

Annual Report

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SAVITA CHEMICALS LIMITED
45th ANNUAL REPORT 2005-2006

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SAVITA CHEMICALS LIMITED

Forty-Fifth Annual Report 2005 - 2006

BOARD OF DIRECTORS

: G. N. Mehra - Chairman and Managing Director
C. V. Alexander - Executive Director and Secretary
N. B. Karpe
Mrs. S. N. Mehra
V. D. Narkar
S. R. Pandit

BANKERS

: State Bank of India
Union Bank of India
Corporation Bank
Standard Chartered Bank

AUDITORS

: Bansal & Associates
Chartered Accountants
Mumbai

REGISTERED OFFICE

: 66/67, Nariman Bhavan,
Nariman Point,
Mumbai - 400 021
Tel. No.: 022-2288 3061 / 62 / 63 / 64

FACTORIES

: 17/17A, Thane Belapur Road,
Turbhe,
Navi Mumbai - 400 703

Survey No. 10/2, Kharadpada,
Post Naroli, Silvassa,
Dadra and Nagar Haveli - 396 230

SHARE TRANSFER AGENT

: Sharepro Services (India) Pvt. Ltd.
Satam Estate, 3rd Floor,
Above Bank of Baroda,
Cardinal Gracious Road,
Chakala, Andheri (East),
Mumbai - 400 099
Tel. No.: 022-2821 5168 / 2834 7719

SAVITA CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the Forty-Fifth Annual General Meeting of the Members of SAVITA CHEMICALS LIMITED will be held at Walchand Hirachand Hall, IMC Building, IMC Marg, Churchgate, Mumbai 400 020 on Wednesday, 27th September 2006 at 11.30 A.M., to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Balance Sheet as at 31st March 2006, Profit and Loss Account and Cash Flow Statement for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Mr. S. R. Pandit, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N. B. Karpe, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. G. M. Kapadia & Co., Chartered Accountants, as the auditors of the Company in place of M/s. Bansal & Associates, Chartered Accountants, the retiring auditors, who have expressed their unwillingness to be re-appointed as the auditors to hold office from the conclusion of this Meeting until conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Act, consent of the Company be and is hereby accorded to the re-appointment of Mr. C. V. Alexander as the Whole-time Director of the Company for a period up to 30th September 2007 with effect from 1st October 2006 on remuneration and perquisites and other terms and conditions as contained here below:

Remuneration:

- (i) Salary: Rs.46,000/- (Rupees forty six thousand only) per month.
- (ii) Perquisites: As classified into three categories A, B & C as follows:

CATEGORY A

- (a) House Rent Allowance at the rate of 25% of the salary.
- (b) Education Allowance and Special Allowance of Rs.100/- and Rs. 2,631/- per month respectively.
- (c) Medical Expenses Reimbursement:
Reimbursement of medical expenses incurred on himself and his family subject to a ceiling of 5% of the salary.
- (d) Leave Travel Allowance:
For himself and his family once in a year in accordance with the Rules of the Company for the time being in force.
- (e) Bonus as per the Rules of the Company.
- (f) Performance linked incentive as per the Policy of the Company.
- (g) Personal Life/Accident Insurance:
For himself in accordance with the Rules of the Company.



CATEGORY B

(a) Provident Fund, etc.:

Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the Company's Rules applicable from time to time to the extent that these either singly or put together are not taxable under the Income Tax Act.

(b) Gratuity:

Half month's salary for each completed year of service.

(c) Leave Entitlement and Encashment:

Leave entitlement shall be as per Company Rules. He shall be permitted to encash unavailed leave.

CATEGORY C

(a) Conveyance:

Provision of car with driver for Company's business and personal use.

(b) Telephone:

Provision of telephone facility subject to being billed for personal long distance calls."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration, perquisites and any other entitlements including the monetary value thereof as specified hereinabove to the extent the Board of Directors may consider appropriate, as may be permitted or authorised in accordance with the provisions of the Companies Act, 1956 or re-enactments thereof and/or Rules or Regulations framed thereunder and the terms of the Agreement to be executed between the Company and Mr. C. V. Alexander shall be suitably modified to give effect to such variation or increase as the case may be."

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

"RESOLVED

- a) That in pursuant to recommendation of the Board of Directors and in accordance with the applicable provisions of the Companies Act, 1956 or any amendment or re-enactment thereof and Article 174 of the Articles of Association of the Company and subject to the guidelines issued by the Securities and Exchange Board of India (SEBI) in this behalf and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities, a sum not exceeding Rs.58,408,330/- (Rupees Five Crores Eighty Four Lacs Eight Thousand Three Hundred Thirty only) from the Share Premium Account, General Reserve or any other permitted reserve/surplus of the Company be capitalised and the aforesaid sum be utilised for paying up in full at par Equity shares in the capital of the Company to be allotted and distributed as fully paid-up Bonus shares of Rs.10 (Rupees Ten) each, to the holders of the Equity shares of the Company whose names shall appear on the Register of Members on the 'Record Date' determined by the Board or a Committee thereof for the purpose, in the proportion of 2 (Two) Bonus shares of Rs.10 (Rupees Ten) each for every 3 (Three) fully paid-up Equity shares of Rs.10 (Rupees Ten) each held by them and that the Bonus shares so distributed shall, for all purposes, be treated as an increase in the Paid-up Share Capital of the Company held by each such Member, and not as income;
- b) That no fractional shares shall be issued and that the shares representing the fractional entitlement shall be allotted to such person or persons (including one or more of the Directors and/or one or more officers of the Company) as the Board of Directors in their absolute discretion may select for the purpose of holding and selling such new Equity shares representing the fractional entitlement, who shall sell them in such manner as may be approved by the Board and the Company shall hold the aggregate proceeds of such sales (after defraying there from all expenses on such sales) on behalf of the persons entitled to fractional shares and pay to such persons their share in such net sale proceeds in the same proportion as the number of the fractional shares to which they were so entitled;
- c) That the Bonus shares so allotted shall rank pari passu in all respects with the fully paid-up Equity shares of the Company as existing on the Record Date;
- d) That the Bonus shares so allotted shall always be subject to the terms and conditions contained in the Memorandum and Articles of Association of the Company;

SAVITA CHEMICALS LIMITED

- e) That no letter of allotment shall be issued in respect of the Bonus shares and in the case of Members who hold shares or opt to receive the shares in dematerialised form, the Bonus shares shall be credited to the respective beneficiary accounts of the Members with their respective depository participants and in the case of Members who hold Equity shares in certificate form, the share certificates in respect of the Bonus shares shall be despatched, within such time as prescribed by law;
- f) That the issue and allotment of the Bonus shares to Non-Resident Members, Foreign Institutional Investors (FIIs) and other foreign investors, if any, shall be subject to the approval of the Reserve Bank of India, as may be necessary;
- g) That the Board be and is hereby authorised to give effect to this Resolution and to take necessary steps for listing of such shares on the Stock Exchanges where the securities of the Company are listed as per the provisions of the Listing Agreements with the concerned Stock Exchanges and other applicable guidelines, rules and regulations; and
- h) That for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things and to give such directions as may be necessary or expedient, and to settle any question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem necessary or desirable and its decision shall be final and binding."

By Order of the Board

Mumbai
21st August 2006

C. V. Alexander
Director and Secretary

NOTES:

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not be a member.
2. The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the time of holding the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 21.9.2006 to 27.9.2006 (both days inclusive).
4. The payment of dividend, if sanctioned, will be made to the shareholders whose names stand on the Register of Members on 27.9.2006. For shares held in the electronic form, dividend will be paid on the basis of beneficial ownership as per details received from the Depositories.
5. The shareholders are requested to (a) intimate, if shares are held in the same name or in the same order and names, but more than one folio to enable the Company to consolidate the said folios into one folio, and (b) notify immediately any change in their recorded address, along with pin code numbers, to the Company.
6. The shareholders are requested to forward shares for transfer and related communication to the Share Transfer Agent or to the Registered Office of the Company.
7. The shareholders seeking information on Accounts published herein are requested to kindly furnish their queries to the Company at least ten days before the date of the Meeting to facilitate satisfactory replies.
8. The shareholders who attend the Meeting are requested to fill in the attendance slip and deliver the same at the entrance of the Meeting hall. The shareholders holding shares in dematerialised form should indicate the DP ID and Client ID numbers in the attendance slip.
9. The shareholders are requested to bring their copy of the Annual Report to the Meeting.

By Order of the Board

Mumbai
21st August 2006

C. V. Alexander
Director and Secretary

**EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956****Item No.6**

The Board of Directors of the Company at its meeting held on 21st August 2006, re-appointed Mr. C. V. Alexander, as a Whole-time Director of the Company for a period up to 30th September 2007 with effect from 1st October 2006, subject to the approval of the Members at the ensuing Annual General Meeting. An Agreement in this regard shall be executed between the Company and Mr. C. V. Alexander containing the terms and conditions as stated in the Resolution under Item No.6.

The appointment of Mr. C. V. Alexander is subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Act.

Where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay to the Whole-time Director, minimum remuneration as provided in Section II of Part II of Schedule XIII to the Companies Act, 1956 as notified from time to time.

Mr. C. V. Alexander has crossed the age of 70 years. Hence, as per Schedule XIII to the Companies Act, 1956, his re-appointment and remuneration are required to be approved by the shareholders by Special Resolution in the ensuing Annual General Meeting and accordingly this Resolution is placed before the Members of the Company.

This explanation together with the accompanying Notice be treated as an Abstract of the terms of re-appointment of Mr. C. V. Alexander as the Whole-time Director of the Company as required under Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Mr. C. V. Alexander himself, is in any way concerned or interested in this Special Resolution.

The Agreement to be entered between the Company and Mr. C. V. Alexander as well as the copy of the Memorandum and Articles of Association shall be available for inspection to the Members at the Registered Office of the Company during business hours on any working day.

The Directors of the Company recommend this Special Resolution for your approval.

Item No.7

The Directors have pleasure in recommending issue of shares by way of Bonus by increasing the Issued, Subscribed and Paid-up Share Capital of the Company to a sum not exceeding Rs.146,020,830/- after capitalising a sum not exceeding Rs.58,408,330/- from the Share Premium Account, General Reserve or any other permitted reserve/surplus as per the Audited Accounts of the Company for the financial year ended 31st March 2006.

The fully paid-up Bonus shares shall be distributed to the Members of the Company, whose names appear on its Register of Members on the Record Date to be determined by the Board of Directors of the Company (which term shall be deemed to include any committee thereof) for the purpose of issue of Bonus shares, in the proportion of 2 (Two) Bonus shares of Rs.10 (Rupees Ten) each for every 3 (Three) Equity shares of Rs.10 (Rupees Ten) each held by them on the Record Date.

The Bonus shares so allotted shall rank pari passu in all respects with the fully paid-up Equity shares of the Company as existing on the Record Date.

No fractional shares shall be issued by the Company in issuing Bonus shares. In issuing Bonus shares, any shares representing fractional entitlement shall be sold by the Board of Directors and the net sale proceeds thereof shall be paid to the Members in the same proportion as the number of fractional shares to which they were so entitled.

The Directors of the Company are interested in this Resolution to the extent of their respective shareholdings in the Company.

The Directors of the Company recommend this Resolution for your approval.

By Order of the Board

Mumbai
21st August 2006

C. V. Alexander
Director and Secretary

SAVITA CHEMICALS LIMITED

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors have pleasure in presenting the Forty-Fifth Annual Report, together with the Audited Accounts for the year ended 31st March 2006.

1. FINANCIAL RESULTS

	Rupees in lacs	
	Year ended 31.3.2006	Year ended 31.3.2005
Total Income	61,430	48,962
Profit before Depreciation and Tax	6,048	4,852
Depreciation	904	697
Profit before Tax	5,144	4,155
Provision for Taxation		
Current	1,075	975
Deferred	287	227
Fringe Benefit	33	–
Profit for the year after Tax	3,749	2,953
Balance brought forward from previous year	4,872	3,318
Profit available for appropriation	8,621	6,271
Appropriations:		
Proposed Dividend	1,095	876
Tax on Dividend	154	123
General Reserve	500	400
Balance carried to Balance Sheet	6,872	4,872

2. DIVIDEND

Your Directors are pleased to recommend a higher dividend of 125% for the year ended 31st March 2006 as against 100% for the previous year on the Paid-up Equity Share Capital of Rs.876.13 lacs.

3. OPERATIONS

Your Company recorded another successful performance in the year 2005-06 with gross sales turnover at Rs.68,028 lacs against Rs.54,363 lacs in the year 2004-05, showing a growth of 25%. The net profit of the Company stood at Rs.3,749 lacs as against Rs.2,953 lacs for the previous year showing an increase of 27%. The growth in net profits of the Company has kept pace with growth in sales turnover mainly because of product price increases and greater emphasis on cost reduction measures.

During the year 2005-06, four new Wind Energy Generators were commissioned by your Company, out of which two nos. of 950 KW each were commissioned in the State of Karnataka and two nos. of 1,250 KW each in the State of Maharashtra. These projects have taken the combined installed Wind Power capacity of your Company to 16 MWs.

Global Crude Oil prices have risen to unprecedented levels in the recent past and continue to remain firm due to robust demand for Crude Oil from major global economies and continuing tensions in the Middle East.

4. WHOLLY OWNED SUBSIDIARY IN UNITED ARAB EMIRATES

Your Company's wholly owned subsidiary 'Solaris International FZE' in Sharjah (United Arab Emirates) became operational in the second half of the financial year 2005-06. The Company has received approval from the Central Government for not publishing the Annual Accounts of the subsidiary along with the Annual Accounts of the Company for the year ended 31st March 2006. However, the Annual Accounts and the related detailed information of the subsidiary will be made available to the Members on demand and these shall be kept for inspection by any Member, at the Registered Office of the Company as well as the Registered Office of the subsidiary company.



5. FIXED DEPOSITS

The Company has no overdue / unpaid fixed deposits.

6. RESEARCH AND DEVELOPMENT

A note on the R & D activities and Technology Absorption is given in Form 'B' by way of an Annexure to this Report.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to 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 relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is furnished by way of Annexure to this Report.

8. DIRECTORS

Mr. S. R. Pandit and Mr. N. B. Karpe retire by rotation under Section 256 of the Companies Act, 1956 and being eligible, offer themselves for re-appointment. The Board of Directors recommends their re-appointment as Directors.

Mr. C. V. Alexander has been re-appointed as the Whole-time Director of the Company by the Board in its Meeting held on 21st August 2006. His re-appointment as the Director of the Company is subject to the approval at the ensuing Annual General Meeting. He is a postgraduate in Arts and a graduate in Law. He has been with the Company for over three decades and continues to be the Secretary of the Company. He has made valuable contributions to the growth of the Company over the years. An Abstract of the terms and conditions under Section 302 of the Companies Act, 1956 of his appointment is contained in the Notice of the ensuing Annual General Meeting of the Company.

9. CORPORATE GOVERNANCE

A statement on Corporate Governance along with the Auditors' Certificate regarding its compliance and Management Discussion and Analysis are given separately as part of the Annual Report.

10. TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

During the year, the Company has transferred a sum of Rs.2.65 lacs to the Investor Education and Protection Fund, which was the dividend amount due and payable and remained unclaimed and unpaid for a period of seven years, as provided in Section 205A(5) of the Companies Act, 1956.

11. RISK ASSESSMENT AND MANAGEMENT

The Company is well aware of its various operational and business risks. The Company is in the process of codifying and streamlining the procedures for handling the risks by the concerned employees at all levels. The Company has well trained manpower to handle and minimise these risks.

12. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the requirements of Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors of the Company hereby confirm that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have 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 as at 31st March 2006 and profit for the year ended on that date;
- (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; and

SAVITA CHEMICALS LIMITED

(iv) the Directors have prepared the Annual Accounts on a 'going concern' basis.

13. AUDITORS

M/s. Bansal & Associates, Chartered Accountants, retire at the conclusion of this Annual General Meeting. They have expressed their unwillingness to be re-appointed as the Auditors of the Company. Your Directors wish to place on record their appreciation for the quality services rendered by them over the years. It is proposed that M/s. G. M. Kapadia & Co., Chartered Accountants, Mumbai be appointed as the Auditors of the Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. The Company has received the necessary certificate from M/s. G. M. Kapadia & Co. to the effect that their appointment if made, will be within the limits prescribed under Section 224 (IB) of the Companies Act, 1956.

14. PARTICULARS OF EMPLOYEES

The information required to be published under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended is given in the Annexure to this Report.

15. LISTING

Your Company's shares continue to be listed on The Stock Exchange, Mumbai (Code: 24667) and The National Stock Exchange of India Limited (Code: SAVITA CHEM-EQ). The listing fees to these two Stock Exchanges for the year 2006-07 have been paid by the Company on time.

16. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the valuable co-operation and support extended during the year by the Company's bankers, financial institutions, agents and business associates as well as employees at all levels. Your Directors also wish to express their appreciation for the confidence and faith reposed in them by all the shareholders.

For and on behalf of the Board

Mumbai
21st August 2006

G. N. Mehra
Chairman and Managing Director

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