



**THE DHARAMSI MORARJI
CHEMICAL COMPANY LTD.**

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85th Annual Report 2004-2005



Directors

R. M. Goculdas	Chairman
Laxmikumar N. Goculdas	Vice Chairman
S. N. Desai	(upto 10.11.2004)
U. D. Morarji (Smt.)	
M. D. Goculdas	(upto 25.02.2005)
H. T. Kapadia	
C. B. Nalawala	
Dr. S. R. Chougule	Nominee of ICICI Bank Ltd. (upto 02.09.2004)
R. Kannan	Nominee of ICICI Bank Ltd. (w.e.f. 30.06.2005)
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
Bimal L. Goculdas	Executive Director (w.e.f. 01-07-2005)

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.

CONTENTS

Notice to Members	2
Directors' Report	5
Annexure I to the Directors' Report	9
Report on Corporate Governance	11
Auditors' Certificate on Corporate Governance	17
Auditors' Report	18
Annexure to Auditors' Report	19
Balance Sheet	22
Profit and Loss Account	23
Schedules to Balance Sheet	24
Schedules to Profit and Loss Account	27
Notes to the Accounts	28
Cash Flow Statement	38
Balance Sheet Abstract and Company's General Business Profile	39
Statement relating to Subsidiary Company ..	39
Accounts of Subsidiary Company DMCC Oil Terminals (Navlakhi) Ltd.	40
The Last Ten Years - DMCC Ltd.	48

NOTICE TO MEMBERS

The Eighty Fifth 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 29th day of September, 2005 at 11.45 a.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, 2005.
2. 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.
3. 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.
4. To appoint a Director in place of Shri C.B. Nalawala, 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 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 85th Annual General Meeting until the conclusion of the 86th 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."
6. To consider and, if thought fit, to pass with or without modification, following Resolution as an Ordinary Resolution.
"RESOLVED THAT Shri. Bimal Lalitsingh Goculdas, who was appointed as an Additional Director of the Company, by the Board of Directors with effect from 30th June, 2005, holds office upto the date of this Annual General Meeting, under Section 260 of the Companies Act, 1956 and Article 126 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."
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 appointment of Shri. Bimal Lalitsingh Goculdas, as Whole-Time Director designated as Executive Director of the Company for a period of three years from 1st July, 2005, 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 Executive 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 Executive Director .

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

The Executive 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."

**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 22nd September, 2005 to Thursday, 29th September, 2005 (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 1995-96 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, unclaimed dividend for the financial year 1996-97 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 claim in respect of their un-encashed Dividend 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 dividends for the financial years 1997-98 to 2001-2002 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.

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. 6 and 7 mentioned in the Notice dated 29th July, 2005.

Item No. 6

The Board of Directors at its Meeting held on 30th June, 2005, appointed Shri. Bimal Lalitsingh Goculdas, as an Additional Director on the Board with effect from 30th June, 2005. As per provisions of Section 260 of the Companies Act, 1956, Shri. Bimal Lalitsingh Goculdas, 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. Bimal Lalitsingh Goculdas, for office of Director, under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors of the Company, except Shri. Bimal Lalitsingh Goculdas, is concerned or interested in the said appointment.

Item No. 7

The Board of Directors has appointed, subject to the approval of the shareholders, Shri. Bimal Lalitsingh Goculdas, as Whole Time Director of the Company designated as Executive Director for a period of three years with effect from 1st July, 2005, on terms and conditions mentioned in the Resolution at item no7.

Shri. Bimal Goculdas is a Chemical Engineer from University Institute of Chemical Technology, Mumbai and has done M.S. in Chemical Engineering from University of Wyoming U. S. A. Shri. Goculdas has business, commercial and technical experience both in India and abroad. Shri. Bimal Goculdas has been working with the company for last 10 years. He is also a Director of the following Companies:

- 1) Borax Morarji Ltd.
- 2) Monsanto- DMCC Enviro-Tech & Engineering Ltd.

In view of his qualifications and wide experience in the field of Business, it is in the interest of the Company to appoint him as a Whole Time Director of the Company designated as Executive Director, for a period of three years from 1st July, 2005.

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

None of the Directors of the Company, except Shri. Bimal Lalitsingh Goculdas, is concerned or interested in the said appointment.

By Order of the Board

D.T. GOKHALE
Secretary

Registered Office

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

Mumbai, 29th July, 2005

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

Name of Director	Shri. L.N.Goculdas	Smt. U.D. Morarji	Shri. C. B. Nalawala	Shri. Bimal Goculdas
Date of Birth	17-09-1943	08.10.1926	10.01.1935	08.11.1968
Date of Appointment	06.03.1992	02.08.1979	07.03.2002	30.06.2005
Expertise in specific Functional Areas	Industrialist with rich business experience in general	Industrialist with rich business experience in general	Leading Professional with wide experience in Corporate Finance.	Leading professional with technical and marketing experience in India & abroad
List of Public Companies in which outside Directorship held as on 31st March, 2005	Borax Morarji Ltd. Cylingas Co. LLC, Dubai Falcon Chemical LLC., Dubai DMCC Oil Terminals (Navlakhi) Ltd.	MDS Switchgear Ltd.	Nil	Borax Morarji Ltd. Monsanto-DMCC Enviro-Tech & Engineering Ltd.
Chairman/ Member of the Board Committees of the other Public Companies in which he/she is a director as on 31st March, 2005	Member of Audit Committee of DMCC Oil Terminals (Navlakhi) Ltd.	Nil	Nil	Nil

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DIRECTORS' REPORT (Including Management Discussion and Analysis Report)

The Directors are pleased to present their Eighty Fifth Annual Report together with the accounts of the Company for the year ended 31st March, 2005.

FINANCIAL RESULTS

	31st March 2005 Rs. in lacs	31st March 2004 Rs. in lacs
Gross Turnover	16698.20	19210.15
Gross Profit / (Loss)	(512.43)	(726.60)
Less : Depreciation (Net off Depreciation written back Rs.375.72 Lacs, previous year Nil)	441.97	872.23
Profit/(Loss) before tax	(954.40)	(1598.83)
(Increase) / Decrease in Deferred Tax Liability	43.97	1025.66
Profit before current year's tax provision	(910.43)	(573.17)
Provision for taxation	0.50	1.00
Profit after taxation	(910.93)	(574.17)
Add: Balance brought forward	24.06	112.40
	(886.87)	(461.77)
Add: Transferred from General Reserve	241.70	500.00
Available for appropriation	(645.17)	38.23
The Directors have made the following appropriations :		
(i) Interim Dividend on Preference Shares	0.00	12.56
(ii) Income tax on Interim Dividend on Preference Shares	0.00	1.61
(iii) Balance carried forward	(645.17)	24.06
	(645.17)	38.23
The following is the gross turnover by group of products :		
Single Superphosphate	4064.80	6104.81
Commodity Chemicals	7896.75	7684.05
Speciality Chemicals	4302.17	4658.17
Others	434.48	763.12
	16698.20	19210.15

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, 2005.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

(a) Overview of operations

The turnover during the year 2004-2005 was Rs. 167 crores, which is lower by 13% than the turnover during the previous year. The main reason for this drop is 34% lower SSP sales compared to previous year. During the year under review there was a loss of Rs. 9.54 Crores (before tax) primarily on account of the substantial increase in the delivered cost of the main raw materials of the Company viz Sulphur, Rock Phosphate, Benzene, Urea and Ethanol which could only be partly recovered in the selling prices of the finished products, both Single Super Phosphate (SSP) and Chemicals.

The Company's fertiliser business was adversely affected due to increase in raw material cost without corresponding increase in subsidy and sales price. This forced your Company to reduce volumes of the unremunerative fertiliser business. Consequently, the turnover of SSP for the year 2004-2005 was Rs. 40.65 crores, which is lower by 34% as compared to the previous year. The gross realisation was improved by optimising distribution.

The subsidy for SSP at Rs.650 PMT has remained unchanged from February 2002 though the costs have gone up by over Rs.800 PMT. The Cost Audit Bureau (CAB) of Central Government had done a costing study of the SSP industry and submitted a report in April 2004. It has recognised the important role of SSP in Indian agriculture, need for Maximum Retail Price (MRP) to be fixed by the Central Government, like other fertilisers, and has recommended a cost escalation formula for the industry. Unfortunately, the Government has not yet taken the final decision and your Company, along with the Fertiliser Association of India (FAI) is urging the Government to expedite its decision to increase subsidy to neutralize the input cost increases.

The turnover of Commodity Chemicals for the year 2004-2005 was Rs.79 Crores, which is higher by 2.8% as compared to the previous year. The drop in volume due to the closure of the Kumhari unit was made up by increased volumes of Chloro Sulfonic Acid and Alum.

The turnover of Speciality Chemicals for the year 2004-2005 was Rs. 43 Crores, which is lower by 7.6% as compared to previous year. This was due to discontinuation of Resorcinol and increased competition in the international market. The new products introduced last year have been accepted in the International market and showing good growth potential.

The company had discontinued, as mentioned last year, its unviable operations in Kumhari. It has since negotiated the sale of the unit and received the sale proceeds subject to approval of the Shareholders which is being sought separately.

EIGHTY FIFTH ANNUAL REPORT 2004-2005

(b) Prospects in the Industry**Fertilisers**

The avowed accent and priority to agriculture, which was expected from the new Government, has not trickled down to the Fertiliser Industry, especially SSP. The cost escalation in the case of SSP industry has not been recognised by the Government though it is being done for other phosphatic fertilisers. This has resulted in closure of nearly half of the SSP manufacturing units in the last three years. Your Company has been operating its SSP units at Ambarnath and Khemli, though at lower volumes, to keep its presence in its prime marketing areas. This led to shortage of your Company's popular Ship Brand SSP. The Government of Maharashtra has, on the representation of the SSP Industry, increased the MRP of SSP in Maharashtra from June 2005. This will partially compensate for the input cost increase and would enable your Company to increase production in the year 2005 - 2006.

The Fertiliser and Agriculture Ministries recognise the importance of SSP for the Sulfur deficient Indian soils. However, the Finance Ministry has not yet agreed to an increase in the subsidy. Your Company, along with FAI, has made representations to the Finance Ministry and the Planning Commission; the Industry hopes a rational formula for SSP subsidy would be accepted by the Government which will give the industry a level playing field against other Phosphatic fertilisers especially Di Ammonium Phosphate (DAP).

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 continuing its efforts to become a reliable and cost effective contract manufacturer/supplier of value added chemicals both in the domestic and global markets.

A multi purpose manufacturing facility has been built which will help your Company to respond rapidly to the customers' requests for high value speciality chemicals. A new facility is also being put up for special Sulphonated products which will go on stream in second half of 2005. These products have demand both in the local and international markets and will increase the turnover of the Speciality Chemicals.

(c) Revised Corporate Debt Restructuring (CDR) Package, approved by The CDR Cell.

As reported last year, your Company had, as a part of the business turnaround strategy and to increase its competitiveness, approached Corporate Debt Restructuring (CDR) Cell with the objectives of restructuring Company's debts and reducing interest rates, which were approved by the CDR Empowered Group.

Due to certain adverse changes in the business environment subsequent to the approval of earlier CDR package, the Company had requested the CDR Cell to approve a revised CDR package incorporating, *inter alia*, further reduction in interest rates and further re-schedulement in respect of repayment of term loans. This proposal has been approved by the CDR Empowered Group. The main elements of the revised CDR Package are as follows :

1. Interest rates**(a) Term Loans**

Reduction from 11% p.a. to 8.5% p.a. from 1/4/2005 to 31/3/2007 and 9.5% p.a. from 1/4/2007 onwards.

(b) Working Capital Borrowings

Reduction from 10.25% p.a. to 8.5% p.a. from 1/4/2005 to 31/3/2007 and 9.5% p.a. from 1/4/2007 onwards.

2. Term Loan repayments

Moratorium for repayment of Term Loans by one more year; repayments will now be made in quarterly installments commencing from 1st April 2006. The number of quarterly instalments (i.e 28) during which the term loans will be repaid has remained unchanged.

The estimated further reduction in the interest cost as a result of implementation of the aforesaid revised restructuring package of the Company's debts will be about Rs.2 Crores per year. The Management of your Company is committed to achieve the projected growth in terms of the turnaround strategy and the CDR package.

(d) 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. 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.

(e) 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.

(f) Cautionary Statement

Statement in this "Management Discussion and Analysis" 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 (NAVLAKHI) LIMITED (DOTL), a subsidiary of the Company, for the year ended 31st March 2005, 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 L.N. Goculdas, Smt. U.D. Morarji and Shri C.B. Nalawala, 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, the Company lost two of its Directors, viz., Shri S.N. Desai & Shri M.D. Goculdas due to their sudden and sad demise. Shri S.N. Desai had been associated with the Company as a Director for more than 25 years and was Chairman of the Audit Committee and the Remuneration Committee of the Company.

Shri M.D. Goculdas had been associated with the Company as a Director for more than 19 years and also was a member of the Audit Committee.

The Directors are deeply grieved at the demise of both Shri. S.N.Desai and Shri. M.D. Goculdas and place on record their appreciation for the valuable guidance and advice given to the Company during their long association as also the contribution made by them during the deliberations at the Board Meetings and the Committee Meetings during their tenure as Directors of the Company.

During the year under review, ICICI Bank Limited withdrew their nomination of Dr. S.R. Chougule as a Director on the Board of the Company. The Directors place on record their appreciation of the valuable services rendered by Dr. S.R. Chougule during his tenure as a Director of the Company. ICICI Bank Limited has since nominated Shri R. Kannan as their nominee Director in place of Dr. S.R. Chougule.

Shri Bimal Lalitsingh Goculdas who was appointed as an additional Director on the Board on 30th June 2005 holds office up to the forthcoming Annual General Meeting and is eligible for appointment as a Director. The Board has appointed him, subject to approval of the Shareholders, as Executive Director from 1st July 2005 to 30th June, 2008. The attention of the members is invited to item No(s) 6 and 7 of the Notice of the meeting and the explanatory statement(s) thereto.

AUDITORS' OBSERVATIONS

As regards, the Auditors' observation regarding sale of Company's Kumhari Unit being subject to approval of Shareholders as required under Section 293(1)(a) of the Companies Act, 1956, the Company is in the process of obtaining the requisite approval of the Shareholders.

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, 2005 there was no employee within the purview of Sec.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, 275 deposits aggregating to Rs. 30,79,000 remained unclaimed as on 31st March 2005, of which 99 deposits amounting to Rs. 11,92,000 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 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;

EIGHTY FIFTH ANNUAL REPORT 2004-2005

- (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. Dadabhoy Naoroji Road,
Fort, Mumbai - 400 001.

Mumbai, 29th July, 2005.





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>2004-2005</u>	<u>2003-2004</u>
1. Electricity		
a) Purchased		
Unit (Lac KWH)	159.93	184.97
Total Amount (Rs. lacs)	629.07	791.02
Rate/Unit (Rs./KWH)	3.93	4.28
b) Own generation		
i) Through Diesel Generator		
Unit (Lac KWH)	1.22	3.70
Unit per litre of diesel oil (KWH)	2.71	3.07
Cost per unit of diesel oil (Rs/KWH)	10.37	7.61
ii) Through Steam Turbine/Generator (from by-product steam of Sulphuric Acid Plant)		
Unit (Lac KWH)	172.22	183.95
Total Cost (Rs. Lacs)	117.99	109.98
Cost per unit (Rs/KWH)	0.69	0.60
2. Furnace Oil		
Quantity (K.Litre)	904.03	1048.62
Total amount (Rs Lacs)	114.71	129.18
Average Rate (Rs/KL)	12689	12319
3. Others		
Diesel Oil		
Quantity (K.Litre)	323.55	470.32
Total Cost (Rs Lacs)	81.37	87.30
Average Rate (Rs/KL)	25149	18562

CONSUMPTION PER TONNE OF MAJOR PRODUCTS

Electricity (Unit-KWH)

1. Single Superphosphate	25	24
2. Sulphuric Acid 100%	64	61
3. Alumina Sulphate 17%	28	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 an 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.