



Dhanuka Pesticides Limited

(AN ISO 9001:2000 COMPANY)

19th Annual Report
2003-04

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Sh. R.G. Agarwal, Chairman



Sh. M.K. Dhanuka, Managing Director

DHANUKA PESTICIDES LIMITED

(AN ISO 9001:2000 COMPANY)

BOARD OF DIRECTORS

R.G. AGARWAL

Chairman

M.K. DHANUKA

Managing Director

K.B. KEJARIWAL

Director (Works)

PRIYA BRAT

K.K. JAIN

C.M. GUPTA

RAHUL DHANUKA

BANKERS

STATE BANK OF PATIALA

Commercial Branch,

Chanderlok Building,

36, Janpath,

New Delhi - 110 001.

AUDITORS

M/s. S. K. Jain Associates

Chartered Accountants

1/1293, Naiwala, Karol Bagh,

New Delhi - 110 005.

REGISTRAR & S.T. AGENT

M/s Abhipra Capital Ltd.

Ground Floor, Abhipra Complex,

Dilkhush Indl. Area,

A-387, G.T. Karnal Road,

Azadpur, Delhi - 110 033.

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BRANCHES

Ahmedabad, Akola, Bangalore, Bathinda, Bhopal, Cuttack, Ghaziabad, Gulbarga, Gurgaon, Hyderabad, Indore, Jaipur, Kolkata, Lucknow, Ludhiana, Patna, Pune, Raipur, Salem, Siliguri, Sriganganagar and Vijayawara.

ANNUAL GENERAL MEETING

Date : 29th September, 2004
 Time : 10.30 a.m.
 Venue : The Little Theatre Group (LTG),
 Copernicus Marg,
 New Delhi - 110 001.

NOTICE TO THE MEMBERS

Notice is hereby given that the 19th Annual General Meeting of the Company will be held at The Little Theatre Group (LTG), Copernicus Marg, New Delhi-110 001 on Wednesday, the 29th day of September, 2004 at 10.30 a.m. to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date together with report of the Directors and Auditors thereon;
2. To declare dividend for the year ended on 31st March, 2004;
3. To appoint a Director in place of Shri C.M. Gupta, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Shri Rahul Dhanuka, who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint Auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

"RESOLVED that pursuant to the provisions of Section 198 & 269 read with Schedule XIII to the Companies Act, 1956 and all other applicable provisions of the Companies Act, 1956, the consent of the company be and is hereby accorded to the re-appointment of Shri M.K. Dhanuka as Managing Director of the company for a period of 5 years w.e.f. 14.08.2004 to 13.08.2009 (both days inclusive) in accordance with the terms and conditions, as set out in the draft agreement submitted to this meeting and initialed by the Chairman of the meeting for the purpose of identification and subject to such modification(s) or variation thereof (not being a modification or variation more advantageous to Shri M.K. Dhanuka) as may be agreed to by the Board of Directors and Shri M.K. Dhanuka."

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

"Resolved that pursuant to the provisions of clause 5.2 of the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003, Listing Agreements entered into by the Company with various Stock Exchanges, the Companies Act, 1956, the Securities Contract (Regulation) Act, 1956, and other applicable provisions, rules, regulations, guidelines, if any, and subject to the approval of the members of the Company and such other approvals, permissions and sanctions, as may be necessary or required, the equity shares of the Company be de-listed from the Delhi Stock Exchange Association Ltd. at New Delhi (DSE) being the Regional Stock Exchange of the Company in the terms of the following:

- a. There has been insignificant/negligible trading in the equity shares of the Company on DSE in the last few years.
- b. The Company has been incurring precious resources by way of payment of listing fee etc. due to listing on DSE, which is not justified in comparison with the benefits/services available to the shareholders of the Company in particular and investors in general. Hence, there is no cost benefit to the Company.
- c. The Company can save monetary and other resources by de-listing from DSE without sacrificing the investors' interests.
- d. The proposed de-listing will also result in reduction in administrative and procedural work. Thus, resulting in saving of precious time of senior executives of the Company whose services can be deployed in other productive avenues.
- e. The Equity Shares of the Company shall continue to be listed on the Stock Exchange, Mumbai.
- f. Since the Company shall remain listed on the BSE, which has a nationwide trading mechanism, the interest of the investors will not be affected adversely.
- g. In terms of the SEBI De-listing Guidelines, no exit offer is required to be given to the shareholders of the Company in connection with the proposed de-listing from DSE. Accordingly, the Company has no intention to give an exit option to the shareholders of region under the jurisdiction of Delhi Stock Exchange.

NOTICE TO THE MEMBERS (Contd...)

Resolved further that the Board of Directors of the Company be and is hereby authorised to take all the necessary steps in this regard and to do all such acts, deeds and things and to execute all such deeds, documents, writings as it may, in its absolute discretion, deem necessary, proper, desirable or expedient and for this purpose to authorise any of its directors or the company secretary of the Company or any other person, whom the Board consider suitable to do the various acts, deeds and things required to be done in this behalf."

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

"Resolved that pursuant to section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the articles of association of the company be altered in the following manner:

Insert the following heading and article as article no. 33A after article no. 33 as under:

Dematerialisation of Securities

33A. Definition

- i) For the purpose of this Article:
 'Beneficial Owner' means a person or persons whose name is recorded as such with a depository;
 'SEBI' means the Securities and Exchange Board of India;
 'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992; and
 'Security' means such security as may be specified by SEBI from time to time.
- ii) Dematerialisation of Securities
 Notwithstanding anything contained in these articles, the company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.
- iii) Option for Investors
 Every person subscribing to securities offered by the company shall have the option to receive security certificates or to hold the securities with a depository.

If a person opts to hold his security with a depository, the company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

A person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

- iv) Securities in Depositories to be in fungible form
 All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in sections 153, 153A, 153B, 187B, 187C and 372A of the Act, shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.
- v) Rights of Depositories and Beneficial Owners
 - (a) Notwithstanding anything to the contrary contained in the Act or these articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
 - (b) Save as otherwise provided in (a) above, the depository, as the registered owner of the securities shall not have any voting rights or any other right in respect of the securities held by it.
 - (c) Every person holding securities of the company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.
- vi) Service of Documents
 Notwithstanding anything in the act or these articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic mode or by delivery of floppies or discs.
- vii) Transfer of Securities
 Nothing contained in section 108 of the Act or these articles, shall apply to a transfer of

NOTICE TO THE MEMBERS (Contd...)

securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

viii) Allotment of Securities dealt with in a Depository

Notwithstanding anything in the Act or these articles, where securities are dealt with by a depository, the company shall intimate the details thereof to the depository immediately on allotment of such securities.

ix) Distinctive numbers of Securities held in a Depository

Nothing contained in the Act or these articles regarding the necessity of having distinctive numbers for securities issued by the company shall apply to securities held with a depository.

x) Register and Index of Beneficial Owners

The register and index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the register and index of members and security holders for the purposes of these articles.

approved at the ensuing Annual General Meeting, will be made only to those members whose names are registered in the register of members of the company as on 29th September, 2004 or to their mandates; as the case may be. In respect of shares in electronic form, the dividend will be paid on the basis of beneficial ownership as on 29th September, 2004 as per details furnished by the National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for this purpose.

4. In view of the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year 1996-97 shall be transferred to Investor Education and Protection Fund (IEPF) in the month of October, 2004. Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 1997 or any subsequent financial year(s), are requested to lodge their claims with the company till 15th September, 2004. No claim shall lie against the Company or the Fund once the unclaimed dividend is transferred to IEPF.

5. Members are requested to notify any change in their address to their Depository Participants (DPs) in respect of shares held in electronic form and to the Transfer Agents of the company in respect of shares held in physical form.

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

7. Shareholders/Proxies are requested to produce at the entrance the attached admission slip, duly completed and signed in accordance with the specimen signatures registered with the company, for admission to the meeting hall.

8. Members are requested to bring their copy of the Annual Report, as no copy will be distributed at the venue of the Annual General Meeting.

BY ORDER OF THE BOARD
for DHANUKA PESTICIDES LIMITED

M.K. Dhanuka
Managing Director

Regd. Office: 'DHANUKA HOUSE',
861-862, Joshi Road,
Karol Bagh, New Delhi – 110005.

Place : New Delhi

Dated: 24th August, 2004

NOTES:-

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the company. Proxies in order to be effective must be received by the company at its registered office at least 48 hours before the time fixed for the meeting.
2. The Register of Members and the Share Transfer Books will remain closed from 22.09.2004 to 29.09.2004 (both days inclusive).
3. Payment of dividend for the financial year 2003-04, as recommended by the Board, if

NOTICE TO THE MEMBERS (Contd...)

9. Members desirous of getting any information about the accounts under reference and operations of the company are required to address their query to the Managing Director so that the same may reach them at least seven days before the date of the meeting to enable the management to keep the information ready.

10. Appointment / Re-appointment of Directors:-

At the ensuing General Meeting, Mr. C.M. Gupta and Mr. Rahul Dhanuka will retire by rotation and being eligible offer themselves for re-appointment. Consent of the members is also solicited for re-appointment of Mr. M.K. Dhanuka as Managing Director of the company for a further period of 5 years. The informations / details to be provided for the aforesaid Directors / Managing Director under Corporate Governance Code are as under :-

- (a) Mr. C.M. Gupta, aged 56 years is B.Com (Hons.) from Delhi University, has a rich experience in the field of pesticides. He is also working as Director (Purchase) in Northern Minerals Ltd. and is on the board of M.K.Farmers Investment Co.Ltd. He is also a member of Remuneration Committee and Audit Committee of your Company.
- (b) Mr. Rahul Dhanuka, aged 29 years, an M.B.A. from S.P. Jain Institute of Management & Research, Mumbai, has proven his worth within a short span of time with his dynamic leadership. He is also working as Director (Marketing) of M/s Northern Minerals Ltd. and is on the Board of Dhanuka Laboratories Ltd., Exclusive Leasing & Finance Ltd. and Delco Investment Co.Ltd. He is also a member of Audit Committee of your Company.
- (c) Mr. M.K. Dhanuka, aged 50 years, B.Com (Hons.) from Delhi University, has over 30 years of experience in the field of pesticides. He is on the board of Moongipa Trading & Holding Ltd., Golden Overseas Ltd., Dhanuka Laboratories Ltd. and Rajasthan Insecticide & Fertilizer Co. Pvt.Ltd. He is also a member of the Shareholders' Grievance & Share Transfer Committee of your company.

11. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no. 6 of the Notice (in respect of Special Business to be transacted at the meeting) is annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The following explanatory statement sets out all the material facts, relevant to the items of the Special Business contained in the notice.

ITEM NO.6

The shareholders had, in the 14th Annual General Meeting held on 23.09.1999 approved the appointment of Shri M.K. Dhanuka as Managing Director of the company for a period of 5 years from 14.8.1999 to 13.8.2004. During the last five years the company has made outstanding progress and its turnover and profitability, both have improved substantially. He has a rich and varied experience in the field of pesticides and has played a vital role in bringing the company to its present position. He is also the financial head controlling all the financial transactions of the company. With better negotiation with the bankers, the company has been able to reduce the interest cost, a major head of expense, drastically under his supervision. The company hopes to achieve new heights in the dynamic leadership of Shri M.K. Dhanuka.

The Board of Directors consider that Shri M.K. Dhanuka be reappointed as Managing Director of the company for a further period of 5 years from 14.8.2004 to 13.8.2009 (both days inclusive) as per the draft agreement and recommend to the shareholders for their approval. The material terms and conditions contained in the said agreement are mentioned below for consideration of the members:

- A. Salary: Rs. 1,00,000/- p.m.
- B. Perquisites

Category 'A':

- i) Reimbursement of medical expenses for self and family, actually incurred, subject to the limit that the total cost to the company shall not exceed one month's salary in a year or three months' salary in a block of three years excluding perquisites and subject to the scheme framed by the company;
- ii) Leave travel concession for self and family not exceeding Rs.75,000/- once in a year. The perquisite shall be taxed in accordance with the provisions of the Income Tax Rules;
- iii) Membership fee of not more than two clubs provided no life membership fee or admission fee shall be paid by the company; and

NOTICE TO THE MEMBERS (Contd...)

- iv) Personal accident insurance, subject to the condition that the annual premium shall not exceed Rs. 4,000/- per annum.

Category 'B':

- i) Company's contribution towards provident fund subject to the ceiling of 12% of the salary;
- ii) Company's contribution towards pension/superannuation fund provided such contribution together with contribution to the provident fund shall not exceed 27% of the salary as laid down in the Income Tax Rules, 1962; and
- iii) Gratuity payable in accordance with an approved Gratuity Fund and shall not exceed one half month's salary for each completed year of service or part thereof in excess of six months, subject to a ceiling of Rs. 3,50,000/- or as laid down in the Income Tax Rules, 1962, whichever is lower.

Category 'C':

- i) Provision of car for use of company's work subject to the condition that personal use of car shall be billed by the company to the Managing Director; and
- ii) Provision of telephone at residence for use of company's work, subject to the condition that personal long distance calls on telephone shall be billed by the company to the Managing Director.

MINIMUM REMUNERATION:

Notwithstanding anything to the contrary contained herein where in any financial year, during the currency of tenure of Managing Director, the company has no profit or its profits are inadequate, the company will pay remuneration by way of salary and perquisites as specified above.

Except Shri M.K. Dhanuka, Shri R.G. Agarwal and Shri Rahul Dhanuka, no other director is interested in the aforesaid resolution.

A copy of draft agreement referred to in the resolution is available for inspection of the members at the Registered Office of the company on any working day during business hours and shall also be available for inspection throughout the continuance of the Annual General Meeting.

This memorandum may be treated as an abstract of the draft agreement between the company and Shri M.K. Dhanuka for the purpose of Section 302 of the Companies Act, 1956.

The aforesaid appointment falls within the terms and conditions as prescribed in Schedule XIII to the Companies Act, 1956 as amended upto date; hence approval of shareholders is only required and no approval of Central Government is necessary in this case.

ITEM NO. 7

Presently your Company is listed at the Delhi Stock Exchange Association Ltd. at New Delhi (Regional Stock Exchange) (DSE) and the Stock Exchange, Mumbai (BSE). While the Company's Application for de-listing from the Ludhiana Stock Exchange (LSE) is at an advance stage and the Company is expecting the de-listing approval from Ludhiana Stock Exchange any time now.

At the time of the maiden public issue of the Company, there was a trend to go for listing on various stock exchanges to enable the investors spread over the length and breadth of the country to trade in the shares of the company on the local stock exchange. Accordingly, your Company opted for the listing on the DSE, LSE and BSE. However, the scenario has changed in the last 8-9 years. The Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE) have established country wide trading mechanism. In fact, most of the secondary market operations are on these two stock exchanges now-a-days.

Recently the Securities and Exchange Board of India (SEBI) came out with new guidelines for de-listing of securities namely, the Securities and Exchange of India (De-listing of Securities) Guidelines, 2003. These Guidelines, inter alia, provide the following:

- i. A company can seek voluntary de-listing of its securities from various stock exchanges of the country including the regional stock exchange.
- ii. In case, securities of a company are remained to be listed on the BSE and/or the NSE (exchanges with nation wide trading terminals), no exit offer is required to be given to the shareholders of the Company.
- iii. The de-listing proposal must be approved by the shareholders by way of special resolution passed in the Annual General Meeting.

Since, your Company is also listed on the BSE, it is proposed to get it de-listed from the DSE.

NECESSITY AND OBJECTS OF DE-LISTING:

The de-listing is proposed in view of the aforesaid general background and the following specific factors:

- a. There has been insignificant/negligible trading in the equity shares of the Company on DSE in the last few years.

NOTICE TO THE MEMBERS (Contd...)

- b. The Company has been incurring precious resources by way of payment of listing fee etc. due to listing on DSE, which is not justified in comparison with the benefits/services available to the shareholders of the Company in particular and investors in general. Hence, there is no cost benefit to the Company.
- c. The Company can save monetary and other resources by de-listing from DSE without sacrificing the investors' interests.
- d. The proposed de-listing will also result in reduction in administrative and procedural work. Thus, resulting in saving of precious time of senior executives of the Company whose services can be deployed in other productive avenues.

Since the Company shall continue to be listed on the BSE, which has a nationwide trading mechanism, the interest of the investors will not be affected adversely.

In terms of the SEBI De-listing Guidelines, no exit offer is required to be given to the shareholders of the Company in connection with the proposed de-listing. Accordingly, the Company has no intention to give an exit option to the shareholders of the regions under the jurisdiction of DSE.

OTHER RELEVANT DETAILS ABOUT THE COMPANY

CAPITAL STRUCTURE

Present authorised Share Capital of the Company is Rs. 6,00,00,000 divided into 60,00,000 Equity Shares of Rs. 10/- each. The Issued, Subscribed and Paid up Share Capital of the Company is Rs. 1,98,00,000 divided into 19,80,000 Equity Shares of Rs.10/- each.

SHAREHOLDING PATTERN

Share holding pattern as on June 30, 2004 is as follows:

| Sl. Category No. | No. of Shares | Percentage % |
|-----------------------------|----------------|---------------|
| 1. Promoters' holding | 534135 | 26.98 |
| 2. Non Promoters' holding: | | |
| a. Private Corporate Bodies | 9100 | 0.46 |
| b. Others | 1436765 | 72.56 |
| Total | 1980000 | 100.00 |

The proposed De-listing would not result in any change in the present capital structure or the share holding pattern of the Company.

STOCK MARKET DATA

Stock Market Data from Jan.'04 to June'04:

| Period | Share Price at BSE | | Volume |
|-----------|--------------------|-------|--------|
| | High | Low | |
| Jan' 2004 | 22.00 | 18.00 | 600 |
| Feb'2004 | - | - | - |
| Mar'2004 | - | - | - |
| Apr'2004 | 19.00 | 16.25 | 2100 |
| May'2004 | - | - | - |
| Jun'2004 | - | - | - |

Yearly Stock Market Data for the last three years:

| Period | Share Price at BSE | | Volume |
|------------|--------------------|------|--------|
| | High | Low | |
| Year, 2001 | 13.00 | 6.00 | 71900 |
| Year, 2002 | 10.90 | 6.90 | 14400 |
| Year, 2003 | 22.75 | 8.00 | 5300 |

NAME OF THE COMPLIANCE OFFICER

M.K. Dhanuka
Managing Director

As the shareholders are aware, the Company's equity shares are compulsorily traded and settled only in dematerialised form. Abhipra Capital Ltd., New Delhi has been appointed as the Common Agency for Transfer of Shares and De-mat purposes.

Consent of the members of the Company is required for the proposed de-listing. Your Directors recommend the resolution.

None of the Directors is deemed to be interested or concerned in the proposed resolution.

ITEM NO. 8

The Stock Exchange, Mumbai had advised the company to sign agreements with both the depositories viz. Central Depository Services (India) Ltd. (CDSL) and National Securities Depository Ltd. (NSDL) and establish the required connectivity with both the depositories to enable the shareholders to trade in their securities in de-materialised form. In this connection, the Board of Directors of your company had decided in their meeting held on 30.10.2003, to enter into a

NOTICE TO THE MEMBERS (Contd...)

tri-partite agreement with Central Depository Services (India) Ltd. (CDSL) and National Securities Depository Ltd. (NSDL) (Depositories) and M/s Abhipra Capital Ltd. (R&T Agent) to establish the required connectivity with them. The company has established the required connectivity and now company's equity shares are compulsorily traded and settled only in dematerialised form.

The Articles of Association of the company should have a relevant clause with regard to dematerialisation. As this is a new concept, there is no such provision as to dematerialisation in the Articles of Association. Therefore, the Articles of Association of the company need to be altered to include therein the clause of dematerialisation. According to Section 31 of the Companies Act, 1956, in order to affect an alteration in the Articles of Association, the same has to be approved by way of a Special Resolution passed by the shareholders in the Annual General Meeting.

Consent of the members of the Company is required for the proposed alteration in the Articles of Association. Your Directors recommend the resolution.

None of the Directors is deemed to be interested or concerned in the proposed resolution.

BY ORDER OF THE BOARD
for **DHANUKA PESTICIDES LIMITED**

M.K. Dhanuka
Managing Director

Regd. Office: 'DHANUKA HOUSE',
861-862, Joshi Road,
Karol Bagh, New Delhi-110005.

Place : New Delhi
Dated: 24th August, 2004

