

Dhanuka Pesticides Limited

(AN ISO 9001 : 2000 COMPANY)

21st Annual Report 2005-06





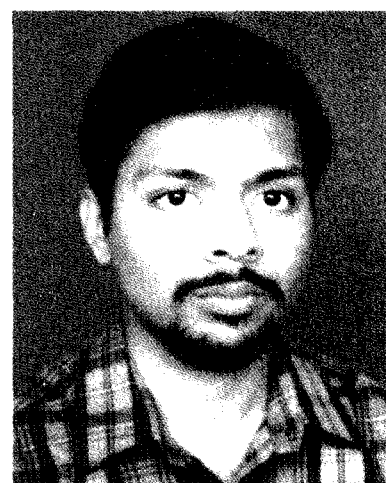
Sh. R.G. Agarwal, Chairman



Sh. M.K. Dhanuka, Managing Director



Sh. K.B. Kejariwal, Director (W)



Sh. Rahul Dhanuka, 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

Director

K.K. JAIN

Director

C.M. GUPTA

Director

RAHUL DHANUKA

Director

VINOD JAIN

Director

BANKERS

STATE BANK OF PATIALA

Commercial Branch

Chanderlok Building,

36, Janpath, New Delhi

AUDITORS

Dinesh Mehta & Co.

Chartered Accountants

21, Dayanand Road, Daryaganj

New Delhi - 110 002.

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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WORKS

Village Atta, Sohna Mandkola Road

Tehsil : Nuh, Distt, Gurgaon (Haryana)

BRANCHES

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

ANNUAL GENERAL MEETING

Date : 29th September, 2006

Time : 10.30 a.m.

Venue : The Little Theatre Group (LTG),
Copernicus Marg,
New Delhi - 1100 01

NOTICE TO THE MEMBERS

Notice is hereby given that the 21st Annual General Meeting of the Company will be held at The Little Theatre Group, Copernicus Marg, New Delhi-110001 on Friday, the 29th day of September, 2006 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, 2006 and the Profit and Loss Account for the year ended on that date together with report of the Auditors and Directors thereon;
2. To declare dividends for the year ended on 31st March, 2006;
3. To appoint a Director in place of Shri Priya Brat, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Shri C.M.Gupta, 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 and to fix their remuneration.
3. Payment of final dividend @ 20% for the financial year 2005-06, as recommended by the Board, if approved at the ensuing Annual General Meeting, will be paid only to those members whose names are registered in the register of members of the company as on 29th September, 2006 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, 2006 as per details furnished by the National Securities Depository Ltd. (NSDL) and Central Depositories Services (India) Ltd. (CDSIL) for this purpose. An Interim dividend of 20% (Rs. 2/- per share of Rs. 10/- each) for the financial year ended on 31.3.2006 has already been paid to the members in May, 2006.
4. In view of the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year 1998-99 shall be transferred to Investor Education and Protection Fund (IEPF) in the month of October, 2006. Members who have not encashed their dividend warrant(s) for the financial year ended on 31st March, 1999, are requested to lodge their claims with the company till 15th September, 2006. 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 Depositories Participants (DPs) in respect of shares held in electronics 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 Depositories 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.

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: 31st July, 2006

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 23.09.2006 to 29.09.2006 (both days inclusive).

NOTICE TO THE MEMBERS (Contd...)

8. Corporate members intending to send their authorized representatives are requested to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the meeting.
9. 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.
10. 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 the company at least seven days before the date of the meeting to enable the management to keep the information ready.

11. Appointment / Re-appointment of Directors:-

At the ensuing Annual General Meeting, Shri Priya Brat and Shri C.M.Gupta will retire by rotation and being eligible offer themselves for re-appointment. Information / details to be provided for the aforesaid Directors under Corporate Governance are as under:-

- (a) Mr. Priya Brat , aged 70 years, M.Sc.(Hons.) in Physics is a fellow member of Indian Institute of Bankers. He has also completed diploma in international finance from the

Development Management Institute, Geneva. He had a distinguished career as formal Chief General Manager of State Bank of India and director on the Board of Bankers in SBI group. He is also on the Board of Eicher Ltd., Eicher Motors Ltd and Dhampur Sugar Ltd. He is also chairman of Remuneration Committee of the Board of your Company.

- (b) Mr. C.M. Gupta, aged 58 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 Limited. He is also a member of Remuneration Committee of the Board of your Company.

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

Sd/-
(M. K. Dhanuka)
Managing Director

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

Place : New Delhi
Dated: 31st July, 2006

P. S.

1. NO GIFTS WILL BE DISTRIBUTED AT THE AGM.
2. REFRESHMENTS WILL BE PROVIDED ONLY TO THOSE MEMBERS/PROXY WHO WILL BE PERSONALLY PRESENT AT THE MEETING.

DIRECTORS' REPORT

To

ALL THE MEMBERS

Your Directors have pleasure in presenting the 21st Annual Report alongwith Audited Accounts of the company for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

(Rs. In Lacs)

PARTICULARS	For the year ended 31.03.2006	For the year ended 31.03.2005
Sales	6402.82	6147.59
Profit/(Loss) before depreciation & tax	687.87	586.04
Less:		
- Depreciation	41.40	42.16
- Provision for Income Tax	222.00	219.31
- Provision for FBT	10.08	-
- Deferred Tax liability (Assets)	(3.85)	(14.79)
	418.24	339.36
ADD :		
- Balance of Profit& Loss account of Previous Year	693.52	478.03
AMOUNT AVAILABLE FOR APPROPRIATION	1111.76	817.39
Appropriations :		
- Transferred to General Reserve	41.83	33.94
- Interim Dividend	39.60	39.60
- Tax on Interim Dividend	5.55	5.18
- Final Dividend	39.60	39.60
- Tax on Final Dividend	5.55	5.55
SURPLUS CARRIED TO BALANCE SHEET	979.63	693.52

DIVIDEND

Your Directors are pleased to recommend a final dividend of 20% for the year ended 31st March, 2006. The dividend when approved by members at the Annual General Meeting will absorb Rs.39,60,000 /- and tax on dividend will absorb Rs.5,55,390. Besides

the above an interim dividend of 20% was declared at the Board Meeting held on 21st April, 2006 and was paid amounting to Rs.39,60,000/- with dividend Tax liability of Rs.5,55,390/-.

BUSINESS OPERATIONS

Financial Year 2005-06 was not a good year for Pesticides Industry due to uneven monsoon throughout the country. There was flood like situation in Maharastra, Gujarat and some parts of Andhra Pradesh and draught in M.P., Rajasthan and some parts of U.P. During the year, Pesticides Industry registered around 10% decline in sales turnover. Besides these unfavourable conditions, Company showed continuous improvement of growth in sales and profitability. This all could be possible due to best efforts made by the management and staff of the company.

During the year, Company achieved Sales turnover of Rs.6402.82 lacs as compared to Rs.6147.59 lacs in the previous year showing an increase of 4.15%. The profit before tax of your Company showed a good growth of 18.67% to a level of Rs.645.30 lacs as compared to Rs.543.77 lacs in the preceding financial year.

Increase in turnover and profitability was mainly contributed by the sales of all prime molecules i.e. Targa super, Dunet 40SP, Caldan 4G & 50 SP, despite decline in the sales of its new Molecule Dhawa (A major cotton insecticide) due to uneven monsoon and low pest infestation in the Cotton crop while last year the company had received good response for Dhawa.

During the year company registered significant growth in the sale of its product 'TARGA SUPER' (Quizalofop Ethyl 5% Ec) a well known safe and eco-friendly weedicide for soyabean manufactured by the company in technical tie up with M/s Nissan Chemical Industries Ltd., Japan.

FUTURE PROSPECTS

The future of the company's growth mainly depends on the monsoon and pest infestation. The prediction of timely and normal monsoon through out the country has been made by the Meteorological Department. The Company is quite optimistic to achieve good growth in sales and profitability. Apart from this the company has excellent widespread marketing network and efficient marketing team which is quite capable to accept challenges and

DIRECTORS' REPORT (Contd...)

opportunity for the growth of sales in the cut throat competition.

The company is promoting IPM (Integrated Pest Management) through out the country through its excellent Marketing Network and well qualified team of marketing professionals. The salient features of IPM are;

- Popularising IPM approach among farmers Community.
- Organizing regular pest surveillance and monitoring to assess pest/disease situation and study agro-eco-system to advise timely IPM control measures.
- To play a catalytic role in transfer of innovative IPM methods/Techniques to extension workers and farmers in all states.
- To preserve eco-system and environment.

- Issuing insect-pest and disease situation bulletins for the benefit of farmers.
- Identification of major pests problems responsible for low yield.

Besides this, your Company has further augmented its aggressive marketing activities to align itself to the fast changing scenario of Indian agriculture in order to achieve a handsome growth in profitability.

MEASURES FOR CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND DETAILS OF FOREIGN EXCHANGE EARNINGS AND OUTGO

Information as required u/s 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, is given in Annexure 'A', forming part of this report.

PARTICULARS OF EMPLOYEES

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

Name & Age (Years)	Designation/Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Years)	Date of joining
Mr. M.K. Dhanuka (52 years)	Managing Director (Overall supervision of company's affairs)	34.17 lacs	B.Com (Hons)	30	10.3.1986

Notes: Remuneration includes basic salary, medical allowance, commission, ex-gratia & company's contribution to Provident Fund.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and relevant articles of the Articles of Association of the Company, Shri Priya Brat and Shri C.M. Gupta, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the directors have selected such accounting policies and applied them consistently and made judgments 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 financial year and of profit or loss of the company for that period;
3. That the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
4. That the directors have prepared the annual accounts on going-concern basis.

DIRECTORS' REPORT (Contd...)

CORPORATE GOVERNANCE AND MANAGEMENT'S DISCUSSION AND ANALYSIS REPORTS

The corporate Governance and Management's Discussion and Analysis Reports, which form an integral part of this Report are set out as separate Annexures:

MERGER OF THE COMPANY

Board of Directors of the company has decided to merge M/s Northern Minerals Ltd. with M/s Dhanuka Pesticides Ltd. in its Meeting held on 21st April, 2006 u/s 391 & 394 of the Companies Act 1956. The company has already filed application with BSE seeking approval for this merger. Once it is approved by BSE, the petition for the merger shall be filed with Hon'ble High Court of Delhi. By this amalgamation, the amalgamated company will have the benefit in terms of higher turnover, business synergy, better profitability, increased market share, strong assets base, diversified product portfolio etc. The amalgamation will also result in substantial savings in operational costs and overheads of these companies. The shareholders will also be benefited by higher liquidity due to enhanced capital. By pooling of physical, financial and human resources of both the companies, the merged company will be in a position to have optimum utilization of its resources and will be in better position to negotiate better terms in the market. This merger will eventually provide value addition to the shareholders with an enhanced corporate image.

STATUTORY AUDITORS

M/s. Dinesh Mehta & Co., Chartered Accountants, New Delhi were appointed Auditors of the Company to hold office until the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their appointment.

COST AUDITORS

The Board of Directors, in pursuance of an order under section 233B of the Companies Act, 1956, issued by the Government, have appointed M/s S.Chander & Associates, Cost Accountants, New Delhi, as Cost Auditors to conduct the audit of the cost accounts maintained by the Company in respect of its insecticides business for the year ended 31st March, 2007.

STATUS OF LISTING FEES

The Company has paid the listing fees to the Bombay Stock Exchange Ltd., Mumbai, where its shares are listed.

ACKNOWLEDGEMENT

Your Directors take this opportunity to record their deep sense of gratitude for the valuable support and co-operation extended to the Company by the Central Insecticides Board, Director of Agriculture, Haryana, other Government Agencies, State Bank of Patiala, Shareholders, Dealers & distributors and the farming community who have reposed their trust and confidence in the company.

The directors express their sincere appreciation for the dedicated services rendered by employees at all level of the Company, which has enabled the Company to consistently maintain a high level of performance year after year.

For and on behalf of the Board

Place: New Delhi
Dated: 28th June, 2006.

Sd/-
R.G.Agarwal
Chairman

DIRECTORS' REPORT (Contd...)

ANNEXURE 'A'

A) CONSERVATION OF ENERGY

- a&b) Wherever possible, energy conservation measures have already been implemented. However, efforts to conserve and optimize the use of energy through improved operational methods and other means are being continued on an on-going basis.
- c) The energy consumption and the cost of production is being kept under control.
- d) Requisite data in respect of energy conservation is given below:

	2005-06	2004-05
Electricity (KWH)		
a) Purchased Units	82,942	87,860
Total Amount (Rs.)	3,57,951	3,77,436
Rate per Unit (Rs.)	4.32	4.30
b) Own Generation through Diesel (Generator) Units	1,93,518	1,90,870
Unit/Lit of diesel oil	3.12	3.17
Cost/Unit (Rs.)	8.91	7.92
(Incl. overhead)		

Electricity Consumption

Formulation Plant

	2005-06	2004-05
Formulation of Caldan 4G (Granules) Rs./MT	440	405
Formulation of Caldan 50 SP (Powder) Rs./MT	875	810
Formulation of EC/Liquids Rs./KL	460	425

B) RESEARCH & DEVELOPMENT

i) Specific areas in which Research & Development carried out by the Company:

- a) R&D efforts of the company are directed towards quality assurance, efficiency improvement of existing products and cost reduction.
- b) Chemical synthesis/ process development of

existing and new products was carried out through regular R&D programs. Safety, Health and environment issues were given special emphasis in the process development work.

ii) Benefits derived as a result of R&D Activities:

- (a) Improvement in production, cost effectiveness and reduction in process losses.
- (b) Improvement in raw material efficiency of the existing products/processes.
- (c) Introduction of eco-friendly products.

iii) Future Plan of Action:

The R&D unit proposes to work for cost reduction, process optimization, products quality standardization, analytical method development and the technology development of pesticides.

iv) Expenditure on R&D:

a) Capital	-
b) Recurring	11,93,574
c) Total	11,93,574
d) Total R&D expenditure as a percentage of total turnover	0.19%

C) TECHNOLOGY ABSORPTION

The technology developed as a result of R&D efforts were properly absorbed which has resulted in product improvement, introduction of new formulation processes and cost reduction.

D) FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year, Company have imported materials worth Rs.16,52,11,525/- (CIF) and incurred Rs.96,935/- on account of foreign traveling.

For and on behalf of the Board

Place: New Delhi
Dated: 28th June, 2006.

Sd/-
R.G.Agarwal
Chairman

SECRETARIAL COMPLIANCE CERTIFICATE

To,
The Members

We have examined the registers, records, books and papers of **Dhanuka Pesticides Limited** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31st March, 2006** (financial year). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure – 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries there in have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure - 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities under the Act and rules made there under.
3. The Company, being a Public Limited Company, has the minimum prescribed paid up Capital.
4. The Board of Directors duly met **4 (Four)** times respectively on **24th June, 2005; 27th July, 2005; 27th October, 2005 and 27th January, 2006** in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has closed its Register of Members during the financial year and duly complied with the requirements of the Act.
6. The Annual General Meeting for the financial year ended on **31st March, 2005** was held on **28th September, 2005** after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the financial year.
8. As stated by the management, the Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act.
9. As informed to us by the management, the transaction of sales and purchases are made from the parties listed in register maintained under Section 301 of the Companies Act, 1956, have been made at the prices which are reasonable have regard to prevailing market price for such goods and materials or the prices at which transaction for similar goods have been made with other parties.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act.
11. The Company has appointed Mr. Harsh Dhanuka as General Manager (HRD) and Ms. Megha Dhanuka as Senior Manager (Welfare) relative of Director as per the provisions of section 314 of the Act.
12. The Company has issued duplicate share certificates during the financial year under review.
13. The Company:
 - (i) delivered all certificates on transfer/transmission of securities in accordance with the provisions of the Act during the financial year
 - (ii) deposited the amount of dividend declared in a separate bank account.
 - (iii) paid/posted warrants for the dividends to all the members within a period of 30 (Thirty) days from the date of declaration
 - (iv) transferred the amounts in unpaid dividend account, which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund.
 - (v) duly complied with the requirements of section 217 of the Act.
14. The Board of directors of the company is duly constituted and during the year Mr. Vinod Jain was appointed as Director of the Company w.e.f. 28th September, 2005.