

National Peroxide Limited



ANNUAL REPORT
2007-2008



National Peroxide Limited

Annual Report 2007-2008

(Registered — 16th March, 1954)

DIRECTORS (As on 7th May, 2008)

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

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National Peroxide Limited

NOTICE

NOTICE is hereby given that the Fifty-Fourth 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 Wednesday, 23rd July, 2008 at 12.30 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, 2008 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. R. N. Sethna, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Ness N. Wadia, who retires by rotation, and being eligible, offers himself for re-appointment.
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 subject to the provisions of Sections 198, 269, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (hereinafter referred to as "the Act") (including any statutory modification or re-enactment thereof, for the time being in force), the Company hereby approves the re-appointment of Mr. S. R. Lohokare, as a Managing Director of the Company for a period of five years with effect from 1st May, 2008 on the terms and conditions, including remuneration, as are set out in the Agreement to be entered into between the Company and Mr. S. R. Lohokare, a draft whereof duly initialled by the Chairman, for the purpose of identification, is submitted to this meeting, with liberty to the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall include a committee thereof) to alter and vary the said terms of appointment and remuneration and/or Agreement in such manner as may be agreed to, between the Board and Mr. S. R. Lohokare but so that his remuneration shall not exceed the limits specified in Schedule XIII to the

Act (including any statutory modification or re-enactment thereof, for the time being in force) or any amendments and/or modifications that may hereafter from time to time be made thereto by the Central Government.

"RESOLVED FURTHER THAT where in any financial year, during the currency of the tenure of Mr. S. R. Lohokare as Managing Director, the Company has no profits or its profits are inadequate, the Company may pay to Mr. S. R. Lohokare all the remuneration by way of salary (including incentive) and allowances, and perquisites not exceeding the limits stipulated in the aforesaid draft Agreement within the overall ceiling specified in Schedule XIII to the Act or subject to the approval of the Central Government notwithstanding that the same is in excess of the maximum remuneration permitted to be paid to him under the applicable provisions of the Act as amended from time to time.

"RESOLVED FURTHER THAT the Board, be and is hereby authorized, at its discretion, from time to time, to fix the remuneration and/or perquisites of Mr. S. R. Lohokare and revise such remuneration and/or perquisites from time to time within the maximum limits specified in the aforesaid draft Agreement and that the Board, be and is hereby further authorised to vary/modify/amend any of the aforesaid terms and conditions provided such variation/modification/amendment is in conformity with the applicable provisions of the Act as amended from time to time.

"RESOLVED FURTHER THAT the Board, be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to this resolution."

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 no. 6 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 Wednesday, 9th July, 2008 to Wednesday, 23rd July, 2008, both days inclusive.
- (d) The dividend, if any, that may be declared at the Meeting, shall be paid on or after 24th July, 2008 to those shareholders whose names stand on the Register

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of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company's Registrar & Transfer Agents on or before 8th July, 2008, 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, 2008 will be payable to the beneficial owners of the shares as at the closing hours of 8th July, 2008, 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
- (ii) to the Company's Registrar & 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/DP ID & client ID. The aforesaid information should reach Sharex Dynamic (India) Pvt. Ltd. on or before 8th July, 2008.

(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 |
| 2006-07 | 27.07.2007 | 26.07.2014 |

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. R. N. Sethna

Mr. R. N. Sethna, 75, is a Solicitor and Advocate of about 50 years' standing. He was inducted on the Board in October 2003. He is the Senior Partner of M/s. Maneksha & Sethna. He is also a Notary, Greater Mumbai. His areas of specialization are commercial law, corporate law, tax law, banking law, real estate law, inheritance and succession law, foreign exchange law etc.

Mr. R. N. Sethna is not related to any of the other Directors. He does not hold any shares of the Company.

Other Directorships: The Great Eastern Shipping Co. Ltd.; Pudumjee Pulp & Paper Mills Ltd.; Modern India Ltd.; Chalet Hotels Ltd.; HSBC Agency (India) Pvt. Ltd.

Committee Memberships: The Great Eastern Shipping Co. Ltd. (Audit Committee; Remuneration Committee); Pudumjee Pulp & Paper Mills Ltd. (Remuneration



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Committee); Modern India Ltd. (Shareholders' and Investors' Grievance Committee); National Peroxide Ltd. (Audit Committee-Chairman; Remuneration Committee).

2. Mr. Ness N. Wadia

Mr. Ness N. Wadia, 37, was inducted on the Company's Board in March 1997. He has been conferred with the degree of M.Sc. in Engineering Business Management (Warwick University, U.K.).

Mr. Ness N. Wadia has a long association of almost 15 years with The Bombay Dyeing & Mfg. Co. Ltd. (BDMC). Initially he was a Management Trainee and on completion of his training, was appointed as Deputy Manager of the textile mill of BDMC. He took over in due course as Product Manager and thereafter as Marketing Manager of BDMC. He was closely involved in Manufacturing, Marketing, HR Projects and Retail Distribution of the Textile Division of BDMC. Mr. Ness N. Wadia was the Deputy Managing Director of BDMC from August 2001 to May 2006 and is presently the Joint Managing Director of BDMC.

Mr. Ness N. Wadia was awarded the Rotary Medal of Honour for Bravery in 1980-81.

Mr. Ness N. Wadia is not related to any of the other Directors. He does not hold any shares of the Company.

Other Directorships: The Bombay Dyeing & Mfg. Co. Ltd. (Jt. Managing Director), Gherzi Eastern Ltd., Virtual Education Network Pvt. Ltd., Botanium Ltd., Wadia BSN India Ltd., Proline India Ltd., Go Airlines (India) Pvt. Ltd.

Committee Memberships: Finance Committee of The Bombay Dyeing & Mfg. Co. Ltd.

3. Mr. S. R. Lohokare

Mr. S.R. Lohokare, 57, 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 35 years' experience in the Chemical Industry. He is presently the Managing Director of National Peroxide Limited (NPL).

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 NPL in April 1997 as Vice-President (Technical) and was promoted as Wholetime Director w.e.f. 1st May, 1998. He was also appointed as Wholetime Director of Citurgia Biochemicals Limited (CBL) in August 2002. In October 2004, he was promoted as Managing Director of NPL and CBL. Subsequently, he ceased to be Managing Director of CBL in April 2007.

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. The plant is now producing at 110% of its nameplate capacity.

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 is not related to any of the other Directors. He does not hold any shares of the Company.

Other Directorships: Naperol Investments Ltd.

Committee Memberships: National Peroxide Ltd. (Shareholders'/Investors' Grievance 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, 7th May, 2008

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 7th May, 2008:

Item No. 6

The Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall include a committee

thereof) at their meeting held on 30th January, 2008 re-appointed Mr. S. R. Lohokare as Managing Director, for a period of five years with effect from 1st May, 2008, subject to the approval of the Members at this Annual General Meeting, upon the terms and conditions set out in the draft Agreement to be entered into between the Company and Mr. Lohokare, referred to in the text of the Resolution at item no. 6 of this Notice. Mr. Lohokare's remuneration will be determined by the Board, from time to time, within the overall limits stated in

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Schedule XIII of the Companies Act, 1956 (hereinafter referred to as "the Act") existing or as amended, modified or re-enacted from time to time by the Government of India.

The gist of the material terms and conditions relating to his appointment as Managing Director (MD) are as follows:

- (a) Period of appointment: 5 years from 1st May, 2008;
- (b) Functions: Mr. Lohokare shall carry out such functions, exercise such powers and perform such duties as the Board shall, from time to time, in their absolute discretion determine and entrust to him. Subject to the superintendence, control and direction of the Board, Mr. Lohokare shall have the general control of the business of the Company and be vested with the management and day-to-day affairs of the Company, to enter into contracts on behalf of the Company in the ordinary course of business and to do and perform all other acts and things which in the ordinary course of such business he may consider necessary or proper or in the best interest of the Company.
- (c) In consideration of the performance of his duties, Mr. Lohokare shall be paid the following remuneration:
 - A. Remuneration:
 - (i) 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.
 - (ii) The benefits, perquisites and allowances will be determined by the Board from time to time.
 - (iii) Commission calculated with reference to the net profits of the Company 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 tenure of Mr. Lohokare, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and 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.
- (d) The terms and conditions of the said appointment may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to a managing director in accordance with Schedule XIII to the Act, or any amendments made hereinafter in this regard.

- (e) Mr. Lohokare shall not be paid any sitting fees for attending Meetings of the Board or of any Committee thereof.
- (f) Mr. Lohokare shall not be subject to retirement by rotation in accordance with Article 205 of the Articles of Association of the Company.
- (g) Mr. Lohokare shall be bound by the non-compete and confidentiality provisions as specified in his Agreement.
- (h) Mr. Lohokare shall cease to be a Director if he ceases to be an employee or vice-versa.
- (i) The Company has a right to terminate the Agreement for any misconduct or breach by giving 30 days notice.
- (j) Either party shall be entitled to terminate the Agreement by giving not less than three calendar months prior notice in writing in that behalf to the other party, provided that the Company shall be entitled to terminate Mr. Lohokare's employment at any time by payment to him of three months basic salary in lieu of such notice.

Your Directors consider the aforesaid remuneration commensurate with the duties and responsibilities of Mr. Lohokare.

In compliance with the provisions of Section 309 read with Schedule XIII of the Act, the terms of the remuneration specified above are now being placed before the Members in General Meeting for their approval.

Mr. Lohokare is concerned or interested in the Resolution at Item 6 as it relates to his appointment.

This may be treated as an abstract of the draft Agreement between the Company and Mr. S. R. Lohokare as MD and memorandum of interest pursuant to Section 302 of the Act. The draft Agreement is available for inspection for the shareholders at the Registered Office of the Company during business hours on any working day (except Saturdays, Sundays and Public Holidays).

The Directors commend the Resolution at Item 6 for approval by the Members.

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, 7th May, 2008



National Peroxide Limited

DIRECTORS' REPORT TO THE MEMBERS

The Directors take pleasure in presenting their Report on the business and operations of the Company and the Financial Accounts for the year ended 31st March, 2008.

1. FINANCIAL RESULTS

| | For the year ended 31st March, 2008 Rs. in lacs | For the year ended 31st March, 2007 Rs. in lacs |
|--------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
| Gross Turnover (net of excise) | 10942.29 | 6324.23 |
| Profit before Interest & Depreciation | 2795.28 | 1406.25 |
| Less: Interest | 339.04 | 161.14 |
| Profit before Depreciation | 2456.24 | 1245.11 |
| Less: Depreciation | 784.60 | 593.39 |
| Profit before Tax | 1671.64 | 651.72 |
| Add: MAT credit entitlement | — | 35.00 |
| | 1671.64 | 686.72 |
| Less: – Current Tax | 500.00 | 70.00 |
| – Deferred Tax | 84.26 | 174.17 |
| – Fringe Benefit Tax | 9.50 | 8.70 |
| Profit after Tax | 1077.88 | 433.85 |
| Balance brought forward from previous year | 3244.03 | 3324.33 |
| AMOUNT AVAILABLE FOR APPROPRIATIONS | 4321.91 | 3758.18 |
| Appropriations: | | |
| Proposed Dividend | 459.76 | 402.29 |
| Corporate Dividend Tax | 78.14 | 68.37 |
| Transfer to General Reserve | 108.00 | 43.50 |
| Balance carried to Balance Sheet | 3676.01 | 3244.02 |
| | 4321.91 | 3758.18 |

2. ACCOUNTS

The current year's operations have resulted in a profit before depreciation of Rs. 2,456.24 lacs, after absorbing the interest burden of Rs. 339.04 lacs. The profit before depreciation in the previous year was Rs. 1,245.11 lacs. There is a net profit after tax of Rs. 1,077.88 lacs as compared to net profit of Rs. 433.85 lacs in the previous year.

3. DIVIDEND

Considering the Company's performance, the Board of Directors recommends a dividend of Rs. 8/- per equity share of Rs. 10/- each for the year ended 31st March, 2008 to be paid, if declared by the members at the Annual General Meeting to be held on 23rd July, 2008.

4. OPERATIONS

The Company produced 52,249 MT of Hydrogen Peroxide which is 107.30% of its expanded nameplate capacity of 49,000 MTPA. This was possible due to operational changes which were made in the plant. 28,62,640 Cubic Metres of Hydrogen was also sold from its Hydrogen filling station, which was set up in May 2007. The Company has now built a strong customer base for its Hydrogen sales. The activities of upgrading the facilities at Kalyan continued through out the year to make its operations even more reliable.

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During the year under review, the Company sold 51,661 MT of Hydrogen Peroxide which is 105.43% of its expanded capacity and also the highest ever in the Company's history.

The paper industry in India, which is the largest consumer of Hydrogen Peroxide, continues to grow with the setting up of number of plants which use waste paper. The textile industry, which was affected due to a significant appreciation of the Rupee, has now carried out structural adjustments with which its growth is expected to continue. Due to sustained growth in the market, the Company was able to sell its production at remunerative prices.

Although the Rupee appreciated during the year, the currencies of the countries from which imports of Hydrogen Peroxide take place in India have also appreciated. As a result, the prices continue to be stable.

Crude oil prices increased significantly during the year. Consequently the prices of Naphtha which is used for Hydrogen production increased thereby putting pressure on the Company's bottomline and increasing its working capital requirements. The Company switched over from Naphtha to Natural Gas in March 2008, which is purchased on a spot basis. This will enable the Company to reduce its manufacturing cost.

High growth potential due to strong market demand and lower cost of manufacture due to use of Natural Gas has enabled the Company to consider further expansion. The details of the proposal are under consideration.

5. SAFETY & ENVIRONMENT

The Company continues to maintain a good safety and environmental record and has worked for 3901 days without Lost Time Injury as on 31st March, 2008.

6. INSURANCE

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

7. FIXED DEPOSITS

There are no outstanding or unclaimed deposits as on 31st March, 2008. Presently, the Company does not accept fresh deposits.

8. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. R. N. Sethna and Mr. Ness N. Wadia retire by rotation and being eligible, offer themselves for re-appointment.

9. 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 -

- in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- 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, 2008 and of the profit of the Company for the year ended 31st March, 2008;
- 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;
- they have prepared the Annual Accounts on a going concern basis.

10. 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 a Practicing Company Secretary, regarding compliance of the conditions of Corporate Governance, which is annexed to the Directors' Report.

11. 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.



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12. SUBSIDIARY COMPANY

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

13. 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.

14. 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.

15. 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, 7th May, 2008

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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 highlighted as under:

- Replaced existing old Process Air Compressors with new Energy Efficient Air end.
- Replaced existing old Process Air Compressor Motor with new higher efficiency Motor.
- Replaced some of existing old Pumps with new Energy Efficient Pumps.
- Installed variable frequency drive units & ARC to overcome inadequacy and energy efficient operations for Boiler Feed Water pumps in Hydrogen plant.
- Installed Natural Gas station & modified Hydrogen Gas (H₂) plant piping and associated equipments for dual fuel feed operations and operating H₂ plant with Natural Gas as a fuel feed for cost effective operations.

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. 155.00 Lacs was incurred during the year on various energy conservation measures. This does not include the cost of the Natural Gas installation and modifications in H₂ plant for converting dual fuel operation.

(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 & energy consumption per unit of production:

FORM A**A. POWER AND FUEL CONSUMPTION**

| | 2007-08 | 2006-07 |
|------------------------------------------|----------------|-------------|
| 1. Electricity | | |
| a. Purchased: | | |
| Units (KWH) | 2,09,63,707 | 1,41,21,900 |
| Total Amount (Rs. lacs) | 886.61 | 621.49 |
| Rate/Unit (Rs./KWH) | 4.23 | 4.40 |
| b. Own Generation: | | |
| (i) Through diesel generator Units (KWH) | 61,336 | 48,118 |
| Units/litre of diesel oil (KWH) | 3.07 | 3.10 |
| Cost/Unit of diesel (Rs.) | 11.55 | 11.27 |
| (ii) Through steam turbine/generator | Not Applicable | |
| 2. Coal | Not Applicable | |
| 3. Furnace Oil | | |
| Quantity (MT) | 1,935.27 | 1,559.08 |
| Total amount (Rs. lacs) | 420.53 | 285.11 |
| Average rate (Rs.) | 21,729.70 | 18,287.07 |
| 4. Other/Internal Generation | Not Applicable | |

B. CONSUMPTION PER UNIT OF PRODUCTION

| | | |
|-------------------------|--------|--------|
| 1. Electricity (KWH/MT) | 398.99 | 447.49 |
| 2. Furnace Oil (KG/MT) | 35.51 | 37.92 |