

25TH ANNUAL REPORT 2003-2004



mardia

CHEMICALS LIMITED

BOARD OF DIRECTORS

Shri Rasiklal S. Mardia

Chairman & Managing Director

Shri G. S. Agrawalla

Nominee Director of L.I.C.

Shri Purshottam Devanga

Nominee Director of BOI

Shri Valthyathan V. Mudliar

Director

COMPANY SECRETARY

Shri K. B. Kapadia

AUDITORS

M/s. Mehta Lodha & Co.

Chartered Accountants

REGISTERED OFFICE

501, Mangal Murti Complex,
Ashram Road, Ahmedabad - 9.

PLANTS

- 468, G.I.D.C. Estate, Phase - II,
Vatva, Ahmedabad - 382 445.
- Mardianagar, Tal. Sayla,
Dist. Surendranagar, Gujarat.

25th ANNUAL GENERAL MEETING

Date : 5th August, 2004

Day : Thursday

Time : 10.30 A.M.

**Place : 501, Mangal Murti Complex,
Ashram Road, Ahmedabad - 9.**

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MARDIA CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the **TWENTY FIFTH ANNUAL GENERAL MEETING** of **MARDIA CHEMICALS LIMITED** will be held on Thursday, the 5th day of August, 2004 at 10.30 a.m. at the Registered Office of the Company at 501, Mangal Murti Complex, Ashram Road, Ahmedabad - 380 009 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider, approve and adopt the audited Profit and Loss Account for the year ended 31st March, 2004, the audited Balance Sheet as on that date and the Directors' and Auditors' reports thereon.
2. To appoint a Director in place of Shri Rasiklal S. Mardia who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modifications the following resolution as **a special Resolution**:
 "RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, an approval of the Company be and is hereby accorded, subject to the approval of the Central Government, to the reappointment of Shri Rasiklal S. Mardia as Managing Director of the Company for a period of Three years commencing from 1st April, 2004 at a remuneration and upon the terms, provisions and conditions contained in the draft agreement of re-appointment to be entered into with him which agreement be and is hereby specifically approved with power to the Board of Directors to alter and carry the terms and conditions of the said agreement without increasing the remuneration mentioned therein and in such manner as may be agreed to between the central Government, if required, and the Directors and acceptable to Shri Rasiklal S. Mardia, Chairman and Managing Director.
5. To consider and, if thought fit, to pass with or without modifications the following resolution as an **Ordinary Resolution**.
 "RESOLVED THAT pursuant to section 257 of the Companies Act, 1956, Shri Vaithynathan V. Mudliar be and is hereby appointed as a Director of the company as rotational director of the company who was appointed as an Additional Director of the Company with effect from 10/04/2004 and holds the office upto the next Annual General Meeting."
6. 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, pursuant to section 314(1)(a) & other applicable provisions, if any, of the Companies Act, 1956, to continue to hold the position of Manager (Stores) of the Company by Shri Vaithynathan V. Mudliar on a monthly remuneration of Rs. 6,000/- per month (in the grade of Rs. 6300-600-7500-750-9000-900-10800) plus perquisites inclusive of Contribution to Provident Fund, House Rent Allowance, Conveyance, site allowance, Medical Reimbursement, Leave Travel Allowance, Periodicals, Bonus and Gratiuity as per the rules of the Company.

PLACE : AHMEDABAD
 DATE : 10th APRIL, 2004.

BY ORDER OF THE BOARD OF DIRECTORS

REGISTERED OFFICE :

501, MANGAL MURTI COMPLEX,
 ASHRAM ROAD, AHMEDABAD - 380 009.

(K. B. KAPADIA)
 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 PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, 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. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the aforesaid special business is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 2nd August, 2004 to 5th August, 2004 (Both days inclusive).
4. Members are requested to notify immediately change of address, if any.
5. The Company's Equity Shares are compulsorily traded in dematerialised form. The shareholders who intends to dematerialise the same are requested to submit their Demat Request Form and share certificates at the registered office of the company or to Intime Spectrum Registry Pvt. Ltd., 211, Sudarshan Complex, Nr. Mithakhali under bridge, Navrangpura, Ahmedabad through their Depository Participant.

EXPLANATORY STATEMENT

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

ITEM NO. 2

Brief resume and nature of expertise :

Shri Rasiklal S. Mardia is an Industrialist having experience of 35 years in the Industry.
 He was appointed as a Director of the Company in 1987.
 His area of expertise includes Marketing and Finance and Legal.

Directorship.

Apart from directorship in Mardia Chemicals Limited Shri Rasiklal S. Mardia holds directorship of the following Companies.

1. Mardia Securities Limited 2. KCA LHM
- Your Directors recommend reappointment of Shri Rasiklal S. Mardia as a Director. No director, other than Shri Rasiklal S. Mardia is concerned or interested in the said resolution.

ITEM NO. 4 :

The present term of appointment of Shri Rasiklal S. Mardia as a Managing Director expired on 31st March, 2004. During the tenure of his office as Chairman and Managing Director, the Company has implemented various Projects at Mardia Nagar. The Board of Directors is of the opinion that he is fit and proper person and it is in the interest of the company that he should continue as the Chairman and Managing Director of the Company. The Board of Directors, therefore recommend the re-appointment of Shri Rasiklal S. Mardia as Chairman and Managing Director of the Company for a further term of Three years commencing from 01/04/2004, in accordance with Schedule XIII read with Sections 198, 269(2) & 309 of the Companies Act, 1956 and/or subject to the approval of the Central Government, if necessary, on following terms and conditions

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1. Salary : Rs.80,000/-P.M.
 2. Period : 3 years begins from 01/04/2004 (Period of Contract of Appointment)
 3. Perquisites : Perquisites payable are as under.
- (a) Contribution to provident fund. Superannuation fund or annuity fund to the extent either singly or put together are not taxable under the Income Tax Act, 1961.
- (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- (c) Encashment of Leave at the end of tenure.
- (d) Children's education allowance in case of children studying in or outside India, an allowance limited to a maximum of Rs.5000/- per month per child or actual expenses incurred, whichever is less. Such allowance is admissible upto a maximum of two children.
- (e) Holiday passage for children studying outside city limits of residence of appointee or outside India, return holiday passage once in a year to children from the place of their study to the place of residence of the appointee.
- (f) Leave travel concession:- Return passage for self and family in accordance with the rules specified by the company.
- (g) (1). The expenditure by the company on hiring unfurnished accommodation will be subject to ceiling of 50% of salary over and above 10% payable by him.
- (2) If the accommodation is owned by the company, 10% of the salary of the Managing Director shall be deducted by the company.
- (3) If no accommodation is provided by the company, the Managing Director shall be entitled to house rent subject to a ceiling mentioned in (g) of (1) above.
- Explanation :- The expenditure incurred by company on gas, electricity, water and furnishing shall be valued as per the Income-Tax Rules, 1962. This shall, however, be subject to a ceiling of 10% of the salary of the appointee.
- (h) Medical reimbursement for self and his family will be reimbursed by the Company as per rules of the Company.
- (i) Club fees subject to a maximum of two clubs excluding admission and life membership.
- (j) Personal accident insurance premium not to exceed Rs.20,000/- per year.
- (k) Provision of car for use on company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the individual appointee concerned.

Minimum Remuneration :

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Appointee, if the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above as a minimum remuneration".

Draft of Agreement for appointment to be executed between the Company and Shri R. S. Mardia, is available for inspection by members of the Company at its Registered office between 10.00 a.m. and 12.00 noon on any working day of the company till the Annual General Meeting. This may be treated as an abstract under section 302 of the Act, of the terms of the appointment of the Chairman & Managing Director w.e.f. 1st April, 2004.

The resolution for appointment of Shri Rasiklal S. Mardia as a Chairman & Managing Director is recommended to the members for approval. Shri Rasiklal S. Mardia may be concerned or interested in the aforesaid resolution to the extent remuneration payable to him. Except him no other directors of the Company is concerned or interested in the resolution.

ITEM NO.5 :**Brief resume and nature of expertise :**

Shri Vaithynathan V. Mudliar was appointed as an Additional Director in the meeting of the Board of Directors held on 10/04/04. By virtue of provisions of Section 260 of the Companies Act, 1956, Shri Vaithynathan V. Mudliar is holding office of director only upto the date of this Annual General Meeting. Notice in writing has been received from a member of the Company under Section 257 of the Companies Act, 1956 signifying his intention to propose Shri Vaithynathan V. Mudliar as a candidate for the office of Director. He is a Double Graduate in Science and his area of expertise includes Production of Chemicals & Administration. Shri Vaithynathan V. Mudliar has experience of Chemical Industry for more than 30 years.

Directorship.

He is not director in any other Company.

Your Directors recommend appointment of Shri Vaithynathan V. Mudliar as a Director.

No director, other than Shri Vaithynathan V. Mudliar is concerned or interested in the said resolution.

ITEM NO.6 :

Shri Vaithynathan V. Mudliar Manager (Stores) of the Company was appointed as an additional director of the Company at the Board Meeting held on 10-04-04. He being holding the office or place of profit of the Company under section 314 of the Companies Act, 1956.

As per section 314(1)(a) of the Companies Act, 1956 if a director of the Company is appointed in the office on place of Profit an consent of the Company is to be accorded by a Special Resolution.

Shri Vaithynathan V. Mudliar who is an other of the Company is appointed as a director of the Company and in view of the same he hold the officer as place of profit in the Company, And therefore the consent of the Company is to be accorded by a Special Resolution for the appintment of Shri Shri Vaithynathan V. Mudliar under section 314(1)(a) of the Companies Act, 1956.

The Board commends to the members for approval of the said resolution and except Shri Vaithynathan V. Mudliar none of the Director is concerned or interested in the resolution.

PLACE : AHMEDABAD
DATE : 10th APRIL, 2004.

BY ORDER OF THE BOARD OF DIRECTORS

REGISTERED OFFICE :
501, MANGAL MURTI COMPLEX,
ASHRAM ROAD, AHMEDABAD - 380 009.

(K. B. KAPADIA)
COMPANY SECRETARY

MARDIA CHEMICALS LIMITED**DIRECTORS' REPORT**

Dear Shareholders,

Your directors presents the **Twenty Fifth Annual Report** of your Company together with the audited statement of accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS :

(Rs. in Lacs)

PARTICULARS	2003 - 2004	2002 - 2003
TOTAL INCOME (Gross)	14502.68	23014.17
GROSS PROFIT/(LOSS) BEFORE INTREST & DEPRECIATION	(1059.97)	1115.28
INTEREST	306.50	362.92
DEPRECIATION	4122.27	4145.98
NET PROFIT/ (LOSS) FOR THE YEAR BEFORE TAX	(5488.74)	(3393.62)
PREVIOUS PERIOD ADJUSTMENTS Income / (Expense)	(275.85)	(132.07)
PROVISION FOR TAXATION	NIL	NIL
NET PROFIT/(LOSS)	(5230.89)	(3525.69)

OPERATIONS :

The year under review was one of the worst year, ever faced by the Company. Due to the continuous litigation and various problems faced by the Company including financial problems which has resulted into very bad condition for the working of the Company. Due to very high power cost in comparison with the sales realization value, it was not viable to run the plant. Therefore company closed down its Chloro Alkali Plant although it was contributing major turn over and has a very high investment. Due to the very bad market condition and low cost realization of the VS plant, the company reduced its production also and could not run the plant at its optimum capacity. Operation at the Sulphuric acid plant also got seriously affected due to very bad market condition and availability of the large quantity of by-products i.e. Sulphuric acid from Copper and Zinc industry. Due to availability of the very high quantity of by-product i.e. Sulphuric Acid at a very cheap price and a high increase of price of major input i.e. Sulphur the cost of operations of the Sulphuric Acid plant got seriously affected and all operations of the Company got seriously affected.

As you are aware, the Mardianagar unit of your company had faced closure of 7 months during the financial year 1996-97 and since then, the company has not been able to achieve net profit. As reflected in the table below, the total loss suffered by your company since 1996-97 is Rs. 202502.87 lacs, out of which Interest and Depreciation amounts to Rs. 200394.24 lacs. Thus the loss before interest & depreciation since 1996-97 is Rs. 2108.63 lacs only.

(Rs.in Lacs)

Year	Net Profit(+) / loss (-) before interest and depreciation	Interest	Depreciation	Net Loss
1996-97	-1331.32	4339.12	1395.68	-7066.12
1997-98	3805.09	3750.99	1454.32	-1400.22
1998-99	-4308.11	14114.47	10016.3	-28438.88
1999-00	-1150.97	18096.07	8522.29	-27769.33
2000-01	282.38	20103.67	4161.8	-23983.09
2001-02	538.99	26638.16	4158.24	-30257.41
2002-03*	1115.28	31454.38	4145.98	-34485.08
2003-04 **	-1059.97	43920.5	4122.27	-49102.74
TOTAL	-2108.63	162417.36	37976.88	202502.87

* includes interest amount of Rs. 31091.46 lacs not provided for in the books of accounts.

** includes interest amount of Rs. 31117.86 lacs not provided for in the books of accounts

As could be seen from the above table, your company is burdened with significant interest cost. During the year 1995, your company had prepaid the entire loan amount to all the financial institutions who accepted the pre-payment. ICICI Ltd had also accepted the pre-payment and entire outstanding of ICICI was paid with prepayment premium, making their outstanding amount NIL in the month of November 1994. The expansion project worth Rs. 551 crores were appraised by ICICI as lead Institution in the year 1995-96 and ICICI sanctioned Rs. 158.50 crores and the total commitment of the Fincial Institutions was Rs. 400.31 Crores. However, net disbursement made available to complete the project by all banks/ financial institutions was Rs. 177.46 crores against the committed amount of Rs. 400 crores. The net position on Disbursement, Interest adjustment are reflected in the table below :

(Rs. in Crores)

Bank/FIs	Gross Disbursement as per banks' record	Interest Adjustment	Principal Adjustment	Net disbursement
ICICI	157.70	41.65	60.00	56.05
IFCI	93.20	24.93	20.00	48.27
IIBI	32.00	16.31	-	15.69
LIC	19.74	1.63	-	18.11
GIC	2.48	0.19	-	2.29
NIA	2.48	0.08	-	2.40

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OIC	1.49	0.16	-	1.33
NATIONAL INS	1.49	0.04	-	1.45
UNITED INDIA	1.98	0.19	-	1.79
BOB	19.77	0.00	-	19.77
IDBI	4.00	3.25	-	0.75
INDUSIND BANK	9.50	2.00	-	7.50
BANK OF INDIA	2.06	0.00	-	2.06
CORP BANK	0.00	0.00	-	0.00
TOTAL	347.89	90.43	80.00	177.46

On the net actual disbursement of Rs. 177.46 crores, as reflected in the above table, the interest charged by the banks & FIs till 31.03.2004 comes to Rs. 796.19 crores, which is 448.66% of the net actual disbursement. The company has stopped providing interest on the loans from the financial year 2002-03, as these loans have become non-performing assets in the books of the lenders and also considering the provisos of the Money Laundering Act that the interest amount cannot exceed the principal amount.

The balance funding for the expansion project of Rs. 551 crores were met by the promoters by contributing Rs. 180 crores (as against their commitment of Rs. 100 crores) and Rs. 110.89 crores by internal accruals & others (as against the commitment of Rs. 50.78 crores), as reflected in the table below. Your company has received last disbursement from banks / FIs in 1997-98 and since then, no financial support has been made available by any bank or FI.

(Rs. in Crores)

Particulars	Commitment as per appraisal	Actual Disbursements / funding		Short disbursement (-) / Excess Funding (+)	
		Rs. in Crores	In %	In %	Rs in Crores
Institutions / banks	400.31	177.46	37.89%	(-) 55.67%	(-) 222.85
Promoters	100.00	180.00	34.43%	(+) 80.00%	(+) 80.00
Internal Accruals/ Sort term loans creditors	50.78	110.89	23.68%	(+) 118.37%	(+) 60.11
Total	551.09	468.35	100.00%		(-) 82.74

In spite of above short disbursement of Rs. 222.85 crores, the company could complete out of its 551 crores projects appraised by the lead institution ICICI, project like CCP (with world-class technology), Sulphuric Acid, CSA and CHNP, except Nitro Aeromatic plant. The investment made by your company in the Caustic Soda Project with a capacity of 343 tons per day, which represents a bulk of the investment made for the new projects, is comparable to the World Industry standards in terms of quality of asset and Capital Cost per ton of output. If the company would have received full disbursement as committed by ICICI and others, the sickness of the company could have been avoided and company would have completed its power plant of 72 MW, which has already been imported by the company and is lying in custom bonded warehouse. If institutions would have disbursed their committed amount, your company would have been able to utilise its extra amount invested in the project to the tune of over Rs. 140 crores to complete its power plant, and would have remained with sufficient fund to meet the working capital requirement and the present fate of the company would not have taken place.

"Samadhan Yojana Scheme" announced by Gujarat Electricity Board :

Gujarat Electricity Board (GEB) has introduced a scheme of 'Samadhan Yojna 2004' for waiver of delayed payment charges. Your Company has made a suitable application to GEB for waiver of delayed payment charges charged by GEB.

DIVIDEND :

In view of losses during the year under review, your Directors express their inability to recommend any dividend for the year 2003-2004.

REFERENCE TO BIFR UNDER SECTION 15 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

The reference filed by the Company based on the accounts for the year 2002-03 is registered by BIFR.

The Appeal filed by the company before Appellate Authority for Industrial & Financial Reconstruction [AAIFR], against rejection of the reference filed by your company based on the accounts for the financial year 2000-01 is pending before AAIFR.

As per the provisions of the Sick Industrial Companies (special provisions) Act, it is obligatory on the part of a sick industrial unit to file a reference before the BIFR. The accounts of the company for the financial year 2003-04 reflects that the net-worth of the company is eroded and the company is a sick unit. As per the statutory stipulation, the company will be filing the reference before the BIFR.

SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS AND ENFORCEMENT OF SECURITY INTEREST ACT, 2002

Under the Securitisation Act, firstly ICICI Bank limited and then IDBI, Indus Ind Bank Ltd and L.I. C. had issued notices to your company. The Company had challenged the said notices. The Supreme Court has heard both, the Company and the lenders at length and has delivered its verdict. It is categorically stated in the said verdict that deposit of 75% amount by the borrower before filing an appeal against the action of the lenders as stated in section 17(2) of the Act is **UNCONSTITUTIONAL** and allow the Borrower to file an appeal without depositing any amount. The major gist of the verdict is as under: The validity of Securitisation And Reconstruction of Assets And Enforcement of Financial Interest Act, 2002 and its provisions has been upheld but at the same time declared section 17 & (2) of the Act as Ultra Vires of the Article 14 of the Constitutions of India. Section 17(2) of the Act provides for appeal against the action taken by Secured Creditors under section 13 (4) of the Act for which the borrower was required to deposit 75% of the demanded amount. Now, the same has been dispensed with.

MARDIA CHEMICALS LIMITED**COMPANYS' CLAIM AGAINST ICICI BANK LTD.:**

The Company's Counter Claim of Rs. 5631.44 crores for the damages filed against ICICI Bank Limited in Debt Recovery Tribunal, Mumbai as per the Order of the City Civil Court, Ahmedabad is pending. And the claim of Rs. 5631.44 against Mr K V Kamath, its CEO & MD and Ms. Lalita Gupte, its Jt. M.D is pending before City Civil Court, Ahmedabad.

In this respect the Order passed by The Mumbai High Court has a weightage and the same is reproduced hereunder :

Heard both the learned Counsel. Perused the proceedings. We propose to pass the following order in the interest of justice to both the parties and expeditious disposal of the lis wholly between them. The D.R.T shall hear the O.A. No.977 of 1999 and the O.A. No.278 of 2002 pending before it together and decide both simultaneously in accordance with law within a period of six months. The D.R.T shall also consider the counter claim of the defendants while deciding the applications. The defendants shall not ask for any adjournment of the proceedings as far as possible. The petitioner herein undertakes to withdraw the Appeal No.178 of 2003 pending before the Appellate Tribunal. The W.P. stands disposed of. C.C. expedited.

The Counter claim filed by the Company before Debt Recovery Tribunal, Ahmedabad against IDBI for Rs. 2195.55 crores is pending.

DEPOSITS :

The Company has paid outstanding amount of deposits to the Deposit holders as per the Order passed by Western Region Bench of the Company Law Board.

DIRECTORS :

Shri Rasiklal S. Mardia retires by rotation in the forthcoming Annual General Meeting, being eligible and offer himself for reappointment.

ICICI has withdrawn nomination of its Director Mr. Dilip Shindee on the Board of the Company with effect from 20th May, 2003.

ICICI has withdrawn nomination of its Director Mr. A.K. Gore on the Board of the Company with effect from 23rd January, 2004.

The Board of Directors of the Company has appointed Shri Vaithynathan V. Mudliar as additional director of the Company with effect from 10-4-2004 who hold the office of a Director upto the conclusion of the next Annual General Meeting. The Company has received notice from a member proposing his candidature for appointment as a Rotational Director in the forthcoming Annual General Meeting and he has given his consent to act as a director, if appointed.

AUDITORS :

Your Directors request you to appoint Auditors for the current financial year and fix their remuneration.

AUDITORS OBSERVATIONS :

The qualification made by the Auditors of the Company at Serial No. 6 are clarified as under.

1. The company has not made the provision of interest, penal interest and liquidated damages amounting to Rs. 43587.79 lacs on secured and unsecured loans as these have become non performing assets in the books of the Lenders and also considering the provisos of the Money Laundering Act, which states that the interest amount cannot exceed the principal amount.
2. The company has not made the provision of Rs. 582.91 lacs in respect of debtors and advances which are doubtful of recovery as the management has initiated the necessary steps for recovery.
3. The company has obtained balance confirmation from the operational parties and copy of the same has been produced to the auditor. The company is in the process of obtaining confirmation from old & non-operational accounts, as per the suggestion of the Auditor.
4. The Statutory Auditor of the company has stated in their Auditor's Report that the basic concept of going concern is vitiated. Your Board of Directors is of the opinion that the company would be able to show better performance during the financial year 2004-05 and would be able to come out of the crisis.
5. The statutory auditor of the company has further commented about the abandoned projects. The fact is that the company has not abandoned any project and to this extent the remark of the auditor of the company is not true.

PARTICULARS OF EMPLOYEES :

The information in accordance with the section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is NIL.

INFORMATION ON ENERGY CONSERVATION & TECHNOLOGY ABSORPTION :

Disclosure as required under the Companies (disclosure of particulars in the report of Board of Directors) Rules, 1988, with regard to conservation of energy, Research & Development, technology absorption, adaptation and innovation and foreign exchange earnings and outgo is given in Annexure "A" to this report.

CORPORATE GOVERNANCE :

A separate report on Corporate Governance and Management discussion and Analysis Report forms part of the Annual Report of the Company is annexed. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT :

Your Directors hereby confirm that :

- a. in the preparation of statement of accounts, the applicable accounting standards have been followed, unless otherwise stated.
- b. the Directors have selected such accounting policies and applied them and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and profit or loss of the Company for the period.
- c. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

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d. the Directors have prepared the accounts on a going concern basis.

DEMATERIALISATION OF SHARES OF THE COMPANY :

The Company's shares are compulsorily traded in dematerialised form and dematerialisation of shares has been effected in large number. Those members who are desirous of opting for this facility may contact one of the Depository Participants (DPS) as per their own evaluation and convenience.

As per the direction of SEBI the Company has appointed Intime Spectrum Registry Private Limited as Share Transfer Agent for carrying out Share Registry work in Physical as well as in Demate mode.

ACKNOWLEDGMENTS :

Your Directors would like to express their gratitude towards Government, Shareholders, Suppliers & Customers for their valuable support at this difficult time of the Company.

PLACE : AHMEDABAD.

DATE : 10th APRIL, 2004.

FOR AND ON BEHALF OF THE BOARD

(RASIKLAL S. MARDIA)

CHAIRMAN & MANAGING DIRECTOR

ANNEXURE - " A "

Information as required 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.

A. CONSERVATION OF ENERGY :**a. Energy conservation measures taken.**

1. Steam generated while manufacturing Sulphuric Acid, is being utilised in power turbine chilling plant and CCP. This conserves substantial power fuel.
2. The company recovers hot water from the steam line for recycling in the boiler which helps to save the fuel.
3. Hydrogen which is a by-product in CCP is being utilized as fuel.
4. Various High Power Motors are changed with adequate required horse power motors.

b. Additional investments and proposals, if any, are being implemented for reduction of consumption of energy :

1. Improvement in utilisation of energy intensive equipments and machineries.
2. Introduction of new energy efficient technologies.
3. Implementation of suggestions made by technical agencies.

c. Impact of the measures (a) and (b) for the reduction of energy consumption and consequent impact on the cost of production of goods :

There has been a substantial saving in the energy consumption. But due to very high energy cost in our Caustic Chlorine Plant the impact on saving of the energy cost is negligible.

d. Total energy consumption and the energy consumption per unit of production :

	Current Year 2003-2004	Previous Year 2002-2003
i. Power and fuel Consumption		
1. ELECTRICITY :		
a. Purchased	108705570	169160976
Units (In KWH)	550319962	829024849
Total Amount Rs.	5.10	Rs.4.96/Kwh
Rate Per Unit KWH		
b. Own Generator		
Through Diesel Generator Units in.KWH	20156	19204
Units per litre of Diesel (in KWH)	2.74 Kwh/Ltr	2.61 Kwh/Ltr
Diesel Oil Cost/Unit	7.27/Kwh	Rs.9.38/Kwh
Through Steam turbine/Generator Units	NIL	NIL
Units per litre of Fuel/oil/Gas	NIL	NIL
Cost / Units	NIL	NIL
2. COAL(Specify Qty and where used)	NIL	
Quantity (In Kgs.)	NIL	NIL
Total Cost Rs	NIL	NIL
Average Rate Rs.	NIL	NIL