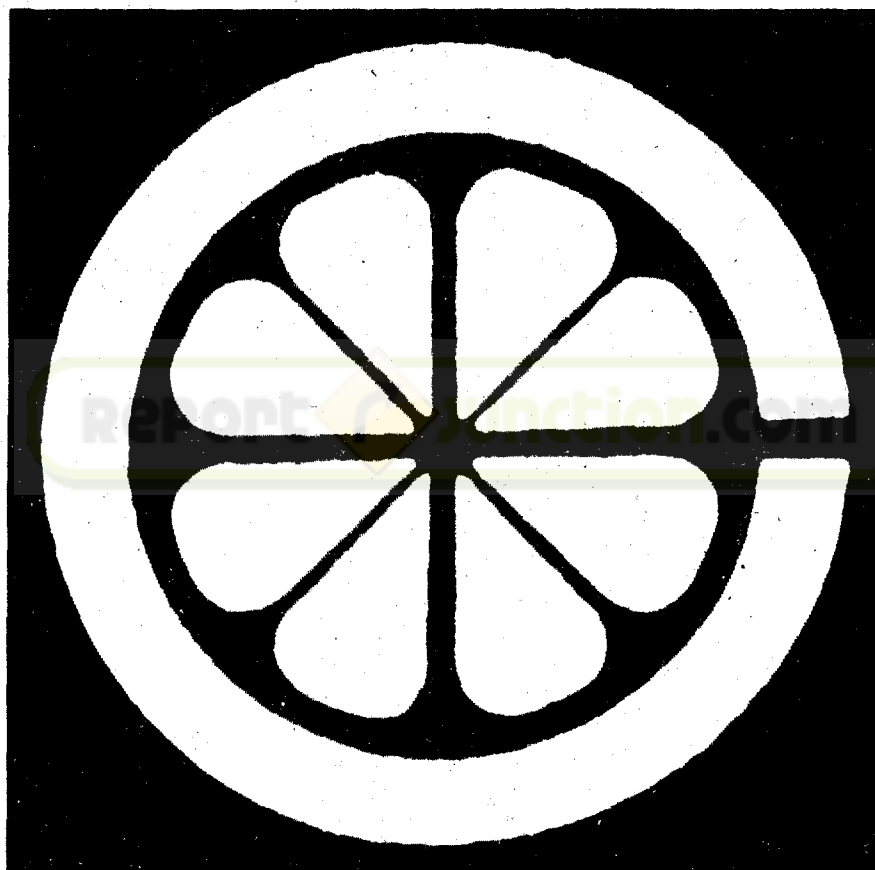


# **Citurgia Biochemicals Limited**



***Annual Report And Accounts  
2002-2003***

**ANNUAL REPORT 2002-2003****TWENTY EIGHTH  
ANNUAL REPORT  
AND ACCOUNTS  
2002-2003****DIRECTORS**

Mr. P. V. Kuppaswamy, Chairman  
 Dr. H. C. Bijawat  
 Mr. A. K. Hirjee  
 Dr. H. E. Eduljee  
 Mr. R. N. Sethna  
 Mr. P. R. Vakil  
 Mr. Jehangir N. Wadia  
 Mr. S. R. Lohokare (Wholetime Director)

**BANKERS**

Union Bank of India  
 Oriental Bank of Commerce

**SOLICITORS**

Crawford Bayley & Co.

**REGISTRAR & TRANSFER AGENTS****SHAREPRO SERVICES**

Satam Industrial Estate,  
 Cardinal Gracious Road,  
 Above Bank of Baroda,  
 Chakala, Andheri (E),  
 Mumbai 400 099.  
 Tel. Nos. 2821 5168/2820 2114/2820 2108  
 Fax No. : 28375646

**Additional Service Centre:**

912, Raheja Centre,  
 Nariman Point,  
 Mumbai 400 021.  
 Tel. Nos. : 2288 1568 / 2288 1569 /  
 2288 4527 / 2282 5163  
 Fax : 2282 5484

**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 TWENTY EIGHTH Annual General Meeting of CITURGIA BIOCHEMICALS LIMITED will be held at Patkar Hall, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020 on Monday, 22<sup>nd</sup> September, 2003 at 4.00 p.m. to transact the following business:

#### Ordinary Business:

1. To receive, consider and adopt the Balance Sheet of the Company as at 31<sup>st</sup> March, 2003 and the Profit and Loss Account for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. H.C. Bijawat who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Jehangir N. Wadia who retires by rotation and being eligible, offers himself for re-appointment.

#### Special Business:

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

"WHEREAS S.B. Billimoria & Co., Chartered Accountants and Nanubhai & Co., Chartered Accountants were the joint statutory auditors of the Company for past several years.

AND WHEREAS in view of the critical financial position of the Company and in deference to the wishes of the Board of Directors of the Company, S.B. Billimoria & Co., Chartered Accountants, have, vide their letter dated 30th June, 2003, indicated their unwillingness to continue as statutory auditors of the Company effective from close of the business hours on 30th June, 2003, without any other representation from them till date.

AND WHEREAS Nanubhai & Co., Chartered Accountants, have forwarded a certificate to the Company stating that their appointment, if made, will be within the limits specified in sub-section (1B) of Section 224 of the Companies Act, 1956 read with Section 226 of the Companies Act, 1956 and also offering themselves for re-appointment.

NOW THEREFORE IT IS RESOLVED THAT pursuant to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, (hereinafter referred to as "the Act") [including any statutory modification(s) or re-enactment thereof, for the time being in force], Nanubhai & Co., Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors of the Company."

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

"RESOLVED THAT Mr. S. R. Lohokare, who was appointed by the Board of Directors as an Additional Director with effect from 1<sup>st</sup> August, 2002 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. S. R. Lohokare as a Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT :

- A. Pursuant to Sections 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (hereinafter referred to as "the Act") [including any statutory modification(s) or re-enactment thereof, for the time being in force], the Company hereby approves the appointment of Mr. S. R. Lohokare, who is also the Wholetime Director of National Peroxide Limited, as the Wholetime Director of the Company for a period of five years with effect from 1<sup>st</sup> August, 2002 on the terms and conditions, including remuneration, as are set out in the Agreement to be entered into between the Company and Mr. S. R. Lohokare, a draft whereof duly initialled by the Chairman, for the purpose of identification, is submitted to this meeting, which agreement is hereby specifically sanctioned with the liberty and power to the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall also include a committee thereof) to grant increments and 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. S. R. Lohokare.
- B. Where in any financial year, during the currency of the tenure of Mr. S. R. Lohokare as Wholetime Director, the Company has no profits or its profits are inadequate, the Company may pay to Mr. S. R. Lohokare all the remuneration by way of salary (including incentive) and allowances, and perquisites not exceeding the limits stipulated in the aforesaid Agreement but restricted within the overall ceiling mentioned in clause 1 (A) of Section II of part II of Schedule XIII and subject to compliance with the applicable provisions of Schedule XIII to the Act and if and to the extent necessary, with the approval of Central Government.
- C. The Board be and is hereby authorized, at its discretion, from time to time, to fix the remuneration and/or perquisites of Mr. S. R. Lohokare and revise such remuneration and/or perquisites from time to time within the maximum limits specified in the aforesaid draft Agreement and that 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.

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- 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."

By Order of the Board of Directors  
For CITURGIA BIOCHEMICALS LIMITED

(S. R. LOHOKARE)  
WHOLETIME DIRECTOR

Registered Office :  
Neville House  
J. N. Heredia Marg  
Ballard Estate  
Mumbai - 400 001.  
Mumbai, 31<sup>st</sup> July, 2003

**NOTES:**

- (a) The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Items 4 to 6 of the Notice as set out above, is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- (c) The Register of Members and the Share Transfer Books of the Company will be closed from Tuesday, 16<sup>th</sup> September, 2003 to Monday, 22<sup>nd</sup> September, 2003, both days inclusive.
- (d) Members are requested to notify immediately any change of address:
  - (i) to their Depository Participants (DPs) in respect of their electronic share accounts, and
  - (ii) to the Company's Registrars & Share Transfer Agents, M/s.Sharepro Services (R & TA), at Satam Estate, 3<sup>rd</sup> Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099, or at 912 Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021, in respect of their physical share folios, if any, quoting their folio numbers.
- (e) Members are advised to submit their Electronic Clearing Service (ECS) mandates to the Company's R & TA at either of the aforesaid addresses to facilitate remittance by means of ECS.
- (f) The unclaimed dividends for the financial year ended 31<sup>st</sup> March, 1994 and preceding years, declared by the Company, have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956 (the Act). Members who have not encashed their Dividend Warrants for the aforesaid years are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai.

Dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account of a company is required to be transferred to the Investor Education and Protection Fund (IEPF) in terms of Section 205C of the Act. Accordingly the unclaimed dividends for the financial year ended on 31<sup>st</sup> March, 1995 have been transferred to IEPF. Last dates for claiming unpaid dividends for the financial years commencing from the financial year ended 31<sup>st</sup> March 1996 are given in the table below:

Financial Year	Date of Declaration of dividend	Last date for claiming unpaid Dividend
1995-1996	18-Sep-96	17-Sep-03
1996-1997	30-Jul-97	29-Jul-04
1997-1998	30-Jul-98	29-Jul-05
1998-1999	4-Aug-99	3-Aug-06
1999-2000	3-Aug-00	2-Aug-07
2000-2001	25-Jul-01	24-Jul-08

Members who have so far not encashed the Dividend Warrants for the above years are advised to submit their claim to the Company's R & TA at either of the aforesaid addresses immediately quoting their folio numbers/DP ID & Client ID.

- (g) Members may avail of the facility of nomination in terms of Section 109A of the Companies Act, 1956 by nominating in the prescribed form, a person to whom their shares in the Company shall vest, in the event of their death. The prescribed form can be obtained from the Company's Registered Office or from its R & TA at either of the aforesaid addresses.
- (h) Members desiring any information/ clarification as regards the Accounts are requested to write to the Company at least 10 days before the Annual General Meeting to enable the Management to reply at the Meeting.
- (i) Members/ Proxies should bring the Attendance Slip sent herewith duly filled, for attending the Meeting.
- (j) Members are requested to bring their copy of the Annual Report to the Meeting.
- (k) As required in terms of Paragraph VI(A) of Clause 49 of the Listing Agreement, details of Directors appointed and Directors retiring by rotation and eligible for re-appointment are furnished below:

## CITURGIA BIOCHEMICALS LIMITED

### 1. Dr. H.C. Bijawat:

Dr. H.C. Bijawat, 79, was inducted on the Company's Board in 1988.

He is educated from Allahabad University and in the USA where he received his Master and Ph.D degrees in Chemical Engineering.

His experience in the chemical industry extends over 45 years. Starting in research as Assistant Director at the National Chemical Laboratory, Pune, he later joined the corporate sector where his special contribution has been to plan, implement and manage the first entry and diversification into large chemical projects of several hitherto non-chemical companies, as CEO Petrochemicals - Union Carbide India Ltd., Director-Hindustan Lever Ltd. and Director - The Bombay Dyeing & Manufacturing Co. Ltd. He joined the Planning Commission, Government of India on invitation, as a Consultant on project implementation in 1973 on a two-year deputation.

Dr. Bijawat has been associated with the Wadia Group for over 20 years and has served on the Board of several Group companies. He has been a member of many industry associations as well as Government and non-government expert committees.

**Outside Directorship:** National Peroxide Ltd., Archway Investment Co. Ltd.

**Committee Membership:** Remuneration Committee (Chairman) and Share Transfer and Shareholders'/Investors' Grievance Committee (Chairman) of the Board of National Peroxide Ltd.; Remuneration Committee(Chairman), Share Transfer and Shareholders'/Investors' Grievance Committee (Chairman) and Audit Committee (Member) of the Board of Citurgia Biochemicals Ltd.

### 2. Mr. Jehangir N. Wadia:

Mr. Jehangir N. Wadia, 30, is a Master of Science- The Warwick University Coventry, UK.

Mr. Jehangir Wadia has over 10 years' experience in Textile Industry. He has successfully handled various key responsibilities at Plant level at The Bombay Dyeing & Mfg. Co. Ltd. and controlled the process of raw materials purchase, improved spinning and weaving efficiency, reduced labour cost having direct favourable impact on cost of final product and improved plant productivity.

He has also handled the portfolio of Export Manager at The Bombay Dyeing & Mfg. Co. Ltd and contributed towards increase in sales, both, in terms of value and volume and controlled cost of sales.

As General Manager, Production Planning & Control Systems at The Bombay Dyeing & Mfg. Co. Ltd, Mr. Jehangir N. Wadia successfully introduced Information Technology (Computerisation of Marketing and Manufacturing, MRP, MIS), improved manufacturing productivity and also introduced Research & Development to exports.

**Outside Directorship:** Nowrosjee Wadia & Sons Ltd., Gherzi Eastern Ltd., The Bombay Burmah Trading Corp. Ltd. (Dy. Managing Director), 4 Private Companies (Chairman) and 1 Foreign Company.

**Committee Membership:** Nil.

### 3. Mr. S.R. Lohokare

Mr. S.R. Lohokare, 52, is a B.Tech. (Hons) in Chemical Engineering from the Indian Institute of Technology, Mumbai. He is also a PGDIM and Master of Financial Management from Bombay University.

Mr. Lohokare has over 30 years' experience in Chemical Industry. He is presently the Wholetime Director of National Peroxide Limited and Citurgia Biochemicals Limited.

He started his career with The Associated Cement Companies Limited (ACC) where he worked for over 14 years. Thereafter, he worked for Indian Petrochemicals Corporation Limited (IPCL) and Deepak Nitrite Limited for 5 and 4 years respectively. He joined National Peroxide Limited in April 1997 as Vice-President (Technical) and was promoted as Wholetime Director on 1st May, 1998 and as Wholetime Director of Citurgia Biochemicals Ltd. on 1st August, 2002.

Mr. Lohokare is recipient of the President's Silver Medal for standing 1st amongst Chemical Engineering students and is also a recipient of the Indian Institute of Chemical Engineers Award for Excellence in Process Development and Product Design in 1986 instituted by Indian Explosives Limited.

He is also recipient of the Best Chief Executive Gold Award sponsored by Lal Bahadur Shastri Memorial National Award for Excellence in Indian Industries, in 2000 and 2002.

**Outside Directorships:** National Peroxide Ltd. (Wholetime Director); Naperol Investments Ltd.; National Peroxide Employees' Welfare Co. Ltd.; Wonderlene Investments Ltd.; Himgiri Trading & Agencies Ltd. (Chairman); Sodality Investments Ltd. (Chairman).

**Committee Memberships:** National Peroxide Ltd. (Share Transfer / Shareholders' Grievance Committee); Citurgia Biochemicals Ltd. (Share Transfer / Shareholders' Grievance Committee)

By Order of the Board of Directors  
For CITURGIA BIOCHEMICALS LIMITED

(S. R. LOHOKARE)  
WHOLETIME DIRECTOR

Registered Office :  
Neville House  
J. N. Heredia Marg  
Ballard Estate  
Mumbai - 400 001.  
Mumbai, 31<sup>st</sup> July, 2003



**ANNUAL REPORT 2002-2003****ANNEXURE TO THE NOTICE****Explanatory Statement as required under Section 173 of the Companies Act, 1956**

The following Explanatory Statement sets out the material facts relating to the business mentioned at Item Nos.4 to 6 of the accompanying Notice of the Annual General Meeting dated 31st July, 2003.

**Item no.4**

S.B. Billimoria & Co., Chartered Accountants and Nanubhai & Co., Chartered Accountants were the joint statutory auditors of the Company for past several years.

Having due regard to the critical financial position of the Company and in deference to the wishes of the Board of Directors of the Company, S.B. Billimoria & Co., Chartered Accountants, have, vide their letter dated 30th June, 2003, indicated their unwillingness to continue as statutory auditors of the Company effective from close of the business hours on 30th June, 2003.

Nanubhai & Co., Chartered Accountants, have forwarded a certificate to the Company stating that their appointment, if made, will be within the limits specified in sub-section (1B) of Section 224 of the Companies Act, 1956 read with Section 226 of the Companies Act, 1956 and also offering themselves for re-appointment.

The Resolution at Item no: 4 may be treated as a Special Notice as required under Sections 190 and 225 of the Companies Act, 1956 for appointment of Nanubhai & Co. Chartered Accountants as statutory auditors of the Company. A copy of 'Special Notice' has been sent to S.B. Billimoria & Co, Chartered Accountants. The Company has not received any other representation from them till date.

The Directors recommend the Ordinary Resolution at Item no. 4 of the Notice for approval by the members.

None of the Directors may be considered to be concerned or interested in the said Resolution.

**Item no.5**

Mr. S. R. Lohokare was appointed by the Board of Directors as an Additional Director with effect from 1<sup>st</sup> August, 2002 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. S. R. Lohokare as Director of the Company at this Annual General Meeting.

Mr. S. R. Lohokare, aged 52 years, is also the Wholtime Director of National Peroxide Ltd. (NPL) since 1<sup>st</sup> May, 1998. He had joined NPL as Vice-President (Technical) on 29<sup>th</sup> April, 1997 and had prior experience of around 25 years. Mr.Lohokare is a B.Tech (Hons.) from IIT, Mumbai and holds P.G.D.I.M. and degree of Master of Financial Management from Bombay University.

The Directors recommend the Ordinary Resolution at Item no.5 of the Notice for approval by the members.

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

**Item no.6**

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 30<sup>th</sup> July, 2002 appointed Mr. S. R. Lohokare, who is also the Wholtime Director of National Peroxide Limited, as Wholtime Director, for a period of five years with effect from 1<sup>st</sup> August, 2002, subject to the approval of the Members at this Annual General Meeting, and subject to the provisions of Sections 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (hereinafter referred to as "the Act") [including any statutory modification(s) or re-enactment thereof, for the time being in force] and subject to the approval of the Central Government, if and to the extent necessary, upon the terms and conditions set out in the draft Agreement to be entered into between the Company and Mr. Lohokare, referred to in the text of the Resolution at item no.6 of this Notice. Mr.Lohokare'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.6 are as follows:-

1. The appointment of Mr. S.R. Lohokare as Wholtime Director of the Company shall be for a period of five years commencing from 1<sup>st</sup> August, 2002, subject to the employment being previously determined in pursuance of any of the provisions of this Agreement. Where, during the term of appointment of Mr. Lohokare as Wholtime 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. Lohokare as Wholtime Director and will not affect the terms of appointment of or the remuneration payable to Mr. Lohokare.
2. Mr. Lohokare 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. Lohokare 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.
3. During his employment under this Agreement, Mr. Lohokare shall devote such time and attention to the business of the Company as warranted by business exigencies 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. Mr. Lohokare, who is also the Wholtime Director of National Peroxide Ltd., shall draw the remuneration (including emoluments, benefits, incentives, commission etc.), as decided by the Board from time to time, from one or both the Companies, the total of which shall not exceed the higher maximum limit admissible from any one of the Companies, in terms

## CITURGIA BIOCHEMICALS LIMITED

of section III of part II of Schedule XIII of the Act, read with sections 198, 309 and other applicable provisions, if any, of the Act.

5. Subject to clause 4 of this agreement, the Company may pay to Mr. Lohokare, in consideration of the performance of his duties as Wholetime Director, the following emoluments, benefits and perquisites, subject to the limits laid down under Schedule XIII of the Act:-

- (i) Basic Salary: Rs.80,000/- (Rupees Eighty Thousand only) per month or such other sums not exceeding Rs.1,50,000/- (Rupees One Lac Fifty Thousand only) per month as may be determined by the Board from time to time.
- (ii) Incentive Allowance: Upto 50% of the basic salary as may be decided by the Board from time to time at its sole discretion, which will qualify for both, Provident Fund and Superannuation Fund or Annuity Fund contributions.
- (iii) Commission: Commission on profits at such percentage of basic 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 basic salary, incentive 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.40 lacs per annum.

- (iv) In addition to the above remuneration, Mr. Lohokare may also be entitled to perquisites such as partly 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 lacs 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 and long distance official calls) shall not be included in such computation. Contribution to Provident Fund, Superannuation Fund or Annuity Fund shall not exceed 27% of the basic salary and incentive or such higher percentage as permissible 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) The total remuneration, including perquisites and contribution to Provident Fund and Superannuation Fund or Annuity Fund shall not exceed 5% for one such Wholetime Director and if there is more than one such Wholetime Director, 10% for all of them together, of the net profits, calculated in accordance with Section 198 and Section 309 of the Act.

Provided where in any financial year, during the currency of tenure of Mr. Lohokare as Wholetime Director, the Company has no profits or its profits are inadequate, Mr. Lohokare shall be entitled to all the remuneration by way of basic salary, incentive and allowances, and perquisites not exceeding the limits stipulated above but restricted within the overall ceiling mentioned in clause 1 (A) of Section II of part II of Schedule XIII and subject to compliance with the applicable provisions of Schedule XIII to the Act (including any statutory modification or re-enactment thereof, for the time being in force), if and to the extent necessary, with the approval of the Central Government.

- (vi) The Board may, at its discretion, pay to Mr. Lohokare, lower remuneration than the maximum remuneration specified and revise such remuneration from time to time, within the maximum limits specified therein.

6. Mr. Lohokare has made himself well conversant with the Rules of the Company which are applicable to other Senior Executives of the Company. These Rules shall also apply to Mr. Lohokare in respect of his contract of employment as such Wholetime Director. It is clarified that Mr. Lohokare's eligibility for gratuity under the Company's Gratuity Fund shall be computed on his basic salary only.

7. Mr. Lohokare shall not be paid any fees for attending meetings of the Board or of any Committee thereof.

8. Mr. Lohokare shall not, as long as he functions as the Wholetime Director of the Company, 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.

9. Mr. Lohokare 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 knowhow, 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. Lohokare 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. Lohokare 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.

10. 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. Lohokare 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. Lohokare 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.

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11. Mr. Lohokare 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, he will not, for the remainder of such period :
- (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/which has, at any time during the two years immediately preceding 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 was 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.
12. Mr. Lohokare shall be entitled to reimbursement of all expenses including travelling, entertainment/business promotion and other out-of-pocket expenses incurred by him in connection with or relating to the business of the Company.
13. If Mr. Lohokare 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 desirable, the Company may, by not less than 30 days notice in writing to Mr. Lohokare, determine this Agreement and he shall cease to be the Wholetime Director of the Company upon the expiration of such notice.
14. Notwithstanding anything to the contrary contained in this Agreement with regard to termination hereof, but subject to non-compete clause, either party shall be entitled to determine this Agreement by giving not less than three calendar months' prior notice in writing in that behalf to the other party, without the necessity of showing any cause and on the expiry of the period of such notice this Agreement shall stand determined and Mr. Lohokare shall cease to be the Wholetime Director of the Company, **PROVIDED HOWEVER** that, the Company shall be entitled to terminate Mr. Lohokare's employment at any time, by payment to him of three months' basic salary in lieu of such notice.
15. Mr. Lohokare 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.
16. Mr. Lohokare shall be subject to retirement by rotation in accordance with Articles 128, 129 and 130 of the Articles of Association of the Company.
17. The employment of Mr. Lohokare under this Agreement shall forthwith determine if he becomes insolvent or he ceases to be a Director of the Company. Mr. Lohokare shall cease to be a Director of the Company if this Agreement is terminated and he ceases to be employed as the Wholetime Director.
18. If Mr. Lohokare 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.
19. This Agreement represents the entire agreement between the parties hereto in relation to the terms and conditions of Mr. Lohokare's employment with the Company as Wholetime Director.

The approval of the members is, therefore, being sought under the provisions of the Act, to the appointment of Mr. Lohokare as Wholetime Director of the Company for a period of five years with effect from 1<sup>st</sup> August, 2002 and for the payment to him of the remuneration as stated above, subject to the aforesaid ceiling on remuneration.

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 Ordinary Resolution at item no.6 of the Notice for approval by the members.

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.

None of the Directors other than Mr. S.R. Lohokare 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. Lohokare, when executed, and Memorandum of Interest pursuant to Section 302 of the Act.

By Order of the Board of Directors  
**For CITURGIA BIOCHEMICALS LIMITED**

**(S. R. LOHOKARE)**  
**WHOLETIME DIRECTOR**

Registered Office :  
Neville House  
J. N. Heredia Marg  
Ballard Estate  
Mumbai - 400 001.  
Mumbai, 31<sup>st</sup> July, 2003



# CITURGIA BIOCHEMICALS LIMITED

## DIRECTORS' REPORT TO THE MEMBERS

The Directors present the audited Balance Sheet and Profit & Loss Account together with their Report for the year ended 31<sup>st</sup> March, 2003:-

### Financial Results:

	For the year ended 31 <sup>st</sup> March, 2003 Rs. in lacs	For the year Ended 31 <sup>st</sup> March, 2002 Rs. in lacs
GROSS TURNOVER	5133.61	6,937.57
Other Income	195.14	186.67
(Loss)/Profit before Interest & Depreciation	(905.94)	547.21
Interest	573.18	550.98
Loss before Depreciation	(1479.12)	(3.77)
Depreciation	371.03	365.19
LOSS BEFORE EXTRAORDINARY ITEMS AND TAXATION	(1850.15)	(368.96)
Extraordinary items -		
- Profit/(Loss) on sale of fixed assets	136.31	179.33
- Profit/(Loss) on sale of investments	17.36	—
- Deferred Revenue Expenditure written off - (Voluntary Retirement Scheme)	(46.99)	(47.00)
Taxation -	—	—
Current year's Deferred Tax	(45.86)	(68.35)
Current year's Wealth Tax	(0.07)	(0.55)
LOSS AFTER TAX	(1789.40)	(305.53)
Add: Balance in Profit and Loss Account of Previous Year	643.93	949.46
Balance Transferred on Amalgamation	183.84	—
Transfer from General Reserve	540.89	—
Accumulated Lease Equalization in respect of earlier years	2.57	—
(DEFICIT)/SURPLUS AVAILABLE FOR APPROPRIATIONS	(418.17)	643.93
Appropriations to:		
Proposed Dividend	—	—
Corporate Dividend Tax	—	—
General Reserve	—	—
Balance carried forward to next year	(418.17)	643.93

### Company results and Dividend

The Company has incurred a loss after tax of Rs.1789.40 lac (including Rs.136.31 lacs gain on sale of immovable property, Rs.17.36 lacs gain on sale of investments and Rs.45.86 lac on account of Deferred Tax Liability) against a loss after tax of Rs.305.53 lacs (including Rs.179.33 lacs gain on sale of immovable property and Rs.68.35 lacs on account of Deferred Tax Liability) in the previous financial year.

In view of the loss incurred, the Directors do not recommend any dividend.

### Production and Sales

#### Citric Acid

The production at 3,328 MT was lower than the production of 5,621 MT last year. The sales were lower by 18% at 4,292 MT compared to 5,243 MT in the previous year because of cheaper imports and domestic competition. The exports during the year were 5 M.T. valued at Rs. 3.11 lacs, as against Nil in the previous year. The operations during the period were affected by oversupply position in the market, resulting in lower sales volume and severe pressure on prices. The lower fermenter yield and lower production resulted in higher cost of production.

Imports of Citric Acid into the country took place from Indonesia and Thailand. Citric Acid has also been brought into the country from Singapore, Taiwan, Korea and Malaysia, who do not produce Citric Acid. Provisional anti-dumping duty was levied in August 2002 on imports from Indonesia and Thailand, which was confirmed in January 2003. However this did not help much in improving prices, as they were dictated by domestic competition.

#### Calcium Carbonate

Continued sluggishness in the demand for Calcium Carbonate in major industries such as PVC pipes and toothpaste and excess domestic capacity resulted in lower sales at 24,327 MT compared to 31,632 MT in the previous year. Production was, therefore, curtailed to 23,263 MT compared to 31,983 MT in the previous year. The exports during the year were 387 MT valued at Rs. 38.20 lacs as against 2,391 MT valued at Rs. 241 lacs in the previous year. Domestic competition led to further fall in prices during the year under review.

### Amalgamation:

One of the wholly owned subsidiaries of the Company viz. Jasper Investments Limited has, in terms of a Scheme of Amalgamation under Sections 391 to 394 of the Companies Act, 1956, been merged into the Company consequent upon the jurisdictional Hon'ble High Court Order dated 13<sup>th</sup> June, 2003. The Scheme of Amalgamation became effective as of 1<sup>st</sup> October, 2002 being the appointed date in terms of the approved Scheme. Accordingly the operating results of Jasper Investments Limited for six months from 1<sup>st</sup> October 2002 to 31<sup>st</sup> March 2003 and its assets/ liabilities have been incorporated in the Accounts of the Company.

### Finance and Accounts

The Company's cash flow was under severe strain due to difficult trading environment. A part of the principal and interest was paid to ICICI Bank Ltd. (ICICI), who proposed a restructuring package to the Company. The said package was examined by the Board of Directors. However, since it did not meet even the requirements of reduction in interest cost, the Company has informed ICICI that they are unable to accept the package.

Due to substantial losses sustained by the Company during the year under report, its accounts with the term lenders as also the bankers have been rendered irregular.

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**Reference to BIFR**

The Directors have to inform you that the audited accounts of the Company for the year ended 31st March, 2003, show that the entire net worth of the Company has been eroded by its accumulated losses and therefore, the Directors, at their meeting held on 28<sup>th</sup> April, 2003, formed an opinion on the sickness of the Company and also authorized filing of the reference with the Board for Industrial & Financial Reconstruction (BIFR) based on the said accounts pursuant to the proviso to section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985. The said reference was registered by Hon'ble BIFR as case no: 232/2003 vide their intimation dated 28<sup>th</sup> May, 2003. The accounts, therefore, have been prepared on a going concern basis as explained in Note No. 8 of schedule "O" forming part of the Accounts. This may also be treated as an explanation to the auditors' qualification in their report in para (4)(vi) and (vii).

**Future prospects**

Due to sustained operating losses in the Calcium Carbonate Division since 1999 and further operating losses in the Citric Acid Division of the Company during the year under review, and in the absence of additional working capital funds, the Company has been compelled to temporarily suspend its manufacturing operations at both the plants. While the Company is examining the remedial measures that may be required to be adopted for its turn around, the rehabilitation proposal will have to be finalized under the aegis of BIFR.

**Fixed Deposits**

All the fixed deposits have been repaid. However, despite several reminders, deposits from 10 depositors aggregating Rs.0.63 lacs have remained unclaimed as on date of the report, which have been kept in separate bank account for the purpose of repaying to the depositors upon receiving claims from them or to be transferred to the Investors' Education & Protection Fund on due dates.

**Safety and Environment**

The Company continued to maintain a good safety record. Necessary equipment have been installed at both the plants to meet the requirements of State Pollution Control Boards. The Company has valid consent for discharge of effluents at both the plants.

**Insurance**

All the properties of the Company, including buildings, plant and machinery, stores and stocks and materials in transit have been adequately insured.

**Depository System**

Compulsory trading of the Company's Equity shares in dematerialized form has been made mandatory by the Securities & Exchange Board of India (SEBI) with effect from 25<sup>th</sup> September, 2000. In line with this, the Company has entered into a tripartite agreement with Central Depository Services (India) Limited, National Securities Depository Ltd. and M/s. Sharepro Services, Registrars for Depository system. Shareholders can avail of the facility for dematerialization of securities for safe and efficient dealings in securities of the Company.

**Directors**

Mr. S. R. Lohokare was appointed as an Additional Director on the Board of the Company under section 260 of the Companies Act, 1956 and Article 115 of the Articles of Association of the Company with effect from 1<sup>st</sup> August, 2002. As an Additional Director, Mr. Lohokare will hold office upto the forthcoming Annual General Meeting of the Company and is eligible for re-appointment at the Annual General Meeting. As required by Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a member signifying his intention to propose Mr. Lohokare as a candidate for the office of Director.

The Board of Directors, at their meeting held on 30<sup>th</sup> July, 2002, appointed Mr. S. R. Lohokare as Wholtime Director of the Company for a period of five years with effect from 1<sup>st</sup> August, 2002. Necessary resolution for his appointment has been included in the notice of the Annual General Meeting, as the above appointment is subject to the approval of the shareholders.

Mr. R. Swaminathan resigned as the Wholtime Director of the Company, designated as Executive Director, effective from close of the business hours on 30<sup>th</sup> July, 2002. By virtue of cessation of his office as Wholtime Director of the Company designated as Executive Director, Mr. R. Swaminathan ceased to hold the office of Director of the Company effective from close of the business hours on 30<sup>th</sup> July, 2002.

Mr. Nusli N. Wadia resigned as a Director and Chairman from the Board of Directors of the Company with effect from 26<sup>th</sup> August, 2002. The Directors, while accepting the resignation, have placed on record their sincere gratitude for the valuable contribution of Mr. Nusli N. Wadia during his long association with the Company as Director and Chairman.

ICICI Ltd. had, during the year, withdrawn the nomination of Mr. S.T. Devare from the Board of the Company with effect from 24<sup>th</sup> October, 2002. The Directors have placed on record, their sincere appreciation of the support and co-operation received from Mr. Devare during his association as a Nominee Director of ICICI Ltd. on the Board of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Dr. H.C. Bijawat and Mr. Jehangir N. Wadia, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

**Directors' Responsibility Statement under Section 217(2AA) of the Companies Act, 1956**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure;
- ii. they have, in selection of the accounting policies, consulted the statutory auditors and applied them consistently and made judgements and estimates 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 loss of the Company for that period;
- iii. they have taken proper and sufficient care to the best of their knowledge and ability 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;
- iv. they have prepared the annual accounts on a going-concern basis.

**Corporate Governance**

The Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance, in terms of Clause 49 to the Listing Agreements with the Stock Exchanges, are complied with.

A separate report on Corporate Governance is being incorporated as a part of the Annual Report along with a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance which is annexed to the Directors' Report.