

National Peroxide Limited



**ANNUAL REPORT
2006-2007**



National Peroxide Limited

Annual Report 2006-2007

(Registered — 16th March, 1954)

DIRECTORS (As on 23rd May, 2007)

P V KUPPUSWAMY *Chairman*

K. N. SUNTOOK

NESS N. WADIA

A. K. HIRJEE

R. N. SETHNA

R. BATRA

S. R. LOHOKARE *Managing Director*

COMPANY 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: 2270 2485 / 2264 1376 MUMBAI-400 072.
Tel: 2851 5644 / 2851 5606

CONTENTS

Notice	2
Directors' Report	7
Management Discussion & Analysis	12
Corporate Governance	15
Auditors' Report	23
Balance Sheet	26
Profit & Loss Account	27
Cash Flow Statement	28
Schedules to the Balance Sheet	29
Schedules to the Profit and Loss Account	33
Notes to the Accounts	34
Consolidated Auditors' Report	43
Consolidated Balance Sheet	44
Consolidated Profit & Loss Account	45
Consolidated Cash Flow Statement	46
Schedules to the Consolidated Balance Sheet	47
Schedules to the Consolidated Profit and Loss Account	50
Notes to the Consolidated Accounts	51
Naperol Investments Limited	56

Annual Report 2006-2007

- (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/DP ID & Client ID. The aforesaid information should reach Sharex Dynamic (India) Pvt. Ltd. on or before 12th July, 2007
- (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
2005-06	28.07.2006	27.07.2013

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/unpaid 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 Sharex Dynamic (India) Pvt. Ltd. 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 IV(G)(i) of Clause 49 of the Listing Agreement, the details of the Directors being appointed/re-appointed are furnished below:

1. Mr. S. R. Lohokare

Mr. S. R. Lohokare, 56, is a B.Tech. (Hons.) in Chemical Engineering from the Indian Institute of Technology, Mumbai. He also has a Post Graduate Diploma in Industrial Management (PGDIM) and a Master of Financial Management (MFM) from Bombay University. Mr. Lohokare has over 34 years' experience in the Chemical Industry. He is presently the Managing Director of National Peroxide Limited.

He started his career with The Associated Cement Companies Limited (ACC) where he worked for over 14 years. Thereafter, he worked for Indian Petrochemicals Corporation Limited and Deepak Nitrite Limited for 5 and 4 years respectively. He joined National Peroxide Limited in April 1997 as Vice-President (Technical). He was promoted as Wholetime Director of National Peroxide Limited on 1st May, 1998 and was appointed as Wholetime Director of Citurgia Biochemicals Limited on 1st August, 2002. In October 2004, he was promoted as Managing Director of National Peroxide Limited and Citurgia Biochemicals Limited.

Mr. Lohokare has an extensive experience of restructuring Companies. He is instrumental for the successful in-house expansion from 30,000 MTPA to 49,000 MTPA of the Company's Hydrogen Peroxide Plant located at Kalyan, Maharashtra.

Mr. Lohokare is a recipient of the President's Silver Medal for standing First amongst Chemical Engineering students and is also a recipient of the Indian Institute of Chemical Engineers Award for Excellence in Process Development and Product Design in 1986 instituted by Indian Explosives Limited.

He is a recipient of the Best Chief Executive Gold Award, sponsored by Lal Bahadur Shastri Memorial National Award for Excellence in Indian Industries in 2000, 2002 & 2005.

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

Other Directorships: Naperol Investments Ltd.

Committee Memberships: National Peroxide Ltd. (Share Transfer / Shareholders' Grievance Committee)



National Peroxide Limited

2. Mr. P. V. Kuppuswamy

Mr. P. V. Kuppuswamy, 63, is a B.Sc. (Chem.), and B.Sc. (Chem.Engg.) with Post-Graduate Diploma of Indian Institute of Petroleum (Petroleum Refining & Petrochemicals) and has been with The Bombay Dyeing & Manufacturing Co. Ltd. for over 28 years in various Management positions involving Project Implementation, Manufacturing, Commercial, Marketing and Total Business Management, besides having previous experience of over 11 years in large Petrochemical Complex in functions relating to Technical Services, Production and Projects. Since August 1994, he has been on the Board of The Bombay Dyeing & Manufacturing Co. Ltd. with Executive responsibilities. He joined the Board of National Peroxide Ltd. as a Non-Executive Director in July 1998 and was the Vice-Chairman during June 2000 – August 2002 and is now the Chairman, effective 3rd September, 2002.

Mr. Kuppuswamy holds 750 shares of the Company.

Other Directorships: The Bombay Dyeing & Mfg. Co. Ltd. (Jt. Managing Director); Macrofil Investments Ltd.

Committee Memberships: National Peroxide Ltd. (Audit Committee; Remuneration Committee; Share Transfer/Shareholders' Grievance Committee); The Bombay Dyeing & Mfg. Co. Ltd. (Share Transfer, Shareholders'/Investors' Grievance and Ethics & Compliance Committee).

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, 23rd May, 2007

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 no. 6 of the accompanying Notice of the Annual General Meeting, dated 23rd May, 2007:

Item No. 6

The Members had, at the 49th Annual General Meeting held on 23rd July, 2003, approved the appointment of Mr. S. R. Lohokare as the Wholetime Director of the Company for a period of 5 years, with effect from 1st May, 2003.

Subsequently, the Members had, at the 51st Annual General Meeting of the Company held on 28th July, 2005, 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 limits laid down in the aforesaid Agreement entered into with Mr. Lohokare on 2nd September, 2003 were revised at the 52nd Annual General Meeting of the Company held on 28th July, 2006 and the approval of the Members as aforesaid provided for payment of the remuneration by way of salary with annual increments (excluding allowances and perquisites) not exceeding the limits of Rs. 5,00,000/- per month, but within the overall ceilings specified in Schedule XIII to the Companies Act, 1956 ('Schedule XIII') in case the Company has no profits or its profits are inadequate in any financial year during the currency of his tenure.

During 2006-07, the Company has earned inadequate profit mainly due to the shutdown of the plant at Kalyan for 103 days from 17th April to 24th July, 2006 and from 21st to 24th October, 2006, to bring the expanded capacity of 49,000 MTPA in line leading to loss of 9,700 MT of production. Additionally, the increase in depreciation and interest on loans taken for the expansion project, also affected the profits of the Company.

As per Schedule XIII, if in a financial year where a Company has no profits or has inadequacy of profits, the members' approval is required for payment of managerial remuneration to Managing Director for a period not exceeding 3 years. Pursuant to the said Schedule XIII, the Remuneration Committee of the Board of Directors of the Company, at its Meeting held on 23rd May, 2007, has approved the terms of payment of remuneration of Mr. Lohokare as Managing Director. The Company has not defaulted in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment of such managerial person.

Consequently, the minimum remuneration payable to Mr. Lohokare, in terms of his revised terms and conditions of appointment, approved by the shareholders at the 52nd Annual General Meeting held on 28th July, 2006, aggregates to Rs. 37,84,770/- for the year 2006-07 (excluding Commission paid for 2005-06, performance bonus for 2006-07 which may be payable and Provident Fund/Superannuation Fund/Gratuity for 2006-07).

Since Mr. Lohokare's remuneration exceeds Rs. 21 lacs p.a. (Rs. 1.75 lacs p.m.) but does not exceed Rs. 42 lacs p.a. (Rs. 3.50 lacs p.m.), it will be necessary for the Company to comply with the conditions stipulated in Tier 'B', under Schedule XIII viz., approval by the Remuneration Committee and also by the shareholders by way of a Special Resolution. The Remuneration Committee at its Meeting held on 23rd May, 2007 has already approved the remuneration payable as above to Mr. Lohokare. However, the performance bonus payable to Mr. Lohokare for the year 2006-07 will be decided by the Remuneration Committee, in due course of time, in which case it will be necessary for the Company to comply with the conditions stipulated in such Tier, as may be applicable, under Schedule XIII.

The Directors commend the Resolution at Item No. 6 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. 6.

Additional information relevant to the said payment of minimum remuneration to Mr. S. R. Lohokare, in terms of Schedule XIII to the Companies Act, 1956:

I. General Information:

- (i) *Nature of Industry:*
Manufacture of Inorganic Chemicals.
- (ii) *Date or expected date of commencement of commercial production:*
The Company was incorporated on 16th March, 1954 and it started commercial production of Hydrogen Peroxide soon thereafter.
- (iii) *In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:*
Not Applicable.
- (iv) *Financial performance based on given indicators – as per published audited financial results for the year ended 31st March, 2007:*

Particulars	(Rupees in Crores)
Turnover & Other Income	73.13
Net Profit as per Profit & Loss Account	6.52
Profit as computed under Section 309(5) read with Section 198	7.14
Net Worth	54.19

- (v) *Export performance and foreign exchange earned for the financial year ended 31st March, 2007:*
The Company's exports and earnings in foreign exchange were Rs. 19.27 lacs for the financial year ended 31st March, 2007.

- (vi) *Foreign investments or collaborations, if any:*

Solvay et Cie S.A. of Belgium holds 25.10% of the equity share capital of the Company.

II. Information about the Appointee/Incumbent:

- (i) *Background details:*

Mr. S. R. Lohokare, 56, is a B.Tech. (Hons) in Chemical Engineering from the Indian Institute of Technology, Mumbai. He also has a Post Graduate Diploma in Industrial Management (PGDIM) and a Master of Financial Management (MFM) from Bombay University. Mr. Lohokare has over 34 years' experience in the Chemical Industry.

He started his career with The Associated Cement Companies Limited (ACC) where he worked for over 14 years. Thereafter, he worked for Indian Petrochemicals Corporation Limited and Deepak Nitrite Limited for 5 and 4 years respectively. He joined National Peroxide Limited in April 1997 as Vice-President (Technical). He was promoted as Wholetime Director of National Peroxide Limited on 1st May, 1998 and was appointed as Wholetime Director of Citurgia Biochemicals Limited on 1st August, 2002. In October 2004, he was promoted as Managing Director of National Peroxide Limited and Citurgia Biochemicals Limited.

- (ii) *Past Remuneration drawn by Mr. S. R. Lohokare:*

(Rs. in lacs)

For the financial year 2004-05	38.29
For the financial year 2005-06	51.36
For the financial year 2006-07	*37.84

Note: Remuneration includes commission (except for 2006-07)/incentive paid for the respective years but excludes contributions to Provident Fund and Superannuation Fund.

* Does not include performance bonus, which may be payable, for 2006-07.

- (iii) *Recognition & Awards/Achievements:*

Mr. Lohokare is a recipient of the President's Silver Medal for standing First amongst Chemical Engineering students and is also a recipient of the Indian Institute of Chemical Engineers Award for Excellence in Process Development and Product Design in 1986, instituted by Indian Explosives Limited.

He is also a recipient of the Best Chief Executive Gold Award, sponsored by Lal Bahadur Shastri Memorial National Award for Excellence in Indian Industries in 2000, 2002 and 2005.



National Peroxide Limited

(iv) Job Profile and Suitability:

Mr. S. R. Lohokare, Managing Director, a member of the Senior Management of the Company is responsible for overall business of the Company including expansion projects, manufacturing, marketing and sales. Mr. Lohokare has an extensive experience of restructuring Companies. He is instrumental for the successful in-house expansion from 30,000 MTPA to 49,000 MTPA of the Company's Hydrogen Peroxide Plant located at Kalyan.

Taking into consideration his qualifications and expertise, Mr. Lohokare is best suited for the responsibilities assigned to him by the Board of Directors.

(v) Remuneration Paid/Proposed:

Remuneration to Mr. S. R. Lohokare	2006-07	2007-08
Salary*	Rs. 19,32,000/- p.a.	To be determined by the Remuneration Committee/ Board within the ceiling of Rs. 60 lacs p.a.
Incentive Allowance	Rs. 9,66,000/- p.a. (@ 50% of salary)	@ 50% of salary
Other Allowances and Perquisites	Rs. 8,86,770/- p.a.	To be determined by the Remuneration Committee/ Board
Performance Bonus	As may be determined by the Remuneration Committee/Board	As may be determined by the Remuneration Committee/Board
Upper Ceiling for payment of salary	Rs. 60,00,000/- p.a.	Rs. 60,00,000/- p.a.
Minimum Remuneration in case of loss or inadequacy of profits during any financial year	Salary (including incentive) and allowances, perquisites and performance bonus as mentioned above but excluding commission.	Salary (including incentive) and allowances, perquisites and performance bonus as mentioned above but excluding commission.

* Excludes Company's contribution to Provident Fund/Superannuation Fund/Gratuity.

(vi) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):

Taking into consideration the size of the Company, the profile of the incumbent, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level incumbents in other companies.

(vii) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:

Besides receiving remuneration, Mr. Lohokare does not have any other pecuniary relationship with the Company and its managerial personnel.

III. Other Information:

(i) Reasons for loss or inadequate profits:

During 2006-07, the Company has earned inadequate profit mainly due to the shutdown of the plant at Kalyan for 103 days from 17th April to 24th July, 2006 and from 21st to 24th October, 2006, to bring the expanded capacity of 49,000 MTPA in line leading to loss of 9,700 MT of production. Additionally, the increase in depreciation and interest on loans taken for the expansion project, also affected the profits of the Company.

(ii) Steps taken by the Company to improve performance:

The expansion project undertaken by the Company for increase in the production capacity of the plant from 30,000 MTPA to 49,000 MTPA would result in increased sales and improved efficiency by reduction of cost, thereby making it competitive. Further, the availability of Natural Gas from GAIL (India) Limited, presently expected in October 2007, for which the expanded Hydrogen Plant is designed, would also result in reduction in cost of production. This would open up opportunities for exporting to the neighbouring countries.

The financial year 2007-08 for the Company has begun on a positive note with increase in the sales volume.

(iii) Expected increase in productivity and profits in measurable terms:

The Company expects to produce and sell 49,000 MT of Hydrogen Peroxide, being 100% of the installed capacity of the plant (barring unforeseen circumstances), during the financial year 2007-08.

The expansion of the plant capacity is expected to yield positive results in the coming years. Although it is not possible to give precise figures, increase in production and consequently sales, is expected to lead to significantly improved financial performance of the Company.

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, 23rd May, 2007

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, 2007.

1. FINANCIAL RESULTS

	For the year ended 31st March, 2007 Rs. in lacs	For the year ended 31st March, 2006 Rs. in lacs
Gross Turnover (net of excise)	6324.23	7006.15
Profit before Interest & Depreciation	1406.25	1991.71
Less: Interest	161.14	4.24
Profit before Depreciation	1245.11	1987.47
Less: Depreciation	593.39	460.98
Profit before Tax	651.72	1526.49
Add: MAT credit entitlement	35.00	—
	686.72	1526.49
Less: – Current Tax	70.00	637.00
– Deferred Tax	174.17	(120.10)
– Fringe Benefit Tax	8.70	13.10
Profit after Tax	433.85	996.49
Add: Excess Provision of Taxes of Prior Years	—	0.34
	433.85	996.83
Balance brought forward from previous year	3324.33	2920.68
AMOUNT AVAILABLE FOR APPROPRIATIONS	3758.18	3917.51
Appropriations:		
Proposed Dividend	402.29	344.82
Corporate Dividend Tax	68.37	48.36
Transfer to General Reserve	43.50	200.00
Balance carried to Balance Sheet	3244.02	3324.33
	3758.18	3917.51

The financial results for the year under review were affected due to lower production of 29,047 MT during the year as compared to 34,382 MT during 2005-06. This was due to Plant shutdowns on two occasions. The first shutdown was taken from 17th April to 24th July, 2006 to implement Phase I of the Expansion Project. The expanded capacity could be brought into operation only after balance activities were completed in a second shutdown during October 2006. The plant started commercial production from 01st November, 2006. These shutdowns resulted in a loss of production of 9,700 MT.

2. SUB-DIVISION OF SHARES AND ISSUE OF BONUS SHARES

The Company had completed, during the year ended 31st March, 2007, the sub-division of the Company's shares from the previous face value of Rs.100/- each into 10 shares of the face value of Rs. 10/- each and subsequent issue of fully paid-up bonus shares in the proportion of 3 Equity shares for every 2 Equity shares held by the members. These shares are listed for trading with the Bombay Stock Exchange Ltd.



National Peroxide Limited

3. ACCOUNTS

The current year's operations have resulted in a profit before depreciation of Rs. 1,245.11 lacs after absorbing the interest burden of Rs. 161.14 lacs. The profit before depreciation in the previous year was Rs. 1,987.47 lacs. There is a net profit after tax of Rs. 433.85 lacs as compared to net profit of Rs. 996.49 lacs in the previous year.

During the year under review, sale of Hydrogen Peroxide in domestic market including imports was 31,050 MT as compared to 33,021 MT during the previous year. The sales were affected due to the Plant shutdowns mentioned earlier to bring in the expanded capacity of 49,000 MT into operation. This resulted in a loss of production of 9,700 MT.

At the end of the year, all teething problems faced during commissioning were overcome and your Directors are confident that your Company will be able to fully utilize its expanded capacity effectively during the financial year 2007-08.

The prices during the year were slightly higher than the previous year due to lower availability of product in the domestic market. Significant quantities were imported from China & Turkey during the year by the customers to meet their requirements.

4. DIVIDEND

Considering the Company's performance, the Board of Directors recommends a dividend of Rs. 7/- per equity share of Rs. 10/- each for the year ended 31st March, 2007 to be paid, if declared by the members at the Annual General Meeting to be held on 27th July, 2007.

5. OPERATIONS

During the year under review, your Company successfully implemented Phase I of the expansion project which has increased the capacity of the Hydrogen Peroxide Plant from 30,000 MTPA to 49,000 MTPA. The Plant was successfully commissioned in November 2006 and has since not only achieved the rated capacity, but has also been able to market the additional production.

Textile Mills with large capacities are being set up near Kolhapur in Maharashtra. Similarly, in Gujarat, two new large scale industries have commenced production while some of the existing units have enhanced their capacity. Substantial increase in demand for Hydrogen Peroxide is expected in the paper industry due to expansion of existing units and setting up of new units. Further, chemical and perfumery units are also growing at a fast rate. As a result of this industrial activity, a strong demand for Hydrogen Peroxide is expected in the coming years.

The customs duty on imported Hydrogen Peroxide has been reduced from 12½% to 7½%, from 1st March, 2007. There has also been significant appreciation of the rupee vis-à-vis the USD, whereas the prices of Hydrogen Peroxide in the International market have remained nearly unchanged. As a result, overall prices are expected to remain under pressure during the coming year.

Crude oil prices had fluctuated considerably during the year and by the end of the year, they were around 68 USD per barrel. Naphtha and fuel oil prices continued to be at a higher level during the year as compared to the previous year. Crude oil prices are expected to remain in the range of 60 – 65 USD per barrel during 2007-08 and hence, naphtha and fuel oil prices are expected to remain high. GAIL (India) Limited is laying a Natural Gas pipeline, from Dahej to Dabhol, from which gas is planned to be sourced by the Company from October 2007 onwards. This will be used in place of naphtha, which will reduce the variable cost of production of Hydrogen Peroxide.

A high growth potential due to strong market demand and the availability of Natural Gas in the near future has prompted the Board of Directors to support further capacity expansion from 49,000 MTPA to 70,000 MTPA (50% basis). Cost estimates for the expansion and tie-in of finance are expected to be completed by September 2007. The new capacity is expected to go on stream by April 2009.

6. SAFETY & ENVIRONMENT

The Company continues to maintain a good safety and environmental record and has worked for 3,535 days without Lost Time Injury as on 31st March, 2007.

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

Deposits aggregating to Rs. 1.13 lacs, relating to 12 depositors, have remained unclaimed as on 31st March, 2007, despite several reminders. The Company does not accept fresh deposits.

9. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. S. R. Lohokare and Mr. P. V. Kuppuswamy retire by rotation and being eligible, offer themselves for re-appointment.

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 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, 2007 and of the profit of the Company for the year ended 31st March, 2007;
- 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 have been 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 M/s. 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, 23rd May, 2007



National Peroxide Limited

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 highlighted as under:

- Replaced existing old pumps with new energy efficient pumps and motors.
- Replacement of insulation of pipelines and equipment.
- Installed variable frequency drive units for blower units for energy efficient operations.
- Replaced old instrument air pipelines and reduced instrument air demand. RPM of air compressor was reduced and a lower rating motor was installed for meeting the requirements.
- Used CFL lamps for plant lighting circuits for meeting minimum illumination requirements.
- New design of oxidizer during expansion.
- Installation of energy efficient motors during expansion.
- Installation of heat exchanger to recover heat from the product.

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 and Improvements: Total expenditure of Rs.42.00 Lacs was incurred during the year on various energy conservation measures. This does not include the cost of the oxidizer.

(c) Impact of (a) and (b):

Results from various measures taken were seen by way of reduced power consumption during the year.

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

FORM A

A. POWER AND FUEL CONSUMPTION

2006-07 2005-06

1. Electricity

a. Purchased:

Units (KWH)	1,41,21,900	1,66,53,350
Total Amount (Rs. lacs)	621.49	567.87
Rate/Unit (Rs./KWH)	4.40	3.41

b. Own Generation:

(i) Through diesel generator Units (KWH)	48,118	1,36,722
Units/litre of diesel oil (KWH)	3.10	2.74
Cost/Unit of diesel (Rs.)	11.27	10.56
(ii) Through steam turbine/generator	Not Applicable	

2. Coal

Not Applicable

3. Furnace Oil

Quantity (MT)	1,559.08	1,364.88
Total amount (Rs. lacs)	285.11	243.77
Average rate (Rs.)	18,287.07	17,860.14

4. Other/Internal Generation

Not Applicable

B. CONSUMPTION PER UNIT OF PRODUCTION

1. Electricity (KWH/MT)	447.49	480.33
2. Furnace Oil (KG/MT)	37.92	37.30