

34th ANNUAL GENERAL MEETING

Day/Date : Saturday, 6th August, 2005
Time : 10.30 a.m.
Venue : Hotel Surya Palace, Opposite Parsi Agiari,
Sayajigunj, Baroda - 390 005

BOARD OF DIRECTORS

Chimanlal K. Mehta *Chairman*
Deepak C. Mehta..... *Managing Director*
Ajay C. Mehta *Managing Director*
Shrenik Kasturbhai Lalbhai
S.S. Aggarwal
D.D. Udeshi
M.R.B. Punja
D.R. Mehta (*Nominee of ICICI Bank Ltd. upto 16th Sept., 2004*)
A.K. Dasgupta
Hasmukh Shah
Nimesh Kampani
Sudhin Choksey

COMPANY SECRETARY & GENERAL MANAGER (FINANCE)

Sanjay Upadhyay

BANKERS

State Bank of India • Dena Bank • Bank of Baroda • ICICI Bank Ltd.
UTI Bank Ltd. • ING Vysya Bank.

SOLICITORS

Udwadia & Udeshi, Mumbai
M & M Legal Ventures, Mumbai

AUDITORS

B.K. Khare & Co., *Chartered Accountants*, Mumbai

REGISTERED OFFICE

9/10, Kunj Society, Alkapuri, Baroda - 390 007

CORPORATE OFFICE

Deepak Complex, National Games Road, Yerawada, Pune - 411 006

PLANTS

- (1) 4-12, GIDC Chemical Complex, Nandesari - 391 340, Dist. Baroda
- (2) Sahyadri Dyestuffs & Chemicals, 117, Parvati, Vithalwadi,
Pune - 411 030
- (3) Taloja Chemical Division, Plot Nos. K/9-10, MIDC Taloja
Dist. Raigad - 410 208
- (4) APL Division, Plot Nos. 1, 2, 26 & 27, MIDC Dhatav,
Roha, Dist. Raigad - 402 116.

C O N T E N T S

	Page No.		Page No.
❖ Board of Directors	1	❖ Balance Sheet	18
❖ Notice	2	❖ Profit and Loss Account	19
❖ Directors' Report	6	❖ Schedules	20
❖ Management Discussion and Analysis	10	❖ Cash Flow Statement	38
❖ Report on Corporate Governance	12	❖ Investors' Welfare Scheme	40
❖ Auditors' Report	16	❖ Attendance Slip and Proxy Form	41

NOTICE

NOTICE is hereby given that the Thirtyfourth Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Baroda - 390 005 on Saturday, the 6th August, 2005 at 10.30 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31st March 2005 and the Profit and Loss Account for the financial year ended 31st March, 2005 together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Shri Shrenik Kasturbhai Lalbhai who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri A. K. Dasgupta who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force) the Company hereby approves the re-appointment of and the remuneration payable to Shri A. C. Mehta as a Managing Director of the Company, as approved by the Board of Directors, for a further period of five years with effect from 1st December, 2004 on the terms and conditions as set out in the Explanatory Statement and the draft letter of re-appointment to be issued by the Company to Shri A. C. Mehta and placed before this meeting and initialed by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter or vary the terms and conditions of the said re-appointment including remuneration from time to time so long as it does not exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any modification or re-enactment thereof, for the time being in force and also to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution."

7. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to Article 127(a) of the Company's Articles of Association and in conformity with the provisions of Section 260 of the Companies Act, 1956, Shri Sudhin Choksey, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office under the said Article and Section 260 of the Companies Act, 1956 only upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby elected and appointed a Director of the Company, liable to retire by rotation".

8. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT in supersession of the Ordinary Resolution passed at the Extra Ordinary General Meeting of the Company held on 24th November, 1990 and pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors to borrow from time to time, all such sums of moneys as it may deem require, necessary or expedient, for the purpose of the business of the Company upon such terms and conditions and with or without security, as it may in its absolute discretion think fit, notwithstanding that the money or monies to be borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves (that is, reserves not set apart for any specific purpose); provided, however, that the total amount upto which monies may be borrowed by the Board of Directors shall not at any time exceed the limit of Rs. 250 Crores (Rupees Two Hundred Fifty Crores only).

AND RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution."

Registered Office :
9/10 Kunj Society
Alkapuri
BARODA - 390 007
Dated : 4th May, 2005

By Order of the Board of Directors,
Sanjay Upadhyay
Company Secretary &
General Manager (Finance)

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER.
2. A Proxy, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item 6 to 8 as set out above are annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 26th July, 2005 to Saturday, 6th August, 2005 (both days inclusive).
5. The dividend as recommended by the Board, if declared at the meeting, will be paid on or after 8th August, 2005, to those members whose names appear on the Company's Register of Members on 6th August, 2005. In respect of the shares in electronic form, the dividend will be paid to those beneficial owners as per details furnished by the Depositories for the purpose.
6. In order to avoid risk of loss of dividend warrants in transit and/or fraudulent encashment of dividend warrants, the Company has provided a facility to the Shareholders for remittance of dividend through Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Shareholders are advised to avail of ECS facility whereby the dividend will be directly credited electronically to their respective Bank Accounts.

Shareholders holding shares in physical form who have not availed the ECS facility and desirous of availing this facility may send ECS Mandate with necessary details to the Company's Registrar and Share Transfer Agent M/S Sharepro Services (India) Pvt. Ltd., Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099, quoting reference of their Registered Folio Number.
7. Members holding shares in dematerialised mode are requested to intimate all changes pertaining to their bank details, ECS, mandates, nominations, power of attorney, change of address / name etc. to their Depository Participant only and not to the Company's Registrar & Share Transfer Agent. Changes intimated to the Depository participant will then be automatically reflected in the Company's records which will help the Company and its Registrar & Share Transfer Agent to provide efficient and better service to the members.
8. Members holding shares in physical form are requested to intimate all changes pertaining to their bank details, ECS, mandates, nominations, power of attorney, change of address / name etc. to the Company's Registrar & Share Transfer Agent, quoting reference of their Registered Folio Number. The Bank Account particulars of the members will be printed on the Dividend Warrant.
9. Members are requested to note that pursuant to the provisions of Section 205C of the Companies. Act 1956 the dividend remaining unclaimed / unpaid for a period of seven years from the date they become due for payment are required to be transferred to the 'Investor Education and Protection Fund' set up by the Central Government. Members who have so far not claimed the dividend are requested to claim the same from the Company as no claim shall lie against the Fund or the Company in respect of individual amounts once credited to the said Fund.
10. Members attending the meeting are requested to bring with them Attendance Slip attached to the Annual Report duly filled in and signed and handover the same at the entrance of place of the Meeting. Proxy/Representative of a Member should mark on the Attendance slip as "Proxy" or "Representative" as the case may be. Members holding shares in electronic form and desirous of attending meeting are required to bring alongwith them Client ID and DP ID Numbers for easy identification.
11. At the ensuing Annual General Meeting, Shri Shrenik Kasturbhai Lalbhai and Shri A. K. Dasgupta retire by rotation and being eligible offer themselves for re-appointment. A brief profile of the Directors retiring by rotation and eligible for their reappointment, as required by Clause 49 VI A of the Listing Agreement with the Stock Exchange is given under :
 1. Shri Shrenik Kasturbhai Lalbhai is well known industrialist and a MBA from Harvard University. He is a financial expert and a person upholding the highest virtues. He provided exemplary leadership as the Chairman of the Company for a period of 27 years from the Company's inception till 1998. He was associated with Lalbhai Group of Companies for past many years. His Directorships as on 31st March, 2005 are as follows :

Sr. No	Name of the Company	Nature of Interest
1	Nirma Limited	Director
2	Anukul Investments Pvt. Ltd.	Director
3	Able Investments Pvt. Ltd.	Director
4	Animesh Holdings Pvt. Ltd.	Director

2. Shri A. K. Dasgupta is a Science Graduate alongwith Bachelor of Chemical Engineering, having rich experience in the field of Chemicals and is responsible for producing various resins and chemicals for the first time in India. He is associated with many professional bodies at various levels and has presented many papers at various national and international seminars. He has been associated with the Company since 1978. His Directorship as on 31st March, 2005 is as follows :

Sr. No	Name of the Company	Nature of Interest
1	Enpro Projects Consultants Pvt. Ltd.	Director

ANNEXURE TO THE NOTICE:

EXPLANATORY STATEMENT as required by Section 173 of the Companies Act, 1956:

ITEM No. 6

At its meeting held on 26th October, 2004, the Board of Directors of the Company has approved, subject to the approval of members, the re-appointment of Shri A. C. Mehta as a Managing Director of the Company for a period of five years with effect from 1st December, 2004 inter alia upon the following terms and conditions:

1. The remuneration comprising of salary, perquisites, other benefits and allowances payable to Shri A. C. Mehta, as the Managing Director shall be Rs. 1,75,000/- per month or Rs.21,00,000/- per annum which is within the limits specified in Schedule XIII of the Companies Act, 1956, (the Act). In the absence or inadequacy of profits, the aforesaid remuneration shall be the minimum remuneration payable to him.
2. In addition to the salary, perquisites and allowances payable as stated in (1) above, the Managing Director shall also be paid a Commission, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company as at the end of each financial year, subject to the overall ceiling stipulated in Sections 198, 309 and other relevant provisions of the Act.
3. Perquisites and allowances shall include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, medical reimbursement, leave travel concession for himself and his family, club fees, medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors.
4. The Company's contribution to provident fund, super annuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961, gratuity payable at a rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of the tenure shall not be included in the computation of the remuneration as set out in paragraph (1) above.
5. The aforesaid remuneration specified in clause (1) and (2) above shall be reviewed by the Board after the close of the financial year, and if the Company has made profits in that year then Shri A. C. Mehta shall be paid such enhanced remuneration as the Board may decide subject to the ceiling limits specified in Sections 198, 309 and other applicable provisions of the Act read with the Schedule XIII of the Act or any modifications or re-enactment thereof.
6. **OTHER TERMS:**
 - (a) The Company shall provide a Car with driver and telephone facility at the residence of the Managing Director. Provision of Car for use of Company's business and telephone at residence will not be considered as perquisites.
 - (b) The Managing Director shall be entitled to reimbursement of all expenses including entertainment and travelling actually incurred in the course of Company's business.
 - (c) The Managing Director shall not be entitled to sitting fees for attending the meeting of the Board of Directors or Committees thereof.
 - (d) The Managing Director shall perform such duties and exercise such powers bestowed on him or as may from time to time be assigned to him by the Board of Directors of the Company.
 - (e) The Managing Director shall not be liable to retire by rotation as a Director of the Company.

The Board of Directors shall have the authority to alter or vary the terms of re-appointment and remuneration including commission and perquisites payable to Shri A. C. Mehta within the overall limits specified under Sections 198, 309 and Schedule XIII of the Companies Act, 1956.



The approval of members is, therefore, sought for the re-appointment of and remuneration payable to Shri A. C. Mehta.

Except Shri C. K. Mehta, Shri D. C. Mehta and Shri A. C. Mehta, no other Director of the Company is concerned or interested in the Ordinary Resolution as set out at item No. 6.

A draft of the letter of re-appointment proposed to be issued to Shri A. C. Mehta is open for inspection by the members at the Registered Office of the Company between 10.30 a.m. and 1.00 p.m. on all working days of the Company, up to and including the day of the meeting.

The above should be treated as an abstract as required under Section 302 of the Companies Act, 1956.

ITEM No. 7

Shri Sudhin Choksey was appointed by the Board of Directors as an Additional Director with effect from 30th March, 2005 under Article 127(a) of Articles of Association of the Company and Section 260 of the Companies Act, 1956 and holds office upto the date of ensuing Annual General Meeting. Notice has been received from a member signifying his intention to propose Shri Sudhin Choksey as a candidate for the office of Director.

Shri Sudhin Choksey is a Chartered Accountant having vast experience in the field of Finance. He is the Managing Director of GRUH Finance Limited and also a Director and member of Audit Committee of Gujarat State Financial Services Limited.

ITEM NO. 8

Section 293 (1)(d) of the Companies Act, 1956 provides that the Board of Directors cannot, except with the consent of the Company in a general meeting, borrow money together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), in excess of the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose.

At the Extra Ordinary General Meeting of the Company held on 24th November, 1990 the members had authorized the Board of Directors to borrow moneys for an amount not exceeding Rs. 125 Crores. Looking at the growing business and the existing borrowings of the Company, and also to enable the Board of Directors, as and when required, to meet the requirement of funds for future expansion/growth plans/any other corporate purpose, it is necessary that a higher ceiling for borrowing be laid down by the members to enable the Board of Directors to augment the funds as and when required for the purpose of business.

It is therefore proposed to increase the existing borrowing powers of the Board of Directors to a sum not exceeding Rs. 250 Crores. This is apart from temporary loans obtained from the Company's bankers in the ordinary course of business.

Registered Office :
9/10, Kunj Society,
Alkapuri,
BARODA - 390 007
Dated : 4th May, 2005

By Order of the Board of Directors,

Sanjay Upadhyay
Company Secretary &
General Manager (Finance)

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirtyfourth Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March, 2005.

FINANCIAL RESULTS :

Sales and Other Income

Gross Profit (before interest, depreciation and tax)

Less :

(i) Interest

(ii) Depreciation

(iii) Provision for Tax

– Current

– Deferred

Profit (after interest, depreciation and tax)

Add (Less) :

Prior Years' adjustments

Net Profit after adjustments

Surplus in Profit & Loss Account Brought Forward

Transfer from Debenture Redemption Reserve

Amount available for appropriation

Appropriation :

Dividend

Directors recommend the Dividend of 40%

(Previous year 30%) on 59,82,062 Equity Shares of Rs. 10/- each).

Corporate Dividend Tax (including Rs. 45,988 of previous year)

General Reserve No. 1

(as required by Section 205 (2A) of the Companies Act, 1956)

Balance carried to the Balance Sheet

Current Year Rs.	Previous Year Rs.
329,01,79,042	290,31,87,276
33,99,27,679	32,56,23,879
9,12,18,492	11,50,48,764
9,99,67,700	11,63,81,574
1,03,39,746	1,03,59,558
3,78,35,111	21,41,162
10,05,66,630	8,16,92,821
—	(3,94,612)
10,05,66,630	8,12,98,209
33,08,53,648	28,25,40,675
—	2,72,60,305
43,14,20,278	39,10,99,189
2,39,28,248	1,79,46,186
34,01,925	22,99,355
5,00,00,000	4,00,00,000
35,40,90,105	33,08,53,648
43,14,20,278	39,10,99,189

PERFORMANCE :

Your Company registered all round good performance during the year under review. The turnover of the Company increased by 15% over the previous year. The profit before tax for the year at Rs. 14.87 crores registered healthy growth of 59%. This was primarily due to higher export sales particularly in organic intermediates and fine & speciality segments, as the Company increase its thrust in the international markets.

The total exports turnover for the year reached a figure of Rs. 138.57 crores as against Rs. 112.82 crores in the previous year showing an increase of 23% over the last year. Continuous focus on enhanced operational efficiencies and cost cutting exercise across all the segments has also contributed to the Company's good performance.

OUTLOOK AND FUTURE PLANS :

India is emerging as a global partner of choice for knowledge intensive high value added fine chemicals, intermediates and active ingredients for pharma, agro and speciality chemical industry.

Your Company's strategy to focus on this segment has started yielding results in the form of strong customer relationship and growth in international business. We plan to increase our R&D as well as custom manufacturing facilities to maintain this growth momentum.

The Company expects to consolidate its position in existing products through persistent efforts in cost reduction through rationalisation of capacities and consolidation of operations. The Company expects to control energy costs through captive gas based power plant set up at Nandesari, Baroda during the last quarter of the year under review.

DIVIDEND :

Your Directors are pleased to recommend the payment of dividend of Rs. 4 per Equity Share (40%), which shall in the hands of shareholders be free of tax, on 59,82,062 Equity Shares. The dividend, if approved, alongwith the Corporate Dividend Tax will absorb a sum of Rs. 273.30 lacs (Previous year Rs. 202.45 lacs).

FINANCE :**Interest Costs :**

During the year under review, the interest cost of the Company has come down from Rs. 1150 lacs to Rs. 912 lacs. This was due to optimum utilisation of working capital loans in Foreign Currency. The Company repaid Rs. 1157 lacs towards normal repayments of all its installments of term loans.

FIXED DEPOSITS :

The total amount of Fixed Deposits held by the Company from the Shareholders and Public stood at Rs. 2372.28 Lacs at the close of the financial year. The Company has no deposits, which are matured and claimed, but remained unpaid.

CORPORATE GOVERNANCE :

Your Company believes in transparency and has always maintained high level of Corporate Governance. The Report on Corporate Governance as required by Clause 49 of the Listing Agreement and the Management Discussion and Analysis are included as a part of the Annual Report.

A Certificate from the Statutory Auditors of the Company confirming compliance of the Corporate Governance requirements is attached to the Report on Corporate Governance.

RESEARCH AND DEVELOPMENT :

R & D played a significant role in helping the Company introduce new products in the agro and pharma intermediates segment. Exclusive intermediates for imaging, pharmaceutical and agrochemical sector remains our focus area of research.

R & D provided close support during scale up and start up of commercial scale production of new value added products and ensured market competitiveness of existing products through process improvement work.

ENVIRONMENT & SAFETY :

The Company lays great emphasis on safety at work place by adopting best engineering practices in design and operations. Strict adherence to all regulatory requirements and guidelines is maintained at all times. The Company is a signatory to Responsible Care initiative of Indian Chemical Manufacturers Association.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

The Company continuous to pursue energy conservation through improved operational and maintenance practices.

A statement under Section 217 (1) (e) of the Companies ACT, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed, which forms an integral part of this report.

INSURANCE :

All properties and insurable interest of the Company including buildings, plant and machinery, stores and spares have been adequately insured.

COMMUNITY SERVICES :

The Company through Deepak Medical Foundation (DMF) and Deepak Charitable Trust (DCT) remains committed to social development. This year DCT expanded its "Safe Motherhood" and "Child Survival Initiatives" in Vadodara District. The objective under this initiative is to reduce infant and maternal mortality.

The Company and the employees also contribute for relief measures in times of natural calamity affecting sections of the Society.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association, Shri Shrenik Kasturbhai Lalbhai and Shri A. K. Dasgupta retire by rotation and being eligible offer themselves for re-appointment. Shri Sudhin Choksey has been appointed as an Additional Director of the Company and holds office upto the date of ensuing Annual General Meeting and is eligible for re-appointment.

During the year ICICI Bank Ltd. has withdrawn its Nominee Director Shri D. R. Mehta. The Board places on record its appreciation for the valuable contribution made by Shri D. R. Mehta during his tenure as a Director of the Company.

EMPLOYEE RELATIONS :

Employee relations are cordial at all locations. The Directors are pleased to place on record their appreciation of the services rendered by all the employees at all levels.

AUDITORS :

At the Thirtythird Annual General Meeting, M/s. B.K. Khare & Co., Chartered Accountants, Mumbai were re-appointed as Statutory Auditors of the Company to hold Office until the conclusion of the Thirtyfourth Annual General Meeting.

Accordingly, the said Statutory Auditors retire at the conclusion of the ensuing Annual General Meeting but, being eligible offer themselves for re-appointment. The Statutory Auditors have furnished to the Company the requisite certificate under Section 224 (1) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT :

In accordance with the requirements under section 217(2AA) of the Companies Act, 1956, the Directors, based on the information provided by the operating management, confirm that :

1. In the preparation of accounts the applicable accounting standards have been followed and that there are no material departure;
2. Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so to give a true and fair view of the state of affairs of the Company as of 31st March 2005 and of the profit of the Company for the year ended on that date ;
3. Proper and sufficient care has been taken 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; and
4. The annual accounts of the Company have been prepared on a going concern basis.

PERSONNEL:

Information on particulars of Employees' Remuneration as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 form part of this report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to all Shareholders of the Company excluding the statement of particulars of employees. Any Shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENTS :

The Company continues to receive excellent support and guidance from the Financial Institutions and Consortium of Banks and your Directors would like to place on record their sincere appreciation for the same.

The Directors also wish to thank the Shareholders, Depositholders and all other business associates for the confidence reposed by them in the Company.

Mumbai,
Dated : 4th May, 2005

For and on behalf of the Board,
C. K. MEHTA
Chairman



ANNEXURE - A TO DIRECTORS' REPORT

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.

Section 217 (1) (e) of the Companies Act, 1956.

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A - CONSERVATION OF ENERGY

FORM - A

Disclosure of particulars with respect to Conservation of Energy (to the extent applicable)

(a) POWER AND FUEL CONSUMPTION

		2004-2005					2003-2004				
		Nitrite	N.A.Divn.	T.C.D.	APL	SDC	Nitrite	N.A.Divn.	T.C.D.	APL	SDC
		(Nandesari)	(Taloja)	(Roha)	(Pune)		(Nandesari)	(Taloja)	(Roha)	(Pune)	
1. Electricity :											
(a) Purchased											
Unit	KWH	10239821	5981819	1831416	9211054	3402491	11325200	7909000	1619668	8538510	4279632
Total Amount	Rs.	56058342	32190545	6231956	31475810	12008873	60193380	42054503	5666900	29802890	15264872
Rate/Unit	Rs.	5.47	5.38	3.40	3.42	3.53	5.31	5.32	3.50	3.49	3.57
(b) Own Generation											
(i) Through Own Diesel Generator											
Unit litre	KWH	4135	20245	3774	135064	314631	1095	5775	1636770	178942	243920
Unit per ltr. of Diesel Oil	KWH	1.83	3.26	2.28	3.59	3.69	1.45	3.00	2.82	3.76	4.08
Cost /Unit	Rs.	16.26	9.12	11.66	7.87	8.32	16.80	8.17	11.91	6.60	5.85
(ii) Gas Engine / Genset											
Unit	Rs.	—	—	—	—	—	Nil	Nil	Nil	Nil	Nil
Total Amount	KWH	1594730	1108970	—	—	—	—	—	—	—	—
Rate/Unit	Rs.	3854811	2569871	—	—	—	—	—	—	—	—
2. Coal	Rs.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
3. Furnace Oil											
Quantity	KL	3813	4678	2058	2737	1992	3716	4744	3057	1947	1594
Total Amount	Rs.	37182765	49414927	21347625	30262924	23011643	37904416	48448643	30625013	18811914	16792621
Average Rate/KL	Rs.	9752	10563	10372	11057	11552	10200	10213	10018	9662	10535
4. L.S.H.S./L.D.O.											
Quantity	KL	167	—	—	—	176	260	—	—	—	815
Total Amount	Rs.	3363571	—	—	—	4754851	4784334	—	—	—	14851953
Average Rate/KL	Rs.	20087	—	—	—	26968	18401	—	—	—	18212
5. Others											
By Product Steam in tons (Nandesari)	MT	—	—	—	—	—	—	—	—	—	—

(b) CONSUMPTION PER UNIT OF PRODUCTION

	2004-2005		2003-2004	
	Electricity KWH	Furnace Oil Ltr.	Electricity KWH	Furnace Oil Ltr.
Inorganic Salts	287	101	295	105
DNPT	1443	364	1493	286
Nitro Aromatics	361	238	349	209
Dye Intermediates	3448	1847	3623	1268
Aromatics Amines	236	265	223	440
Organic Intermediates	900	264	861	350

B - TECHNOLOGY ABSORPTION

FORM - B

[Disclosure of Particulars with respect to Technology Absorption (to the extent applicable)]

(a) RESEARCH & DEVELOPMENT (R & D)

- R & D work was carried out in the area of fine chemicals and intermediates with special emphasis on catalytic hydrogenation, and value added intermediates based on our existing products.
- Benefits derived as a result of the above R & D :
R & D work on improved catalysts performance for hydrogenation helped increased yield.
- Expenditure on R & D :

	Rs. in lacs	
	2004-05	2003-04
(a) Capital	1.98	54.67
(b) Recurring	236.06	254.87
(c) Total	238.04	309.54
(d) Total R & D expenditure as a percentage of total turnover	0.74	1.11

(b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Company's existing products are based on in-house development of process and technology. Well equipped R & D facility as well as the pilot plant enables rapid adaption of innovative processes being developed for new products.

(c) FOREIGN EXCHANGE EARNINGS AND OUTGO

The information is contained in items No.15 (c), (d) and (e) of Schedule 21 (Notes forming part of the Accounts) of the Annual Report.

For and on behalf of the Board,

C. K. MEHTA
Chairman

Mumbai,
Dated : 4th May, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

AN OVERVIEW

1. INDUSTRY STRUCTURE AND DEVELOPMENTS :

Oil prices continued to rule at peak levels and the resultant increase in Aromatic raw materials like Benzene, Toluene, Cumene and Xylene has put pressure on our margins. Surplus capacity with producers and sluggish growth of end users has affected growth in domestic market.

Your Company has taken effective steps to improve overall efficiencies through process improvement and higher volumes. Growth is principally driven by knowledge intensive/international business and your Company is making persistent efforts in this direction.

2. OPPORTUNITIES AND THREATS :

As developed countries look for cost effective sourcing of chemicals and value added intermediates, India producers have an edge (compared to China) in knowledge intensive high value added fine chemicals. Your Company's constant focus on innovative process improvement and emphasis on quality and reliability of supplies have helped us to create strong and sustainable relationships with customers around the world. We are confident of maintaining this momentum in international business in future.

3. SEGMENT-WISE PERFORMANCE :

The Company operates in three business segments.

INORGANIC INTERMEDIATES :

The rising trend in the prices of Caustic Soda Lye and Ammonia continued in the current year which have impacted the operating margins of this segment. The prices of Caustic Soda Lye went up by 65% and prices of Ammonia by 30% during the year. However, the Company was able to partially off-set the rise in Caustic Soda Lye prices by entering into a long term contract and substitution by Soda ash.

ORGANIC INTERMEDIATES :

During the year under review the turnover of this segment is up by 27% as compared to the previous year. The year saw an unprecedented hike in the major raw material prices like Benzene, Toluene and Cumene which have gone up by 69%, 39% and 38% respectively as compared to the previous year. The segment is facing stiff competition particularly in NT and NCB business due to over capacity in the market place. The end product markets in this business showed delayed response, temporary plant closures for drying out inventories etc. had to be resorted to. However, the operating margins of this segment have improved as compared to the previous year primarily due to higher volumes and broadening of product mix to add other nitro products. The hydrogenation capacity was debottlenecked to give increased volume.

On the export front, the markets for agrochemicals were fairly good this year creating a larger demand for agro intermediates. The export sales in this segment grew by 21%.

FINE & SPECIALITY CHEMICALS :

The turnover of this segment is higher by 15% as compared to the previous year. Although domestic turnover were lower by 16%, increase in the export turnover by 30% has helped this segment to achieve the growth. In