



National Peroxide Limited

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ANNUAL REPORT AND ACCOUNTS 2000-2001



Annual Report 2000-2001



(Registered — 16th March, 1954)

DIRECTORS (as on 15th June, 2001)

NUSLI N. WADIA

Chairman

P.V. KUPPUSWAMY

Vice-Chairman

H.C. BHAWAT

B.L. PARANJPE

R.K. PITAMBER

K.N. SUNTOOK

NESS N. WADIA

F.E. BROWN

Alternate to F.E. BROWN

D.B. ENGINEER

Wholetime Director

S.R. LOHOKARE

Nominee Director

I.C. JAIN

C. DE SLOOVER

M. FRISEWINKEL

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,

BALLARD ESTATE,

MUMBAI-400 001.

KALYAN FACTORY

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

VIA MOHONE,

KALYAN-421 102,

DIST. THANE,

MAHARASHTRA.



National Peroxide Limited

NOTICE

NOTICE is hereby given that the Forty Seventh Annual General Meeting of NATIONAL PEROXIDE LIMITED will be held at Patkar Hall, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020 on Friday, 27th July, 2001 at 12 Noon to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the Balance Sheet of the Company as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. R.K. Pitamber who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K.N. Suntook who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. S.R. Lohokare who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. I.C. Jain who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Messrs. S.B. Billimoria & Co. as Auditors 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 :

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

"RESOLVED THAT pursuant to Article 141 of the Articles of Association of the Company and the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956 so long as the Company has a Managing Director or Wholetime Director, such sum by way of commission not exceeding in the aggregate 1% per annum of the net profits of the Company computed in the manner laid down in Section 198 of the Companies Act, 1956 for each of the five financial years of the Company commencing from 1st April, 2001 be paid to and distributed amongst the Directors of the Company (resident in India) but excluding the Managing Director and/or Wholetime Director as may be determined by the Board; the proportion and manner of such payment and distribution to be as the Board may from time to time decide and failing such determination as to distribution to be divided equally amongst them."

"RESOLVED FURTHER THAT if at any time during the aforesaid period of five years commencing from 1st April 2001 the Company does not have any Managing Director and Wholetime Director, such sum by way of commission, not exceeding in the aggregate 3% per annum of the net profits of the Company computed in the manner laid down in the said Section 198 be paid to and distributed amongst the Directors of the Company (resident in India) as may be determined by the Board for the period during which the Company does not have any Managing Director or Wholetime Director; the proportion and manner of such payment and distribution to be as the Board may from time to time decide and failing such determination as to distribution to be divided equally amongst them."

9. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT :

- (a) Pursuant to Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, (hereinafter referred to as "the Act") (including any statutory modification or



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re-enactment thereof, for the time being in force), the Company hereby approves the modification, with effect from 1st July, 2001, in the terms of remuneration of Mr. S.R. Lohokare, Wholtime Director of the Company, as set out in the Supplemental Agreement to be entered into between the Company and Mr. S.R. Lohokare, a draft whereof duly initialled by the Chairman for purposes 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 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.

- (b) Where in any financial year during the currency of the tenure of Mr. S.R. Lohokare as a Wholtime 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 for the time being and from time to time in force.
- (c) 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. The Board be and is hereby further authorized to vary/modify/amend any of the aforesaid terms and conditions provided that such variation/modification/amendment is in conformity with the applicable provisions of the Act as amended from time to time.
- (d) The Board be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to this Resolution."

By Order of the Board of Directors
For NATIONAL PEROXIDE LIMITED

(S.R. LOHOKARE)
Wholtime Director

Registered Office :
Neville House
J. N. Heredia Marg
Ballard Estate
Mumbai - 400 001.
Mumbai, 15th June, 2001

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) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to Item nos. 8 & 9 is annexed hereto.
- (c) The Share Transfer Books and the Register of Members of the Company will remain closed from Friday, 20th July, 2001 to Friday, 27th July, 2001, both days inclusive.



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- (d) The dividend as may be declared shall be payable to members of the Company, on or after 1st August, 2001, whose names appear :
- as Beneficial Owners as at the end of the business hours on 27th July, 2001, as per the list to be furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd., in respect of the shares held in electronic form; and
 - as members on the Register of Members of the Company as on 27th July, 2001.
- (e) Members are requested to furnish details of their Bank account number and branch, if not already done so, to Sharex (India) Pvt. Ltd., at either of their addresses given below, quoting their folio numbers, to incorporate the same on the dividend warrants and thus minimise the malpractice of theft of dividend warrants. The aforesaid information should reach Sharex (India) Pvt. Ltd. on or before 27th July, 2001.
- (f) In terms of Section 205-C introduced by the Companies (Amendment) Act, 1999, read with Section 205-A of the Companies Act, 1956, as amended, the amount of dividend remaining unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund. Members who have so far not encashed their Dividend Warrants for the Financial Years ended 31st March, 1995, 31st March, 1996 and 31st March, 1997 are advised to submit their claim to Sharex (India) Pvt. Ltd., at either of their addresses given below, quoting their folio numbers.
- (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 205(A) 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, Hakoba Compound, 2nd Floor, Dattaram Lad Marg, Kalachowki, Chinchpokli (E), Mumbai - 400 033.
- (h) Members are requested to notify immediately any change of address to the Company's Share Transfer Agents, Sharex (India) Pvt. Ltd., (earlier known as HAMCO Share Registry Pvt. Ltd.) at either of the following addresses :

17/B, Dena Bank Building 2nd Floor, Horniman Circle Fort, Mumbai - 400 001. Tel : 270 2485/264 1376	Unit No. 1, Luthra Industrial Premises Andheri Kurla Road, Safed Pool Andheri (E), Mumbai - 400 072. Tel : 851 5644/851 5606
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- Members desiring any information/clarification as regards the Accounts are requested to write to the Company atleast 10 days before the Annual General Meeting to enable the Management to reply at the Meeting.
- Members/Proxies should bring the Attendance Slip sent herein duly filled in for attending the Meeting.
- Members are requested to bring their copy of the Annual Report to the Meeting.

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ANNEXURE TO THE NOTICE

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

The following Explanatory Statement sets out the material facts relating to the business mentioned at Item nos. 8 & 9 of the accompanying Notice of the Annual General Meeting dated 15th June, 2001.

Item No. 8

At the Annual General Meeting of the Company held on 24th September, 1996, the shareholders had, by a Special Resolution, authorised the Board to make payment of Commission to its Directors, in conformity with the provisions of Section 309(4) of the Companies Act, 1956.

The shareholders had, by the first part of the Special Resolution, authorised the Company to make payment of Commission to its Directors (other than the Managing and/or Wholetime Director) not exceeding in the aggregate 1% p.a. of the net profits of the Company for a period of five years from 1st April, 1996.

The shareholders had, by the second part of the Special Resolution, also authorised the Company to make payment of commission to its Directors in a situation where there be no Managing and Wholetime Director of the Company at any time during the aforesaid period of five years from 1st April, 1996. It would apply only in a situation where the Company is or becomes a Board managed Company. In such a case, the authority of the shareholders was being sought to the payment of Commission to the Directors in an amount not exceeding 3% p.a. of the net profits of the Company. In either case, the proportion, manner and distribution of Commission amongst the Directors would be determined by the Board of Directors and failing such determination as to distribution to be distributed amongst them equally. The Company does not pay sitting fees to any of its Directors.

Pursuant to Section 309(7) of the Companies Act, 1956, the Special Resolution passed at the Annual General Meeting held on 24th September, 1996 expired on 31st March, 2001. A fresh Special Resolution as per the text set out in the Notice needs to be passed for a further period of five years from 1st April, 2001.

All Directors of the Company, save and except Mr. S.R. Lohokare, the Wholetime Director of the Company, may be deemed to be interested in the Special Resolution, since it relates to remuneration which may become payable to them.

Item No. 9

The Members of the Company, at the 44th Annual General Meeting of the Company held on 4th August, 1998, approved the terms of appointment and remuneration of Mr. S.R. Lohokare as the Wholetime Director of the Company for a period of 5 years with effect from 1st May, 1998 in terms of Schedule XIII of the Companies Act, 1956. The Company entered into an agreement with Mr. Lohokare on 21st August, 1998 (hereinafter referred as "Principal Agreement").

Subsequently, the Members of the Company, at the 46th Annual General Meeting of the Company held on 2nd August, 2000, also approved certain modifications, in the terms of appointment of Mr. S.R. Lohokare, pertaining to confidentiality of work. The Company entered into a Supplemental Agreement with Mr. Lohokare on 29th August, 2000 (hereinafter referred as "Supplemental Agreement").

The Board of Directors of the Company, at its meeting held on 15th June, 2001 approved certain modifications, with effect from 1st July, 2001, in the terms of remuneration of Mr. Lohokare as set out in the Draft Supplemental Agreement (Second) referred to in the resolution at Item No. 9 of the Notice.

The material provisions of the said Draft Supplemental Agreement (Second) are as under :

1. The following new clause 5 shall be substituted for the existing clause 5 of the Principal Agreement :
 5. In consideration of the performance of his duties as Wholetime Director, Mr. Lohokare shall be paid the following emoluments, benefits and perquisites subject to the limits laid down under Schedule XIII of the Companies Act, 1956 (hereinafter referred to as "the Act") from time to time:
 - (a) Basic Salary : Rs. 50,000/- (Rupees Fifty Thousand only) per month or such other sums not exceeding Rs. 1,00,000/- (Rupees One Lac only) per month, as may be determined by the Board from time to time.
 - (b) Incentive : Incentive Allowance upto 50% of his salary as may be determined by the Board from time to time as its sole discretion.



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- (c) Commission – Commission on profits as may be determined by the Board at its sole discretion. PROVIDED HOWEVER subject always to the limits contained in Sections 198 and 309 of the Act, the Company may, at its sole discretion pay by way of salary, allowances, commission on profits and/or bonus, as may be determined by the Board from time to time, which shall not exceed a maximum limit of Rs. 30 lacs per annum.
- (d) In addition to the above remuneration, the Wholtime Director shall also be entitled to perquisites such as furnished accommodation and/or House Rent Allowance, gas, electricity, water, furnishings, medical reimbursement, leave travel concession for self and family, club fees, medical insurance and other benefits and amenities in accordance with the Rules of the Company, the monetary value of such perquisites being restricted to Rs. 12 lacs per annum.
- For the purpose of computing the aforesaid ceiling, perquisites would be valued as per the Income Tax Rules, 1962, wherever applicable. The provision for use of Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of computing the aforesaid ceiling.
- Contribution to Provident Fund, Superannuation Fund or Annuity Fund shall not exceed 27% of the remuneration or such higher percentage as permissible under Rule 87 of the Income Tax Rules, 1962 and shall not be included in the computation of the ceiling on the remuneration payable as aforesaid.
- (e) Where in any financial year during the currency of tenure of the Wholtime Director, the Company has no profits or its profits are inadequate, the Wholtime Director shall be entitled to all the remuneration by way of salary and perquisites not exceeding the aforesaid limits 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 the Wholtime Director under the applicable provisions of the Act for the time being and from time to time in force.
- (f) The Board may, at its discretion, pay to the Wholtime Director lower remuneration than the maximum remuneration specified and revise such remuneration from time to time, within the maximum limits specified therein.

2. Save and to the extent herein above amended, the Principal Agreement and the Supplemental Agreement shall continue to remain in force and effect and in accordance with the terms thereof.

Your Directors recommend this Resolution for acceptance.

This may be treated as an abstract of the modified terms of appointment covered by the Supplemental Agreement (Second) between the Company and Mr. S.R. Lohokare, when executed, and Memorandum of Interest for the purpose of Section 302 of the Companies Act, 1956.

The Draft Supplemental Agreement (Second) referred to, at Item No. 9 of the accompanying Notice, will be available for inspection by the Members at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on any working day except Saturday.

Mr. S.R. Lohokare is interested in the Resolution at Item No. 9 since it relates to him.

By Order of the Board of Directors
For NATIONAL PEROXIDE LIMITED

(S.R. LOHOKARE)
Wholtime Director

Registered Office :
Neville House
J. N. Heredia Marg
Ballard Estate
Mumbai – 400 001.
Mumbai, 15th June, 2001



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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, 2001.

1. Financial Results :

	For the year ended 31st March, 2001 Rs. in lacs	For the year ended 31st March, 2000 Rs. in lacs
Gross Turnover	5,964.49	6,341.05
Profit before Interest & Depreciation	897.07	962.05
Profit from Property Development	1,690.83	—
Profit on Sale of Plastics Additives unit	380.09	—
Total Profit	2,967.99	962.05
Interest	994.02	1,566.86
Profit/(Loss) before Depreciation	1,973.97	(604.81)
Depreciation	514.51	570.08
Profit/(Loss) before Tax	1,459.46	(1,174.89)
Tax	—	—
Profit/(Loss) after Tax	1,459.46	(1,174.89)
Less: Transfer to Debenture Redemption Reserve	(100.00)	—
	1,359.46	(1,174.89)
Less: Balance brought forward from Previous Year	(881.35)	293.54
Amount available for appropriations	478.11	(881.35)
Appropriations:		
Proposed Dividend	68.96	—
Tax on Dividend	7.04	—
Transfer to General Reserve	146.00	—
Balance carried to Balance Sheet	256.11	(881.35)
	478.11	(881.35)

The financial results for the year under review showed a significant improvement in the operations of the Company. The major highlights of the performance are as under:

- The interest during the year reduced from Rs. 1566.86 lacs to Rs. 994.02 lacs as a result of sale of the Dewas unit and flats at Naperol Tower.
- The sale of Dewas unit was concluded during the year. The turnover figures are not comparable for the two years, as in the year 2000-01, the turnover figures reflect Dewas operations for only 3 months as compared to 12 months for the year 1999-2000.
- During the year, Hydrogen Peroxide price showed further rise leading to improvement in the bottom line.

2. Dividend :

The Directors recommend the payment of a dividend of Rs. 30/- per share for the year ended 31st March, 2001, if approved by the Members at the Annual General Meeting.

3. Accounts :

The current year's operations have resulted in a gross operating profit of Rs. 1,593.88 lacs after absorbing the interest burden of Rs. 994.02 lacs. The gross operating loss in the previous year was Rs. 604.81 lacs. There is a net profit of Rs. 1,459.46 lacs compared to net loss of Rs. 1,174.89 lacs in the previous year.



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4. Operations :

PEROXYGENS DIVISION

During the year under review, sales of Hydrogen Peroxide in the domestic market showed a small growth over the previous year. However, it is heartening to report that the prices continued to improve during the year. This has helped your Company to improve its bottom line substantially. In spite of stiff competition, your Company continues to maintain its prime position in the market and holds 42% of the market share.

The Pulp & Paper Industry increased its consumption of Hydrogen Peroxide on account of customer's requirements of brighter paper as well as the use of Hydrogen Peroxide in High Density Tower. The Petroleum Refinery Industry has started using Hydrogen Peroxide for waste water treatment and refineries such as Panipat and Mathura are now regularly using Hydrogen Peroxide. It is expected that this increase will help in the growth of the market.

Towards the end of the year, the Newsprint Industry came under pressure due to fall in newsprint prices in international markets. This was due to large quantity of pulp being available at cheaper prices in the international market. This is likely to affect the financial performance during the coming year.

The financial restructuring undertaken during the year was completed and high cost loans were paid off. The Company has already borrowed Rs. 10 crores from Unit Trust of India at cheaper rate.

The focus on cost reduction continued during the year. In spite of technical problems faced in the plant during the year, the overall improvement in specific consumption of various inputs continued. To take benefit of the changes in the MSEB tariff structure, your Company installed additional capacitor banks to improve its power factor. As a result, the unit cost of power reduced during the year.

Employee relations continued to be cordial during the year.

PLASTICS ADDITIVES DIVISION

The Conciliation Settlement Agreement with M/s Barlocher GmbH was signed on 17th June, 2000 and authenticated by the Conciliator. The handing over of the plant to M/s Barlocher India Additives Private Limited was carried out as scheduled on 30th June, 2000. All the approvals required to complete the transaction have been obtained and your Directors are happy to report that the transaction is now substantially complete.

The proceeds received from the sale of Dewas Division were used to pay off high cost loans and this has helped the Company to reduce its interest burden.

5. Status of Sale of Real Estate at Naperol Tower :

During the year under review, your Company sold 121 flats. As a result, only 38 flats remain to be sold which your Company is hopeful of selling in the year 2001-02. The cash generated from the sale of these flats has been used to substantially reduce the debt and consequently the interest burden.

6. Safety & Environment :

The Company continues to maintain a good safety record and has worked 1343 days without Lost Time Injury as on 31st March, 2001. Environmental pollution standards of the concerned State Pollution Control Boards were also met during the year.

7. Insurance :

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

8. Fixed Deposits :

Fixed deposits from the public and shareholders, outstanding with the Company at the end of the financial year on 31st March, 2001, stood at Rs. 315.37 lacs, out of which a sum of Rs. 7.55 lacs, relating to 82 depositors, has not been claimed for which disposal instructions had not been received on or before 31st March, 2001 although the respective repayment dates had passed. Since then, deposits amounting to Rs. 3.62 lacs have been withdrawn by 37 depositors.



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9. Directors :

Mr. R.K. Pitamber, Mr. K.N. Suntook, Mr. S.R. Lohokare and Mr. I.C. Jain, retire by rotation and being eligible offer themselves for re-appointment.

10. Directors' Responsibility Statement :

As required under Section 217(2AA) which was introduced by the Companies (Amendment) Act, 2000, your Directors confirm that —

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed;
- (ii) the Directors had selected such accounting policies 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 on 31st March, 2001 and of the profit or loss of the Company for the year ended 31st March, 2001;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

11. Dematerialization of shares :

Your Company's shares were made available for dematerialization with effect from 28th December, 2000. Subsequently, the Company's shares have been included in the list for trading in the compulsory dematerialization segment, with effect from 28th May, 2001, as directed by the Securities & Exchange Board of India.

12. Corporate Governance :

Pursuant to the directives issued by the Securities and Exchange Board of India, the Stock Exchange, Mumbai, has introduced Clause 49, on Corporate Governance, in the Listing Agreement and this clause is applicable to the Company within the financial year 2001-2002, but not later than 31st March, 2002.

The company shall be implementing these corporate governance norms within the prescribed time frame.

13. Listing :

The Equity shares of the Company are listed on The Stock Exchange, Mumbai.

14. 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 Rule 2 of 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.

15. Subsidiary Companies :

As required under Section 212 of the Companies Act, 1956, the accounts of Naperol Investments Limited and Wonderlene Investments Limited, subsidiaries of the Company, are appended.

16. 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.

17. Auditors :

The members are requested to appoint Auditors for the current year and to authorize the Board of Directors to fix their remuneration.

On behalf of the Board of Directors

NUSLI N. WADIA
Chairman

Mumbai, 15th June, 2001