

BORAX MORARJI LIMITED

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FORTY SECOND ANNUAL REPORT

2005-2006

BORAX MORARJI LIMITED

DIRECTORS	R. M. GOCULDAS, Chairman L. N. GOCULDAS D. S. PAREKH (Alternate to L. N. Goculdas) S. K. DIWANJI R. SANGHI B. L. GOCULDAS B. C. SHAH S. V. JOSHI H. T. KAPADIA, Managing Director
COMPANY SECRETARY	GANESH BADRI
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 LIMITED Harmony, 1st Floor, Sector 1, Khanda, New Panvel (W) 410 206 Dist. Raigad, Maharashtra
	<hr/> W.e.f. 1-9-2006 INTIME SPECTRUM REGISTRY LTD. C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai 400 078.
WORKS	CHEMICAL DIVISION Mahatma Gandhi Road Ambarnath 421 501 (Dist. Thane) Maharashtra
	TIMBER DIVISION Nedumangad Road Shenbagaraman Puthur 629 304 Dist. Kanyakumari Tamil Nadu
	WIND MILL FARM Thoseghar/Maloshi/Vankusawade Dist. Satara Maharashtra

BORAX MORARJI LIMITED**Notice**

Notice is hereby given that the FORTY SECOND ANNUAL GENERAL MEETING of BORAX MORARJI LIMITED will be held at the Indian Merchants' Chamber Conference Hall (Walchand Hirachand Hall), IMC Marg, Mumbai 400 020 on Tuesday, the 12th September, 2006 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend for the financial year ended 31st March, 2006.
3. To appoint a Director in the place of Mr. B. 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 Mr. 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.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass, with or without modification the following Resolution as a Special Resolution:
 "RESOLVED THAT in supersession of earlier resolution in this regard and pursuant to the provisions of Section 163 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals or permissions as may be necessary, approval of the Members of the Company be and is hereby accorded to maintain the Register of Members, the Index of Members, the Register and Index of the Debenture holders, if any, and copies of all Annual Returns prepared under Sections 159 and 160 together with the copies of certificates and documents required to be annexed thereto under Section 160 and 161 and other registers and documents as are permissible, at the office of the Company's Registrars & Transfer Agents, i.e., M/s. Intime Spectrum Registry Limited or any other Registrars & Transfer Agents appointed in lieu thereof."

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) An Explanatory Statement under Section 173(2) of the Companies Act, 1956 in respect of the Special Business under Item No. 6 is hereto annexed.
- (3) The Register of Members and Share Transfer Books of the Company will be closed from Wednesday, 30th August, 2006 to Tuesday, 12th September, 2006 (both days inclusive).
- (4) The dividend, if declared, will be paid on and from Monday, 18th September, 2006 to those members who are entitled thereto and whose names appear on the Register of Members of the Company as on 12th September, 2006. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on 29th August, 2006 as per the details furnished by the Depositories.
- (5) Members holding shares in physical form are requested to notify the Registrars & Transfer Agents of the Company of any change in their address with Postal Pin Code Number quoting their Folio Numbers. Members holding shares in electronic form may inform their respective depository participants of change in address.
- (6) 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.
- (7) Members/Proxies should bring Attendance Slip duly completed for attending the Meeting.

- (8) 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.
- (9) Members may please note that as per the Companies (Amendment) Act, 1999 dividend which remains unpaid/unclaimed over a period of 7 years has to be transferred by the Company to Investor Education & Protection Fund constituted by the Central Government under Section 205A(I) and 205C of the Companies Act, 1956 and no payments shall be made in respect of such claims by the Fund.
- (10) Shareholders who have not encashed the Dividend Warrant(s) for the financial years 1999-2000 to 2001-2002 and 2004-2005 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 31-3-1999 is due for transfer to the Investor Education & Protection Fund during September, 2006.

By Order of the Board of Directors

H. T. KAPADIA
Managing Director

Registered Office:

Prospect Chambers,
317/21, Dr. Dadabhoy Naoroji Road,
Mumbai 400 001.

21st July, 2006.

Annexure to Notice

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956.

Item No. 6

The Company has appointed M/s. Intime Spectrum Registry Limited as its Registrars & Transfer Agents in place of M/s. MCS Ltd. consequent to the divestment of Registrars and Share Transfer Business by M/s. MCS Ltd. and accordingly the Register of Members, the Index of Members, the Register and Index of Debenture holders, if any, and copies of all Annual Returns prepared under Sections 159 and 160 together with the copies of certificates and documents required to be annexed thereto under Sections 160 and 161 including all records pertaining to the shares, share transfers, etc. would be maintained by M/s. Intime Spectrum Registry Limited henceforth.

Pursuant to the provisions of Section 163 of the Companies Act, 1956, approval of the members of the Company is required to keep the said Registers, documents and records at the office of M/s. Intime Spectrum Registry Ltd. at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai-400 078 or any other Registrars & Transfer Agents appointed in lieu thereof. The Board commends the Resolution for approval by the Members.

None of the Directors is, in any way, concerned or interested in this Resolution.

By Order of the Board of Directors

H. T. KAPADIA
Managing Director

Registered Office:

Prospect Chambers,
317/21, Dr. Dadabhoy Naoroji Road,
Mumbai 400 001.

21st July, 2006.

BORAX MORARJI LIMITED

**DETAILS OF DIRECTORS SEEKING REAPPOINTMENT AT THE
FORTHCOMING ANNUAL GENERAL MEETING
(PURSUANT TO CLAUSE 49 OF LISTING AGREEMENT)**

Name of the Director	<ul style="list-style-type: none"> • Mr. B. L. Goculdas 	<ul style="list-style-type: none"> • Mr. R. M. Goculdas.
Date of Birth	<ul style="list-style-type: none"> • November 8, 1968 	<ul style="list-style-type: none"> • April 9, 1917.
Date of Appointment on the Board	<ul style="list-style-type: none"> • April 1, 2000 	<ul style="list-style-type: none"> • July 1, 1979.
Qualifications/Expertise in specific functional areas	<ul style="list-style-type: none"> • B.Tech., Chemical Engineering — UDCT Mumbai. • M.S., Chemical Engineering, University of Wyoming, U.S.A. • Associated with the Company in developing Speciality Boron Products and strategic sourcing 	<ul style="list-style-type: none"> • Industrialist with very wide experience in industry, trade, commerce, corporate affairs and international trade.
Directorships held in other public companies (excluding foreign and private companies)	<ul style="list-style-type: none"> • The Dharamsi Morarji Chemical Co. Limited. (Dy. Managing Director) 	<ul style="list-style-type: none"> • The Dharamsi Morarji Chemical Co. Limited (Chairman). • DMCC Oil Terminals (Navlakhi) Ltd. (Chairman).
Memberships/Chairmanships of committees across public companies	—	<u>Chairman</u> <u>Audit Committee:</u> <ul style="list-style-type: none"> • DMCC Oil Terminals (Navlakhi) Ltd. <u>Investors Grievance/Share Transfer Committee</u> <ul style="list-style-type: none"> • DMCC Oil Terminals (Navlakhi) Ltd. • The Dharamsi Morarji Chemical Co. Limited.
Shareholding	<ul style="list-style-type: none"> • 2,500 Equity Shares 	<ul style="list-style-type: none"> • 21,70,117 Equity Shares.

The Last Five Years

		2001-02 Rs. lakhs	2002-03 Rs. lakhs	2003-04 Rs. lakhs	2004-05 Rs. lakhs	2005-06 Rs. lakhs
1. TURNOVER: (Excluding Excise Duty)						
Domestic Sales		5,410.10	4,541.18	4,411.48	4,454.45	4,616.92
Export Sales		165.12	193.63	178.34	381.33	571.29
Total Turnover		5,575.22	4,734.81	4,589.82	4,835.78	5,188.21
2. PROFIT/(LOSS):						
For the year before Tax		51.61	(159.41)	(219.79)	182.51	277.74
For the year after Tax		56.51	(114.75)	(146.43)	135.81	191.63
3. CAPITAL:						
Equity Capital (including Bonus & Rights Issue)		301.31	301.31	451.97	451.97	451.97
Redeemable Preference Capital		175.00	175.00	—	—	—
4. RESERVES & SURPLUS: (Excluding Revaluation Reserve)						
Capital Reserve		35.00	35.00	35.00	35.00	35.00
Share Premium Account		191.92	191.92	222.45	222.45	222.45
Capital Redemption Reserve		113.75	113.75	—	—	—
General Reserve		374.66	254.19	213.78	263.78	358.78
Profit & Loss Account		11.79	—	—	16.32	20.18
Total Reserves & Surplus		727.12	594.86	471.23	537.55	636.41
5. DIVIDEND:						
Amount on Equity Capital	Rs. lakhs	30.13	—	—	63.28	81.36*
% of Equity Capital	%	10	—	—	14	18*
Amount on Redeemable Preference Capital	Rs. lakhs	19.25	17.50	6.34@	—	—
% of Redeemable Preference Capital	%	11	10	@	—	—

* Proposed dividend.

@ Pro-rata dividend paid on redemption of preference shares on 27th June, 2003.

Directors' Report (including Management Discussion and Analysis Report)

The Directors have pleasure in presenting their Forty Second Annual Report together with the audited accounts of the Company for the year ended 31st March, 2006.

	2005-2006 Rs. in lakhs	2004-2005 Rs. in lakhs
FINANCIAL RESULTS		
Turnover	5,835.34	5,442.25
Gross Profit	444.91	354.50
Less: Depreciation	167.17	171.99
Profit before Taxation	277.74	182.51
Provision for Taxation:		
Current Tax	110.35	57.50
Fringe Benefit Tax	5.08	—
Reversal of Deferred Tax Liabilities	(29.32)	(10.80)
Profit after Tax	191.63	135.81
Add:		
(a) Balance brought forward from Previous Year	16.32	Nil
(b) Excess tax provision of earlier years written back	—	2.66
Amount available for appropriation	207.95	138.47
Your Directors have made the following appropriations:		
(i) Proposed Dividend	81.36	63.28
(ii) Corporate Dividend Tax	11.41	8.87
(iii) Transfer to General Reserve	95.00	50.00
(iv) Balance carried to Balance Sheet	20.18	16.32
	207.95	138.47
Turnover (including excise duty)		
Boron Based products	5,293.00	4,810.18
Borotik	334.18	418.18
Others	208.16	213.89
	5,835.34	5,442.25

DIVIDEND

Taking note of the improved performance and current trends, the Directors recommend declaration of an increased dividend at Rs. 1.80 per share on 45,19,698 Equity Shares of Rs. 10/- each equivalent to a rate of 18% for the financial year ended 31st March, 2006 (Previous Year – 14%) which if approved at the forthcoming Annual General Meeting will be paid to those whose names appear:

- as Beneficial Owners at the end of the business hours on 29th August, 2006 as per the list to be furnished by the National Securities Depository Ltd. and the Central Depository Services (India) Ltd. in respect of the Equity Shares held in electronic form; and
- as Shareholders in the Register of Members of the Company after giving effect to all valid transfers in physical form lodged with the Company on or before 30th August, 2006.

MANAGEMENT DISCUSSION & ANALYSIS

(a) Overview of operations

During the year, the Chemical Division continued its improved performance with increased sales in terms of both volume and value. The sale of Boron based products during the year went up by 13% to 14247 MT from 12570 MT for the previous year while in terms of value the increase works out to 10.5% at Rs. 4,646.33 lakhs (net of excise) against Rs. 4,204.73 lakhs for 2004-2005. There was substantial growth by 50% in the exports, mainly because of stable demand for the Company's Speciality Boron Chemicals and accordingly, the exports during the year jumped to Rs. 571.29 lakhs

from Rs. 381.33 lakhs for the previous year. The improved performance, coupled with cost reduction measures during the year, enabled the Company to improve its operating profit by 52% to reach Rs. 277.74 lakhs, including Rs. 35.53 lakhs being profit on sale of investments, from Rs. 182.51 lakhs for the previous year.

But for the complete stoppage of both production and sales of the Chemical Division for about 10 days due to flood caused by heavy rains on 26th and 27th July, 2005, the performance for the year would have been still better.

Apart from the said suspension of operations, the stocks of raw-materials and finished products stored in the factory were washed away by the flood waters. The Insurance Company settled the amount as claimed by the Company.

During the year, gross interest cost declined by about 10% to Rs. 202.84 lakhs from Rs. 222.27 lakhs for the previous year mainly because of repayment of term loans supported by better sales recovery.

Provision for taxation (including provision for Fringe Benefit Tax) for the year worked out to Rs. 115.42 lakhs (Previous year – Rs. 57.50 lakhs). The company has reversed the deferred tax liability of Rs. 29.32 lakhs during the year against Rs. 10.80 lakhs for the previous year.

After adding Rs. 16.32 lakhs being balance brought from the previous year, the profit available for appropriation for the year increased by about 50% to Rs. 207.95 lakhs from Rs. 138.47 lakhs for the previous year.

Regarding performance of the Timber Division during the year, although the sales turnover decreased to Rs. 364.62 lakhs from Rs. 444.04 lakhs for the previous year, the Company was able to bring down the loss for the year to Rs. 3.56 lakhs from Rs. 65.15 lakhs for the previous year on account of reduced raw-material cost coupled with stringent cost control measures adopted by the Company.

As regards performance of the Wind Mill Farm during the year, generation of electricity was adversely affected due to the flood caused by heavy down pour on 26th and 27th July, 2005. Moreover, there was complete stoppage of generation of electricity from one of the Wind Turbine Generators (WTGs) due to complete break down. Consequently, 14,59,748 units of electricity were generated during the year against 21,82,918 units for the previous year.

(b) Prospects in the Industry

Chemical Division (Boron products)

It is gratifying to note that the growth trend particularly that of the Speciality Boron Chemicals manufactured by the Company continues. The growth has been broad based both in terms of product range and market territories. Response from the Company's overseas customers to the Speciality Boron Chemicals manufactured by the Company has been encouraging.

In the context of the said emerging momentum and company's growth plans, necessary steps in connection with capacity expansion programme are being taken by the Company.

The Company is also exploring the possibilities of setting up its plants to manufacture its chemicals and allied products with an overseas base/plant location which will enable it to consolidate its share in the international markets.

Timber Division

We are revamping the operations of the Timber Division, both in terms of production and sales and expect a turn around in the near future.

Wind Mill Farm

The units of electricity generated by the Wind Mill Farm at Satara are being made use of to meet part of the electricity requirements of the Chemical Division resulting in savings on account of electricity bill.

(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. This system also complies with the suggestions of the Statutory Auditors of the Company, if any, from time to time. 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.

BORAX MORARJI LIMITED**(e) Cautionary Statement**

Certain statements in the Management 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.

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. 3,51,000/- remained unclaimed as on 31st March, 2006 of which Rs. 1,39,000/- has since been renewed/repaid. Necessary follow-up is being made with remaining deposit holders.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Article 131 of the Articles of Association of the Company, Shri B. 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

With regard to the observations of the Sr. Nos. 4(g), (h) and (i) of the Auditors in their Report to the Members on the Audited Accounts for the year ended 31st March, 2006, as explained under Note Nos. 17(a), 17(b) and 18 of Schedule M — Notes to the Accounts, the Management has taken additional steps/arrangements to recover the amount aggregating to Rs. 222.11 lakhs. During April to June, 2006, an amount of Rs. 3.57 lakhs was recovered and consequently, the aggregate outstanding amount on this account as at 30th June, 2006 stands reduced to Rs. 218.54 lakhs from Rs. 222.11 lakhs as at 31st March, 2006. As regards insurance claim of Rs. 71.65 lakhs from the Insurance Company, despite vigorous follow-up, the Insurance Company was not inclined to settle the Company's claim and therefore as advised by the Solicitors it has been decided to file complaint against the Insurance Company before the State Consumer Redressal Commission (SCRC). We expect to submit the complaint to SCRC soon.

In view of the aforesaid progress in the recovery of the said amounts, the Management considers that no provision in the Accounts in this regard is necessary.

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, 2006 and of the profit of the Company for the year ended 31st March, 2006;
- (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 Sec. 224(1) of the Companies Act, 1956, furnished Certificate of their eligibility for re-appointment.

PARTICULARS OF EMPLOYEES

During the year ended 31st March, 2006 there was no employee within the purview of Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

As per Sec. 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 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 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.

ACKNOWLEDGMENTS

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

For and on behalf of the Board of Directors

R. M. Goculdas
Chairman

Mumbai,
21st July, 2006

