

National Peroxide Limited



ANNUAL REPORT & ACCOUNTS 2004-2005



National Peroxide Limited

Annual Report 2004-2005

(Registered — 16th March, 1954)

DIRECTORS (as on 12th May, 2005)

P. V. KUPPUSWAMY	Chairman
R. K. PITAMBER	
K. N. SUNTOOK	
NESS N. WADIA	
E. MIGNONAT	
D. B. ENGINEER	Alternate to E. MIGNONAT
A. K. HIRJEE	
R. N. SETHNA	
A. L. CUMMING	
S. R. LOHOKARE	Managing Director

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	14
Auditors' Report	22
Balance Sheet	24
Profit & Loss Account	25
Schedules to the Balance Sheet	26
Schedules to the Profit and Loss Account	30
Notes to the Accounts	31
Cash Flow Statement	37
Consolidated Auditors' Report	38
Consolidated Balance Sheet	39
Consolidated Profit & Loss Account	40
Schedules to the Consolidated Balance Sheet	41
Schedules to the Consolidated Profit & Loss Account	44
Notes to the Consolidated Accounts	46
Consolidated Cash Flow Statement	50
Naperol Investments Limited	51



National Peroxide Limited

NOTICE

NOTICE is hereby given that the Fifty-First 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 Thursday, 28th July, 2005 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, 2005 and 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 for the year ended 31st March, 2005.
3. To appoint a Director in place of Mr. Ness N. Wadia, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. R. K. Pitamber, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Eric Mignonat, who retires by rotation, and being eligible, offers himself for reappointment.
6. 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 :

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

"RESOLVED THAT pursuant to the provisions of Section 163 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act'), the Company hereby approves that the Register of Members, the Index of Members, the Register and Index of Debentureholders and copies of all Annual Returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act, or any one or more of them ('the statutory records') be kept at the office of the Company's Registrar and Share Transfer Agents, Sharex Dynamic (India) Pvt. Ltd. [previously known as 'Sharex (India) Pvt. Ltd.'], situate at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai - 400 072, instead of keeping them at the Company's Registered Office.

"RESOLVED FURTHER THAT the statutory records be kept open for inspection at the office of Sharex Dynamic (India) Pvt. Ltd. at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai - 400 072 by the persons entitled thereto, in the manner provided under Section 163(2) of the Act, between 10.30 a.m. to 1.00 p.m. on any working day (other than Saturdays and Sundays) unless they are closed, under the provisions of the Act or the Articles of Association of the Company.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual and proper to give effect to the above resolution.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to delegate all or any of its powers which may be so delegated by law, to any of its Committees or any Director or Officer of the Company, to give effect to the aforesaid Resolution."

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

"RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, so long as the Company has a Managing or Wholtime Director, such sum by way of commission, not exceeding in the aggregate one percent 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 2006, be paid to and distributed amongst such Directors of the Company (resident in India) but excluding the Managing Director(s) and/or Wholtime Director(s) 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 financial years commencing from 1st April 2006, the Company does not have any Managing or Wholtime Director, such sum by way of commission not exceeding in the aggregate three percent 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 such Directors of the Company (resident in India), as may be determined by the Board, for the then residual unexpired part of the aforesaid

Annual Report 2004-2005

period of five years; 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 modifications, the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent as set out below :

- Article 141(2) be deleted.
- Article 202(2) be deleted.
- Article 202(1) be numbered as Article 202 and in the opening sentence of the said Article, the word and figure 'Section 267' be replaced by 'Sections 267, 269'."

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

"RESOLVED THAT in partial modification of the Resolution passed by the Company at the 49th Annual General Meeting held on 23rd July, 2003 and pursuant to the provisions of Sections 198, 269, 309, 311 and 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, [including any statutory modification or re-enactment thereof, for the time being in force] the Company hereby approves, confirms and ratifies that, Mr. S.R. Lohokare be and is hereby redesignated 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."

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 Items Nos. 7, 8, 9 and 10 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, 15th July, 2005 to Thursday, 28th July, 2005, both days inclusive.

- (d) The dividend, if any, that may be declared at the Meeting, shall be paid on or after 29th July, 2005 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 14th July, 2005, 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, 2005 will be payable to the beneficial owners of the shares as at the closing hours of 14th July, 2005, as per the details 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 & Share Transfer Agents, Sharex Dynamic (India) Pvt. Ltd. [previously known as 'Sharex (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 14th July, 2005.

- (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



National Peroxide Limited

(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 unpaid amount 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

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 by the members.

- (h) In terms of Section 109A of the Companies Act, 1956, every holder of shares/debentures in a Company, may at any time, nominate in the prescribed manner, a person to whom his/her shares/debentures in the Company shall vest, in the event of his/her death. Members, who wish to avail of this facility, may fill the prescribed Form No. 2B and forward the same to Sharex Dynamic (India) Pvt. Ltd., at either of their addresses given above. The prescribed Form No. 2B can be obtained from the Company or from Sharex Dynamic (India) Pvt. Ltd.
- (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) 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. Ness N. Wadia

Mr. Ness N. Wadia, 33, 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 12 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 is the Deputy Managing Director of BDMC since August 2001, heading its Real Estate Division.

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

Other Directorships : The Bombay Dyeing & Mfg. Co. Ltd. (Dy. Managing Director), Nowrosjee Wadia & Sons Ltd., 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.

2. Mr. R. K. Pitamber

Mr. R. K. Pitamber, 73, was inducted on the Company's Board in July, 1984. He holds a B.A. degree from Oxford University. He had served the British Army for two years from 1954 to 1956.

Mr. Pitamber had a very long association of almost 48 years with Mahindra & Mahindra Ltd., where he had joined as a Management Trainee in the year 1958. Mr. Pitamber was elevated as Head of Materials and then Exports. After his tenure as Chief Executive of the Instrumentation & Electronics Division, he was Executive Assistant to the Chairman. In 1980, he became the Executive Director & Executive Vice-President (Finance) of the Company and in 1987 he went on to become the Dy. Managing Director (Operations). From 1990, he was the Managing Director of Mahindra & Mahindra Ltd. until his retirement in 1997. From 1997, he was a Director on the Board of Mahindra & Mahindra Ltd., until his resignation in March 2005.

Mr. Pitamber has been the Vice-President of Bombay Chamber of Commerce & Industry in 1996-97 and its President in 1997-98.

In the field of sports, Mr. Pitamber has won various Golf Tournaments in the U.K. and Europe. He represented India in International Team events between 1958 and 1975 and was Captain of the Indian teams between 1964 and 1975. He won the National Amateur Golf Championships in 1966 and 1973. He was the President of the Indian Golf Union in 1974-75.

Annual Report 2004-2005

Mr. Pitamber was the recipient of the Arjuna Award in 1967.

Other Directorships : Owens Corning (India) Ltd. (Chairman), Gherzi Eastern Ltd. (Chairman), Gati Ltd. and JM Financial & Investment Consultancy Services Pvt. Ltd.

Committee Memberships : Audit Committees of Gati Ltd. and National Peroxide Ltd.; Remuneration Committees of Gati Ltd. and National Peroxide Ltd.; Share Transfer & Shareholders'/Investors' Grievance Committee of National Peroxide Ltd.; Investment Committee of JM Financial & Investment Consultancy Services Pvt. Ltd.

3. Mr. Eric Mignonat

Mr. Eric Mignonat, 48, was inducted on the Company's Board in July 2001. He was educated at the Engineering High School in Paris, France and did his MBA at the INSEAD (France).

He is currently General Manager - Hydrogen Peroxide at the Chemicals Sector of Solvay SA in Brussels (Belgium).

He has experience in General Management of different companies in Asia, America and Europe.

He was a pioneer in the development of the Electronic Business and participated as lecturer at different conferences in the Pharmaceuticals, Plastic and Chemicals Sectors.

Other Directorships : Solvay Interlox Pty. Ltd.; Solvay Chimie SA (Chairman); Peroxidos do Brasil Ltda.; Solvay Interlox, Sociedad Anonima; Solvay Chemicals, INC; Oy Finnish Peroxides AB (Chairman); Solvay Interlox (N-Z) Ltd.; Solvay Chemicals Ltd.; Solvay Interlox Ltd.; Belinka Perkemija D.D.; Peroxythai Ltd.

Committee Memberships : Nil

By Order of the Board of Directors
For NATIONAL PEROXIDE LIMITED

M. R. SHAH
Company Secretary

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

Mumbai, 12th May, 2005

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. 7, 8, 9 and 10 of the accompanying Notice of the Annual General Meeting dated 12th May, 2005:

Item No. 7

Sharex Dynamic (India) Pvt. Ltd. [previously known as 'Sharex (India) Pvt. Ltd.'] has been functioning as the Company's Registrar and Share Transfer Agents (R & TA). It is administratively inconvenient to maintain all the statutory records (as defined in the resolution at Item No. 7 of the Notice), as required by Section 163 of the Companies Act, 1956 ('the Act'), at the Registered office of the Company. In order to enable the R & TA to handle and process share transfer work etc. more effectively and expeditiously, it has become necessary for the Company to shift the statutory records from the Company's Registered office to the office of its R & TA at Sharex Dynamic (India) Pvt. Ltd. at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai - 400 072.

Under Section 163 of the Act, the aforesaid documents which are normally required to be kept at the Registered office of the Company may be kept at any other place if such place has been approved by a Special Resolution passed by a Company in General Meeting. Accordingly, the approval of the shareholders is being sought, by a Special Resolution, pursuant to the provisions of Section 163 of the Act for keeping the aforesaid statutory records of the Company to the premises of Sharex Dynamic (India) Pvt. Ltd. at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai - 400 072.

The Directors commend the Special Resolution at Item No. 7 of the accompanying Notice for approval by the Members. None of the Directors are interested in the Resolution, except as members of the Company.

Item No. 8

At the Annual General Meeting of the Company held on 27th July, 2001, the Members had passed a Special Resolution approving the renewal of the terms of remuneration by way of commission related to the net profits of the Company payable to the Directors other than Managing or Wholtime Director(s)



National Peroxide Limited

for a further period of five years from 1st April, 2001 subject to the overall managerial remuneration laid down in Sections 198 and 309 of the Companies Act, 1956. Pursuant to Section 309(7) of the Companies Act, 1956, the approval conveyed by the aforesaid Special Resolution will expire on 31st March, 2006.

The first part of the Special Resolution covers a situation where there is a Managing or Wholetime Director(s). In such situation, it is proposed to pay to the Directors of the Company (resident in India), but excluding Managing and/or Wholetime Director(s), such remuneration by way of commission related to the net profit of the Company as may be decided by the Board of Directors not exceeding in the aggregate one per cent per annum of the net profits of the Company for a period of five financial years commencing from 1st April, 2006.

The second part of the Special Resolution seeks to cover a situation if, for some reason, the Company, during the aforesaid period of five financial years commencing from 1st April, 2006, does not have a Managing or Wholetime Director(s). In such an event, it is proposed to pay the Directors of the Company (resident in India) such remuneration by way of commission related to the net profit of the Company as may be decided by the Board of Directors for the then residual unexpired part of the said period of five years but not exceeding in the aggregate three per cent 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 also pays sitting fees to its Directors, except to the Managing or Wholetime Director(s).

The Special Resolution is necessary having regard to the provisions of Section 309(4) of the Companies Act, 1956. The Directors, therefore, commend the Special Resolution at Item No. 8 of the accompanying Notice for approval by the Members.

All Directors of the Company other than Mr. S.R. Lohokare, the Managing Director of the Company, may be considered to be concerned or interested in the said resolution, since it relates to remuneration/commission which may become payable to them.

Item No. 9

The said amendments/alterations/deletions in the said Articles as mentioned at the Special Resolution at Item No. 9 of the Notice are commended to remove superfluity and to bring the provisions of the Articles of Association of the Company in line with the applicable provisions of the Companies Act, 1956.

The Special Resolution at Item No. 9 of the accompanying Notice is, therefore, proposed, pursuant to Section 31 of the Companies Act, 1956. The Directors commend the Special Resolution for approval by the Members.

None of the Directors other than the Managing Director may be considered to be concerned or interested in the said Resolution.

The Articles of Association of the Company, referred to in the Special Resolution at Item No. 9 of this Notice, together with the proposed alteration, is available for inspection by the Members at the Company's Registered Office during business hours on any working day.

Item No. 10

At the 49th Annual General Meeting held on 23rd July, 2003, the shareholders had approved the reappointment of Mr. S.R. Lohokare as Wholetime Director for a period of five years with effect from 1st May, 2003. The Agreement was entered into between the Company and Mr. S.R. Lohokare on 2nd September, 2003 (hereinafter referred to as "the said Agreement") based on the approval of the shareholders as aforesaid. At the meeting of the Board of Directors held on 28th October, 2004, Mr. Lohokare was redesignated as Managing Director with immediate effect on the same terms and conditions as were set out in the said Agreement. The Board considers the aforesaid redesignation to be reflective of the enlarged duties and responsibilities of Mr. Lohokare.

The Resolution at Item No. 10 of the Notice seeks to partially modify the Resolution passed by the Company at the 49th Annual General Meeting held on 23rd July, 2003, so as to incorporate the redesignation of Mr. Lohokare as Managing Director and seeks the approval of the Members for the said redesignation under the provisions of the Companies Act, 1956. All other terms and conditions shall remain valid, binding and in force for the unexpired period of the said Agreement.

The Directors commend the Ordinary Resolution at Item No. 10 of the accompanying Notice for approval by the members.

None of the Directors other than Mr. Lohokare may be considered to be concerned or interested in the said Resolution.

This may be treated as an Abstract of the variation in the terms of the said Agreement between the Company and Mr. Lohokare and Memorandum of Interest pursuant to Section 302 of the Act.

By Order of the Board of Directors
For NATIONAL PEROXIDE LIMITED

M. R. SHAH
Company Secretary

Registered Office :
Neville House
J. N. Heredia Marg
Ballard Estate
Mumbai - 400 001
Mumbai, 12th May, 2005

Annual Report 2004-2005

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, 2005.

1. FINANCIAL RESULTS

	For the year ended 31 st March, 2005 Rs. in lacs	For the year ended 31 st March, 2004 Rs. in lacs
Gross Turnover (net of excise)	7533.34	5837.32
Profit before Interest & Depreciation	2625.24	1724.73
Less: Interest	25.69	82.15
Profit before Depreciation	2599.55	1642.58
Less: Depreciation	457.05	490.23
Profit before Tax	2142.50	1152.35
Less: Tax – Current	900.00	88.00
– Deferred	(185.00)	322.00
Profit after Tax	1427.50	742.35
Add: Transferred from Investment Allowance Reserve	—	75.00
	1427.50	817.35
Balance brought forward from previous year	1876.67	1302.89
AMOUNT AVAILABLE FOR APPROPRIATIONS	3304.17	2120.24
Appropriations:		
Proposed Dividend	160.92	149.42
Corporate Dividend Tax	22.57	19.15
Transfer to General Reserve	200.00	75.00
Balance carried to Balance Sheet	2920.68	1876.67
	3304.17	2120.24

The financial results for the year under review showed significant improvement in the performance of the Company's business.

- (a) During the year, production of Hydrogen Peroxide was 34,433 MT which is 115% of the nameplate capacity. An all time record production rate and highest production in a single month were achieved during the year. The annual production in the year is the highest ever in the Company's history.
- (b) During the year, there was a significant improvement of over 20% in the price.

2. DIVIDEND

Considering the performance, the Board of Directors recommends a dividend of Rs. 70/- per Equity share of Rs. 100/- each for the year ended 31st March, 2005 to be paid, if declared by the members at the Annual General Meeting to be held on 28th July, 2005.

3. ACCOUNTS

The current year's operations have resulted in a profit before depreciation of Rs. 2599.55 lacs after absorbing the interest burden of Rs. 25.69 lacs. The profit before depreciation in the previous year was Rs. 1642.58 lacs. There is a net profit of Rs. 1427.50 lacs as compared to net profit of Rs. 742.35 lacs in the previous year, mainly due to improved performance of the Company.

4. OPERATIONS

During the year under review, sales of Hydrogen Peroxide in domestic market showed a growth of 10% over the previous year. The prices also improved by over 20%. Your Company continues to maintain its prime position in the market and holds a market share of 38%.

The customs duty has been reduced by 5% i.e. from 20% to 15% from 1st March, 2005. As a result, there will be some pressure on the domestic price.



National Peroxide Limited

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 product.

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

As a result of complete replacement of the catalyst, extensive modifications made to the plant and improvement in operating procedures, the plant was able to produce at 115% of the nameplate capacity during the year. Significant economies were achieved in the consumption of raw materials, chemicals and utilities leading to reduction in the cost of production.

During the year, expansion project has been taken up to raise the nameplate capacity from 30,000 MT to 49,000 MT. This will entail in a shutdown of 6 weeks leading to a loss of production of 4,500 MT. Increased capacity is expected to be available by February 2006.

The settlement with the Union expired on 30th September, 2004. Negotiations are expected to commence shortly. Industrial relations continued to be cordial during the year.

5. SAFETY & ENVIRONMENT

The Company continues to maintain a good safety and environmental record and has worked for 2805 days without Lost Time Injury as on 31st March, 2005.

6. INSURANCE

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

7. 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. 3.18 lacs, relating to 28 depositors, have remained unclaimed as on 31st March, 2005, despite reminders.

8. DIRECTORS

Dr. H.C. Bijawat, who was actively associated with the Company, resigned from the Board on 18th June, 2004 due to health reasons. He passed away on 13th December, 2004. 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.

Dr. Christian De Sloover resigned as a Director with effect from 15th June, 2004.

Mr. S.R. Lohokare, whose reappointment as Wholetime Director was approved by the shareholders in the Annual General Meeting held on 23rd July, 2003 for a period of five years with effect from 1st May, 2003 read with the Agreement entered into between the Company and Mr. Lohokare on 2nd September, 2003, was redesignated as Managing Director by the Board of Directors with effect from 28th October, 2004.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Ness N. Wadia, Mr. R. K. Pitamber and Mr. Eric Mignonat retire by rotation and being eligible, offer themselves for reappointment.

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 —

- 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 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 at 31st March, 2005 and of the profit of the Company for the year ended 31st March, 2005;
- 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.

Annual Report 2004-2005

10. DEMATERIALIZATION OF SHARES

As directed by the Securities & Exchange Board of India, your Company's shares have been included in the list for trading in the compulsory dematerialization segment, with effect from 28th May, 2001.

33.36% of the outstanding Equity shares have been dematerialised upto 31st March, 2005.

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 Stock Exchange, Mumbai 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.

Wonderlene Investments Limited (Wonderlene), which was also a wholly-owned subsidiary of the Company, had not been carrying on any business activity for many years. Therefore, Wonderlene had made an application to the Registrar of Companies, in November 2003, for striking off its name as a defunct company, after due compliance with all the requisite requirements under the Simplified Exit Scheme (SES) introduced by the Department of Company Affairs. Consequently, the name of Wonderlene was struck off from the Register of Companies and it now stands dissolved.

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

The 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, 12th May, 2005