

**OXIDES AND
SPECIALITIES
LIMITED**

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**20th
ANNUAL REPORT
2006 - 2007**

ANNUAL REPORT 2006 - 2007

BOARD OF DIRECTORS

Mr. BRIJMOHAN RATHI,
Managing Director

Mr. V. B. DALAL, Director

Mr. P.S. SHARMA, Director -

Mr. N.V. JOSHI, Director

Mr. Rajendra Kumar Sanchet
(Appointed w.e.f. 30.06.2007)

BANKERS

Kotak Mahindra Bank

AUDITORS

Ramesh C. Jain & Co.,

REGISTERED OFFICE & WORKS

F-1, MIDC Area, Lote, Parshuram,
Tal. Khed,
Dist. Ratnagiri (Mah.)-415 722

CORPORATE OFFICE

PLOT No.R-802, TTC Industrial Area,
Thane-Belapur Road,
Mahape, Navi Mumbai - 400 701.

REGISTRAR & TRANSFER AGENTS

Bigshare Services Pvt. Ltd.
E-2, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri (E), Mumbai - 400 072.

CONTENTS**Page
Nos.**

Notice	1
Report of the Directors	3
Annexure to the Directors' Report	5
Management Discussion and Analysis ..	7
Corporate Governance Report	8
Auditors' Report	16
Annexure to the Auditors' Report	17
Balance Sheet	19
Profit & Loss Account	20
Cash Flow Statement	21
Schedules	22
Balancesheet Abstract	32

OXIDES AND SPECIALITIES LIMITED

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the members of the Company will be held on Friday, September 28, 2007 at 11.00A.M. at the Registered Office of the Company at F/1, MIDC, Lote-Parshuram, Taluka Khed, Dist. Ratnagiri (Mah.) - 415722 to transact the following business:

ORDINARY BUSINESS

1. To consider, receive and adopt the Audited Accounts for the year ended March 31, 2007 together with Directors' Report thereon.
2. To appoint a Director in place of Mr. P.S.Sharma who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s B. Maheshwari & Associates, Chartered Accountants, be and are hereby appointed as Auditor of the Company to fill the vacancy caused by the resignation of M/s Ramesh C. Jain & Company, Chartered Accountant, to hold office until the conclusion of the next Annual General Meeting and their remuneration be determined by the Board of Directors."

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Rajendra Kumar Sancheti who was appointed as an Additional Director of the Company by the Board of Directors and who hold office upto the date of this Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 159 of the Articles of Association of the Company, and in respect of whom the Company has received notice in writing from a member of the Company expressing his intension of proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company."

By Order of the Board
For OXIDES AND SPECIALITIES LIMITED

Dated : June 30, 2007

Place : Mumbai

Brijmohan Rath
Managing Director

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The relevant explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of the business under item No.4 is annexed hereto.
3. The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the meeting.
4. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on all working days except Saturday and holidays upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the company will remain closed from Friday, September 20, 2007 to Friday, September 28, 2007 (both days inclusive)
6. Members/ Proxies who attend the meeting are requested to bring the enclosed attendance slip duly filled and deliver the same at the entrance of the meeting hall.
7. Members are requested to bring their copies of Annual Report at the time of attending the Meeting.

ANNUAL REPORT 2006 - 2007

8. Members who are holding Company's shares in dematerialised form are requested to bring details of their DP and client ID number for identification.

9. Reappointment of Director :

- (A) (i) Name : Mr. P. S. Sharma
 (ii) Age : 67 Years
 (iii) Qualifications : B. E. (Chemical)
 (iv) Experience : He served with DCM Group for 35 Years including last nine years as Executive Director of DCM Shriram Industries Limited. He also served as Managing Director of NRC Ltd and Unimers India Ltd.
 (v) Director of the Company : Since 28.05.2003
 (vi) Other Directorship : Maharashtra Polybutenes Limited.

10. Appointment of Director

At the ensuing Annual General Meeting, Mr. Rajendra Kumar Sancheti who was appointed as an Additional Director of the Company by the Board of Directors in its Meeting held on June 30, 2007 and being eligible, offer himself for reappointment. Pursuant to Clause 49 of the Listing Agreement relating to the code of Corporate Governance, the particulars of the aforesaid Director are given below:

Mr. Rajendra Kumar Sancheti aged 43 years is a B. Com (Hons.), Gr. C.W.A. with 16 years varied experience. The other Directorships / Memberships of Mr. Rajendra Kumar Sancheti are as under :-

Name Of The Company	Board Position Held	Board Committee Membership
NICCO Biotech Ltd.	Director	Nil

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 4

The Board of Directors of the Company has appointed Mr. Rajendra Kumar Sancheti as an additional Director in its Meeting held on June 30, 2007. In accordance with Section 260 of the Companies Act, 1956 and the Article 159 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting Mr. Rajendra Kumar Sancheti is a Gr. C.W.A. with 16 years varied experience. He is also a Director on the Board of Directors of NICCO Biotech Limited. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 signifying his intension to propose Mr. Rajendra Kumar Sancheti as a candidate for the office of Director together with requisite deposit as required by law.

None of the Directors other than Mr. Rajendra Kumar Sancheti may be deemed to be concerned or interested in his resolution.

By Order of the Board
For OXIDES AND SPECIALITIES LIMITED

Dated : June 30, 2007
 Place : Mumbai

Brijmohan Rathi
 Managing Director

OXIDES AND SPECIALITIES LIMITED

REPORT OF THE DIRECTORS

The Directors present herewith the Twentieth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2007.

FINANCIAL RESULTS :

PARTICULARS	(Rs. in Lacs)	
	2006-07	2005-06
Sales	27.92	3.27
Other Income	1.32	—
	29.24	3.27
Profit/ (Loss) before depreciation	(169.74)	(69.56)
Depreciation	171.53	171.49
Profit/ (Loss) for the year	(337.63)	(233.96)
Balance of (loss) brought Forward from previous year	(1983.24)	(174.93)
Profit / (Loss) carried to the Balance Sheet	(2320.87)	(1983.25)

OPERATIONS :

During the year the company recommenced the production after doing the necessary repairs & maintenance /modifications with the help of Sunciti Financial Services Private Limited. However, the company has yet to achieve the full production of Ferrous Fumrate & Yellow Pigment. Part of the earlier work force has been reemployed on contractual basis. However, the production of Magnetic Iron Oxide (MIO) is still suspended, as there is no demand for this product and the company is working to increase the capacity of Ferrous Fumrate, Yellow Pigment and Red Oxide.

DIVIDEND :

In view of the continuing losses your Directors regret that they cannot declare Dividend for the year.

FUTURE OUTLOOK :

In view of the unviable situation with the existing product portfolio and current financial situation, the alternative arrangement has worked out with Sunciti Financial Services Private Limited (SFSPL) by bringing in the start-up expenses and the working capital, to restart the operations and the same resultant into successful production by utilizing the available infrastructure.

PARTICULARS OF EMPLOYEES :

The provision of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended are not applicable to the Company as none of the employees employed throughout the year or employed for part of the year has received remuneration equal to or exceeding the limits prescribed in the said section.

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 :

Particulars under Section 217(1)(e) of the Companies Act, 1956 relating to the conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure to the Director's Report.

ANNUAL REPORT 2006 - 2007

DIRECTORS :

Mr. P.S.Sharma , Director retire by rotation at the Annual General Meeting and being eligible, offer themselves for reappointment.

Mr. Rajendra Kumar Sancheti was appointed as an additional Director of the Company on June 30, 2007. The Company has received Notice in writing from a member pursuant to Section 257 of the Companies Act, 1956 signifying intention to propose Mr. Rajendra Kumar Sancheti as a Director of the Company at the forthcoming Annual General Meeting.

FIXED DEPOSITS :

During the year under review, the Company has not accepted any deposits from the public pursuant to Section 58-A of the Companies Act, 1956.

AUDITORS' REPORT :

The Notes referred in Auditors' Report are dealt with herein below :

- (a) The accumulated losses were adjusted against the re-valuation reserve, in accordance with legal advice.

The rest of the notes are self explanatory.

REPORT ON CORPORATE GOVERNANCE :

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance Code and Auditors Certificate regarding compliance of conditions of the code and Management Discussion and Analysis are annexed as part of the Annual Report.

DEMATERIALISATION OF SHARES :

In terms of the notification issued by the Securities and Exchange Board of India (SEBI) the Company has dematerialized its shares with both the depositories CDSL and NSDL.

SICK INDUSTRIAL COMPANIES (Special Provision) ACT, 1985 :

Consequent upon erosion of entire net worth of the Company, an Appeal was made to the Board for Industrial and Financial Reconstruction (BIFR) with reference to section 15 (1) of the Sick Industrial Companies (Special Provision) Act, 1985. Consequently, the Company has received a Registration order by the BIFR bearing letter no. F.No.3 (O-1) BC/2006 dt.11.08.2006 on its reference.

DIRECTOR'S RESPONSIBILITY STATEMENT :

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956 the Board of Directors of the Company hereby state and confirm that :

- i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/loss of the Company for that period.
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956

OXIDES AND SPECIALITIES LIMITED

for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv) The Directors had prepared the annual accounts on a going concern basis.

RESIGNATION / APPOINTMENT OF STATUTORY AUDITORS :

M/s Ramesh C. Jain & Co., Chartered Accountants, the retiring auditors have expressed their unwillingness to be reappointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting.

The Company has received as Special Notice from a shareholder under Section 225 of the Companies Act, 1956 proposing the name of M/s. B Maheshwari & Associates, Chartered Accountants, have express their intention to act as the Statutory Auditors of the Company, if appointed and confirmed their appointment in such case would be within the ceiling of Sec.224 (1B) of the Companies Act, 1956.

ACKNOWLEDGEMENTS :

The Directors acknowledge and place on record their appreciation of the support and co-operation received from the Banks, suppliers, customers and promoters.

The Directors also wish to place on record their appreciation for the continuing support of the employees during the year and having stood by the Company in these testing times.

For and on behalf of the
Board of Directors

Place : Mumbai
Dated : June 30, 2007

Brijmohan Rathl
Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS') RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT.

A. CONSERVATION OF ENERGY.

(a) Energy Conservation Measures taken :

The plant is so designed, as to conserve energy at optimum level of operation. Energy losses were kept at minimum level.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

The Company is monitoring the power factor to maximise rebates on power bills.

(c) Impact of energy conservation measures :

The energy conservation measures have resulted in restricting consumption of electricity and saving in expenditure, in spite of sub-optimal production and increased tariff.

ANNUAL REPORT 2006 - 2007

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

Form 'A' of the Annexure to the Rules is not applicable as the Company is not covered under the list of specified industries.

B. TECHNOLOGY ABSORPTION

I. Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company:

N.A.

2. Benefit derived as a result of the above R & D:

N.A.

3. Future plan of action:

To be finalised.

4. Expenditure on R & D:

N.A.

II. Technology absorption, adaptation and Innovation :

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

The technology received from collaborators has been fully absorbed and adapted to Indian conditions.

2. Benefits derived as a result of the above efforts :

Complete range of Magnatic Iron Oxide produced for audio, video, computer tapes and floppies.

3. Information in case of technology imported during the last 5 years reckoned from the beginning of the financial year :

(a) Technology : N.A.

(b) Year of import : N.A.

(c) Has technology been fully absorbed? : N.A.

(d) If not fully absorbed, area where this has not taken place, reasons therefore & future plans of action : N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. Earnings : NIL

2. Outgo : NIL

For and on behalf of the
Board of Directors

Place : Mumbai
Dated : June 30, 2007

Brijmohan Rath
Managing Director

OXIDES AND SPECIALITIES LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

a. Industry Structure and Development :

The main product of the company has been Magantic iron oxide (MIO) also known as Gamma Ferric OXIDE (GFO) used for coating polyester films to make Magnetic Tapes for use in audio, video, data and computer applications including for swipe cards of toners. However, the production of MIO is still suspended, as there is no demand for this product.

The Company had also diversified into the manufacture of Ferrous Fumrate and Iron Oxides colour pigments. However, the company has full production yet to achieve.

b. Opportunities and Threats :

During the year, the Company recommenced the production after doing necessary repairs and maintenance/modifications with the help of Suncity Financial Services Pvt. Ltd. However Company has yet to achieve the full production of Ferrous Fumrate and Yellow Pigment. The Production of MIO is still suspended, as there is no demand for this product and the Company is working to increase the capacity of Ferrous Fumrate, Yellow Pigment and Red Oxide.

The Company is exploring to export its products to the various countries such as Korea, Malaysia and Spain.

The Company enjoy good reputation amongst its clients for quality of products and services.

Product like Ferrous Fumrate are getting replaced by cheaper ferrous sulphate globally, as iron supplement leading to erosion in growth of Ferrous Fumrate business. Iron Oxide Pigment manufactured by the Company is a high end product with limited application in high cost paint.

In view of the unviable situation with the existing portfolio and current financial situation the alternative arrangement has worked out with Sunciti Financial Services Private Limited by bringing in the startup expenses and the working capital to restart the operations and the same resultant into successful production by utilizing the available infrastructure.

c. Segmentwise or productwise performance:

Plant was not operational during the year.

d. Internal Control System and their adequacy:

There is adequate internal control system in the Company through Internal Audit and regular operational reviews.

f. Financial performance with respect to operational performance:

The plant was not fully operated during the year. Hence the financial performance is not expected.

g. Development in Human Resource / Industrial Relations front:

Industrial Relations were cordial considering the stressful circumstances.

ANNUAL REPORT 2006 - 2007

CORPORATE GOVERNANCE REPORT

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is listed below:

A. MANADATORY REQUIREMENTS**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

The Company's Philosophy on Corporate Governance envisages the attainment of the high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally, including its inter-action with employees, shareholders, creditors, consumers and institutional and other lenders and places due emphasis on regulatory compliance. The Company will continue its efforts in raising the standards in Corporate Governance and will also review its systems and procedures constantly to keep pace with the changing economic environment.

2. BOARD OF DIRECTORS:**COMPOSITION AND CATEGORY**

The present strength of the Board of Directors is five whose composition is given below :

Name of Director	Category	No. of other Public Directorship (*)	No. of membership of other Board Committees	No. of other Board Committees for which Chairman
Mr. Brijmohan Rath	Managing Director	2	1	1
Mr. V. B. Dalal	Independent, Non Executive	3	3	1
Mr. P. S. Sharma	Independent, Non Executive	1	2	—
Mr. N.V.Joshi	Independent, Non Executive	0	0	0
Mr. Rajendra Kumar Sancheti (Appointed w.e.f. 30.06.2007)	Independent , Non Executive	N.A.	N.A.	N.A.

(*) Excludes Directorships in Indian Private Limited Companies, membership of Managing Committees of various Chambers/ bodies.