

CH IPLUN FINE CHEMICALS LTD

22nd

ANNUAL REPORT

2003-2004

reportjunction.com

CHAIRMAN	: Shri. Ramakant S. Angle
MANAGING DIRECTOR	: Shri. Arun H. Sukhtankar
DIRECTORS	: Shri. Chhabildas Muchhala Shri. Chimanlal H. Muchhala Shri. Devendra Kamat Dr. G. B. Ghodke Shri. S. S. Shirolkar Shri. S. Ravindranathan
EXECUTIVE DIRECTOR	: Shri. Nitesh C. Muchhala
AUDITORS	: Sanzgiri Acharya & Associates, Chartered Accountants, Mumbai
BANKERS	: State Bank Of India
REGISTERED OFFICE & WORKS	: E-25, Lote Parshuram Taluka : Khed, Dist : Ratnagiri, Maharashtra 415 722.
CORPORATE OFFICE	: 11, Vijay Chambers, Tribhuvan Road, Mumbai - 400 004.

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies to the Meeting.

CHIPLUN FINE CHEMICALS LTD

NOTICE

NOTICE is hereby given that the 22nd Annual General Meeting of the Members of **CHIPLUN FINE CHEMICALS LIMITED** will be held at its Registered Office at E-25, Lote Parshuram, Taluka: Khed, Dist: Ratnagiri, Maharashtra - 415 722, on Thursday, **September 30, 2004, at 10.00 A.M.** to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Balance Sheet as at March 31, 2004 and the Profit and Loss Account for the year ended as on that date and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Dr. G. B. Ghodke, who retire by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Devendra Kamat, who retire by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S. Ravindranathan, who retire by rotation, and being eligible, offers himself for re-appointment.
5. To appoint the Auditor's and to fix their remuneration.

**For and on behalf of the
Board of Directors**

Place : Mumbai **RAMAKANT S. ANGLE**
Date : July 22, 2004 **CHAIRMAN**

Factory : E-25, Lote Parshuram, Taluka : Khed, Dist :
Ratnagiri, Maharashtra 415 722.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxy form should be lodged with the Company at its Registered Office at least 48 hours before the commencement of the Meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from **Tuesday, September 28, 2004 to Thursday, September 30, 2004** (both days inclusive).

3. Members are requested to promptly notify any changes in their addresses to the Company's Registrar & Share Transfer Agent at:

INTIME SPECTRUM REGISTRY LIMITED

(Unit: **CHIPLUN FINE CHEMICALS LIMITED**)

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai: 400 078.

4. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all days except Sunday & Public holidays between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.
5. For convenience of members, an attendance slip is annexed to the proxy form. Members are requested to affix their signature at the space provided and hand over the attendance slips at the place of meeting. The proxy of a member should mark on the attendance slip as 'proxy'.
6. Members are requested to bring their copies of the Reports to Annual General Meeting.
7. Members holding shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios alongwith share certificates to the Company's Registrar & Share Transfer Agent.
8. In order to exercise strict control over the transfer documents, members are requested to send the transfer documents / correspondence, if any, directly to:

INTIME SPECTRUM REGISTRY LIMITED

(Unit: **CHIPLUN FINE CHEMICALS LIMITED**)

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai: 400 078.

CHIPLUN FINE CHEMICALS LTD

DIRECTORS' REPORT

Your Directors hereby present the Twenty Second Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2004.

(Rs. in Lacs)

	31.03.2004	31.03.2003
Gross Profit	35.95	39.58
Less : Depreciation	29.22	25.97
Net Profit before tax	06.73	13.61
Less : Amortisation of Exp.	06.71	13.42
Balance Profit	0.02	0.19
Profit/Loss Brought Forward	<u>(307.10)</u>	<u>(307.29)</u>
Profit available for Appropriation	<u>(307.07)</u>	<u>(307.10)</u>
Appropriations :		
Balance carried to Balance Sheet	<u>(307.07)</u>	<u>(307.10)</u>
	<u>(307.07)</u>	<u>(307.10)</u>

DIVIDENDS : Your Directors regret that they are unable to recommend any dividend for the year ended March 31, 2004 in view of the current year's profit been wiped out by the accumulated losses of the earlier financial years.

DIRECTORS : Pursuant to Article 41 of the Articles of Associations of the Company, Shri G. B. Ghodke, Shri Devendra Kamat and Shri S. Ravindranathan retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

FIXED DEPOSITS : The Company has not accepted any deposits from public during the financial year under review within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information required under Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of

Directors) Rules, 1988 relating to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo forms part of this report and is given by way of Annexure I.

AUDITORS : M/s. Sanzgiri Acharya & Associates, Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE : Pursuant to Clause 49 of the Listing Agreement, a separate report on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance are annexed to the Directors' Report .

PARTICULARS OF EMPLOYEES : The Company has no employees of the specified categories under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended up to date.

DIRECTORS' RESPONSIBILITY STATEMENT, PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956 :

- (i) That in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimated that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors had prepared the Annual Accounts on a going concern basis.

EXPLANATION U/S. 217 (3) OF THE COMPANIES ACT, 1956:**Note No. (ix) (a) to Annexure to Auditors' Report:**

Due to financial crunch, the Company was finding it difficult to make timely payment of statutory dues as mentioned in captioned Note with the respective authorities. Presently, every efforts is being made to regularize the said payments in timely manner.

APPRECIATION:

Your Directors express their warm appreciation to the Company's Bankers and all the employees of the Company for their continued support and co-operation.

For and on behalf of the
Board of Directors.

Place : Mumbai

RAMAKANT S. ANGLE

Date : July 22, 2004

CHAIRMAN

ANNEXURE I TO DIRECTORS' REPORT

Information in terms of the Companies (Disclosure of Particulars I the Report of the Board of Directors) Rules, 1988.

For and on behalf of the
Board of Directors.

Place : Mumbai

RAMAKANT S. ANGLE

Date : July 22, 2004

CHAIRMAN

A. CONSERVATION OF ENERGY :

Energy conservation features are inbuilt in the plant as reported in the previous year.

B. TECHNOLOGY ABSORPTION :

a) **Research and Development :** The Company has carried out Research & Development in the form of process innovation & development of new products.

b) **Benefits derived :** Improvement in process efficiencies and product quality.

c) **Future Plan of action :** Major thrust in development of new products & processes.

TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION :

- a. Technical absorption, adoption and innovation have insured through recruitment of qualified and capable personnel and placing great emphasis on young employees with right aptitude and giving them appropriate training. Participative and open management style, which encourages idea generations, has greatly facilitated the technology absorption and innovation process.
- b. The benefits derived have been in the form of product development, improved quality, high productivity and lower costs.
- c. The Company has not imported any technology so far.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Earnings : \$ 60,423

Outgo : \$ 1,34,808

JPY 39,50,000

14,800 (Pound Sterling)

CHIPLUN FINE CHEMICALS LTD

ANNEXURE - FORM A

Form for disclosure of particulars with respect to conservation of energy:

A. Power and fuel consumption	Current Year 2003-2004	Previous Year 2002-2003
1. Electricity Unit (KWH)	412782	283146
Total Amount (Rs.)	16,97,560.00	12,95,590.00
Rate/Unit (Rs.)	4.11	4.58
2. LDO Quantity (Litre)	153256	118943
Total Amount (Rs.)	31,08,278.00	20,81,504.00
Rate/Litre (Rs.)	20.28	17.50

For and on behalf of the
Board of Directors.

Place : Mumbai **RAMAKANT S. ANGLE**
Date : July 22, 2004 **CHAIRMAN**

MANAGEMENT DISCUSSION AND ANALYSIS:**a. Industry Structure and Development :**

The Company is manufacturing Pharmaceutical Active Ingredients and is part of global pharmaceutical industry.

India has emerged as important player in global pharmaceutical market. Despite the competition from other countries producing cheaper products, India is making its headway by thrust on quality and timely deliveries. Multinational companies are looking at India for outsourcing their requirements in pharmaceuticals. The pharmaceutical market in India is highly competitive. The present domestic market for pharmaceuticals is estimated to the tune of US \$ 4.8 billion.

b. Opportunities and threat:

In the next 5 years numbers of patented drugs are going off patent drugs in U.S.A. and Europe. This will permit Indian Companies to Market Generic products globally.

We need to implement processes against threats of regulatory issues and patent litigation.

Competition due to opening up of Global Market has to be reckoned with.

c. Segment-wise or Product wise performance:

The company's turnover for Pharmaceutical Active

Ingredient for the year 2003-2004 was Rs. 318.70 Lacs as against Rs. 310.70 lacs for the previous year. Out of this exports amounted to Rs. 5.40 lacs (US \$ 11,773.15) as against the export for the previous year at Rs. 147.62 Lacs (US \$ 306902.70).

d. Out look:

The Global Pharmaceutical market has a lot of potential growth in pharmaceutical active ingredient segment. In the next five years number of patented drugs are going off patent in USA and Europe. This will open tremendous opportunities for Indian pharmaceutical industry to share additional global market to the tune of US \$ 60 billion. In this contest, the unutilised capacity of the company's plant can be profitably deployed and the management is exploring the possibility of maximum utilisation of the plant capacity by approaching multinationals, which are keen on outsourcing their requirements in India.

e. Risks and Concerns :

Generic companies will have to guard themselves against threats of product liability, regulatory issues and patent litigation and will have to ensure product cost competitiveness in the domestic market.

f. Internal control system and their adequacy:

The company remains committed to maintain internal controls to provide efficiency of operations. The accounting records are adequate for preparation of annual statements and other financial information. The Audit Committee of board revived internal control system and financial disclosures.

g. Discussion of financial performance with respect to operational performance:

The net Turnover of the Company was Rs. 318.70 lacs compared to previous year Rs. 310.70 Lacs. Profit before interest depreciation and amortisation was Rs. 35.96 lacs as against previous year profit of Rs. 39.58 Lacs.

h. Material developments in Human Resources / Industrial Relation front, including number of people employed:

Despite pressures on profitability and due to recessionary condition and global competition all efforts are made to appoint and retain qualified personnel and to nurture harmonious industrial relations. The total numbers of employees in the company were 54 as on 31.03.2004.

CHIPLUN FINE CHEMICALS LTD

CORPORATE GOVERNANCE REPORT

MANDATORY REQUIREMENTS:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company believes in principles of good corporate Governance and is striving hard for value addition through development and introduction of new products, which ultimately results in increasing the net worth of the company and shareholders.

2. BOARD OF DIRECTORS:

COMPOSITION AND CATEGORY

The Board of Directors of the Company consists of eminent persons with considerable professional expertise and experience in business and industry, finance, management and marketing. The composition of the Board of Directors with reference to number of Executive and Non-Executive Directors meets with the requirements of Clause 49 (1) (A) of the Listing Agreement. None of the Directors on the Board is a member on more that ten Committees and Chairman of more than five Committees as per Clause 49 (IV) (B) across all Companies in which they are Directors. There was no change in the composition of the Board of Directors during the financial year under review.

The composition of the Board of Directors and also the number of other Board of Directors of which he is a Member/Chairman are as under:

Name of Director	Category of Directorship	Directorship in other companies	No. of Board Committees (other than Chiplun Fine Chemicals Ltd.) In which Chairman/Member	
			Chairman	Member
Shri Ramakant Angle	Chairman, Non-Executive	Nil	Nil	Nil
Shri Chhabildas Muchhala	Promoter, Non Executive	Nil	Nil	Nil
Shri Arun Sukhtankar	Promoter, Executive	Nil	Nil	Nil
Shri Nitesh Muchhala	Promoter, Executive	Nil	Nil	Nil
Shri Chimanlal Muchhala	Non-Executive	Nil	Nil	Nil
Shri Devendra Kamat	Independent, Non Executive	Nil	Nil	Nil
Dr. G.B. Ghodke	Independent, Non Executive	Nil	Nil	Nil
Shri S. S. Shirolkar	Independent, Non Executive	Nil	Nil	Nil
Shri S. Ravindranathan	Independent, Non Executive	Nil	Nil	Nil
Dr. Guruprasad Wader	Independent, Executive	Nil	Nil	Nil

BOARD PROCEDURE:

The Board meets at least once a quarter to review the quarterly performance and the financial results. The Board's role, functions, responsibility and accountability are clearly defined. All major decisions involving policy formulations, business plans, annual operating budgets, compliance with statutory requirements, major accounting provisions and write-offs are considered by the Board.

CHIPLUN FINE CHEMICALS LTD

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING:

Four (04) Board Meetings were held during the financial year ended March 31, 2004, the dates of which are 23/06/2003, 25/07/2003, 30/10/2003 and 30/01/2004. The attendance of each Director at Board Meetings and the last Annual General Meeting is as under:

Name of the Director	No. of Board meetings attended	Attendance of last AGM held on 11/08/2003.
Shri Ramakant Angle	4 (Four)	Attended
Shri Chhabildas Muchhala	4 (Four)	Attended
Shri Arun Sukhtankar	4 (Four)	Attended
Shri Nitesh Muchhala	4 (Four)	Attended
Shri Chimanlal Muchhala	Nil	Nil
Shri Devendra Kamat	Nil	Nil
Dr. G.B. Ghodke	Nil	Nil
Shri S.S. Shirolkar	Nil	Nil
Shri S. Ravindranathan	Nil	Nil
Dr. Guruprasad Wader	Nil	Nil

2. AUDIT COMMITTEE:

BROAD TERMS OF REFERENCE

The Audit Committee of the Company, interalia, acts as a control mechanism in the financial and other important departments of the Company. The terms of reference of the Audit Committee are in accordance with paragraphs C and D of Clause 49 (II) of the Listing Agreement and as specified by the Board of Directors of the Company.

The Audit Committee while reviewing the Annual Financial Statements also reviewed the applicability of various Accounting Standards (AS) issued by the Institute of Chartered Accountants of India during the year.

COMPOSITION

The Audit Committee comprises of three Directors, all of whom are Non-Executive, Independent Directors. All these Directors

possess knowledge by corporate finance, accounts and company law.

The constitution of the Audit Committee is as follows:

Names of Members	Designation
1. Shri S.S. Shirolkar	Chairman Independent, Non-Executive
2. Dr. G.B. Ghodke	Member Independent, Non-Executive
3. Shri Devendra Kamath	Member Independent, Non-Executive

MEETINGS AND ATTENDANCE

During the financial year ended March 31, 2004, Four Audit Committee Meetings were held on 23/06/2003, 25/07/2003, 30/10/2003 and 30/01/2004.

The attendance at the Audit Committee Meetings is as under:

Name of Director	No. of meetings attended
Dr. G.B. Ghodke	4 (Four)
Shri S.S. Shirolkar	4 (Four)
Shri Devendra Kamath	3 (Three)

The Chairman of the Committee was present at the Annual General Meeting of the Company held on 11/08/2003 to attend the shareholders' queries.

3. REMUNERATION COMMITTEE:

To review, assess and recommend the appointment of Whole-time Directors.

COMPOSITION

The Remuneration Committee comprises of three Directors, two of whom are Independent Non-Executive and one Executive Director.

- | | |
|-------------------------|---------------------------------------|
| 1. Shri Devendra Kamat | : Chairman Independent, Non-Executive |
| 2. Shri Nitesh Muchhala | : Member Promoter, Executive |
| 3. Shri S.S. Shirolkar | : Member Independent, Non-Executive. |

CHIPLUN FINE CHEMICALS LTD

MEETINGS AND ATTENDANCE

The Committee met once on June 23, 2003 during the financial year ended March 31, 2004. All the members of the committee attended the said meeting.

REMUNERATION POLICY**A. Remuneration to Managing Director and Wholetime Directors**

Payment of remuneration to Managing and Wholetime Directors is governed by the respective Agreements executed between them and the Company and which is recommended by the Remuneration Committee and further is within the limits set by the Shareholders at the Annual General Meetings.

DETAILS OF REMUNERATION TO ALL THE DIRECTORS FOR THE YEAR ENDED MARCH 31, 2004

Name of Director	Salary	Benefits	Commission	Sitting fees
Shri Arun Sukhtankar	Nil	Nil	Nil	Nil
Shri Nitesh Muchhala	Rs. 3.60 Lacs	Nil	Nil	Nil
Dr. Guruprasad Wader	Rs. 3.75 Lacs	Rs. 0.35 Lacs	Nil	Nil

4. SHAREHOLDERS' COMMITTEE:**FUNCTIONS**

The Board of Chiplun Fine Chemicals Limited has constituted a Committee of Directors which also functions as 'Shareholders'/ Investors Grievances Committee', consisting of three members, chaired by Non-executive Independent Director. The Committee interalia, deals with various matters relating to:

- transfer/transmission of shares;
- issue of duplicate share certificates;
- investors, grievances and redressal mechanism and recommend measures to improve the level of investor services.

Details of shares transfer/transmission approved by the Committee and Shareholders'/Investors' grievances are placed at the Board Meetings from time to time.

COMPOSITION

The constitution of the Committee of Directors is as under:

1. Shri Devendra Kamath : Chairman Independent, Non-Executive
2. Shri Nitesh Muchhala : Member Promoter, Executive
3. Shri S.S. Shirolkar : Member Independent, Non-Executive.

COMPLIANCE OFFICER

The Board has designated Shri Nitesh Muchhala as the Compliance Officer.

MEETINGS AND ATTENDANCE

Four (4) meetings viz. 23.06.2003, 25.07.2003, 30.10.2003 and 30.01.2004 were held for the financial year ended 31st March 2004.

The attendance at the Share Holders Committee Meetings is as under:

Name of Director	No. of meetings attended
Shri Devendra Kamath	Nil
Shri Nitesh Muchhala	4 (Four)
Shri S.S. Shirolkar	4 (Four)