
BORAX MORARJI LIMITED



FORTY SEVENTH ANNUAL REPORT

2010-2011

BORAX MORARJI LIMITED

| | |
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| DIRECTORS | L. N. GOCULDAS, Chairman B. L. GOCULDAS MITIKA L. GOCULDAS D. S. PAREKH (Alternate to Mitika L. Goculdas) S. K. DIWANJI R. SANGHI S. V. JOSHI |
| CHIEF EXECUTIVE OFFICER | H. T. KAPADIA |
| COMPANY SECRETARY | DILIP S. NAGLE |
| 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 |
| WEBSITE | www.boraxmorarji.com |
| REGISTRAR & TRANSFER AGENTS | M/S. LINK INTIME INDIA PVT. LTD. (formerly Intime Spectrum Registry Ltd.) C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai 400 078 Tel. No. 022-25963838 |
| WORKS | CHEMICAL DIVISION Mahatma Gandhi Road Ambarnath 421 501, (Dist. Thane) Maharashtra Tel. No. 0251 2682271/72 WIND MILL FARMS 1. Thoseghar/Maloshi/Vankusawade Dist. Satara, Maharashtra 2. Nani Sindhodi Kutch, Gujarat |

Notice

Notice is hereby given that the FORTY SEVENTH 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 Friday, the 9th September, 2011 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, 2011 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, 2011.
3. To appoint a Director in the place of Mr. L. N. 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. S. V. Joshi, 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 Mr. Haridas T. Kapadia, as the Chief Executive Officer & Manager of the Company, subject to the provisions of Sections 198, 269, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, for a period of one year with effect from 1st April, 2011 made by the Board of Directors of the Company (hereinafter referred to as the “Board”) vide its resolution passed at its meeting held on 31st January, 2011 and the remuneration payable to Mr. 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 wholtime employment of the Company or the Managing Directors) at a rate not exceeding one percent of the net profits of the Company computed in the manner laid down in Section 198 read with Section 349 and 350 of the Act for a period not exceeding five Accounting Years of the Company commencing from 1st April, 2011 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.”

“FURTHER RESOLVED THAT if any time during the aforesaid five Accounting Years commencing from 1st April, 2011, the Company does not have a Managing Director or a Wholtime Director or Manager, the commission aforesaid, shall be paid at a rate not exceeding three percent of the net profits of the Company computed or paid for the period and in the manner aforesaid.”

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

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

“RESOLVED THAT in supersession of the Resolution passed at the Twenty-sixth Annual General Meeting held on 20th September, 1990, and in pursuance of the provisions of Section 293(1)(a) and (d) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors borrowing from time to time such sum of money not exceeding ₹ 30,00,00,000/- (Rupees thirty crores only) for the purposes of the Company’s business on such terms and conditions as they may think fit, with or without security, notwithstanding that the monies borrowed together with the monies already borrowed by the Company (excluding temporary loans obtained from the Company’s Bankers in the ordinary course of business) exceed the aggregate of the paid-up Capital and free reserves, that is to say, reserves not set apart for any specific purpose.”

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 Friday, 26th August, 2011 to 9th September, 2011 (both days inclusive)
- (4) The dividend, if declared, will be paid on and from 19th September, 2011 to those Members who are entitled thereto and whose names appear on the Register of Members of the Company as on 25th August, 2011. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on 25th August, 2011 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) Shareholders who have not encashed the Dividend Warrant(s) for the financial years 2004-2005, 2005-2006, 2006-2007, 2007- 2008, 2008-2009 and 2009-2010 are requested to write to the Registered Office of the Company without any delay.

By Order of the Board of Directors

(Dilip S. Nagle)
Company Secretary

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

Date: 23rd July, 2011.

Annexure to Notice

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

Item No. 6:

At the Forty-sixth Annual General Meeting of the Company held on 3rd September, 2010, the Shareholders had approved re-appointment of Mr. Haridas T. Kapadia as the Chief Executive Officer & Manager [as defined in Sec. 2(24) of the Companies Act, 1956 (hereinafter referred to as the "CEO")] of the Company, for a period of one year from 1st April, 2010 to 31st March, 2011.

In order that the Company continues to avail of the benefit of experience of Mr. H. T. Kapadia, having been associated with the Company for more than 2 decades, the Board, at its meeting held on 31st January, 2011, re-appointed, Mr. H. T. Kapadia as the Chief Executive Officer & Manager [as defined in Sec. 2(24) of the Companies Act, 1956 (hereinafter referred to as the "CEO")] of the Company, subject to the approval of the Shareholders at the forthcoming Annual General Meeting of the Company on 9th September, 2011, for a period of 1 (one) year from 1st April, 2011.

Mr. Kapadia shall be in charge of the management of the affairs of the Company subject to the superintendence, control and direction of the Board of Directors.

Subject to the provisions of Section 198 of the Companies Act, 1956, the remuneration and other terms and conditions relating to the appointment of Mr. H. T. Kapadia which are subject to the approval of the Members of the Company are as under:

Term:

Period of re-appointment: 1 (one) year effective from 1st April, 2011 subject to earlier termination by the Company or by him by three months' notice.

(a) Salary:

₹ 85,000/- per month.

(b) Perquisites:

In addition to the above, he will be entitled to the following perquisites, monetary value of which shall not exceed his annual salary.

Category "A"

(A) (i) House rent allowance of ₹ 30,000/- per month.

(ii) Expenditure on electricity, water, gas and furnishings at the residence to be borne by the Company.

(B) 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 in the year shall not exceed one month's salary.

A personal accident insurance policy for his own benefit at the cost of the Company the premium of which shall not exceed ₹ 4,000/- in the year.

(C) Leave Travel Concession: Actual fares, rail or air, for self and spouse once during the year to and fro from any place in India.

(D) Fees of Clubs, subject to maximum of two clubs, provided that no life membership fee or admission fee is paid.

Category "B"

(A) Company's contribution to Provident Fund shall not exceed the limit laid down under the Income Tax Act, 1961;

(B) Gratuity payable at the rate not exceeding half month's salary for the completed year of service.

Category "C"

(A) A car with driver for use of the Company's business and for his personal use. For personal use of the car, the Company will bill him.

(B) 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 him.

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

He will further be entitled to:

- (a) Reimbursement of entertainment expenses incurred in the course of the Company's business not exceeding ₹ 20,000/- in the year.
- (b) Leave with salary, allowance and other benefits as per the Rules of the Company. Privilege leave not exceeding one month in the year or 1/11th of duty period and he will be entitled to encash the leave as per the Rules of the Company.
- (c) 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.
- (d) In the event of loss or inadequacy of profits in the year, the remuneration and perquisites will be paid in accordance with Schedule XIII of the Companies Act, 1956 as amended from time to time.
- (e) The above salary and perquisites will be subject to the provisions of Sections 198, 269, and other applicable provision and Schedule XIII of the Companies Act, 1956.

In view of Mr. 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.

None of the Directors of the Company is concerned or interested in the aforesaid resolution.

Item No. 7:

At the 43rd Annual General Meeting of the Company held on 21st August, 2007, 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 1st April, 2006.

At the aforesaid Annual General Meeting, the Shareholders also approved that any time during the period of five years commencing from 1st April, 2006 the Company does not have a Managing Director/Wholetime Director/Manager the above commission shall be paid at a rate not exceeding three percent of the Net Profits of the Company.

Approval of the Members is sought to pay the commission on the same lines for the further period of five years commencing from 1st April, 2011.

All the Directors of the Company are interested in the aforesaid Resolution.

Item No. 8:

At the Twenty-sixth Annual General Meeting of the Company held on 20th September, 1990, the Board of Directors was authorized to borrow for the purposes of the business of the Company a sum not exceeding ₹ 20,00,00,000/- excluding temporary loans obtained from the Bankers in the ordinary course of business.

Company has undertaken project at Dahej timely implementation of which will need support of short term funding. The present limit upto which the Directors are empowered to borrow would therefore, need an upward revision. Hence the Resolution at item no. 8 seeking consent of the Members to empower the Board of Directors to borrow for the purpose of the Company's business, in excess of the paid-up Capital and free reserves upto a limit of ₹ 30,00,00,000/- excluding temporary loans obtained from the Bankers in the ordinary course of business.

By Order of the Board of Directors

(Dilip S. Nagle)
Company Secretary

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

Date: 23rd July, 2011.

The Last Five Years

| | 2006-07 ₹ Lakhs | 2007-08 ₹ Lakhs | 2008-09 ₹ Lakhs | 2009-10 ₹ Lakhs | 2010-11 ₹ Lakhs | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|---------------|
| 1. TURNOVER: (Excluding Excise Duty) | | | | | | |
| Domestic Sales | 5,504.37 | 7,374.21 | 6,842.18 | 6,555.22 | 6,966.26 | |
| Export Sales | 525.21 | 545.36 | 478.44 | 324.07 | 326.57 | |
| Total Turnover | 6,029.58 | 7,919.57 | 7,320.62 | 6,879.29 | 7,292.83 | |
| 2. PROFIT/(LOSS): | | | | | | |
| For the year Before Tax | 377.81 | 584.34 | 528.62 | 384.30 | 207.54 | |
| For the year After Tax | 242.83 | 375.75 | 388.78 | 259.33 | 137.19 | |
| 3. CAPITAL: | | | | | | |
| Equity Capital (Including Bonus & Rights Issue) | 451.97 | 451.97 | 451.97 | 451.97 | 451.97 | |
| Redeemable Preference Capital | — | — | — | — | — | |
| 4. RESERVES & SURPLUS: (Excluding Revaluation Reserves) | | | | | | |
| Capital Reserve | 35.00 | 35.00 | 25.00 | 25.00 | 25.00 | |
| Share Premium Account | 222.45 | 70.38# | 70.38# | 70.38# | 70.38# | |
| General Reserve | 441.79 | 616.79 | 666.79 | 696.79 | 711.79 | |
| Profit & Loss Account | 36.67 | 76.99 | 234.21 | 330.35 | 373.74 | |
| Total Reserves & Surplus | 735.91 | 799.15 | 996.38 | 1,122.52 | 1,180.91 | |
| 5. DIVIDEND: | | | | | | |
| Amount on Equity Capital | ₹ Lakhs | 99.43 | 158.19 | 158.19 | 112.99 | 67.80* |
| % of Equity Capital | % | 22 | 35 | 35 | 25 | 15* |

* Proposed dividend.

After adjustment for diminution in value of investment in shares.

Directors' Report (including Management Discussion and Analysis Report)

The Directors are pleased to present the Forty Seventh Annual Report together with the audited accounts of the Company for the year ended 31st March, 2011.

| | 2010-2011 ₹ in lakhs | 2009-2010 ₹ in lakhs |
|---|-------------------------|-------------------------|
| FINANCIAL RESULTS | | |
| Turnover (Excluding Excise Duty)/Income from operations | <u>7400.40</u> | <u>6977.46</u> |
| Gross profit | 408.33 | 594.56 |
| Less: Depreciation | <u>200.79</u> | <u>210.26</u> |
| Profit before taxation | 207.54 | 384.30 |
| Provision for Taxation | | |
| Current Tax | 99.00 | 116.59 |
| Deferred Tax | <u>(28.65)</u> | <u>8.38</u> |
| Profit after tax | 137.19 | 259.33 |
| Excess/short tax provision for earlier years written back/(written off) | — | (1.42) |
| Balance brought forward from Previous year | <u>330.35</u> | <u>234.21</u> |
| Amount available for appropriation | <u>467.54</u> | <u>492.11</u> |
| Your Directors have made the following appropriations: | | |
| (i) Proposed Dividend | 67.80 | 112.99 |
| (ii) Corporate Dividend Tax | 11.00 | 18.77 |
| (iii) Transfer to General Reserve | 15.00 | 30.00 |
| (iv) Balance carried to Balance Sheet | <u>373.74</u> | <u>330.35</u> |
| | <u>467.54</u> | <u>492.11</u> |
| Turnover (excluding Excise Duty)/Income from Operations: | | |
| Boron based products | 7,113.58 | 6,666.36 |
| Borotik | — | 7.62 |
| Wind Mill Farm | 107.57 | 98.16 |
| Others | <u>179.25</u> | <u>205.32</u> |
| Total Turnover/Income from operations | <u>7,400.40</u> | <u>6,977.46</u> |

DIVIDEND

The Directors recommend a dividend of ₹ 1.50 per Equity Share (15%) on 45,19,698 Equity Shares of ₹ 10/- each for the financial year ended 31st March, 2011 (Previous Year – ₹ 2.50 per share – 25%) 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 26th August, 2011 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 26th August, 2011.

MANAGEMENT DISCUSSION & ANALYSIS

(a) Overview of operations

The Company recorded turnover of ₹ 7,400.40 lakhs in comparison to the turnover of ₹ 6,977.46 lakhs in the previous year. During the year, there was an unprecedented increase in the prices of imported raw materials, which has adversely impacted the performance of the Company. In addition, increased cost of power and fuel along with increased employee cost due to settlement of long pending union agreement, also affected performance.

During the year under review, performance of Wind Mill Farm was also affected due to heavy rain fall in Maharashtra and Gujarat which resulted in lower generation of power to 21,38,271 units as compare to 24,35,593 units during the previous year. However income from Wind Mill Farm has marginally increased to ₹ 107.57 lakhs as against ₹ 98.16 lakhs for the previous year due to increase in power tariff.

The Gross Profit before Tax & Depreciation is reduced to ₹ 408.33 lakhs from ₹ 594.56 lakhs in the previous year.

After providing ₹ 70.35 Lakhs for current and deferred taxes, your Company has earned profit of ₹ 137.90 lakhs as against ₹ 259.33 lakhs for previous year.

Your Directors take this opportunity to assure that all efforts will be made by the management to sustain growth and margins while consolidating retained earnings.

(b) Industry Structure, Development

Chemical Division

Your Company enjoys the status of being one of the largest manufacturers of quality boron products. With its strong technical background, coupled with established marketing network and customer friendly approach, your Company continues to be a market leader.

Your Company's Quality management system has been certified by Bureau of Vertias Quality International (BVQI) for ISO 9001:2008 for manufacture of boron and speciality boron products.

It is gratifying to note that the growth trend particularly that of the speciality boron chemicals manufactured by the Company continues. The said growth has been broad based both in terms of product range and market territories.

In the context of the said emerging momentum and Company's growth plans, necessary capacity expansion is being undertaken by the Company at Dahej in the State of Gujarat.

Your Company's R & D division continuously strives to devise various measures to develop new speciality products and has successfully developed a Potassium Tetraborate containing B 14% and K 25%. Since, this product is highly water soluble, Company has taken extensive trials on the Agricultural fields and have found this product as foliar feed to supplement boron content in the soil. Your Company has already started selling this product for Citrus fruits and Orchids in the State of Punjab. There is good market potential for this product in the domestic as well as international market in future.

Encouraged by the better yield consequent upon application of boron as a micronutrient in agriculture and to educate farmers by demonstrations regarding the benefits of use of Boron in agriculture, your Company has planted additional trees at Ratnagiri Farm. Company expects increase in sale of Boron for use in Agriculture.

Wind Mill Farm

The Company has set up Wind Farms, one in the State of Maharashtra, at Satara consisting of 5 Nos. wind turbine generators having capacity of 1.25 MW and another 0.60 MW Capacity wind turbine generator at Kutch in the State of Gujarat.

Units of electricity generated by the wind mill farm at Satara are being used to meet part of the electricity requirement for chemical division at Ambarnath in Maharashtra State. Units of electricity generated at the Wind

Farm at Kutch are being sold to Gujarat Urja Vikas Nigam Limited under the power purchase agreement entered by Company with them.

(c) Outlook

Your Company enjoys the status of providing quality products at reasonable prices. The quality of our products is the best available in the market and Company expects improvement in the demand for the Company's products including products for Agriculture Sector.

(d) Opportunity, threats, risks and concerns

While your Company is expecting favourable growth ahead, rising cost of imported raw material, power & fuel, interest cost and rising imports of finished product is matter of concern.

The rising cost of import, especially in respect of boron products is a limiting factor as boron manufacturing is fully dependent on imported raw material. Procurement of quality raw material at competitive rates is a matter of concern which involves exchange risk. Moreover, the marginal difference in custom duty on imported raw materials and finished products is likely to affect the margins of the Company.

The generation of electricity at Wind Mill Farm totally depends on the nature which can have adverse effect on the generation of power at the Wind Mill Farms.

(e) Adequacy of internal controls

The Company has an established independent and adequate system of internal controls commensurate with nature of its business and size of its operation to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and those transactions are authorized, 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 by the management of the Company.

(f) 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.

(g) 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. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Therefore, it is cautioned that the actual results may materially differ from those implied in the report.

CREDIT RATING

CRISIL has assigned "BBB/Stable/P3+" rating to bank facilities of the Company. The ratings reflect Company's diversified product profile, improving operating profitability in the boron chemical business and moderate financial risk profile marked by average debt protection measures and adequate financial flexibility, though constrained by a small size of net worth. These rating strengths are partially offset by the commoditized nature of the product with stiff competition from imports.

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.