

**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**

9-B, Nanddeep Industrial Estate,
Kondivita Lane, J. B. Nagar, Andheri (East),
Mumbai 400 059.

CORPORATE OFFICE

Hilton House, 48/2, Central Road, MIDC, Andheri (East),
Mumbai 400 093.

WORKS

- 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.
- Rajprabha Udyog Nagar, Walive, Vasai (East), (Dist. Thane) 401 308.

COMPANY SECRETARY**Mr. Ravindra V. Damle****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 (India) Pvt. Ltd.**

Unit: Camlin Limited,
Satam Estate, 3rd Floor,
Cardinal Gracious Road,
Chakala, Andheri (E),
Mumbai 400 099.

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NOTICE

NOTICE is hereby given that the **59th Annual General Meeting** of the Members of Camlin Limited, will be held on Friday, the 25th August, 2006 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 31st March, 2006 and the Balance Sheet as at that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Govind G. Desai who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Premanand A. Narvekar who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Shishir S. Shirgaokar who retires by rotation, and being eligible, offers himself for re-appointment.
5. 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:

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

"RESOLVED THAT in supersession of Special Resolution passed by the Members at the 58th Annual General Meeting of the Company held on 5th September, 2005 and subject to approval of the Central Government, consent of the Company be and is hereby accorded under Section 314 (1-B) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or enactments thereof for the time being in force) to the appointment of Ms. Aditi D. Dandekar, daughter of Mr. Dilip D. Dandekar, Chairman & Managing Director, to hold and continue to hold an office or place of profit in the Company as 'Brand Manager (Colour Group) w.e.f. 1st September, 2006 on basic salary of Rs. 26,000/- per month plus allowances, benefits, perquisites (collectively called remuneration) as set out in the explanatory statement.

RESOLVED FURTHER THAT subject to the approval of the Central Government, the Company also accords its consent under the said Section 314 (1-B) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or enactments thereof for the time being in force) to the payment of increased remuneration in a form of additional increments, and/or allowances/perquisites subject to a overall ceiling of Rs. 20,000/- per month, which may be payable to other employees in her grade from time to time on account of pay-revision and to promote her to higher grade(s) in accordance with the general policy of the Company.

RESOLVED LASTLY THAT the Directors of the Company be and are hereby authorised to accept any modifications/directions given by the Central Government, while approving the appointment of Ms. Aditi D. Dandekar and to take all such appropriate steps as may be necessary for giving effect to this Resolution for obtaining the approval from the Central Government."

Regd. Office:
9-B, Nanddeep Industrial Estate,
Kondivita Lane, J. B. Nagar,
Andheri (East),
MUMBAI-400 059.

By Order of the Board

RAVINDRA V. DAMLE
Company Secretary

Dated : 30th June, 2006.

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 No. 6 is annexed hereto.
3. The Register of Members and Share Transfer Books will remain closed from 21st August, 2006 to 25th August, 2006 (both days inclusive).

4. Pursuant to provisions of Section 205A(5) of the Companies Act, 1956 all dividends which remained unpaid or unclaimed upto the financial year ended 31st 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, 2nd Floor, A Wing, CBD – Belapur, Navi Mumbai- 400 614.

In compliance with Section 205C of the Companies Act, 1956, unclaimed dividend for the year ended 31st March, 1998, have been transferred to the “Investor Education and Protection Fund” established by the Central Government. Members shall not be able to register their claim in respect of their un-encashed dividend warrants with regard to the above dividend.

5. Members who have not encashed their dividend warrants for the financial year ended 31st March, 1999 and thereafter, may immediately approach the R&T Agent 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 the 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.
6. 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.

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

SPECIAL BUSINESS:

ITEM NO: 6

Section 314 (1-B) of the Companies Act, 1956, inter alia provides that no relative of a Director, shall hold Office, or continue to hold office or place of profit in the Company, which carries total monthly remuneration of not less than Rs. 50,000/- except with prior consent of the Company by a Special Resolution and approval of the Central Government.

At the 58th Annual General Meeting held on 5th September, 2005, Members had approved the appointment of Ms. Aditi D. Dandekar for holding office or place of profit w.e.f. 1st October, 2004 on a consolidated salary of Rs. 20,000/- per month. Subsequently, while promoting Ms. Aditi D. Dandekar as 'Product Manager', w.e.f. 1st October, 2005, the Board revised her salary to Rs. 38,000/- per month including all perquisites with a annual increment of Rs. 5,000/- per month. As the total remuneration and perquisites were below Rs. 50,000/- per month, there was no requirement for approaching the Central Government for approval.

In acknowledgement of the role played by Ms. Aditi D. Dandekar in promoting hobby and scholastic art products, it is proposed to further promote her as 'Brand Manager', (Colour Group) and revise remuneration payable to her commensurately.

Apart from receiving a basic salary of Rs. 26,000/- per month with an annual increment subject to ceiling of Rs. 20,000/- per month (including perquisites and allowances), she shall also be entitled to the following benefits and perquisites:-

- (a) House Rent Allowance of Rs. 17,000/- per month.
- (b) Gratuity payable in accordance with an approval of fund and which does not exceed fifteen days salary for each completed year of service.
- (c) Educational Allowance of Rs. 1,000/- per month.
- (d) Books and Periodicals of Rs. 1,000/- per month.
- (e) Soft furnishing allowance of Rs. 3,000/- per month.
- (f) Company's contribution to Provident Fund, subject to 12% of salary or at any other rate as may be notified by the concerned authorities from time to time.

- (g) The expenditure incurred by the Company on Gas, Electricity, Water and Furnishing will be evaluated as per the Income Tax Rules 1962. This will, however, be subject to a ceiling of 10% of the basic salary.
- (h) Reimbursement of full Hospital and Medical expenses for self and family, subject to a ceiling of one month's basic salary.
- (i) Leave Travel Concession for self and family, once a year, to and from any place in India, subject to a ceiling of Rs. 18,000/-.
- (j) Free use of not more than one Telephone allowed, at her residence i.e. all charges whereof including rental call charges etc., shall be paid by the Company in full. However, all long distance personal calls shall be borne and paid by her.
- (k) Free use of Motor Car shall be provided by the Company for the purpose of Company's business and the Company shall meet the expenses of running, maintenance and other expenses of every kind whatsoever incurred in respect thereof. Use of car for personal purpose shall be billed by the Company to her.
- (l) Free Meal Vouchers applicable to her grade, which is presently at Rs. 1,600/- per month.
- (m) Rules of the Company in force from time to time, as to leave holidays and payment of ex-gratia, incentive shall also be applicable to her.

No Directors other than Mr. Dilip D. Dandekar, are concerned or interested in the Resolution.

Directors recommend the Special Resolution for your approval.

Regd. Office:
9-B, Nanddeep Industrial Estate,
Kondivita Lane, J. B. Nagar,
Andheri (East),
MUMBAI-400 059.

Dated : 30th June, 2006.

By Order of the Board

RAVINDRA V. DAMLE
Company Secretary

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting herewith the 59th Annual Report and Audited Statements of Account for the Financial Year ended 31st March, 2006.

FINANCIAL RESULTS:

	(Rs. in Lacs)	
	2005-2006	2004-2005
Profit/(Loss) Before Tax	(174.54)	(731.66)
Less: Provision for Tax		
– Current/FBT	46.52	—
– Deferred	(68.41)	(260.14)
– Prior Year (Net)	—	16.98
Profit/(Loss) After Tax	(152.65)	(488.50)
Balance brought forward from last year	675.50	1,164.00
Balance Carried Forward	522.85	675.50

REVIEW AND RESTRUCTURING OF OPERATIONS:

Your Company has achieved Net Sales of Rs. 19,213.06 Lacs for the year under review as compared to Rs. 19,764.33 Lacs in the previous year. The marginal decline of 2.79% in sales is on account of the closure of the Company's Pharmaceutical Division during the year. The Net Sales of Pharmaceutical Division were only Rs. 6.83 Lacs during the year as against Rs. 2,407.94 Lacs in the previous year. In other words, excluding this discontinued operation, Net Sales of your Company have increased from Rs. 17,356.39 Lacs to Rs. 19,206.23 Lacs, which is a healthy growth of 10.66%.

Your Company has also succeeded in restricting the loss at Rs. 174.54 Lacs as against Rs. 731.66 Lacs in the previous year. In fact, the loss during the current year is on account of a number of one time/non-recurring events.

- In the course of the closure of the Pharmaceutical Division, the Company has incurred non-recurring final loss of Rs. 350.00 Lacs.
- The unprecedented floods in Mumbai and surrounding regions in July 2005, resulted into damage to the Finished Goods Inventory to the tune of Rs. 521.83 Lacs. While the Company was successful in speedily receiving the Insurance Claim of Rs. 459.90 Lacs, there was a net loss of Rs. 61.93 Lacs. More importantly, non-availability of stocks for sale during the season caused substantial loss of sale and margin.

Despite the above, the steps taken by the Management such as implementation of Voluntary Retirement Scheme for Consumer Products Division at Andheri Establishment, shifting of production to its Tarapur, Taloja and Vasai factories, sourcing of certain Colour Products from Jammu which enjoys exemption from excise duty, helped the Consumer Products Division and the Company to significantly mitigate the impact of one-time/non-recurring events mentioned above. This, coupled with an excellent performance of the Fine Chemicals Division, whose turnover grew by around 19% with commensurate increase in PBT, has helped your Company in restricting the loss for the year.

In view of the loss, Directors regret their inability to recommend any dividend on Equity Shares.

During the year, the Company entered into a Joint Venture with ColArt Fine Art and Graphics Ltd., UK for the manufacture and export of Canvas products. ColArt Fine Art and Graphics Ltd. UK is a world leader in the Art Material segment having presence in more than 15 countries. The joint venture Company has started commercial production and exports since April 2006. Apart from the dividend income which will accrue to your Company from the joint venture, the association with a world leader will also help your Company's Art Material/Colour business in a variety of ways.

Your Company has successfully concluded the sale of its Andheri property for a consideration of Rs. 4,600.00 Lacs on 23rd May 2006. These funds have been deployed partly to retire a major component of debt and partly for the business/promotion of the Consumer Products Division. While the reduction in debt will result into substantial reduction in interest cost, the funds deployed in business and for promotion would help the Division to make its top-line grow faster.

Fine Chemicals Division has recently commenced commercial production of an artificial sweetener viz. Sucralose, developed completely through in-house R&D efforts. This is a product with high demand and margin and it would significantly add to the top-line and bottom-line of the Division.

Going forward, various strategic initiatives taken by your Company will help both its divisions to post very good results.

Being Confident of the future profitability of both the divisions, your Board has approved the plan of de-merger of Fine Chemicals Division into a separate Company with effect from 1st July 2006. This would enable the respective managements of the two separate Companies to focus on their core businesses. Post de-merger, the combined market capitalization of the two Companies is expected to be much higher than the present market capitalization of the Company, resulting into enhancement of Shareholders' Wealth.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENT AND SEGMENTWISE PERFORMANCE:

Your Company had substantially restricted the activities of the Pharmaceutical Division w.e.f. 1st April 2005. This Division has been completely closed w.e.f. 01.01.2006. With this, your Company now has only two Divisions viz. Consumer Products and Fine Chemicals.

CONSUMER PRODUCTS:

Your Company offers a wide range of products such as Artist Materials, Hobby Colours, Scholastic Colours, Scholastic Stationery Products, Office Products and Writing Instruments under the Camel and Camlin brands; and caters to a vast consumer segment for their Fine Art, Scholastic and Office Stationery needs.

The large portfolio of products, wide distribution network, and well-known brands have helped your Company to retain its market leadership position in many product groups, in spite of excessive competition not only from Indian Companies but cheap imports from China and South East Asian countries.

It has been possible to maintain this position by our continuous product development and upgradation by the in-house R&D team and continuous brand building activities, which has made the Company's brands household names during the 75th year of our existence.

Some of the initiatives undertaken by your Company this year are:

- (a) Development of International Quality Plastic Markers in our Vasai facility.
- (b) T.V. campaign for the Exam brand of Scholastic Stationery Products.
- (c) Sponsorship of the "Euro Art Tour" by the Camel Art Foundation.
- (d) All India Camel Colour Contest for Schools entered its 25th year with participation by twenty six lac children from 3017 schools.

In an extremely competitive market, these and other such initiatives will help your Company continue to retain its position in the market.

The Division contributed to 77.48% of the Total Sales of the Company and has achieved Net Sales of Rs. 14,885.97 Lacs as compared to Rs. 13,723.94 Lacs in the previous year.

FINE CHEMICALS:

The main products of Fine Chemicals Division are TBHQ and BHA which are food grade antioxidants. Fine Chemicals Division also manufactures Bulk Drugs and Intermediates in a small way. The products of this Division are exported to over 30 Countries. As regards TBHQ and BHA, your Company ranks among top three in the World.

The strength of Fine Chemicals Division is in its continuous R&D efforts which have enabled the Company to enhance the quality and cut down the cost of its products despite the rising prices of petroleum based inputs. With this, the Company has been able to prevent erosion of its margins to a large extent despite falling prices of finished products and rising prices of inputs. The Company has the prestigious HACCP Certificate (Hazard Analysis Of Critical Control Points) which is a confirmation of its strong R&D and Quality Control.

The Company has adopted a two pronged strategy for competing in the International market.

As stated earlier, while on one hand the Company focuses continuously on cost reduction and quality enhancement of its existing products to meet the challenges of international competition, on the other hand, it continuously strives to develop new products with high demand in the international market and good margins. In April 2006, the Company has launched a new product viz. 'Sucralose' which is a synthetic sweetener with large demand and attractive price.

The Division contributed to 22.49% of the Total Sales of the Company and has achieved Net Sales of Rs. 4,320.26 Lacs as compared to Rs. 3,632.90 Lacs in the previous year

OUTLOOK, OPPORTUNITIES AND THREATS, RISKS AND CONCERNS:

As regards Consumer Products Division, series of strategic initiatives will henceforth help the Company in mitigating the risks of squeeze on margins and paucity of funds for business development.

This will enable the Company to take advantage of the growth opportunities thrown by increase in income levels, increase in number of students seeking education, growth in awareness about importance of art; all of which auger well for the growth in demand of its products.

As regards Fine Chemicals Division, growth in manufacture of food products, cattle and poultry feed, oil refining and increase in incidence of diabetics, are expected to result in significant growth in demand for its products. As stated earlier, with strong R&D efforts the Company is poised to meet the challenges of competitive prices and falling margins and to take advantage of growth in demand.

Nevertheless, growing domestic as well as international competition, dumping of imported products at extremely low prices and rising prices of petroleum based and other inputs continue to be the cause of concern for the Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has adequate internal control procedures commensurate with its size and nature of business. The Company has clearly laid down policies, guidelines and

procedures that form a part of the internal control systems. The adequacy of Internal Control Systems, which encompass the Company's business processes and financial reporting systems, is examined by the management as well as by its Internal Auditors at regular intervals. The Internal Auditors carry out audits at regular intervals in order to identify weaknesses and suggest improvements for better functioning. The observations and recommendations of the Internal Auditors are discussed by the Audit Committee, to ensure effective corrective action.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

The Company constantly facilitates and encourages its employees at all levels to enhance their knowledge and skills and continuously seeks to inculcate within its employees, a strong sense of business ethics and social responsibility.

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

CAUTIONARY STATEMENT:

Statements in the Management Discussion and Analysis Report describing the Company's projections, estimates, expectations may be interpreted as "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to Company's operations include economic conditions affecting demand/supply, price conditions in the domestic and international markets in which the Company operates, changes in Government regulations, tax laws and other statutes. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent development, information or events.

SUBSIDIARY COMPANIES:

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

During the year under review, Camlin North America, Inc., U.S.A., a wholly owned Subsidiary Company, has achieved a sales revenue of Rs. 22.24 Lacs for the year as compared to Rs. 10.04 Lacs in the previous year. The operations have resulted into a net loss of Rs. 13.34 Lacs (previous year of Rs. 14.19 Lacs).

Camlin International Limited:

The Company has restricted the business of its another wholly owned Subsidiary Company viz. Camlin International Limited to Rs. 4.35 Lacs during the current year as against net sales of Rs. 44.66 Lacs in the previous year and has earned a net profit of Rs. 0.31 Lacs. (previous years Rs. 4.07 Lacs). Directors have recommended a dividend of 80% for the year ended 31st March, 2006.

Department of Company Affairs, Government of India vide its letter dated 25th April, 2006 has exempted the Company from attaching the Annual Reports and other particulars of its

Subsidiary Companies alongwith the Annual Reports of the Company required under Section 212(8) of the Companies Act, 1956. Therefore, the said Reports of the Subsidiary Companies are not attached herewith.

However, as directed by the Department of Company Affairs, while according aforesaid approval, financial details of Subsidiary Companies have been separately disclosed.

A 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 the directions of Central Government is also annexed.

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

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 31st March, 2006 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 31st March, 2006 in respect of manufacturing activities of Bulk Drugs, are being audited by Cost Auditor, Mr. Prakash A. Sevekari, Mumbai.

DEPOSITS:

During the year total amount of fixed deposits held by the Company was Rs. 556.39 Lacs. There are no overdue deposits except unclaimed deposits amounting to Rs 6.67 Lacs as at 31st March, 2006, out of which, deposits amounting to Rs. 4.52 Lacs have been repaid as on date.

DIRECTORS:

Mr. Govind G. Desai, Mr. Premanand A. Narvekar and Mr. Shishir S. Shirgaokar retire by rotation and, being eligible, offer themselves for re-appointment. You are requested to re-appoint them.

None of the Directors are disqualified from being appointed as Directors, as specified in Section 274 (1) (g) of the Companies Act, 1956.

As required under the Listing Agreement, particulars of Directors seeking appointment at the ensuing Annual General Meeting have been attached to the Notice of the meeting.

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 31st March, 2006 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 31st March, 2006 and of the loss 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 31st March, 2006 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 31st March, 2006 on a 'going concern' basis.

CORPORATE GOVERNANCE:

As required by clause 49 of the Listing Agreement, a detailed Report on Corporate Governance is given as a part of Annual Report. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate of the compliance with Corporate Governance requirements by the Company is attached to the Report on Corporate Governance. The Management Discussion and Analysis Report also forms a part of this report.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND:

The Company has transferred a sum of Rs. 0.78 Lacs during the financial year to the Investor Education and Protection Fund established by the Central Government. The said amount represents unclaimed dividend and interest on fixed deposits which have been unclaimed with the Company for a period of 7 years from their respective due dates of payment.

AUDITORS:

The retiring Auditors, B. K. KHARE and CO., Chartered Accountants, Mumbai, being eligible have given their consent for re-appointment for the year 2006-2007. You are requested to appoint them.

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

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.

INFORMATION PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956:

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. As per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the statement of particulars of employees under Section 217 (2A) of the Companies Act, 1956. Any shareholders interested in obtaining a copy of the said statement may write to the Company Secretary at the Corporate office of the Company.

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 : 30th June, 2006.

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:

The major steps taken towards energy conservation 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

1. Electricity

(a) Purchased

Units (KWH)

Total Amount (Rs. in Lacs)

Rate/Unit (Rs.)

(b) Own Generation

2. Coal

3. Light Diesel Oil (LDO)

Quantity (K. Ltrs.)

Total Amount (Rs. in Lacs)

Average Rate Per Ltr. (Rs.)

4. Others/Internal Generation

(B) Consumption per Unit of production (M.T.)

Electricity (KWH)

LDO (Ltrs.)

2005-2006

2004-2005

2781157

2279725

101.41

80.71

3.65

3.54

—

—

—

—

738.00

684.00

128.78

160.68

17.45

23.49

—

—

Standards
(If any)

Standards
(If any)

446

629

118

189

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.

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

(Rs. in Lacs)	
2005-2006	2004-2005
—	—
75.83	75.73
75.83	75.73
0.38%	0.38%

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 Drugs and Fine Chemical products manufactured/procured by the Company and to make the manufacturing process safe, cost effective and environment friendly.
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 Chemicals 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:

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)	
2005-2006	2004-2005
2,227.00	1,661.28
3,977.83	3,658.31

Foreign exchange used
Foreign exchange earned

For & On behalf of the Board

DILIP D. DANDEKAR
Chairman & Managing Director

Place : Mumbai
Dated : 30th June, 2006.