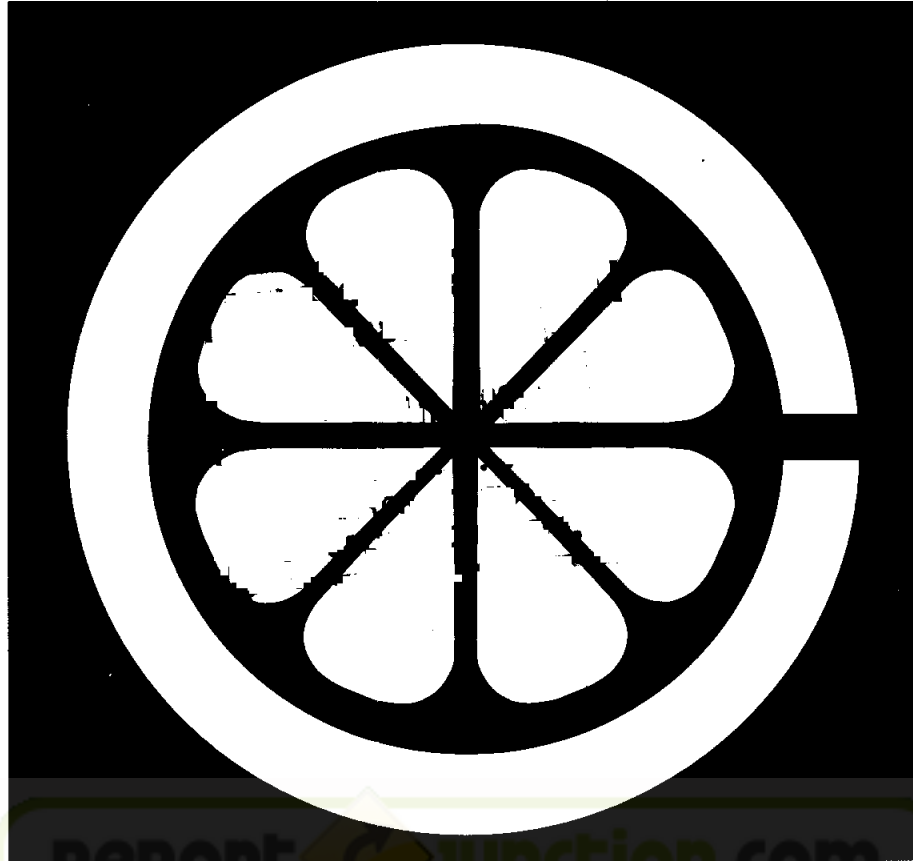


Citurgia Biochemicals Limited



*Annual Report And Accounts
2000-2001*

CITURGIA BIOCHEMICALS LIMITED

TWENTY-SIXTH ANNUAL REPORT AND ACCOUNTS 2000-2001

DIRECTORS

Mr. Nusli N. Wadia, Chairman
Mr. P. V. Kuppaswamy, Vice-Chairman
Dr. H. C. Bijawat
Mr. A. M. Stankiewicz
Mr. A. K. Hirjee
Dr. H. E. Eduljee
Mr. R. N. Sethna
Mr. P. R. Vakil
Mr. Jehangir N. Wadia
Mr. H. C. Pandya (Wholetime Director)
Mr. R. Swaminathan (Additional Director)
Mr. K. M. Doongaji (Nominee Director)

VICE PRESIDENT — TECHNICAL

Mr. D. R. Kanitkar

FINANCIAL CONTROLLER

Mr. Shirish S. Shah

COMPANY SECRETARY

Mr. Mehul R. Shah

REGISTRARS & TRANSFER AGENTS

SHAREPRO SERVICES

Satam Industrial Estate,
Cardinal Gracious Road,
Above Bank of Baroda,
Chakala, Andheri (E),
Mumbai 400 099.
Tel. Nos : 821 5168/820 2114/820 2108
Fax No. : 8375646

Additional Service Centre:

912, Raheja Centre,
Nariman Point,
Mumbai 400 021.
Tel. Nos : 288 1568/288 1569/
288 4527/282 5163
Fax No. : 282 5484

BANKERS

Union Bank of India
Oriental Bank of Commerce

SOLICITORS

Crawford Bayley & Co.

AUDITORS

S. B. Billimoria & Co.
Nanubhai & Co.

REGISTERED OFFICE

Neville House, J. N. Heredia Marg, Ballard Estate,
Mumbai 400 001.

FACTORIES

GIDC, Pandesara, Surat, Gujarat.
Rishikesh, Uttaranchal

CITURGIA BIOCHEMICALS LIMITED**NOTICE**

NOTICE IS HEREBY GIVEN that the TWENTYSIXTH ANNUAL GENERAL MEETING of CITURGIA BIOCHEMICALS LIMITED will be held at Patkar Hall, 1, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020 on Wednesday, 25th July, 2001 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2001, and the Profit & Loss Account of the Company for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. Nusli N. Wadia, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A. K. Hirjee, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. R. N. Sethna, who retires by rotation, and being eligible, offers himself for re-appointment.
6. 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 authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

- 7 To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:-

"RESOLVED THAT Mr. R. Swaminathan, who was appointed by the Board of Directors as an Additional Director with effect from 30th May, 2001 under Article 115 of the Articles of Association of the Company and who by virtue of the Provisions of Section 260 of the Companies Act, 1956, holds office upto the date of this Annual General Meeting, and being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose Mr. R. Swaminathan as a Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

- 8 To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:-

"RESOLVED THAT

- A. Pursuant to Section 198, 269, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (hereinafter referred to as "the Act") (including any statutory modification or re-enactment thereof, for the time being in force), the Company hereby approves the appointment of Mr. R. Swaminathan as a Wholetime Director of the Company designated as Executive Director for a period of five years with effect from 1st June, 2001 on the terms and conditions including remuneration as are set out in the Agreement to be entered into between the Company and Mr.R. Swaminathan, a draft whereof duly initialled by the Chairman for purpose of identification is submitted to this meeting, with liberty to the Board of Directors of the Company (hereinafter

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referred to as "the Board" which expression shall include a committee thereof) to alter and vary the said terms of appointment and remuneration and/or Agreement in such manner as may be agreed to between the Board and Mr. R. Swaminathan but so that his remuneration shall not exceed the limits specified in Schedule XIII to the Act (including any statutory modification or re-enactment thereof, for the time being in force) or any amendments and/or modifications that may hereafter from time to time be made thereto by the Central Government.

- B. Where in any financial year during the currency of the tenure of Mr. R. Swaminathan as Executive Director, the Company has no profits or its profits are inadequate, the Company may pay to Mr. R. Swaminathan all the remuneration by way of salary (including incentive) and allowances, and perquisites not exceeding the limits stipulated in the aforesaid draft Agreement within the overall ceiling specified in Schedule XIII to the Act or subject to the approval of the Central Government notwithstanding that the same is in excess of the maximum remuneration permitted to be paid to him under the applicable provisions of the Act for the time being and from time to time in force.
- C. The Board be and is hereby authorised at its discretion from time to time to fix the remuneration and/or perquisites of Mr. R. Swaminathan and revise such remuneration and/or perquisites from time to time within the maximum limits specified in the aforesaid draft Agreement. The Board be and is hereby further authorised to vary/modify/amend any of the aforesaid terms and conditions provided such variation/modification/amendment is in conformity with the applicable provisions of the Act as amended from time to time.
- D. The Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to this resolution."
9. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:-

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company, be and are hereby altered in the manner and to the extent as set out below:-

Article 59 shall commence with the following words:

'In the absence of a nomination recorded in accordance with Section 109A of the Act, read with Section 109B of the Act, which shall, in any event, have precedence,'

The word 'The' in the beginning of the existing Article 59 shall read as 'the'."

By Order of the Board of Directors

MEHUL R. SHAH
Company Secretary

Registered Office:
Neville House,
J. N. Heredia Marg,
Ballard Estate,
Mumbai 400 001.

30th May, 2001

CITURGIA BIOCHEMICALS LIMITED**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing proxy should be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special business under item No. 7 to 9 of the Notice, is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 17th July, 2001 to Wednesday, 25th July, 2001 (both days inclusive).
4. Dividend, if any, that may be declared at the meeting, will be paid on or after 25th July, 2001 to those members whose names appear :
 - (a) As Beneficial Owners, as at the end of the business on 25th July, 2001, in the list to be furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd., in respect of shares held in electronic form; and
 - (b) As Members, on the Register of Members of the Company, as at 25th July, 2001, in respect of shares held in physical form.
5. Members are requested to intimate immediately, any change in their addresses, to the Company's Registrars and Share Transfer Agents, M/s. Sharepro Services, at their offices at 912, Raheja Centre, Nariman Point, Mumbai 400 021 or at Satam Industrial Estate, Cardinal Gracious Road, Above Bank of Baroda, Chakala, Andheri (East), Mumbai 400 099.
6. Members are requested to inform M/s. Sharepro Services, at either of their addresses given above, their Bank Account Number, Name of the Bank and branch details, to incorporate the same on the dividend warrants and thus minimise the malpractices of theft of the dividend warrants, so as to reach them on or before 25th July, 2001.
7. The unclaimed dividends for the year ended 31st March, 1994 and previous years, declared by the Company, have been transferred to the general revenue account of the Central Government, in terms of Section 205(A) of the Companies Act, 1956. Those Members who have not encashed their dividend warrants for the aforesaid years, are requested to claim the amounts from the Registrar of Companies, Maharashtra.
8. In terms of Section 205-C introduced by the Companies (Amendment) Act, 1999, read with Section 205-A of the Companies Act, 1956, as amended, the amount of dividend remaining unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund. Members who have so far, not encashed their Dividend Warrants for the financial year ended 31st March, 1995 or any subsequent year, are advised to submit their claim immediately to M/s. Sharepro Services, at any of their addresses given above, quoting their folio numbers.
9. In terms of Section 109A of the Companies Act, 1956, every holder of shares/ debentures in a Company, may at any time, nominate in the prescribed manner, a person to whom his/her shares/ debentures in the Company shall vest, in the event of his/her death. Members who wish to avail of this facility, may fill the enclosed Form No. 2B and forward the same to M/s. Sharepro Services, at any of their addresses given above.

ANNUAL REPORT 2000-2001**ANNEXURE TO THE NOTICE****Explanatory Statement under Section 173 of the Companies Act, 1956.****Item No. 7**

Mr. R. Swaminathan was appointed by the Board of Directors as an Additional Director with effect from 30th May, 2001 in terms of Section 260 of the Companies Act, 1956 and under Article 115 of the Articles of Association of the Company. By virtue of the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of this Annual General Meeting, and being eligible, offers himself for re-appointment. As required by Section 257 of the Companies Act, 1956, a notice in writing has been received from a member signifying his intention to propose Mr.R. Swaminathan as Director of the Company at this Annual General Meeting.

Mr. R. Swaminathan, aged 54 years, is a Chemical Engineer and has work experience spanning over 30 years in Chemical industries, covering areas like manufacturing, projects, marketing and business development. His last employment was with the Hinduja Group (India) Ltd., as a Group Vice-President (Business Development), Mumbai.

The Directors recommend the Ordinary Resolution at Item no.7 of the Notice for approval by the Members.

None of the Directors other than Mr. R. Swaminathan may be considered to be concerned or interested in the said Resolution.

Item No. 8

The Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall include a committee thereof) at their meeting held on 30th May, 2001 appointed Mr. R. Swaminathan as Wholetime Director designated as Executive Director, for a period of five years with effect from 1st June, 2001, subject to the approval of the Members at this Annual General Meeting, upon the terms and conditions set out in the draft Agreement to be entered into between the Company and Mr. R. Swaminathan, referred to in the text of the Resolution at item no.8 of this Notice. Mr. R. Swaminathan's remuneration will be determined by the Board, from time to time, within the overall limits stated in Schedule XIII of the Companies Act, 1956 (hereinafter referred to as "the Act") existing or as amended, modified or re-enacted from time to time by the Government of India.

The material terms of the draft Agreement referred to in the Resolution at item no.8 are as follows:-

1. The appointment of Mr. R. Swaminathan as Wholetime Director designated as Executive Director of the Company shall be for a period of five years commencing from 1st June, 2001, subject to the employment being previously determined in pursuance of any of the provisions of this Agreement. Where, during the term of his appointment as Wholetime Director designated as Executive Director of the Company, he retires by rotation and is subsequently re-appointed as a Director, the time-lag between his retirement and subsequent re-appointment shall not be considered as a break in the service of Mr. R. Swaminathan as Wholetime Director and will not affect the terms of appointment of or remuneration payable to him.
2. Mr. R. Swaminathan shall carry out such functions, exercise such powers and perform such duties as the Board shall, from time to time, in its absolute discretion determine and entrust to him. Subject to the superintendence, control and direction of the Board, Mr. R. Swaminathan shall have the general control of the business of the Company and be vested with the management and day-to-day affairs of the Company, to enter into contracts on behalf of the Company in the ordinary course of business and to do and perform all other acts and things which in the ordinary course of such business he may consider necessary or proper or in the best interest of the Company.

CITURGIA BIOCHEMICALS LIMITED

3. During his employment under this Agreement, Mr. R. Swaminathan shall devote his time and attention to the business of the Company and shall exert his best endeavours to promote its interests and welfare and undertake travelling in and outside India, as may be necessary, in the interests of the Company's business or as may be required or directed by the Board in connection with or in relation to the business of the Company.
4. The Company shall pay to Mr. R. Swaminathan, in consideration of the performance of his duties as Wholetime Director designated as Executive Director, the following emoluments, benefits and perquisites, subject to the limits laid down under Schedule XIII of the Companies , 1956 (hereinafter referred to as "the Act"):-

- (i) **Salary:** Rs.70,000/- (Rupees Seventy Thousand only) per month or such other sums not exceeding Rs.1,40,000/- (Rupees One Lac Forty Thousand only) per month as may be determined by the Board from time to time.
- (ii) **Incentive Allowance:** Upto 50% of the salary as may be decided by the Board from time to time at its sole discretion.
- (iii) **Commission:** Commission on profits at such percentage of salary as may be permissible under the Act and as may be determined by the Board from time to time at its discretion.

PROVIDED HOWEVER subject always to the limits contained in Sections 198 and 309 of the Act, the Company may, at its sole discretion, pay by way of salary, allowances, commission on profits and/or bonus, as may be determined by the Board from time to time, which shall not exceed a maximum limit of Rs.30 lac per annum.

- (iv) In addition to the above remuneration, Mr. R. Swaminathan shall also be entitled to perquisites such as furnished accommodation, gas, electricity, water, furnishings, medical reimbursement, leave travel concession for self and family, club fees, medical insurance and other benefits and amenities in accordance with the Rules of the Company, the monetary value of such perquisites being restricted to Rs.15 lac per annum.

For the purpose of computing the aforesaid ceiling, perquisites shall be valued as per the Income Tax Rules, 1962, wherever applicable. Provision for use of Company's Car for official duties and telephone at residence (including payment for local calls, long distance official calls) shall not be included in the computation of perquisites for the purpose of computing the aforesaid ceiling. Contribution to Provident Fund, Superannuation Fund or Annuity Fund shall not exceed 27% of the salary (inclusive of Incentive/ Commission) or such higher percentage as may be permitted under Rule 87 of the Income Tax Rules, 1962 and shall not be included in the computation of the ceiling on the remuneration payable as aforesaid.

- (v) Where in any financial year, during the currency of tenure of Mr. R. Swaminathan as Wholetime Director designated as Executive Director, the Company has no profits or its profits are inadequate, Mr. R. Swaminathan shall be entitled to all the remuneration by way of salary and perquisites not exceeding the aforesaid limits within the overall ceiling specified in Schedule XIII to the Act (including any statutory modification or re-enactment thereof, for the time being in force) or subject to the approval of the Central Government notwithstanding that the same is in excess of the maximum remuneration permitted to be paid to him under the applicable provisions of the Act for the time being and from time to time in force, apart from:
 - (i) 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.

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- (ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service, and
 - (iii) Encashment of leave at the end of the tenure.
 - (vi) The total remuneration, including perquisites and contribution to Provident Fund and Superannuation Fund, shall not exceed 5% for one such Wholetime Director and if there is more than one such Wholetime Director, 10% of all of them together, of the net profits, calculated in accordance with Section 198 and Section 309 of the Act.
 - (vii) The Board may, at its discretion, pay to Mr.R. Swaminathan, lower remuneration than the maximum remuneration specified and revise such remuneration from time to time, within the maximum limits specified therein.
5. The Rules of the Company, as are applicable to other Senior Executives of the Company, shall also apply to Mr.R. Swaminathan.
 6. Mr. R. Swaminathan shall not be paid any fees for attending meetings of the Board or of any Committee thereof.
 7. Mr. R. Swaminathan shall not become interested or otherwise concerned directly or indirectly in any contract with the Company, as contemplated under sub-section (1) of Section 297 of the Companies Act, 1956 without the prior approval of the Central Government.
 8. Mr. R. Swaminathan shall not, except in the proper course of his duties during the continuance of his employment hereunder or any time thereafter, divulge or disclose to any person whomsoever or make any use whatsoever for his own purpose or for any purpose of any information or knowledge obtained by him during his employment, as to the business and/or affairs of the Company and/or the know-how, technology, methods, machines, compositions, knowledge, information and other data, trade secrets, formulae and process of manufacturing of various products by the Company and/or list of Company's customers and suppliers (and likewise in relation to the Company's associated companies) all of which information is or may be confidential with the exception of any information generally made available to the public or make or take copies of the manuals, tracings, blue prints, drawings, books, papers containing such confidential information without proper authority taken prior to making or taking copies, such copies may contain the whole information or substantially similar information from the original manual, tracings, drawings, blue prints, papers, books, etc. Mr.R. Swaminathan shall during the continuance of his employment hereunder, also use his best endeavours to prevent any other person publishing or disclosing such confidential information, PROVIDED HOWEVER that any such divulgence or disclosures by Mr.R. Swaminathan to officers and employees of the Company solely for the purpose of the business of the Company shall not be deemed to be a contravention of this clause.
 9. All notes, books, papers, memoranda and other documents or any trade secrets or confidential information concerning the business of the Company (and the associated companies) which shall be acquired, received or made by Mr.R. Swaminathan during the course of his employment hereunder and/or incidental to his employment, shall be the property of the Company and shall be surrendered by Mr.R. Swaminathan to someone duly authorized in that behalf at the termination of his employment or at the request of the Board (or any other designated persons) at any time during the course of his employment.
 10. Mr. R. Swaminathan covenants with the Company that in the event of his ceasing to be the Wholetime Director of the Company hereunder before the expiry of the said period of 5 years, Mr.R. Swaminathan will not for the remainder of such period:
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- (i) either alone or jointly with or as an employee of any person, firm or company, directly or indirectly, carry on or engage in any activities or business which shall be in competition with the business of the Company, and
 - (ii) in connection with carrying on any business similar to, or in competition with, the business of the Company, on his behalf or on behalf of any person, firm or Company, directly or indirectly :
 - (a) seek to procure orders or do business with any person, firm or company, who has at any time during the two years immediately proceeding such cessation of employment, done business with the Company; or
 - (b) endeavour to entice away from the Company any person who has at any time during the two years immediately preceding such cessation of employment, done business with, or engaged by the Company. Provided that nothing in this clause shall prohibit seeking or procuring of orders or doing of business not related or similar to the business/businesses of the Company.
11. Mr. R. Swaminathan shall be entitled to reimbursement of all expenses including travelling, entertainment and other out-of-pocket expenses incurred by him in connection with or relating to the business of the Company.
 12. If Mr. R. Swaminathan be guilty of any misconduct or any breach of this Agreement as in the opinion of the Board renders his retirement from the office of Wholetime Director designated as Executive Director desirable, the Company may, by not less than 30 days notice in writing to Mr.R. Swaminathan, determine this Agreement and he shall cease to be a Wholetime Director of the Company upon the expiration of such notice.
 13. Notwithstanding anything to the contrary contained in this Agreement, the appointment may be terminated by the Company or by Mr.R. Swaminathan by giving not less than three calendar months' prior notice in writing, without showing any cause and on the expiry of the period of such notice this Agreement shall stand determined and Mr.R. Swaminathan shall cease to be a Wholetime Director of the company, PROVIDED HOWEVER that, the Company shall be entitled to terminate Mr.R. Swaminathan's appointment at any time, by payment to him of three months' salary in lieu of such notice.
 14. Mr. R. Swaminathan shall not have the following powers:
 - (a) the power to make calls on members in respect of moneys unpaid on shares of the Company;
 - (b) the power to issue debentures.
 15. Mr. R. Swaminathan shall be subject to retirement by rotation in accordance with Articles 128 and 140 of the Articles of Association of the Company.
 16. The employment of Mr. R. Swaminathan under this Agreement shall forthwith determine if he shall become insolvent or he shall cease to be a Director of the Company. Mr.R. Swaminathan shall cease to be a Director of the Company if this Agreement is terminated and he ceases to be employed as a Wholetime Director hereunder.
 17. If Mr. R. Swaminathan ceases to be a Wholetime Director of the Company, he shall be deemed to have resigned from the office of Director as from such date of cessation.

The Board considers the aforesaid remuneration to be commensurate with the duties and responsibilities of the Wholetime Director of the Company and therefore, recommends the Resolution at item no.8 of the Notice.

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The approval of the members is, therefore, being sought under the provisions of the Act, to the appointment of Mr. R. Swaminathan as Wholetime Director of the Company designated as Executive Director, for a period of five years with effect from 1st June, 2001 and for the payment to him, of the remuneration as stated above, subject to the aforesaid ceiling on remuneration.

A copy of the draft Agreement referred to above, will be available for inspection by the members at the registered office of the Company between 10.30 a.m. and 12.30 p.m. on any working day, (except Saturdays, Sundays and Public Holidays).

None of the Directors other than Mr. R. Swaminathan may be considered to be concerned or interested in the said Resolution, as it relates to his appointment.

This may be treated as an Abstract of the terms of Agreement between the Company and Mr. R. Swaminathan, when executed, and Memorandum of interest pursuant to Section 302 of the Act.

Item No. 9

In terms of Section 109A read with Section 109B of the Companies Act, 1956, inserted by the Companies (Amendment) Act, 1999, every holder of shares/debentures in a Company, may at any time, nominate in the prescribed manner, a person to whom his/her shares/debentures in the Company, shall vest, in the event of his/her death. Accordingly, it is necessary to amend Article 59 of the Articles of Association of the Company.

The Special Resolution at item no. 9 of the Notice is, therefore, proposed, pursuant to Section 31 of the Companies Act, 1956. The Directors recommend the Special Resolution for approval by the Members.

None of the Directors of the Company may be considered to be concerned or interested in the said Resolution, except as members of the Company.

The Articles of Association of the Company, referred to in the Resolution at item no. 9 of this Notice, together with the proposed alteration, is available for inspection by the Members at the Company's Registered Office during business hours on any working day.

By Order of the Board of Directors

MEHUL R. SHAH
Company Secretary

Registered Office:

Neville House,
J. N. Heredia Marg,
Ballard Estate,
Mumbai 400 001.

30th May, 2001