



**THE DHARAMSI MORARJI
CHEMICAL COMPANY LTD.**

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*87th
Annual Report
2006-2007*



Directors

R. M. Goculdas	Chairman
Laxmikumar Narottam Goculdas	Vice Chairman
U. D. Morarji (Smt.)	
H. T. Kapadia	
C. B. Nalawala	
R. Kannan	Nominee of ICICI Bank Ltd. (upto 22.1.08)
Kumar Bakhru	Nominee of General Insurance Corporation of India
V. K. Punshi	Managing Director (upto 31.3.07)
Dilip Pratapsingh Goculdas	Managing Director (from 1.4.07) Dy. Managing Director (upto 31.3.07)
Bimal Lalitsingh Goculdas	Managing Director (from 1.4.07) Dy. Managing Director (upto 31.3.07)
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 31.8.2006)
Sri Venkatesh Bhavan, Plot No. 27, Road No. 11,
MIDC, Andheri (East), Mumbai - 400 093.

Intime Spectrum Registry Limited (w.e.f. 01.9.2006)

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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EIGHTY SEVENTH ANNUAL REPORT APRIL, 2006 TO SEPTEMBER, 2007 (18 MONTHS)**NOTICE TO MEMBERS**

The Eighty Seventh 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 Wednesday, the 12th day of March, 2008 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 extended financial year ended 30th September, 2007.
2. 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.
3. To appoint a Director in place of Shri. Laxmikumar Narottam 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 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 87th Annual General Meeting until the conclusion of the 88th 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."
5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution :

"RESOLVED THAT subject to the approval of the equity shareholders of the Company under the provisions of section 81(1A) of the Company's Act, 1956 and subject to the Memorandum of Association and Articles of Association of the Company and pursuant to the necessary approvals and consents, if any, of all such authorities as may be required and subject to all such conditions and modifications as may be prescribed while granting such approvals and which the Board of Directors of the Company may agree and accept, the consent be and is hereby accorded to the Company to offer, issue and allot Equity Shares worth Rs. 80,00,000/- (Rupees Eighty Lacs only) inclusive of premium, having nominal value of Rs.10/- each, at such a premium amount as calculated according to the applicable SEBI Guidelines, within the authorised share capital of the Company, as fully paid equity shares to ICICI Bank Ltd., by conversion of loans, in terms of One Time Settlement with that Bank."

"RESOLVED FURTHER THAT the equity shares proposed to be issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari- passu with the existing equity shares of the Company."

"RESOLVED FURTHER THAT Shri. Dilip Pratapsingh Goculdas, Managing Director (Agri Business) Shri. Bimal Lalitsingh Goculdas, Managing Director (Chemical Business), Shri. D.N.Vaze, Executive Director (Finance) and Shri. D.T.Gokhale, Company Secretary, be and are hereby severally authorised to sign and execute any such document(s)/undertaking(s)/paper(s) etc. as may be necessary and required for giving effect to the above proposal."

6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution :
"RESOLVED THAT subject to the approval of the equity shareholders of the Company under the provisions of section 81(1A) of the Company's Act 1956 and subject to the Memorandum of Association and Articles of Association of the Company and pursuant to the necessary approvals and consents, if any, of all such authorities as may be required and subject to all such conditions and modifications as may be prescribed while granting such approvals and which the Board of Directors of the Company may agree and accept, the consent be and is hereby accorded to the Company to offer, issue and allot 2.5% Cumulative Non Convertible Redeemable Preference Shares (CPS) Series A, at par, amounting to Rs. 2.80 Crores (Rupees Two Crores and Eighty Lacs only) (Preference Shares redeemable in 16 equal quarterly installments, commencing from 1st April, 2012) within the authorised share capital of the Company, as fully paid preference shares to ICICI Bank Ltd., by conversion of loans, in terms of One Time Settlement with that Bank."

"RESOLVED FURTHER THAT Shri. Dilip Pratapsingh Goculdas, Managing Director (Agri Business), Shri. Bimal Lalitsingh Goculdas, Managing Director (Chemical Business), Shri. D. N. Vaze, Executive Director (Finance) and Shri. D.T.Gokhale, Company Secretary, be and are hereby severally authorised to sign and execute any such document(s)/undertaking(s)/paper(s) etc. as may be necessary and required for giving effect to the above proposal."

7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :
"RESOLVED THAT in supersession of the Resolutions passed by the Board of Directors at its meeting held on 21st March, 2006, subject to the approval of the shareholders being obtained under Section 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors hereby appoint Shri Dilip Pratapsingh Goculdas as Managing Director (Agri Business) of the Company for a period of two years from 1st April, 2007, on the following remuneration :

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 Managing Director shall be entitled to 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 Medicaire 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."

"RESOLVED FURTHER THAT Shri.D.T.Gokhale, Secretary be and is hereby authorised to do all such acts, deeds and things and to sign all such documents as may be necessary, expedient and incidental thereto to give effect to this Resolution."

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

"RESOLVED THAT in supersession of the Resolutions passed by the Board of Directors at its meeting held on 21st March, 2006, subject to the approval of the shareholders being obtained under Section 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors hereby appoint Shri Bimal Lalitsingh Goculdas as Managing Director (Chemical Business) of the Company for a period of two years from 1st April, 2007, on the following remuneration :

- | | |
|------------|--|
| 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 Managing Director shall be entitled to 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 Medclaim 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.

EIGHTY SEVENTH ANNUAL REPORT APRIL, 2006 TO SEPTEMBER, 2007 (18 MONTHS)

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."

"RESOLVED FURTHER THAT Shri.D.T.Gokhale, Secretary be and is hereby authorised to do all such acts, deeds and things and to sign all such documents as may be necessary, expedient and incidental thereto to give effect to this Resolution."

NOTES :

1. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956 in respect of the business as set out above are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. Members / Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
4. The Register of Members will be closed from Wednesday, the 5th March, 2008 to Wednesday, 12th March, 2008 (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 1997-98 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 1997-98, 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 205C by the Companies (Amendment) Act, 1999, unclaimed dividend for the financial year 1998-99 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 1999-2000 and 2000-2001 are requested to write to the Company's Share Department at the Company's Registered Office for issuance of duplicate Dividend Warrant(s), mentioning the relevant Folio Nos.

6. All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office during office hours between 11.00 a.m. to 1.00 p.m. on all days except Saturdays, Sundays and Public Holidays upto the date of the Annual General Meeting.
7. Members are requested to notify changes of address, if any, to the Company.
8. NRI shareholders are requested to immediately inform (a) change in their residential status on return to India for permanent settlement and (b) particulars of NRE Account, if not furnished earlier.
9. If members have more than one folio with the Company in identical order of names, the fact should be intimated to the Company for consolidation into one folio. If further shares are bought by the members, folio number(s) should be mentioned in the forwarding letters to avoid creation of multiple folios.

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. 5,6,7 and 8 mentioned in the Notice dated 30th January, 2008.

Item No.5 & 6

The Company had approached the Financial Institutions and Banks requesting them to consider a negotiated settlement of their outstanding dues/ loans including interest thereon as and by way of One Time Settlement (O.T.S.), since the Company has been passing through a very difficult financial and operational phase since last several years mainly due to :

- (a) Manyfold increase in the prices of main raw-material viz. Sulphur and Rock phosphate,
- (b) Discriminatory Govt. pricing policy towards Single Super Phosphate (SSP) Fertiliser as compared to Competing Fertilisers like Di Ammonium Phosphate (DAP).
- (c) Strained liquidity and shortage of Working Capital.
- (d) Continued losses incurred by the Company during last several years, consequent to the above reasons.

While the Company is yet to receive the response from other lenders, ICICI Bank Ltd., has accepted the Company's proposal of O.T.S. as under:

- (i) cash payment of Rs. 683 Lacs (Rupees Six Hundred & Eighty-Three Lacs only) to be made on or before 31st December, 2007. The Company has made the said payment in December, 2007.
- (ii) conversion of loans into equity shares & securities premium to the extent of Rs. 80 Lacs (Rupees Eighty Lacs only), as per applicable SEBI Guidelines.



(iii) conversion of loans into 2.5% Cumulative - Non- Convertible Redeemable Preference Shares of Rs. 100/- each to the extent of Rs. 280 Lacs (Rupees Two Hundred and Eighty Lacs only), redeemable in sixteen equal quarterly installments commencing from 1st April, 2012, at par.

(iv) Waiver of the remaining dues amounting to Rs. 139.31 lacs (Rupees One Hundred Thirty Nine Lacs and Thirty One Thousand Only).

In terms of the provisions of Section 81(1A) of the Companies Act, 1956, approval of the shareholders is sought to raise capital by way of issue of Equity Shares and Preference Shares as stated in the Resolutions at Item nos. 5 & 6. The proposed issue of both Equity Shares and Preference Shares is within the respective Authorised Share Capitals of the Company.

The Directors recommend the adoption of the Resolutions stated in Item nos. 5 & 6 of the Notice.

No Director is in anyway concerned or interested in these two resolutions (item nos. 5 & 6) as stated in the Notice.

Item No.7

Shri Dilip Pratapsingh Goculdas was appointed as Deputy Managing Director of the Company for a period of three years with effect from 1st April, 2006. The Board of Directors has appointed him subject to the approval of the shareholders, as Managing Director (Agri Business) of the Company for a period of two years with effect from 1st April, 2007, on terms and conditions mentioned in the Resolution at item no. 7.

As Managing Director (Agri Business) of the Company, he will be in-charge of and responsible for all the operations of Ambarnath and Khemli 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 other 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 appointment of Shri Dilip Pratapsingh Goculdas as Managing Director (Agri Business) of the Company, as given in the Notice and Explanatory Statement, may be treated as an abstract of the terms of his appointment under Section 302 of the Companies Act, 1956.

The Directors recommend the Resolution for adoption by the Members.

None of the Directors of the Company, except Shri Dilip Pratapsingh Goculdas, is in anyway concerned or interested in the said appointment.

Item No. 8

Shri Bimal Lalitsingh Goculdas was appointed as Deputy Managing Director of the Company for a period of three years with effect from 1st April, 2006. The Board of Directors has appointed him subject to the approval of the shareholders as Managing Director (Chemical Business) of the Company for a period of two years with effect from 1st April, 2007, on the terms and conditions mentioned in the Resolution at item no. 8.

As Managing Director (Chemical Business) of the Company, he will be in-charge of and responsible for all 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 other 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 Bimal Lalitsingh Goculdas as Managing Director (Chemical Business) of the Company, as given in the Notice and Explanatory Statement, may be treated as an abstract of the terms of his appointment under Section 302 of the Companies Act, 1956.

The Directors recommend the Resolution for adoption by the Members.

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

By Order of the Board.

D.T.GOKHALE
Secretary

Registered Office:

Prospect Chambers,
317/21 dr. Dadabhoy Naoraji Road,
Fort, Mumbai 400 001.
Mumbai 30th January, 2008.

EIGHTY SEVENTH ANNUAL REPORT APRIL, 2006 TO SEPTEMBER, 2007 (18 MONTHS)**Details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting:**

(Pursuant to Clause 49 of the Listing Agreement)

Name of Directors	Shri. R.M. Goculdas	Shri. Laxmikumar Narottam Goculdas	Shri. Dilip Pratapsingh Goculdas	Shri. Bimal Lalitsingh Goculdas
Date of Birth	09.04.1917	17.09.1943	10-03-1959	08-11-1968
Date of Appointment	06.05.1961	06.03-1992	06-03-1992	30-06-2005
Qualifications/ Expertise in specific Functional areas	Industrialist with rich business experience in general	Industrialist with rich business experience in general	Wide business experience in Fertiliser & Chemical Industries.	B. Chem. Engg.M.S. -Chemical Engg., U.S.A. Leading professional with wide experience in Corporate Finance in India & abroad
List of Public Companies in which outside Directorship held as on 30th January, 2008	1) Borax Morarji Ltd. 2) DMCC Oil Terminals (Navlakhi) Ltd.	1. Borax Morarji Ltd. 2. Cylingas Company LLC, Dubai 3. Falcon Chemical LLC, Dubai 4. DMCC Oil Terminals (Navlakhi) Ltd.	1. L.P. Gas Transport & Bottling Co. Ltd. 2. Padma Publications Limited.	1. Borax Morarji Ltd.
Chairman/Member of the Board Committee of the other Public Companies on which he is a Director as on 30th January, 2008	Chairman of Investors Grievance Committee/Share Transfer Committee of Borax Morarji Ltd. Member of the Audit Committee of Borax Morarji Ltd. Chairman of Audit Committee of DMCC Oil Terminals (Navlakhi) Ltd.	Member of the Audit Committee of DMCC Oil Terminals (Navlakhi) Ltd.	None	None
Shareholding	35,72,969 Equity Shares	44,69,081 Equity Shares	2,26,679 Equity Shares	3,673 Equity Shares


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DIRECTORS' REPORT (Including Management Discussion and Analysis Report)

The Directors are pleased to present their Eighty Seventh Annual Report together with the accounts of the Company for the extended financial year ended 30th September, 2007 (eighteen months).

FINANCIAL RESULTS

	Financial Year ended 30th September, 2007 (18 Months) Rs. in lacs	Financial Year ended 31st March, 2006 (12 Months) Rs. in lacs
Gross Turnover	28125.53	18415.98
Gross Profit / (Loss)	(2486.15)	(23.38)
Less : Depreciation & Lenders'sacrifice Amortisation	1260.13	793.40
Profit/(Loss) before exceptional Item & Taxation	(3746.28)	(816.78)
Add: Exceptional Item		
Waiver of dues by Banks/Financial Institution by One Time Settlement	139.31	Nil
Profit/(Loss) after exceptional Item but before Taxation	(3606.97)	(816.78)
Add: Deferred Tax Asset	2148.17	Nil
Profit/(Loss) after exceptional Item and after considering Deferred Tax Asset	(1458.80)	(816.78)
Less: Provision for Taxation/Fringe Benefit Tax	25.05	20.70
Profit/(Loss) after Taxation	(1483.85)	(837.48)
Add: Balance brought forward	(1482.65)	(645.17)
Balance carried forward	(2966.50)	(1482.65)
The following is the gross turnover by group of products:		
Single Superphosphate	8487.21	6215.56
Commodity Chemicals	11054.28	7476.24
Speciality Chemicals	7974.10	4162.97
Others	609.94	561.21
	28125.53	18415.98

Company has extended the current financial year by six months upto 30th September, 2007 in accordance with the approval received by the Company from the Registrar of Companies, Maharashtra State, Mumbai. Accordingly, financial statements for the current financial year have been prepared for a period of eighteen months commencing from 1st April, 2006 and ending on 30th September, 2007. Therefore, figures as per these financial statements are not comparable with the figures as per the financial statements for the previous financial year i.e. 1st April, 2005 to 31st, March, 2006.

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 extended financial year ended 30th September, 2007.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

(a) Overview of operations

The Company's fertiliser business was adversely affected due to continued and manyfold increase in raw material costs without corresponding increase in subsidy/sales price. This forced your Company to reduce volumes of the unremunerative fertiliser business, during the year under review. Consequently the turnover in respect of fertilisers during the current financial year ended 30th September, 2007 was Rs. 85 crores as compared to the turnover of Rs. 62 crores during the previous financial year ended 31st March, 2006.

The turnover of Commodity Chemicals during the current financial year ended 30th September, 2007 was Rs. 111 crores as compared to the turnover of Rs.75 crores during the previous financial year ended 31st March, 2006. The Company introduced certain new Speciality Chemicals during the current financial year ended 30th September, 2007 and consequently, the turnover of Speciality Chemicals during the current financial year was Rs. 80 crores, as compared to the turnover of Rs. 42 crores during the previous financial year ended 31st March, 2006.

It may be observed that the Company is passing through a very difficult phase since last several years mainly due to :

- Manyfold increase in the prices of main raw materials viz. Sulphur (over six times) and Rock Phosphate (over two times).
- Discriminatory Government policies towards Single Superphosphate (SSP) fertiliser as compared to competing fertilisers like Di-Ammonium Phosphate (DAP).
- Strained liquidity and shortage of Working Capital.

EIGHTY SEVENTH ANNUAL REPORT APRIL, 2006 TO SEPTEMBER, 2007 (18 MONTHS)**(b) Prospects in the Industry :****Fertilisers**

As is well known, the Government's fertiliser policy is being dictated by considerations other than economic considerations. The Government's policy is biased towards competing fertilisers like Di-Ammonium Phosphate (DAP) and consequently Single Superphosphate (SSP) has remained neglected. The Central Government has so far not made any change in its policy regarding SSP, inspite of continued manifold increase in the purchase prices of the main raw materials viz. Rock phosphate & Sulphur.

Chemicals

Your Company supplies intermediates to a wide range of industries. New markets and new products are established regularly. Your Company has started supplying a few custom manufactured products. In order to supply more custom manufactured products, infusion of working capital is necessary. Due to manifold increase in raw material costs, the purchasing power of the Company (in terms of volume of raw material) has shrunk. Hence it is not possible to optimise plant utilisation at this time. With the proposed induction of a "Strategic Investor" [subject to acceptance of One Time Settlement by the Banks and Financial Institutions], the working capital constraints are expected to be alleviated to a large extent, paving the way for growth.

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 envisaged in terms of the future performance and outlook.

PROPOSAL FOR ONE TIME SETTLEMENT (O.T.S.) OF DUES TO SECURED LENDERS

The Company has submitted a proposal to its Secured Lenders to settle their dues by way of One Time Settlement (O.T.S.) The proposal has been accepted by one of the Secured Lenders and the corresponding dues have been settled accordingly. This proposal is under consideration of the remaining Secured Lenders.

INDUCTION OF A "STRATEGIC INVESTOR"

Your Company is in the process of inducting a "Strategic Investor", who will provide the financial resources required by the Company and will also provide synergy in sourcing of raw materials as well as Agri Inputs which can be marketed through your Company's wide distribution network, under its popular SHIP brand.

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 work force 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 Research & Development 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 (UICET), 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 extended financial year ended 30th September, 2007, 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.

DIRECTORS

Shri R.M.Goculdas and Shri Laxmikumar Narottam Goculdas, 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 as Managing Director of the Company ended on 31st March, 2007. The Directors place on record appreciation for the association and valuable contribution made by Shri V.K.Punshi during his tenure of service with the Company.

Shri Dilip Pratapsingh Goculdas was appointed as Deputy Managing Director of the Company for a period of three years with effect from 1st April, 2006. Subject to the approval of the shareholders, he has been appointed as Managing Director (Agri Business) of the Company for a period of two years with effect from 1st April, 2007.

Shri Bimal Lalitsingh Goculdas was appointed as Deputy Managing Director of the Company for a period of three years with effect from 1st April, 2006. Subject to the approval of the shareholders, he has been appointed as Managing Director (Chemical Business) of the Company for a period of two years with effect from 1st April, 2007.



AUDITORS' OBSERVATIONS

1. 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 30th September, 2007, the Management's views are as under:
Though the net worth of the Company as on 30th September, 2007 is negative (after deducting "Miscellaneous Expenditure" not written off or adjusted), the Company has prepared Financial Statements for the year ended 30th September, 2007 (eighteen months), on a "Going Concern Basis", since the Company is confident that its profitability will improve in future, in view of the following :
 - a. a new activity of trading (in various fertilisers & other agri inputs) which the Company will commence in association with a " Strategic investor" and
 - b. Continuing efforts by the Company for improving efficiency, restructuring/rationalisation of operations and optimisation of costs.
2. 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.
3. As regards the Auditors' observation regarding recognition of "Deferred Tax Asset" amounting to Rs. 2148.17 lacs by the Company, based on the proposed association with a "Strategic Investor", the Company is confident that this proposed association will result in significant additional turnover and profits.

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 extended financial year ended 30th September, 2007 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 extended financial year ended 30th September, 2007, 222 deposits aggregating to Rs. 68,27,000/- remained unclaimed as on 30th September 2007, of which 45 deposits amounting to Rs.33,87,000 have since been 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;
- (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 adopted a Code of Conduct which is approved by the Board of Directors as required under the Listing Agreement with the Stock Exchange, Mumbai. The Directors and the Management Staff have confirmed their adherence to the provisions of the said code. Your Company has also evolved a Risk Management Policy regarding risk assessment and risk mitigation mechanism, which has been approved by the Board of Directors. A separate report on Corporate Governance is annexed as a part of the Annual Report, along with the Auditors' 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.
Date : 30th January, 2008.