

ATUL LTD

30th Annual Report 2006-2007

Directors:

Mr A N Lalbhai
(Chairman)

Mr N N Wadia

Mr G S Patel

Dr S S Bajjal

Mr S S Lalbhai
(Managing Director & CEO)

Mr M R Shroff
(upto 29-1-07)

Mr B S Mehta

Mr H S Shah

Mr J L Shah
(Executive Director)

Mr S A Lalbhai
(Managing Director)

Mr S M Datta

Dr K Aparajithan

Mr R A Shah
(Alternate Director)

Company Secretary:

Mr T R Gopi Kannan

Auditors:

Dalal & Shah
Chartered Accountants

Cost Auditors:

R Nanabhoy & Co

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Registered Office:

Ashoka Chambers
Rasala Marg
Ahmedabad 380 006, Gujarat
India

Head Quarters:

Atul 396020, Gujarat
India
E-Mail : sec@atul.co.in
Web Site : www.atul.co.in

Bankers:

State Bank of India
Bank of Baroda
Bank of India
State Bank of Saurashtra
UTI Bank
Export Import Bank of India
ICICI Bank
Karur Vysya Bank
Uco Bank

NOTICE

NOTICE is hereby given that the Thirtieth Annual General Meeting of the shareholders of the Company will be held on Friday, August 31, 2007 at 11.00 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, 2007 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 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.
4. 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.
5. To appoint a Director in place of Mr S M Datta, 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 Messrs Dalal & Shah, Chartered Accountants, as Auditors and to fix their remuneration.

By Order of the Board

T R Gopi Kannan
President, Finance &
Company Secretary

June 29, 2007

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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. 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, 2007 are enclosed herewith.
3. **Book Closure:** The Register of Members and the Share Transfer Books of the Company will remain closed from August 01, 2007 to August 06, 2007(both days inclusive).
4. **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 01, 2007. The members are requested to notify immediately any change in address.
5. **Transfer of unclaimed dividend pursuant to Section 205A of the Companies Act, 1956:** The unpaid dividend payable to the shareholders in respect of the 13th Dividend onwards i.e. from the year ended March 31, 2000, shall be transferred to the Investor Education and Protection Fund under the provisions of the Companies Act, 1956. Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below:

Dividend	Accounting Year Ended	Date of declaration of Dividend	Dividend payment %	Approx. Date of Transfer of Unpaid Dividend to Investor Education Protection Fund
13 th	March 31, 2001	08-08-2001	10	04-09-2008
14 th	March 31, 2002	07-08-2002	15	03-09-2009
15 th	March 31, 2003	06-08-2003	20	02-09-2010
16 th	March 31, 2004	06-08-2004	15	02-09-2011
17 th	March 31, 2005	05-08-2005	20	01-09-2012
18 th	March 31, 2006	04-08-2006	30	30-08-2013

No claim will lie from a Member once the transfer is made to the said Fund. Members who have not encashed their dividend warrants are requested to encash the same before the said transfer in their own interest.

- Transfer of unclaimed amount pursuant to Section 205C of the Companies Act, 1956:** The Company has transferred to the Investors' Education & Protection Fund unpaid/unclaimed interest on debentures, unpaid/unclaimed fixed deposits and interest thereon upto the financial year ended on March 31, 2000.
6. Pursuant to the directions of SEBI vide circular No. D&CC/FITTC/ CIR – 18/ 2002 dated February 12, 2003, the Company had appointed M/s. Pinnacle Shares Registry Pvt. Limited, Near Ashoka Mills, Naroda Road, Ahmedabad 380025(Pinnacle), as Registrar and Transfer Agents for physical and demat shares. The members are requested to deal with the aforesaid agency.
 7. **Reappointment of Directors:** At the ensuing Annual General Meeting Mr G S Patel, Mr Bansi S Mehta and Mr S M Datta, retire by rotation and being eligible offer themselves for reappointment. The information or details required to be furnished under the Listing Agreement pertaining to a Director seeking re-appointment.

Particulars	Information of a Director seeking re-appointment
Name	Mr G S Patel
Date of Birth	November 16, 1923
Brief Resume	Mr G S Patel is an M.A. (Economics), LL.B. (Bombay), B.Sc. (Economics) from London School of Economics and Bar at law from Lincoln's Inn, London. He is the Former Chairman of UTI and a Director of the Company since August 10, 1983.
Directorship in other Companies	Nil

Position in Committees of other Companies	Nil
Number of shares held in the Company	200

Name	Mr Bansi S Mehta
Date of Birth	September 19, 1935
Brief Resume	Mr Bansi S Mehta is a practicing Chartered Accountant and is a past President of the Institute of the Chartered Accountants of India. He was involved in educational activities at the under graduate and post graduate levels at the University of Mumbai and is Director of the Company since April 18, 1992.
Directorship in other Companies	Bharat Bijlee Limited Century Enka Limited CEAT Limited Clariant Chemicals (India) Limited Gillette India Limited Housing Development Finance Corporation Limited IL&FS Investment Managers Limited J B Chemicals & Pharmaceuticals Limited Pidilite Industries Limited Procter and Gamble Hygiene and Health Care Ltd. Sasken Communication Technologies Limited SBI Capital Markets Limited Sudarshan Chemicals Limited Vinyl Chemicals (India) Limited Chemetall Rai India Limited – Alternate Director Uhde India Limited – Alternate Director Jumbo World Holdings Limited (BVI) (Body incorporated outside India).
Position in Committees of other Companies	Chairman of Committees: IL&FS Investment Managers Limited – Audit Committee J B Chemicals & Pharmaceuticals Limited – Audit Committee Sudarshan Chemicals Limited - Audit Committee Sasken Communication Technologies Ltd. – Audit Committee Pidilite Industries Limited – Audit Committee
	Member of Committees: Gillette India Limited – Remuneration Committee Gillette India Limited – Audit Committee Housing Development Finance Corporation Ltd. – Compensation Committee Housing Development Finance Corporation Ltd. – Audit Committee Century Enka Limited – Audit Committee Procter & Gamble Hygiene and Health Care Limited – Audit Committee IL&FS Investments Managers Limited- Compensation Committee
Number of shares held in the Company	162

Name	Mr S M Datta
Date of Birth	July 1, 1936
Brief Resume	Mr S M Datta graduated with Honours in Chemistry and obtained the Post Graduate Degree in Science & Technology. He is a Chartered Engineer, Fellow, The Institute of Engineers (India), Fellow, Indian Institute of Chemical Engineers; Member, Society of Chemical Industry (London) and Hon. Fellow of All-India

	Management Association. He is associated with various other renowned and respected institutes and committees.
Directorship in other Companies	Public Limited Companies: Castrol India Ltd.- Chairman Philips Electronics India Ltd.- Chairman IL&FS Investment Managers Ltd.-Chairman BOC India Ltd. Zodiac Clothing Company Ltd. Peerless Gen. Fin. & Inv. Co. Ltd. Kansai Nerolac Paints Ltd. Transport Corporation of India Ltd. Boruka Power Corporation Ltd. Peerless Hotels Ltd. BHW Home Finance Ltd. Rabo India Finance Ltd. Private Limited Companies: Tata Trustee Co. Pvt. Ltd.-Chairman Ambit Corporate Finance Pte. Ltd. Chandras' Chemical Enterprises (Pvt.) Ltd.
Position in Committees of other Companies	Chairman of Committees: Castrol India Ltd.- Shareholders/ Investors Grievances Committee BOC India Ltd. – Audit Committee Member of Committees: IL&FS Investment Managers Ltd.- Shareholders/ Investors Grievance Committee
Number of shares held in the Company	50

By Order of the Board

Registered Office:
 Ashoka Chambers,
 Rasala Marg,
 Ahmedabad - 380 006.
 June 29, 2007

T R Gopi Kannan
 President, Finance &
 Company Secretary

A TEN YEAR REVIEW

(Rs in lacs)

OPERATING RESULTS:	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
REVENUE	92127	83733	71012	60359	61865	60263	59336	53491	56776	47400
OPERATING PROFIT (PBIDT)	8518	14084	6794	5580	9890	8937	9050	7397	11372	8980
INTEREST	2822	2910	2179	2157	3293	3928	4733	4884	5209	4770
GROSS PROFIT	5696	11174	4615	3423	6597	5009	4317	2513	6163	4210
DEPRECIATION	3059	2873	2738	2728	2702	2801	2837	3016	3064	2381
TAXATION	72	(128)	251	469	489	225	5	5	235	136
NET PROFIT	2565	8429	1626	226	3406	1983	1475	(508)	2864	1693
DIVIDENDS (*Inclusive of Dividend Tax)	1041	1015	676	502	728	449	383	85	610	455
PROFIT RETAINED (a)	1524	7414	950	(276)	2678	1534	1168	(1495)	2202	1219

FINANCIAL POSITION: (Rs in lacs)

GROSS BLOCK	77086	73034	68493	66647	61026	57245	55961	55500	54873	46564
NET BLOCK	29486	27331	24897	27604	24352	22344	23697	25809	27963	26291
NET CURRENT & OTHER ASSETS	37253	34850	31218	30957	32204	34861	35719	35969	35962	32837
CAPITAL EMPLOYED	66739	62181	56115	58561	56556	57205	59416	61778	63925	59128
EQUITY SHARE CAPITAL	2967	2967	2967	2967	2967	2967	2966	2966	2966	2966
RESERVES AND SURPLUS (b)	26977	24333	17044	25557	25724	22042	23667	22502	24003	19278
SHAREHOLDER'S EQUITY	29944	27300	20011	28524	28691	25009	26633	25468	26969	22244
PREFERENCE SHARE CAPITAL	-	-	-	-	-	-	100	600	600	950
BORROWINGS	36795	34881	36104	30036	27864	32195	32682	35708	36356	35934

PER EQUITY SHARE:

DIVIDENDS (*tax free)	3.00	3.00	2.00	1.50	2.00	1.50	1.00	0.00	1.50	1.00
BOOK VALUE	101	92	67	96	97	84	90	86	90	75

Notes: (a) After adjusting amounts in respect of previous year/s.
 (b) Including Revaluation Reserve created in 1985 Rs 776 lacs.
 (c) The figures of 1998-99 onwards include figures of erstwhile Cibatul Ltd which amalgamated with the Company in the respective year.
 (d) Previous years figures regrouped.

DIRECTORS' REPORT

Dear 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, 2007.

FINANCIAL RESULTS:

	(Rs in lacs)	
	<u>2006-07</u>	<u>2005-06</u>
Sales and Operating Income	91084	82756
Other Income	1043	977
Total Revenue	92127	83733
Profit before taxation	2637	8301
Taxation	72	(127)
Profit after tax	2565	8428
Balance brought forward	16498	9831
Reversal of Impairment loss	110	-
(Debits)/Credits relating to earlier years	284	(39)
Tax adjustments and interest on refunds	-	(85)
Disposable surplus	19457	18135
Appropriation:		
General Reserve	296	623
Proposed Dividend	890	890
Dividend Tax on above	151	124
Balance carried forward	18120	16498
	19457	18135

DIVIDEND:

The Directors of the Company recommend payment of dividend of Rs3 per share on 2,96,61,733 Equity Shares of Rs10 each fully paid up .

PROFITABILITY:

The PBT from operations showed a small decline of about 4% to Rs3142 lacs in spite of growth in sales of 10% including exports growth of 13%. The lower profitability was mainly due to higher input prices which more than off set the effect of higher sales, higher efficiencies and lower employee cost. The overall PBT however showed a steep decline from Rs8301 lacs in the previous year to Rs2637 lacs in the current year, mainly because of exceptional / non-recurring items which were Rs5012 lacs in the previous year primarily arising from profit on sale of long term trade investment; such items stood at Rs(505) lacs in the current year mainly on account of VRS.

FINANCE:

The interest and finance charges (net) for the year was Rs2822 lacs compared to Rs2910 lacs during the previous year - a decrease of - 3% as compared to sales growth of 10%. The net interest to sales ratio, as a result decreased to 3.06% from 3.47% last year. In the current year, the benchmark interest rates like bank PLR's and LIBOR continued to rise. Efforts are on to shrink the interest costs as a % of sales through better working capital norms and utilization of assets.

Loans taken have been used for the purposes for which they have been sanctioned by the respective banks or financial institutions.

The Company takes forward contracts and uses other basic derivative products from time to time as permitted by RBI to cover its imports and exports. These are purely based on the actual exposure or likely future anticipated export receivables, but never in the nature of speculation. The net effect of these is accounted as per the guidelines of the Institute of Chartered Accountants of India.

The Board wishes to thank the Banks and Financial institutions for their continued support in meeting various long term, short term and emerging credit needs.

INSURANCE:

The Company has taken adequate insurance to cover the risks to its assets, profits, employees and third parties based on risk study.

DIRECTORS:

According to Article 134 of the Articles of Association of the Company, Mr. G S Patel, Mr. Banshi S Mehta and Mr. S M Datta retire by rotation and being eligible offer themselves for reappointment.

CORPORATE GOVERNANCE:

A Report on Corporate Governance along with a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is annexed.

FIXED DEPOSITS:

As at March 31, 2007 fixed deposits amounting to Rs0.47 crore have not been claimed by the depositors from the Company. The fixed deposits which have matured on or before March 31, 2000 but remained outstanding since then have been transferred to the Investor Education & Protection Fund as required under Section 205 C of the Companies Act, 1956.

INFORMATION REGARDING CONSERVATION OF ENERGY ETC, EMPLOYEES AND SUBSIDIARIES

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, form part of this Report. However, as per the provisions of Section 219(1)(b)(iv), the Report and Accounts are being sent to all shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo and the statement of particulars of employees. Any shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

The Company has five wholly owned subsidiaries namely, Ameer Trading Corporation Limited, Atul Deutschland GmbH, Atul Americas Inc., Atul Europe Limited and Atul International Trading (Shanghai) Co. Ltd. The Company has got exemption from attaching the details as provided under Section 212(1) of the Companies Act, 1956 in respect of the subsidiaries.

However, the investors may seek the copies of the annual reports and related detailed information of the subsidiaries by writing to the Company Secretary at the registered office of the Company.

RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) such accounting policies have been selected and applied consistently and such judgements and estimates have been made as are reasonable

and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2007 and of the profit of the Company for the year ended on that date.

- (iii) 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 for preventing and detecting fraud and other irregularities; and
- (iv) the attached annual accounts for the year ended March 31, 2007 have been prepared on a going concern basis.

AUDITORS AND AUDITORS' REPORT:

Dalal & Shah, the Auditors of the Company, will retire at the conclusion of the ensuing Annual General Meeting. They have given their consent to continue to act as Auditors of the Company for the current year, if reappointed. Members are requested to reappoint them and fix their remuneration.

The relevant notes forming part of the accounts are self-explanatory and give full information and explanation in respect of the observations made by the Auditors in their Report.

ACKNOWLEDGEMENT:

The directors express their sincere thanks to all customers, employees, lenders and suppliers for their continuing support.

For and on behalf of the Board of Directors

Arvind N Lalbhai
Chairman

June 29, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The sales grew from Rs814 crs to Rs895 crs, a rise of 10%. However, the PBT from operations dropped from Rs32.9 crs to Rs31.4 crs.

Domestic sales grew by 7% whereas export by 13%. The fixed costs were stable. The net cash-flow from operations improved from Rs2680 lacs to Rs7326 lacs mainly on account of significant inventory reduction, particularly in the Colors Division.

The Company expanded the capacities of a few plants. It added new products to its range. A major project was undertaken by the Polymers Division to expand the capacities of Epoxy Resins. The process of seeking new customers, improving productivity and the induction of new managers at various levels continued.

The high input costs, mainly on account of the oil prices, continued to impact the bottom line adversely. To guard against the impact of FTA against Thailand, the Company represented to the Government successfully and secured some relief in the import duty on the corresponding raw materials.

Industry structure and developments

The 300 + products manufactured by the Company are mainly used by Agriculture Industry, Fragrance & Flavours Industry, Tyre Industry, Textile Industry, Paper Industry, Pharmaceutical Industry, Aerospace Industry, Construction Industry, Paints Industry and others.

Generally, many products belonging to Chemical Industry are shifting to Asia, particularly China and India. The base of some of the user industries is also shifting to Asia. Such changes are posing pressure on prices, but are also providing new growth possibilities.

Review of operations

Agrochemicals (AG) and Colours (CO) showed decline in their contributions and profitability. Contributions came down, on account of pressure on selling prices and input cost increase. The redeeming feature of the CO business was a significant reduction in working capital as a result of a very special focus.

The performance of Aromatics improved substantially on the back of further growth in volume and better efficiencies. In case of Bulk Chemicals & Intermediates the growth in volume helped neutralize the adverse impact of prices. Pharma Intermediates remained steady on account of continued technology related issues on the new investment. The performance of Polymers improved due to introduction of value added products and greater geographical reach.

The Company continued with its endeavour to seek global leadership in chosen products in volume, manufacturing efficiency and employee productivity. Certain organizational changes were made in line with the emerging requirements. It continued the thrust to improve its environment protection facilities.

Opportunities and threats

The user industries, generally, are growing well. The existing products of the Company as also the proposed products are expected to find ready market. Many products in developed countries are now being sourced from China and India and the Company has taken several steps to seize these opportunities.

The appreciation of Rupee is causing significant erosion to the sales value and margins for the Company as exports forms a huge part of our sales. While all possible steps are taken to hedge against the risks, the residual risks and the level of uncertainty are threats to the profitability of the operations.

Prices of finished products are likely to remain under pressure. Prices of raw materials may go up as many of them are based on crude oil. The Company is constantly taking up improvement projects to mitigate the impact of such movements in prices.

Risks and concerns

The Company is in the business of chemicals; prices of some of these chemicals are cyclical and remain low for long periods. Its exports which is currently a little over 50% of its sales (and the % may rise further) has the inherent risk of fluctuations in the exchange rates.

The Company has large manufacturing facilities. Some of the plants are obsolete and will require new technologies and fresh investments to upgrade. Introduction of new technologies may not always be immediately successful which in turn may impact the ROCE of the Company.

The Company has been more than 50 years in business. It is endeavouring and is confident to face the threats and manage risks successfully. It is strengthening its management through recruitment and by training and development. It is reorganizing to enhance effectiveness.

Outlook

The products of Company find application in many major industries. With such industries generally growing, the future of Chemical Industry remains secure. Having taken several concrete steps for technology up gradations and productivity improvements, as also towards a more effective market presence, the Company has positioned itself well to take advantage of these opportunities and the Company therefore feels confident to achieve sustainable growth in the coming years.

The Company will further increase its global market share in its chosen products. It will debottleneck and expand its manufacturing capacities. It will introduce new value added products to increase its rate of contribution. It will also look for opportunities for synergistic acquisitions for inorganic growth.

The demand on Chemical Industry to take all actions to preserve the environment is increasing and will increase further. The Company has over the years invested heavily in creating such facilities. It is strengthening its R&D and Technology teams to play a very critical and responsible role.

The challenge lies in retaining and recruiting employees with the right attitude and skills. Empowerment of such employees, along with apposite business processes and monitoring systems will ensure sustainable growth. This is the endeavour of the Company.

Research & Development

In-house R&D efforts were aimed at developing efficient and environmentally friendly manufacturing processes in the area of speciality agrochemicals and their intermediates, fine chemicals, and high performance pigments and pigment

intermediates. Several running processes were improved with respect to yield, quality, cycle time, and waste generation. R&D work aimed at reducing effluent loads was continued. Analytical facilities were augmented by procurement of stable instruments.

Environment, Health & Safety

Our mission statement inspires us to take a Responsible Care of the environment around us and to improve the quality of life in the communities we operate in. Excellence in Environment, Health & Safety (EHS) has been extensively promoted as a corporate culture within Atul. It is our endeavor therefore, to ensure that the workplace is safe and the environment is protected at all times. Our efforts in that direction brought following recognitions from the renowned organization working in the field of safety, health and environment in the recent past:

- Greentech Foundation Industrial Safety GOLD Award in Chemical Sector for the year 2006.
- Rajiv Gandhi Memorial National Awards for Excellence in Indian Industries-2007.
- Gujarat State Shram Bhushan Award to one of our employees for the year 2006 for extensive work in safety.

We have redesigned our three tier audit system to make it more effective during 2006-07. The special drive for house-keeping and strict compliance of audit observations has further reduced rates of injury and accident over the past years. Last year several new projects have been started for which HAZOP and PSSHER was carried to develop inherent safety at the beginning stage itself. Quantitative and Qualitative Risk Assessment of the critical plants were carried out for further strengthening of safety system.

To improve our fire fighting capabilities, additional facilities with automation were added in our East and West site fire hydrant systems. Our fire services had been called on various occasions by state administration and nearby industries for help, in which our experts and fire tenders have done a commendable job. To ascertain the preparedness of the Company in case of any major emergency, we conducted an off-site emergency mock-drill in association with Valsad district administration, in which all nearby villagers, hospitals, schools, NGOs and various government departments were involved. This was apart from the regular mock-drills being conducted by Company.

Environmental Management System of the Company was up-graded for the new version of ISO 14001:2004 standards at Atul. The implementation of ISO 14001 at Aromatic Division (Ankleshwar) is close to completion. We have successfully installed and commissioned a new state of the art Incinerator to strengthen our Solid Waste Management System. This is in addition to the three incinerators the Company already has.

The other initiatives include implementations of projects to get carbon credit through Clean Development Mechanism as also gearing up for the obligations under REACH, the new EU regulation.

Social Responsibilities

Through Customer focus, innovation and excellence the Company seeks profitable growth. While doing so, the Company endeavors to uplift the lives of the poor through its rural development programs. The Company organized

free eye camps in remote tribal region covering several nearby villages. The Company organized medical diagnostic camps and blood donation camps in the villages. The Company distributed vitamin 'A' capsules to the poor children in tribal regions. "Task Force Sight & Life" of Switzerland supply these capsules every year to combat blindness amongst the tribal children. The Company conducted several skill development training classes, each of 3 months' duration with wide participation. The Company promoted a number of science education awareness courses for tribal students in association with District Science Centre, Dharampur and conducted Computer Awareness classes. The Company also started a computer Education Centre at Atul with Basic Computer Course for poor people. Shortly it will start other courses related to computer education and maintenance.

The Company undertook initiative on school building repairs/modification. The Company conducted health awareness camps for adolescent children in schools, distributed note books, slates, pencils, etc. to students of primary schools and Balwadis.

Internal Control System

The Company has in place an adequate structure of internal controls for safeguarding the assets of the Company; ensuring transactions are duly authorised, recorded, reported and are in accordance with policies; preventing possibilities of fraud or any other irregularities. The adequacy, efficiency and effectiveness of controls are independently reviewed by the internal audit department, comprising qualified professionals, as part of their audit plan. As a process of continuous improvement of controls, remedial actions on the audit observations are implemented by functional Heads. The annual audit plan is reviewed by the Audit Committee and major findings and actions taken / proposed to be taken are also reported to the Audit Committee.

Human Resources

Human Resource continues to be the focus of the Company. The Company has been able to attract professionals and retain talent in the areas of Manufacturing, Marketing, Technology and R&D.

The PMS (Performance Management System) is fine-tuned to build Performance culture.

Efforts were made to upgrade and improve skills and competencies of employees at all levels through structured Training & Development initiatives.

As a part of strategy to right-size, manpower strength was brought down by 164 to 2807.

Industrial Relations continues to be cordial.

For and on behalf of the Board of Directors

June 29, 2007

Arvind N Lalbhai
Chairman

PS: Statements in this Report of projections, estimates, expectations or predictions are based on certain assumptions. The Company cannot guarantee that these assumptions are accurate or will be realised. The actual results, performance or achievements of the Company could thus differ materially from those projected or estimated.