



**THE DHARAMSI MORARJI
CHEMICAL COMPANY LTD.**

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84th Annual Report 2003-2004



Directors

R.M.Goculdas	Chairman
Laxmikumar N.Goculdas	Vice Chairman
S.N.Desai	
U.D.Morarji (Smt.)	
M.D.Goculdas	
H.T. Kapadia	
C.B. Nalawala	
Dr. 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
SBI Commercial and International 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

MCS Ltd.,
Sri Venkatesh Bhavan,
Plot No. 27, Road No. 11, MIDC, Andheri (East),
Mumbai - 400 093.

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NOTICE TO MEMBERS

The Eighty Fourth 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 9th day of September, 2004 at 11.30 a.m. to transact the following business :

1. To receive and adopt the Directors' Report, Auditors' Report and Audited Statements of Account for the year ended 31st March, 2004.
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 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 M.D.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 S.N.Desai, 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 84th Annual General Meeting until the conclusion of the 85th 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 a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 163(1) of the Companies Act, 1956, approval be and is hereby accorded to the keeping of the Register of Members, Index of Members, Register and Index of Debentureholders in respect of Shares and Debentures as may be issued by the Company from time to time and copies of Annual Returns, prepared under Section 159 together with the copies of certificates and documents required to be annexed thereto under Section 161 at the Registered Office of the Company and/or at the office of the Registrar and Share Transfer Agents of the Company viz. MCS Limited, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, MIDC Andheri (East), Mumbai 400 093, a SEBI registered Share Transfer Agent, appointed in accordance with SEBI (Registrar to an Issue and Share Transfer Agent) Rules, 1993."

NOTES :

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business as set out above is 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 2nd September, 2004 to Thursday, 9th September, 2004 (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 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, unclaimed dividend for the financial year 1995-96 has been transferred to the "Investor Education and Protection Fund" established by the Central Government. Members shall not be able to register their claim in respect of their un-encashed dividend warrants with regard to the above dividend. Unclaimed dividend for all the subsequent years will be transferred to the "Investor Education and Protection Fund" according to the statutory stipulations.

All members who have either not received or have not encashed dividend warrants 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, if any, 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, 2004



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 No. 7 mentioned in the Notice dated 30th June, 2004.

ITEM NO. 7

Under the provisions of the Companies Act, 1956, the registers and indexes of members and debentureholders, copies of all annual returns, prepared under Section 159 together with copies of all certificates and documents required to be annexed hereto, in terms of Section 161 are required to be kept at the Registered Office of the Company or with the approval of the shareholders at any other place within the city, town or village in which the Registered Office is situated. Accordingly, the above documents are presently kept at the office of IIT Corporate Services Ltd. Protoprima Chambers, 2nd Floor, Suren Road, Andheri (East), Mumbai 400 093. In view of the appointment of MCS Limited, SEBI Registered Share Transfer Agent, as the Registrar and Share Transfer Agent of the Company in accordance with SEBI (Registrar to an Issue and Share Transfer Agent) Rules, 1993 it is proposed to keep the above documents at their office situated at MCS Limited, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, MIDC Andheri (East), Mumbai 400 093, after the members approve the Resolution proposed at Item No. 7 of the Notice.

This resolution is proposed to obtain your approval in terms of Section 163(1) of the Companies Act, 1956. Your Board recommends passing of this resolution.

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 Naoroji Road,
Fort, Mumbai 400 001.

Mumbai, 30th June, 2004

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

(Pursuant to Clause 49 of the Listing Agreement)

Name of Directors	Shri. R.M. Goculdas	Shri M.D. Goculdas	Shri. S.N. Desai
Date of Birth	09-04-1917	20-11-1924	26-01-1925
Date of Appointment	06-05-1961	31-07-1985	02-08-1979
Qualifications/Expertise in specific Functional areas	Industrialist with rich business experience in general	Industrialist with rich business experience in general	Chartered Accountant, Leading Professional with wide experience in Corporate Finance
List of Public Companies in which outside Directorship held as on 31st March, 2004	1) Borax Morarji Ltd. 2) Monsanto-DMCC Enviro-Tech & Engg. Ltd. 3) DMCC Oil Terminals (Navlakhi) Ltd.	None	1) Gerzi Eastern Ltd. 2) Bombay Dyeing & Mfg. Co. Ltd.
Chairman / Member of the Committee of the other Public Companies on which he is a Director as on 31st March, 2004	1) Chairman of Investors Grievance Committee / Share Transfer Committee of Borax Morarji Ltd. 2) Member of Audit Committee of Borax Morarji Ltd. 3) Chairman of Audit Committee of Monsanto - DMCC Enviro - Tech & Engg. Ltd. 4) Chairman of Audit Committee of DMCC Oil Terminals (Navlakhi) Ltd.	None	Member of Audit Committee of Bombay Dyeing & Mfg. Co. Ltd.

Directors' Report (Including Management Discussion and Analysis Report)

The Directors are pleased to present their Eighty Fourth Annual Report together with the accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

	31st March, 2004 Rs. in lacs	31st March, 2003 Rs. in lacs
Gross Turnover	19210.15	23994.71
Gross Profit / (Loss)	(726.60)	921.45
Less :		
Depreciation	872.23	874.75
Profit/(Loss) before tax	(1598.83)	46.70
(Increase) / Decrease in Deferred Tax Liability	1025.66	(0.13)
Profit before current year's tax provision	(573.17)	46.57
Provision for taxation	1.00	5.68
Profit after taxation	(574.17)	40.89
Add: Balance brought forward	112.40	186.51
	(461.77)	227.40
Add: Transferred from Preference Share Redemption Reserve	500.00	—
Available for appropriation	38.23	227.40
The Directors have made the following appropriations :		
(i) Interim Dividend on Preference Shares	12.56	115.00
(ii) Income tax on Interim Dividend on Preference Shares	1.61	—
(iii) Balance carried forward	24.06	112.40
	38.23	227.40
The following is the gross turnover by group of products :		
Single Superphosphate	6104.81	9085.18
Commodity Chemicals	7684.05	8817.69
Speciality Chemicals	4658.17	5567.27
Others	763.12	524.57
	19210.15	23994.71

REDEMPTION OF 4,00,000 CUMULATIVE PREFERENCE SHARES AND PAYMENT OF DIVIDEND THEREON

During the year under review, 4,00,000 Cumulative Preference Shares of Rs.100 each were redeemed in installments on the respective due dates, on exercise of the put option by the Preference Shareholder.

Your Directors approved payment of Interim Dividend on these 4,00,000 Cumulative Preference Shares of Rs.100 each aggregating to Rs.14.17 lacs including income tax thereon, for the period upto their respective dates of redemption. Your Directors recommend to the shareholders to ratify the same.

In view of the losses during the year under review, your Directors have not recommended any Dividend on 6,00,000 Cumulative Preference Shares of Rs. 100 each and Equity Shares of the Company, for the year ended 31st March, 2004.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

(a) Overview of operations

The turnover during the year 2003-2004 was Rs. 192.10 crores, which is lower by 20% than the turnover during the previous year. During the year under review there was a loss of Rs.15.99 Crores (before tax), mainly on account of the substantial increase in the cost of the main raw material of the Company viz Sulphur, which could be only partly recovered in the selling prices of the finished products, both Single Super Phosphate (SSP) and Commodity Chemicals.

The Company's fertiliser business was adversely affected due to successive failure of rainfall in Company's economic zones of operation, increase in raw material cost without corresponding increase in Subsidy and sales price, resulting in reduced sales volume and discontinuation of unviable operations at Kumhari. Consequently, the turnover of SSP for the year 2003-2004 was Rs. 61.05 crores, which is lower by 33% as compared to previous year.

The turnover of Commodity Chemicals for the year 2003-2004 was Rs. 76.84 crores, which is lower by 12% as compared to previous year, mainly because of reduced production at Jhar and Kumhari, due to unfavourable market conditions.

The turnover of Speciality Chemicals for the year 2003-2004 was Rs. 46.58 crores, which is lower by 16% as compared to previous year, primarily due to lower prices in the international market and discontinuation of Resorcinol production.



The margins of the Chemical business were affected due to substantial increase in the cost of the main raw material namely, Sulphur, without corresponding increase in the prices of the final products as a result of which production at Vadodara and Kumhari factory was suspended.

In line with the objective of cost competitiveness, a Voluntary Retirement Scheme (VRS), for Company's employees at Head Office, Mumbai and Kumhari factory, was successfully implemented. This enabled the Company to achieve integration of activities hitherto carried on separately at Ambernath and Mumbai.

The Company is continuing its efforts to simplify, rationalise and restructure its manufacturing activities and business processes to reduce supply chain costs. These efforts, alongwith more efficient management of working capital, has resulted in a substantial reduction in the interest cost from Rs. 14.17 crores during the year 2002-2003 to Rs. 11.90 crores during the year 2003-2004.

In view of the changed business scenario arising out of cheaper import of Resorcinol, the Company has terminated lease arrangement and has handed back the possession of the leased factory at Vadodara. Consequently, Benzene Di-Sulphonic Acid (BDSA) plant at Roha, which was catering to the manufacturing of intermediate stage of Resorcinol, has been modified by adding certain balancing equipment for the manufacture of a range of sulfonated chemicals which have a good export potential.

(b) Adjustment of the unamortised amount in respect of the Voluntary Retirement Schemes

The Company had an unamortised amount of Rs. 1806.46 lacs in respect of the Employees' Voluntary Retirement Schemes, as on 31st March, 2003, which was shown under the head 'Miscellaneous Expenditure' (to the extent not written off or adjusted) in the Company's Balance Sheet.

Pursuant to the authority obtained from the Shareholders at the last Annual General Meeting of the Company and the Order of Hon'ble High Court of Judicature at Mumbai, the said amount was adjusted during the current year against the following Reserves, in accordance with the provisions of Section 78 and 80 read with Section 100 and other applicable provisions, if any, of the Companies Act, 1956 :

	Amount (Rs. Lacs)
(i) Capital Redemption Reserve	400.00
(ii) Foreign Projects Reserve	265.00
(iii) Securities Premium Account	591.13
(iv) General Reserve	550.33
	<u>1806.46</u>

The above adjustment will not have any impact on the book value of the Company's shares, since for all practical purposes, the 'Miscellaneous Expenditure' is deducted from the net worth while calculating the book value.

(c) Prospects in the Industry

Fertilisers

The Fertiliser industry has been facing problems for last few years because of poor monsoon and lack of clarity in the Government policies in respect of subsidy on SSP. However, this industry can now look forward to better prospects, since the new Government at the Centre is giving higher priority to the development of agriculture and farm sector. Emphasis is now being given to balanced fertilisation and improvement of soil health with an accent on increased usage of micronutrients and secondary nutrients especially sulphur, as the Indian soil is deficient in sulphur. The Government of India has recognised the importance of Sulphur as a nutrient and included it in the Fertiliser Control Order and this step is expected to boost up the sale of SSP.

The decision of the Government to pass on subsidy to SSP fortified with Boron is a welcome development. Accordingly, your Company has launched boronated SSP as SHIP BRAND BOROPHOS. Initial market response to this product has been encouraging. Extension plans are in hand and are being supported with field trials to popularise the product.

Chemicals

The Indian Chemical Industry continues to play an important role in the overall economic activity of the country as it provides building blocks for several downstream industries.

With the strengthening of in-house R&D facilities, your Company is focusing on its core technologies namely, sulphonation and chlorosulphonation, with a view to gradually switch over to Speciality Chemicals and operate as an outsourcing hub for both local and international buyers which will result in reduced dependence on cyclical Commodity Chemicals. With in-house availability of key inputs and skilled manpower, good track record of handling safety, health and environmental issues, your Company is making efforts to become a reliable and cost effective contract manufacturer/supplier of value added chemicals both in the domestic and global markets.

Four new products were commercialised in the course of the year. All these products were based on in-house R&D and hold good promise for the future. A multi purpose manufacturing facility is being built to cater to the rapidly changing requirements of customers worldwide. With this, your company will be able to respond rapidly to customer requests for high value low volume Speciality Chemicals.

(d) Corporate Debt Restructuring

Your Company has embarked upon a turnaround strategy focusing on value added Speciality Chemicals used mainly by pharmaceutical and electronic industries, both in domestic and export markets and value added agri-inputs. As a part of the business turnaround strategy and to increase its competitiveness, your Company had approached Corporate Debt Restructuring (CDR) Cell with the objective of restructuring Company's debts and reducing interest rates. Accordingly, the CDR Empowered Group has approved a Scheme of restructuring of Company's debts and reduction of interest rates, subject to fulfillment of certain conditions by the Company.

The main terms of restructuring approved by the CDR Cell are :

- (i) extension of the repayment schedule in respect of the term loans upto the financial year 2011-2012, with a moratorium of one year and
- (ii) reduction in the interest rates in respect of the term loans and working capital borrowings to 11% p.a. and 10.25% p.a., respectively. The estimated reduction in the interest cost, as a result of implementing the aforesaid scheme for restructuring of Company's debts, is about Rs. 2 crores per year.

The Company is in the process of fulfilling the conditions stipulated by the CDR Empowered Group. The Management of your Company is committed to achieve the projected growth pursuant to the turnaround strategy and the CDR package. The employees of the Company at all levels are geared up to support the Management in its endeavor.

(e) Adequacy of Internal Controls

Your Company has clearly laid down policies, guidelines and procedures which form part of its internal control system. The Audit Committee of the Board periodically reviews reports of Internal Auditors inter alia on adherence of the operating Management to such policies and procedures and suggests changes/modifications and improvements on continuous basis. Your 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.

(f) Human Resource Development

As an ongoing exercise of the restructuring and re-organisation, Your Company undertakes periodic comprehensive review of its HR policies. Your 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.

Your 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.

(g) Cautionary Statement

Statement in this "Management Discussion and Analysis Report" describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities 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 world class capabilities to develop innovative processes and products with the focus on Speciality and Performance Chemicals. The pharmaceutical, dyes and dye intermediates (for the textiles and paint industries), paper industries and power plants use your Company's speciality chemical range of products. To take advantage of the growth potential, the Company has invested in R&D to become a competitive manufacturer / supplier of value added chemical both in domestic and international market.

Your Company continues collaborative studies at reputed institutes like University Institute of Chemical Technology (UICT), Matunga, Mumbai, for product & process development.

SUBSIDIARY

The audited statements of accounts of DMCC OIL TERMINALS (NAVLAKEHI) LIMITED (DOTL), a subsidiary of the Company, for the year ended 31st March, 2004, 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.

Since it is now proposed to sell the equity shares held by the Company in DOTL, the control of your Company on DOTL is intended to be temporary. DOTL will not remain a subsidiary of your Company after this sale of equity shares. 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 M.D.Goculdas and Shri S.N.Desai, retire by rotation under Article 135 of the Articles of Association of the Company and being eligible, offer themselves for re-appointment.

During the year under review, Shri. D.S.Parekh, an Alternate Director to Shri L.N.Goculdas, resigned from the Board on 9th December, 2003. Accordingly, the Board of Directors has accepted the resignation of Shri D.S.Parekh. The Directors place on record their appreciation for the valuable guidance and advice given to the Company by Shri D.S.Parekh during his long association with the Company, as also the contribution made by him in the deliberations at the Board Meetings during his tenure as a Director of the Company.

During the year under review, Shri S.M.Thakore resigned from the Board on 12th January, 2004. Accordingly, the Board of Directors has accepted the resignation of Shri S.M.Thakore. The Directors place on record their appreciation for the valuable guidance and advice given to the Company by Shri S.M.Thakore during his long association with the Company, as also the contribution made by him in the deliberations at the Board Meetings during his tenure as a Director of the Company.

AUDITORS' OBSERVATIONS

The Company's views on the Auditors' observation about their inability to opine on the valuation of the Company's investment in the Equity Shares of DOTL, are contained in the relevant Notes No. 17 and 18 to the Accounts.



As regards the Auditors' observation, regarding adoption of lower rates of interest on term loans, pending fulfillment of certain conditions stipulated in the Corporate Debt Restructuring (CDR) Scheme effective from 1st January, 2004 (resulting in lower interest cost for the year 2003-2004 to the extent of Rs. 28.16 lacs), the Company is in the process of fulfilling the conditions stipulated in the CDR Scheme.

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

During the year ended 31st March, 2004, there was no employee within the purview of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

PUBLIC DEPOSITS

Out of deposits which matured during the year, 341 deposits aggregating to Rs. 34,65,000/- remained unclaimed as on 31st March, 2004, of which 99 deposits amounting to Rs.12,24,000/- have since been renewed/repaid.

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 judgements 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 been practicing the principles of good Corporate Governance over the years and the Board of Directors lays strong emphasis on transparency, accountability and integrity. Your Company has implemented in full the Code of Corporate Governance as per the Listing Agreement with the Stock Exchange. A separate report on Corporate Governance is annexed as a part of the Annual Report, along with the Auditor's Certificate on its compliance.

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 between the employees and the management continue to be cordial. Your Directors place on record their appreciation of the sincere and devoted efforts of the employees, at all levels and their continued co-operation, commitment and sense of understanding.

For and on behalf of the Board

R .M .GOCULDAS
Chairman

Registered Office :

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

Mumbai, 30th June, 2004.

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

	<u>2003-2004</u>	<u>2002-2003</u>
1. Electricity		
a) Purchased		
Unit (Lac KWH)	184.97	197.32
Total Amount (Rs. lacs)	791.02	853.12
Rate/Unit (Rs./KWH)	4.28	4.32
b) Own generation		
i) Through Diesel Generator		
Unit (Lac KWH)	3.70	1.77
Unit per litre of diesel oil (KWH)	3.07	2.54
Cost per unit of diesel oil (Rs/KWH)	7.61	7.92
ii) Through Steam Turbine/Generator (from by-product steam of Sulphuric Acid Plant)		
Unit (Lac KWH)	183.95	247.78
Total Cost (Rs. Lacs)	109.98	162.57
Cost per unit (Rs/KWH)	0.60	0.66
2. Furnace Oil		
Quantity (K.Litre)	1048.62	1409.57
Total amount (Rs Lacs)	129.18	163.38
Average Rate (Rs/KL)	12319	11591.00
3. Others		
Diesel Oil		
Quantity (K.Litre)	470.32	751.07
Total Cost (Rs Lacs)	87.30	106.75
Average Rate (Rs/KL)	18562	14213.00
CONSUMPTION PER TONNE OF MAJOR PRODUCTS		
Electricity (Unit-KWH)		
1. Single Superphosphate	24	25
2. Sulphuric Acid 100%	61	65
3. Alumina Sulphate 17%	30	30

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- 2000 quality management system.

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

- Process and cost optimisation of Speciality Chemicals so as to be competitive in the domestic and international market.
- Development of the processes for making value added products to cater to the need of local and export market.
- Technical support to Marketing efforts for launching new products and for troubleshooting of existing products.

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

- Increased sale of Speciality Chemicals in the local as well as international market.
- Quality and yield improvement of the existing products
- 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 :

	Rs. in lacs	
	<u>2003-2004</u>	<u>2002-2003</u>
(i) Capital	—	—
(ii) Recurring	<u>84.50</u>	<u>76.55</u>
(iii) Total	<u>84.50</u>	<u>76.55</u>
(iv) Total R&D expenditure as a percentage of total turnover	<u>0.43%</u>	<u>0.32%</u>

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, improvement in quality and flexibility to meet market demands .

3. Technology imported 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 :

	Rs.in lacs	
	<u>2003-2004</u> <u>Rs. lacs</u>	<u>2002-2003</u> <u>Rs.lacs</u>
EARNINGS IN FOREIGN EXCHANGE :		
Export of goods calculated on FOB basis	1628.71	1793.61
Total Foreign Exchange earned	<u>1628.71</u>	<u>1793.61</u>
OUTGO IN FOREIGN EXCHANGE :		
(1) VALUE OF IMPORTS CALCULATED ON CIF BASIS :		
Raw Materials and boughtouts	3934.50	3765.92
Stores and Components	—	—
(2) EXPENDITURE IN FOREIGN CURRENCY		
ON ACCOUNT OF FOREIGN TOURS,		
SUBSCRIPTION, ETC.	26.89	30.43
Total Foreign Exchange outgo	<u>3961.39</u>	<u>3796.35</u>

For and on behalf of the Board

R .M .GOCULDAS
Chairman

Registered Office :

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

Mumbai, 30th June, 2004.