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**JD ORGOCHEM LTD.**

**(Formerly known as JAYSYNTH DYECHM LTD.)**

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**Annual Report 2003-04**

## BOARD OF DIRECTORS

SHRI SHARADCHANDRA S. KOTHARI  
CHAIRMAN & MANAGING DIRECTOR

SHRI MAHEDNRA K. KOTHARI

SHRI SHRIKANT P. KOTHARI

SHRI PRAKASH M. KALE (ICICI NOMINEE)

SHRI S. RAMACHANDRAN (IDBI NOMINEE)

SHRI SURESH VARADARAJAN

SHRI TRIKAMDAS ODHAVJI CHANDAN

## COMPANY SECRETARY:

MR. RAVINDRA C. TOLAT

## AUDITORS:

M/s. MAGANLAL & AJAY MEHTA  
CHARATERED ACCOUNTANTS

## PRINCIPAL BANKERS:

BANK OF INDIA  
BANK OF BARODA  
STATE BANK OF INDIA  
IDBI BANK LTD.

## SUBSIDIARY COMPANIES:

JAYSYNTH ANTHRAQUINONES LTD.  
JAYSYNTH (EUROPE) LTD.

## REGISTRAR & TRANSFER AGENTS:

### SHAREPRO SERVICES

Satam Estate, 3rd Floor,  
Above Bank of Baroda,  
Chakala, Andheri (East),  
Mumbai - 400 099.

### SHAREPRO SERVICES

912, Raheja Centre,  
Free Press Journal Marg,  
Nariman Point,  
Mumbai - 400 021.

## REGISTERED OFFICE:

301, Sumer Kendra,  
Near MAhindra Towers,  
Pandurang Budhkar Marg,  
Worli, Mumbai - 400 018.

## PLANTS:

Plot Nos. D-55, 54/2, 54/3, 56  
Trans Thane Creek Indl. Area,  
Thane Belapur Road,  
Turbhe, Dist. Thane,  
MAHARASHTRA - 400 701.

Plot No. A-4/2,  
M.I.D.C. Industrial Area,  
Patalganga, Dist. Raigad.  
MAHARASHTRA - 410 220.

Plot No. 4 & 5,  
Virangam Co-operative Industrial Estate,  
Virangam, Dist. Ahmedabad,  
GUJARAT.

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## JD ORGOCHEM LIMITED NOTICE

**NOTICE** is hereby given that the Thirty First Annual General Meeting of the Company will be held on Wednesday the 30<sup>th</sup> day of March, 2005 at 9.30 a.m. at "RUBY HALL", Hotel Kohinoor Park, Kohinoor Corner, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025 to transact the following business :-

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at September 30, 2004 and the Profit and Loss Account of the Company for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To appoint Shri T.O.Chandan who retires by rotation as a Director of the Company. Shri T.O.Chandan has offered himself for re-appointment as a Director.
3. To appoint Auditors and to fix their remuneration.

MUMBAI : January 31, 2005

**BY ORDER OF THE BOARD**

REGD.OFFICE:

301, Sumer Kendra,  
P.B. Marg, Worli,  
MUMBAI - 400 018.

**R. C. TOLAT  
COMPANY SECRETARY**

### NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 25<sup>th</sup> March, 2005 to Wednesday, the 30<sup>th</sup> March, 2005 both days inclusive.
3. Members desirous of getting any information about the accounts of the Company are requested to send their queries so as to reach at least ten days before the meeting at the Company's Registered Office at 301, SUMER KENDRA, P.B.MARG, WORLI, MUMBAI - 400 018, so that the information required can be made readily available at the meeting.
4. Pursuant to Section 205A of the Companies Act, 1956 unclaimed / unpaid dividends for the financial year ended 31<sup>st</sup> March 1997 have been transferred to the Investors Education & Protection Fund constituted by the Central Government on 20<sup>th</sup> October, 2004.
5. In view of the amendment to the Companies Act, 1956, promulgated by the Companies (Amendment) Act, 1999, dividends which remain unclaimed/unencashed for a period of seven years have to be transferred by the Company to the Investor Education & Protection fund constituted by the Central Government under Sec. 205(A) & 205(C) of the Companies Act, 1956. No claims to such dividends amount will be entertained after the transfer of the unclaimed/unencashed dividend to the above fund. Hence, the shareholders are advised to send all unencashed dividend warrants to the Company's Registered Office at 301, Sumer Kendra P.B. Marg, Worli, Mumbai 400 018 for revalidation. Unpaid dividends will be transferred to the Investors Education and Protection Fund as detailed under :

Dividend for Year ended 31st March	Date of Dividend Warrant	Due date of Transfer with Central Government
1998	15th October 1998	8th November 2005

Members who have not encashed above dividend warrants for the aforesaid financial years are requested to approach M/S. SHAREPRO SERVICES, the Company's Registrar and Transfer Agents, at any of their addresses given below for obtaining duplicate Dividend Warrants immediately.



6. The Shares of the Company are listed with The Mumbai Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 021, and on The National Stock Exchange, Exchange Plaza, 5<sup>th</sup> Floor, Plot No.C/1 G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051. The Company has paid the Annual Listing fees upto date, to the above Stock Exchanges.
7. Consequent upon introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their request in Form 2B (which shall be made available on request) to the Company.
8. Members are requested to intimate change in their address immediately to M/s. Sharepro Services the Company's Registrar and Transfer Agents, at any of their addresses given below.
9. Members holding Shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios alongwith relevant Share Certificates to M/s. Sharepro Services, the Company's Registrar and Transfer Agents, at any of their addresses given below.
10. Members are requested to bring copies of Annual Report to the Annual General Meeting.
11. The Members/proxies should bring the attendance slip duly filled in and signed for attending the meeting.
12. Members are requested to quote Ledger Folio Number / Client ID and DP ID numbers in all their correspondence.
13. In terms of the Notification issued by the Security and Exchange Board of India, Equity Shares of the Company are under compulsory demat trading by all investors. Shareholders are therefore, advised to dematerialise their shareholding to avoid inconvenience in future.
14. **INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:**

The particulars of a Director who is proposed to be appointed/re-appointed are given below:

1. Name : Shri T.O.Chandan  
Age : 70 years  
Qualifications : Matriculation  
Expertise : He has wide experience in Chemical business.  
Other Directorship : Shri T.O.Chandan is not a Director of any other Company.

**REGISTRAR & TRANSFER AGENTS :**

M/S.SHAREPRO SERVICES (INDIA) PVT. LTD.

(UNIT : JD ORGOCHEM LTD.)

1. SATAM ESTATE, 3RD FLOOR,  
ABOVE BANK OR BARODA, CHAKALA,  
ANDHERI [EAST],  
MUMBAI - 400 099
2. 912, RAHEJA CENTRE,  
FREE PRESS JOURNAL MARG,  
NARIMAN POINT,  
MUMBAI - 400 021.

MUMBAI : January 31, 2005

**BY ORDER OF THE BOARD**

REGD.OFFICE:

301, Sumer Kendra,

P.B. Marg, Worli,

MUMBAI - 400 018.

**R. C. TOLAT**  
**COMPANY SECRETARY**

## DIRECTORS' REPORT

To,

The Members,

Your Directors hereby present their Thirty-first Report together with the audited statement of Accounts for the year ended September, 30, 2004.

## 1. FINANCIAL RESULTS :

	YEAR ENDED SEPTEMBER 30, 2004	18 MONTHS PERIOD ENDED SEPTEMBER 30, 2003 [Rs.in million]
Gross Sales	93.41	116.30
Other Income	1.52	4.17
<b>Total Income</b>	<b>94.93</b>	<b>120.47</b>
Profit/(Loss) Before Depreciation	(461.62)	(498.09)
Depreciation	69.09	(105.53)
<b>Net Profit/(Loss)</b>	<b>(530.70)</b>	<b>(604.62)</b>
Previous Year Adjustment	(4.25)	(9.11)
Opening Balance in Profit & Loss A/c.	(1554.67)	(940.94)
<b>Balance carried to Balance Sheet</b>	<b>(2089.62)</b>	<b>(1554.67)</b>

## 2. DIVIDEND :

In view of the loss incurred during the year under review, your Directors are unable to recommend any dividend for the year under review. (Previous year NIL)

## 3. PERFORMANCE :

The manufacturing activity of dyes was suspended for the major part of the period under review due to partial operation at Turbhe and lock-out at Patalganga. Your Company has entered into the business of agrochemicals. Your Company has added agrochemicals to its products line of Dyes and has started manufacturing and marketing the same. The Company has also entered the retail pack market.

Your Company has recorded gross sales of Rs.93.41 million during the period under review as against Rs.116.30 million during the previous year.

The Company has incurred net loss of Rs.530.70 million during the period under review, as against loss of Rs.604.62 million during the previous period. During the period under review your Company produced/outsourced 2,72,548 Kgs. of fungicides and 8,850 Kgs. of Dyes.

## 4. FUTURE PLANS :

On restarting of its production at Patalganga Plant after settlement of the labour matters, your company proposes to hike the production level of the agro-chemicals besides manufacturing of Reactive and Disperse Dyes.

## 5. PROVISIONS OF SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985:

As you are aware, in view of the accumulated loss of the Company having exceeded its net worth as on March 31, 2001, your Company has been declared 'Sick' by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR). The Hon'ble BIFR, appointed the Industrial Development Bank of India (IDBI) as the Operating Agency to formulate a Scheme for Rehabilitation of the Company. IDBI has, in consultation with various lenders, formulated a Scheme for Rehabilitation of the Company and has forwarded the same to the Hon'ble BIFR.

As per draft Rehabilitation Scheme, your Company proposes to sell some of its surplus assets for part settlement of dues of its lenders. The entire sale proceeds are proposed to be distributed among all the lenders on pro-rata basis towards the upfront payment. The balance principal dues of all the lenders are proposed to be paid over a period of six years in quarterly installment on step up based on the gross profit level. Your Company has requested the lenders to waive the entire compound interest, penal interest and liquidated damages as also 50% of existing overdue simple interest upto cut-off date and give concession in the rate of interest with effect from the cut-off date.

## 6. DEBENTURES :

Because of stringent financial conditions experienced by the Company, Debenture Redemption amounts have remained outstanding against privately placed Non-convertible Debentures (Series VI) besides default in payment of interest on the said Debentures.

**7. FINANCE:**

Due to cash losses over the years, the Company has not been able to make payment of interest and installments to the Financial Institutions & Banks. Moreover, Working Capital facilities obtained by the Company from banks are also out-of-order due to reduction in Drawing Power and recovery of installment and interest due on various facilities by the Banks.

As mentioned in para 5 above, IDBI has formulated a Scheme for Rehabilitation of the Company and suitable restructuring of its financial obligation which is pending approval of the Hon'ble BIFR.

**8. DIRECTORS:**

In accordance with the Provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri T.O.Chandan retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

**9. AUDITORS:**

The Company's Auditors M/s.Maganlal & Ajay Mehta, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

**10. QUALIFICATION IN AUDITORS' REPORT:**

The Auditors, in their Report for the financial year under review, have under Serial no.3(v)(a) mentioned that no provision has been made of additional interest and liquidity damages payable for non/delayed payment of interest/installments/lease rentals to the Financial Institutions/Banks/Debentureholders as the same cannot be quantified.

As mentioned in Para No. 5, the Hon'ble Board for Industrial & Financial Reconstruction, in its Order dated July 3, 2002, has declared the company as "Sick Industrial Company" and has appointed IDBI as Operating Agency to formulate a Scheme for Rehabilitation of the Company. IDBI has formulated a Draft Rehabilitation Scheme (DRS) which deals with reliefs and concession to be granted by Financial Institutions and Banks to the Company for its revival and the said DRS includes proposal to waive these amounts by respective Financial Institutions and Banks. Therefore, no provision has been made for the said amounts in the accounts.

The Auditors in their report under Serial no. 3(v)(b) have mentioned that adequacy of the provisions made for meeting the workers' liabilities cannot be ascertained, as referred to in Note No.16 of Schedule 'S'.

Dues payable to the workers on account of retrenchment and resignations were provided in the accounts in earlier years on estimated basis. The litigation in the matter is still going on in the Court and no final settlement has been arrived at so far. Therefore, financial liability on this account cannot be ascertained at this stage and, therefore, no additional provision has been made subsequently.

The Auditors, in their Report at Sr.No.3( v) ( c), have mentioned that no provision has been made in the accounts for the diminution in the value of investments in the Shares of Jaysynth Anthraquinones Ltd., (JAQ) Jaysynth Dyestuff (India) Ltd. (JDIL) and Jaysynth Polychem Pvt. Ltd. (JPL) as well as of advances given as referred to in Note No.16 of Schedule 'S' resulting into the understatement of losses by Rs.232.2 Million.

JAQ has filed a Reference with the Hon'ble BIFR and a Scheme for Rehabilitation of the Company shall be prepared by the Operating Agency, in due course of time. The exact provision in respect of the same shall be made upon formulation of the Rehabilitation Scheme and approval of the Scheme by the BIFR during the current Financial Year.

JDIL has implement a Scheme of Compromise/Arrangement under Sections 100, 391 & 392 of the Companies Act, 1956 with a view to implement the Rehabilitation Proposal approved under the CDR System of RBI on December 30, 2004 which was sanctioned by the Hon'ble High Court, Bombay on December 17, 2004. Since the Scheme has been approved during the current financial year, necessary provision in respect of the same shall be made during the current financial year.

The Auditors, in their Report at Sr.No.3( vi), have mentioned that the Accounts of the Company have been prepared on the basis that the Company is a going concern. However, pending finalization of the Rehabilitation Scheme and relevant directives from BIFR, they are unable to express any opinion presently in this regard.

In this context, your Directors clarify that the Company has re-started operations at its Turbhe Plant. Your Company has paid dues of the workers of Patalganga Plant as per the consent terms and it intend to re-start operations at the said plant shortly. As mentioned earlier, Draft Rehabilitation Scheme is also being formulated for revival of your Company. Your Company is hopeful of an early revival of its financial conditions. Accordingly, the accounts have been prepared on a going concern basis.

The Auditors in their report at Serial no. 3(vii) have mentioned that Shri S.S.Kothari and Shri M.K.Kothari are disqualified from being appointed as Directors in terms of Clause (g) of the sub-section (1) of section 274 of the Companies Act, 1956.

Shri S.S.Kothari and Shri M.K.Kothari are not re-appointed as Directors at the ensuing Annual General Meeting as they are not due for re-appointment.

**11. COST AUDIT:**

In accordance with the directive received from the Central Government audit of the cost accounts relating to "Dyes" manufactured by the Company is required to be conducted by an auditor as prescribed under Section 233B of the Companies Act, 1956.

M/S S.D.Shenoy are appointed as Cost Auditor by your Directors, subject to necessary, approval of the Central Government.



**12. CONSOLIDATED FINANCIAL STATEMENT:**

The Directors are pleased to enclose consolidated financial statements of the Company which consolidate and present the results of the Company, with its wholly owned subsidiaries as a single economic entity, prepared in accordance with the Accounting Standard (AS-21). The aforesaid Consolidated Financial Statements form part of this Annual Report.

**13. DIRECTORS' RESPONSIBILITY STATEMENT :**

In terms of Section 217 (2AA) of the Companies Act, 1956, the Directors would like to state that:

- i. in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. 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 affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii. 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. the Directors have prepared the Annual Accounts on a going concern basis.

**14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO :**

The information required under Section 217 (I) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed hereto and forms part of this Report. Information regarding foreign exchange earnings & outgo are also given in the Annexure forming part of this Report.

**15. CORPORATE GOVERNANCE:**

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Report on Corporate Governance with Auditor's Certification compliance of conditions of Corporate Governance and a Management Discussion and Analysis Report have been attached to form part of the Annual Report.

**16. SUBSIDIARY COMPANIES :**

The Company obtained a Rupee Term Loan of Rs.63 million in earlier years from Exim Bank, inter-alia, on security of Pledge of entire Shares held by the Company in M/s. Dyfarben (USA) Inc., a Wholly Owned Subsidiary (WOS) of the Company. The Term Loan disbursed by Exim Bank was utilized for the purpose of investment in the said WOS. Since the Company failed to make payment of the installment and interest of the said loan in accordance with the Loan Agreement, Exim Bank enforced its right as pledgee over the Pledged Shares of Dyfarben (USA) Inc. during the month of March, 2004 to recover part of its dues. The net amount realized by Exim Bank by sale of the said Shares was Rs.25.48 million, which resulted in a loss of Rs.58.27 million during the year on sale of the said investment. Consequently, Dyfarben (USA) Inc. ceased to be a subsidiary of the Company w.e.f. March 25, 2004. The information required under Section 212 of the Companies Act, 1956 relating to subsidiary Companies is attached.

**17. PARTICULARS OF EMPLOYEES :**

The Company has no employees covered under provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

**18. FIXED DEPOSITS :**

Your Company has not accepted any Fixed Deposit from the public during the year under review.

**19. DELISTING OF EQUITY SHARES :**

Pursuant to Special resolution passed at Company's Annual General Meeting held on 31<sup>st</sup> March, 2004 an application was made for de-listing of Equity Shares from The Stock Exchange, Ahmedabad. The Stock Exchange, Ahmedabad, has confirmed de-listing of your Company's Equity Shares with effect from 25.08.2004. Your Company's shares continue to be listed on The Stock Exchange, Mumbai and The National Stock Exchange.

**20. INDUSTRIAL RELATION :-**

As already reported in the last Directors' Report, the lock-out at Turbhe Unit was lifted and the manufacturing activities were started since May, 2003. The case of retrenched workmen is still pending before Industrial Tribunal, Thane. As regards transfer of employees of Turbhe Unit to Viramgam Unit, the writ petition is still pending before the Hon'ble High Court Bombay and the stay order granted by the Hon'ble High Court on Industrial Court Order is still continuing. In spite of giving notices after the Hon'ble Court order to report at Viramgam, the workmen have not reported on duty, but have filed Letter Patent Appeal (LPA) before Division Bench seeking revision in order pertaining to reporting for duty at Viramgam which is also pending. Pursuant to the Consent Order passed by the High Court, the workers in respect of Patalganga Unit agreed for accepting settlement with the Company and their dues have been crystallized at Rs.543 lacs, out of which two installments aggregating to Rs.362 lacs have been paid during the year under review & the final installment has been paid during the current financial year.

**21. ACKNOWLEDGMENTS:**

Your Directors would like to express their grateful appreciation for the assistance and co-operation extended by the Company's Bankers and Financial Institutions during this difficult period.

ON BEHALF OF THE BOARD OF DIRECTORS

S. S. KOTHARI

CHAIRMAN & MANAGING DIRECTOR

PLACE : MUMBAI

DATED : January 31, 2005


**ANNEXURE - I TO THE DIRECTORS' REPORT 2003 - 04**

Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 & forming part of the Director's Report for the 12 months period ended September 30, 2004.

**FORM A: FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.**

		(Rs. in Millions)	
		2003-04	2002-03
		12 months	18 months
<b>A: POWER &amp; FUEL CONSUMPTION</b>			
<b>1 ELECTRICITY :</b>			
<b>A] Purchased :</b>			
Units (in KWH)	1,120,860	446,616	
Total Amount (Rs. In Million)	4.22	2.24	
Rate/Unit (Rs.) Average	3.76	5.01	
<b>B] Own Generation :</b>			
I) Through Diesel Generator Units (in KWH)	--	--	
Units per litre of Diesel Oil	--	--	
Cost/Unit (Rs.)	--	--	
II) Through Steam Turbine/Generator Units (in KWH)	--	--	
<b>2 COAL :</b>			
Quantity (Tonnes)	--	--	
Total Cost (Rs. in Million)	--	--	
Average Rate (Rs.)	--	--	
<b>3 FURNACE OIL &amp; LSHS : [L.D.O.]</b>			
Quantity (K. Litres)	193.00	54.00	
Total Amount (Rs. in Million)	2.46	0.71	
Average Rate (Rs./Litre)	12.73	13.13	

**B: CONSUMPTION PER UNIT OF PRODUCTION**

In view of the multi-stage, multi-product nature of production covering large number of Dyes, Dye Intermediates & Chemicals, the company is not in a position to furnish the information required.

The Company has fixed on energy conservation module, type MS-I for the big motors on trial basis. The energy saving worked out is approximately 10% Also, the consumption of energy is reduced through improved insulation against heat loss & treatment & recycling of water for boilers & cooling towers.

**ADDITIONAL INVESTMENTS & PROPOSALS FOR REDUCTION OF ENERGY CONSUMPTION:**

NIL

**IMPACT OF ABOVE MEASURES:**

NIL

**FORM B: FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY & DEVELOPMENT. RESEARCH & DEVELOPMENT:**

The company has strengthened its R & D facilities by increasing Senior Managers & Staffs & has also added important analytical equipment to increase efficacy & speed of R & D Work.

**I. SPECIFIC AREAS IN WHICH R & D IS CARRIED OUT BY THE COMPANY:**

1. Development of various types of speciality dyes.
2. Improvement of product quality & process efficiency.
3. Optimising production efficiency.
4. Cost reduction.
5. Pollution Control.
6. Environmental Care.
7. Optimisation of process parameters.



**II. BENEFITS DERIVED AS A RESULT OF ABOVE R & D:**

1. Improvement in the Quality of manufactured products to meet the requirements of highly competitive export markets & for better acceptability in local market also.
2. Pollution free environment in & around factory areas.
3. Cost economy & plant efficiency.
4. Finished products quality improved to meet the customer specification & satisfaction both in international & domestic market.
5. Continuous Improvement in the quality of the process.
6. Economical efficient production.
7. New varieties of dyes developed.
8. Alternate Raw material.

**III. FUTURE PLAN OF ACTION:**

1. Further improvement in the Quality of products & processes.
2. Better Pollution Control.
3. Further reduction in power/fuel consumption.
4. Process modifications or substitution to improve the quality of treated effluent.
5. Exploration of avenues for continuous cost reduction measures.
6. Upgradation of existing pollution control facilities to take care of changing stringent requirement.
7. Continuous improvement in the quality of products & processes.
8. Cost reduction & production efficiency.
9. Use of renewable & conventional sources of energy.
10. Energy conservation.
11. To make the unit environment friendly.
12. Use of renewable source of energy.
13. Reduction in consumption in water.
14. Search for alternate Raw Material.

**IV. EXPENDITURE ON R & D:**

	2003-04 12 months	(Rs. In Millions) 2002-03 18 months
a) Capital Expenditure on R & D	0.43	0.17
b) Recurring Expenditure including Salaries & Allowances	0.34	0.96
<b>Total Expenditure</b>	<b>0.77</b>	<b>1.13</b>
c) Total R & D Expenditure as % of total turnover	0.82	0.97

**V. TECHNOLOGY, ABSORPTION, ADAPTATION & INNOVATION :**

1. Efforts in brief made towards technology absorption, adaptation & innovation :  
The R & D keeps itself abreast of the technical developments & innovations relating to dyes & pigments. The knowledge gained is used for improving Company's products for better consistency in quality, cost effectiveness, energy saving, safety & ecology. For example, synthesis of dyes in granular form & stable liquid form.
2. Benefits derived as a result of the above efforts :  
Saving in Imports
3. Imported Technology (during the last 5 years reckoned from the beginning of the financial year):  
The Company has not imported any technology & do not have any technical collaboration.
4. Foreign Exchange Earnings & Outgo

	2003-04 12 months	(Rs. In Millions) 2002-03 18 months
Total Foreign Exchange Earned	0.60	0.76
Total Foreign Exchange Used	31.24	40.16

## ANNEXURE - II TO THE DIRECTORS REPORT 2003-04 CORPORATE GOVERNANCE REPORT

### 1. THE COMPANY'S PHYLOSOPHY ON CORPORATE GOVERNANCE :

Corporate Governance relates to the systems by which companies are directed and controlled keeping in view long-term interest of Shareholders. Corporate Governance envisages commitment of the Company towards the attainment of transparency, accountability and profitability with objective realizing long term shareholders' value.

### 2. BOARD OF DIRECTORS :

The composition and of the Board of Directors and other details as on 30th September, 2004 is as under:

NAME OF THE DIRECTOR	CATEGORY	NO.OF DIRECTORSHIPS AND COMMITTEE MEMBERSHIPS/CHAIRMANSHIP		
		Other Directorships	Committee Memberships	Committee Chairmanships
SHRI S. S. KOTHARI	CHAIRMAN & MANAGING DIRECTOR	1	1	1
SHRI M. K. KOTHARI	NON-EXECUTIVE DIRECTOR	1	-	-
SHRI S.K. KOTHARI	WHOLE-TIME DIRECTOR	1	-	-
SHRI P.M. KALE (ICICI NOMINEE)	INDEPENDENT DIRECTOR	2	-	-
SHRI S.VARADARAJAN	INDEPENDENT DIRECTOR	-	-	-
SHRI T. O. CHANDAN	INDEPENDENT DIRECTOR	-	-	-
SHRI S.RAMACHANDRAN (IDBI NOMINEE)	INDEPENDENT DIRECTOR	1	1	-

#### Meetings and Attendance

During the year under review, six Board Meetings were held on 30th October 2003, 30th January, 2004, 26<sup>th</sup> February, 2004, 31<sup>st</sup> March, 2004, 30th April 2004, 30th July 2004.

NAME OF DIRECTOR	CATEGORY	NO. OF BOARD MEETINGS		WHETHER ATTENDED THE AGM
		TOTAL	ATTENDED	
SHRI S. S. KOTHARI	CHAIRMAN & MANAGING DIRECTOR	6	6	YES
SHRI M. K. KOTHARI	NON-EXECUTIVE DIRECTOR	6	6	YES
SHRI S.K. KOTHARI	WHOLE-TIME DIRECTOR	6	6	YES
SHRI P.M. KALE (ICICI NOMINEE)	INDEPENDENT DIRECTOR	6	6	YES
SHRI S.RAMACHANDRAN (IDBI NOMINEE)	INDEPENDENT DIRECTOR	6	5	NO
SHRI S.VARADARAJAN	INDEPENDENT DIRECTOR	6	6	YES
SHRI T. O. CHANDAN	INDEPENDENT DIRECTOR	6	4	YES

### 3. COMMITTEES OF THE BOARD

#### i. Audit Committee

Terms of reference of Audit Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges that inter alia. The overview of the Company's financial reporting process, review of the half-yearly and annual financial statements, the adequacy of internal control systems, the financial and risk management policies and the significant findings and adequacy of internal audit function etc.

The Chairman of the Audit Committee is Shri Mahendra K. Kothari with Shri P.M.Kale and Shri S.Varadarajan as members. Shri S.K.Jain, General Manager-Finance, Shri Pankaj Kothari General Manager-Accounts and representatives of M/s. Maganlal & Ajay Mehta the statutory auditors and M/s. S.D.Shenoy Cost Auditors are permanent invitees to the Audit Committee Meetings. The Company also has Internal Audit Team which submits its report to the Audit Committee. Shri R.C.Tolat, Company Secretary acts as a Secretary to the Committee.