

**CHAIRMAN EMERITUS**

**Mr. Subhash D. Dandekar**

**BOARD OF DIRECTORS**

**Mr. Dilip D. Dandekar** — Chairman & Managing Director

**Mr. Rajiv M. Dandekar** — Joint Managing Director

**Mr. Shriram S. Dandekar** — Executive Director

**Mr. Deepak M. Dandekar** — Executive Director

**Mr. Ashish S. Dandekar** — Executive Director

**Mr. Govind G. Desai**

**Mr. Shrikrishna E. Godbole**

**Mr. Madhukar P. Khedkar**

**Mr. Premanand A. Narvekar**

**Mr. Shishir S. Shirgaokar**

**Mr. Pramod M. Sapre**

**Mr. Dhananjay N. Mungale**

**REGISTERED OFFICE**

Camlin House, J. B. Nagar,  
Andheri (E), Mumbai 400 059.

**WORKS**

J. B. Nagar, Andheri (E), Mumbai 400 059.

M.I.D.C. Boisar, Tarapur (Dist. Thane) 401 506.

M.I.D.C. Taloja, Navi Mumbai 410 208.

101, Gangyal Industrial Area, Phase II, Jammu 180 004.

**COMPANY SECRETARY**

**Ms. Lorna D'cunha**

**AUDITORS**

**M/s. B.K. Khare & Co.**  
Chartered Accountants  
Mumbai.

**BANKERS**

Bank of Maharashtra  
The United Western Bank Ltd.

**REGISTRARS & TRANSFER AGENTS**

**M/s. Sharepro Services**  
Unit: Camlin Limited  
Satam Estate, 3<sup>rd</sup> Floor,  
Cardinal Gracious Road,  
Chakala, Andheri (E),  
Mumbai 400 099.

<b>Contents</b>	<b>Page No.</b>
Notice .....	2
Directors' Report .....	5
Management Discussion and Analysis .....	9
Corporate Governance Report .....	12
Auditors' Report .....	19
Balance Sheet .....	22
Profit & Loss Account .....	23
Schedules to Accounts .....	24
Cash Flow Statement .....	42
Consolidated Balance Sheet and Profit & Loss Account .....	45



## NOTICE

**NOTICE** is hereby given that the **57<sup>th</sup> Annual General Meeting** of the Members of Camlin Limited, will be held on Friday, the 23<sup>rd</sup> July, 2004 at 3.00 p.m. at Walchand Hirachand Hall, Indian Merchants' Chamber Marg, Churchgate, Mumbai 400 020, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2004 and the Balance Sheet as at that date and the report of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. Govind G. Desai, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Deepak M. Dandekar, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Shrikrishna E. Godbole, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint B. K. KHARE and CO., Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS:

7. To consider and if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution:

**"RESOLVED THAT** in supersession of the Special Resolution passed by the members at the 54<sup>th</sup> Annual General Meeting of the Company, held on 29<sup>th</sup> August, 2001 for delisting of shares and subject to the provisions of Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, the Companies Act, 1956, and subject to such approvals, permissions and sanctions, as may be necessary under any other applicable enactments or rules and subject to such conditions and modifications, as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board"), consent of the Company be and is hereby accorded to the Board to seek voluntary delisting of the

Company's equity shares from Ahmedabad, Delhi, Madras and Pune Stock Exchange(s).

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to take all necessary steps in this regard, to comply with all the legal and procedural formalities and further to authorise the Committee of Directors or any of its Director(s) or Officer(s) to do all such acts, things and deeds as may be necessary to give effect to this resolution."

8. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

**"RESOLVED THAT** in supersession of the Special Resolution passed by the members at the 55<sup>th</sup> Annual General Meeting of the Company, held on 29<sup>th</sup> August, 2002 and pursuant to the provisions of Section 314 (1) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to appoint Mr. Subhash D. Dandekar as "Sr. Corporate Advisor" who is a relative of the Directors of the Company, with effect from 1<sup>st</sup> August, 2004, for a period of three years, on monthly consultancy fees of Rs. 25,000/- plus service tax alongwith car and driver for the purpose of this assignment and also reimbursement of telephone and other communication facilities, travelling, conveyance, entertainment and all other incidental expenses incurred by him from time to time in the course of carrying out assignment for the Company."

9. To consider and if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution:

**"RESOLVED THAT** consent of the Company be and is hereby accorded under the provisions of section 314 (1) and other applicable provisions, if any, of the Companies Act, 1956 for payment of revised basic salary of Rs. 7,472/- per month with effect from 1<sup>st</sup> October, 2003 together with perquisites, allowances and benefits (collectively called 'remuneration') aggregating to Rs. 20,808/- per month to Ms. Renuka P. Sapre, a relative of Mr. Pramod M. Sapre, Director of the Company."

Regd. Office:  
'Camlin House'  
J. B. Nagar,  
Andheri (East),  
MUMBAI 400 059.

Dated : 10<sup>th</sup> June, 2004.

By Order of the Board

**LORNA D'CUNHA**  
Company Secretary

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement as required under section 173(2) of the Companies Act, 1956 in respect of the business referred to under Item Nos. from 7 to 9 (both numbers inclusive) is annexed hereto.
3. The Register of Members and Share Transfer Books will remain closed from 17<sup>th</sup> July, 2004 to 23<sup>rd</sup> July, 2004 (both days inclusive).
4. The Dividend if sanctioned will be paid on or before 21<sup>st</sup> August, 2004 to those eligible shareholders whose names stand in the Register of Members on 23<sup>rd</sup> July, 2004. Members are requested to furnish bank details by 17<sup>th</sup> July, 2004 in order to enable the Company to print the same on the dividend warrants. In respect of shares held in dematerialised form the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
5. With respect to payment of dividend, the Company provides the facility of Electronic Clearing Service (ECS) to all Members, holding shares in dematerialised and physical form located at Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Jaipur, Kolkata, and Mumbai.

Members holding shares in dematerialised form are requested to instruct their respective Depository

Participants regarding bank accounts in which they wish to receive the dividends through ECS.

Members holding shares in the physical form who wish to avail ECS facility, may authorise the Company with their ECS mandate in the prescribed form, which can be downloaded from the Company's web-site [www.camlin.com](http://www.camlin.com) under the section 'Investor Relations'. Requests for payment of dividend through ECS for the year 2003-2004 should be lodged with Registrars and Transfer (R&T) Agents, M/s. Sharepro Services, Satam Estate, 3<sup>rd</sup> Floor, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai - 400 099 on or before 17<sup>th</sup> July, 2004.

6. Pursuant to provisions of Section 205A(5) of the Companies Act, 1956, all dividends which remained unpaid or unclaimed upto the financial year ended 31<sup>st</sup> March, 1994, have been transferred to General Revenue Account of the Central Government. Concerned members are requested to claim the amount from the Office of the Registrar of Companies, Maharashtra, C.G.O Complex, 2<sup>nd</sup> Floor, A Wing, CBD - Belapur, Navi Mumbai- 400 614.
7. Members who have not encashed their dividend warrants for the financial year ended 31<sup>st</sup> March, 1997 and thereafter, may immediately approach the R&T Agents to submit their claim for the said dividend. The amount of dividend remaining unclaimed for a period of 7 years shall be transferred to 'Investors Education and Protection Fund' as per provisions of Section 205C of the Companies Act, 1956. It may also be noted that once the unclaimed dividend is transferred to the Fund, as above, no claim shall lie in respect thereof.
8. Members, who hold shares in Dematerialised form are requested to bring their Client ID and DP ID Nos. for easy identification of attendance at the meeting.



---

---

**ANNEXURE FORMING PART OF THE NOTICE  
EXPLANATORY STATEMENT  
(Pursuant to Section 173 (2) of the Companies Act, 1956)**

**SPECIAL BUSINESS:**

**ITEM NO. 7:**

With the extensive networking of The Stock Exchange, Mumbai and availability of nationwide trading terminals, the investors have access to online dealings in the equity shares of the Company across the country. The volume of trading of the Company's equity shares on Ahmedabad, Delhi, Madras and Pune Stock Exchanges is not significant. The Listing Fees paid to these Stock Exchanges at present constitutes about 72.90% of the total listing fees paid to all the Stock Exchanges for each financial year and does not offer any commensurate benefits to the Company or Investors. Further, delisting of shares will contribute to reduction in administrative costs/efforts of the Company. In view of this, it is proposed to seek your approval once again for delisting of shares from all Stock Exchanges except Mumbai under the new guidelines issued by SEBI, which are easier to implement as against earlier regulations applicable in this regard. Under the said guidelines, no exit opportunity is required to be given to the Shareholders

None of the Directors of the Company, are in any way, concerned or interested in the resolution.

Directors recommend the Special Resolution for your approval.

**ITEM NO. 8:**

Section 314 (1) of the Companies Act, 1956, inter-alia, provides that appointment of a relative of a Director for holding an Office or a place of profit in a Company carrying total monthly remuneration exceeding Rs. 10,000/- but not more than Rs. 50,000/-, shall require approval of the Members by Special Resolution.

Considering the expertise, knowledge and vast experience possessed by Mr. Subhash D. Dandekar and his contribution to the business, your Directors strongly feel that Company should have his continued advice and revise the

consultancy fees from the present Rs.18,000/-per month to Rs. 25,000/- per month.

None of the Directors of the Company other than Mr. Dilip D. Dandekar and Mr. Ashish S. Dandekar, are in any way, concerned or interested in the resolution.

Directors recommend the Special Resolution for your approval.

**ITEM NO. 9:**

Section 314 (1) of the Companies Act, 1956 inter-alia, provides that the appointment or revision of remuneration of a relative of Director for holding an Office or place of profit in a Company carrying total monthly remuneration exceeding Rs. 10,000/- but not more than Rs. 50,000/-, shall require approval of the Members by Special Resolution.

Ms. Renuka P. Sapre who has already resigned from the services of the Company, with effect from 1<sup>st</sup> December, 2003 was paid a revised basic salary of Rs. 7,472/- per month with all other perquisites, allowances and benefits aggregating to Rs. 20,808/- per month payable to her grade, under the approval of the Board of Directors.

None of the Directors of the Company other than Mr. Pramod M. Sapre, are in any way, concerned or interested in the resolution.

Directors recommend the Special Resolution for your approval.

Regd. Office:  
'Camlin House'  
J. B. Nagar,  
Andheri (East),  
MUMBAI 400 059.

Dated : 10<sup>th</sup> June, 2004.

By Order of the Board

**LORNA D'CUNHA**  
Company Secretary

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting herewith the 57<sup>th</sup> Annual Report and Audited Statements of Account for the Financial Year ended 31<sup>st</sup> March, 2004.

### FINANCIAL RESULTS:

	(Rs. in Lacs)	
	2003-2004	2002-2003
Profit Before Extra-ordinary Item & Tax	309.40	936.14
Less: Extra-ordinary Item – Amortisation of VRS Cost	—	321.17
	309.40	614.97
Less: Provision for Tax		
– Current	72.00	275.00
– Deferred	32.57	(106.55)
– Prior Year (Net)	15.28	2.25
Profit After Tax	189.55	444.27
Balance brought forward from last year	970.68	454.71
Debt Redemption Reserve written back	125.00	250.00
	1285.23	1148.98
Transferred to:		
Proposed Dividend	72.00	96.00
Corporate Dividend Tax	9.23	12.30
General Reserve	40.00	70.00
Balance Carried Forward	1164.00	970.68
	1285.23	1148.98

### REVIEW OF OPERATIONS:

Your Company has achieved net sales of Rs. 18,268.50 Lacs for the year as compared to Rs. 17,517.43 Lacs in the previous year, showing an increase of 4.29%. Company's total export turnover this year at Rs. 3,127.70 Lacs (Previous year Rs. 2,989.46 Lacs) increased by 4.62%.

In spite of marginal increase in net sales, profit before extra-ordinary item and tax dropped steeply by 66.95% over the previous year. Fall in profit is attributable mainly to rising cost of inputs and need-based increase in quantities of free samples given for promoting products of Consumer Products & Pharmaceutical Divisions, as also to the inability of the Company to increase selling prices in the face of domestic as well as international competition. Continuous appreciation of rupee against dollar adversely affected the profitability of exports. Besides higher cost of materials, higher amount of finance charges and depreciation made a dent in the profits as compared to the previous year. As a matter of fact, the profit before depreciation, interest and tax is lower only by 31.30% against the previous year. However, the management consistently watched and effectively controlled other overheads as against those of the previous year. In the light of benefits expected to accrue from promotional efforts and

investments made by the Company in augmenting its manufacturing capacities, the management hopes to improve the Company's performance during the current year.

### DIVIDEND:

Considering lower profits available for distribution your Directors recommend payment of dividend at the rate of Rs. 1.50 per share as against Rs. 2.00 per share in the previous year on 48 Lacs equity shares of Rs. 10/- each, for the year ended 31<sup>st</sup> March, 2004. Dividend if approved at the forthcoming Annual General Meeting, will be paid to those eligible shareholders whose names stand in the Register of Members on 23<sup>rd</sup> July, 2004 and to those whose names are furnished as beneficial owners by the Depositories. Total dividend outgo amounts to Rs. 72.00 Lacs exclusive of tax of Rs. 9.23 Lacs to be paid by the Company.

### NEW PLANT AT JAMMU:

Management is pleased to report that wooden slat making and seasoning plant, set up at Jammu with total investment of Rs. 124.19 Lacs became commercially operative from 1<sup>st</sup> November, 2003 and the activities have stabilised at satisfactory levels. It is expected that these activities shall enable the Company to improve quality and price realisation of the pencils.

### SUBSIDIARY COMPANIES:

#### Camlin North America, Inc., U.S.A.:

Camlin North America, Inc., U.S.A., a wholly owned subsidiary, started its commercial activities in October, 2003. Management expects the operations to reach satisfactory level during the current year.

#### Camlin International Limited:

Camlin International Limited, a wholly owned subsidiary, exported Rs. 42.13 Lacs worth of goods, to South Korea and earned a net profit of Rs. 4.40 Lacs, Directors have recommended maiden dividend of 30% for the year ended 31<sup>st</sup> March, 2004.

Central Government has exempted the Company from attaching the Annual Reports and other particulars of its Subsidiary Companies alongwith the Annual Report of the Company required under Section 212 of the Companies Act, 1956, accordingly the Reports of the Subsidiary Companies are not attached herewith.

The Company shall provide copy of Annual Report and other documents of its Subsidiary Companies to the shareholders on their request, free of cost.

Statement under Section 212 (3) of the Companies Act, 1956 in respect of both the Companies, along with information required to be disclosed as per direction of Central Government is annexed.





## CONSOLIDATED FINANCIAL STATEMENTS:

As required under Clause 32 of the Listing Agreement and Accounting Standard No. 21, issued by the Institute of Chartered Accountants of India, the Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2004 have been prepared by the Company and the said audited statements form part of the Annual Report.

## COST AUDIT:

The Company's Cost Records for the year ended 31<sup>st</sup> March, 2004 in respect of manufacturing activities of Bulk Drugs, are being audited by Cost Auditor, Mr. Prakash A. Sevekari, Mumbai.

## DEPOSITS:

During the year, the total amount of fixed deposits held by the Company was Rs. 629.14 Lacs. There are no overdue deposits except unclaimed deposits amounting to Rs. 2.96 Lacs as at 31<sup>st</sup> March, 2004, out of which, deposits amounting to Rs. 0.76 Lacs have been repaid/renewed as on date.

## DIRECTORS:

Mr. Govind G. Desai, Mr. Deepak M. Dandekar and Mr. Shrikrishna E. Godbole retire by rotation and being eligible offer themselves for re-appointment. You are requested to appoint them.

## DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i. that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. that 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 ended 31<sup>st</sup> March, 2004 and of the profit of the Company for the year under review;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records for the year ended 31<sup>st</sup> March, 2004 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. that the Directors have prepared the annual accounts for the financial year ended 31<sup>st</sup> March, 2004 on a 'going concern' basis.

## CORPORATE GOVERNANCE:

The Company has complied with the Corporate Governance requirements as stipulated under the listing agreement with

the Stock Exchanges. A certificate from the auditors confirming the compliance form part of this report. A separate section on Management Discussion and Analysis is also annexed to this report.

## TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND:

The Company has transferred a sum of Rs. 3.21 Lacs during the financial year to the Investor Education and Protection fund established by the Central Government. The said amount represents unclaimed debentures alongwith interest and fixed deposits which have been unclaimed with the Company for a period of 7 years from their respective due dates of payment.

## EMPLOYEE RELATIONS:

Negotiations with workmen of Andheri, Tarapur & Taloja establishments for wage agreements, are in progress and it is hoped that an amicable settlement would emerge.

Relations with the employees at all levels remained cordial, during the year.

## AUDITORS:

The retiring Auditors, B. K. KHARE & CO., Chartered Accountants, Mumbai, being eligible have given their consent for re-appointment for the year 2004-2005. You are requested to appoint them.

## GENERAL:

As required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the relevant information pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the annexure to this report.

There were no employees in receipt of remuneration of Rs. 24,00,000/- or more, if employed throughout the year or Rs. 2,00,000/- per month, if employed for part of the year.

## ACKNOWLEDGEMENT:

Your Directors wish to express their gratitude to the Members, Depositors, Bankers, Financial Institutions and the Customers for their active support and patronage. We also wish to acknowledge the spirit of dedication, commitment and co-operation extended by employees at all levels.

For & on behalf of the Board

**DILIP D. DANDEKAR**  
Chairman & Managing Director

Place : Mumbai

Dated : 10<sup>th</sup> June, 2004.

## ANNEXURE TO DIRECTORS' REPORT

**PARTICULARS PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.**

### A. CONSERVATION OF ENERGY

**(a) Energy conservation measures taken:**

Installation of automatic power control unit for the maintenance of power factor has yielded 3.13% incentive on power bill during the year.

The major steps taken towards energy conservation during this financial year were the installation of:

- (i) Eco-friendly vapor absorption machines (VAM) against conventional chilling plant;
- (ii) Condensed water recovery network and boiler efficiency controlling software; and
- (iii) Super impellers.

**(b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy:**

No additional investments are envisaged. However, steps have been taken to introduce improved operational methods, rationalisation and better methods of lighting, aimed to save consumption of power and fuel.

**(c) Impact of the above matters:**

As a result of measures taken/to be taken, enumerated in (a) and (b) above further economy in conservation of energy coupled with reduction in cost of production shall be possible.

**(d) Total energy consumption and energy consumption per unit of production:**

As per FORM A.

#### FORM A

Form of disclosure of particulars with respect to conservation of energy  
(Applicable in respect of Bulk Drug and Fine Chemical activities)

#### (A) Power and Fuel Consumption

	2003-2004	2002-2003
<b>1. Electricity</b>		
(a) Purchased		
Units (KWH)	1739959	1298511
Total Amount (Rs. in Lacs)	70.75	53.31
Rate/Unit (Rs.)	4.07	4.10
(b) Own Generation	—	—
<b>2. Coal</b>	—	—
<b>3. Light Diesel Oil (LDO)</b>		
Quantity (K. Ltrs.)	458.00	279.55
Total Amount (Rs. in Lacs)	99.40	52.52
Average Rate per Ltr. (Rs.)	21.70	18.79
<b>4. Others/Internal Generation</b>	—	—
<b>(B) Consumption per Unit of production (M.T.)</b>	<b>Standards</b>	<b>Standards</b>
	<b>(If any)</b>	<b>(If any)</b>
Electricity (KWH)	757	522
LDO (Ltrs.)	199	112

### B. TECHNOLOGY ABSORPTION

#### FORM B

Form for disclosure of particulars with respect to absorption

#### Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company : New product development, Process development.



2. Benefits derived as a result of the above R&D : Cost reduction, Quality upgradation, Development of new markets.
3. Future plan of action : Future plan of action envisages acceleration in the process of development already set in motion and undertaking more process development work for Bulk Drugs, Fine Chemicals and other products aimed to achieve cost reduction, and improvement in quality.

(Rs. in Lacs)

4. Expenditure on R&D:

- (a) Capital
- (b) Recurring
- (c) Total
- (d) Total R&D Expenditure as a percentage of total turnover

2003-2004	2002-2003
12.52	50.49
77.15	91.78
89.67	142.27
0.49%	0.81%

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

1. Efforts made towards Technology Absorption, Adaptation and Innovation : The Company's R&D Laboratory is recognised by the Department of Scientific & Industrial Research, Govt. of India, where continuous efforts are made to innovate new products and improve the quality of Stationery, Industrial Adhesives, Art Material, Bulk Drug and Fine Chemical products manufactured/procured by the Company and to make the manufacturing process safe, cost effective and environment friendly. Considering post 2005 era, the Fine Chemical R & D has initiated basic research activities in synthesis of new organic compounds.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc. : Technological, innovations and improvements undertaken at the Laboratory scale have been successfully absorbed at plant level. These efforts shall benefit the Company in increasing sales, reducing cost, and improving quality and scale of the production. The Fine Chemical Division is heading towards global leadership in food grade antioxidants.
3. Technology Import : N. A.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

- (a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

Exports of Consumer Products increased by 38.68% during the year 2003-2004. The Company continued its participation in international exhibitions held in Europe and has appointed distributors in U.S.A., Europe, Africa, Latin America, Middle East, South East Asia and other countries.

For giving further boost to export sales, the presence in international exhibitions will be enhanced during the year.

The inspection of manufacturing facilities of Fine Chemicals Division by Multinational buyers is being organised to inspire the confidence of potential buyers.

- (b) Total Foreign Exchange used and earned:

(Rs. in Lacs)

Foreign exchange used

Foreign exchange earned

2003-2004	2002-2003
1,231.85	1,324.65
3,127.70	2,991.45

For & On behalf of the Board

**DILIP D. DANDEKAR**

*Chairman & Managing Director*

Place : Mumbai

Dated : 10<sup>th</sup> June, 2004.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Directors have the pleasure of presenting the Management Discussion & Analysis report for the year ended 31<sup>st</sup> March, 2004.

### INDUSTRY STRUCTURE & DEVELOPMENT AND SEGMENTWISE PERFORMANCE:

Consumer Products, Fine Chemicals and Pharmaceuticals are three business segments of your Company.

The size of the Indian market for the products, in which the Consumer Products Division deals, is estimated at Rs. 2,200 Crores per annum. This estimation does not include the export potential and is purely an in-house estimate as no official published data whatsoever for the Art Material and Stationery product industry is available.

Consumer Products Industry is dominated by product specific companies, set up domestically as also by the multinational companies. Besides, there are lot of players in unorganised sector involved in manufacturing and trading. Your Company is one of those few distinguished entities covering very broad spectrum of artist materials, writing instruments, scholastic and office stationery products.

Chemical Industry of which bulk drugs and fine chemicals are part, is very big and except for anti-oxidants and food grade chemicals, your Company has limited presence in the market. Since Company exports anti-oxidants and food grade chemicals in substantial quantities, it is subject to competition from international companies.

Pharmaceutical Industry is believed to have an aggregate size of Rs. 19,678 Crores and growing @ 8% as reported by ORG-IMS March, 2004. The Industry has shown the momentous shift from manufacturing to R&D and Sales and Marketing. The patent regime further highlights the opportunities that would bring in yet exciting time ahead. New products continue to fuel the growths of the market. Approximately 3700 new products were launched in the last 24 months and have grossed a value of almost Rs. 1,500 Crores in the year 2003-04. The market which was till recently dominated by MNCs has now been led to a large extent by domestic MNCs. Besides, there are a large number of units in the small scale sector which caters to the manufacturing requirements of large companies. Many Indian MNCs have set up plants in developed countries and have earned a name in the international pharmaceutical industry.

The segmentwise performance is as follows:

#### • **CONSUMER PRODUCTS:**

This Segment covers wide range of artist materials, writing instruments, scholastic, office stationery and adhesives. Students, amateur and professional artists and

commercial establishments are users of the Company's products. Due to increase in level of income, special thrust given by the Government for education particularly in rural areas and appreciation of role played by art in shaping the career of the students, the market has been growing steadily.

Pioneering status, ability to understand and fulfil the needs of the consumers, constant product innovation, competitive pricing, service to the traders and quality standards at par with leading international companies have enabled the Company to maintain market leadership in spite of entry of domestic and international companies. Company has over the years, built up a massive base of consumers particularly through the medium of All India Camel Colour Contest and hobby painting classes where continuous interaction takes place with students, art teachers, professional and household artists. Company has been able to cultivate tremendous brand loyalty over generations and this strategy has proved to be much more cost effective as against conventional promotion only through advertising.

The Company is taking special efforts in the international markets to promote the products particularly in the range of colours and writing instruments such as hobby colours and markers. Formation of 100% subsidiary in USA, is expected to give a good boost to the Company's export efforts.

During the financial year, Company has achieved net sales of Rs. 12,439.16 Lacs as against Rs. 12,772.19 Lacs in the previous year, recording a decrease of 2.61% due to "Back to School" season, which is the major value building period having been adversely affected in the aftermath of the then proposed VAT and its subsequent withdrawal and the transport strike. Growth in exports however is 38.68% over the previous year.

#### • **FINE CHEMICALS:**

This segment covers Food Grade antioxidants and Active Pharmaceutical Ingredients (API) such as TBHQ, BHA, Amlodipine Besylate, Amlodipine Hydrochloride, Miconazole Nitrate, Flutamide, Fluconazole, Nitrendipine etc. Antioxidants are used in the Food Industry whereas Active Pharmaceutical Ingredients are used in the Pharmaceutical Industry.

In spite of pressure on margins caused by entry of small manufacturers from the unorganised sector and lower price realisation due to appreciation of rupee, the Company was able to improve its market share. This was brought about by increased volume of production and



constant process development undertaken for reducing production cost. Efforts are on to expand the product base so that the Company faces competition more effectively.

During the financial year, Company has achieved net sales of Rs. 3,145.23 Lacs as against Rs. 2,874.96 Lacs in the previous year, recording an increase of 9.40%. However there was a marginal decrease in exports by 0.03% over the previous year.

• **PHARMACEUTICALS:**

This Segment covers trading in pharmaceutical products like corticosteroids, antifungals, anti-asthmatic, nasal decongestants and skin lotions. Increased promotion with samples and inputs with proper monitoring is expected to yield good results in the current year. This segment has also followed the industry pattern by launching 8 brands in the year 2003 like Oflatoon-OD, Oflatoon-DS, Zipcet, Mycoclear, Danclear, Xynose, Respigat and Gatitoon. These brands have contributed substantially to the total pharmaceutical sales. Other than these new brands, the pharma segment also commands its strong presence in dermatology and anti-biotics. Anti-uncerants and pain management are the other two therapeutic areas where the division has already ventured into an has all the plans in place to make the mark.

During the financial year, Company has achieved net sales of Rs. 2,684.10 Lacs as against Rs. 1,870.29 Lacs in the previous year, recording an impressive increase of 43.51%.

**OPPORTUNITIES AND THREATS:**

The Company possesses strong brands built over the promotional efforts for past 6 decades, in-house R & D and analytical expertise, distribution network spread through length and breadth of the country as also in many parts of the globe. All these factors help the Company increase its market share and also introduce new products. Company's art materials are market leaders while market share for other products is growing at a satisfactory level. Special efforts are being taken to improve market share of writing instruments.

Company's fine chemicals, bulk drugs and drug intermediaries are finding good acceptance in International and domestic market. Sales of pharmaceutical products have registered good growth.

Notwithstanding the strenuous efforts of the management in improving the sales and profitability, entry of multinational companies and low priced imports, continue to be a cause for concern and may adversely affect performance of the Company.

**OUTLOOK:**

During the year, the Company plans to widen its client base. The focus in all the three segments will be to improve the sales, increase productivity, profitability and to implement cost cutting measures to the maximum. In line with the demand potential, there will be further increase in the investments in all three segments during the current year. The Company expects to end the year with a healthy increase in turnover and profitability.

**RISKS AND CONCERNS:**

Many of the products manufactured by the Art Material and Stationery product industry in India either are not high technology products or are products for which the technical knowhow is easily accessible. The liberalised import policy, the simplified import procedure and the import duties which are lower than the production related duties in India have exposed the trade in India to a variety of products of foreign make. These factors have not only enhanced the growth of competition but also affected the overall realisation for the manufacturers in India.

Pharmaceutical Industry from 2005 is going to be affected by the WTO Pact pertaining to International Patent Regime. This may translate into non-availability of new products for launch and this may lead to slower growth and lesser margins for this business. Also the Industry is polarizing into lesser number of companies who are bigger and stronger. This may lead to increased competition and unsustainable market conditions for smaller players in the market.

Fine Chemical business is mainly export-oriented business and high volatility of Rupee to Dollar conversion may lead to variation in our earnings. The feed stock prices have an upward trend worldwide and, as a result, the raw material cost trend may remain upward, whereas, due to immense competition, the selling price trend may decline.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The internal control systems are commensurate with the size, scale and nature of operations of the Company. The adequacy of the control systems is examined by the management at regular intervals and also by the internal auditors. The internal auditors, who are independent and report directly to the audit committee, carry out audit at regular intervals to identify weaknesses, if any, of the systems and to suggest improvements for better functioning. The issues raised by the internal auditors on the operations of the Company are regularly discussed by the audit committee with the internal auditors.

**FINANCIAL PERFORMANCE:**

The Financial results and performance for the year are elaborated in the Directors Report.