

National Peroxide Limited



**ANNUAL REPORT
2005-2006**



National Peroxide Limited

Annual Report 2005-2006

(Registered - 16th March, 1954)

DIRECTORS (As on 16th June, 2006)

P. V. KUPPUSWAMY *Chairman*

K. N. SUNTOOK

NESS N. WADIA

A. K. HIRJEE

R. N. SETHNA

R. BATRA

S. R. LOHOKARE *Managing Director*

SECRETARY

S. A. GAIKWAD

BANKERS

STATE BANK OF INDIA

CANARA BANK

STATE BANK OF INDORE

SOLICITORS AND ADVOCATES

CRAWFORD BAYLEY & Co.

AUDITORS

S. B. BILLIMORIA & Co.

Chartered Accountants

REGISTERED OFFICE

NEVILLE HOUSE,

J. N. HEREDIA MARG,

BALLARD ESTATE,

MUMBAI - 400 001.

FACTORY

N.R.C. ROAD, P.O. ATALI,

VIA MOHONE,

KALYAN - 421 102.

DIST. THANE,

MAHARASHTRA

REGISTRAR & SHARE TRANSFER AGENTS

SHAREX DYNAMIC (INDIA) PVT. LTD.

17/B, DENA BANK BUILDING, UNIT No. 1

2ND FLOOR, HORNIMAN CIRCLE, LUTHRA INDUSTRIAL PREMISES,

FORT, ANDHERI-KURLA ROAD,

MUMBAI - 400 001. SAFED POOL, ANDHERI (E),

TEL: 22702485/22641376 MUMBAI - 400 072.

TEL: 28515644/28515606

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National Peroxide Limited

NOTICE

NOTICE is hereby given that the Fifty-Second Annual General Meeting of the Members of NATIONAL PEROXIDE LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg (Rampart Row), (Behind Prince of Wales Museum), Mumbai 400 001, on Friday, 28th July, 2006 at 3.30 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Mr. A. K. Hirjee, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Mr. K. N. Suntook, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint Messrs. S.B. Billimoria & Co., Chartered Accountants, as Auditors of the Company to hold the office from the conclusion of this Annual General 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 modification(s), the following Resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. Rajesh Batra be and is hereby appointed as a Director of the Company whose period of office shall be liable to retirement by rotation."

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT in further modification of the Resolution passed at the 49th Annual General Meeting of the Company held on 23rd July, 2003 and of the terms and conditions of appointment of Mr. S. R. Lohokare as Wholtime Director of the Company (subsequently re-designated as Managing Director w.e.f. 28th October, 2004 in terms of the Resolution passed at the 51st Annual General Meeting held on 28th July, 2005) as set out in the Agreement executed between the Company and Mr. Lohokare on 2nd September, 2003, a draft whereof was specifically approved by the said Resolution, and in accordance with the provisions of Sections 198, 269, 310 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') read with Schedule XIII of the Act, the Company hereby approves, with effect from 1st July, 2006:-

- (a) the removal of the maximum limit of Rs. 40 lacs per annum stipulated in the Agreement dated 2nd September, 2003 for payment of remuneration by way of salary, allowances, commission on profits and/or bonus and perquisites and other benefits and amenities; and
- (b) revision in the remuneration by way of salary, perquisites and allowances payable to Mr. Lohokare (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) for the remainder of the tenure of his contract as set out in the Explanatory Statement annexed to the Notice convening this meeting.

"RESOLVED FURTHER THAT the Board including the Remuneration Committee be and is hereby authorized to take all such steps, as may be necessary, proper, expedient or desirable to give effect to this Resolution or to make modification(s) as may be deemed to be in the best interest of the Company."

NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER. The instruments appointing the proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
- (b) The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, setting out material facts relating to the Special Business at Item nos. 6 and 7 of the Notice as set out above, is annexed hereto.
- (c) The Share Transfer Books and the Register of Members of the Company will remain closed from Friday, 14th July, 2006 to Friday, 28th July, 2006, both days inclusive.
- (d) The dividend, if any, that may be declared at the Meeting, shall be paid on or after 29th July, 2006 to those shareholders whose names stand on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company's Registrar & Share Transfer Agents on or before 13th July, 2006, in respect of the shares held in physical form. In respect of the shares held in electronic form, the dividend for the year ended 31st March, 2006 will be payable to the beneficial owners of the shares as at the closing hours of 13th July, 2006, as per the details to be furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd. for this purpose.
- (e) Members are requested to notify immediately any change of address:
 - i) to their Depository Participants (DPs) in respect of their electronic share accounts, and

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- ii) to the Company's Registrar & Share Transfer Agents, Sharex Dynamic (India) Pvt. Ltd. at either of the following addresses:

17/B, Dena Bank Building,
2nd Floor, Horniman Circle,
Fort, Mumbai - 400 001.
Tel: 2270 2485 / 2264 1376

Unit No. 1,
Luthra Industrial Premises,
Andheri Kurla Road,
Safed Pool Andheri (E),
Mumbai - 400 072.
Tel: 2851 5644 / 2851 5606

- (f) Members are requested to submit Bank Account particulars / ECS mandate, if not already done so, to Sharex Dynamic (India) Pvt. Ltd., at either of their addresses given above, quoting their folio numbers/client ID. The aforesaid information should reach Sharex Dynamic (India) Pvt. Ltd. on or before 13th July, 2006.
- (g) The unclaimed dividends for the year ended 31st March, 1994 and previous years, declared by the Company have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Shareholders who have not encashed their dividend warrants for the aforesaid years are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai.

Unclaimed dividends for the years ended 31st March, 1995; 31st March, 1996 and 31st March, 1997 were transferred to the Investor Education and Protection Fund (IEPF) as required in terms of Section 205A read with Section 205C of the Companies Act, 1956. No claim shall lie against the IEPF or the Company in respect of the unclaimed/unpaid amount(s) transferred to the IEPF.

In terms of Section 205A read with Section 205C of the Companies Act, 1956, dividends for the years ended 31st March, 2001 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the respective dates of transfer to the unpaid dividend account of the Company are due for transfer to the IEPF. The last dates for claiming unpaid dividends are given in the table below:

Financial Year	Date of Declaration of Dividend	Last Date for claiming Unpaid Dividend
2000-01	27.07.2001	26.07.2008
2001-02	29.07.2002	28.07.2009
2002-03	23.07.2003	22.07.2010
2003-04	29.07.2004	28.07.2011
2004-05	28.07.2005	27.07.2012

Members who have so far not encashed the Dividend Warrants for the above years are advised to submit their claim to Sharex Dynamic (India) Pvt. Ltd., at the addresses given above, quoting their folio numbers/ DP ID & Client ID. It may be noted that once the unclaimed dividend is transferred to the IEPF as aforesaid, no claim shall lie in respect of such amount(s) by the members.

- (h) Members may avail themselves of the facility of nomination in terms of Section 109A of the Companies Act, 1956 by nominating in the prescribed form a person to whom their shares in the Company shall vest in the event of their death. The prescribed form can be obtained from the Company's Registered office or from its R & T Agent at either of the aforesaid addresses.
- (i) Members/ Proxies should bring the Attendance Slip sent herein duly filled in for attending the Meeting.
- (j) Members are requested to bring their copy of the Annual Report to the Meeting.
- (k) Members desiring any information/ clarification as regards the Accounts are requested to write to the Company at least 10 days before the Annual General Meeting to enable the Management to reply at the Meeting.
- (l) As required in terms of Paragraph VI(A) of Clause 49 of the Listing Agreement, the details of the Directors being appointed / reappointed are furnished below:

1. Mr. A. K. Hirjee

Mr. A. K. Hirjee, 67, was inducted on the Company's Board in September 2002. He is a B.A. (Hons.), LL.B. (Hons.), Barrister-at-Law and a Fellow of London Business School. He has 42 years of experience in different areas of Business Management and his expertise extends to finance, banking, legal, commercial, industrial and general administration. Mr. Hirjee has been actively associated with leading Charitable Institutions.

Mr. Hirjee does not hold any shares of the Company.

Other Directorships: The Bombay Burmah Trading Corporation Ltd. (Vice-Chairman), The Bombay Dyeing & Mfg. Co. Ltd., Gherzi Eastern Ltd., Atlas Copco (India) Ltd. (Chairman), Nowrosjee Wadia & Sons Ltd., Wadia BSN India Ltd., Britannia Industries Ltd., Citurgia Biochemicals Ltd., HDFC Trustee Co. Ltd. (Chairman).

Committee Memberships: The Bombay Burmah Trading Corp. Ltd. (Audit Committee, Remuneration Committee); Atlas Copco (India) Ltd. (Audit Committee - Chairman, Remuneration Committee - Chairman, Shareholders'/ Investors' Grievance Committee); Britannia Industries Ltd. (Share Transfer & Shareholders'/Investors' Grievance Committee); The Bombay Dyeing & Mfg. Co. Ltd. (Share Transfer, Shareholders'/Investors' Grievance and



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Ethics & Compliance Committee, Remuneration Committee); HDFC Trustee Co. Ltd. (Audit Committee - Chairman).

2. Mr. K. N. Suntook

Mr. K. N. Suntook, 71, is a B.A., LL.B. (Advocate), FCS. He was inducted on the Board in July 1984. He has 43 years experience, as a Senior Executive and ultimately Director in some Tata Group Companies, specializing in general management, finance, human resource development and planning.

Mr. Suntook also has vast experience in international business.

Mr. Suntook does not hold any shares of the Company.

Other Directorships: Tata Investment Corp. Ltd.; Trent Ltd.; The Associated Building Co. Ltd. (Chairman); Tata McGraw-Hill Publishing Co. Ltd.

Committee Memberships: Tata Investment Corp. Ltd. (Audit Committee - Chairman, Investment Committee, Remuneration Committee - Chairman, Asset/Liability Committee); Trent Ltd. (Audit Committee, Investment Committee).

3. Mr. Rajesh Batra

Mr. Rajesh Batra, 51, did his schooling in Campion School, Mumbai and graduated from Elphinstone College, in 1975. He then obtained a Diploma in Systems Management from the Jamnalal Bajaj Institute in 1978.

Son of Mr. Ram Batra, a leading Businessman and Sheriff of Bombay in 1978, Rajesh Batra, along with his brother Rajiv, founded Proline in 1983. The brand has a national presence and is presently sold through more than 30 company exclusive stores, major department stores & malls and several hundred retail outlets.

A keen tennis enthusiast, Mr. Batra was the Maharashtra State Champion during 1970s and was ranked number 6 in India at that time. He has also represented India in the Asian Junior Championships in 1973 where he was a finalist and at the World University Games in 1973 in Moscow.

Mr. Batra is a Director on the Board of several Companies. Besides this, he is a trustee on several charitable trusts and promotes tennis through the Ram Batra Memorial Foundation.

Mr. Batra does not hold any shares of the Company.

Other Directorships: Cravatex Ltd.; Proline Exports Pvt. Ltd.; Rajesh Rajeev Investments Pvt. Ltd.; Promark Fitness & Leisure Pvt. Ltd.; Proline India Ltd.; Proline International Ltd.; C. P. Plastics Pvt. Ltd.; Jehreen Investments Pvt. Ltd.; Lochness Investments Pvt. Ltd.; Citroflex Pvt. Ltd.; Spring Flower Investments Pvt. Ltd.; Iponita Investments Pvt. Ltd.; Nitapo Holdings Pvt. Ltd.; Heera Holdings & Leasing Pvt. Ltd.; Priyal Leasing & Investments Pvt. Ltd.; B.R.T. Ltd.; Technojet Consultants Ltd.

Committee Memberships: Nil

By Order of the Board of Directors
For NATIONAL PEROXIDE LIMITED

SATISH GAIKWAD
Company Secretary

Registered Office :

Neville House
J. N. Heredia Marg
Ballard Estate
Mumbai - 400 001

Mumbai, 16th June, 2006

ANNEXURE TO THE NOTICE

Explanatory Statement as required under Section 173 of the Companies Act, 1956

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the Special Business mentioned under Item nos. 6 and 7 of the accompanying Notice of the Annual General Meeting dated 16th June, 2006:

Item No. 6

Mr. Rajesh Batra was appointed as an Additional Director on the Board of the Company with effect from 30th December, 2005, pursuant to Section 260 of the Companies Act, 1956 ("the Act"), read with Article 137 of the Articles of Association of the Company. Mr. Rajesh Batra holds office upto the date of this Annual General Meeting. The Company has received a notice in writing under Section 257 of the Act, from a Member,

proposing Mr. Rajesh Batra as a Director of the Company along with a deposit of Rs. 500/- which will be refunded to such Member, if Mr. Rajesh Batra is elected as a Director.

The services of Mr. Rajesh Batra will be useful to the Company. The Directors, therefore, commend that he be appointed as a Director of the Company.

None of the Directors other than Mr. Rajesh Batra, may be considered to be concerned or interested in the said appointment at item no. 6.

Item No. 7

The Members of the Company, at the 49th Annual General Meeting of the Company held on 23rd July, 2003, approved the terms of appointment and remuneration of Mr. S. R. Lohokare as the Wholetime Director of the Company for a

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period of 5 years with effect from 1st May, 2003. The Company entered into an agreement with Mr. Lohokare on 2nd September, 2003.

Subsequently, the Members of the Company, at the 51st Annual General Meeting of the Company held on 28th July, 2005, also approved the re-designation of Mr. Lohokare, as Managing Director, with effect from 28th October, 2004, on the same terms and conditions as were set out in the Agreement entered into between the Company and Mr. Lohokare on 2nd September, 2003.

The Agreement entered into with Mr. Lohokare on 02nd September, 2003 based on the approval of the Members as aforesaid contain the terms and conditions of his appointment and the remuneration payable to him. The Agreement with Mr. Lohokare, *inter alia*, stipulates a maximum limit of remuneration, by way of salary, allowances, commission on profits and/or bonus and perquisites and other benefits and amenities as may be determined by the Board from time to time in accordance with the Rules of the Company, at Rs. 40 lacs per annum, subject always to the overall limits contained in Sections 198 and 309 of the Companies Act, 1956 ("the Act").

In order to give flexibility to the Remuneration Committee and the Board to decide upon the remuneration including perquisites and allowances to be granted to the Managing Director from time to time, within the overall ceilings prescribed under the Act, the Remuneration Committee and the Board have also, at their meetings held on 16th June, 2006, approved revision in the terms of remuneration including perquisites and allowances of Mr. Lohokare for the period effective from 1st July, 2006 to 30th April, 2008, subject to the approval of the Members:

The revised terms of remuneration are set out below:

A. Remuneration:

Basic salary, with annual increments effective 1st July every year, as may be decided by the Board, based on merit and taking into account the Company's performance for the year, upto a maximum of Rs. 5,00,000/- per month.

The benefits, perquisites & allowances will be determined by the Board from time to time.

Commission calculated with reference to the net profits in a particular financial year will be determined by the Board based on performance criteria.

B. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of Mr. S. R. Lohokare, Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, benefits, perquisites

and allowances as specified above, subject to compliance with the applicable provisions of Schedule XIII to the Act, if and to the extent necessary, with the approval of the Central Government.

The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under Sections 198, 309 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as amended from time to time.

All the other terms and conditions of appointment of Mr. Lohokare, would remain unchanged.

The Resolution at Item No. 7 seeks to give the requisite flexibility to the Board to determine the remuneration payable to the Managing Director within the overall ceiling prescribed under the Act, by removing the maximum limits stipulated in his Agreement. This will allow a certain amount of flexibility to the Remuneration Committee and the Board to recognize merit and reward outstanding performance.

The Agreement entered into by the Company on 2nd September, 2003 with Mr. Lohokare, is available for inspection for the shareholders at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on any working day, except Saturday.

In compliance with the provisions of Sections 309 and 310 read with Schedule XIII of the Act, the revised terms of remuneration of Mr. Lohokare are now being placed before the Members in General Meeting for their approval.

The Directors commend the Resolution at Item No. 7 for approval by the Members.

None of the Directors, other than Mr. Lohokare, may be considered to be concerned or interested in the Resolution at Item No. 7.

This may be treated as an abstract under Section 302 of the Act of the revision in the terms of remuneration of the Managing Director.

By Order of the Board of Directors
For NATIONAL PEROXIDE LIMITED

SATISH GAIKWAD
Company Secretary

Registered Office :

Neville House
J. N. Heredia Marg
Ballard Estate
Mumbai - 400 001

Mumbai, 16th June, 2006



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DIRECTORS' REPORT TO THE MEMBERS

The Directors hereby present their Report on the business and operations of the Company and the Financial Accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS

	For the year ended 31 st March, 2006 Rs. in lacs	For the year ended 31 st March, 2005 Rs. in lacs
Gross Turnover (net of excise)	7006.15	7537.28
Profit before Interest & Depreciation	1991.71	2625.24
Less: Interest	4.24	25.69
Profit before Depreciation	1987.47	2599.55
Less: Depreciation	460.98	457.05
Profit before Tax	1526.49	2142.50
Less: - Current Tax	637.00	900.00
- Deferred Tax	(120.10)	(185.00)
- Fringe Benefit Tax	13.10	-
Profit after Tax	996.49	1427.50
Add: Excess Provision of Taxes of Prior Years	0.34	-
	996.83	1427.50
Balance brought forward from previous year	2920.68	1876.67
AMOUNT AVAILABLE FOR APPROPRIATIONS	3917.51	3304.17
Appropriations:		
Proposed Dividend	344.82	160.92
Corporate Dividend Tax	48.36	22.57
Transfer to General Reserve	200.00	200.00
Balance carried to Balance Sheet	3324.33	2920.68
	3917.51	3304.17

The financial results for the year under review were affected due to the following reasons :

- During the year, production of Hydrogen Peroxide was 34,382 MT which is 115% of the nameplate capacity. The production was affected due to massive floods during July 2005, leading to a production loss of 1,500 MT.
- During the year, the prices were under pressure as a result of reduction in customs duty and also imports.

2. SUB-DIVISION AND ISSUE OF BONUS SHARES

The Board of Directors of your Company has recommended the sub-division of the existing shares of the Company, of the face value of Rs.100/- each, into 10 shares of the face value of Rs.10/- each. The Board has also recommended the issue of fully paid-up bonus shares to the members of the Company in the proportion of 3 Equity shares for every 2 Equity shares of the face value as existing and held by the members on the Record Date i.e. on 2nd June, 2006.

The consent of the members has been obtained, for giving effect to the above proposals, by means of voting by Postal Ballot. Your Company has already issued the sub-divided shares and is in the process of issue of bonus shares and listing them with the Bombay Stock Exchange Ltd.

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3. DIVIDEND

Considering the performance, the Board of Directors recommends a dividend of Rs.6/- per Equity share of Rs.10/- each for the year ended 31st March, 2006 to be paid, if declared by the members at the Annual General Meeting to be held on 28th July, 2006.

4. ACCOUNTS

The current year's operations have resulted in a profit before depreciation of Rs. 1,987.47 lacs after absorbing the interest burden of Rs. 4.24 lacs. The profit before depreciation in the previous year was Rs. 2,599.55 lacs. There is a net profit of Rs.996.49 lacs as compared to net profit of Rs. 1,427.50 lacs in the previous year.

5. OPERATIONS

During the year under review, sale of Hydrogen Peroxide in domestic market including imports was 34,533 MT as compared to 35,443 MT in the previous year. Stock was built up during the 4th quarter of the year in order to meet the requirement of key customers during the planned shutdown in April and May 2006 so as to bring the expanded capacity in line from June 2006. This resulted in a shutdown of 8 weeks leading to a loss of production of 6,000 MT. The expansion will result in an increase in the nameplate capacity from 30,000 MT to 49,000 MT. With this, your Company expects to increase its market share. The increased capacity will be achieved with marginal increases in fixed costs.

The sales were affected during the year due to loss of 1,500 MT of production as a result of massive floods during July 2005. Had this production been available, we would have ended the year with marginally higher sales as compared to previous year, inspite of building up stocks for the shutdown. The prices continue to be under pressure during the year due to substantial imports from China and Turkey.

From 1st March, 2006, customs duty has been reduced from 15% to 12½% with an additional CVD @ 4% and hence the prices are expected to remain unchanged. The overall prices are expected to remain under pressure during the coming year due to reduction in international prices.

During the year, substantial investments took place in major textile centres such as Tirupur/Karur/Erode in the South and Panipat/ Faridabad/Ludhiana in the North as a prelude to abolition of textile quota system under WTO in January 2005. This will generate additional demand for our products.

The demand for our products from the paper industry is also expected to be strong.

During the second half of the year, the crude oil prices increased significantly leading to substantial increase in Naphtha and Fuel oil prices. The increase in the variable cost could not be neutralized by way of higher price in the market and margins were under pressure. During the current year, the trend of high oil prices is expected to continue.

The Company entered into a long term settlement with the Union on 28th October, 2005 which will expire on 30th September, 2009. Industrial relations continued to be cordial during the year.

6. SAFETY & ENVIRONMENT

The Company continues to maintain a good safety and environmental record and has worked for 3170 days without Lost Time Injury as on 31st March, 2006.

7. INSURANCE

All the properties of the Company, including buildings, plant and machinery, stocks and materials have been adequately insured. The Company has taken a public liability insurance policy as per the Public Liability Insurance Act, 1991.

8. FIXED DEPOSITS

The Company has stopped acceptance of fresh deposits and renewal of existing deposits from December 2002. The Company has also prepaid outstanding deposits from the public and shareholders during 2003-04. Deposits aggregating to Rs.2.84 lacs, relating to 19 depositors, have remained unclaimed as on 31st March, 2006, despite reminders.

9. DIRECTORS

Mr. R.K. Pitamber, who was actively associated with the Company since 1984, passed away on 20th August, 2005. The Board of Directors of the Company acknowledges with gratitude, his contribution to the Company's growth and prosperity during his long tenure as a Director on the Board of the Company and places on record its sorrow and deep sense of loss on his sad demise.

Mr. Rajesh Batra was appointed as an Additional Director on 30th December, 2005. He holds office upto the date of the ensuing Annual General Meeting. A Notice has been received in writing from a member proposing his appointment as a Director. Mr. Batra with his experience and knowledge would be an advantage to the Company.

Mr. D.B. Engineer ceased to be Alternate Director to Mr. Eric Mignonat with effect from 21st February, 2006, since the latter had come to India. Mr. D.B. Engineer was subsequently appointed as Alternate Director to Mr. Eric Mignonat with effect from 24th February, 2006.



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Mr. Eric Mignonat and Mr. Andrew Cumming resigned as Directors with effect from 26th May, 2006 and 29th May, 2006, respectively. In view of Mr. Mignonat's resignation, Mr. D. B. Engineer who was an Alternate Director to Mr. Mignonat, also ceased to be a Director of the Company with effect from 26th May, 2006. The Directors wish to place on record their appreciation of the valuable service rendered by Mr. Engineer during his long tenure as a Director and Alternate Director.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. A. K. Hirjee and Mr. K. N. Suntook retire by rotation and being eligible, offer themselves for reappointment.

10. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 ('the Act'), the Directors, based on the representations received from the Operating Management, confirm that -

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii. they have, in selection of the accounting policies consulted the statutory auditors and applied them consistently and made judgements 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, 2006 and of the profit of the Company for the year ended 31st March, 2006;
- iii. they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. they have prepared the Annual Accounts on a going concern basis.

11. CORPORATE GOVERNANCE

Your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance in terms of Clause 49 to the Listing Agreement, with the Bombay Stock Exchange Limited, are complied with.

A separate report on Corporate Governance is being incorporated as a part of the Annual Report along with a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance, which is annexed to the Directors' Report.

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

As required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed.

13. SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the accounts of Naperol Investments Limited, wholly-owned subsidiary of the Company, are appended.

14. CONSOLIDATED FINANCIAL STATEMENTS

As required by Accounting Standard 21, 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, the audited Consolidated Financial Statements are annexed.

15. PARTICULARS OF EMPLOYEES

The information in terms of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, which forms part of this Report, is appended.

16. AUDITORS

Members are requested to appoint Messrs S.B. Billimoria & Co., Chartered Accountants, as Auditors for the current year at a remuneration to be fixed by the Board of Directors.

On behalf of the Board of Directors

P. V. KUPPUSWAMY
Chairman

Registered Office :
Neville House,
J. N. Heredia Marg,
Ballard Estate,
Mumbai - 400 001.
Mumbai, 16th June, 2006

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Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY**(a) Measures Taken :**

Several measures for conservation of energy were undertaken during the year. Some of the key measures are as under:

- Replaced old instrument air compressor motor with new energy efficient motor
- Re-arranged office lighting circuits for meeting minimum illumination requirements.
- Replaced old Cooling Tower cells with new energy efficient cells for effective heat transfer.

These measures, along with the measures taken during the last year, have resulted in significant reduction in energy consumption. In addition, leakages of solvents were significantly reduced by close monitoring.

(b) Additional Investments & Improvements: Total expenditure of Rs.37.00 lacs was incurred during the year on various energy conservation measures.**(c) Impact of (a) and (b) :**

Results from various measures taken were seen during the year.

(d) Total energy consumption & energy consumption per unit of production:**FORM A****A. POWER AND FUEL CONSUMPTION**

	2005-06	2004-05
1. Electricity		
a. Purchased:		
Units (KWH)	1,66,53,350	1,67,28,750
Total Amount (Rs. lacs)	567.87	560.74
Rate/Unit (Rs./KWH)	3.41	3.34
b. Own Generation:		
(i) Through diesel generator Units (KWH)	1,36,722	40,210
Units/litre of diesel oil (KWH)	2.74	2.87
Cost/Unit of diesel (Rs.)	10.56	8.61
(ii) Through steam turbine/ generator	Not Applicable	
2. Coal	Not Applicable	
3. Furnace Oil		
Quantity (KL)	1,364.88	1,287.27
Total amount (Rs.lacs)	243.77	151.35
Average rate (Rs.)	17,860.14	11,757.82
4. Other / Internal Generation	Not Applicable	

B. CONSUMPTION PER UNIT OF PRODUCTION

1. Electricity (KWH/MT)	480.33	483.44
2. Furnace Oil (KG/MT)	37.30	35.17