



**THE DHARAMSI MORAJI  
CHEMICAL COMPANY LTD.**

Report  junction.com

**86TH  
ANNUAL REPORT  
2005-2006**



### Directors

R. M. Goculdas	Chairman
Laxmikumar N.Goculdas	Vice Chairman
U. D. Morarji (Smt.)	
H. T. Kapadia	
C. B. Nalawala	
R. Kannan	Nominee of ICICI Bank Ltd.
Kumar Bakhru	Nominee of General Insurance Corporation of India
V. K. Punshi	Managing Director
D. P. Goculdas	Deputy Managing Director (w.e.f. 1.4.2006)
B. L. Goculdas	Deputy Managing Director I (w.e.f. 1.4.2006)
D. N. Vaze	Executive Director (Finance)

### 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.  
Industrial Development Bank of India

### Registered Office

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

### Factories

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

### Registrars and Transfer Agents

**MCS Ltd., (upto 31.08.2006)**

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

### Intime Spectrum Registry Limited (w.e.f. 01.09.2006)

C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (W), Mumbai - 400 078.  
Tel. : 9522-25963838 Fax : 25946969  
Email : isrl@intimespectrum.com

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## NOTICE TO MEMBERS

The Eighty Sixth 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 14th day of September, 2006 at 11.30 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, 2006.
2. 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.
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 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 86th Annual General Meeting until the conclusion of the 87th 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(s), the 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 one year from 1st April, 2006, on the following remuneration, namely :

Salary : Rs.1,25,000/- per month.

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, allowances and other benefits as per leave rules of the Company 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."

7. To consider and, if thought fit, to pass with or without modification(s), the 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 Deputy Managing Director of the Company for a period of three years from 1st April, 2006, 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 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 Deputy 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 Deputy Managing Director.
- Car with driver for use of Company's business and telephone at residence shall not be considered as a perquisite.

The Deputy 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, allowances and other benefits as per leave rules of the Company 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), the 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 B. L. Goculdas as Deputy Managing Director of the Company for a period of three years from 1st April, 2006, 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 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.

**EIGHTY SIXTH ANNUAL REPORT 2005-2006****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 Deputy 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 Deputy Managing Director.

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

The Deputy 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, allowances and other benefits as per leave rules of the Company 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."

9. To consider and, if thought fit, to pass with or without modification(s), the 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, 2006, on the following remuneration, namely :

Salary : Rs.70,000/- per month and which may be revised to such other sum not exceeding Rs.80,000/- 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 (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, allowances and other benefits as per leave rules of the Company 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 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 Debenture holders 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. Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup(W), Mumbai 400 078, 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 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 7th September, 2006 to Thursday, 14th September, 2006 (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 1996-97 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 1996-97, 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 1997-98 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 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 1998-99 to 2002-2003 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, 7, 8, 9 and 10 mentioned in the Notice dated 30th June, 2006.

**Item No.6**

The term of appointment of Shri V.K. Punshi, as Managing Director of the Company expired on 31st March, 2006. 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 one year with effect from 1st April, 2006, on terms and conditions mentioned in the Resolution at item no.6.

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 recommend 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.7**

The term of appointment of Shri D. P. Goculdas, as Whole-time Director of the Company expired on 31st March, 2006. The Board of Directors has re-appointed him subject to the approval of the shareholders, as Deputy Managing Director of the Company for a period of three years with effect from 1st April, 2006, on the terms and conditions mentioned in the Resolution at item no.7.

As Deputy Managing Director of the Company, he will be in-charge of and responsible for all the operations of Ambemath and Udaipur Works of the Company and Purchase activities of the Company. In addition, he will be responsible for the Fertiliser business of the Company and shall perform such functions and duties as the Board of Directors shall specify, from time to time, on the terms and conditions mentioned in the Resolution at item no.7.

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

The Directors recommend 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. 8**

Shri B. L. Goculdas was appointed as Whole-time Director of the Company for a period of 3 years w.e.f. 1st July, 2005. The Board of Directors has appointed him subject to the approval of the shareholders, as Deputy Managing Director of the Company for a period of three years with effect from 1st April, 2006, on the terms and conditions mentioned in the Resolution at item no.8.

As Deputy Managing Director of the Company, he will be in-charge of and responsible for the Chemical business of the Company, R & D, Engineering and Finance. In addition, he will be incharge of and responsible for the operations of the Company's Roha and Jhar works as also perform such functions and duties as the Board of Directors shall specify, from time to time, on the terms and conditions mentioned in the Resolution at item no.8.

The remuneration and terms and conditions of appointment of Shri B.L. Goculdas as Deputy Managing 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 recommend the Resolution for acceptance by the Members.

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

**Item No.9**

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, 2006. 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, 2006, on terms and conditions mentioned in the Resolution at item no. 9.

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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 recommend 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. 10**

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 MCS Limited, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, M.I.D.C., Andheri (E) Mumbai 400 093. In view of the appointment of Intime Spectrum Registry 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 Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup(W), Mumbai 400 078, after the members approve the Resolution proposed at item No. 10 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, 25th July, 2006

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

( Pursuant of Clause 49 of the Listing Agreement)

Name of Director	Mr. V.K. Punshi	Mr. D.P. Goculdas	Mr. B. L. Goculdas	Mr. D.N. Vaze	Mr. H.T. Kapadia
Date of Birth	06-02-1942	10-03-1959	08-11-1968	17-07-1957	17-02-1935
Date of Appointment	01-04-2000	06-03-1992	30-06-2005	01-04-1997	06-10- 1978
Qualifications/ Expertise in specific Functional Areas	B.Tech (Hons) Chem. Engg. IIT Kharagpur  Wide business experience across variety of industries in India & abroad.	Wide business experience in Fertiliser & Chemical Industries.	B.Chem. Engg.M.S. - Chemical Engg. U.S.A.  Leading professional with variety of experience in India & abroad	Chartered Accountant, Cost Accountant, Company Secretary and Certified Public Accountant (U.S.A.).  Leading professional with wide experience in Corporate Finance in India & abroad.	B.Sc., Diploma in Chemical Engineering.  Wide business experience in Fertiliser and Chemical Industries.
List of Public Companies in which outside Directorship held as on 31st March, 2006	1) Monsanto- DMCC Enviro- Tech Engineering Ltd.,(since resigned on 29.06.2006)  2) Fertiliser Association of India	1) L.P. Gas Transport & Bottling Co. Ltd.	Borax Morarji Ltd.  Monsanto- DMCC Enviro-Tech Engineering Ltd (since resigned on 29.06.2006)	None	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, 2006	1) Member of Audit Committee of Monsanto - DMCC Enviro- Tech Engineering Ltd.,(since resigned on 29.06.2006)	None	None	None	1) Member of Audit Committee of DMCC Oil Terminals (Navlakhi) Ltd.
Shareholding	Nil	94,529 Equity Shares	3,373 Equity Shares	100 Equity Shares	6,216 Equity Shares



## DIRECTORS' REPORT (Including Management Discussion and Analysis Report)

The Directors are pleased to present their Eighty Sixth Annual Report together with the accounts of the Company for the year ended 31st March, 2006.

### FINANCIAL RESULTS

	31st March 2006 Rs. in lacs	31st March 2005 Rs. in lacs
Gross Turnover	18415.98	16698.20
Gross Profit / (Loss)	(23.38)	(512.43)
Less : Depreciation & Lenders' Sacrifice Amortisation (Net off Depreciation written back Rs.Nil, previous year Rs.375.72 lacs.)	793.40	441.97
Profit/(Loss) before tax	(816.78)	(954.40)
(Increase) / Decrease in Deferred Tax Liability	Nil	43.97
Profit before current year's tax provision	(816.78)	(910.43)
Provision for taxation/Fringe Benefit Tax	20.70	0.50
Profit after taxation	(837.48)	(910.93)
Add: Balance brought forward	(645.17)	24.06
	(1482.65)	(886.87)
Add: Transferred from General Reserve	Nil	241.70
Balance carried forward	(1482.65)	(645.17)
The following is the gross turnover by group of products :		
Single Superphosphate	6215.56	4064.80
Commodity Chemicals	7476.24	7896.75
Speciality Chemicals	4162.97	4302.17
Others	561.21	434.48
	18415.98	16698.20

In view of the loss 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 31<sup>st</sup> March, 2006.

### MANAGEMENT DISCUSSION & ANALYSIS REPORT

#### (a) Overview of operations

During the year under review, in the last week of July 2005, unprecedented rains flooded your Company's factories at Ambarnath and Roha resulting in suspension of manufacturing operations, damage to plant and machinery, loss of raw materials, in-process stocks and finished goods. This adversely affected sales of all products especially Single Super Phosphate (SSP), as it was the middle of the Kharif season.

The turnover during the year 2005-2006 was Rs. 184 crores, which was higher by 10% as compared to the previous year. The main reason for this increase was higher SSP sales. In spite of the increase in turnover, there was a loss of Rs. 8.17 crores (before tax) primarily on account of the continued increase in the delivered cost of the main raw materials of the Company viz Sulphur, Rock Phosphate, Benzene, Urea and Ethanol, which could be only partly recovered in the selling prices of the finished products, both 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, during the first six months of the year under review. However, during the second six months of the year, the Company increased the SSP production and sale as the Government of India gave an interim relief by way of an ad hoc increase in subsidy for SSP from Rs. 650/M.T. to Rs. 975/M.T. with effect from 1st September, 2005. This partly compensated for the increases in input costs. The Government of Maharashtra also increased the Maximum Retail Price (MRP) by about Rs.330/M.T. from June, 2005. These two factors enabled the Company to increase the sales volume of SSP, which resulted in higher turnover of SSP.

The turnover of Commodity Chemicals for the year 2005-2006 was Rs. 75 crores, which was marginally lower as compared to the previous year's turnover of Rs. 79 crores, mainly due to heavy flood, which caused disruption in production and sales.

The turnover of Speciality Chemicals for the year 2005-2006 was Rs. 42 crores, which was also marginally lower as compared to the previous year's turnover of Rs.43 crores, due to heavy flood, which caused disruption in production and sales.

#### (b) Prospects in the Industry

##### Fertilisers

The agricultural sector revived in 2005-06 with the agriculture and allied sectors growing by 2.3% - slightly higher than the projected long term growth rate of this sector. The Union Budget 2006 has given a renewed impetus to agriculture through various incentive schemes and cautious move to increase agriculture credit. The Indian fertiliser industry, however, continues to depend on Government controls on prices and subsidies.

The Fertiliser and Agriculture Ministries of the Central Government have recognised the importance of SSP for the Sulphur deficient Indian soils to achieve balanced fertilisation. The Agricultural Ministry has carved an important role to SSP in its paper on "Balanced Fertilisation" to meet the increased target of Agricultural production. Your Company, along with Fertiliser Association of India (FAI), has made representations to the Government to evolve a supportive, rational and non-discriminatory formulae for fixation of selling price and the subsidy. The Industry hopes that a rational formula for SSP subsidy would be accepted by the Government soon, which will give the SSP industry a level playing field vis-



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a-vis other Phosphatic fertilisers, especially Di Ammonium Phosphate (DAP). Partial success in this regard was achieved, with an ad hoc increase in subsidy on SSP by Rs.325/M.T. in September, 2005

**Chemicals**

The Chemical Industry in India is going through a growth phase, partly due to the fact that India is perceived as a viable alternative to China, in the long run. Accordingly, several multinational corporations are investing in manufacturing operations in India and are also setting up sourcing and marketing offices. India, however, continues to lag behind China in Foreign Direct Investment (FDI), infrastructure, competitive manufacturing and utility costs, labour policy flexibility, etc. Representations have been made to the Government of India, through Industry Associations such as Indian Chemical Manufacturers Association (ICMA), to increase the pace of reforms particularly in infrastructure, to enable Indian companies to compete on a level playing field. The introduction of Value Added Tax (VAT) on all India basis is a step in the right direction. However, the pressure on costs continues, mainly because of increase in prices of crude oil, resulting in higher raw material and freight costs. The increase in costs is passed on to the customers wherever possible. Process efficiencies are being increased and fixed costs are being reduced, to help compensate for the hike in input costs.

Your Company is a supplier of various intermediates to industries such as pharmaceuticals, metals, agrochemicals, and polymers, which are the growth sectors of the economy. To keep up with the pace of new product development(s), the in-house Research & Development (R&D) and the Marketing set up of your Company are being strengthened, and multipurpose plants have been built to cater to new product requirement(s) at short notice. Some of the new products manufactured on a commercial scale in these facilities during the year under review are expected to result in increased turnover in future.

Your Company has, during last few years, developed sulphonation, chlorosulphonation, and descaling chemistries and, in addition to these, methylation and ethylation chemistries are also being developed. The management of your Company believes that higher costs in the developed countries will lead to their shifting of chemical manufacturing base to the Asian countries. In this emerging scenario, the safe and eco-friendly processes developed by your Company will enable it to explore the possibilities for business partnerships with overseas Companies.

Bulk chemicals will continue to play a major role in your Company's Chemical Business. Various steps are being taken to rationalise the costs and optimise the product mix to improve the profitability.

**Cautionary Statement**

Statements 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.

**REVISED CORPORATE DEBT RESTRUCTURING (CDR) PACKAGE**

As reported last year, your Company had, as a part of the business turnaround strategy and to increase its competitiveness, implemented revised CDR package with the objectives of restructuring Company's debts and reducing interest rates further, as approved by the CDR Empowered Group.

The revised CDR package envisaged conversion of 50% of the total sacrifice(s) of Rs. 4,62,25,294/- by the financial institutions / banks (on Net Present Value i.e. NPV basis) due to further reduction in interest rates undertaken by the financial institutions / banks (as compared to the interest rates as per the earlier CDR package) i.e. to the extent of Rs.2,31,12,647/- in the ratio of 50:50 i.e. Rs. 1,15,56,324 into Equity Share Capital of the Company (including securities premium) and Rs. 1,15,56,323 into 5% Simple Interest Unsecured Loans. During the year under review, your Company has, accordingly, recorded Rs. 1,15,56,323 as 5% simple interest Unsecured Loans in the books of accounts of the Company, repayable in three equal yearly installments commencing from the Financial Year 2013-2014 onwards.

The Company will issue the requisite Equity Shares to the Banks and Financial Institutions, (on receipt of the in-principle approval from the Bombay Stock Exchange). Pursuant to the resolution passed by the equity shareholders of the Company on 23rd March, 2006 under the provisions of section 81(1A) of the Company's Act 1956 and in terms of Section 192A of the Companies Act, 1956 read with the Companies (passing of the resolution by postal ballot) Rules, 2001.

The Management of your Company is committed to achieve the projected growth in terms of the turnaround strategy under the revised CDR package.

**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 a 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.

**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.

**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), Agrochemicals and Polymers Industries are the growth Sectors of the Indian Industries which use your Company's speciality chemical range of products. To take advantage of the growth potential, the Company has invested in R&D so as to become a competitive manufacturer / supplier of value added chemicals, both in domestic and international markets.

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



## DISINVESTMENT OF CERTAIN TRADE INVESTMENTS

The members are aware that the acute shortage of working capital funds has been adversely affecting the operations and profitability of the Company. In order to improve the liquidity and augment the working capital finances of the Company, your Company has disinvested its investments in equity holdings of the following companies :

### a. BORAX MORARJI LTD. (BML)

Your Company has sold its entire equity shareholding in BML, being 11,63,563 equity shares of Rs.10/- each, at a price of Rs.40/- per equity share and has made a profit of Rs. 307.19 lakhs on the said sale.

### b. MONSANTO-DMCC ENVIRO-TECH ENGINEERING LTD. (MDEEL)

The Company held 37,95,000 equity shares of Rs.10/- each (Unquoted) of MDEEL. This investment did not yield any returns to the Company. It was, therefore, in the interest of the Company to liquidate the entire equity shareholding in the said MDEEL. Your Company has accordingly sold its entire shareholding in MDEEL, at par, for a consideration of Rs.379.50 Lakhs.

### c. DMCC OIL TERMINALS (NAVLAKHI) LTD. (DOTL)

Your Company has entered into a Memorandum of Understanding (MOU) for sale of its entire equity shareholding of 1,15,00,000 equity shares in DOTL at a total consideration of Rs.8.91 crores (as reduced by costs for obtaining the required permissions from Gujarat Maritime Board, Gujarat Pollution Control Board and revenue department of Gujarat Government), which is expected to be received, in installments, on compliance of certain conditions, during the current financial year i.e. 2006-07.

## SUBSIDIARY

The audited statements of accounts of DMCC OIL TERMINALS (NAVLAKHI) LIMITED (DOTL), a subsidiary of the Company, for the year ended 31st March 2006, 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 expected to be temporary. DOTL will not remain a subsidiary of your Company after the sale of these 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 D.P. Goculdas, Shri D.N. Vaze 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.

The term of appointment of Shri V.K. Punshi, the Managing Director of the Company ended on 31st March, 2006. Subject to the approval of the shareholders, he has been re-appointed as Managing Director of the Company for a period of one year with effect from 1st April, 2006.

The term of appointment of Shri D.P. Goculdas, a Whole-time Director of the Company ended on 31st March, 2006. Subject to the approval of the shareholders, he has been appointed as Deputy Managing Director of the Company for a period of three years with effect from 1st April, 2006.

The term of appointment of Shri B.L. Goculdas, as Whole-time Director of the Company (designated as Executive Director) is valid upto 30th June, 2008. However, subject to the approval of the shareholders, he has been appointed as Deputy Managing Director of the Company, for a period of three years with effect from 1st April, 2006.

The term of appointment of Shri D.N. Vaze, a Whole-time Director [designated as Executive Director (Finance)] of the Company ended on 31st March, 2006. Subject to the approval of the shareholders, he has been re-appointed as Whole-time Director of the Company [designated as Executive Director (Finance)], for a period of three years with effect from 1st April, 2006.

## AUDITORS' OBSERVATIONS

- As regards the Auditors' observation regarding preparing the Annual Accounts on a "Going Concern Basis" notwithstanding the negative net worth of the Company as on 31st March, 2006, the Management's views are as under :

Though the net worth of the Company as on 31st March, 2006 is negative (after deducting "Miscellaneous Expenditure" not written off or adjusted), the Company has prepared Financial Statements for the year ended 31st March, 2006, on a "Going Concern Basis", since the Company is confident that its profitability will improve in future, in view of the following :

- Increase in amount of subsidy on sale of Single Superphosphate (SSP) by the Central Government from Rs.650/- per M.T. to Rs. 975/- per M.T. with effect from 1st September, 2005.
- Commissioning of a new Multipurpose Sulphonation Plant at Ambernath Factory, during the year ended 31st March, 2006, enabling the Company to produce new speciality chemicals.
- Continuing efforts by the Company for improving efficiency, rationalisation of operations and effective cost control.

- As regards the Auditors' observation regarding the non-compliance of the certain conditions of the revised Corporate Debt Restructuring (CDR) package, the Management is in the process of complying the same, in due course of time.

## 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, 2006 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, 195 deposits aggregating to Rs.23,16,000/- remained unclaimed as on 31st March, 2006, of which 31 deposits amounting to Rs.4,01,000 have since been repaid.