

ANNUAL REPORT AND ACCOUNTS 2006 - 2007



JAYSHREE CHEMICALS LIMITED

Jayshree Chemicals Limited

Directors

Shri S. K. Bangur	(Chairman)
Shri D. D. Kothari	
Shri P. Bandyopadhyay	(LIC Representative)
Shri N. V. L. Ratan (w.e.f. 3rd July, 2007)	(SBBJ Nominee)
Shri B. Padhy	(IDCOL Nominee)
Shri Prabir Chakravarti	
Shri Virendra Bangur	
Shri Satish Kapur	
Shri D. K. Maheshwari	(Executive Director)

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Bankers

State Bank of Bikaner and Jaipur

Auditors

Messrs. K. N. Gutgutia & Co.
Chartered Accountants

Registered Office & Works

P. O. Jayshree - 761 025
District : Ganjam (Orissa)

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Jayshree Chemicals Limited

NOTICE is hereby given that the 45th Annual General Meeting of the Company will be held at its Registered Office at P. O. Jayshree - 761025, District Ganjam, Orissa on Saturday, the 29th September, 2007 at 11.30 A.M. to transact the following business :-

1. To receive and adopt the Profit and Loss Account of the Company for the year ended 31st March, 2007 and the Balance Sheet as at that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri P. Bandyopadhyay, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Prabir Chakravarti, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri S. K. Bangur, who retires by rotation and being eligible offers himself for re-appointment.
5. To re-appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications, the following Resolution :-

6. (As an Ordinary Resolution)
 "Resolved that the Company hereby approves the re-appointment of and the remuneration payable to Shri D. K. Maheshwari as a wholetime Director designated as Executive Director of the Company for a further period from 1st April, 2007 to 31st March, 2008 upon the terms and conditions set out in the Agreement to be made between the Company and Shri Maheshwari, a draft of which initialled by the Chairman for the purpose of identification is placed before the Meeting."

Kolkata,
 Date : 26th June, 2007

By Order of the Board
Virendra Bangur
 Director

NOTES :

- i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
- ii) Explanatory Statement pursuant to the requirements of Section 173(2) of the Companies Act, 1956 relating to the item of Special Business is annexed.
- iii) The Register of Members and the Share Transfer Books of the Company will remain closed from 14th September, 2007 to 29th September, 2007, both days inclusive.
- iv) Shareholders desiring any information on the Accounts are requested to write to the Company in advance to enable the Company to keep the information ready.

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- v) In terms of the provisions of Section 109A of the Companies Act, 1956, nomination facility is available to individual Shareholders. Shareholders holding Shares in physical form and desirous of availing the above facility are advised to submit their Nominations in Form 2B prescribed under Rule 5D of the Companies (Central Government's) General Rules & Forms, 1956.

Shareholders holding Shares in the dematerialised form are advised to contact their Depository Participant in this behalf.

- vi) The Company's Shares are available for dematerialisation both on National Securities Depository Limited and Central Depository Services (India) Ltd. and its ISIN No. is INE693E01016.
- vii) Shareholders, who hold Shares in dematerialised form are requested to bring their Client ID and DPID Nos. for easier identification of attendance at the Meeting.
- viii) In terms of Clause 49 of the Listing Agreement, the information pertaining to the Directors, who retire by rotation and are proposed to be re-appointed is given below :-

- a) Shri P. Bandhyopadhyay is a Director representing Life Insurance Corporation of India ('LIC') on the Board of Directors of the Company since 31st July, 2003. He is also a member of the Audit Committee of the Board of Directors and the Remuneration Committee of the Directors of the Company. He is a Post Graduate in Arts. Shri Bandyopadhyay was the Chief Vigilance Officer of the National Insurance Co. Ltd. and has retired from the service of LIC after serving in Senior Positions.

Shri Bandyopadhyay does not hold any Share in the Company.

- b) Shri Prabir Chakravarti is a Director of the Company since 29th July, 2002. He is M.A. (Economics) and a law graduate from Calcutta University. He did his MBA from Queens University, Belfast in United Kingdom. Shri Chakravarti has wide experience of various industries. He is a Past President of All India Organisation of Employers, New Delhi, Bharat Chamber of Commerce, Calcutta Club Ltd. and the Rotary Club of Calcutta. He was District Governor 2004-05 of Rotary International District 3290.

Shri Chakravarti has been a member of various standing committees established by the Government of India, Ministry of Labour. He has represented the Employers, both as a leader and a member of various delegations, in India and abroad. He has served as a Trustee of Regional Provident Fund Commission, West Bengal, Sikkim and Andaman & Nicobar Island and also as a member of the State Labour Standing Committee of West Bengal. He is a Member of the Governing Body of Indian Institute of Social Welfare and Business Management (ISWBM).

Shri Chakravarti is a Director of Baghmari Tea Company Ltd., Bhoruka Aluminium Ltd., Nicco Financial Services Ltd., Reliance Jute Mills (International) Ltd., VCS Ltd., BNK Capital Markets Ltd., Sinclairs Hotels and Transportation Ltd., Nicco

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Corporation Ltd., Jayshree Chemicals Ltd., SPS Steels Rolling Mills Ltd., Besco Ltd., Bally investment Trust Private Ltd. and BNK e.Solutions Private Ltd. He is a Member of various Committees of the Board of Directors of the following companies :-

<u>Name of Company</u>	<u>Nature of Committee</u>
Bhoruka Aluminium Ltd.	Audit Committee Managerial Remuneration Committee
BNK Capital Markets Ltd.	Audit Committee
Sinclairs Hotels And Transportation Ltd.	Share Transfer & Investors Grievance Committee
Nicco Corporation Ltd.	Audit Committee Remuneration Committee Share Transfer & Investors Grievance Committee
Jayshree Chemicals Ltd.	Audit Committee Remuneration Committee

Shri Chakravarti does not hold any Share in the Company.

- c) Shri S. K. Bangur is a Director of the Company since 1st August, 1985. He is an eminent industrialist hailing from the well known family of Bangurs - the Scions of Industry and noted philanthropists. He is a Graduate from Calcutta University. Shri Bangur has wide experience of various industries like paper, newsprint, cables, chemicals, plantations, etc. He has been actively involved with the activities of Indian Paper Manufacturers' Association and has also been the President of the same. Shri Bangur is the President of the Indian Chamber of Commerce, Kolkata and the Committee Member of the Federation of Indian Chambers of Commerce & Industry (FICCI) and Bharat Chamber of Commerce. He is also associated with various charitable and philanthropic organisations carrying on the traditions of the illustrious Bangur Family.

Shri Bangur is the Chairman and Managing Director of The West Coast Paper Mills Limited; Chairman of Rama Newsprint And Papers Limited; Jayshree Chemicals Limited, The Diamond Company Limited, The Kil Kotagiri Tea & Coffee Estates Co. Limited, Mothola Company Limited, Shree Satyanarayan Investments Co. Limited and Union Company Limited and the Director of Gloster Telecom Limited, Hindusthan National Glass & Industries Limited, Laxmi Asbestos Products Limited, The Marwar Textiles (Agency) Private Limited and Shree Satyanarayan Properties Private Limited.

He is the Member of the Remuneration Committee of the Directors of Jayshree Chemicals Ltd.,

Shri S. K. Bangur holds 55,000 Equity Shares of the Company in his own name.

Jayshree Chemicals Limited**EXPLANATORY STATEMENT**

Pursuant to Section 173(2) of the Companies Act, 1956

The term of office of Shri D. K. Maheshwari as the Executive Director of the Company was to expire on 31st March, 2007. Shri D. K. Maheshwari is the Executive Director of the Company since 20th August, 1998. He is a Post Graduate in Commerce and during his career of more than 44 years has served various industries like Jute, Engineering, Steel, Chemical, Power Cables and Information Technology in Senior Position. Shri Maheshwari is a Director of The Diamond Company Ltd., Fort Gloster Industries Ltd., Union Company Ltd. and Shree Packaging Private Ltd. He is a Member of the Executive Committee of Alkali Manufacturers Association of India and Member of Committees of the Board of Directors of the following companies :-

<u>Name of Company</u>	<u>Nature of Committee</u>
Jayshree Chemicals Ltd.	Investors' Grievance Committee
Fort Gloster Industries Ltd.	i) Committee of Directors ii) Audit Committee iii) Investors' Grievance Committee iv) Remuneration Committee

Shri Maheshwari does not hold any Shares in the Company.

Having regard to his background and experience, the Board of Directors of the Company ('the Board') at its Meeting held on 25th January, 2007 re-appointed Shri Maheshwari as the Executive Director of the Company on such remuneration as may be approved by the Remuneration Committee of the Directors of the Company ('Remuneration Committee'). The Remuneration Committee at its Meeting held on 25th January, 2007 decided the remuneration of Shri Maheshwari.

The terms and conditions of such re-appointment of Shri Maheshwari as approved by the Board are set out in the Agreement ('Agreement') to be entered into by the Company with him and an abstract of the terms thereof is set out below :-

Shri Maheshwari is re-appointed a wholetime Director designated as Executive Director of the Company for the period from 1st April, 2007 to 31st March, 2008.

As Executive Director, Shri Maheshwari shall devote the whole of his time and attention to the business and affairs of the Company and perform such duties and exercise such powers as may from time to time be entrusted to or vested in him by the Board.

In consideration of his services as Executive Director, Shri Maheshwari shall be entitled to receive the following by way of remuneration :-

- (a) Salary : Rs. 56,000/- per month.
- (b) Perquisites :
 - i) House Rent Allowance : At the rate of 15% of the Salary per month.
 - ii) Medical Reimbursement : Expenses incurred for self and family subject to a ceiling of one and a half months' Salary in a year.
 - iii) Leave Travel Assistance : At the rate of one and a half months' Salary in each year of service.

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- iv) Medclaim Insurance : For an insured amount of Rs. 1,50,000/-.
- v) Continuation of Company's contributions for him to Provident Fund, Superannuation Fund or Annuity Fund in accordance with the Rules and Regulations of the Company.
- vi) Continuation of Gratuity entitlement at a rate not exceeding half a month's Salary for each completed year of service.
- vii) Encashment of accumulated leave not exceeding two months at the end of the tenure.

Provided that in the event of absence or inadequacy of profits of the Company in the financial year during the term of Shri Maheshwari's appointment, he shall for that year receive the same Salary as in clause (a) above and same perquisites as in clause (b) above as minimum remuneration subject to the ceiling limits prescribed in Section II.1(A) of Part II of Schedule XIII to the Companies Act, 1956 ('the Act').

In addition to the aforementioned remuneration, the Company will at its expenses provide Shri Maheshwari with a car for use on the Company's business and a telephone at his residence provided that use of car for private purpose and personal long distance calls on the telephone shall be billed by the Company to him.

Under the Agreement Shri Maheshwari is entitled to earned/privilege leave on full pay and allowances as per the Rules of the Company.

The Agreement also sets out the mutual rights and obligations of the parties and other administrative details.

The re-appointment and remuneration of Shri Maheshwari as Executive Director require the approval of the Members of the Company in general meeting in terms of Part - III of Schedule XIII to the Act and the remuneration so payable to him also requires the approval of the members of the Company in general meeting under Section 309 of the Act.

The Ordinary Resolution set out in Item 6 of the convening Notice has to be considered accordingly and the Board recommends the same.

A draft of the Agreement will be available for inspection by the members of the Company at its Registered Office at P. O. Jayshree - 761025, District Ganjam (Orissa) on any working day prior to the date of the Meeting during usual business hours and will also be available at the Meeting.

No Director of the Company, except Shri Maheshwari, is concerned or interested in the Resolution.

Jayshree Chemicals Limited**DIRECTORS' REPORT****TO THE MEMBERS**

The Directors present herewith their Annual Report together with the audited Accounts of the Company for the year ended 31st March, 2007.

FINANCIAL RESULTS

	<u>31-3-2007</u>	<u>31-3-2006</u>
	<u>Rs.</u>	<u>Rs.</u>
Profit for the year	4,39,48,365	10,08,51,315
Add / (Less) :		
Provision for Taxation :		
Current Tax	(19,27,776)	—
Fringe Benefit Tax	(8,14,369)	(4,92,000)
Income Tax for earlier years	—	(7,81,992)
Deferred Tax (Net)	(1,48,46,000)	(3,97,83,000)
Minimum Alternate Tax Credit Entitlement	19,27,776	—
	<u>2,82,87,996</u>	<u>5,97,94,323</u>
Less : Debit Balance brought forward	5,51,91,767	11,49,86,090
Leaving a deficit of	<u>2,69,03,771</u>	<u>5,51,91,767</u>

Which is being carried forward to next year.

DIVIDEND

The Directors regret their inability to declare any dividend due to accumulated loss.

OPERATING RESULTS

During the year under review, the Company achieved the lifetime highest production of 23,969 M.T. of Caustic Soda due to better maintenance and improved work culture. The production would have been still higher had the quality of power supplied been better.

In the absence of special power tariff agreement with the Southern Electricity Supply Company of Orissa Ltd. (Southco), the Company was forced to avail supply at normal tariff and hence the cost of power increased considerably. The Company's Application against the Tariff Order of the Hon'ble OERC for the year 2005-06 was turned down. Aggrieved by this, the Company filed an Appeal before the Hon'ble Supreme Court of India which is pending. Application for review of Tariff Order for the year 2006-07 is pending before the Hon'ble OERC.

CURRENT OUTLOOK

The year 2007-08 has begun with declining prices of Caustic Soda, Chlorine and Hydrochloric Acid because of increased availability of these products due to setting-up of additional capacities. However, the prices are now stabilising and are likely to improve.

Production of Salt in Andhra Pradesh and Orissa was affected during the last season owing to inclement weather. As such, there was no carryover stock. The current season started with a great hope, but during the later part there were heavy rains resulting in shortage of salt in our area and accordingly salt will have to be procured from other sources.

Negotiations for special power tariff with Southco are continuing and the Company hopes to have a positive end to these efforts.

The matter of One Time Settlement of the dues of Gridco / Southco is under negotiation.

*Jayshree Chemicals Limited***EXPANSION**

Environment Impact Application of the Company in respect of its expansion-cum-conversion plans has been cleared by the Orissa Pollution Control Board. Now the matter is lying before the Ministry of Environment & Forest, Government of India, for final approval. After such approval, effective steps will be taken for expansion followed by conversion of Mercury Cell Technology into Membrane Cell Technology.

INDUSTRIAL RELATIONS

Relations of the Company with the staff and workers remained cordial throughout the year.

GENERAL

The welfare activities and other community development programmes around the Factory including aid to educational institutions were continued. The Balaji Temple inside the Staff Colony has been completely renovated. The results of the students of Jayshree Chemicals School at Ganjam, who appeared in the ICSE and ISC examinations during the year, were encouraging.

The Company's Shares were listed on Mumbai and Bhubaneswar Stock Exchanges. The Listing Fees for the year ended 31st March, 2007 has been paid to the Bombay Stock Exchange Ltd.

In response to the Company's Application for voluntary delisting of its Equity Shares from the Bhubaneswar Stock Exchange Ltd. by complying with all the requirements in this behalf within 31st March, 2004, the said Stock Exchange, vide their Notification dated 28th September, 2006, delisted the aforesaid Shares therefrom with immediate effect.

The Company's Shares are available for dematerialisation both on National Securities Depository Ltd. and Central Depository Services (India) Ltd. The ISIN No. is INE 693E01016.

The Company places on record its appreciation for the dedicated services of all the Workmen, Staff and Executives. The Company also expresses its gratitude to the State Government, Electricity Authorities, State Bank of Bikaner And Jaipur and the Local Authorities for their continued co-operation and support.

SAFETY

The Company has adequate system for Industrial Safety. The Government of Orissa has granted State Safety Award Certificate to the Company for longest Accident Free Period Category for the year 2005. The year under review also continued to be NIL accident year.

ENVIRONMENT

The Company has made adequate provisions for protection of the environment at its Factory. Your Company has implemented all points of CHARTER ON CORPORATE RESPONSIBILITY FOR ENVIRONMENTAL PROTECTION (CREP) which was voluntarily signed by Industry alongwith the Ministry of Environment & Forests, Government of India. As a result, your Company has been able to further reduce consumption of Mercury to 46 gms. per M.T. of Caustic Soda. The Company has complied with the statutory requirements of the State Pollution Control Board. The Company has also initiated work on Secured land-fill for its sludge in compliance with the Order of the Hon'ble Supreme Court of India. Work on the Salt Washery at the Company's Saltfield at Pundi is going on.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

The Particulars prescribed 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, to the extent applicable forming part of this Report, are as per annexure.