

BORAX MORARJI LIMITED



FORTY THIRD ANNUAL REPORT

2006-2007

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 REGISTERED OFFICE | CRAWFORD BAYLEY & CO. Prospect Chambers, 317/21, Dr. D. N. Road, Mumbai 400 001 |
| REGISTRARS & TRANSFER AGENTS | 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 THIRD 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, 21st August, 2007 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, 2007 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, 2007.
3. To appoint a Director in the place of Shri Shishir K. Diwanji, 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 Laxmikumar N. 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(s), the following Resolution as a Special Resolution:

"RESOLVED THAT, the re-appointment of Shri Haridas T. Kapadia as the Managing Director of the Company, subject to Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, for a period of two years with effect from 1st April, 2007 made by the Board of Directors of the Company (hereinafter referred to as the "Board") vide its Resolution passed at its Meeting held on 29th March, 2007 and the remuneration payable to Shri Haridas T. Kapadia pursuant to the aforesaid Resolution as set out in the Explanatory Statement to this Notice be and is hereby approved."

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient and proper."

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

"RESOLVED THAT, pursuant to Section 309 and other applicable provisions of the Companies Act, 1956 (the Act) the Foreign Exchange Management Act, 1999 and the Articles of Association of the Company, consent of the Company be and is hereby accorded to a commission being paid to the Directors of the Company (other than Directors in the wholetime employment of the Company or the Managing Directors) at a rate not exceeding one per cent of the net profits of the Company computed in the manner laid down in Section 198 read with Sections 349 and 350 of the Act for a period not exceeding five Accounting Years of the Company commencing from 1st April, 2006 and the same shall be distributed from time to time amongst such or all the Directors in such manner as may be determined by the Remuneration Committee or any other committee of the Board of Directors or the Board of Directors, from time to time, or failing which or default thereof, in equal share absolutely."

"AND RESOLVED FURTHER THAT if any time during the aforesaid five Accounting Years commencing from 1st April, 2006, the Company does not have a Managing Director or a Wholetime Director or Manager, the commission aforesaid, shall be paid at a rate not exceeding three per cent of the net profits of the Company computed distributed or paid for the period and in the manner aforesaid."

"AND RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps as may be necessary or desirable to give effect to this Resolution."

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 Nos. 6 and 7 is hereto annexed.
- (3) The Register of Members and Share Transfer Books of the Company will be closed from Thursday, 9th August, 2007 to Tuesday, 21st August, 2007 (both days inclusive).

- (4) The dividend, if declared, will be paid on and from Monday, 27th August, 2007 to those members who are entitled thereto and whose names appear on the Register of Members of the Company as on 21st August, 2007. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on 8th August, 2007 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 and bank account details.
- (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 to Investor Education & Protection Fund constituted by the Central Government under Sec. 205A(l) and 205C of the Companies Act, 1956 and no payments shall be made in respect of such claims by the Fund. It may be noted that the unclaimed dividend for the financial year ended 31-3-2001 is due for transfer to the Investor Education & Protection Fund.
- (10) Shareholders who have not encashed the Dividend Warrant(s) for the financial years 2000-2001, 2001-2002, 2004-2005 and 2005-2006 are requested to write to the Registered Office of the Company without any delay.



By Order of the Board of Directors

H. T. KAPADIA
Managing Director

Registered Office:

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

29th June, 2007

BORAX MORARJI LIMITED**Annexure to Notice**

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

Item No. 6

At the Forty-first Annual General Meeting of the Company held on 21st September, 2005, the Shareholders had approved re-appointment of Shri Haridas T. Kapadia as the Managing Director of the Company for a period of two years from 1st April, 2005. The term of appointment of Shri Kapadia expired on 31st March, 2007.

At a meeting of the Board of Directors held on 29th March, 2007, the Board of Directors ("the Board") subject to the approval of the shareholders by way of Special Resolution, re-appointed Shri Haridas T. Kapadia as the Managing Director of the Company for a period of 2 (two) years from 1st April, 2007.

The main terms of appointment, remuneration, perquisites, etc. of Shri Haridas T. Kapadia as Managing Director which are subject to the approval of the Members of the Company are as under:

Term

Period of Appointment : 2 (two) years effective from 1st April, 2007 subject to earlier termination either by the Company or by him by three months' notice.

Salary

Rs. 80,000/- per month which may be revised to such other sum not exceeding Rs. 85,000/- per month as may be fixed from time to time by the Board of Directors of the Company.

Perquisites

In addition to the salary, Shri Haridas T. Kapadia will be allowed perquisites as specified below, monetary value of which shall be restricted to the ceiling laid down by the Central Government.

Category "A"

- (i) (a) *Housing* – Furnished residential accommodation, the Company paying all rents, taxes and other expenses for the upkeep and maintenance of such accommodation or house rent allowance in lieu thereof not exceeding 60% of the salary;
- (b) Expenditure on electricity, water, gas and furnishings at the residence to be borne by the Company.
- (ii) *Medical benefits for self and spouse* – Reimbursement of medical expenses actually incurred and reimbursement of premium paid on mediclaim policy, the total cost of which to the Company shall not exceed one month's salary or two months' salary in a block of two years.
- (iii) A personal accident insurance policy for his own benefit at the cost of the Company the premium of which shall not exceed Rs. 4,000/- per annum.
- (iv) *Leave Travel Concession* – Actual fares, rail or air, for self and spouse once a year to and from any place in India.
- (v) Fees of Clubs, subject to maximum of two clubs, provided that no life membership fee or admission fee is paid.

Category "B"

- (i) Company's contribution to Provident Fund/Superannuation Fund, provided that such contribution shall not exceed the limits laid down under the Income Tax Act, 1961.
- (ii) Gratuity payable at the rate not exceeding half month's salary for each completed year of service.

Category "C"

- (i) A car with driver for use for the business of the Company and for his personal use. For personal use of the car, the Company will bill the Managing Director.
- (ii) Telephone at residence: All charges including rental and call charges for the telephone at residence being paid by the Company in full. For personal long distance calls, the Company will bill the Managing Director.

Car with driver for use of Company's business and telephone at residence shall not be considered as perquisites.

The Managing Director shall further be entitled to:

- (i) Reimbursement of entertainment expenses incurred in the course of the Company's business not exceeding Rs. 20,000/- per annum;

- (ii) Leave with salary, allowance and other benefits as per the Rules of the Company. Privilege Leave not exceeding one month a year or 1/11th of duty period and he will be entitled to encash the leave but not availed at the end of the tenure of service.

The monetary value of the perquisites will be evaluated as per the Income Tax Rules and be subjected to such ceiling as may be prescribed by the Central Government.

In the event of loss or inadequacy of profits in any year, the remuneration and perquisites will be paid in accordance with Schedule XIII to the Companies Act, 1956 as amended from time to time.

The above salary and perquisites will be subject to the provisions of Sections 198, 309 and 349 of the Companies Act, 1956.

In view of Shri Kapadia's long association with the Company, it would be beneficial for the Company to continue to avail his services. Accordingly the Directors recommend the Resolution.

This may be treated as an abstract of the terms of his appointment under Sec. 302 of the Companies Act, 1956.

None of the Directors except Shri H. T. Kapadia is concerned or interested in the aforesaid resolution.

Item No. 7

At the Annual General Meeting of the Company held on 21st August, 1997, the Shareholders had approved the payment of remuneration by way of commission to the Directors of the Company (other than Directors in the whole time employment of the Company or the Managing Directors) at a rate not exceeding 1% of the net profits of the Company computed in the manner laid down under the relevant provisions of the Companies Act, 1956 (the Act) for a period of five years effective from 30th August, 1997.

At the aforesaid Annual General Meeting, the Shareholders also approved that at any time during the period of five years commencing from 30th August, 1997 the Company does not having a Managing Director/Wholetime Director/Manager the above commission shall be paid at a rate not exceeding three per cent of the Net Profits of the Company.

Pursuant to the above approvals the Directors received remuneration for the years 1997-1998 to 1999-2000. For the years 2000-2001 to 2005-2006, due to loss/inadequacy of profits the Directors did not receive any commission.

Your Directors continue to devote lot of their time and efforts towards the affairs of the Company and as a result thereof during the year 2006-2007, the Company could achieve a Profit Before Tax of Rs. 378 lakhs.

The Company has ambitious expansion/diversification plans during the years ahead which will result into better working results.

Considering the ever increasing duties and responsibilities of the Directors, it is proposed to remunerate them by way of commission at one per cent of the net profits of the Company as computed in accordance with the provisions of the Companies Act, 1956 and in the absence of managerial personnel it will be desirable that they be paid commission at the rate not exceeding three per cent of the net profits of the Company as provided in Section 309 of the Companies Act, 1956.

Members' approval is sought for payment of commission to Directors as set out in the Resolution.

All the Directors of the Company except Shri H. T. Kapadia, Managing Director, are interested in the aforesaid resolution.

By Order of the Board of Directors

H. T. KAPADIA
Managing Director

Registered Office:

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

29th June, 2007

BORAX MORARJI LIMITED

ANNEXURE TO NOTICE DATED JUNE 29, 2007
DETAILS OF DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT
AT THE FORTHCOMING ANNUAL GENERAL MEETING
(PURSUANT TO CLAUSE 49 OF LISTING AGREEMENT)

| | | | |
|--|---|---|--|
| Name of the Director | Mr. H. T. Kapadia | Mr. S. K. Diwanji | Mr. L. N. Goculdas |
| Date of Birth | February 17, 1935 | October 23, 1939 | September 17, 1943 |
| Date of Appointment on the Board | October 18, 1988 | October 25, 1996 | February 19, 1997 |
| Qualifications/Expertise in specific functional areas | B. Sc., Dip. in Chem. Engg. Wide and varied experience of 48 years in the field of manufacturing chemicals. | LL. B., Practicing Solicitor with rich legal experience | Inter Science Industrialist with rich business experience in general. |
| Directorships held in other public Companies | The Dharamsi Morarji Chemical Co. Ltd. DMCC Oil Terminals (Navlakhi) Limited L.P. Gas Equipment Pvt. Ltd. | ABC Bearings Ltd. Amzel Automotive Ltd. Hawkins Cooker Ltd. HDFC Trustee Co. Ltd. Wearology Ltd. (formerly known as Monotona Exports Ltd.) Rohit Pulp and Paper Mills Ltd. | Cylingas Co. LLC. Dubai (Managing Director) Falcon Chemicals LLC, Dubai DMCC Oil Terminals (Navlakhi) Ltd. |
| Memberships/ chairmanships of Committees across public companies | <i>Audit Committee</i> The Dharamsi Morarji Chemical Co. Ltd. DMCC Oil Terminals (Navlakhi) Limited | <i>Audit Committee</i> ABC Bearings Ltd. Hawkins Cooker Ltd. HDFC Trustee Co. Ltd. <i>Shareholders Grievance Committee</i> Hawkins Cooker Ltd. <i>Remuneration Committee</i> HDFC Trustee Co. Ltd. | <i>Audit Committee</i> The Dharamsi Morarji Chemical Co. Ltd. |
| Shareholding | 15,064 | NIL | 2,25,830 |

The Last Five Years

| | 2002-03 Rs. Lakhs | 2003-04 Rs. Lakhs | 2004-05 Rs. Lakhs | 2005-06 Rs. Lakhs | 2006-07 Rs. Lakhs |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| 1. TURNOVER: (Excluding Excise Duty) | | | | | |
| Domestic Sales | 4,541.18 | 4,411.48 | 4,454.45 | 4,616.92 | 5,504.37 |
| Export Sales | 193.63 | 178.34 | 381.33 | 571.29 | 525.21 |
| Total Turnover | 4,734.81 | 4,589.82 | 4,835.78 | 5,188.21 | 6,029.58 |
| 2. PROFIT/(LOSS): | | | | | |
| For the year before Tax | (159.41) | (219.79) | 182.51 | 277.74 | 377.81 |
| For the year after Tax | (114.75) | (146.43) | 135.81 | 191.63 | 242.83 |
| 3. CAPITAL: | | | | | |
| Equity Capital (including Bonus & Rights Issue) | 301.31 | 451.97 | 451.97 | 451.97 | 451.97 |
| Redeemable Preference Capital | 175.00 | — | — | — | — |
| 4. RESERVES & SURPLUS: (Excluding Revaluation Reserves) | | | | | |
| Capital Reserve | 35.00 | 35.00 | 35.00 | 35.00 | 35.00 |
| Share Premium Account | 191.92 | 222.45 | 222.45 | 222.45 | 222.45 |
| Capital Redemption Reserve | 113.75 | — | — | — | — |
| General Reserve | 254.19 | 213.78 | 263.78 | 358.78 | 441.79 |
| Profit & Loss Account | — | — | 16.32 | 20.18 | 36.67 |
| Total Reserves & Surplus | 594.86 | 471.23 | 537.55 | 636.41 | 735.91 |
| 5. DIVIDEND: | | | | | |
| Amount on Equity Capital | Rs. Lakhs | — | — | 63.28 | 81.36 |
| % of Equity Capital | % | — | — | 14 | 18 |
| Amount on Redeemable Preference Capital | Rs. Lakhs | 17.50 | 6.34 [@] | — | — |
| % of Redeemable Preference Capital | % | 10 | @ | — | — |

* Proposed dividend.

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

BORAX MORARJI LIMITED

Directors' Report (including Management Discussion and Analysis Report)

The Directors have pleasure in presenting their Forty Third Annual Report together with the audited accounts of the Company for the year ended 31st March, 2007.

| | 2006-2007 Rs. in lakhs | 2005-2006 Rs. in lakhs |
|--|---------------------------|---------------------------|
| FINANCIAL RESULTS | | |
| Turnover | <u>6,865.92</u> | <u>5,871.24</u> |
| Gross Profit | 554.27 | 444.91 |
| Less: Depreciation | 176.46 | 167.17 |
| Profit before Taxation | <u>377.81</u> | 277.74 |
| Provision for Taxation | | |
| Current Tax | 148.00 | 110.35 |
| Fringe Benefit Tax | 4.90 | 5.08 |
| Deferred Tax | (17.92) | (29.32) |
| Profit after Tax | <u>242.83</u> | 191.63 |
| Add: Balance brought forward from Previous Year | 20.18 | 16.32 |
| Amount available for appropriation | <u>263.01</u> | <u>207.95</u> |
| Your Directors have made the following appropriations: | | |
| (i) Proposed Dividend | 99.43 | 81.36 |
| (ii) Corporate Dividend Tax | 16.90 | 11.41 |
| (iii) Transfer to General Reserve | 110.00 | 95.00 |
| (iv) Balance carried to Balance Sheet | 36.68 | 20.18 |
| | <u>263.01</u> | <u>207.95</u> |
| Turnover (including excise duty) | | |
| Boron Based products | 6,475.69 | 5,293.32 |
| Borotik | 277.65 | 334.18 |
| Wind Mill Farm | 44.16 | 35.58 |
| Others | 68.42 | 208.16 |
| | <u>6,865.92</u> | <u>5,871.24</u> |

DIVIDEND

Performance of the Company improved during the year and taking note of the same and the current trends, the Directors recommend declaration of an increased dividend of Rs. 2.20 per share on 45,19,698 Equity Shares of Rs. 10/- each equivalent to a rate of 22% for the financial year ended 31st March, 2007 (Previous Year – 18%) which if approved at the forthcoming Annual General Meeting will be paid to those whose names appear:

- (i) as Beneficial Owners at the end of the business hours on 8th August, 2007 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;
- (ii) 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 9th August, 2007.

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 products during the year went up by 22.88% to 17507 MT from 14247 MT for the previous year

while in terms of value the increase works out to 22.34% at Rs. 6,475.69 lakhs against Rs. 5,293.32 lakhs for 2005-2006. The Company's speciality Boron Products are in demand in developed countries, like USA, Australia, UK and other European countries. We are trying to explore this market further.

The gross profit before depreciation and taxation jumped by 25% to Rs. 554.27 lakhs from Rs. 444.91 lakhs for the previous year. After providing Rs. 176.46 lakhs for Depreciation (Previous Year – Rs. 167.17 lakhs), the profit before taxation for the year increased by 36% to Rs. 377.81 lakhs. This is the highest ever pre-tax profit achieved by the Company since its inception in 1963.

Provision for Taxation (including provision for Fringe Benefit Tax) for the year worked out to Rs. 152.90 lakhs against Rs. 115.43 lakhs for 2005-2006. The Company has reversed the deferred tax liability of Rs. 17.92 lakhs during the year against Rs. 29.32 lakhs for the previous year.

The net profit for the year works out to Rs. 242.83 lakhs against Rs. 191.63 lakhs for the previous year, i.e., an increase by 26.81%.

After adding Rs. 20.18 lakhs being the balance brought from the previous year, the profit available for appropriation for the year increased to Rs. 263.01 lakhs from Rs. 207.95 lakhs for the previous year.

Regarding performance of the Timber Division during the year, the sales turnover declined to Rs. 339.78 lakhs from Rs. 364.62 lakhs mainly because of non-availability of Rubber Wood consequent upon increase in the price of natural rubber, which is disincentive to the farmers to fell the trees. Besides this, there is considerable import of finished timber from South East Asian Countries, which competes with the local producers.

Performance of the Wind Mill Farm improved during the year with generation of 17,12,420 units of electricity compared to 14,59,748 units for the previous year.

(b) Prospects in the industry

Chemical Division

Established in 1963, our Company are the pioneers in India for the manufacture of Borax and Boric Acid (used mainly in glass, ceramics, tiles, textiles, paints, detergents and pharmaceuticals) with a market share of 60% in India. Over a period of the last four decades the Company has firmly established a stellar reputation for its Borax and Boric Acid with regard to quality in both domestic and international markets. Efforts towards quality improvement and cost reduction with an aim to remain steadily progressive in the market share are being continued.

The Company has also developed in its R & D Division Specialty Boron Chemicals with good export market potential like Boric Acid SQ Grade (for use in the manufacture of electrolytic capacitor, catalyst, as a reagent grade chemical), Disodium Octaborate Tetrahydrate (micronutrient in agriculture) and Zinc Borate (flame retardant chemical).

Regarding future plans, the Company plans to extend its existing facilities to manufacture products with good export potential like Specialty Boron products and organic/inorganic sulfonation products. Necessary agreements for purchase of land admeasuring 90,103 sq. mtrs. at Dahej (in Gujarat) is in progress.

As regards use of Borax as a micronutrient in agriculture, it is a well known fact that there is a lot of deficiency of Boron in Indian soil especially in coastal region. The Company has taken experimental trials on various cash crops like oil seeds, cotton, soyabean, sugarcane and many fruits and vegetables. Recently, this assignment was given to Vasantdada Sugar Institute, Pune. The Institute has conducted the trials with positive results. Increase in yield was 10-11% by applying 5-10 kgs. of Boron in soil per hectare. The Company has also got similar results in Tamil Nadu. In Gujarat, the Company conducted trials on cotton, groundnut, soyabean and other cash crops with excellent results after applying Boron as a micronutrient fertilizer. The Company expects to market at least 300/400 tonnes p.a. of this product.

The Company also plans to invest in a wind mill farm to generate 600 kW of electricity in Kutch, Gujarat, Investment in this farm is Rs. 400.00 lakhs. The units of electricity generated by this Wind Mill Farm will be sold to the Gujarat Electricity Board under a long term Power Purchase Agreement.

Our Company is committed to total customer satisfaction by offering quality products at reasonable price, followed by excellent customer service. A net work of dealers all over India, built up over last four decades, provides full support and service to customers. This has enabled the Company to maintain its share in Boron chemical market in India. Further, the Quality Management System of Chemical Division has been certified by Bureau Veritas Quality International (BVQI) to be in accordance with ISO 9001:2000 quality standards for manufacture and supply of bulk Boron chemicals and Specialty Boron Chemicals. Our Company continues to do its best to meet and exceed customer requirements with regard to quality and reliability of all its products and services through improvement in all its operations.