

Chembond Chemicals Limited
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30th

ANNUAL REPORT

2004 - 2005

Board of Directors

Dr. Vinod D. Shah	Chairman & Managing Director
Ashwin R. Nagarwadia	
Perviz H. Dastur	
Mahendra K. Ghelani	
Jayant S. Vasani	
O. P. Malhotra	Resident Director, East India
Sameer V. Shah	
Nirmal V. Shah	
Jawahar I. Mehta	

Key Executives

Bhadresh D. Shah	General Manager (Commercial)
Rajesh K. Arora	General Manager (Operations)
Sadanand V. Apte	Dy. General Manager (Purchase & HRD)
V. R. Pai	Dy. General Manager (Construction Chemicals)
E. Gopalkrishnan	Dy. General Manager (Construction Chemicals)
Tirtha Banerjee	Business Manager (Construction Chemicals)
Sanjay R. Naik	Sales Manager (Anti Corrosive Coatings)
P. Basavaiah	Group Accountant

Auditors

M/s. Kastury & Talati
Chartered Accountants, Mumbai

**Whole Time Practising
Company Secretary**

Mr. Virendra Bhatt

Bankers

Bank of India
Worli Naka Branch, Mumbai.

HDFC Bank Ltd.
Nariman Point, Mumbai

Registered and Corporate Office

Chembond Centre
EL-71, Mahape MIDC
Navi Mumbai 400 710.
Tel. : (++91 22) 2761 8799
Fax : (++91 22) 2768 1294

City Office

B-23, Todi Estate, Sunmill Compound
Lower Parel, Mumbai - 400 013

Plant

Plot E-6/3 & 6/4, MIDC Tarapur
Dist. Thane, Maharashtra

Registrar and Transfer Agent

Tata Share Registry Ltd.
Army & Navy Building
148, Mahatma Gandhi Road
Fort, Mumbai 400 001
Tel. : (++91 22) 5656 8484
Fax : (++91 22) 5656 8494
E-mail : csg-unit@tatashare.com

NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

A proxy form duly completed and stamped, must reach the registered office of the company not less than 48 hours before the time for holding the aforesaid meeting.

- 2) The relevant Explanatory Statement pursuant to the Section 173(2) of the Companies Act, 1956, is annexed hereto.
- 3) The register of members and the share transfer books of the company will remain closed from 1st August, 2005 to 12th August, 2005 (both days inclusive) in connection with the Annual General Meeting.
- 4) The Directors have recommended dividend @ 27% on Equity Share, which will be paid to members whose names appear in the Company's Register of Members on 12th August, 2005 with Dividend Warrants posted to them on or before 11th September, 2005.

In respect of shares held in the electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

- 5) Members are aware that as per the Finance Act, 2003 **no tax will be deducted at source** on the dividend payable to the shareholders.
- 6) Consequent upon the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999 which came into force w.e.f. 31st October, 1998, the company would be obliged to transfer any money lying in the Unpaid Dividend Account which remain unpaid or unclaimed for a period of 7 years from the date of such transfers, to the Investor Education Protection Fund, and hence all unclaimed dividend for the financial year 1996-1997 have been transferred to the Investor Education and Protection Fund. The details of remaining unpaid or unclaimed dividend for the subsequent years are as under:

DATE OF DECLARATION	AMOUNT(RS.)	DUE DATE
14-09-1998	14495=00	13-09-2005
07-09-1999	17114=60	06-09-2006
23-09-2000	19732=00	22-09-2007
22-09-2001	18610=00	21-09-2008
17-09-2002	37541=60	16-09-2009
07-08-2003	28675=10	06-08-2010
12-08-2004	41342=40	11-08-2011

- 7) Members are requested to inform the Company any change in their addresses immediately so as to enable the Company to despatch dividend warrants and any further communication at their correct address to:

TATA SHARE REGISTRY LIMITED

Army & Navy Building, 148-Mahatma Gandhi Road, Fort, Mumbai- 400 001.

- 8) As per the Listing Agreement, particulars of directors who are proposed to be appointed and re-appointed is furnished below

- i) Name : Mr. Mahendra Ghelani
ii) Age : 51 years
iii) Qualification : Advocate
iv) Expertise : Legal and Finance

Mr. Mahendra Ghelani is Director in 2 other companies (excluding private companies) and Member in Audit Committee & Remuneration Committee

- i) Name : Mr. Ashwin Nagarwadia
ii) Age : 67 years
iii) Qualification : B.E. (Mech. U.S.A.)
iv) Expertise : Management and Technical

Mr. Ashwin Nagarwadia is Director in 3 other companies (excluding private companies) and Member of Remuneration Committee.

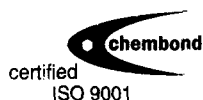
- i) Name : Mr. Sameer V. Shah
ii) Age : 45 years
iii) Qualification : BBA Finance, Chemical Engineer

iv) Expertise : Management and Technical
Mr. Sameer Shah is Director in 2 other companies (excluding private companies) and Member of the Share Transfer Committee

- i) Name : Mr. Jawahar I. Mehta
ii) Age : 74 years
iii) Qualification : Masters in Industrial Management, Chemical Engineer (Sloan School of Management at MIT, USA)
iv) Expertise : Professional, Industrial and Management Advisor

Mr. Jawahar I. Mehta is holding directorship in only one other company and having Chairmanship of Audit Committee in another company.

- 9) Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further instructions if any already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may therefore give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.

**EXPLANATORY STATEMENT**

PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO: 6

Mr. Sameer V. Shah is a director of the Company since January, 2000. He holds Degree in finance and Chemical Engineering and has vast experience in the field. The Company has made excellent progress in his guidance as Director of the Company.

As per recommendation of remuneration committee, Mr. Sameer V. Shah was appointed as Executive Director of the Company w. e. f. 1st August, 2004 at the meeting of the Board of Directors held on 12th July, 2004 for a period of 3 years upon such terms and conditions set out in the Agreement dated 1st August, 2004 entered by the Company with Mr. Sameer Shah (hereinafter referred to as "the Agreement")

The remuneration recommended is regarded as fair and complies with the terms and conditions specified in parts I and Section II (B) of Part II of Schedule XIII to the Companies Act, 1956.

An abstract of the terms of the appointment giving details of the remuneration payable and perquisites to be provided to Mr. Sameer Shah are set out below:

1 PERIOD OF APPOINTMENT

The appointment is for a period of 3 years with effect from 1st August 2004 to 31st July, 2007.

2 REMUNERATION

Mr. Sameer V. Shah will receive a remuneration of Rs. 25,000/- plus perquisites per month. Effective from 1st August, 2004 as the Executive Director of the Company and the Board of Directors has power to increase the remuneration with the consultation with remuneration committee from time to time.

He is also eligible to the following perquisites which shall not be included in the computation of the ceiling limit of remuneration.

- Contribution to Provident Fund, Superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961
- Gratuity payable at a rate not exceeding half a months salary for each completed year of service and
- Encashment of leave at the end of tenure

3 MINIMUM REMUNERATION

Notwithstanding anything contrary herein contained, where in any financial year during the currency of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified in Section II (B) of Part II of Schedule XIII to the Companies Act, 1956, as may be amended from time to time.

The necessary information as required under Schedule XIII is furnished as under :

A General Information**1. Nature of Industry :**

The Company is in the Chemical Industry.

2. Date of commencement of commercial production

The Company commenced commercial production from 22nd March, 1975

3. Financial Performance

	2004-2005 Rs. in '000
Turnover of Sales	506766
Less: Excise Duty	86576
Net Sales	25393
Less: Taxation in Arrears	Nil
Profit Before Tax	25393
Add: Deferred Tax	6
Less: Provision for Taxation	6200
Profit after Tax	19199
4. Exports performance and net foreign exchange collections	

2004-2005
Rs. in '000)

Total Foreign Exchange Earned

4445

Total Foreign Exchange used

65051

5. Foreign Investments or collaborations: N. A.**B****Information about Mr. Sameer V. Shah****1. Past remuneration**

Year	Salary	Perquisite	Total
2002-03	Nil	Nil	Nil
2003-04	Nil	Nil	Nil

2. Proposed Remuneration

Mr. Sameer V. Shah will receive a remuneration of Rs.25,000/- p.m. plus perquisites effective from 1st August, 2004 as the Executive Director of the Company and the Board of Directors has power to increase the remuneration with the consultation with remuneration committee from time to time.

3. Comparative remuneration profile with respect to Industry , Size of the Company , profile of the position and person

The effective capital of the Company is Rs. 10,45,47,148/- and is listed on BSE. Considering the experience and knowledge of Mr. Sameer Shah, he is also entitled high remuneration in the similar nature of Industry than recommended by the Board at present.

4. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.

Excepting the payment of remuneration for his services as Executive Director, as approved and detailed hereabove, Dr. Vinod Shah, and Mr. Nirmal Shah are relatives of Mr. Sameer Shah, Vice Chairman & Executive Director.

C. Other Information

1. Reasons for inadequate profits:

The Company operates the Metal treatments chemicals and Water treatment chemicals businesses as Joint Venture and subsidiary companies respectively. The Profits of these companies have not been reflected in the profits of your company.

2. Steps taken for improvement:

The Company has accelerated efforts to grow the sales of constructions chemicals. The Company has also introduced new products during the year. The Company is also looking for diversifying activities , all of which will increase revenues for the next year.

Your Directors recommend the resolution set out in Item No. 6 of the Notice convening the meeting.

None of the Directors of the company except Mr. Sameer Shah, Dr. Vinod Shah and Mr. Nirmal Shah are concerned or interested in the resolution.

This may be treated as abstract of the terms of appointment of Mr. Sameer V. Shah in terms of Section 302 of the Act.

ITEM NO: 7

Mr. Jawahar I. Mehta is a chemical engineer with Masters in Industrial Management from Sloan School of Management. Mr. Jawahar I. Mehta will be a valuable addition to the Chembond Board. Mr. Mehta brings with him immense experience spanning 5 decades across all management an industrial sectors at the highest levels of work. He has previously worked with Union Carbide, Graphite India and as Chairman at National Rubber Manufacturers Limited. Mr. Mehta resides in Ahmedabad and is a Professional Industrial and Management Advisor. Looking at his vast experience, he was appointed as Additional Director by the Board of Directors of the Company ("the Board") at its meeting held on 29th January, 2005 with effect from 29th January, 2005. Pursuant to Section 260 of the Companies Act, 1956 ("the Act"), Mr. Jawahar Mehta holds office upto the date of Annual General Meeting of the Company. Notices have been received from the members of the Company in pursuance of Section 257 of the Act, proposing Mr. Jawahar I. Mehta as a candidate for the office of Director of the Company. Mr. Jawahar Mehta has given his consent, if appointed to act as a Director of the Company.

ITEM NO: 8

The sanction of the shareholders is sought to permit the Board to borrow moneys in excess of the company's capital and free reserves. This is permissible under section 293(1)(d) of the Companies Act, 1956, if the shareholders approve. With the Company's plans for expansion and diversification, your Board thinks it necessary to acquire this power and commends passing of this resolution.

None of the Directors is in any way concerned or interested in the resolution proposed to be passed.

ITEM NO: 9

As a security for the loans to be sanctioned by financial institutions with whom the Company is negotiating for financial assistance for its project in form of term loans, the Company would be required to give first mortgage of all the movable and immovable properties of the Company present and future.

Section 293(1)(a) of the Companies Act, 1956 provided, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

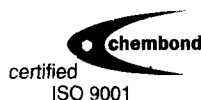
Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the financial institutions can be considered to be disposal of the Company's properties, it is necessary for the members to pass a resolution under section 293(1)(a) of the Companies Act, 1956 before creation of the said mortgage/ charge.

The Board commend the resolution for approval. No director is interested or concerned in this resolution.

By order of the Board of Directors
For Chembond Chemicals Limited

Dr. Vinod D. Shah
Chairman & Managing Director

Mumbai, 6th July, 2005
Registered Office
Chembond Centre,
EL 71, Mahape MIDC,
Navi Mumbai 400 710



DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the 30th Annual Report on the business and operations of your company together with Audited Financial Statements for the year ended 31st March, 2005.

I. FINANCIAL RESULTS:

	2004 2005 Rs. in '000	2003-2004 Rs. in '000
Turnover of Sales	506766	400396
Less: Excise Duty	86575	71266
Net Sales	420191	329130
Profit Before Tax and Taxation Arrears	25393	19687
Add: Taxation in Arrears	Nil	818
Profit Before Tax	25393	20505
Add: Deferred Tax	6	(348)
Less: Provision for Taxation	6200	4200
Profit after Tax	19199	15957
Add: Balance as per last year	37953	32118
	57152	48075
Appropriation		
General Reserves	2000	2000
Proposed Dividend	8100	7200
Tax on Proposed Dividend	1136	922
Balance carried to Balance Sheet	45916	37953
Total	57152	48075

PERFORMANCE REVIEW

During the year under review, your company has recorded a 27.7% increase in net sales. The profits before tax and PAT have increased by 23.8% and 20.3% respectively over the previous year. The earnings per share increased to Rs. 6.40 as at March 31, 2005 from Rs. 5.32 at the end of the previous fiscal year.

Sales increased across all segments in which your company operates especially in construction chemicals, with successful retail launches in Gujarat and Maharashtra, and coatings divisions. With increased investment in the infrastructure sector, the growth prospects in these product ranges is expected to be very good for the next several years.

An area of concern was the increase in prices of most raw materials, which caused margins to come under pressure. Based on the rapid growth of the economy and the demand for materials, this trend could continue in the current year despite the corrective actions taken by your company like increases in selling prices, development of alternative sources, imports, etc.

Your joint venture company, Henkel Chembond Surface Technologies Ltd., recorded a growth in sales of 41.9 % for the year ended December 31, 2004 on the back of volume growth and value chain extension at existing customers, new product launches, and acquisition of new customers. An abridged balance sheet and profit and loss statement of Henkel Chembond Surface Technologies Ltd. is appended to this report for the information of all shareholders.

Your subsidiary company, ChembondDrewtreat Ltd., registered sales of Rs.25.55 crores for the year under review as against Rs. 22.82 crores in the prior year, a growth of 12%. With the addition of some major customers towards the end of the fiscal year, your subsidiary company is poised for a high growth rate in the current year. The financial statements of ChembondDrewtreat Ltd. are attached to this annual report pursuant to section 212(1)(e) of the Companies Act, 1956.

DIVIDEND

Your Directors are pleased to recommend a dividend of 27% on the Equity Share for the financial year ended 31st March, 2005. The total outflow on account of dividend and the tax thereon amounts to Rs. 9236 thousand (Previous year Rs.8122 thousand)

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

The prescribed particulars Under Section 217(1)(e) of the Companies Act, 1956 relating to Conservation of Energy , Technology Absorption and Foreign Exchange earnings and outgo are furnished in **Annexure** to this Report.

PARTICULARS OF EMPLOYEES

The Information required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given as under

Employee Name	Designation	Age	Qualifications	Remuneration
Dr.Vinod D. Shah	Chairman & Managing Director	73 years	Doctorate in Chemical Engineering	Rs.30,00,000

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors give hereunder Director's Responsibility Statement pertaining to the accounts of the Company

- that in preparation of the Annual Accounts for the year ended 31st March, 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- that the directors had selected such accounting policies and applied consistently and made judgements and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2005 and the profit of the Company for the year under review;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts for the year ended 31st March, 2005 have been prepared on a 'going concern basis'.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is produced as a part of the Annual Report along with the Auditor's Statement on its compliance

DEPOSITS

The Company had accepted the deposits from the public as per the Section 58 A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975 and there were no due and unclaimed deposits during the year under review.

DEPOSITORY SYSTEM

The Company has entered into an agreement with the National Securities Depository Limited (NSDL) as well as the Central Depository Services (India) Limited (CDSL) to enable shareholders to hold shares in dematerialization form. The Company also offers simultaneous dematerialization of the physical shares lodged for transfer.

CONSOLIDATED FINANCIAL STATEMENTS

As stipulated by Clause 32 of the Listing Agreement, the Company in accordance with the requirements of Accounting Standard 21 has prepared Consolidated Financial Statements. The Audited Consolidated Financial Statements form part of the Annual Report, which include the financial statements of subsidiary company, ChembondDrewtreat Limited and Joint Venture Company, Henkel Chembond Surface Technologies Limited

ANNEXURE TO THE DIRECTORS' REPORT

Particulars required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rule, 1988 :-

I. CONSERVATION OF ENERGY

A) Energy conservation measures taken:

The company has taken adequate timely measures to reduce the energy consumption by change in Elements in furnace and other equipment.

B) Additional investments and proposals for Reduction of energy: None under the present condition. Impact of the measures as (A) & (B) for reduction of energy consumption and consequent impact on the cost of production of goods.

C) In view of the measures taken by the company as above-mentioned the quantitative consumption of Energy has been brought down to satisfactory levels.

D) Total energy consumption & energy consumption per unit of production:

DIRECTORS

Mr. Mahendra Ghelani, & Mr. Ashwin Nagarwadia, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re appointment.

Subject to approval of members the remuneration committee and the Board of Directors recommended appointment of Mr. Sameer V. Shah as Executive Director of the Company for a period of 3 years w.e.f. 1st August, 2004

Mr. Jawahar I. Mehta was appointed as additional director of the Company in the Board Meeting held on 29th January, 2005. Mr. Jawahar I. Mehta holds office of Director up to the date of ensuing AGM. The Company has received notices from the members pursuant to Section 257 of the Companies Act, 1956 of their intention to move resolutions at the ensuing AGM for the appointment of Mr. Jawahar I. Mehta a Director of the Company.

Mr. Sharad Mahadik was appointed as an alternate director in place of Mr. Ashwin Nagarwadia on 28th April, 2004 and acted as an alternate director upto 4th September, 2004 and the Board of Directors had appreciated his service rendered during the tenure of office of alternate director.

AUDITORS

The Statutory Auditors of your company M/s. Kastury & Talati, Chartered Accountants, Mumbai, who were appointed as Auditors to hold office until the conclusion of the ensuing Annual General Meeting are eligible for re-appointment. The Company has received the Certificate from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(i-B) of the Companies Act, 1956

DISCLOSURE UNDER SECTION 274(1)(g)

None of the Directors of the company are disqualified for being appointed as Directors as specified under Section 274(1)(g) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000.

ACKNOWLEDGEMENTS

Your Board takes this opportunity to thank the customers, vendors, shareholders and bankers for the faith reposed in the Company. Your directors also place on record their sincere appreciation of the contribution of its employees, who through their competence, hard work and cooperation have enabled the company to achieve consistent growth.

For and on behalf of the Board of Directors

Dr. Vinod D. Shah

Mumbai, 6th July, 2005

Chairman & Managing Director

i) Electricity Purchased:	2004-2005	2003-2004
ii) Units	2,80,632	2,40,170
iii) Total Amount (Rs. '000)	704	669
iii) Rate /KWH (Rs.)	2.51	2.78
2) Kerosene purchased:	2004-2005	2003-2004
i) Litres	18,679	26,488
ii) Total Amount (Rs.'000)	372	424
iii) Rate/ Lt. (Rs.)	19.92	16

II. TECHNOLOGY ABSORPTION.

The Company has an on-going process of Research & Development and the Company continues its efforts to assimilate group technology for improving product quality.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

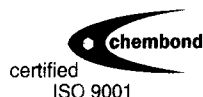
	2004-2005	2003-2004
Total Foreign Exchange earned (Rs.'000)	4,445	4,737
Total Foreign Exchange used (Rs.'000)	65,051	62,539

For and on behalf of the Board of Directors

Dr. Vinod D. Shah

Mumbai, 6th July, 2005

Chairman & Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS

This reports contains statements, which may constitute 'forward looking statements' within the meaning of the applicable securities laws and regulations. Forward-looking statements are based on certain assumptions and expectations of the future events. Actual results could differ materially from those expressed or implied. Important factors that could impact the Company's performance include, among others, economic conditions affecting the demand / supply and price conditions in the markets in which the Company operates, changes in the Government policies, regulations, tax laws, other statutes and incidental factors.

The Company undertakes no obligations to update or revise forward-looking statements on the basis of any subsequent developments, information or events.

GENERAL REVIEW

The Company is in the specialty chemicals business and offers a range of products for diverse industrial applications the company maintains its head office in Mahape, Navi Mumbai and the plant in Tarapur, Maharashtra. The Company has branch offices spread across the country.

SIGNIFICANT FINANCIAL EVENTS OF THE YEAR

The Company's turnover grew by 26.57% in 2004-05 to Rs. 5067.66 lacs. The growth has been possible due to the overall improvement in the Indian economy and the efforts put in by your company in the past years. The increased sales also reflect the improved performance of Henkel Chembond Surface Technologies Ltd. (JV Company) and ChembondDrewtreat Ltd. (Subsidiary Company). The Company improved capacity utilization at the plant and streamlined production processes.

Expenditure increased from Rs. 2843.07 lacs to Rs. 4057.16 lacs, an increase of 31.16%. This is in line with the increased sales volume. The Profit Before Tax grew by 23.84% to Rs. 253.93 lacs over prior period. Interest and Financial charges were curtailed to Rs. 41.78 lacs marking a decrease of 17.11% over prior year. This was possible due to improved financial control and reduced interest rates on borrowings.

The paid-up equity share capital stood at Rs. 300 lacs. The Earning Per Share were Rs. 6.40 A dividend of 27% (Rs. 2.70 per share) has been proposed, subject to approval of the shareholders. The payout at this rate will be Rs. 81. lacs on account of dividend and Rs. 11.36 lacs on account of dividend distribution tax.

RESOURCES AND LIQUIDITY

Primary liquidity needs have been to finance working capital needs. To fund these, the company relied on internal accruals and borrowings. The company has secured loans of Rs. 361.90 lacs and unsecured loans of Rs. 110.22 lacs.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company maintains effective internal controls, systems and procedures for management of its business. As a part of this process, systems and procedures are regularly reviewed and strengthened. The internal control systems cover the accounting, production and administration functions. The Company has appointed an outside internal audit agency to further assess the systems and provide valuable feedback on the systems and areas of improvement of the same. The Company has a proper and adequate system to ensure that all assets are safeguarded and protected against loss, theft, unauthorized use and damage from improper use.

HUMAN RESOURCES/DEVELOPMENT

The Company has a large pool of talented and knowledgeable personnel. The Company offers several in-house training programs to its personnel. This is aimed at continuous development and improvement of the Company's talent pool. Company regularly hold in-house training programs during the year under reference. Industrial relations at the plant remained cordial throughout the year.

OUTLOOK

The industry sector under which the Company operates has been posting healthy growth rates over the years. The market for the product mix is expanding at about 6% per annum. These factors provide opportunities for the Company to continue to return impressive growth and returns for all shareholders.

CORPORATE GOVERNANCE

PHILOSOPHY ON CODE OF GOVERNANCE

The philosophy underlying Corporate Governance seeks to create a system of "Checks and balances" based on transparency, ensuring integrity, clarity and consistency in the dealings of the Company with all its stakeholders. Good Governance ensures that the best corporate practices are followed by a Company. Implementation of the good governance indicates not only the compliance of the laws and regulations of the land but also indicates the values, practices and culture of your organisation. The Company is committed to adopt best Corporate Governance practices and endeavour continuously to implement the code of Corporate Governance in its true spirit. The Company has made Corporate Governance a practice and a process of development right across the Company.

The report on corporate governance is divided into five parts:

- I. Board of Directors
- II. Remuneration of Directors
- II. Committees of the Board
- IV. Shareholders Information
- V Other Disclosures

I. BOARD OF DIRECTORS

The Business of the Company is managed by a Board of Directors. The Board formulates the strategy, regularly reviews the performance of the Company and ensures that the previously agreed objectives are met on a consistent basis. The Managing Director along with the executive directors manages the day to day operations of the company.

The Board of Directors has the ideal composition with more than half of the directors being non executive directors. The Non Executive Directors bring external and wider perspective confirming therewith in depth business deliberations and decisions advantage.

A. The Constitution of the Board as on 31st March, 2005 and details of Board Meeting held and attendance of the Directors:

Name of the Directors	Designation	No. of Board Meetings attended	Total Number of Committee Membership held	Total Number of Chairman-Ship held	Number of outside Director ship held (excl.alternate directorship and in private companies)	Attendance at last AGM
Dr. Vinod D. Shah	Chairman & Managing Director	5	3	2	3	YES
Mr. Ashwin Nagarwadia	Independent & Non Executive Director	4	1	1	3	NO
Mr. Perviz H. Dastur	--do--	5	1	1	3	YES
Mr. Mahendra K. Ghelani	--do--	3	2	—	2	NO
Mr. Jayant S. Vasani	--do--	4	2	—	—	YES
Mr. O.P. Malhotra	--do--	4	—	—	11	YES
@ Mr. Jawahar I. Mehta	--do--	1	—	—	1	N.A
Mr. Sameer V. Shah	Vice Chairman & Executive Director	5	2	—	2	YES
Mr. Nirmal V. Shah	Non Executive Director	5	2	—	2	YES
**Mr. Sharad Mahadik	Alternate Director	2	—	—	—	YES
#Mr. Bhadresh D. Shah	Executive Director	4	—	—	—	YES

** Mr. Sharad M. Mahadik was appointed as an alternate director in place of Mr. Ashwin R. Nagarwadia in the Board Meeting held on 28.04.2004 and continued up to 04.09.2004

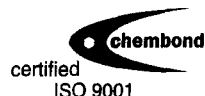
Mr. Bhadresh D. Shah has resigned from the Board with effect from 29.10.2004

@ Mr. Jawahar I. Mehta has been appointed as additional director with effect from 29.01.2005

B. Board Procedures

Board members are given appropriate documents and information in advance of each Board and Committee Meeting. To enable the Board to discharge its responsibilities effectively, the Managing Director reviews the overall Company performance followed by each executive director placing a detailed functional report before the Board members. The functions performed by the Board include review of:

- Strategy and business plans
- Annual operating and capital expenditure budgets
- Investment and exposure limits
- Business risk analysis and control



- Senior executive appointment
- Compliance with statutory / regulatory requirements and review of major legal issues
- Adoption of quarterly results/ annual results
- Transaction pertaining to purchase disposal of property , major provisions and write offs.

C. BOARD MEETINGS

The meetings of the Board of Directors' are scheduled well in advance and the folder containing the agenda for the meeting with detailed review of all aspects of the Company business, including performance of the Company, employee relations, details of investment, capital expenditure, etc. is circulated to all the directors. It also highlights important matters discussed at the audit committee, shareholders grievance committee and at the sub-committee of Directors. **FIVE {5}** Board meetings were held during the period on 28.04.04, 05.06.04, 12.07.04, 29.10.04 & 29.01.05

II. REMUNERATION OF DIRECTORS

The details of remuneration paid to the Directors for the year ended 31st March, 2005 are specified below

Remuneration to Non Executive Directors

NAME	COMMISSION RS.
Mr. Perviz H. Dastur	50,000
Mr. Ashwin R. Nagarwadia and alternate director Mr. Sharad M. Mahadik	50,000
Mr. Jayant S. Vasani	30,000
Mr. Mahendra K. Ghelani	30,000
Mr. Jawahar I. Mehta	15,000

Remuneration to Executive Directors

Names	Position	Salary and Perquisite	Service Contract
Dr. Vinod D. Shah	Chairman & Managing Director	Rs.30,00,000/-*	3 years w.e.f. 1 st April,2004
Mr. Sameer V. Shah	Vice Chairman & Executive Director	Rs.2,40,000/-*	3 Years w.e.f. 1 st August,2004
Mr. Bhadresh D. Shah	Executive Director	Rs.2,96,512/-*	From 5 th June,2004 to 29 th October,2004

* Excluding the Perquisite which shall not be included in the computation of the ceiling limits of remuneration.

III. COMMITTEES OF THE BOARD

A. AUDIT COMMITTEE

Name of the Member	Designation	No. of meeting attended
Mr. Perviz Dastur	Chairman	6
Dr. Vinod D. Shah	Member	6
Mr. Jayant Vasani	Member	6
Mr. Mahendra K. Ghelani	Member	5

The Audit Committee was constituted on 29th January, 2002. The Committee has members with sound knowledge of finance , accounting and law. The Committee deals with accounting matters , financial reporting and internal controls. The power and role of the Audit Committee is as per guidelines set out in the amended listing agreements. The Committee monitors any proposed changes in accounting policy, accounting implications of major transactions etc. The Committee also closely reviews the adequacy of internal audit controls, formulates and monitors the annual audit plan. During the Financial Year the Audit Committee met **SIX {6}** times on 28.04.04, 05.06.04, 12.07.04, 31.08.04, 29.10.04 & 25.01.05.

B. REMUNERATION COMMITTEE

Name of the Member	Designation	No. of meeting attended
Mr. Jayant Vasani	Chairman	2
Mr. Ashwin Nagarwadia	Member	2
Mr. Mahendra Ghelani	Member	2

Remuneration Committee reviews and approves the annual salaries, performance commission, service agreements and other employment conditions for executive directors and senior managerial personnel. During the Financial year the Remuneration Committee met at **TWICE** on 25.05.04 & 09.07.04