



**THE DHARAMSI MORARJI
CHEMICAL COMPANY LTD.**

Report  junction.com

82nd Annual Report 2001-2002



Directors

| | |
|-----------------------|---|
| R.M.Goculdas | Chairman |
| Laxmikumar N.Goculdas | Vice Chairman |
| D.S.Parekh | Alternate Director to Laxmikumar N.Goculdas |
| S.N.Desai | |
| U.D.Morarji (Smt.) | |
| M.D.Goculdas | |
| S.M.Thakore | |
| H.T.Kapadia | |
| C. B. Nalawala | |
| S.R.Chougule | Nominee of ICICI Bank Ltd. |
| Kumar Bakhru | Nominee of General Insurance Corporation of India |
| V.K.Punshi | Managing Director |
| D.N.Vaze | Executive Director (Finance) |
| Dilip P.Goculdas | Whole-time Director |

Secretary

D.T.Gokhale

Auditors

K.S.Aiyar & Co.
Chartered Accountants

Legal Advisers

Bhaishanker Kanga & Girdharlal

Bankers

State Bank of India
Dena Bank
BNP Paribas
SBI Commerical and International Bank Ltd.
HDFC Bank Ltd.
The Federal Bank Ltd.
ICICI Bank Ltd.

Registered Office

Prospect Chambers,
317/21, Dr.Dadabhoy Naoroji Road,
Fort, Mumbai - 400 001.

Factories

Ambernath (Maharashtra)
Roha (Maharashtra)
Kumhari (Chattisgarh)
Jhar (Gujarat)
Khemli (Rajasthan)

Registrars and Transfer Agents

IIT Corporate Services Ltd.
Protoprima Chambers,
2nd Floor, Suren Road, Andheri (East),
Mumbai - 400 059.

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EIGHTY SECOND ANNUAL REPORT 2001-2002

Notice To Members

The Eighty Second Annual General Meeting of the Members of THE DHARAMSI MORARJI CHEMICAL COMPANY LIMITED will be held at the Indian Merchants' Chamber Conference Hall (Walchand Hirachand Hall), IMC Marg, Churchgate, Mumbai 400 020, on Thursday, the 26th day of September, 2002 at 4.00 p.m. to transact the following business :

1. To receive and adopt the Directors' Report and Audited Statements of Account for the year ended 31st March, 2002.
2. To ratify the payment of interim dividend on Preference Shares.
3. To appoint a Director in place of Shri R. M. Goculdas, who retires by rotation under Article 135 of the Articles of Association of the Company, but being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri L. N. Goculdas, who retires by rotation under Article 135 of the Articles of Association of the Company, but being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Smt. U. D. Morarji, who retires by rotation under Article 135 of the Articles of Association of the Company, but being eligible, offers herself for re-appointment.
6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :
 "RESOLVED THAT Messrs. K.S. Aiyar & Co., Chartered Accountants, be and are hereby re-appointed as Auditors of the Company to hold Office from the conclusion of the 82nd Annual General Meeting until the conclusion of the 83rd Annual General Meeting on a remuneration to be fixed by the Board of Directors and that any travel and out-of-pocket expenses incurred in the conduct of the audit of the factories be reimbursed to them by the Company."
7. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Ordinary Resolution.
 "RESOLVED THAT Shri C. B. Nalawala, who was appointed as an Additional Director of the Company, by the Board of Directors with effect from 7th March, 2002, holds office upto the date of this Annual General Meeting, under Section 260 of the Companies Act, 1956 and Article 126 of the Articles of Association of the Company 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 Shareholder signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as Director of the Company, whose term of office shall be liable to determination by retirement by rotation."
8. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :
 "RESOLVED that subject to the approval of the Reserve Bank of India and subject to the compliances of the provisions of the relevant laws as applicable from time to time and subject to such approvals, permissions and sanctions as may be required from the appropriate authorities and subject to such conditions as may be prescribed by any of the authorities while granting such approvals/permissions/ sanctions, which the Board of Directors of the Company (hereinafter referred to as "the Board") be and is hereby authorised to accept the consent, authority and approval of the Company be and is hereby accorded to the Board to allow the holding by Foreign Financial Institutions (FIs), Non-resident Indians (NRIs) and/or Overseas Corporate Bodies (OCBs), the equity shares of the Company acquired by market operations or otherwise with or without repatriation benefits in excess of 24% but not exceeding 49% of the total paid-up equity share capital of the Company".

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES 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 THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (b) The Register of Members will be closed from Thursday, the 19th of September, 2002 to Thursday, 26th September, 2002 (both days inclusive).
- (c) In terms of the provisions of Section 205A of the Companies Act, 1956, the unclaimed equity dividend for the financial year(s) upto 1994-95 has been transferred to the General Revenue Account of the Central Government. Those shareholders, who have so far not claimed or collected their dividend for any financial year upto 1994-95, may claim the same from the Registrar of Companies, Maharashtra, Mumbai, by submitting an application in the prescribed form.
 Consequent upon amendment in Section 205A of the Companies Act, 1956, and introduction of Section 205-C by the Companies (Amendment) Act, 1999, the amount of Dividend remaining unclaimed for a period of Seven Years shall be transferred to the Investor Education and Protection Fund (IEPF) and no claim by the shareholders shall lie for the unclaimed dividend transferred to IEPF.
 Members who have either not received or have not encashed dividends for any of the financial years from 1995-96 to 2000-2001 are requested to write to the Company's Share Department at the Company's Registered Office for issuance of duplicate Dividend Warrant(s), mentioning the relevant Folio Nos.
- (d) All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office during office hours between 11.00 a.m. to 1.00 p.m. on all days except Saturdays, Sundays and Public Holidays upto the date of the Annual General Meeting.
- (e) Members are requested to notify change of address, if any, to the Company.
- (f) NRI shareholders are requested to immediately inform (a) change in their residential status on return to India for permanent settlement and (b) particulars of NRE Account, if not furnished earlier.
- (g) If members have more than one folio with the Company in identical order of names, the fact should be intimated to the Company for consolidation into one folio. If further shares are bought by the members, folio number(s) should be mentioned in the forwarding letters to avoid creation of multiple folios.

By Order of the Board

D.T. GOKHALE
Secretary

Registered Office :

Prospect Chambers
317/21 Dr. Dadabhoy Naoroji Road, Fort, Mumbai 400 001.
Mumbai, 31st July, 2002



Statement as required by Section 173 of the Companies Act, 1956 and Article 89(2) of the Articles of Association of the Company.

The following statement as required by Section 173 of the Companies Act, 1956, and Article 89(2) of the Articles of Association of the Company sets out all material facts concerning item Nos. 7 and 8 mentioned in the Notice dated 31st July, 2002.

Item No.7

The Board of Directors of the Company at its meeting held on 7th March, 2002, has appointed Shri C.B. Nalawala as an Additional Director on the Board. Shri Nalawala, a Chartered Accountant, joined the Company in 1964 and retired as General Manager (Finance) and Financial Controller in January, 1995. Subsequently, he was appointed by the Board of Directors of the Company, as a Whole Time Director, designated as Executive Director (Finance) of the Company for a period of two years from 1st April, 1995 to 31st March, 1997. He was closely associated with the financial management of the Company for several years, during his tenure with the Company. Shri Nalawala has been an Advisor to DMCC Oil Terminal (Navlakhi) Ltd., a subsidiary of the Company since 1st July, 1997.

As per provisions of Section 260 of the Companies Act, 1956, Shri C.B. Nalawala will hold office of Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Shri C.B. Nalawala for office of Director, under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors of the Company, except Shri C.B. Nalawala, is concerned or interested in the said appointment.

Item No. 8

Under the Current Liberalisation Policy of Government of India, relaxation has been made under the Portfolio Investment Scheme of Reserve Bank of India under which Foreign Financial Institutions (FII), Non Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs) are permitted to make investments in shares and convertible debentures of Indian Companies. Upto now the limit of investment by FIIs, NRIs and OCBs in your Company is subject to an overall ceiling of 24% of the paid up value of each security of the Company with or without repatriation benefits. Indian Companies listed on recognised Stock Exchange of India may, however, by passing a Special Resolution of the shareholders, allow FIIs, NRIs/OCBs to acquire shares/securities upto 49% of the paid up value of each security of the Company instead of 24%. At present, the shareholding of Non-Resident Shareholders aggregates to 23.20% of the Company's total paid up equity share capital. In order to take advantage of the above relaxation and encourage investment by Non-Resident Investors in your Company, your Directors recommend the Resolution for your approval.

None of the Directors of the Company is concerned or interested in the said Resolution.

By Order of the Board

D.T. GOKHALE
Secretary

Registered Office :

Prospect Chambers,
317/21 Dr. Dadabhoy Naoroji Road,
Fort, Mumbai 400 001.
Mumbai, 31st July, 2002

Details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting
(Pursuant of Clause 49 of the Listing Agreement)

| Name of Directors | Mr. R.M. Goculdas | Mr. L.N. Goculdas | Smt. U.D. Morarji | Mr. C.B. Nalawala |
|---|--|--|--|---|
| Date of Birth | 09-04-1917 | 17-09-1943 | 08-10-1926 | 10-01-1935 |
| Date of Appointment | 06-05-1961 | 06-03-1992 | 02-08-1979 | 07-03-2002 |
| Expertise in specific Functional areas | Industrialist with rich business experience in general | Industrialist with rich business experience in general | Industrialist with rich business experience in general | Leading Professional with wide experience in Corporate Finance. |
| List of Public Companies in which outside Directorship held as on 31st March, 2002 | 1) Borax Morarji Ltd. 2) Monsanto-DMCC Enviro-Tech & Engg.Ltd. 3) DMCC Oil Terminals (Navlakhi) Ltd. | 1) Borax Morarji Ltd. 2) DMCC Oil Terminals (Navlakhi) Ltd. | 1) MDS Switchgear Ltd. | Nil |
| Chairman/Member of the Committee of the other Public Companies on which he/she is a Director as on 31st March, 2002 | 1) Chairman of Audit Committee of DMCC Oil Terminals (Navlakhi) Ltd. 2) Chairman of Investors Grievance Committee/ Share Transfer Committee of Borax Morarji Ltd. 3) Chairman of Audit Committee of Monsanto-DMCC Enviro-Tech & Engg. Ltd. | 1) Member of Audit Committee of DMCC Oil Terminals (Navlakhi) Ltd. | Nil | Nil |

EIGHTY SECOND ANNUAL REPORT 2001-2002**Directors' Report (Including Management Discussion and Analysis Report)**

The Directors are pleased to present their Eighty Second Annual Report together with the accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS

| | 31st March 2002 Rs. in lacs | 31st March 2001 Rs. in lacs |
|---|--------------------------------|--------------------------------|
| Turnover | 21034.24 | 26160.99 |
| Gross Profit (Before provision for Doubtful Debts & Advances and Depreciation) | 450.59 | 1190.41 |
| Less : | | |
| Provision for Doubtful Debts & Advances | 675.00 | 214.87 |
| Depreciation (Net off depreciation written back Rs.209.65 lacs during the year 2001-2002, Rs.Nil during the year 2000-2001) | 623.24 | 785.53 |
| Profit/(Loss) before Tax | (847.65) | 190.01 |
| Reduction in Deferred Tax Liability | 1024.45 | — |
| Profit before current year's tax provision | 176.80 | 190.01 |
| Provision for Taxation (Current Year) | 2.00 | 31.00 |
| Profit after Taxation | 174.80 | 159.01 |
| Add: Balance brought forward | 593.98 | 799.99 |
| | 768.78 | 959.00 |
| Add: Transferred from Investment Allowance Reserve | 53.46 | 54.50 |
| Add: Transferred from Debenture Redemption Reserve | — | 204.00 |
| Add: Transferred from Preference Share Redemption Reserve | 666.00 | — |
| Available for appropriation | 1488.24 | 1217.50 |
| The Directors have made the following appropriations : | | |
| (i) General Reserve | — | 75.00 |
| (ii) Investment Reserve | 1175.00 | — |
| (iii) Preference Share Redemption Reserve | — | 333.00 |
| (iv) Interim Dividend on Preference Shares | 115.00 | 115.00 |
| (v) Income tax on Interim Dividend on Preference Shares | 11.73 | 25.99 |
| (vi) Proposed Dividend on Equity Shares | — | 67.63 |
| (vii) Income tax on proposed Dividend on Equity Shares | — | 6.90 |
| (viii) Balance carried forward | 186.51 | 593.98 |
| | 1488.24 | 1217.50 |
| The following is the turnover by group of products : | | |
| Single Superphosphate | 9220.77 | 12039.88 |
| Commodity Chemicals | 6025.13 | 8420.81 |
| Speciality Chemicals | 5050.72 | 5283.33 |
| Others | 737.62 | 416.97 |
| | 21034.24 | 26160.99 |

DIVIDEND

Your Directors approved payment of Interim Dividend on Preference Shares on 7th March, 2002, at the rate of 11.50% (Rs.11.50 per Preference Shares of Rs.100/- each) for the financial year 2001-2002, which was paid on 15th March, 2002. Your Directors recommend to the shareholders to ratify the payment of the said Dividend on Preference Shares amounting to Rs.126.73 lacs, including income tax thereon.

The Directors have not recommended any Dividend on Equity Shares for the year ended 31st March, 2002.

MANAGEMENT DISCUSSION & ANALYSIS**(a) Overview of operations**

The turnover during the year 2001-2002 was Rs.210 crores, which is 20% (Rs.51 crores) lower than the previous year. The main reason for the drop was lower sales volumes and realisations in the Fertiliser and Commodity Chemicals businesses.



The third consecutive year of poor monsoon in the marketing areas serviced by your Company affected the Fertiliser business with the turnover of Single Superphosphate (SSP) decreasing by 23% due to lower sales volumes (70,000MT) and lower prices, as compared to the previous year. The Company took this opportunity to temporarily suspend operations and restructure the Khemli factory. The suspension of operations enabled the Company to reduce the manpower and introduce practices which significantly improved its competitiveness vis-a-vis other local manufacturers. Since the prices during the Rabi season were unremunerative in the marketing areas serviced by the Kumhari factory, the SSP production was cut back and new practices introduced. The Company has recommenced its operations at both Khemli and Kumhari factories, which would result in higher turnover and better performance from the current financial year.

The Commodity Chemicals business was affected this year as well by the general recession in the chemical industry, especially the dyes and dye intermediates sector and in particular Vinyl Sulphone, which is a major user of Chlorosulphonic Acid manufactured by the Company. This resulted in 6% drop in volumes and 28% drop in the turnover of Commodity Chemicals. In the Speciality Chemicals business, the volume increased by 9% but the turnover decreased by 4% because of pressure on selling prices due to increased competition, especially from China.

Your Company's focus on value-addition and innovation has resulted in development of new products and formulations which will improve the turnover and performance of the Company in the coming years.

The Company has successfully started using indigenous Rock Phosphate from Rajasthan, which has partially replaced the use of imported Rock Phosphate at its Ambernath & Kumhari factories. The Company has also switched over to the use of indigenous Sulphur at its Jhar factory. These measures have resulted in reducing the foreign exchange exposure and outflow.

The Company is continuing its efforts to simplify, rationalise and restructure its manufacturing activities and business processes to reduce supply chain costs. The restructuring, alongwith the on-going cost effectiveness programmes, will enable the Company to continuously improve its competitiveness.

(b) Prospects in the Industry

Fertilisers

Single Superphosphate (SSP), which contains secondary nutrients, Sulphur and Calcium, is agronomically a vital input for the Indian Agriculture. Studies have shown that its use increases the yields of oilseeds and pulses by 15%. However, the SSP industry in India is declining over the last few years partly because of sub-standard SSP sale by some unscrupulous units but mainly because of the Government subsidy policy being skewed in favour of other fertilisers like Diammonium Phosphate (DAP) and Urea. In addition, the fertiliser business in general has been sluggish due to sub normal monsoon for the past three years in the Company's marketing areas.

The Central Government has introduced auditing of SSP manufacturers in order to effectively curb malpractices allegedly resorted to by some SSP units. After the first round of audits, only about 50% of the units, including your Company's units, have now been found eligible for subsidy, out of the total SSP units registered in the country. This will lead to improved credibility and healthy development of the SSP industry with assured quality to the farmers.

In order to further grow the SSP market, the Company, along with the Fertiliser Association of India, has taken initiatives to :

- increase awareness of SSP as an important multi-nutrient fertiliser by conducting seminars and farmer/dealer meetings.
- inculcate an approach of self regulation/discipline in the industry to improve its image, both with the Government and the farmers, and ensure supply of good quality SSP to the farmers.
- request the Central Government that subsidy in respect of SSP and DAP should be in proportion to their respective nutrient contents.
- develop a quick testing kit to check SSP quality in the field.

The Company believes that these steps would increase the overall usage and market of SSP in future.

The promotional work done by your Company in the past has continued to give results. The "SHIP" brand commands a premium in the market. In order to leverage the brand and its sales and distribution network, the Company has introduced other agri inputs including micro nutrients under the "SHIP" brand. This will enable the Company to service the farmers with a wider range of products.

Chemicals

The Indian Chemical Industry plays an important role in the overall economic activity of the country. It is highly science-based and provides inputs to various products required in almost all walks of life. While it provides building blocks for several downstream industries, its competitiveness has been eroded by the general recession and high costs especially of finance, power, infrastructure and the absence of an appropriate exit policy to improve labour productivity.

In this scenario, Company's Chemical Division's strategy and focus is to become a manufacturer of value-added chemicals and seek strategic alliances. Products have been identified where the Company can be internationally competitive and these will be the growth areas in the future.

New speciality chemicals and formulation based on in-house R&D have also been developed both for domestic and export market. International marketing network is being expanded into areas where Company was not represented in the past. These new

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markets will be the platform for future growth. The Company's R&D facilities are being strengthened to innovate new technologies and to expand in new areas of business. The Company believes that this strategy, in course of time, will lead to innovation led growth for the Company.

c) Adequacy of Internal Controls

The Company has a strong, independent and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, and that transactions are authorised, recorded and reported correctly. The internal control systems are supplemented by an extensive programme of internal audits and regular reviews by the management of the Company.

d) Human Resource Development

As an ongoing exercise of the restructuring and re-organisation, the Company undertakes periodic comprehensive review of its HR policies. The Company has adopted progressive measures in order to maintain the constant motivation of its work force, encourage the best performance at all times and ensure a long term commitment to the Company.

The Company also actively encourages and provides regular and continuous training to its workforce to ensure that skill sets are constantly updated. This allows employees to keep in tune with the changing environment as well as develop new skills.

e) Cautionary Statement

Certain Statements in the Management's Discussion and Analysis section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors' envisage in terms of the future performance and outlook.

RESEARCH & DEVELOPMENT

The Government recognised Research & Development Centre (RDC) of your Company provides the world class capabilities to develop innovative processes and products with the focus on Speciality and Performance Chemicals. The pilot plant facilities of RDC are being expanded to speed up process development and provide trial samples for market development.

Critical equipment design and economically feasible chemical processes developed by your R & D team are the major features of growth of your Company. The Company believes that for future growth and success, these capabilities need to be extended into the areas like agrochemical and pharmaceutical intermediates and the R & D efforts are being intensified in this direction.

In order to speed up the process innovations and to achieve the cost effectiveness in existing products, your Company has initiated collaborative studies at reputed institutes like University Institute of Chemical Technology (UICT), Matunga, Mumbai.

SUBSIDIARY

The audited statements of accounts of DMCC OIL TERMINALS (NAVLAKHI) LIMITED (DOTL), a subsidiary of the Company, for the year ended 31st March 2002, together with the reports of its Directors and Auditors are attached to the accounts of the Company, as required under Section 212 of the Companies Act, 1956.

The control of your Company on DOTL is intended to be temporary since DOTL is not likely to remain a subsidiary of your Company after the tie-up for the entire equity participation in respect of its infrastructure project is completed. Therefore, in terms of para 11(a) of the Accounting Standard (AS-21) issued by the Institute of Chartered Accountants of India, your Company is not required to prepare the Consolidated Financial Statements.

DIRECTORS

Shri R.M. Goculdas, Shri L.N. Goculdas and Smt. U.D. Morarji, retire by rotation under Article 135 of the Articles of Association of the Company and being eligible, offer themselves for re-appointment.

The Board of Directors of the Company at its meeting held on 7th March, 2002, has appointed Shri C.B. Nalawala as an Additional Director on the Board, with effect from 7th March, 2002. Shri Nalawala, a Chartered Accountant, joined the Company in 1964 and retired as General Manager (Finance) and Financial Controller in January, 1995. Subsequently, he was appointed by the Board of Directors of the Company, as a Whole Time Director, designated as Executive Director (Finance) of the Company for a period of two years from 1st April, 1995 to 31st March, 1997. He was closely associated with the financial management of the Company for several years, during his tenure with the Company. Shri Nalawala has been an Advisor to DMCC Oil Terminal (Navlakhi) Ltd., a subsidiary of the Company, since 1st July, 1997.

As per provisions of Section 260 of the Companies Act, 1956, Shri C.B. Nalawala will hold office of Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Shri C.B. Nalawala for office of Director, under the provisions of Section 257 of the Companies Act, 1956.

During the year under review, Shri Kumar Bakhru was appointed as a Director of the Company as a Nominee of General Insurance Corporation of India, in place of Shri M.Raghavendra with effect from 30th January, 2002. The Directors record their appreciation of the valuable services rendered by Shri M.Raghavendra, during his tenure as a Director of the Company.

RIGHTS ISSUE

With a view to augment the long term financial resources of the Company and to meet the general corporate purposes including working capital, it was felt advisable to increase the paid-up equity capital of the Company. Therefore, the Members at the Extra Ordinary General Meeting of the Company held on 27th February, 2001, approved the Rights Issue of 67,63,437 Equity Shares of



Rs. 10/- each for cash at par aggregating Rs. 6,76,34,370 in the ratio of one equity share for every two equity shares held by the shareholders as on the record date. Accordingly, during the year under review, the paid-up Equity Share Capital of the Company has increased from Rs.1352.69 lacs to Rs.2029.03 lacs with effect from 19th November, 2001.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

As per Section 217 of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant data pertaining to conservation of energy, technology absorption and foreign exchange are given in the prescribed format as an Annexure-I to this report.

PARTICULARS OF EMPLOYEES

Particulars of employees as required to be disclosed in the Directors' Report in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are given in Annexure-II to this report.

PUBLIC DEPOSITS

Out of deposits which matured during the year, 309 deposits aggregating to Rs.28,49,500/- remained unclaimed as on 31st March 2002, of which 125 deposits amounting to Rs.13,41,000/- have since been renewed/repaid.

AUDIT COMMITTEE

The Board of Directors of your Company has constituted an Audit Committee. The present members of the Audit Committee are Shri S.N. Desai, Shri M.D.Goculdas, Shri S.M.Thakore and Shri C.B.Nalawala, all Non-Executive Directors of the Company with Shri S.N. Desai as its Chairman. The role, terms of reference, the authority and powers of Audit Committee are in conformity with the requirements of Section 292A of the Companies Act, 1956 and the Listing Agreement with The Stock Exchange, Mumbai.

AUDITORS

M/s. K S Aiyar & Co., Chartered Accountants, the existing Auditors have, under Section 224 (1-B) of the Companies Act, 1956, furnished a Certificate of their eligibility for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) That in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures ;
- (ii) 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 the affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) That the Directors have taken proper and sufficient care 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) That the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Your Company has taken adequate steps to ensure that all required provisions of Corporate Governance as prescribed under the amended Listing Agreement with the Stock Exchange, Mumbai, are complied with. A separate report on Corporate Governance is sent herewith as a part of the Annual Report, alongwith the Auditor's Certificate on the compliance.

ADDITIONAL DISCLOSURES

In line with the requirements of the Listing Agreement and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India, your Company has made the required additional disclosures as a part of the notes to the accounts of the Company, in respect of Segment Reporting (AS-17), Related Parties (AS-18), Leases (AS-19), Earning Per Share (AS-20) and Accounting for Taxes on Income (AS-22).

ACKNOWLEDGMENTS

The Directors are thankful to your Company's customers, suppliers, contractors, various Departments of Central and State Governments, Financial Institutions and Banks for their continued valuable support.

The relations with the employees of the Company have continued to remain cordial. The Directors express their appreciation to all the employees of the Company for their continued co-operation, commitment and sense of understanding.

For and on behalf of the Directors

R .M .GOCULDAS
Chairman

Registered Office :

Prospect Chambers,
317/21, Dr. Dadabhoy Naoriji Road
Fort, Mumbai - 400 001.
Date : 31st July, 2002.

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ANNEXURE I TO THE DIRECTORS' REPORT
(Under Section 217(1) (e) of the Companies Act, 1956)

DISCLOSURES**A. CONSERVATION OF ENERGY****FORM A****POWER AND FUEL CONSUMPTION****2001-2002****2000-2001****1. Electricity****(a) Purchased**

Unit (lac KWH)

215.28

282.09

Total amount (Rs.lacs)

958.10

1251.16

Rate/Unit (Rs./KWH)

4.45

4.44

(b) Own generation**(i) Through Diesel Generator**

Unit (lac KWH)

1.60

7.59

Unit per litre of diesel oil (KWH)

2.62

2.93

Diesel oil cost per unit of electricity (Rs./KWH)

7.04

5.40

(ii) Through Steam Turbine/Generator (from by-product steam of Sulphuric Acid Plant)

Unit (lac KWH)

206.17

213.00

Total cost (Rs.lacs)

153.14

129.19

Cost/Unit (Rs./KWH)

0.74

0.61

2. Furnace Oil

Quantity (K.litre)

1730.73

2012.61

Total amount (Rs.lacs)

161.17

215.30

Average Rate (Rs./K.L.)

9312.00

10698.00

3. Others**Diesel Oil**

Quantity (K.litre)

816.74

1082.91

Total cost (Rs.lacs)

111.50

151.43

Average Rate (Rs./K.L.)

13652.00

13984.00

CONSUMPTION PER TONNE OF MAJOR PRODUCTS**Electricity (Unit-KWH)**

1. Single Superphosphate

26

26

2. Sulphuric Acid 100%

64

64

3. Alumina Sulphate 17%

31

32

B. TECHNOLOGY ABSORPTION**FORM B****RESEARCH AND DEVELOPMENT (R&D)****1. Specific areas in which R&D is carried out by the Company :**

The Company has a R&D Centre which is approved by the Department of Scientific & Industrial Research, Govt. of India, New Delhi. It has a certified ISO 9001 quality management system.

Areas in which R&D activity was carried out includes :

- Process and cost optimisation of Speciality Chemicals to be competitive in the domestic and international market.
- Development of the processes for making value added products to cater the need of local and export market.
- Development of processes for making value added products from waste generated from various sources e.g. Sodium Bisulphate(NaHSO₄.H₂O), Hydrofluosilicic Acid(H₂SiF₆), etc.

2. Benefits derived as a result of the above R&D :

- Increased sale of Speciality Chemicals and formulations in the local as well as international market.
- Quality improvement.
- Introduction of new products in the market.

3. Future plan of action :

- Studies on the preparation of new Speciality Chemicals and formulations with special emphasis on value addition.



4. Expenditure on R&D :

| | 2001-2002 Rs. lacs | 2000-2001 Rs.lacs |
|--|-----------------------|----------------------|
| (i) Capital | 1.92 | 15.12 |
| (ii) Recurring | 85.99 | 97.87 |
| (iii) Total | 87.91 | 112.99 |
| (iv) Total R&D expenditure as a percentage of total turnover | 0.42% | 0.43% |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

Technology upgradation and innovation is a continuous process in the Company.

2. Benefits :

Increased capacity, cost reduction and improvement in quality helped increase in production and sales of Speciality Chemicals.

3. Technology impored during the last five years.

No technology was imported during the last five years.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars of foreign exchange earned/utilised are as under:

| | 2001-2002 Rs.in lacs | 2000-2001 Rs.in lacs |
|---|-------------------------|-------------------------|
| EARNINGS IN FOREIGN EXCHANGE : | | |
| Export of goods calculated on FOB basis | 1691.27 | 1601.45 |
| Total Foreign Exchange earned | 1691.27 | 1601.45 |
| OUTGO IN FOREIGN EXCHANGE: | | |
| (1) VALUE OF IMPORTS CALCULATED ON CIF BASIS : | | |
| Raw Materials and boughtouts | 3949.26 | 5059.75 |
| Stores and Components | 0.85 | 1.03 |
| (2) EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF FOREIGN TOURS, SUBSCRIPTION, ETC. | 23.88 | 44.27 |
| Total Foreign Exchange outgo | 3973.99 | 5105.05 |

For and on behalf of the Directors

R.M. GOCULDAS
Chairman

Registered Office:

Prospect Chambers,
317/21, Dr. Dadabhoy Naoroji Rd,
Fort, Mumbai - 400 001.

Date: 31st July, 2002

ANNEXURE II TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEE AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956
[READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975]

| Sr. No. | Name of Employee | Age in years | Qualification | Designation/ Nature of Duties | No. of Years Experience | Date of Commencement of Employment | Remuneration Rs. | Last Employment Held Designation and Period for which post held |
|---------|------------------|--------------|----------------------------|-------------------------------|-------------------------|------------------------------------|------------------|---|
| 1. | Mr. Punshi V.K. | 60 | B. Tech (Hons) Chem. Engg. | Managing Director | 39 | 01.01.2000 | 20,03,643 | Unilever China Ltd., China, Technical Director - 3 years |

NOTES

1. Remuneration includes Salary, Allowances, Personal Accident Insurance Premium, Company's contribution to Provident Fund and Superannuation Fund and Taxable value of perquisites.
2. Based on actuarial valuation, the Company has contributed an appropriate amount to the Gratuity Fund. This amount has not been included in the column under the head "Remuneration" as separate figures are not available for individual employees.
3. The nature of employment as also other terms and conditions are as per contract.
4. Experience includes number of years' service elsewhere, where applicable.
5. The employee mentioned above is not related to any Director of the Company.

For and on behalf of the Directors

R.M. GOCULDAS
Chairman

Registered Office :

Prospect Chambers,
317/21 Dr. Dadabhoy Naoroji Road,
Fort, Mumbai 400 001.

Mumbai, 31st July, 2002