

BORAX MORARJI LIMITED



THIRTYNINTH ANNUAL REPORT

2002-2003

BORAX MORARJI LIMITED

DIRECTORS (AS ON 31-7-2003)	R. M. GOCULDAS, Chairman Y. C. AMIN L. N. GOCULDAS D. S. PAREKH (Alternate to L. N. Goculdas) S. K. DIWANJI B. L. GOCULDAS D. K. DOSHI H. T. KAPADIA, Managing Director
COMPANY SECRETARY	M. E. MONSERRATE
AUDITORS	K. S. AIYAR & CO.
BANKERS	STATE BANK OF INDIA DENA BANK INDIAN OVERSEAS BANK
SOLICITORS	CRAWFORD BAYLEY & CO.
REGISTERED OFFICE	Prospect Chambers, 317/21, Dr. D. N. Road, Mumbai 400 001
REGISTRARS & TRANSFER AGENTS	MCS Ltd. Venkatesh Bhavan, Plot No. 27, Road No. 11, MIDC Area, Andheri (E), Mumbai 400 093
WORKS	<p>CHEMICAL DIVISION Mahatma Gandhi Road Ambarnath 421 501 Dist. Thane Maharashtra</p> <p>TIMBER DIVISION-DTA & EOU Nedumangad Road Shenbagaraman Puthur 629 304 Dist. Kanyakumari Tamil Nadu</p> <p>WIND MILL FARM (a) 1/198 Bhadrakali Puthur Gudimangalam P.O. 642 201 Dist. Coimbatore Tamil Nadu</p> <p>(b) Thoseghar/Maloshi/Vankusawade Dist. Satara Maharashtra</p>

BORAX MORARJI LIMITED**Notice**

Notice is hereby given that the THIRTYNINTH ANNUAL GENERAL MEETING of BORAX MORARJI LIMITED will be held at the Indian Merchants' Chamber Conference Hall (Walchand Hirachand Hall), I. M. C. Marg, Churchgate, Mumbai 400 020 on Wednesday, the 10th September, 2003 at 11.30 a.m. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2003 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year ended 31st March, 2003 on the Preference Share Capital of the Company.
3. To appoint a Director in the place of Shri Bimal L. Goculdas, who retires by rotation under Article 131 of the Articles of Association and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Shri R. M. Goculdas, who retires by rotation under Article 131 of the Articles of Association and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES:

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (2) The Register of Members and Share Transfer Books of the Company will be closed from Wednesday, 27th August, 2003 to Wednesday, 10th September, 2003 (both days inclusive).
- (3) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of the Annual Report to the Meeting.
- (4) Members/Proxies should bring Attendance Slip duly completed for attending the Meeting.
- (5) Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance of the Meeting so that the answers may be made readily available at the Meeting.
- (6) Members may please note that as per the Companies (Amendment) Act, 1999, dividend which remain unpaid/unclaimed over a period of 7 years have to be transferred by the Company to the Investor Education & Protection Fund constituted by the Central Government under Sec. 205A(1) and 205C of the Companies Act, 1956 and no payments shall be made in respect of such claims by the Fund.

Shareholders who have not encashed the Dividend Warrant(s) so far for the financial year ended 31st March, 1996 or any subsequent financial years are requested to write to the Registered Office of the Company without any delay. It may be noted that the unclaimed dividend for the financial year ended 31-3-1996 is due for transfer to the Investor Education & Protection Fund during September, 2003.

Mumbai, 31st July, 2003

By Order of the Board of Directors

MARIA E. MONSERRATE
Company Secretary

Registered Office:
Prospect Chambers,
317/21, Dr. D.N. Road,
Mumbai 400 001.

Highlights of Five Years

		1998-1999 Rs. lakhs	1999-2000 Rs. lakhs	2000-01 Rs. lakhs	2001-02 Rs. lakhs	2002-03 Rs. lakhs
1. TURNOVER:						
(Excluding Excise Duty)						
Domestic Sales		6,750.22	6,010.84	5,844.69	5,410.10	4,541.18
Export Sales		169.32	79.92	173.31	165.12	193.63
Total Turnover		6,919.54	6,090.76	6,018.00	5,575.22	4,734.81
2. PROFIT/(LOSS):						
For the year before Tax		241.29	203.90	83.34	51.61	(159.41)
For the year after Tax		207.29	181.90	76.24	56.51	(114.75)
3. CAPITAL:						
Equity Capital (including Bonus & Rights Issue)		301.31	301.31	301.31	301.31	301.31
Redeemable Preference Capital*		175.00	175.00	175.00	175.00	175.00
4. RESERVES & SURPLUS:						
(Excluding Revaluation Reserve)						
Capital Reserve		15.00	35.00	35.00	35.00	35.00
Securities Premium Account		191.92	191.92	191.92	191.92	191.92
Capital Redemption Reserve		43.75	78.75	113.75	113.75	113.75
General Reserve		787.16	817.15	817.15	374.66	254.19
Profit & Loss Account		29.82	25.02	9.45	11.79	—
Total Reserves & Surplus		1,067.65	1,147.84	1,167.27	727.12	594.86
5. DIVIDEND:						
Amount on Equity Capital	Rs. lakhs	90.39	90.39	30.13	30.13	—
% of Equity Capital	%	30	30	10	10	—
Amount on Redeemable Preference Capital	Rs. lakhs	19.25	19.25	19.25	19.25	@17.50
% of Redeemable Preference Capital	%	11	11	11	11	@10

* Redeemed on 27-6-2003

@ Interim Dividend

BORAX MORARJI LIMITED**Directors' Report (including Management Discussion and Analysis Report)**

The Directors have pleasure in presenting their Thirtieth Annual Report together with the audited accounts of the Company for the year ended 31st March, 2003.

	2002-2003 Rs. in lakhs	2001-2002 Rs. in lakhs
FINANCIAL RESULTS		
Turnover	<u>5,347.39</u>	<u>6,298.21</u>
Gross Profit	21.91	219.19
Less: Depreciation	<u>181.32</u>	<u>167.58</u>
Profit/(loss) before Taxation	(159.41)	51.61
Provision for Taxation:		
Current Tax	2.00	9.10
Deferred Tax Assets	—	14.00
Reversal of Deferred Tax Liabilities	<u>46.66</u>	<u>—</u>
	(114.75)	56.51
Add: Balance brought forward from the Previous Year	11.79	9.45
" : Amount transferred from General Reserve	<u>120.46</u>	<u>—</u>
Amount available for appropriation is	<u>17.50</u>	<u>65.96</u>
Your Directors have made the following appropriations:		
(i) Proposed Dividend on Equity Shares	—	30.13
(ii) Dividend paid on 11% Cumulative Redeemable Preference Shares (@ 10% – Previous Year @ 11%)	17.50	19.25
(iii) Corporate Dividend Tax	—	1.96
(iv) Transfer to General Reserve	—	2.83
(v) Balance carried to Balance Sheet	—	11.79
	<u>17.50</u>	<u>65.96</u>
Turnover (including excise duty)		
Boron Based products	4,831.14	5,730.32
Borotik	473.44	481.59
EOU – Wooden Products	19.22	32.14
Others	23.59	54.16
	<u>5,347.39</u>	<u>6,298.21</u>

DIVIDEND

At the Board Meeting held on 5th March, 2003, your Directors recommended an Interim Dividend of 10% [out of General Reserve as per the Companies (Declaration of Dividend out of Reserves) Rules 1975] for the year 2002-03 on the 17,50,000 11% Cumulative Redeemable Preference Shares of Rs.10/- each (due for redemption on 27th June, 2003). Members are requested to confirm the said Interim Dividend as the final dividend.

The Directors have not recommended any Dividend on the Equity Shares for the year ended 31st March, 2003.

MANAGEMENT DISCUSSION & ANALYSIS**(a) Overview of operations**

Performance of the Company continued to be adversely affected this year as well due to unfavourable market conditions. Because of continued stiff competition from low-priced imported Chinese and Turkish Boron products, the sale of Boron products reduced both in terms of quantity (16.28%) and value (15.69%) as compared to previous year. In this context the recent decision of the Government of India to levy anti-dumping duty on these imports is a step in the right direction. This will reduce the imports of low-priced Borax Decahydrate from China and Turkey and improve the Company's competitiveness in the market.

Due to lack of demand, performance of the Timber Division was also badly affected, and the turnover during the year dropped to Rs.511.03 lakhs against Rs.555.68 lakhs for the previous year.

Members are aware that during October, 2002, the Company sold three of its five Wind Mills in the State of Tamil Nadu as a result of which the overall income from the Wind Mill Farm during the year declined to Rs.113.05 lakhs against Rs.116.73 lakhs for the previous year. Needless to add, the units of electricity generated by the existing two Wind Mills adequately caters to the power requirements of the Timber Division of the Company.

Profit for the year, before depreciation and taxation, declined to Rs.21.91 lakhs from Rs.219.19 lakhs for the previous year mainly due to reduced turnover (by 15.10%) of Rs.5347.39 lakhs against the previous year's turnover of Rs.6298.21 lakhs. Also, the interest burden, during the year, went up by 10% to Rs.319.07 lakhs from Rs. 290.14 lakhs for the previous year. There was a marginal increase in Depreciation at Rs.181.32 lakhs against Rs.167.58 lakhs. Apart altogether from these adversities, the sale of 3 wind mills in the Tamil Nadu State in October, 2002, also accounted for a book loss of Rs.23.04 lakhs. Thus, the year ended with a loss of Rs.159.41 lakhs against the profit of Rs.51.61 lakhs for the previous year.

(b) Prospects in the Industry

Chemical Division (Boron products)

Till recently, the market for boron products is being dumped by suppliers of low-priced, imported Chinese/Turkish materials. The Union Ministry of Finance, on 10th June, 2003 has imposed an anti-dumping duty on imports of Borax Decahydrate from China and Turkey. With this, the cost of import of Chinese Boron products will be higher by Rs. 5,000/- (Rs. 2,000/- in the case of one of the importers of Turkish Boron Products) per MT. Imposition of anti-dumping duties will help the Company to compete effectively in the Boron market with beneficial results which will be reflected by the end of the current year.

During the current year, the Company expects to finalise export orders from England, Australia and South Africa for its Speciality Boron Products.

In yet another related development, the Company has been successful in its efforts since the last three years, to obtain clearance from the Environment Protection Agency (EPA) for a Wood Preservative Chemical Formulation.

Efforts to increase awareness among the farmers for use of AGRIBOR for better yields in commercial crops continue and the results are encouraging.

Timber Division

The Export Oriented Unit (EOU) of this Division has not been able to establish itself in the overseas market because of low-priced Malaysian and Sri Lankan products. However, with the recent commissioning of Board Making Plant, the Timber Division is expected to turn round and establish its place in the overseas market.

Wind Mill Farm Division

Units of electricity generated by the Wind Mill Farm in Tamil Nadu and Maharashtra are captively consumed by the Timber Division and Chemical Division respectively. Both the Wind Mill Farms, having been situated in hilly area, assure a minimum number of units of electricity to both the Timber and Chemical Division and depending on increase in the velocity of the wind in the areas generate more units of electricity.

The progress in the Chemical and Timber Divisions, as explained above, coupled with the ongoing cost effectiveness programmes, will increase the profitability of the Company in the coming years.

(c) Adequacy of Internal Controls

The Company has an independent and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, and that transactions are authorised, recorded and reported correctly. The internal control systems are supplemented by regular reviews by the management of the Company.

(d) Human Resource Development

As a matter of routine, the Company undertakes periodic review of its HR policies and encourages the best performance at all times. The Company also provides regular training to its workforce which allows employees to keep themselves abreast of the changing environment as well as develop new skills.

(e) Cautionary Statement

Certain statements in the Management's Discussion and Analysis Section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of the future performance and outlook.

BORAX MORARJI LIMITED**REDEMPTION OF PREFERENCE SHARES**

As the Members are aware, the Company had allotted, on 4th January 1998, 17,50,000 11% Cumulative Redeemable Preference Shares of Rs. 10/- each aggregating to Rs. 1,75,00,000/- on private placement basis which were redeemed on 27th June, 2003 (being the due date for redemption) out of the proceeds of the Rights Issue made on 13th June, 2003.

RIGHTS SHARES

On 13th June, 2003, the Company allotted 15,06,566 Equity Shares of Rs.10/- each, at a premium of Rs. 3/- per share, in the ratio of one Rights Share for every two Equity Shares, to those Members as on 6th March, 2003. Consequently, effective from 13th June, 2003, the Paid-up Equity Capital of your Company increased to Rs. 4,51,96,980/- from 3,01,31,320/-.

POLLUTION & SAFETY

Stringent controls and strict monitoring of liquid effluents are carried out regularly to restrict pollution to the minimum and keep it within the limits prescribed by the statutory authorities.

PUBLIC DEPOSITS

Out of deposits maturing during the year, a total amount of Rs. 4,46,000/- remained unclaimed as on 31st March, 2003 of which Rs. 3,05,000/- has since been renewed/repaid. Necessary follow-up is being made with remaining deposit holders.

DIRECTORS

The Board appointed Shri D. K. Doshi as an Additional Director effective from 1st July, 2003. As per the provisions of the Companies Act, 1956 Shri Doshi holds office upto the forthcoming Annual General Meeting. Shri Doshi does not seek appointment.

In accordance with the provisions of the Companies Act, 1956 and Article 131 of the Articles of Association of the Company, Shri Bimal L. Goculdas and Shri R. M. Goculdas retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

Observations of the Auditors in their Report to the Members

Regarding the observations of the Auditors in the Audited Accounts for the year ended 31st March, 2003, the latest position with regard thereto is as under:

Observation (g) of the Auditors

There are inordinate delays in realisation of few debtors/advances amounting to Rs. 76,13,324/-.

Although there is delay, efforts are being continued to recover/settle the dues.

Observation (h) of the Auditors

Managerial Remuneration is subject to Central Government's approval.

The Central Government has held that its approval would not be necessary if a "Remuneration Committee" as defined in Schedule XIII to the Companies Act, 1956 approves the remuneration to the Managing Director. In response thereto, the Board has constituted a "Remuneration Committee" with effect from 1st July, 2003. The said Remuneration Committee has given the necessary approval for payment of salary and perquisites to the Managing Director. Thus the matter remains resolved.

Observation (i) of the Auditors

In spite of no progress, no provision has been made for an amount of Rs. 44,43,347/- included in the Advances Recoverable which are disputed and for which various litigation and arbitration proceedings are pending.

In respect of a claim of Rs.15,09,509/- on State Trading Corporation of India Ltd., on account of Credit Notes issued by it in Company's favour, including despatch money earned, the suit in the Delhi High Court filed by the Company is pending. In respect of other claims, negotiations are in progress towards an amicable settlement.

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956 (hereinafter referred to as the "Act") your Directors confirm that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards had been followed;
- (ii) they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and of the profit or loss of the Company for the year ended 31st March, 2003;
- (iii) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they had prepared the Annual Accounts on a going concern basis.

AUDITORS

Messrs K.S. Aiyar & Co., Chartered Accountants and Statutory Auditors of the Company, retire at the forthcoming Annual General Meeting and are eligible for re-appointment. They have, under Section 224(1) of the Companies Act, 1956, furnished Certificate of their eligibility for re-appointment.

COST AUDITOR

To comply with the directive of the Government of India, Department of Company Law Affairs, Cost Audit Branch, New Delhi, the Board of Directors appointed Shri S.S. Dongare as the Cost Auditor on a remuneration of Rs. 30,000/- for the accounting year ending 31st March, 2004 for the audit of the cost accounts in respect of Boric Acid.

PARTICULARS OF EMPLOYEES

During the year ended 31st March, 2003 there was no employee within the purview of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

As per 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, the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo are set out in Annexure I to this Report.

CORPORATE GOVERNANCE

Your Company has taken adequate steps to ensure that all required provisions of Corporate Governance under the amended Listing Agreement with the Stock Exchange, Mumbai, are complied with. A separate report on Corporate Governance is sent herewith as part of the Annual Report, along with the Auditors' Certificate on compliance.

ACKNOWLEDGEMENTS

The Directors are thankful to various Government Departments, Financial Institutions, Banks and Employees for their co-operation and assistance during the year.

Mumbai,
31st July, 2003

For and on behalf of the Board of Directors
R. M. Goculdas
Chairman

BORAX MORARJI LIMITED**Annexure I****ANNEXURE TO DIRECTORS' REPORT**

Information under Section 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

I. Conservation of Energy

- | | |
|--|---|
| (a) Energy Conservation Measures taken | Implementation of measures for energy conservation is being continued |
| (b) Additional investments and proposals, if any, being implemented for reduction of consumption energy | Being studied |
| (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods | On implementation, the above measures will reduce the energy consumption in the plant |

FORM A

(Form for disclosure of particulars with respect to conservation of energy)

A. Power and Fuel Consumption

	Current Year (ended on 31-3-2003)	Previous Year (ended on 31-3-2002)
1. Electricity:		
(a) Purchased:		
Units/KWH	35,63,671	37,84,929
Total amount (Rs. lakhs)	158.39	168.56
Rate/Unit Rs.	4.44	4.45
(b) Own generation:		
(i) Through Diesel Generator:		
Units/KWH	25,348	35,759
Units per litre of Diesel Oil	2.67	2.47
Cost of Unit of Diesel Oil Rs./KWH	21.24	18.36
(ii) Through Steam Turbine/Generator:		
Units	—	—
Unit per litre of Fuel Oil/Gas	—	—
Cost/Unit Rs.	—	—
(iii) Through Wind Mill Farm:		
Units/KWH	37,10,496	37,21,232
2. Coal:		
Quantity (Tonnes) (Grade varies from A to D)	1,090	—
Total Cost (Rs. lakhs)	29.98	—
Average rate (Rs./Tonne)	2,750	—
3. Furnace Oil (Diesel Oil/LD Oil)		
Quantity (litres)	2,56,248	7,22,975
Total amount (Rs. lakhs)	26.83	68.72
Average rate (Rs./litre)	10.47	9.51
4. Others/Internal Generation:		
Quantity	—	—
Total Cost	—	—
Rate/Unit Rs.	—	—

B. Consumption per unit of production:

	Current Year (ended 31-3-2003)			Previous Year (ended 31-3-2002)		
Product:	Elec. Units (KWH)	Diesel/L.P. Oil (litre)	Coal (MT)	Elec. Units (KWH)	Diesel/L.P. Oil (litre)	Coal (MT)
Borax	115	—	—	111	—	—
Boric Acid	238	—	—	240	—	—
Boric Acid SQ	650	—	—	625	—	—
Chemically Treated Wood	268	—	—	242	—	—
EOU — Wooden Products	1,501	—	—	1,339	—	—

II. Technology Absorption**FORM B**

(See Rule 2)

(Form for disclosure of particulars with respect to Technology Absorption)

1. Specific area in which R & D carried out by the Company : After perfecting the manufacturing process for Decahydrate from Ulexite, we are trying to perfect the process for manufacturing Borax Pentahydrate from Ulexite
2. Benefits derived as a result of the above : Effective utilisation of Borax effluent for manufacture of Sodium Silico Fluoride and thereby reduce pollution
3. Future Plan of Action : Develop Boric Acid manufacturing process from Ulexite
4. Expenditure on R & D
 - (a) Capital : Rs. —
 - (b) Recurring : Rs. 45,466
 - (c) Total : Rs. 45,466
 - (d) Total R & D Expenditure as a percentage of total turnover : 0.009%

Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation
 - Palletization of finished product to save contract labour
 - Fluid bed drying of Borax Pentahydrate
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution

We have saved utilities like steam, power and water by modifying process and from byproduct produced Sodium Silica Fluoride used in Glass Industry
3. In case of imported technology (imported during the last five years, reckoned from the beginning of the financial year), following information may be furnished:

Not Applicable

 - (a) Technology imported —
 - (b) Year of Import —
 - (c) Has technology been fully absorbed? —
 - (d) If not fully absorbed, areas where this has not taken place (reasons and future plans of action) —

III. Foreign Exchange Earnings and outgo

The particulars of foreign exchange earned/utilized during the year are given on Page Nos. 34 & 35, Item No. 26 (V), (VI) and (VII) under Schedule M