



**THE DHARAMSI MORARJI
CHEMICAL COMPANY LTD.**

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83rd Annual Report 2002-2003



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 Commercial 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 - 400 093.

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NOTICE TO MEMBERS

The Eighty Third 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 4th day of September, 2003 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, 2003.
2. To ratify the payment of interim dividend by the Board of Directors on Preference Shares.
3. To appoint a Director in place of Shri D. N. Vaze, 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 D. P. 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 Shri H.T. Kapadia, who retires by rotation under Article 135 of the Articles of Association of the Company, but being eligible, offers himself 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 83rd Annual General Meeting until the conclusion of the 84th 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 (s), following Resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 269 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the re-appointment of Shri V.K. Punshi as Managing Director of the Company for a period of three years from 1st April, 2003, on the following remuneration, namely :

Salary : Rs.1,25,000/- per month and which may be revised to such other sum not exceeding Rs.1,45,000/- per month, as may be fixed from time to time by the Board of Directors of the Company.

Commission: 1/2% of the net profits of the Company plus further 1/2% as may be decided by the Board of Directors but total amount not exceeding 100% of annual salary.

Perquisites:

In addition to the above, the following perquisites, monetary value of which shall be restricted to the ceiling laid down by the Central Government.

CATEGORY "A"

- (i) (a) Housing: Furnished residential accommodation, the Company paying all rents, taxes and other expenses for the upkeep and maintenance of such accommodation or house rent allowance in lieu thereof not exceeding 60% of the salary.
- (b) Expenditure on electricity, water, gas and furnishings at the residence to be borne by the Company.
- (ii) Medical benefits for self and family : Reimbursement of medical expenses actually incurred and reimbursement of premium paid on Mediclaim Policy, the total cost of which to the Company shall not exceed one month's salary in a year or three months' salary in a block of three years.
- (iii) A personal accident insurance policy for his own benefit at the cost of the Company, the premium of which shall not exceed Rs.4,000/- per annum.
- (iv) Leave Travel Concession : Actual fares, rail or air, for self and family once a year to and from any place in India.
- (v) Fees of clubs, subject to a maximum of two clubs, provided that no life membership fee or admission fee is paid.

CATEGORY "B"

- (i) Membership of Company's Provident Fund Scheme.
- (ii) Gratuity as per rules of the Company.
- (iii) Benefit of Company's Superannuation Scheme, subject to the condition that the Company's contribution thereto together with the contribution to Provident Fund are not taxable under the Income-tax Act.

CATEGORY "C"

- (i) A car with driver for use for the business of the Company and for his personal use. For personal use of the car, the Company will bill the Managing Director.
- (ii) Telephone at residence : All charges including rental and call charges for the telephone at the residence being paid by the Company in full. For personal long distance calls, the Company will bill the Managing Director.



Car with driver for use of Company's business and telephone at residence shall not be considered as a perquisite.

The Managing Director shall further be entitled to :

- (i) Reimbursement of entertainment expenses incurred in the course of the Company's business not exceeding Rs.20,000/- per annum.
- (ii) Leave with salary, allowance and other benefits as per leave rules of the Company : privilege leave not exceeding one month in a year or 1/11th of duty period, and the leave accumulated but not availed may be encashed as per Rules of the Company.

The monetary value of the perquisites will be evaluated as per the Income-tax Rules and be subject to such ceiling as may be prescribed by the Central Government.

In the event of loss or inadequacy of profits in any year, the remuneration and perquisites will be paid in accordance with the Schedule XIII to the Companies Act, 1956 as amended from time to time.

The above salary, perquisites and commission will be subject to the provisions of Sections 198, 309 and 349 of the Companies Act, 1956."

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

"RESOLVED THAT subject to the provisions of Sections 269 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the re-appointment of Shri D.N.Vaze as Whole-Time Director [designated as Executive Director (Finance)] of the Company for a period of three years from 1st April, 2003, on the following remuneration, namely :

Salary: Rs.55,000/- per month and which may be revised to such other sum not exceeding Rs.65,000/- per month, as may be fixed from time to time by the Board of Directors of the Company.

Commission: 1/2% of the net profits of the Company plus further 1/2% as may be decided by the Board of Directors but total amount not exceeding 100% of annual salary.

Perquisites:

In addition to the above, the following perquisites, monetary value of which shall be restricted to the ceiling laid down by the Central Government.

CATEGORY "A"

- (i) (a) Housing: Furnished/unfurnished residential accommodation, the Company paying all rents, taxes and other expenses for the upkeep and maintenance of such accommodation or house rent allowance in lieu thereof not exceeding 60% of the salary.
- (b) Expenditure on electricity, water, gas and furnishings at the residence to be borne by the Company.
- (ii) Medical benefits for self and family : Reimbursement of medical expenses actually incurred and reimbursement of premium paid on Mediciam Policy, the total cost of which to the Company shall not exceed one month's salary in a year or three months' salary in a block of three years.
- (iii) A personal accident insurance policy for his own benefit at the cost of the Company, the premium of which shall not exceed Rs.4,000/- per annum.
- (iv) Leave Travel Concession : Actual fares, rail or air, for self and family once a year to and from any place in India.
- (v) Fees of clubs, subject to a maximum of two clubs, provided that no life membership fee or admission fee is paid.

CATEGORY "B"

- (i) Membership of Company's Provident Fund Scheme.
- (ii) Gratuity as per rules of the Company.
- (iii) Benefit of Company's Superannuation Scheme, subject to the condition that the Company's contribution thereto together with the contribution to Provident Fund are not taxable under the Income-tax Act.

CATEGORY "C"

- (i) A car with driver for use for the business of the Company and for his personal use. For personal use of the car, the Company will bill the Executive Director (Finance).
- (ii) Telephone at residence : All charges including rental and call charges for the telephone at the residence being paid by the Company in full. For personal long distance calls, the Company will bill the Executive Director (Finance).

Car with driver for use of Company's business and telephone at residence shall not be considered as a perquisite.

The Executive Director (Finance) shall further be entitled to :

- (i) Reimbursement of entertainment expenses incurred in the course of the Company's business not exceeding Rs.20,000/- per annum.
- (ii) Leave with salary, allowance and other benefits as per leave rules of the Company : privilege leave not exceeding one month in a year or 1/11th of duty period, and the leave accumulated but not availed may be encashed as per Rules of the Company.

The monetary value of the perquisites will be evaluated as per the Income-tax Rules and be subject to such ceiling as may be prescribed by the Central Government.

In the event of loss or inadequacy of profits in any year, the remuneration and perquisites will be paid in accordance with the Schedule XIII to the Companies Act, 1956 as amended from time to time.

The above salary, perquisites and commission will be subject to the provisions of Sections 198, 309 and 349 of the Companies Act, 1956."

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

"RESOLVED THAT subject to the provisions of Sections 269 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the re-appointment of Shri D.P.Goculdas as Whole Time Director of the Company as in-charge and responsible for all the operations of the Udaipur Works of the Company and Purchase activities of the Company and to perform such functions and duties as the Board of Directors shall specify, from time to time, for a period of three years from 1st April, 2003, on the following remuneration, namely :

Salary: Rs.45,000/- per month and which may be revised to such other sum not exceeding Rs.60,000/- per month, as may be fixed from time to time by the Board of Directors of the Company.

Commission: 1/2% of the net profits of the Company plus further 1/2% as may be decided by the Board of Directors but total amount not exceeding 100% of annual salary.

Perquisites:

In addition to the above, the following perquisites, monetary value of which shall be restricted to the ceiling laid down by the Central Government.

CATEGORY "A"

- (i) (a) Housing: Furnished/unfurnished residential accommodation, the Company paying all rents, taxes and other expenses for the upkeep and maintenance of such accommodation or house rent allowance in lieu thereof not exceeding 60% of the salary.
- (b) Expenditure on electricity, water, gas and furnishings at the residence to be borne by the Company.
- (ii) Medical benefits for self and family : Reimbursement of medical expenses actually incurred and reimbursement of premium paid on Mediclaim Policy, the total cost of which to the Company shall not exceed one month's salary in a year or three months' salary in a block of three years.
- (iii) A personal accident insurance policy for his own benefit at the cost of the Company, the premium of which shall not exceed Rs.4,000/- per annum.
- (iv) Leave Travel Concession : Actual fares, rail or air, for self and family once a year to and from any place in India.
- (v) Fees of clubs, subject to a maximum of two clubs, provided that no life membership fee or admission fee is paid.

CATEGORY "B"

- (i) Membership of Company's Provident Fund Scheme.
- (ii) Gratuity as per rules of the Company.
- (iii) Benefit of Company's Superannuation Scheme, subject to the condition that the Company's contribution thereto together with the contribution to Provident Fund are not taxable under the Income-tax Act.

CATEGORY "C"

- (i) A car with driver for use for the business of the Company and for his personal use. For personal use of the car, the Company will bill the Whole Time Director.
- (ii) Telephone at residence : All charges including rental and call charges for the telephone at the residence being paid by the Company in full. For personal long distance calls, the Company will bill the Whole Time Director.

Car with driver for use of Company's business and telephone at residence shall not be considered as a perquisite.

The Whole Time Director shall further be entitled to :

- (i) Reimbursement of entertainment expenses incurred in the course of the Company's business not exceeding Rs.12,000/- per annum.
- (ii) Leave with salary, allowance and other benefits as per leave rules of the Company : privilege leave not exceeding one month in a year or 1/11th of duty period, and the leave accumulated but not availed may be encashed as per Rules of the Company.

The monetary value of the perquisites will be evaluated as per the Income-tax Rules and be subject to such ceiling as may be prescribed by the Central Government.

In the event of loss or inadequacy of profits in any year, the remuneration and perquisites will be paid in accordance with the Schedule XIII to the Companies Act, 1956 as amended from time to time.

The above salary, perquisites and commission will be subject to the provisions of Sections 198, 309 and 349 of the Companies Act, 1956."

10. To consider and, if thought fit, to pass with or without modification (s), following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 78 and 80 read with Section 100 and other applicable provisions, if any, of the Companies Act, 1956, Articles 10 of the Articles of Association of the Company and subject to the confirmation of the Hon'ble High Court of Judicature at



Bombay and/or any other regulatory authority as may be prescribed under the Companies Act, 1956, an amount of Rs. 1,806.46 lacs be utilized for adjustment of the balance of Miscellaneous Expenditure (to the extent not written off or adjusted) as at 31st March, 2003 as under :

	Amount (Rs. Lacs)
(i) Capital Redemption Reserve Account (out of the balance of Rs. 600 lacs as on 31.3.03)	400.00
(ii) Foreign Projects Reserve (balance as on 31.3.03)	265.00
(iii) Securities Premium Account (balance as on 31.3.03)	591.13
(iv) General Reserve (out of the balance of Rs. 1036.52 lacs as on 31.3.03)	550.33
	<hr/> 1806.46

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution and for removal of any difficulties or doubts, the Board of Directors of the Company (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee or any person which the Board may nominate/constitute to exercise its powers, including the powers conferred by this Resolution) be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual or proper and to settle any question or difficulty that may arise with regard to utilisation/adjustment of the Capital Redemption Reserve Account, Foreign Projects Reserve, the Securities Premium Account and General Reserve including passing such accounting entries and/or making such other adjustments in the books of accounts as are considered necessary to give effect to this Resolution or to carry out such modifications/directions as may be ordered by the Hon'ble High Court of Judicature at Bombay and/or any other regulatory authority as may be applicable, to implement this Resolution."

NOTES :

1. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956 in respect of the business as set out above are annexed hereto.
2. 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.
3. Members / Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
4. The Register of Members will be closed from Thursday, the 28th of August, 2003 to Thursday, the 4th September, 2003 (both days inclusive).
5. 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 1995-96, 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.

All members who have either not received or have not encashed dividends for the financial years 1996-97 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.

6. 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.
7. Members are requested to notify changes of address, if any, to the Company.
8. 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.
9. 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, 30th June, 2003

EIGHTY THIRD ANNUAL REPORT 2002-2003**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, 8, 9 and 10 mentioned in the Notice dated 30th June, 2003.

Item No. 7

The term of appointment of Shri V.K.Punshi, as Managing Director of the Company expired on 31st March, 2003. The Board of Directors has re-appointed, subject to the approval of the shareholders, Shri V.K.Punshi, as Managing Director of the Company for a period of three years with effect from 1st April, 2003, on terms and conditions mentioned in the Resolution at item no.7.

Shri V.K.Punshi, a Chemical Engineer from Indian Institute of Technology, Kharagpur, was earlier Director (Chemicals) of Hindustan Lever Ltd. (HLL), where he played a key role in developing HLL's new fertilisers business. He was also actively associated with the Fertiliser Association of India and the Indian Chemical Manufacturers' Association. In 1992, he moved to Unilever Headquarters in London as Overseas Technical Member - Detergents Co-ordination and thereafter, in 1997, he was transferred to China to serve with Unilever's China and East Asia Pacific Group.

He brings to your Company his wide experience, both Indian and International, in technical and general management including joint ventures and strategic planning.

In view of his wide experience, it is in the interest of the Company to re-appoint him as the Managing Director of the Company for a period of three years.

The remuneration and terms and conditions of re-appointment of Shri V.K.Punshi as Managing Director, as given in the Notice and Explanatory Statement, may be treated as abstract of the terms of his re-appointment under Section 302 of the Companies Act, 1956.

The Directors commend the Resolution for acceptance by the Members.

None of the Directors of the Company, except Shri V.K.Punshi, is concerned or interested in the said re-appointment.

Item No. 8

The term of appointment of Shri D.N.Vaze, as Whole-time Director of the Company [designated as Executive Director (Finance)], expired on 31st March, 2003. The Board of Directors has re-appointed, subject to the approval of the shareholders, Shri D. N. Vaze, as Whole Time Director of the Company [designated as Executive Director (Finance)], for a period of three years with effect from 1st April, 2003, on terms and conditions mentioned in the Resolution at item no. 8.

Shri. D.N.Vaze is a Chartered Accountant, Cost Accountant, Company Secretary and Certified Public Accountant (U.S.A.). He has managerial experience of over twenty three years including five years in the U.S.A.

In view of his qualifications and wide experience in the field of Finance, both Indian and International, it is in the interest of the Company to re-appoint him as a Whole Time Director of the Company [designated as Executive Director (Finance)], for a period of three years from 1st April, 2003.

The remuneration and terms and conditions of re-appointment of Shri D.N.Vaze as Whole Time Director of the Company [designated as Executive Director (Finance)], as given in the Notice and Explanatory Statement, may be treated as abstract of the terms of his re-appointment under Section 302 of the Companies Act, 1956.

The Directors commend the Resolution for acceptance by the Members.

None of the Directors of the Company, except Shri D. N.Vaze, is concerned or interested in the said re-appointment.

Item No. 9

The term of appointment of Shri D.P.Goculdas, as Whole-time Director of the Company expired on 31st March, 2003. The Board of Directors has re-appointed, subject to the approval of the shareholders, Shri D. P.Goculdas, as Whole Time Director of the Company for a period of three years with effect from 1st April, 2003, on terms and conditions mentioned in the Resolution at item no.9.

Keeping in view his wide experience, he has been, subject to the approval of the shareholders, re-appointed as Whole Time Director of the Company as in-charge and responsible for all the operations of the Udaipur Works of the Company and Purchase activities of the Company and to perform such functions and duties as the Board of Directors shall specify, from time to time, on terms and conditions mentioned in the Resolution at item no.9.

The remuneration and terms and conditions of re-appointment of Shri D.P.Goculdas as Whole Time Director of the Company, as given in the Notice and Explanatory Statement, may be treated as abstract of the terms of his re-appointment under Section 302 of the Companies Act, 1956.

The Directors commend the Resolution for acceptance by the Members.

None of Directors of the Company, except Shri D.P.Goculdas, is concerned or interested in the said re-appointment.

Item No. 10

The Company is continuing its efforts to simplify, rationalize and re-structure its various activities and business processes to improve customer service and reduce costs. In further pursuance of these initiatives, it is proposed that the company should also undertake a scheme for financial re-structuring.

The unamortised amount paid to the Company's employees under the Voluntary Retirement Schemes as on 31st March, 2003 is Rs.1,806.46 lacs. This amount is shown against the head 'Miscellaneous Expenditure (to the extent not written off or adjusted)' in the Balance Sheet of the Company as on 31st March, 2003.



It is now proposed to adjust this amount against the balances in the following reserves, in accordance with Section 78 & 80 read with Section 100 and other applicable provisions, if any, of The Companies Act, 1956, after obtaining the required approvals including from the Shareholders and the Honorable High Court of Judicature, Bombay.

	Amount (Rs. Lacs)
(i) Capital Redemption Reserve Account (out of the balance of Rs. 600 lacs as on 31.3.03)	400.00
(ii) Foreign Projects Reserve (balance as on 31.3.03)	265.00
(iii) Securities Premium Account (balance as on 31.3.03)	591.13
(iv) General Reserve (out of the balance of Rs. 1036.52 lacs as on 31.3.03)	550.33
	<u>1806.46</u>

This financial re-structuring will result in improvement of the future profitability of the Company. The re-structuring will not have any impact on the book value of the Company's shares prices since, for all practical purposes, the 'Miscellaneous Expenditure' is deducted from the net worth while calculating the book value.

The restructuring will also not cause any prejudice to the creditors of the Company. For the sake of clarity, it is specified that the reduction of capital does not involve either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital nor is any call being waived. The creditors of the Company are in no way affected by the proposed restructuring of the Share Capital as there is no reduction in the amount payable to any of the creditors, no compromise or arrangement is contemplated with the creditors. Further, the proposed adjustment would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of business.

The Directors commend the Resolution for acceptance by the Members.

None of the Directors of the Company are interested in passing of the proposed Resolution, except as shareholders in general.

By Order of the Board

D.T.GOKHALE
Secretary

Registered Office :

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

Mumbai, 30th June, 2003.

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Details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting

(Pursuant of Clause 49 of the Listing Agreement)

Name of Director	Shri V.K. Punshi	Shri D.N. Vaze	Shri D.P. Goculdas	Shri H.T. Kapadia
Date of Birth	6th February, 1942	17th July, 1957	10th March, 1959	17th February, 1935
Date of Appointment	1st April, 2000	1st April, 1997	6th March, 1992	6th October, 1978
Qualifications/ Expertise in specific Functional areas	B.Tech (Hons) Chemical Engineer/ Expertise in Chemicals, Production & Marketing	Chartered Accountant, Cost Accountant, Company Secretary and Certified Public Accountant (U.S.A.). / Finance	Expertise in Supply Chain Management	B.Sc., Diploma in Chemical Engineering/ Expertise in Fertiliser & Chemical Business
List of Public Companies in which outside Directorship held as on 31st March, 2003	1) Monsanto-DMCC Enviro-Tech Engineering Ltd., 2) Fertiliser Association of India	None	1) L.P. Gas Transport & Bottling Co. Ltd.	1) Borax Morarji Limited, 2) DMCC Oil Terminals (Navlakhi) Ltd.
Chairman/Member of the Committee of the other Public Companies on which he is a Director as on 31st March, 2003	Member of Audit Committee of Monsanto-DMCC Enviro-Tech Engineering Ltd.,	None	None	Member of Audit Committee of DMCC Oil Terminals (Navlakhi) Ltd.

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Directors' Report (Including Management Discussion and Analysis Report)

The Directors are pleased to present their Eighty Third Annual Report together with the accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

	31st March 2003 Rs. in lacs	31st March 2002 Rs. in lacs
Turnover	<u>23994.71</u>	<u>21034.24</u>
Gross Profit (Before Bad Debts, provision for Doubtful Debts & Advances and Depreciation)	970.46	450.59
Less :		
Bad Debts and Provision for Doubtful Debts & Advances (net)	49.01	675.00
Depreciation (Net off depreciation written back Nil during the year 2002-2003, Rs. 209.65 lacs during the year 2001-2002)	<u>874.75</u>	<u>623.24</u>
Profit/(Loss) before tax	46.70	(847.65)
(Increase) / Decrease in Deferred Tax Liability	<u>(0.13)</u>	<u>1024.45</u>
Profit before current year's tax provision	46.57	176.80
Provision for taxation	<u>5.68</u>	<u>2.00</u>
Profit after taxation	40.89	174.80
Add: Balance brought forward	<u>186.51</u>	<u>593.98</u>
	<u>227.40</u>	<u>768.78</u>
Add: Transferred from Investment Allowance Reserve	—	53.46
Add: Transferred from Preference Share Redemption Reserve	—	666.00
Available for appropriation	<u>227.40</u>	<u>1488.24</u>
The Directors have made the following appropriations :		
(i) Investment Reserve	—	1175.00
(ii) Interim Dividend on Preference Shares	115.00	115.00
(iii) Income tax on Interim Dividend on Preference Shares	—	11.73
(iv) Balance carried forward	<u>112.40</u>	<u>186.51</u>
	<u>227.40</u>	<u>1488.24</u>
The following is the turnover by group of products :		
Single Superphosphate	9085.18	9220.77
Commodity Chemicals	8817.69	6025.13
Speciality Chemicals	5567.27	5050.72
Others	524.57	737.62
	<u>23994.71</u>	<u>21034.24</u>

DIVIDEND

Your Directors approved payment of Interim Dividend on Preference Shares aggregating to Rs.115.00 lacs, at the rate of 11.50% (Rs.11.50 per Preference Shares of Rs.100/- each) for the financial year 2002-2003, which was paid on 31st March, 2003. Your Directors recommend to the shareholders to ratify the payment of the said Dividend on Preference Shares amounting to Rs.115.00 lacs.

The Directors have not recommended any Dividend on Equity Shares for the year ended 31st March, 2003.

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

The turnover during the year 2002-2003 was Rs.240 crores, which is higher by 14% than the previous year. The main reason for the increase in turnover was higher sales volumes and realisations in the Chemicals business.

The fertiliser offtake was affected due to indifferent precipitation in the marketing areas serviced by your Company. The uncertain weather conditions and accumulation of fertiliser stocks resulted in fall in prices of SSP to an unremunerative level. The Company took this as an opportunity to focus sales in areas of remunerative prices with increased marketing activity. The Company's efforts have resulted in holding of the price of "SHIP" brand SSP which commands a premium in the market. The Company continues to leverage its "SHIP" brand by marketing micro-nutrients and organic manures to increase the product range of agri-inputs. With the Government of India having agreed for higher price of Rs. 300/T and subsidy support, your Company is launching micro-nutrient fortified boronated SSP namely, "SHIP" brand Borophos to extend its market share.

The Commodity Chemicals business showed good improvement this year despite the general recession in the chemical industry. The turnover of Commodity Chemicals increased by 46% and that of Speciality Chemicals by 10%. The margins, however, were under pressure, both for chemicals & fertilisers businesses, especially in the second half of the year, as Sulphur, a major raw material had become costlier.

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 during the coming years.



The Company is continuing its efforts to simplify, rationalise and restructure its manufacturing activities and business processes to reduce supply chain costs. These efforts, along with more efficient management of working capital, have resulted in a substantial reduction in the interest cost from Rs. 17.4 crores during the year 2001-2002 to Rs. 14.2 crores during the year 2002-2003.

In order to improve co-ordination and customer service, marketing departments of both agri-inputs and chemical business groups have been shifted to your Company's major factory at Ambarnath in May 2003, where the Research & Development Centre (RDC) is also located.

(b) Prospects in the Industry

Fertilisers

Single Superphosphate (SSP), which contains secondary nutrients, Sulphur & 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%. The importance of SSP has now been gradually recognised with the need to shift from cereals to cash crops, especially oilseeds where the country is deficient. With the increased awareness of the use of SSP as multi-nutrient fertiliser and the need of balanced fertilisation, your Company is optimistic about the future of SSP industry, subject to the supportive policies of the Government of India. The audits and monitoring by the Government, along with self regulation by the Industry, have started yielding positive results and will lead to a healthy development of the Industry.

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. Further the margins are under pressure due to increased competition from China, both in the domestic and international markets. One of your Company's major product, Sulphuric Acid, is facing increased competition from by-product acid produced by Copper & Zinc smelters.

In this scenario, your Company's Chemical Business group's strategy and focus is on marketing of value-added chemicals. The R&D centre is concentrating on new products where the Company can be internationally competitive and these will be the growth areas in the future.

New Speciality Chemicals and formulations based on in-house R&D are under development, both for domestic and export markets. International marketing network is being expanded into areas, which will be the platforms 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 in-house R&D 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. Critical equipment design and economically feasible chemical processes developed by your R & D team will support the profitable growth of your Company. The Company believes that for future growth and success, these capabilities need to be extended into areas to service electronic chemicals and pharmaceutical intermediates industries.

Your Company continues collaborative studies at reputed institutes like University Institute of Chemical Technology (UICET), Matunga, Mumbai and Central Leather Research Institute (CLRI), Chennai, for product & process development.

SUBSIDIARY

The audited statements of accounts of DMCC OIL TERMINALS (NAVLAKHI) LIMITED (DOTL), a subsidiary of the Company, for the year ended 31st March 2003, 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 D.N.Vaze, Shri D.P.Goculdas, and Shri H.T.Kapadia, retire by rotation under Article 135 of the Articles of Association of the Company and being eligible, offer themselves for re-appointment.