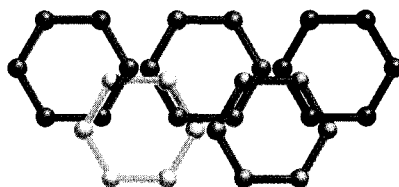


Excel Industries Limited

A N N U A L R E P O R T 2 0 0 3 - 0 4



The Olympic motto, "*Citius, Altius, Fortius*", which means "*Swifter, Higher, Stronger*" very aptly describes the Company's thrust towards excellence in all aspects of our business.

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*Annual General Meeting on Friday 30-7-2004 at 2.30 p.m.
at Rama Watumull Auditorium,
Kishinchand Chellaram College,
Dinshaw Wacha Road,
Churchgate, Mumbai-400 020.*

A REQUEST

We are sure you will read with interest the Annual Report for the year 2003-04. You may desire to have some clarification or additional information at the ensuing Annual General Meeting. We shall very much appreciate, if you will kindly write to us at least ten days in advance in order to enable us to keep the information ready for you at the Meeting. We solicit your kind co-operation.

CHAIRMAN EMERITUS

K. C. SHROFF

BOARD OF DIRECTORS

G. NARAYANA, *Executive Chairman*

A. C. SHROFF, *Managing Director*

S. R. POTDAR, *Executive Director*

A. D. MANGO

P.V.S. MANYAM

ATUL G. SHROFF

USHA A. SHROFF

RAMCHANDRA N. BHOGALE

H. N. MOTIWALLA

P. S. JHAVERI

DIPESH K. SHROFF

SECRETARY

PRAVIN D. DESAI

BANKERS

Bank of India

Syndicate Bank

State Bank of India

Citibank N.A.

ABN Amro Bank N.V.

AUDITORS

S. V. GHATALIA & ASSOCIATES

Chartered Accountants

REGISTERED OFFICE

184-87, Swami Vivekanand Road,
Jogeshwari (W), Mumbai 400 102.

FACTORIES

M.I.D.C. Area, Roha

M.I.D.C. Area, Lote Parashuram

Dhaba Kotla Road, Vijayawada

Baherampura, Ahmedabad

Piplaj, Gujarat

EXCEL INDUSTRIES LIMITED**NOTICE**

NOTICE is hereby given that the FORTY-THIRD ANNUAL GENERAL MEETING of the Members of EXCEL INDUSTRIES LIMITED will be held at Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai-400 020 on Friday, the 30th July, 2004 at 2.30 p.m. to transact the following business:

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended 31st March, 2004, the Balance Sheet as at that date, and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a director in place of Mr. Atul G. Shroff who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in place of Mrs. Usha A. Shroff who retires by rotation and being eligible, offers herself for reappointment.
5. To appoint a director in place of Mr. Ramchandra N. Bhogale who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint auditors and to fix their remuneration and in this connection to consider and, if thought fit, to pass, with or without modification, as a special resolution, the following:

"RESOLVED THAT pursuant to the provisions of Section 224-A and other applicable provisions, if any, of the Companies Act, 1956, Messrs S. V. Ghatalia & Associates, Chartered Accountants, the retiring Auditors of the Company, be and they are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND TO VOTE ONLY ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 20th July, 2004 to Friday, the 30th July, 2004 (both days inclusive).
3. Members are requested to notify immediately any change in their addresses to their depository participants (DPs) in respect of their electronic share accounts quoting Client ID No. and to the Company in respect of their physical shares, quoting Folio No.
4. Payment of the dividend as recommended by the Directors, if declared at the Meeting, will be made on or after 4th August, 2004 to the Members whose names stand on the Company's Register of Members on Friday, the 30th July, 2004 and to the Beneficiary Holders as per the Beneficiary List on the close of business hours on Monday, the 19th July, 2004 provided by National Securities and Depository Limited and Central Depository Services (India) Limited.
5. Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the amounts of dividends remaining unclaimed for a period of seven years are to be transferred to Investor Education and Protection Fund.

The details of dividend declared/paid for the year 1996-97 onwards are given below:

Date of Declaration	Dividend for the year	Dividend Rs. Per Share	Due date of the proposed transfer to Investor Education & Protection Fund
23.07.1997	1996-97	7.50	04.09.2004
20.07.1998	1997-98	6.00	06.09.2005
30.07.1999	1998-99	7.50	10.09.2006
31.03.2000	1999-2000	7.50	10.07.2007
20.09.2001	2000-01	2.50	27.10.2008
28.10.2002	2001-02	3.00	03.12.2009
29.12.2003	2002-03	1.50	03.02.2011

Members, who have not encashed the Dividend Warrants for the year 1996-97 and/or any subsequent year(s) are requested to write to the Company for revalidation of Dividend Warrants before transfer to the Investor Education and Protection Fund.



For and on behalf of the Board of Directors

G. NARAYANA
Executive Chairman

Registered Office:
184-87, Swami Vivekanand Road,
Jogeshwari (W),
Mumbai-400 102.

Mumbai, 31st May, 2004.

EXCEL INDUSTRIES LIMITED**DIRECTORS' REPORT**

TO THE MEMBERS,

Your Directors have pleasure in presenting the Forty-Third Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st March, 2004.

1. FINANCIAL RESULTS

The salient features of the Company's working are:

	(Rupees in lacs)	
	2003-04	2002-03
Gross Profit for the year was	10,05.56	12,36.62
Less: Depreciation	9,40.94	8,17.15
Leaving a net profit subject to taxation of	64.62	4,19.47
Less: Taxation — Current	7.40	34.00
— Deferred	25.27	69.10
	32.67	1,03.10
	31.95	3,16.37
Add thereto/(Deduct therefrom):		
Excess/(Short) Provision for Taxation for earlier years	44.99	(1,04.93)
Adjustments in respect of earlier years (Net)	(26.59)	(37.74)
	18.40	(1,42.67)
	50.35	1,73.70
Add thereto:		
Debenture Redemption Reserve written back	—	5,79.15
	50.35	7,52.85
Add thereto:		
Balance brought forward from the previous year	11,35.52	9,09.50
Leaving a balance available for disposal of	11,85.87	16,62.35
Appropriations:		
Proposed Dividend	1,09.06	1,63.58
Tax on Dividend	13.97	20.96
Transfer to General Reserve	1,00.00	2,00.00
Transfer to Debenture Redemption Reserve	1,42.29	1,42.29
	3,65.32	5,26.83
Carried forward to next year	8,20.55	11,35.52

2. DIVIDEND

Your Directors have recommended a Dividend of 20% (previous year – 30%) on the Equity Share Capital of Rs. 545.28 lacs for the year ended 31st March, 2004.

3. OPERATIONS

During the year under review, the net sales amounted to Rs. 183 crores as against Rs. 187 crores in the previous year. The reduction in sales is due to reduced export sales. In the current financial year, concerted efforts are underway to make progress again in the export performance. The Profit Before Tax for the year was lower at Rs. 0.65 crore as against Rs. 4.19 crores in the previous year. The amount of amortisation of expenses for the year in respect of compensation under Voluntary Retirement/Separation Schemes was significantly higher at Rs. 4.77 crores as against Rs. 1.98 crores last year.

The Company has completed all the necessary formalities for closure of the Amboli Unit after the implementation of the Voluntary Retirement/Separation Schemes. The Company has entered into a Memorandum of Understanding with a property developer for sale of its plot of land at Amboli, together with structure thereon, for a consideration of Rs. 17.50 crores. The sale transaction is expected to be completed in 2004-05 after completing formalities.

4. REDUCTION OF SHARE CAPITAL

Pursuant to the Scheme of Arrangement for demerger of the Company's Agri Business, the Authorised Share Capital of the Company stands divided into 3,80,00,000 Equity Shares of Rs. 5 each, 8,50,000 11% Cumulative Preference Shares of Rs. 10 each and 3,00,000 Unclassified Shares of Rs. 5 each, aggregating to Rs. 20 crores.

As a result of the demerger and pursuant to the Special Resolution passed at the Extra Ordinary General Meeting of the Company held on 25th April, 2003, the Issued, Subscribed and Paid-up Share Capital of the Company stands reduced from Rs. 1090.56 lacs divided into 1,09,05,630 Equity Shares of Rs. 10 each fully paid-up to Rs. 545.28 lacs divided into 1,09,05,630 Equity Shares of Rs. 5 each fully paid-up.

5. NEW PROJECTS/EXPANSIONS/IMPROVEMENTS

The Company undertook expansion of its Phosphorous Pentasulphide plant. The 30% enhanced capacity will enable the Company to meet the peak seasonal demand for the product. The Chemicals Business Division also concentrated on implementing the Manufacturing Excellence Programme (MEP) in all its plants. Various projects under the MEP were implemented in the areas of cost reduction, efficiency improvement, customer focus and capacity rationalization through techniques like Kaizen.

The R & D facilities at Roha were strengthened to address the changing needs of the Company's new Pharmaceuticals and Intermediates Business.

Wexsam Limited, a joint venture between your Company, Whyte International Limited, U.K. and Samjin Pharm Co. Limited of South Korea has been incorporated in Hong Kong to market pharmaceuticals and intermediates. Under a Technology Transfer Agreement, your Company would receive the process for the pharmaceutical intermediates and the project to manufacture the same is expected to be implemented during the current year.

During the year, the Company commenced manufacture of bio-products at its new manufacturing site at Village Piplaj near Ahmedabad in Gujarat.

6. OUTLOOK

The Chemicals Business Division expects to commission the Pharmaceutical Intermediates plant and increase its presence in the international market. New products are under development for the Polymer Industry and initial marketing quantities will be sold during the current year. The Environment and Biotech Business Division has taken steps to introduce several new products during the year.

7. ENVIRONMENT, HEALTH AND SAFETY (EHS)

The Company's Roha and Lote units have been certified under IS/ISO-14000 and further initiative has been taken to secure OHSAS standards. The high standards of EHS being practised at the sites have received appreciation from the customers and government authorities.

During the year, the scope of policy on environment was enlarged and a new comprehensive policy for Environment, Health & Safety (EHS) was evolved covering all aspects of business of Chemicals Business Division.

8. QUALITY

The Chemicals Business Division has received the certification under IS/ISO-9001:2000.

9. EDUCATION, LEARNING AND HUMAN DEVELOPMENT

The Company has continued the emphasis on development of people with full commitment and has taken steps to provide opportunities to learn relevant skills and acquire knowledge. The top management of the Company has taken keen interest in the training and development activities.

10. INSURANCE

The Company continues to carry adequate insurance cover for all its assets against foreseeable perils like fire, flood, earthquake, etc. The Company continues to maintain Consequential Loss (Fire) Policy and the Liability Policy as per the provisions of Public Liability Insurance Act.

11. SUBSIDIARY COMPANY

Pursuant to Section 212 of the Companies Act, 1956, the Accounts of Kamaljyot Investments Limited, a subsidiary of the Company, are annexed.

12. FIXED DEPOSITS

The amount of fixed deposits from the public and loans from the shareholders at the end of the year under review aggregated to Rs. 1978.57 lacs. 226 depositors did not claim their deposits after the date on which the deposits became due for payment. The amount due on such deposits and remaining unclaimed as on 31st March, 2004 was Rs. 21.41 lacs. It has come down to Rs. 11.38 lacs as on the date of this Report.

13. DIRECTORS

Mr. Atul G. Shroff, Mrs. Usha A. Shroff and Mr. Ramchandra N. Bhogale, Directors of the Company, retire by rotation at the ensuing Annual General Meeting of the Company and are eligible for reappointment.

14. SOCIAL RESPONSIBILITY

The Company has maintained the tradition of supporting activities and organisations contributing in the rural development and various socially relevant projects. The Company has continued to do this with spirit of duty towards the community.

15. DIRECTORS' RESPONSIBILITY

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (b) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;

- (c) they 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 frauds and other irregularities; and
- (d) they have prepared the annual accounts on a going concern basis.

16. CORPORATE GOVERNANCE

Your Company has been practising the principles of good Corporate Governance over the years and the Board of Directors lays strong emphasis on transparency, accountability and integrity. Your Company has implemented in full the Code of Corporate Governance as per the Listing Agreement with the Stock Exchanges. Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis, Corporate Governance Report and the Auditors' Certificate regarding compliance of the same are part of this Annual Report.

17. PERSONNEL

The relations between the employees and the management continue to be cordial. Your Directors wish to place on record their appreciation of the sincere and devoted efforts of the employees and the management, at all levels. During October 2003, 158 employees in Mumbai representing about 50% of the employees strength opted for voluntary retirement and separation schemes.

18. OTHER INFORMATION

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, regarding employees, is furnished in the Annexures to this Report and forms part of this Report.

19. AUDITORS

The Auditors' Report contains a remark on non-provision for diminution in the value of investments made in Kamaliyot Investments Limited, a subsidiary company. As stated in Note 6 in Schedule U forming part of the Accounts, no provision has been made for the same, since, in the opinion of the management, the said investment is a strategic long-term investment and the decline in its value is of a temporary nature. As regards the reference in the Auditors' Report to Note 8 in Schedule U forming part of the Accounts, the note is self explanatory.

Messrs S. V. Ghatalia & Associates whose term of office as the Auditors of the Company will expire at the conclusion of the ensuing Annual General Meeting of the Company, being eligible, offer themselves for reappointment as Auditors of the Company.

20. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the wholehearted co-operation received from the Company's Bankers and Financial Institutions during the year under review.

For and on behalf of the Board of Directors

Mumbai, 31st May, 2004.

G. NARAYANA
Executive Chairman