



JD ORGOCHEM LTD.

(Formerly known as JAYSYNTH DYECHEM LTD.)

Annual Report 2004-06

BOARD OF DIRECTORS

Shri Sharadchandra S. Kothari
Chairman & Managing Director

Shri Shrikant K. Kothari
Whole-Time Director

Shri Mahendra K. Kothari

Shri Phool Chand Rai

Shri Umesh T. Chandan

Shri Jay K. Manek

COMPANY SECRETARY

Mr. Ravindra C. Tolat

AUDITORS

M/s. Maganlal & Ajay Mehta
Chartered Accountants

PRINCIPAL BANKERS

HDFC Bank Limited
Syndicate Bank

SUBSIDIARY COMPANIES

Jaysynth Anthraquinones Limited
Jaysynth (Europe) Limited

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 Industrial Area,
Thane Belapur Road,
Turbhe, Dist. Thane - 400 701.
Maharashtra

Plot N. A-4/2, M.I.D.C. Industrial Area,
Patalganga, Dist. Raigad - 410 220

REGISTRAR & TRANSFER AGENTS

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

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

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JD ORGOCHEM LIMITED

NOTICE

NOTICE is hereby given that the 32nd Annual General Meeting of the Company will be held on Friday the 29th day of September, 2006 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 March 31, 2006 and the Profit and Loss Account of the Company for the 18 months period ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Shri Shrikant K. Kothari, who retires by rotation and being eligible, offers himself for re-appointment as a Director.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution :
"RESOLVED THAT Shri P. C. Rai who was appointed as an Additional Director by the Board of Directors of the Company and holds office till the date of the Annual General Meeting and being eligible for reappointment, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
5. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution :
"RESOLVED THAT Shri Umesh T. Chandan who was appointed as an Additional Director by the Board of Directors of the Company and holds office till the date of the Annual General Meeting and being eligible for reappointment, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Shri Jay K. Manek who was appointed as an Additional Director by the Board of Directors of the Company and holds office till the date of the Annual General Meeting and being eligible for reappointment, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
7. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 (the Act), read with Schedule XIII of the Act (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company hereby approves the appointment of and the terms of re-appointment of Shri Shrikant K. Kothari as a Whole-time Director for a period of two years with effect from 01.10.2005 upon principal terms and conditions as set out in the Explanatory Statement annexed to the Notice convening this meeting with liberty and power to the Board of Directors (hereinafter referred to as "the Board" which expression shall also include the Remuneration Committee of the Board), in the exercise of its discretion and to alter & vary from time to time the terms and conditions of the said appointment.
"RESOLVED FURTHER THAT the board be and is hereby authorized to do all such act, deeds and matters and things as may be necessary, proper expedient or desirable to give effect to this Resolution and/or to make modification as may be deemed to be in the best interest of the Company."
8. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 (the Act), read with Schedule XIII of the Act (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company hereby approves the appointment and the terms of re-appointment of Shri Sharadchandra S. Kothari as Managing Director for a period of two years with effect from 01.10.2005 upon principal terms and conditions as set out in the Explanatory Statement annexed to the Notice convening this meeting with liberty and power to the Board of Directors (hereinafter referred to as "the Board" which expression shall also include the Remuneration Committee of the Board), in the exercise of its discretion and to alter & vary from time to time the terms and conditions of the said appointment."
"RESOLVED FURTHER THAT the board be and is hereby authorized to do all such act, deeds and matters and things as may be necessary, proper expedient or desirable to give effect to this Resolution and/or to make modification as may be deemed to be in the best interest of the Company."

PLACE : MUMBAI

DATED : August 22, 2006

Registered Office :

301, "Sumer Kendra",

P.B. Marg, Worli, MUMBAI - 400 018.

BY ORDER OF THE BOARD

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 Tuesday, the 26th September, 2006 to Friday, the 29th September, 2006 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 31st March 1998 have been transferred to the Investors Education & Protection Fund constituted by the Central Government on 28th October, 2005.
5. 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, 5th 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.
6. 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.
7. 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.
8. 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.
9. Members are requested to bring copies of Annual Report to the Annual General Meeting.
10. The Members/proxies should bring the attendance slip duly filled in and signed for attending the meeting.
11. Members are requested to quote Ledger Folio Number/ Client ID and DP ID numbers in all their correspondence.
12. 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 therefor, advised to dematerialise their shareholding to avoid inconvenience in future.

REGISTRAR & TRANSFER AGENTS :**M/S.SHAREPRO SERVICES (INDIA) PVT. LTD.**

(UNIT : JD ORGOCHEM LIMITED)

- | | |
|---|--|
| 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. |
|---|--|

Explanatory statement pursuant to Section 173 of the Companies Act, 1956.**Item No. 4 :**

Shri P.C.Rai was appointed as an Additional Director on 28th January, 2006, pursuant to Section 260 of the Companies Act, 1956. He holds office of director up to the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member along with required deposit, proposing the candidature of Shri P. C. Rai for the office of director under the provisions of Section of Section 257 of the Companies Act, 1956. Brief profile of the Director is given in the Annexure to the Notice in pursuance of Clause 49 of the Listing Agreement. None of the Directors, except Shri P. C. Rai himself, are concerned or interested in the Ordinary Resolution.

Item No. 5 :

Shri Umesh T. Chandan was appointed as an Additional Director on 28th January, 2006, pursuant to Section 260 of the Companies Act, 1956. He holds office of director up to the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member along with required deposit, proposing the candidature of Shri Umesh T. Chandan for the office of director under the provisions of Section of Section 257 of the Companies Act, 1956. Brief profile of the Director is given in the Annexure to the Notice in pursuance of Clause 49 of the Listing Agreement. None of the Directors, except Shri Umesh T. Chandan himself, are concerned or interested in the Ordinary Resolution.

Item No. 6 :

Shri Jay K. Manek was appointed as an Additional Director on 26th April, 2006, pursuant to Section 260 of the Companies Act, 1956. He holds office of director up to the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member along with required deposit, proposing the candidature of Shri Jay K. Manek for the office of director under the provisions of Section of Section 257 of the Companies Act, 1956. Brief profile of the Director is given in the Annexure to the Notice

in pursuance of Clause 49 of the Listing Agreement. None of the Directors, except Shri Jay K. Manek himself, are concerned or interested in the Ordinary Resolution.

Item No. 7 :

As the members of the Company are aware, Shri S. K. Kothari is on the Board of Directors of the Company since 09.11.1985. Shri S. K. Kothari was re-appointed at the Extra Ordinary General Meeting of the Company held on 30th October, 2003 as a Whole-Time Director of the Company for a period of two years w.e.f. 1st October, 2003, and his term of office expired on 30th September 2005. Shri S. K. Kothari is re-appointed as a Whole-Time Director of the Company for a period of two years w.e.f. 1st October, 2005 at the meeting of the Board of Directors held on 29th July, 2005 and members' approval is sought for his re-appointment.

The terms and conditions of his appointment are as detailed below :-

Salary : He will not be paid any salary.

The draft Agreement between the Company and Shri S.K.Kothari inter alia also contain the following terms and conditions :-

- Shri S. K. Kothari shall conduct the day-to-day management of the Company subject to the supervision and control of the Board of Directors. Shri S.K.Kothari shall not be liable to retire by rotation.
- If at any time Shri S. K. Kothari ceases to be Director of the Company for any reason whatsoever, he shall cease to be Whole-Time Director.
- Shri S. K. Kothari shall not be entitled to supplement his earnings with any buying or selling commission. He shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.
- Shri S. K. Kothari shall be provided with a car & driver and telephone facility at residence for use on Company's business.
- The Agreement may be terminated by either party giving the other party three months' notice.
- The draft Agreement also sets out the mutual rights and obligations of the Company and of Shri S. K. Kothari. In compliance with the provisions of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the members in Annual General Meeting for their approval. The Board commends the Resolution for acceptance by the members.

The draft of the Agreement to be entered into by the Company with Shri S. K. Kothari is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company excluding Public holidays.

Shri S. K. Kothari and Shri M. K. Kothari as relative of Shri S. K. Kothari may be deemed to be concerned or interested in the resolution. None of the other Directors are concerned or interested in the Resolution.

The above may be treated as an extract of the terms of appointment between the Company and Shri S. K. Kothari pursuant to Section 302 of the Companies Act, 1956.

Item No. 8 :

As the members of the Company are aware, Shri S. S. Kothari is on the Board of Directors of the Company since in corporation. Shri S. S. Kothari was re-appointed at the Extra Ordinary General Meeting of the Company held on 30th October, 2003 as a Managing Director of the Company for a period of two years w.e.f. 1st October, 2003 and his term of office expired on 30th September 2005. Shri S. S. Kothari is re-appointed as a Managing Director of the Company for a period of two years w.e.f. 1st October, 2005 at the meeting of the Board of Directors held on 29th July, 2005 and members' approval is sought for his re-appointment.

The terms and conditions of his appointment are as detailed below :-

Salary : He will not be paid any salary.

The draft Agreement between the Company and Shri S.S.Kothari inter alia also contain the following terms and conditions :-

- Shri S. S. Kothari shall conduct the day-to-day management of the Company subject to the supervision and control of the Board of Directors. Shri S. S. Kothari shall not be liable to retire by rotation.
- If at any time, Shri S. S. Kothari ceases to be Director of the Company for any reason whatsoever, he shall cease to be the Managing Director.
- Shri S. S. Kothari shall not be entitled to supplement his earnings with any buying or selling commission. He shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.
- Shri S. S. Kothari shall be provided a car & driver and telephone facility at residence for use on Company's business.
- The Agreement may be terminated by either party giving the other party three months' notice.
- The draft Agreement also sets out the mutual rights and obligations of the Company and of Shri S. S. Kothari. In compliance with the provisions of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the members in Annual General Meeting for their approval. The Board commends the Resolution for acceptance by the members.

The draft of the Agreement to be entered into by the Company with Shri S. S. Kothari is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company excluding Public holidays.

Shri S. S. Kothari may be deemed to be concerned or interested in the resolution. None of the other Directors are concerned or interested in the Resolution.

The above may be treated as an extract of the terms of appointment between the Company and Shri S. S. Kothari pursuant to Section 302 of the Companies Act, 1956.

BY ORDER OF THE BOARD

R. C. TOLAT
COMPANY SECRETARY

PLACE : MUMBAI

DATED : August 22, 2006

Registered Office :

301, "Sumer Kendra",

P.B. Marg, Worli, MUMBAI - 400 018.

ANNEXURE TO NOTICE DATED AUGUST 22, 2006

**Details of Directors Seeking Appointment/ Re-Appointment at the forthcoming Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)**

NAME (SHRI)	S.S.KOTHARI	M.K.KOTHARI	S.K.KOTHARI	P. C. RAI	UMESH CHANDAN	JAY MANEK
Age (Years)	69	59	52	66	45	22
Date of Appointment	October 5, 1973	October 5, 1973	November 9, 1985	January 28, 2006	January 28, 2006	April 26, 2006
Experience	He is B.A., B.Com. and L.L.B. from Bombay University and is in charge of overall operations of the Company. He has over 50 years of wide and varied experience in the field of finance, manufacturing, marketing and export of dyes, dye intermediates and chemicals. He has contributed immensely to the Research & Development projects of the Group. He is well conversant with the industry, commerce and trade.	Over 30 years of wide and varied experience in manufacturing of dyes, dyes intermediates and chemicals. He is well versed in project management and has successfully implemented various projects of the Group. He is well conversant with the industry, commerce and trade.	He is B.Sc. having over 30 years of wide and varied experience in manufacturing of dyes, dyes intermediates and chemicals. He is well conversant with the industry, commerce and trade.	He is M.A. in Sociology from Gorakhpur University, M.A. in Personnel Management from Tata Institute of Social Sciences and L.L.B. from Mumbai University. He retired from HPCL as General Manager (P&A) and is practicing as consultant on Labour & HR matters.	He has wide experience of accounting and financial matters.	He is a Bachelor of Management Studies and doing Master Degree in Management.
Directorship held in other public companies	Nil	Nil	Nil	Nil	Nil	Nil
Membership/ Chairmanship of committees across Public Company	<u>Chairman</u> Shareholders'/ Investors' Grievance Committee - JD Orgochem Ltd.	<u>Chairman</u> Audit Committee - JD Orgochem Ltd. <u>Member</u> Shareholders'/ Investors' Grievance Committee - JD Orgochem Ltd.	-	<u>Chairman</u> Remuneration Committee - JD Orgochem Ltd. <u>Member</u> Audit Committee & Shareholders'/ Investors' Grievance Committee - JD Orgochem Ltd.	<u>Member</u> Remuneration Committee - JD Orgochem Ltd.	<u>Member</u> Audit Committee & Remuneration Committee - JD Orgochem Ltd.
Shareholding of Non-executive Directors	Not Applicable	76,245	Not Applicable	Nil	300	Nil

DIRECTORS' REPORT

To,
The Members,

Your Directors hereby present their 32nd Report together with the audited statement of Accounts for the 18 months period ended March 31, 2006.

1. FINANCIAL RESULTS :

Particulars	18 months period ended March 31, 2006	(Rs.in million) Year ended September 30, 2004
Gross Sales	103.37	93.41
Other Income	9.13	1.52
Total Income	112.50	94.93
Loss before extraordinary items and depreciation	(561.92)	(461.62)
Impairment of Assets	(213.52)	-
Write off pursuant to the Court Scheme	(99.00)	-
Depreciation	(102.32)	(69.09)
Net Loss	(976.76)	(530.70)
Prior Period Adjustments	(1.24)	(4.25)
Fringe Benefit Tax	(0.16)	-
Balance Brought Forward	(2,089.62)	(1,554.67)
Balance Carried to Balance Sheet	(3,067.78)	(2,089.62)

2. CHANGE OF ACCOUNTING YEAR :

At the Board of Directors meeting held on July 29, 2005, the financial year of the Company was changed from September ending to March ending. Hence, the financial period covered by these Accounts is of 18 months, i.e., from October 2004 to March 2006. Necessary approval has been received from the Registrar of Companies, Maharashtra, Mumbai vide its letter No. ROC/KC/16908/TA/K/1563 dated 23.08.2005 for change of the accounting year from September ending to March ending and vide its letter No. ROC/KC/16908/TA/K/1563/Extn/88 dated 14.03.2006 for holding the Annual General Meeting on or before September 30, 2006.

3. DIVIDEND :

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

4. PERFORMANCE :

The Company's plant at Turbhe Plant was operational for part of the period upto March 2005 while it was in production of Agro-chemicals which was suspended due to decline in prices of the Agro-chemicals and unviable cost structure / profitability. The Patalganga Plant was closed for the entire period of 18 months.

Your Company has recorded gross sales of Rs.103.37 million during the period under review as against Rs.93.41 million during the previous year. The Company has incurred net loss of Rs.976.76 million during the period under review, as against loss of Rs.530.70 million during the previous year. During the period under review, your Company produced 189 tons of fungicides and 30 tons of Dyes.

5. FUTURE PLANS :

The Company is working out a revival package with the help and support of BIFR/ ARCIL/ SASF, which may be finalised shortly. The revival package may inter-alia include induction of funds from strategic investors, sale of surplus assets and restart of operation of its Patalganga Plant.

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

Hon'ble Board of Industrial Finance and Restructuring vide its order dated 01.07.2002 declared the Company as "Sick Industrial Company" and appointed Industrial Development Bank of India (IDBI) as Operating Agency (OA). IDBI submitted the Draft Rehabilitation Scheme to the Hon'ble BIFR. In the mean time, Bank of India, Bank of Baroda, State Bank of India, IDBI Bank and Exim Bank have assigned the loans granted by them in favour of Asset Reconstruction Company (India) Ltd (ARCIL) and Industrial Development Bank of India assigned its debt to Stressed Assets Stabilisation Fund (SASF). The Company is now working out a Rehabilitation Scheme with ARCIL/ SASF.

7. 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.

8. FINANCE :

Due to cash losses over the years, the Company continues to default in payment of interest and installments to the Secured Creditors.

As mentioned in para 5 above, the revival package is being worked out for suitable restructuring of its financial obligations.

9. DIRECTORS :

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the Company, Shri P. C. Rai and Shri Umesh T. Chandan were appointed as Additional Directors of the Company at the Board of Directors Meeting held on 28.01.2006 and Shri Jay K. Manek was appointed as an Additional Directors of the Company at the Board of Directors Meeting held on 26.04.2006. These Directors would hold office upto the ensuing Annual General Meeting. The Resolutions proposing their appointments are incorporated in the Notice conveying the Annual General Meeting.

Shri Shrikant K. Kothari retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

The Board of Directors at its meeting held on 29th July, 2005 has re-appointed Shri Sharadchandra S. Kothari as Managing Director of the Company and Shri Shrikant K. Kothari as Whole-time Director of the Company for the period of two years with effect from 01.10.2005 to 30.09.2007 subject to approval of Shareholders in General Meeting and such other approvals as may be required. The Resolutions proposing re-appointment of Shri Sharadchandra S. Kothari as Managing Director of the Company and that of Shri Shrikant K. Kothari as Whole-time Director of the Company is incorporated in the Notice conveying Annual General Meeting.

ICICI Bank Ltd. withdrew its nomination of Shri Prakash M. Kale with effect from 24.11.2005. Shri Suresh Vardarajan and Shri Trikamdas O. Chandan resigned as Director of the Company with effect from 30.01.2006. The Board of Directors of the Company has taken on record deep sense of appreciation of valuable guidance given by them during their tenure as Directors of the Company.

IDBI withdrew its nomination of Shri S. Ramachandran as Director w.e.f. 03.04.2006. The Board of Directors of the Company has taken on record deep sense of appreciation of valuable guidance given by him during his tenure as Director of the Company.

10. 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.

11. QUALIFICATION IN AUDITORS' REPORT :

As regards Auditors' qualification at Serial No. 3(v)(a) of the Audit Report, your directors clarify that a revival package is being worked out for suitable restructuring of Company's financial obligations and these amounts may be waived by respective lenders / debenture holders. Therefore, no provision has been made for the said amounts in the accounts.

As regards Auditors' qualification at Serial No. 3(v)(b) of the Audit Report, your directors clarify that 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. Therefore, financial liability on this account cannot be ascertained at this stage and, therefore, no additional provision has been made subsequently.

As regards Auditors' qualification at Serial No. 3(v)(c) of the Audit Report, your directors clarify that JAQ has been declared a 'Sick Industrial Company' by the Hon'ble BIFR and ICICI bank has been appointed as the Operating Agency (OA). JAQ has submitted a Draft Rehabilitation Scheme to the OA which shall be finalized and approved 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.

As regards Auditors' qualification at Serial No. 3(v)(d) of the Audit Report, your directors clarify that your Company has not availed any further financial assistance since last audited accounts and adequate provision has been made in the accounts for interest payable to the lenders / debenture holders at document rates. As mentioned above, the banks and financial institutions have assigned the loans granted by them to the Company in favour of ARCIL/ SASF during the financial period and the Company has not received any Balance Confirmation / Certificate from the lenders and debenture holders.

As regards Auditors' qualification at Serial No. 3(v)(e) of the Audit Report, your directors clarify that as mentioned earlier, your Company is hopeful of an early revival of its financial conditions. Accordingly, the accounts have been prepared on a going concern basis.

As regards Auditors' qualification at Serial No. 3(vi) of the Audit Report, your directors clarify that Shri S. S. Kothari and Shri M. K. Kothari are permanent Directors as provided in Article 132(a) of Articles of Association and they are the main promoters of the Company.

12. CONSOLIDATED FINANCIAL STATEMENT :

Your 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 hereby 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. appropriate accounting policies have been selected and applied consistently, and have 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 March 31, 2006 and of the loss of the Company for the year ended on that date;
- iii. 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;
- iv. the Annual Accounts have been prepared on a going concern basis.

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

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, 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:

As per clause 49 of the Listing Agreements with the Stock Exchanges, a separate Section on Corporate Governance Practices followed by the Company together with a certificate from the Company's Auditors confirming compliance forms part of this Report.

16. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

As per clause 49 of the Listing Agreements with the Stock Exchanges, a separate Section on Management Discussion and Analysis Report is appended to this Report.

17. SUBSIDIARY COMPANIES :

The information required under Section 212 of the Companies Act, 1956 relating to subsidiary Companies is attached.

18. 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.

19. FIXED DEPOSITS :

Your Company has not accepted any Fixed Deposit from the public.

20. INDUSTRIAL RELATION :

As regards Turbhe Unit, 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 on Industrial Court order is continuing. As the workers did not report at Viramagam despite of order from High Court their services were terminated. The dispute regarding Termination of their services is also pending before Industrial Tribunal Thane.

Dues of the worker at Patalganga Unit were settled pursuant to the consent order passed by the High Court. However, some of the workers filed appeal against the Consent Order before the Division Bench which was also dismissed. Now they have preferred an appeal before Supreme Court which is still pending.

21. RESEARCH AND DEVELOPMENT :

The Research and Development Department of the Company has been engaged in development of value added Agrochemicals, improvement of product quality & process efficiency and cost reduction.

22. ACKNOWLEDGMENTS :

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

PLACE : MUMBAI

DATED : August 22, 2006

S. S. KOTHARI
CHAIRMAN & MANAGING DIRECTOR

ANNEXURE I TO THE DIRECTORS' REPORT

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 18 MONTHS PERIOD ENDED MARCH 31, 2006.

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

		(Rs. in Millions)	
A: POWER & FUEL CONSUMPTION	2004-06	2003-04	
1. ELECTRICITY :	18 months	12 months	
Purchased :			
Units (in KWH)	817,740	1,120,860	
Total Amount (Rs. In Million)	2.99	4.22	
Rate/Unit (Rs.) Average	3.65	3.76	
2. FURNACE OIL & LSHS : [L.D.O.]			
Quantity (K. Litres)	80.85	193.00	
Total Amount (Rs. in Million)	1.28	2.46	
Average Rate (Rs./Litre)	15.80	12.73	
3. OTHER/INTERNAL GENERATION	-	-	

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.

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 and 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 value added Agro-chemicals.
2. Improvement of product quality & process efficiency.
3. Optimising production efficiency and process parameters.
4. Cost reduction.
5. Pollution Control and Environmental Care.

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

1. Improvement in product quality competitive export and local market.
2. Pollution free environment in & around factory areas.
3. Economical efficient production & plant efficiency.
4. Continuous Improvement in the quality of the process.

III. FUTURE PLAN OF ACTION :

1. Development of value added Agro-chemicals.
2. Further reduction in power/fuel consumption.
3. Exploration of avenues for continuous cost reduction measures.
4. Upgradation of existing pollution control facilities to take care of changing stringent requirement.
5. Conservation of Energy.

IV. EXPENDITURE ON R & D :

a) Capital Expenditure on R & D	0.17	0.43
b) Recurring Expenditure including Salaries & Allowances	-	0.34
Total Expenditure	0.17	0.77
c) Total R & D Expenditure as % of total turnover	-	0.82

V. TECHNOLOGY, ABSORPTION, ADAPTATION & INNOVATION :

Turbhe plant of the Company was closed for most part of the period under review while the Palaganga plant was closed for the entire period.

VI. FOREIGN EXCHANGE EARNINGS & OUTGO :

Total Foreign Exchange Earned	-	0.60
Total Foreign Exchange Used	6.07	31.24