



**THE DHARAMSI MORARJI  
CHEMICAL COMPANY LTD.**

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*88th  
Annual Report  
2007 - 2009*



### Directors

|                              |                                                                                             |
|------------------------------|---------------------------------------------------------------------------------------------|
| R. M. Goculdas               | Chairman                                                                                    |
| Laxmikumar Narottam Goculdas | Vice Chairman                                                                               |
| U. D. Morarji (Smt.)         | Director<br>(upto 8.12.08)                                                                  |
| H. T. Kapadia                |                                                                                             |
| C. B. Nalawala               |                                                                                             |
| R. Kannan                    | Nominee of ICICI Bank Ltd.<br>(upto 22.1.08)                                                |
| Kumar Bakhru                 | Nominee of General<br>Insurance Corporation<br>of India                                     |
| Dilip Pratapsingh Goculdas   | Managing Director<br>(upto 31.03.09)<br>Chief Executive Officer<br>(from 01.04.09)          |
| Bimal Lalitsingh Goculdas    | Managing Director<br>(upto 31.03.09)<br>Chief Executive Officer<br>(from 01.04.09)          |
| D. N. Vaze                   | Executive Director (Finance)<br>(upto 31.03.09)<br>Chief Finance Officer<br>(from 01.04.09) |

### Company 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.  
Industrial Development Bank of India

### Registered Office

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

### Factories

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

### Registrars and Transfer Agents

**Link Intime India Pvt. Ltd.,**  
{Formerly known as Intime Spectrum Registry  
Limited till 6th January, 2009}  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (W), Mumbai - 400 078.  
Tel. : 9522-25963838 Fax : 25946969  
Email : rnt.helpdesk@linkintime.co.in

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## EIGHTY EIGHTH ANNUAL REPORT OCTOBER, 2007 TO MARCH, 2009 (18 MONTHS)

## NOTICE TO MEMBERS

The Eighty Eighth 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 9th day of September 2009 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 31st March, 2009.
2. 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 88th Annual General Meeting until the conclusion of the 89th 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."
3. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :  
**"RESOLVED THAT** Shri M. T. Ankleshwaria, who was appointed as an additional Director of the Company under Section 260 of the Companies Act, 1956 and Article 126 of the Articles of Association of the Company by the Board of Directors w.e.f. 31<sup>st</sup> July, 2009 and who holds office upto the date of this Annual General Meeting 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 Directors, be and is hereby appointed as Director of the Company, whose term of office shall be liable to determination by retirement by rotation."
4. 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 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 Chief Executive Officer (Agri Business) and "Manager" of the Company within the meaning of the Companies Act, 1956, for a period of three years from 1st April, 2009, 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 Chief Executive Officer 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) House rent allowance of Rs. 24000/- per month.  
(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.

Such contributions shall not be included in computation of ceiling on perquisites.

### 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 Chief Executive Officer.
- (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 Chief Executive Officer.

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

The Chief Executive Officer shall further be entitled to :

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."



5. 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 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 Chief Executive Officer ( Chemical Business) and "Manager" of the Company within the meaning of the Companies Act, 1956, for a period of three years from 1st April, 2009, 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 Chief Executive Officer 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) House rent allowance of Rs. 24,000/- per month.
- (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.

Such contributions shall not be included in computation of ceiling on perquisites.

**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 Chief Executive Officer.
- (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 Chief Executive Officer.

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

The Chief Executive Officer shall further be entitled to :

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 authorized 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 FORTYEIGHT 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 2nd September, 2009 to Wednesday, 9th September, 2009 (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 1999-2000 has been transferred to "Investor Education & Protection Fund" established by the Central Government. Those shareholders, who have so far not claimed or collected their dividend for any financial year upto 1999-2000, may claim the same from the Registrar of Companies, Maharashtra, Mumbai, by submitting an application in the prescribed form.

All members who have either not received or have not encashed dividends for the financial year 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.

**EIGHTY EIGHTH ANNUAL REPORT OCTOBER, 2007 TO MARCH, 2009 (18 MONTHS)**

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. 3, 4 and 5 mentioned in the Notice dated 31<sup>st</sup> July, 2009.

**Item No.3**

The Board of Directors of the Company at its meeting held on 31<sup>st</sup> July, 2009, has appointed Shri M. T. Ankleshwaria as an Additional Director on the Board of directors of the Company. Shri M. T. Ankleshwaria has indepth knowledge in Finance and Accounting and has been in practice as a Chartered Accountant, for over three decades. He is also the Head of Department of Accountancy at N.M. College of Commerce & Economics, Vile Parle (W), Mumbai 56.

As per provisions of Section 260 of the Companies Act, 1956, and Article 126 of the Articles of Association of the Company. Shri M. T. Ankleshwaria 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 M. T. Ankleshwaria for office of Director, under the provision of Section 257 of the Companies Act, 1956.

The Directors recommend the Resolution for adoption by the Members.

None of Directors of the Company, except Shri M.T. Ankleshwaria, is in any way concerned or interested in the said appointment.

**Item No.4**

Shri Dilip Pratapsingh Goculdas was appointed as Managing Director of the Company for a period of two years with effect from 1st April, 2007. The Board of Directors has appointed him subject to the approval of the shareholders at the ensuing Annual General Meeting, as Chief Executive Officer (Agri Business) and "Manager" of the Company under the Companies Act, 1956, for a period of three years with effect from 1st April, 2009, on terms and conditions mentioned in the Resolution at item No. 4.

As Chief Executive Officer (Agri Business) and "Manager" of the Company under the Companies Act, 1956, 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. 4.

The remuneration and terms and conditions of appointment of Shri Dilip Pratapsingh Goculdas as Chief Executive Officer (Agri Business) of the Company are as given in the Notice and Explanatory Statement.

The Directors recommend the Resolution for adoption by the Members.

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

**Item No. 5**

Shri Bimal Lalitsingh Goculdas was appointed as Managing Director of the Company for a period of two years with effect from 1st April, 2007. The Board of Directors has appointed him, subject to the approval of the shareholders at the ensuing Annual General Meeting, as Chief Executive Officer (Chemical Business) and "Manager" of the Company under the Companies Act, 1956, for a period of three years with effect from 1st April, 2009, on terms and conditions mentioned in the Resolution at item No. 5.

As Chief Executive Officer ( Chemical Business) and "Manager" of the Company under the companies Act, 1956, 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. 5.

The remuneration and terms and conditions of appointment of Shri Bimal Lalitsingh Goculdas as Chief Executive Officer (Chemical Business) of the Company are as given in the Notice and Explanatory Statement.

The Directors recommend the Resolution for adoption by the Members.

None of Directors of the Company, except Shri Bimal Lalitsingh Goculdas, is in any way 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 31st July, 2009.


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

|                                                                                                                              |                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Name of Director</b>                                                                                                      | <b>Shri M.T. Ankleshwaria</b>                                                                                                                                                                       |
| <b>Date of Birth</b>                                                                                                         | 23-8-1949                                                                                                                                                                                           |
| <b>Date of Appointment</b>                                                                                                   | 31-7-2009                                                                                                                                                                                           |
| <b>Qualifications/Expertise in specific functional areas</b>                                                                 | B.Com. (Hons), F.C.A. – Practising Chartered Accountant for over three decades.<br><br>Head of the Department of "Accountancy" at N.M. College of Commerce and Economics, Vile Parle (W), Mumbai 56 |
| <b>List of Public Companies in which outside Directorship held as on 31st March, 2009</b>                                    | Nil                                                                                                                                                                                                 |
| <b>Chairman/Member of the Board Committee of the other Public Companies on which he is a Director as on 31st March, 2009</b> | None                                                                                                                                                                                                |
| <b>Shareholding</b>                                                                                                          | 100 Equity Shares                                                                                                                                                                                   |





## EIGHTY EIGHTH ANNUAL REPORT OCTOBER, 2007 TO MARCH, 2009 (18 MONTHS)

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

The Directors are pleased to present their Eighty Eighth Annual Report together with the accounts of the Company for the extended financial year ended 31<sup>st</sup> March, 2009 (eighteen months).

**FINANCIAL RESULTS**

|                                                                               | Financial Year ended<br>31st March, 2009<br>(18 Months)<br>Rs. in lacs | Financial Year ended<br>30 <sup>th</sup> September, 2007<br>(18 Months)<br>Rs. in lacs |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Gross Turnover                                                                | 17677.35                                                               | 28125.53                                                                               |
| Gross Profit / (Loss)                                                         | (2054.27)                                                              | (2486.15)                                                                              |
| Less : Depreciation & Lenders' sacrifice Amortisation                         | 1158.99                                                                | 1260.13                                                                                |
| Profit/(Loss) before exceptional Item & Taxation                              | (3213.26)                                                              | (3746.28)                                                                              |
| Add: Exceptional Item                                                         |                                                                        |                                                                                        |
| Waiver of dues by Banks/Financial Institution by One Time Settlement          | Nil                                                                    | 139.31                                                                                 |
| Profit/(Loss) after exceptional Item but before Taxation                      | (3213.26)                                                              | (3606.97)                                                                              |
| Add: Deferred Tax Asset                                                       | 505.98                                                                 | 2148.17                                                                                |
| Profit/(Loss) after exceptional Item and after considering Deferred Tax Asset | (2707.28)                                                              | (1458.80)                                                                              |
| Less: Provision for Taxation/Fringe Benefit Tax                               | 18.04                                                                  | 25.05                                                                                  |
| Profit/(Loss) after Taxation                                                  | (2725.32)                                                              | (1483.85)                                                                              |
| Add: Balance brought forward                                                  | (2966.50)                                                              | (1482.65)                                                                              |
| Balance carried forward                                                       | (5691.82)                                                              | (2966.50)                                                                              |
| The following is the gross turnover by group of products:                     |                                                                        |                                                                                        |
| Single Superphosphate                                                         | 1690.68                                                                | 8487.21                                                                                |
| Commodity Chemicals                                                           | 10243.66                                                               | 11054.28                                                                               |
| Speciality Chemicals                                                          | 4135.62                                                                | 7974.10                                                                                |
| Others                                                                        | 1607.39                                                                | 609.94                                                                                 |
|                                                                               | 17677.35                                                               | 28125.53                                                                               |

The Company has extended the current financial year by six months upto 31st March, 2009 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 October, 2007 and ending on 31st March, 2009.

In view of the loss during the year under review, your Directors have not recommended any Dividend on Cumulative Preference Shares and Equity Shares of the Company, for the extended financial year ended 31st March, 2009.

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

(i) The Company's fertiliser business continued to get adversely affected due to :

- 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.

This has forced your Company to reduce volumes of the fertiliser business, during the year under review. Consequently the turnover in respect of fertilizers during the current financial year ended 31<sup>st</sup> March, 2009 was Rs.17 Crores only as compared to the turnover of Rs.85 Crores during the previous Financial Year ended 30<sup>th</sup> September, 2007.

(ii) The turnover of Commodity Chemicals during the current financial year ended 31st March, 2009 was also lower at Rs. 102 crores as compared to the turnover of Rs. 111 crores, during the previous financial year ended 30th September, 2007. The turnover of Speciality Chemicals during the current financial year was also lower i.e.Rs. 41 crores, as compared to the turnover of Rs. 80 crores during the previous financial year ended 30<sup>th</sup> September, 2007. The turnover of Chemicals during the current financial year was lower due to Strained Liquidity and shortage of Working Capital.

**(b) Prospects of the Industries :****Fertilisers**

The Central Government's fertilizer policy with respect of fixation of Maximum Retail Price and Subsidy continues to be biased towards competing fertilisers like Di-Ammonium Phosphate (DAP) and consequently Single Superphosphate (SSP) Fertiliser business has remained neglected. Consequently the Prospects in the SSP Fertiliser Industry will depend upon suitable modifications in the Central Government's Fertiliser Policy.

**Chemicals**

Your Company is a supplier of intermediates to a wide range of industries. The Company's Chemical business continues to be adversely affected



by severe working capital constraints experienced by the Company, resulting in reduced capacity utilization. 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 considered as "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.

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

The Company had submitted a proposal to its Secured Lenders to settle their dues by way of One Time Settlement (O.T.S.) As the shareholders are aware, the proposal was accepted by one of the Secured Lenders and their dues have been settled accordingly. The Company's proposal is under consideration of the remaining Secured Lenders.

#### **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 by the operating Management of 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 disposal and that transactions are authorised, recorded and reported correctly. The internal control systems are supplemented by an extensive programme of internal audit.

#### **HUMAN RESOURCE DEVELOPMENT**

As an ongoing exercise of the restructuring and re-organisation, the Company has undertaken periodic comprehensive reviews of its HR policies and amended the same suitably from time to time.

#### **RESEARCH & DEVELOPMENT**

In spite of heavy odds, your Company has continued its Research and Development initiatives and endeavours, keeping in view the long term perspective for growth.

#### **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**

During the year under review, Shri R. Kannan, Nominee Director of ICICI Bank Ltd, resigned from the Board of Directors, effective 22nd January 2008, consequent upon the withdrawal of his nomination by ICICI Bank Ltd. Mrs. U. D. Morarji also resigned from the Board of Directors, effective 8th December 2008. The Board of Directors place on record their appreciation for the valuable guidance and advice given by both of them to the Company during their long association with the Company as also the contributions made by both of them during the deliberations at the Board meetings.

Shri C.B. Nalawala, a Director, is retiring by rotation at the conclusion of the ensuing Annual General Meeting of the Company, scheduled to be held on 9th September, 2009. Although eligible, he does not offer himself for re-appointment. Shri. C. B. Nalawala was on the Board of the Company since March, 2002. The Board of Directors place on record their appreciation for the valuable guidance and advice given by him to the Company, during his long association with the Company as also the contribution made by him during the deliberations at the Board meetings and the Audit Committee meetings during his tenure as a director and Chairman of the Audit Committee, respectively.

The Board of Directors of the Company, at its meeting held on 31st July 2009, has appointed Shri M.T. Ankleshwaria as an additional Director on the Board of Directors of the Company. Shri M.T. Ankleshwaria has indepth knowledge in Finance and Accounting and has been in practice as a Chartered Accountant, for over three decades. Mr. Ankleshwaria is also the Head of Department of Accountancy at N.M.College of Commerce & Economics, Vile Parle (W), Mumbai 56. As per provisions of Section 260 of the Companies Act, 1956, and Article 126 of the Articles of Association of the Company. Shri M.T. Ankleshwaria will hold office of Director upto the date of ensuing Annual General Meeting. Appointment of Shri M.T. Ankleshwaria as a Director liable to retire by rotation is proposed at Sr.No.3 of the Notice of the ensuing Annual General meeting. Your Directors recommend the appointment of Shri M.T. Ankleshwaria, as a Director of your Company.

Shri Dilip Pratapsingh Goculdas was appointed as Managing Director (Agri Business) of the Company for a period of two years with effect from 1st April, 2007. Subject to the approval of the shareholders at the ensuing Annual General meeting, he has now been appointed as Chief Executive Officer (Agri Business) and "Manager" under the Companies Act, 1956, for a period of three years with effect from 1st April, 2009.

Shri Bimal Lalitsingh Goculdas was appointed as Managing Director (Chemical Business) of the Company for a period of two years with effect from 1st April, 2007. Subject to the approval of the shareholders at the ensuing Annual General meeting, he has now been appointed as Chief Executive Officer (Chemical Business) and "Manager" under the Companies Act, 1956, for a period of three years with effect from 1st April, 2009.

Shri Dilipkumar Nilkanth Vaze was appointed as Executive Director (Finance) of the Company for a period of three years with effect from 1st April, 2006. He has now been appointed as Chief Finance Officer of the Company, with effect from 1st April, 2009.

#### **AUDITORS' OBSERVATIONS**

1. 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 with the same, in due course of time.



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2. As regards the Auditors observation regarding non-provision of interest of Rs. 785.82 lacs, the Company has not recognized this interest amount since the banks concerned have not debited the same to the respective accounts of the Company.
3. As regards the Auditors' observation regarding recognition of "Deferred Tax Asset" amounting to Rs.2654.15 lacs, the Company, based on the proposed association with a "Strategic Investor", is confident that this proposed association will result in significant additional turnover and profits.
4. 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 31<sup>st</sup> March, 2009, the Management's views are as under:

Though the net worth of the Company as on 31<sup>st</sup> March, 2009 is negative, the Company has prepared Financial Statements for the year ended 31<sup>st</sup> March, 2009 (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" after completing OTS of dues to Banks and
- b. Continuing efforts by the Company for improving efficiency, restructuring/rationalisation of operations and optimisation of costs.

**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 31<sup>st</sup> March, 2009 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 31<sup>st</sup> March, 2009, 173 deposits aggregating to Rs. 22,06,000/- remained unclaimed as on 31<sup>st</sup> March 2009, of which 1 deposit amounting to Rs.15,000 has since been claimed and 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, sense of understanding and sacrifices shown by them during the difficult and critical period which the company is passing through.

Management of your Company is confident that with active co-operation from all employees, the Company will be in a position to overcome this difficult phase.

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 : 31<sup>st</sup> July, 2009.



**ANNEXURE I TO THE DIRECTORS' REPORT**  
(Under Section 217(1) (e) of the Companies Act, 1956)

**DISCLOSURES**

**A. CONSERVATION OF ENERGY  
POWER AND FUEL CONSUMPTION**

**FORM A**

|                                                |  | <b>October, 2007 to<br/>March, 2009<br/>(18 months)</b> | <b>April, 2006 to<br/>September, 2007<br/>(18 months)</b> |
|------------------------------------------------|--|---------------------------------------------------------|-----------------------------------------------------------|
| <b>1. Electricity Purchased</b>                |  |                                                         |                                                           |
| Unit (Lac KWH)                                 |  | 125.10                                                  | 230.86                                                    |
| Total Amount (Rs. lacs)                        |  | 588.38                                                  | 1,150.81                                                  |
| Rate/Unit (Rs./KWH)                            |  | 4.70                                                    | 4.98                                                      |
| <b>2. Furnace Oil</b>                          |  |                                                         |                                                           |
| Quantity (K.Litre)                             |  | 625.24                                                  | 1,789.05                                                  |
| Total amount (Rs Lacs)                         |  | 153.29                                                  | 352.48                                                    |
| Average Rate (Rs/KL)                           |  | 24520                                                   | 19702                                                     |
| <b>CONSUMPTION PER TONNE OF MAJOR PRODUCTS</b> |  |                                                         |                                                           |
| <b>Electricity (Unit-KWH)</b>                  |  |                                                         |                                                           |
| 1. Single Superphosphate                       |  | 25                                                      | 26                                                        |
| 2. Sulphuric Acid 100%                         |  | 59                                                      | 59                                                        |

**FORM B**

**B. TECHNOLOGY ABSORPTION**

**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.

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

- Process and cost optimisation of existing 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.
- Running multipurpose semicommercial plant to scale up of new products from laboratory scale to plant scale.
- 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 :**

- Quality and yield improvement of the existing products.
- Manufacture and supply of some of the products as per the customers' specifications.

**3. Future plan of action :**

- Studies on the preparation of new Speciality Chemicals and formulations with special emphasis on value addition.
- Focus on ethylation & methylation Chemistry to develop new products.

**4. Expenditure on R&D:**

|                                                              | <b>October, 2007 to<br/>March, 2009<br/>(18 months)</b> | <b>April, 2006 to<br/>September, 2007<br/>(18 months)</b> |
|--------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------|
| (i) Capital                                                  | 0.00                                                    | 0.54                                                      |
| (ii) Recurring                                               | 51.53                                                   | 100.45                                                    |
| (iii) Total                                                  | <b>51.53</b>                                            | <b>100.99</b>                                             |
| (iv) Total R&D expenditure as a percentage of gross turnover | <b>0.29%</b>                                            | <b>0.36%</b>                                              |

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

**1. Efforts, in brief, made towards technology absorption, adaptation and innovation:**

Technology upgradation and innovation are matters of a continuous process in the Company.

**2. Benefits :**

Increased capacity, cost reduction, improvement in quality and flexibility to meet market demands .

**3. Technology imported during the last five years.**

No technology was imported during the last five years.