NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED

41st Annual Report
2001 - 2002

NOCIL

AMG
ARVIND MAFATLAL GROUP

CONTENTS

Registrars & Share Transfer Agents
Sharepro Services

Office
Satam Estate,
Above Bank of Baroda
Cardinal Gracious Road,
Chakala, Andheri (East)
Mumbai – 400 099.
Email address: sharepro@vanl.com

Investor Relation Centre
912, Raheja Centre,
Free Press Journal Road
Nariman Point
Mumbai - 400 021

41st ANNUAL GENERAL MEETING

Date	:	30th December 2002
Day	:	Monday.
Time	:	4.00 p.m.
Place	:	Patkar Hall SNDT Women's University 1, Nathibai Damodar Thackersey Road Mumbai-400 020.

FOR MEMBERS' ATTENTION

1. The Register of Members and the share transfer books of the Company will remain closed from Saturday 21st December, 2002 to Monday, 30th December, 2002 (both days inclusive).

2. The shares of the Company have been brought under compulsory dematerialisation. All the shareholders are requested to convert their share holdings from physical form to demat form.

3. The members are requested to quote Folio Number in all correspondence and also to notify immediately, change of address, if any to the Registrars and Share Transfer Agents, M/s. Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai - 400 0099.

4. The unclaimed dividends of the Company upto the final dividend paid for the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government pursuant to sub-section (5) of Section 205A of the Companies Act, 1956. Those members who have so far not claimed or collected their dividend(s) for the said financial years, may claim their dividend(s) from the Registrar of Companies, Maharashtra, Mumbai by submitting an application in the prescribed form.

5. Members who have not received the dividend for the subsequent years are requested to immediately forward their claim to the Company to facilitate the payment.

6. Members are requested to bring their copy of the Annual Report along with them to the Annual General Meeting as the practice of distributing copies of the Report at the Meeting has been discontinued, and also to bring with them the Attendance Slip which may be submitted at the entrance duly signed.

DIRECTORS

Arvind N. Mafatlal	Chairman
Hrishikesh A. Mafatlal	Deputy Chairman
A.C. Shah	
V. G. Rajadhyaksha	
R. Kannan	(ICICI Nominee)
S. K. Mahapatra	(GIC Nominee)
T. D. Chaudhuri	(IIBI Nominee) (from 23rd April, 2002)
N. M. Dhuldhoya	Vice Chairman & Managing Director.
V. R. Gupte	Executive Director – Finance.

SECRETARY

U. M. Karnik

MANAGEMENT TEAM

Arvind N. Mafatlal	Chairman
Hrishikesh A. Mafatlal	Deputy Chairman
N. M. Dhuldhoya	Vice Chairman & Managing Director.
V. R. Gupte	Executive Director – Finance.
C. R. Gupte	Senior Vice President Rubber Chemicals Division.
A. B. Modgil	Senior Vice President Works and Human Resources Division.
Bawa T. P. Singh	Senior Vice President Plastics Products Division.

BANKERS

State Bank of India
ABN-Amro Bank
Bank of Baroda
Bank of India
Barclays Bank p.l.c.
Canara Bank
Central Bank of India
Corporation Bank
HDFC Bank Limited
State Bank of Indore
Union Bank of India
Standard Chartered Grindlays Bank

PETROCHEMICALS PLANT :
5, Trans Thane Creek Industrial Area,
Thane Belapur Road,
Navi Mumbai – 400 701.
Maharashtra.

RUBBER CHEMICALS PLANT :
C-37, Trans Thane Creek
Industrial Area,
Off. Thane Belapur Road
Navi Mumbai – 400 705.
Maharashtra.

PLASTICS PRODUCTS DIVISION :
C-1, MIDC Industrial Area
Post: Shivani – 444 104.
Dist. Akola
Maharashtra.

REGISTERED OFFICE :
Mafatlal Chambers "B"
N. M. Joshi Marg
Lower Parel (East)
Mumbai – 400 013.

AUDITORS :
C. C. Chokshi & Co.
Chartered Accountants.

SOLICITORS & ADVOCATES :
Crawford Bayley & Co.
Gagrat & Co.
Manilal Kher Ambalal & Co.

REGISTRARS & SHARE TRANSFER AGENTS :
Sharepro Services
Satam Estate, Chakala
Andheri (East)
Mumbai – 400 099.

NOTICE

The FORTY FIRST Annual General Meeting of the members of National Organic Chemical Industries Limited will be held at 4.00 p.m. on Monday the 30th December, 2002, at Patkar Hall, S. N. D. T. Women's University, 1, Nathibai Damodar Thackersay Road, Mumbai – 400 020, to transact the following business:

ORDINARY BUSNIESS :

1. To receive, consider and adopt the audited Profit and Loss Account of the Company for the year ended 31st March, 2002, and the Balance Sheet as at that date and the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. A. N. Mafatlal, who retires by rotation under Article 145 of the Articles of Association of the Company and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. V. G. Rajadhyaksha, who retires by rotation under Article 145 of the Articles of Association of the Company and being eligible, offers himself for reappointment.
4. To consider and if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

   "**RESOLVED THAT** pursuant to sections 224, 224A and other applicable provisions, if any, of the Companies Act, 1956, Messers. C. C. Chokshi & Co., Chartered Accountants, Mumbai, be and are hereby appointed Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting and that their remuneration be and is hereby fixed at Rs.11,00,000/- apart from out-of-pocket expenses incurred by them for the purpose of audit".

   SPECIAL BUSNIESS :

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

   " **RESOLVED THAT :**

a. Pursuant to sections 198, 269, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956, the reappointment and the terms of remuneration of Dr. N. M. Dhuldhoya as the Vice Chairman and Managing Director of the Company be and are hereby approved for a period from 24th November, 2001, to 31st March, 2003, as set out in terms of appointment submitted to the meeting and which terms are hereby approved with liberty to the Board of Directors to alter and vary the same in such manner as may be agreed to between the Board of Directors and Dr. N. M. Dhuldhoya so as not to exceed the limits specified in Schedule XIII to the said Act, as existing or as amended, modified or re-enacted from time to time".

b. Where in any financial year closing on or after 1st April, 2001, the Company has no profits or its profits are inadequate, the Company may pay to Dr. N. M. Dhuldhoya the above remuneration by way of salary, perquisites and other allowances as minimum remuneration in terms of Schedule XIII of the Companies Act, 1956.

By Order of the Board
For **NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED**

U. M. Karnik
Secretary

Registered Office :
Mafatlal Chambers "B"
N. M. Joshi Marg
Lower Parel (East)
Mumbai – 400 013.

Dated : 22nd November, 2002.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND TO VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The relevant Explanatory Statements pursuant to section 173 of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday 21st December, 2002 to Monday 30th December, 2002 (both days inclusive).
4. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Head Office of the Company at Mafatlal House, 5th Floor, H.T. Parekh Marg, Backbay Reclamatiom, Churchgate, Mumbai – 400 020.
5. Reappointment of Directors:

   At the ensuing Annual General Meeting Mr. A. N. Mafatlal and Mr. V. G. Rajadhyaksha are due to retire by rotation . Mr. A. N. Mafatlal and Mr. V. G. Rajadhyaksha being eligible, offer themselves for reappointment.

   Pursuant to Clause 49 of the Listing Agreement relating to the Code of Corporate Governance, the particulars of Mr. A. N. Mafatlal and Mr. V. G. Rajadhyaksha are given below:

Mr. A. N. Mafatlal, aged 79 years, is one of the leading industrialist of India. He is the non-executive Chairman of the Company. He is the pioneer of the Petrochemicals Industry in India. He has various business interests such as textiles, petrochemicals, plastics, natural gas distribution, engineering, chemicals, financial services, management consultancy etc.

He is on the Board of the Company since its inception in early 1960's. He is also the Chairman of Mafatlal Industries Limited and is Director in several Companies / Bodies Corporates.

Mr. V. G. Rajadhyaksha, aged 78 years did his post graduation in Chemical Engineering from the University of Michigan, U. S. A. After joining Unilever, as a trainee in 1948, he worked in various factories of Hindustan Lever Limited and took over as the Chairman and Chief Executive in 1968. He retired prematurely in 1973 to join the Planning Commission as Secretary to Government and in 1977 became a Member of the Planning Commission, Government of India.

Presently, Mr. Rajadhyaksha is Director of several Private Sector Companies and is also associated with number of non – profit social service organizations such as WWF – India.

ANNEXURE TO THE NOTICE

Explanatory Statement (as required under section 173 of the Companies Act, 1956.)

The following Explanatory Statement sets out material facts relating Item Nos. 4 & 5 mentioned in the accompanying Notice dated 22nd November, 2002.

Item No. 4

The combined shareholding of public financial institutions, nationalized banks and insurance companies in the Company exceeds twenty-five percent of the paid-up equity share capital of the Company. It is therefore, necessary to pass the resolution for the appointment of the Auditors of the Company as a Special Resolution in accordance with the provisions of section 224A of the Companies Act, 1956.

None of the Directors of the Company is concerned or interested in the said resolution.

Item No.5

The Company is engaged in the business of manufacture and sale of Petrochemicals, Polymers, Rubber Chemicals and Plastics Products. It has manufacturing facilities at TTC Industrial Area in Thane and Akola and Regional Sales Offices at Mumbai, Delhi, Chennai and Kolkatta.

The Company started its commercial production in the year 1967.

The paid-up Share Capital of the Company is Rs.122.60 crores and Free Reserves of the Company as on ended 31st March, 2002, stand at Rs.192.67 crores. During the last three years Company has been making profits. However, in the year 2001-02 the Company could not make adequate profits due to losses incurred by the Petrochemicals Division on account of the high cost of inputs which could not match the volatility of prices in most of its end products.

The Company achieved an export turnover of Rs.56 crores during the year 2000-2001 and Rs.57 crores during the year 2001- 2002. The Company has made application to the banks and the financial institutions for restructuring of its business. ICICI Bank Limited has approved the said restructuring proposal and the approval of other banks and financial institutions is awaited.

Dr. N. M. Dhuldhoya completed his Graduation in Science from the Leeds University, England in 1959, followed by Doctorate of Philosophy from University of Leeds in 1962. His Special Subjects were Chemical Technology, Polymer Chemistry and Dyes Intermediates Technology.

Dr. N. M. Dhuldhoya, has been awarded the Perkin Bequest Fellowship in the year 1960-1961.

Dr. N. M. Dhuldhoya is the Vice Chairman and the Managing Director of the Company. Dr. N. M. Dhuldhoya was the Managing Director of erstwhile Polyolefins Industries Limited from 1975 onwards. He took over as the Vice Chairman of National Organic Chemical Industries Limited in the year 1994 and became Vice Chairman & Managing Director of the Company after the merger of Polylefins Industries Limited with National Organic Chemical Industries Limited in the year 1995. He is in charge of the management and affairs of the Company under the supervision of the Deputy Chairman and the Chairman and subject to the superintendence and control of the Board of Directors of the Company.

The Board of Directors at its Meeting held on 30th October, 2001, has reappointed Dr. N. M. Dhuldhoya as the Vice Chairman and Managing Director of the Company from 24th November, 2001 to 31st March, 2003.

The remuneration payable to Dr. N. M. Dhuldhoya has been approved by the Remuneration Committee at its meeting held on 31st October, 2002.

The terms of remuneration of Dr. N. M. Dhuldhoya as the Vice Chairman and Managing Director will be as under:

(a) Salary of Rs.1,10,000/- per month including Dearness Allowance.

(b) Perquisites and allowances the aggregate monetary value of which shall not exceed Rs.9,00,000/- per annum or as may be decided by the Board from time to time. These perquisites and other allowances will be in addition to items mentioned in point no III below.

(c) In the event of absence or inadequacy of profits in any financial year, the Company will pay to Dr. N.M. Dhuldhoya the minimum remuneration as prescribed under Section II of Part II of Schedule XIII or such remuneration as may be approved by the Central Government under Clause (4) of Section 198 of the Companies Act, 1956.

(d) The salary and perquisites as mentioned under (a), (b) and (c) above will be exclusive of:

(i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they are not taxable under the Income Tax Act, 1961.

(ii) Gratuity at the rate of one month's salary for every completed year of service or part thereof in excess of six months on the basis of last drawn salary.

(iii) Leave as per the rules of the Company including encashment of leave at the end of the tenure.

II. Commission computed in the manner laid down in Section 309(5) of the Companies Act, 1956 subject to a maximum as may be fixed by the Board from time to time on the basis of the performance of the Company.

III. Apart from his above mentioned remuneration, he shall be entitled to:

(a) Furnished Residential Accommodation. In case no accommodation is provided by the Company, he will be entitled to a suitable house rent allowance.

(b) Medical expenses actually and properly incurred for him and his family.

(c) Entertainment expenses actually and properly incurred by him in the course of legitimate business of the Company.

(d) Long service benefit of one and half month's salary for every completed year of service or part thereof in excess of six months on the basis of last drawn salary.

(e) Club membership fees subject to a maximum of two clubs.

(f) Personal accident insurance policy.

(g) Provision for use of car and telephone for both official and personal use.

(h) Group Insurance Policy as per rules of the Company.

Dr. N. M. Dhuldhoya is being paid remuneration which is much lower than the remuneration paid to other whole time Directors hodling similar positions in other Petrochemical Companies, even though. Dr. N. M. Dhuldhoya has 40 years of experience in the field of Petrochemicals, Polymers and Rubber Chemicals and has been a pioneer in development of the Plastic Industry in India. In the past Dr. N.M. Dhuldhoya was paid remuneration of Rs. 30,31,723/- during the year 2000-01.
Dr. N. M. Dhuldoya does not have any pecuniary relationship directly or indirectly with the Company, or any relationship with the managerial personnel of the Company.
None of the Directors except Dr. N. M. Dhuldhoya is concerned or interested in the said resolution.

By Order of the Board

For **NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED**

U. M. Karnik
Secretary.

Registered Office :
Mafatlal Chambers "B", N.M. Joshi Marg
Lower Parel (East), Mumbai – 400 013.
Dated : 22nd November, 2002.

Directors' Report

TO THE MEMBERS
NATIONAL ORGANIC CHEMICAL INDUSTRIES LIMITED

Your Directors present their Report together with the Audited Accounts of the Company for the year ended March 31, 2002.

FINANCIAL RESULTS

(Rupees in Lakh)

	Year Ended 31.3. 02	Year Ended 31.3.01
(Loss) / Profit Before Depreciation	(7124)	3259
Provision for Depreciation	1933	1947
Profit Before Tax	(9057)	1312
Provision for Tax	32	150
Net (Loss) / Profit	(9089)	1162
Excess / (Short) provision for taxes of earlier years	6	(81)
Transferred from Debenture Redemption Reserve Account	—	1210
Transferred from General Reserve Account	7500	—
Surplus brought forward from previous year	12359	10068
	10776	12359
Transfer to Reserve for Contingency	7500	—
Balance carried to Balance Sheet	3276	12359

The year under review was a very difficult year for the Petrochemicals Division of the Company due to the pressure on the margins as the prices of most of its end products could not match the high cost of inputs. This severely affected the liquidity of the Company with the result that the operations of the Petrochemicals Division were required to be shut down from November 2001 to March 2002. Even though the operations were restarted in the hope of receding prices of inputs they could not be sustained as the prices once again started increasing in April 2002 and ultimately the Management decided to close down the said Petrochemicals Division and seek permission under section 25-O of the Industrial Disputes Act 1947 for closure of the said Division.

DIVIDEND

In view of continuing liquidity problems and heavy losses, the Directors have not recommended payment of any dividend.

TRANSFER OF UNPAID DIVIDEND TO GENERAL REVENUE ACCOUNT OF CENTRAL GOVERNMENT

As per the provisions of Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 all unpaid dividends including and upto final dividend for the year 1994-95 have been transferred to the General Revenue Account of the Central Government. Members of the Company whose final dividend for the year 1994-95 and dividend for the earlier years has remained unclaimed are individually requested to approach the Registrar of Companies, Maharashtra for claiming the same.

PERFORMANCE OF THE COMPANY

The turnover of the Company for the year under review was Rs.740 crores as compared to Rs.989 crores in the year 2000-2001. The reduction in turnover was due to stoppage of the operations of the Petrochemicals Division for a period of more than three months initially due to technical reasons and later because of paucity of funds to purchase feedstock.

The Petrochemicals business was marked by unexpected increase in the prices of most of the inputs required by the Company for its manufacturing operations. At the same time, the competition in Industrial Chemicals and Polymer businesses of the Company was very severe due to some new Petrochemicals Plants being commissioned within the country. The prices of some of the products in the international market also showed a downward trend which along with reduction in customs duty resulted in large scale imports of products at lower prices which in turn had a severe adverse impact on the prices of the finished products. These factors led to a serious erosion in the margins of the Company and aggravated the liquidity problems so much so that the Company did not have the financial resources to pay the price of naphtha to BPCL and ultimately the operations of the Petrochemicals Division came to a standstill from 16th April 2002.

The manufacturing operations of the Petrochemicals plant had already become uneconomical on account of its sub-optimal size and more than 35 years old technology which resulted in the said Division showing a loss of Rs.112 crores during the year 2001-2002. As there was no chance of any improvement in the world oil scenario due to crisis in the Middle East it became quite evident to the Management that the continuation of the manufacturing operations of the Petrochemicals business will only lead to more and more losses and jeopardize the working of the other Divisions of the Company which were making profits. After taking all these factors into consideration the Board of Directors decided in May 2002 to obtain the permission of the Government of Maharashtra for closing down of the said Petrochemicals Division. The Management offered a Voluntary Retirement Scheme (VRS) to the employees of the Petrochemicals Division and most of the management staff and 40% of the workers accepted the VRS and have been relieved from May 2002. The Company received the approval of the Commissioner of Labour to its closure application on 30th August 2002 but the same was set aside by the Mumbai High Court as the final order was signed by the Joint Commissioner instead of the Commissioner and the matter was once again referred back to the Commissioner. The hearings before the Commissioner are under progress and a decision is expected to be given very soon.

The demand for rubber chemicals during the year under review was very weak and the prices also kept moving southwards. Even in such a scenario the Rubber Chemicals Division performed well and was able to register a growth in sales volumes from 12180 metric tonnes in the year 2000-2001 to 13758 metric tonnes in the year under review which resulted in increase in profitability of the said division. The Division was able to achieve substantial reduction in manufacturing costs by making a marked improvement in the consumption of raw materials and utilities during the year. The Company undertook various measures for improvement in quality of the products manufactured by Division. The Division was able to maintain a good balance between the domestic and export businesses thereby improving its market share in both these sectors. The Division has always given utmost importance to customer satisfaction both in terms of quality and services and hence its products are well received by tyre and non-tyre industries within and outside the country.

The Plastic Products business of the Company achieved a turnover of Rs.37.5 crores from sales of processed products. This turnover showed a decrease of about 13% as compared to last year. The general economic recession and severe competition in the pipe business led to the reduction in the turnover of the said Division. The Plastic Products Division adopted various cost saving measures to improve its operations thereby making its products more competitive in the market.

RESTRUCTURING OF THE COMPANY

In view of the continuing losses being incurred by the Petrochemicals Division for the last three years due to unprecedented increase in the prices of its inputs it was decided by the management to restructure its operations. Under the restructuring proposal the assets of the Petrochemicals Division will be separated and disposed off to clear most of the liabilities of the Petrochemicals Division. The remaining liabilities will be taken over by the Rubber Chemicals Division and cleared from its profits over a period of time. The interest on these liabilities payable to the Banks and the Financial Institutions will be rescheduled and will also be paid in a phased manner. The Company has already received the approval of ICICI Bank Limited to the restructuring proposal and the approval of the Banks and other financial institutions is awaited.

EXPORTS

The Company achieved a turnover of Rs.57 crores of rubber chemicals during the year. The said Division has created sales opportunities in the international market by adopting an aggressive marketing strategy and maintaining a balanced customer portfolio. The Company is now well known in the international market as a reliable and competitive manufacter and supplier of Rubber Chemical products.

FIXED DEPOSIT

Out of the Fixed Deposits aggregating to Rs. 26.46 crores as at 31st March, 2002, outstanding deposits amounting to Rs. 1.15 crores have not been claimed by the depositors on that date.

INSURANCE

The Company has taken appropriate steps to insure all the properties and insurable interest of the Company as required under the various legislative enactments.

STATUS OF THE MODERNISATION PROJECT

In view of the bleak petrochemical scenario due to ever increasing prices of inputs and till the completion of all the legal formalities regarding the closure of the existing petrochemicals business, the Management has decided to put on hold the plans for the modernization of the Petrochemicals business.

HEALTH SAFETY AND ENVIRONMENT

The Company continued its efforts on the improvement of health and welfare of the employees. The safety performance of the company was quite satisfactory. The Petrochemicals Division carried out a minor shutdown in December 2001 without any injuries. The Company continued its thrust towards achieving improvement in its safety records.

TOTAL QUALITY MANAGEMENT

The Company aims to achieve international standards in Total Quality Management by its total commitment towards production of goods of high quality as well as rendering of services to the entire satisfaction of its customers. The Rubber Chemicals Division continues to pursue the norms laid down to justify the certification under ISO 14000.

SUBSIDIARY COMPANIES

The Audited Profit and Loss Account of the subsidiary companies for the year ended 31st March 2002 and the Balance Sheet as at that date are forming a part of the Annual Report. As required under the law the consolidated accounts of the Company together with its subsidiaries is also forming a part of this report.

PERSONNEL

The Directors wish to thank all the employees for their support, co-operation and good work during the year under review. The employee relations at all locations was generally cordial.

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is enclosed separately with this Report.

DIRECTORS

At the forthcoming Annual General Meeting, Mr. A. N. Mafatlal and Mr. V.G.Rajadhyaksha will retire by rotation pursuant to Article 145 of the Articles of Association of the Company. Being eligible, they offer themselves for reappointment.

The Industrial Investment Bank of India has nominated Dr. T.D.Chaudhuri as its nominee director with effect from 23rd April 2002.

The term of Dr. N.M. Dhuldhoya as Vice Chairman and Managing Director expired on 23rd November, 2001. The Board of Directors at its meeting held on 31st October, 2001 has reappointed Dr. N. M. Dhuldhoya as Vice Chairman and Managing Director for a further period upto 31st March 2003. The terms of appointment and remuneration of Dr. Dhuldhoya have been approved by the Remuneration Committee in its meeting held on 31st October 2002 and are being placed before the members in this Annual General Meeting for approval.

DIRECTORS RESPONSIBILITY STATEMENT

As required under section 217 (2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed that :-

(i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.

(ii) The Directors 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 as at 31st March 2002 and of the loss for the year ended on that date.

(iii) 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 fraud and other irregularities.

(iv) The Directors have prepared the annual accounts on a going concern basis read with Note 1 to Schedule 19 of the Annual Accounts.

OTHER PARTICULARS

Report in Form A attached gives the energy conservation efforts made by the Company.

Report in Form B attached gives the details of the technology absorption measures adopted and research and development efforts carried on by the Company.

AUDITORS

The term of Messrs. C.C.Chokshi & Co. as Auditors, expires at the conclusion of this Anuual General Meeting and they are eligible for reappointment. The Auditors have given a Certificate to the effect that the reappointment, if made, will be within the prescribed limits specified under section 224 (1B) of the Companies Act,1956.

For and on behalf of the Board

Mumbai
Dated : 22nd November, 2002

Hrishikesh A. Mafatlal
Deputy Chairman

APPENDIX

Additional information to be furnished in terms of notification 1029 of 31-12-1998 issued by the Dept. of Company affairs is as follows:

A. CONSERVATION OF ENERGY

a) Energy conservation/modernisation measures taken in Petrochemicals Division:

- Distillation capacity increased by resequencing of hot columns.
- Steam consumption optimisation in steam distillation kettles in HDPE plant for reduction of total steam consumption.
- Chilled water network in EVA Plant Modified
- Inventory in secondary compressor suction temperature in EVA Plant.
- Utilisation of MP Steam condensate in EVA plant.
- Waste water reutilisation/filter back from demin B/L
- Implemention of Furnace advance control to improve C2/C3 yield.
- Ethylene lost via seal vent in EO Plant recovered.
- Elimination of LP Steam by installing Gala driers in HDPE granulation.

Energy conservation/modernisation measures taken in Rubber Chemicals Division :

- In continuation with the power factor improvement measures taken last year, power factor in MCCs has further improved from 0.97 to 0.99 by adding/modifying capacitor banks. Thereby a monthly rebate of Rs. 2.75 lacs per month is received by way of electricity bill.
- Installation of Planetary Gear box for surface aerators completed, which will have an annual saving of Rs. 80,000/-.
- Optimization of certain filteration operations has resulted into redundancy of 2 pumps, which will given energy saving of Rs. 2.60 lakhs per annum.
- Installation of modified agitator in washer has resulted into reduced power consumption with an annual saving of Rs. 2.00 lakhs.
- Optimization of 2nd refrigeration unit in 04 plant resulted in annual energy saving of Rs. 1.60 lakhs.
- Optimization and reduction in running hours of centrifuge and agitators resulting in energy saving of Rs. 2.00 lakhs per annum.

Energy conservation/modernisation measures taken in Plastic Product Division :

- Running Blow moulding machine VK3.200, on single stage compressor in place of two stage compressor so as to reduce electrical units consumption.
- Reduction in units of air compressor from 900 to 200 units/day.
- Reduce requirement of cooling water in plant so that one cooling water pump is required in place of two.
- Pipelines were modified and discharge from one pump was used for whole plant by diverting outlet of chilled water plant condenser to production machines.
- Stopped chilled water paint during the months of Nov. 01 to Jan. 02 as water was available at low temperature and production outputs were normal.
- Availing the rebate on controlling power factor every month by 4 to 5 percent of energy change of MSEB Bill.

b) Energy conservation measures to be taken in 2002-03 in Rubber Chemicals Division :

- For new refrigeration system - an evaporative condensor is installed of conventional type, and is being commissioned. This will result in energy saving of Rs. 4.50 lakhs per year.
- The new refrigeration system designed to use ammonia as refrigerant instead of freon-22, has been installed and is being commissioned. This will result in energy saving of Rs. 7.50 lakhs per annum.
- Installation of higher efficiency pump for cooling tower has been installed and is being commissioned. This will result in energy saving of Rs. 10.00 lakhs per annum.
- Installation of ejector system with surface condensor instead of direct contact condensor has been installed and commissioned resulting in fuel saving of Rs. 4.00 lakhs per annum.
- Automatic control for cooling tower fan operation will have energy saving of Rs. 1.50 lakhs per annum.
- Installation of improved design agitator in one of the main reactors will have electrical energy saving of Rs. 1.00 lakh per annum.

Energy conservation measures to be taken in 2002-03 in Plastic Product Division :

- To make maximum Pipe production on Battened Extruder which is energy efficient.
- Availing rebate on maintaining power factor will be continued.
- Keeping some street light on road off on full moon day.

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

	April 2001 To March 2002	April 2000 To March 2001
Petrochemicals Division*		
Rubber Chemicals Division	1.10	1.47
Plastic Products Division	0.94	0.94
* TNEF/T of C2 + C3 production	0.33	0.33

d) Total energy consumption and energy consumption per unit of production.
Please see Form 'A'

B. TECHNOLOGY ABSORPTION

Efforts made towards technology absorption:
Please see Form 'B'

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to export; initiatives taken to increase exports; development of new export market and services; and export plans:
please refer to the para on Exports in the main report.

b) Total foreign exchange used and earned:
Foreign exchange used :

	Rs. in Lakhs
(i) Raw Materials, stores and spare parts, capital goods, process chemicals and other products	3850
(ii) Expenditure in foreign currency on account of Royalty/Technical Fees (net of tax) and on other matters	98
Foreign exchange earner:	
Export of goods on FOB basis, commission and Service charges	5355