT (profit before interest, depreciation and tax) of the Company before non-recurring incomes improved by Rs 1166 lacs as compared to the previous year, aided mainly by reduction in raw materials prices and improved yields. The profitability would have been better, but for the increase of Rs 940 lacs in the cost of power and fuel resulting mainly from the increase of more than 20% in the price of purchased electricity. The profit for the year before tax of Rs 1829 lacs is after considering profit on sale of investments of Rs 3080 lacs and income towards commutation of certain fees receivable for providing infrastructure facilities of Rs 641 lacs (see Note 16). But for such non-recurring incomes, the result for the year would have been a net loss, like in the previous year, though the gross profit, operating profit and margins improved during the year.

BUSINESS PERFORMANCE:**Agro-chemicals and Pharmaceuticals Division:**

The total sales and internal transfers of the Division at Rs3320 Lacs registered a decline of 7% as compared to the previous year. The two businesses of the Division showed mixed results; while agrochemicals business recorded an appreciable sales growth of more than 36% where herbicide product range was a star performer, pharmaceuticals business recorded an almost equivalent decline mainly due to the reduction in volumes of Dicalcium phosphate. The Division obtained ISO 9001 certification for phenoxy herbicides, urea herbicides and carbamate pesticides from TUV Bayern of Germany; this endorsement of the high quality standards achieved by the Division will help in successfully promoting the relevant products in the export markets. During the year certain product registrations for phosgene based agrochemicals were obtained and these are slated to be launched during 1998-99.

Expansion of phenoxy herbicide capacity will make the Division a strong player and one of the largest manufacturers of 2,4 D in the world. Two new products namely carbaryl and carbofuron will be added in 1998-99. Growth will be achieved mainly through development of export markets.



Aromatics Division:

The sales and internal transfers of the Division at Rs 6863 Lacs recorded a moderate growth rate of 10% as compared to the previous year. The exports however showed a meteoric rise of 111%; at Rs 3518 Lacs the exports constituted around 55% of sales compared to 29% last year signifying the breakthrough achieved in export markets. The growth in exports was mainly driven by p-anisaldehyde which found a very wide acceptance in the international markets. The plant for manufacture of 3000 tpa of p-cresol was commissioned during the year. The Division obtained certification for ISO 9001 from KPMG Peat Marwick LLP which will further strengthen its position in the export markets.

The Division has established leadership position in p-anisaldehyde and the market share is poised to grow further. Better realisation in export sales coupled with introduction of value added products on the one hand and effective use of the existing assets on the other, is expected to yield better profitability.

Bulk Chemicals and Intermediates Division:

The Division suffered from many problems during the year under review. The overall result was that the sales and internal transfers declined from Rs 10,165 Lacs to Rs 9195 Lacs registering a decline of 10% compared to the previous year. Export prices of beta naphthol and BON acid became unremunerative due to intense competition particularly from China. Such prevailing unviable prices virtually left no margins and the Division decided to rather curtail sales. Chloralkali industry continued to be in doldrums throughout the year mainly due to over capacity in the industry. The average price of caustic soda lye dropped by 20% even while the cost of electricity, forming the main component of the total cost of manufacture, increased by 21% on top of the increase of 28% last year. The input cost thus far exceeded the price realisation making the product completely unviable. The Division embarked upon a few initiatives to overcome such problems. The main thrust during the year was to change the product-mix in order to move away from the low value-added commodity products to high margin speciality products. To this end certain new speciality intermediates were commercialised during the year which recorded sales of Rs 5 Crores. The effort in this direction is continuing and it is expected that during 1998-99 at least 4 speciality intermediates will be introduced in order to improve gross margins. With the

commissioning of 18 MW Turbine Generating Set in March 1998, captive power will be made available for the production of Caustic/Chlorine thereby insulating the Company from the vagaries of relentlessly escalating cost of purchased electricity.

In the foreseeable future Chloralkali industry will continue to be plagued by excess capacity and poor margins. The introduction of high value-added speciality intermediates will result in phasing out of low margin commodity products. The Division will become a niche player in speciality intermediates and in future the performance will show an up trend.

Dyestuffs Division:

The sales of the Division at Rs 22,853 Lacs recorded a meagre growth of 1.7% as compared to the previous year. National sales achieved a growth of 10% over the previous year mainly from better realisations and increased volumes of high value added dyestuffs. Exports were affected adversely resulting from over capacities and competitive pricing coupled with continuing world-wide recessionary trends in Textile and Leather industries, the major users of dyestuffs. Despite volume drop in the export markets, the profitability improved due to the combined effects of on-going cost cutting measures undertaken during the past 3 years, optimisation of production capacities, rationalisation of product-mix and process development.

During the year, the Division secured ISO 9001 certification from KPMG Peat Marwick LLP. The quality system is applicable to design, development, manufacturing and sale of vat dyes, reactive dyes, disperse dyes, sulphur dyes, acid dyes, direct dyes, azoic dyes and fluorescent brightening agents, manufactured and marketed under registered trade name.

The distribution agreement with BASF Aktiengesellschaft for marketing of vat dyes outside India and the USA has been terminated with effect from April 1, 1998 for reasons mutually beneficial. The Company has already commenced marketing of vat dyes under its trademark, Novatic, with appropriate competitive strategies to achieve growth by developing new markets for full range of quality products and significantly widening the customer base.

The Division would be concentrating on development and launch of speciality products with high demand potential during the next year to ensure both growth and better returns on the assets of the Company.

Atul® Limited**Infrastructure Unit:**

An 18 MW Turbine Generating set was commissioned and put on commercial load operation in March 1998 despite many constraints. With this, the full load requirement for Atul can be met captively and the reduced cost of generation will contribute significantly to profitability from 1998-99 onwards. The turbine operations are expected to be stabilised by June 30, 1998.

Consistent with its commitment to achieve high standards in effluent treatment, the Company embarked upon a project for laying a 4 km pipeline for the discharge of treated effluent. Substantial progress has been made and the pipeline will be commissioned by June 30, 1998.

The infrastructure facilities of the erstwhile Atic Industries Limited, which was merged with the Company, were integrated resulting in synergies particularly in utility generation and distribution at Atul Site.

The Company received an Award for excellence in energy conservation for the second consecutive year in 1997.

FINANCE:

The Company continued to receive the support of financial institutions and banks for its various long-term and short-term requirements.

The Directors hereby certify that the funds raised by the issue of 18% Secured Redeemable Non-Convertible Debentures of Rs390 Lacs in 1985 and 14% Secured Redeemable Non-Convertible Debentures of Rs200 Lacs in 1991 have been utilised for working capital needs. The Directors also certify that the funds raised during 1992 by the issue of 18% Non-Convertible Secured Debentures of Rs1475 lacs have been utilised for the purpose of financing the Company's various capital expenditure programmes.

The interest and finance charges (net) during the year amounted to Rs 4770 Lacs compared to Rs 4614 Lacs during the previous year. In order to reduce the interest burden the Company decided to restructure its debts and de-leverage. During the year the Company raised a foreign currency loan of US \$ 3 Million under the external commercial borrowings guidelines applicable to exporters to particularly take advantage of the natural hedge available through the high exports of the Company. The average interest cost of this loan amounted to 7.20%. The Company also partly divested its investment in the equity shares of Novartis India Limited to raise Rs 31 Crores for repayment of debts.

Further divestment is foreseen to generate around Rs 60 Crores additionally which will be utilised to repay debts in order to mitigate the high interest burden. These benefits would accrue to the Company during 1998-99.

During the year, several high cost debts were substituted with cheaper debts thereby reducing the average interest cost by 2%. At the end of the restructuring, the additional interest burden arising from acquisition of erstwhile Atic Industries Limited in 1995 is expected to be substantially neutralised with corresponding improvement in the profitability of the Company.

INSURANCE:

The Company has taken adequate insurance to cover risks to its assets, profits and standing charges as well as employees. It has also taken adequate cover against liability to public over and above the statutory limits prescribed under the Public Liability Insurance Act, 1991. The above covers have been taken based on risk study.

RESEARCH AND DEVELOPMENT:

The primary thrust of R&D continues to be development of new speciality products, to enable the Company to change its product-mix and move away from commodity products.

A number of products and processes were developed based on specifications and requirements of domestic and global markets. These include speciality intermediates for dyestuffs and pigments, high strength dyes and certain low volume, high value bulk drugs. Efforts to improve yield and quality of some products and processes were successful. Work was initiated for decolourising liquid effluent from the dye manufacturing plants.

PERSONNEL:

The industrial climate continues to be harmonious, with the Company sharpening its emphasis on productivity and discipline. Negotiations are in progress for a long-term settlement with the unions at both the sites which will be applicable for the period from April 1, 1997 to March 31, 2000.

The Management Resources Unit initiated various steps to enable the organisation to become more focused and customer oriented. The Business Divisions reviewed their structure and workflows to minimise decision making layers for reducing customer response time. Job objectives of individual employees were dovetailed with those of the Company's business