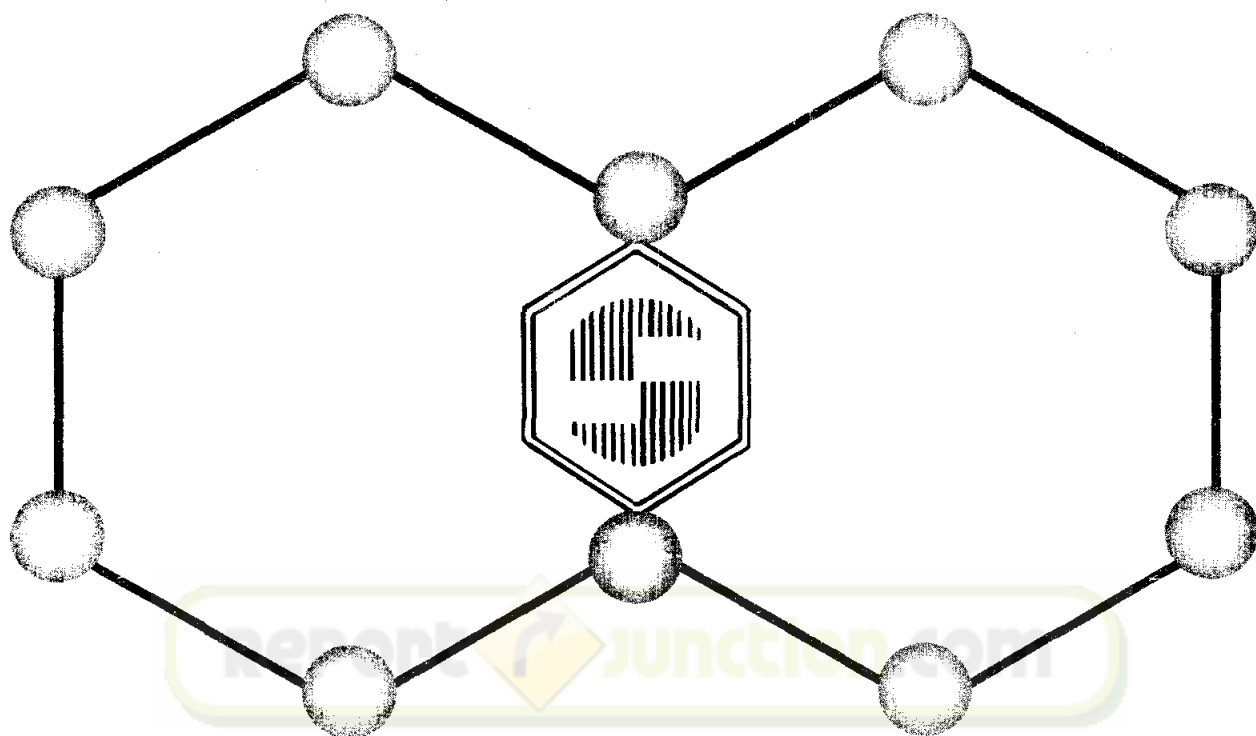


# SABERO

*The right chemistry at work*



**SABERO ORGANICS GUJARAT LIMITED**

**11th Annual Report 2001-2002**



# SABERO ORGANICS GUJARAT LIMITED

## BOARD OF DIRECTORS

<b>Mr. Hero J. Chuganee</b>	(Chairman)
Mr. Mohit H. Chuganee	(Vice Chairman)
Mr. John R. English	
Mr. Raj Tandon	
Mr. A. B. Shah	(GLIC Nominee)
Mr. J. S. Sethi	(Director - Corporate Affairs)
Mr. S. S. Mathur	
Mr. Sumit H. Chuganee	(Managing Director)

## COMPANY SECRETARY

Mr. Arun Shembekar

## AUDITORS

M/s. Lodha & Co.  
Chartered Accountants.

## BANKERS

Union Bank of India  
Bank of India

## SOLICITORS

Manilal Kher Ambalal & Co.

## REGISTRARS & SHARE TRANSFER AGENTS

M/s. Intime Spectrum Registry Pvt. Ltd.  
260-A, Shanti Industrial Estate,  
Sarojini Naidu Road,  
Mulund (W), Mumbai - 400 080  
Tel No. - 5672716, 5647731  
Fax - 5672693

## REGISTERED OFFICE & FACTORY

Plot No. 2102, GIDC,  
Sarigam - 396 155, Dist. - Bulsar,  
Gujarat.  
Tel. : 0260-780395, 780852  
Fax : 0260-780853

## CORPORATE OFFICE

A-302, Phoenix House,  
3rd Floor, 462, Senapati Bapat Marg,  
Worli (E), Mumbai 400 013.  
Tel.: 022-4964898, 4960979  
Fax : 022-4953727

11th Annual General Meeting  
on Friday, the 30th August,  
2002 at 11.00 A.M. at  
Umergam Club, Madhuban  
Complex, Sanjan Road,  
Umergam - 396 171, Dist.  
Bulsar, Gujarat.

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## SABERO ORGANICS GUJARAT LIMITED

## NOTICE

NOTICE is hereby given that the 11<sup>th</sup> Annual General Meeting of the Members of Sabero Organics Gujarat Limited will be held on Friday, 30<sup>th</sup> August, 2002 at 11.00 A.M. at Umergam Club, Madhuban Complex, Sanjan Road, Umergaon - 396 171, Dist. Bular, Gujarat to transact the following business :

## ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2002 and the Profit & Loss Account for the financial year ended on that date together with the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Raj Tandon who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. B. Shah who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s SMNP & Co., Chartered Accountants, in the place of the retiring Auditors, M/s Lodha & Co. as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

## SPECIAL BUSINESS :

5. To consider and if thought fit to pass with or without modification/s the following as a Ordinary Resolution :  
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any of the Companies act, 1956, Company do hereby accord its approval to the appointment of Mr. Mohit H. Chuganee as Managing Director of the Company for a period of five years from 1<sup>st</sup> August, 2002 upon the terms, conditions and stipulations contained in a agreement entered by the Company with Mr. Mohit H. Chuganee."
6. To consider and if thought fit to pass with or without modification/s the following as a Special Resolution :  
"RESOLVED THAT pursuant to Section 309 and other applicable provisions, if any, of the Companies Act, 1956, Company do hereby accord its approval to the appointment of Mr. Sumit H. Chuganee, Director of the Company as a Technical Consultant of the Company from 1.8.2002 for the period of 5 years, upon the terms and conditions decided by the Board of Directors, as per annexure to the notice."
7. To consider and if thought fit to pass with or without modification/s the following as a Ordinary Resolution :  
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, Company do hereby accord its approval to re-appointment of Mr. J. S. Sethi as Director - Corporate Affairs of the Company for a period of two years from 1<sup>st</sup> April, 2002 upon the terms,

conditions and stipulations contained in a agreement entered by the Company with Mr. J. S. Sethi."

By Order of the Board of Directors  
for SABERO ORGANICS GUJARAT LIMITED

Place : Mumbai  
Date : 31.7.2002

ARUN SHEMBEKAR  
COMPANY SECRETARY

## NOTES :

- a) A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him/her on a poll only and such proxy need not be a member of the Company.  
Proxies in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- b) Members desirous of obtaining any information as regards accounts and operations of the Company are requested to write to the Company at least one week before the meeting, so that the information required will be made available at the meeting.
- c) The Register of Members of the Company will remain closed from 26<sup>th</sup> August, 2002 to 30<sup>th</sup> August, 2002 (both days inclusive).
- d) Members are requested to notify immediately any change in their addresses to the Registrars & Share Transfer Agent, M/s Intime Spectrum Registry Pvt. Ltd.
- e) The Company's shares continue to be traded in electronic form and the investors may hold the securities in the electronic form. The investors may avail the facility of dematerialisation of shares of the Company.
- f) Mr. Raj Tandon who is retiring by rotation and being eligible offers himself for re-appointment. He has been holding the position of the Director of the Company for last seven years and his business experience has been very helpful to the Company.
- g) Mr. A. B. Shah, Manager - Engineering of GLIC Ltd. has been nominated by GLIC Ltd. in place of Mr. Hasamukh Adhia who is retiring by rotation and being eligible offers himself for re-appointment as Director.
- h) All documents referred to in the Notice are open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of the Meeting and also at the Meeting.
- i) Explanatory Statement pursuant to Section 173 (2) of the Companies Act 1956 is attached herewith

By Order of the Board of Directors  
for SABERO ORGANICS GUJARAT LIMITED

Place : Mumbai  
Date : 31.7.2002

ARUN SHEMBEKAR  
COMPANY SECRETARY

## ANNEXURE TO THE NOTICE

## EXPLANATORY STATEMENT RELATING TO SPECIAL BUSINESS PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

## ITEM NO. 5

The Board of Directors of the Company in their meeting held on 31<sup>st</sup> July, 2002 have appointed Mr. Mohit H. Chuganee as Managing Director of the Company due to the resignation of Mr. Sumit H. Chuganee, Managing Director of the Company. Mr. Mohit H. Chuganee was a Director of the Company since incorporation and has rendered valuable guidance and advice to the Company. The terms and conditions including remuneration of Mr. Mohit H. Chuganee as Managing Director are subject to approval of the shareholders in General Meeting as mentioned below :

1. Period of Appointment : For a period of 5 years from 1<sup>st</sup> August, 2002.
2. Remuneration :  
The Managing Director shall be entitled to the following emoluments, benefits and perquisites during the period of his employment subject to the ceiling laid down in Section 198, 309 and Schedule XIII of the Companies Act, 1956.
  - i. Salary : Rs. 90,000/- per month.  
Salary Grade : Rs. 90,000/- to Rs.1,80,000/-
 The Managing Director shall be entitled to such annual increment as may be decided by the Board of Directors.
  - ii. Perquisites : Perquisites shall be restricted to an amount equal to annual salary. These perquisites are classified into three categories 'A', 'B' and 'C' as follows :

## CATEGORY 'A'

## Furnished Accommodation

- (i) Housing I : The expenditure by the Company on hiring furnished accommodation will be subject to the ceiling of Sixty percent of the salary.  
Housing II : In case the accommodation is owned by the Company, ten percent of the salary shall be deducted by the Company.  
Housing III : In case no accommodation is provided by the Company, the appointee shall be entitled to house rent allowance equal to Sixty percent of the salary.  
Explanation : The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall, however be subject to a ceiling of ten percent of the salary.
- (ii) Medical Reimbursement : Expenses incurred for self and his family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.
- (iii) Leave Travel Concession : For self and his family, once in a year equivalent of one month's salary.
- (iv) Club Fees : Fees of Clubs subject to a maximum of two clubs. This will not include Admission and Life Membership fee.
- (v) Personal Accident Insurance

**CATEGORY 'B'**

- (i) Contributions to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity payable should not exceed half a month's salary for each completed year of service.
- (ii) Encashment of leave at the end of the tenure will be permitted in accordance with the Rules of the Company and not be included in the computation of the ceiling on perquisites.

**CATEGORY 'C'**

- (i) Provisions of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Director.
  - (ii) Commission equal to 1% of the net profits of the Company in a particular year, shall be subject to the overall ceilings laid down in section 198 and section 309.
  - (iii) In the event of any increase in the limits of the emoluments, benefits and perquisites payable in accordance with the laws, policies, rules, regulations or guidelines in force from time to time, the Company may in its discretion, increase the remuneration payable to him, subject to obtaining such approvals as may be required.
3. Where in any financial year, during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company shall pay him remuneration by way of salary and perquisites not exceeding the limits specified above.
  4. No sitting fees shall be paid to Mr. Mohit H. Chuganee for attending the Meetings of the Board of Directors or any Committee thereof.
  5. Salary, Perquisites and commission mentioned herein above shall be revised from time to time in accordance with the provisions of Schedule XIII of the Companies Act, 1956 for time being in force.
  6. The Managing Director be entitled to reimbursement of all actual expenses or charges incurred by him for and on behalf of the Company in furtherance of its business and objects.
  7. Subject to the provisions of Section 318 of the Companies Act, the Company shall in the event of its terminating the appointment of the Managing Director prior to the expiry of his term under this agreement, pay compensation to the Managing Director in such sum as shall not exceed the remuneration which the Managing Director would have earned if he had been in office for the unexpired residue of his term calculated on the basis of his average remuneration actually earned by him during the period of twelve months he held office as Managing Director immediately preceding the date on which he ceases to hold that office.
  8. The Managing Director will be working whole time for the Company and he will not accept any post or work outside. He will call the meetings of the Board of Directors from time to time as required by the Board and as he may think proper. He will also attend all meetings of the Board. He will fix the agenda of the meetings of the Board and supply to the Directors copies of all relevant papers and documents required to be considered in the meeting.
  9. Either party hereto shall have the option to terminate this Agreement by giving six months previous notice in writing of its or his desire to terminate the same and there upon either party shall not have any claim of any nature whatsoever against the other in consequence of such termination, provided however that if on account of any misconduct or defalcation on the part of the Managing Director the Company shall have in law any remedy, relief or claim against him, it shall be entitled to seek such a remedy or relief or make such a claim against him for the same.
- None of the Directors of the Company except Mr. Mohit H. Chuganee, Mr. Sumit H. Chuganee and Mr. Hero J. Chuganee are concerned or interested in the resolution.
- The Directors recommended the Resolution set out at Item no. 5 of the accompanying Notice for your approval.
- The explanation together with the accompanying Notice is to be regarded as an Abstract of Terms and Memorandum of Interest under Section 302 of the Act.
- The said draft agreement referred to in the Resolution at item no. 5 is available for inspection to the Members at the Registered Office of the Company on any working day (excluding Saturdays) between 11 A.M. and 1 P.M. upto and including the day of the Annual General Meeting.

**ITEM NO. 6**

Mr. Sumit H. Chuganee desired to relinquish the office of Managing Director of the Company with effect from 31<sup>st</sup> July, 2002. However, he shall continue as

a non-executive Director of the Company. The Company would like to avail of his expert guidance and advise for further growth of the Company and therefore would like to appoint him as a Technical Consultant.

The terms of appointment of Mr. Sumit H. Chuganee, Director of the Company as a Technical Consultant of the Company, subject to receipt of the expression of opinion of the Central Government and pursuant to Section 309 of the Companies Act, 1956 and other applicable provisions, if any for the period of five years from 1.8.2002 as per resolution passed by the Board of Directors, at monthly Professional Fees of Rs. 1,50,000/- to be revised from time to time by the Board of Directors not exceeding Rs. 3,00,000/- plus such out of pocket expenses (including the reimbursement of medical expenses for self & family and entertainment expenses during his stay in India) and commission of 1% (one percent) per annum of the Net Profit of the Company in accordance with Section 349 and 350 of the Companies Act, 1956.

None of the Directors of the Company except Mr. Mohit H. Chuganee, Mr. Sumit H. Chuganee and Mr. Hero J. Chuganee are concerned or interested in the resolution.

**ITEM NO. 7**

At the Eighth Annual General Meeting held on 27<sup>th</sup> August, 1999 the members had approved inter alia the terms of the remuneration of Mr. J. S. Sethi, Director – Corporate Affairs of the Company. It is proposed to re-appoint Mr. J. S. Sethi as Director – Corporate Affairs of the Company with effect from 1<sup>st</sup> April, 2002. The material terms of the appointment and remuneration payable to Mr. J. S. Sethi as embodied in the Agreement to be entered into with him upon receipt of the approval of the Members are as follows :

- Period of Appointment : For a period of 2 years from 1<sup>st</sup> April, 2002 subject to terms and conditions as per the standard company's employees contract.
- A. Salary : Rs.23,000/- per month.
- Salary Grade : Rs. 15,000/- to Rs.30,000/-
- Annual Increment as may be decided by the Managing Director of the Company.

**C. Perquisites :**

- a) i. Housing : Company leased Accommodation or H.R.A. subject to a maximum of 60% of salary as determined by the Managing Director.
- ii. Medical Reimbursement as per the Rules of the company and the same not to exceed one month salary.
- b) Company maintained Car with driver and Telephone facility at the Residence for official purpose.

Notwithstanding anything mentioned in this part, where in any financial year, during the currency of the tenure of the Director - Corporate Affairs, the Company has no profits or its profits are inadequate, the Company shall pay him by way of salary and perquisites not exceeding the limits specified above.

The Director-Corporate Affairs so long as he functions as such will not be entitled to any sitting fees for attending meetings of the Board of Directors or committee thereof.

This agreement may be terminated at any time by either party hereto by giving to the other a two months notice in writing for such termination and neither party will have any claim against the other for damages or compensation by reason of such termination. In any event, the Director-Corporate Affairs shall not be entitled to any compensation in cases mentioned in section 318(3) of the Companies Act, 1956.

If at any time this Agreement is terminated, Shri J.S.Sethi shall cease to be Director-Corporate Affairs of the Company.

Mr. J. S. Sethi is holding Master Degree in Economics and Law Degree and has about more than 30 years of experience in the field of Legal, Personal & Admin. and Indirect Taxation and is considered suitable for the position of Director – Corporate Affairs of the Company. Your Directors consider that the experience and expertise of Mr. J. S. Sethi, would benefit the Company and they commend the resolution for approval.

None of the Directors of the Company is in any way deemed to be concerned or interested in the aforesaid resolution except Mr. J. S. Sethi.

The agreement is available for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of the Meeting and also at the Meeting.

By Order of the Board of Directors  
for SABERO ORGANICS GUJARAT LIMITED

Place : Mumbai  
Date : 31.7.2002

ARUN SHEMBEKAR  
COMPANY SECRETARY





## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 11<sup>th</sup> Annual Report and audited accounts of your company for the year ended 31st March, 2002.

### FINANCIAL HIGHLIGHTS :

The salient features of the company's results are : (Rs. in lacs)

	Year Ended 31.03.2002	Year Ended 31.03.2001
Gross Sales : Domestic	7875.84	5338.24
Export	3204.75	2621.03
Total Sales	11080.59	7959.27
Profit before interest, Depreciation, Amortisation & Taxation	1582.43	785.98
Less : Interest & Finance Charges	1037.22	1015.77
Cash Profit	545.21	(229.79)
Depreciation	424.91	405.18
Misc. Expenditure written off (amortisation)	66.27	46.40
Exceptional Items	31.94	—
Provision for Tax (including deferred Tax)	41.37	0.28
Profit / (Loss) for the year	44.60	(681.65)
Less : Prior period adjustments	21.98	(131.68)
Add : Surplus brought forward from last year	—	—
Net Profit / (Loss) for the year	22.62	(813.33)
Transfer from General Reserve	—	521.28
Transfer to Debenture Redemption Reserve	22.62	—
Adjustment for deferred tax liabilities of earlier year	92.76	—

### DIVIDEND :

The company has made marginal profit during the year. Due to the past losses, it is advisable to conserve the resources. Hence the directors do not recommend any dividend for the year 2001-2002.

(Review of the operations, Intermediates, Pesticides, Export House Status, ERP, ISO 9000-2000, Internal Auditors, Restructuring of Long Term Debts, Future Outlook & Market, Research & Development, Safety, Health and Environment has been now separated from the Directors' Report and appears separately under heading Management Discussion and Analysis, which appears immediately after this report)

### AUDITORS' OBSERVATION :

The statutory auditors of your company have commented vide para 4(g) of their report regarding their inability to comment on the realiability of overdue debtors and advances of Rs. 170.96 lakhs. Your directors inform you that they are confident of the recovery of these overdues. The management is making all efforts by way of getting possession of alternate securities and pursuing summary suits and criminal proceedings under section 138 of The Negotiable Instruments Act.

### DEPOSITORY SYSTEM :

The company's shares continue to be traded in the DEMAT form and is registered with National Securities Depository Limited (NSDL) and Central Depository Services Ltd.(CSDL)

### FIXED DEPOSITS :

The Company has not accepted any deposits from Public under section 58A of the Companies' Act 1956 during the financial year under review.

### HUMAN RESOURCES :

Your company has been successful in mobilizing a highly professional and motivated team of people resulting in world class productivity, systems and quality. The Company's strength is its dedicated employees. The Human Resources Development Committee has been formed to handle staff motivation, job enrichment and recruitments; headed by one of the directors.

### INSURANCE :

All the properties of the company have been adequately insured.

### BANK & FINANCIAL INSTITUTIONS :

We wish to place on record our appreciation for the support of the financial institutions like ICICI, IDBI and GIC as well as our bankers, Union Bank Of India & Bank Of India and their considering our proposal for restructuring / reduction of interest rate of outstanding Term Loans.

### DIRECTORS :

During the year Mr. Hasmukh Adhia resigned from the Directorship of the Company. The Board placed on record its appreciation for the invaluable guidance and services rendered by him during his tenure as Director on the Board of the Company. During the year Mr. A. B. Shah being nominee of GIC Ltd. (in the casual vacancy of Mr. Hasmukh Adhia) joined the Company's Board. The Board welcomed him.

Mr. Raj Tandon and Mr. A. B. Shah will be retiring by rotation at the forthcoming Annual General Meeting. They are eligible for re-appointment.

### DIRECTOR'S RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- That in the preparation of the accounts for the financial year ended 31<sup>st</sup> March 2002, the applicable mandatory Accounting Standards issued by The Institute of Chartered Accountants of India as required by clause 50 of the listing Agreement have been followed along with proper explanation relating to material departures, except Accounting Standard 21 relating to "Consolidation of Financial Statement" of subsidiary Companies. The same has not complied as the assets/liabilities of these Companies a nominal and have no business activity and therefore consolidation would not serve any meaningful purpose.
- That the Directors have selected such accounting policies and applied them consistently and made judgement and estimates that were 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 or loss of the Company for the year under review.
- That 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.
- That the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March 2002 on a 'going concern' basis.

### AUDITORS :

M/s Lodha & Co., Chartered Accountants have informed about their inability for the reappointment in the ensuing Annual General Meeting. M/s SMNP & Co., Chartered Accountants have given their consent for the appointment as Auditors in this Annual General Meeting until conclusion of the next Annual General Meeting.

### SUBSIDIARIES :

A statement relating to subsidiary Companies, Sabero Australia Pty Ltd. and Sabero Europe BV pursuant to section 212 of the Companies Act 1956 is attached to the Balance Sheet.

### CONSERVATION OF ENERGY, TECHNOLOGY, FOREIGN EXCHANGE EARNINGS AND OUTGO :

The particulars of Conservation of Energy, Technology, Foreign Exchange Earnings and Outgo required under section 217 (1)(e) of the Companies Act, 1956 read with the company's (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in Annexure - A forming part of the Report.

### PARTICULARS OF EMPLOYEES :

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended, about the names and other particulars of employee(s) are set out in Annexure B forming part of this Report.

### INDUSTRIAL RELATIONS :

The overall industrial relations in the company have been cordial. Your directors wish to place on record their appreciation of the contribution made by the employees at all levels, to the continued growth and prosperity of the company.

### ACKNOWLEDGEMENTS :

The Board is thankful to our Customers, Suppliers, Bankers, Central Government, Government of Gujarat, Mumbai Stock Exchange, National Stock Exchange & Vadodara Stock Exchange where Company has paid the Listing Fees. The Company has applied for delisting in Ahmedabad Stock Exchange, Delhi Stock Exchange, Calcutta Stock Exchange & Hyderabad Stock Exchange.

On behalf of the Board of Directors

Place : Mumbai  
Date : 6<sup>th</sup> June, 2002.

Hero J. Chuganee  
Chairman



## ANNEXURE "A" TO THE DIRECTORS' REPORT

## FORM - A

## DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	CURRENT YEAR 2001-2002	PREVIOUS YEAR 2000-2001
<b>A. POWER &amp; FUEL CONSUMPTION</b>		
1) Electricity		
a) Purchased Units (kwh)	11465425	8229890
Total Amount (Rs.)	58665584	42657442
Average Rate/Unit (Rs.)	5.12	5.18
b) Own Generation		
Through diesel generator		
Unit (Kwh)	114651	97622
Units per litter of Diesel Oil	2.91	2.93
Cost per unit (Rs.)	6.11	5.54
2) Fuel for Steam Generation		
i. Furnace Oil		
Quantity (KL)	5757.01	4064.72
Total Amount (Rs.)	49158010	37744010
Average Rate (Rs./KL)	8540	9290
ii. HSD (KL)	489.19	377.25
Total Amount	8693285	6159981
Average Rate (Rs./KL)	17770	16300

## CONSERVATION OF ENERGY :

The company conducted a steam audit by Forbes Marshall and implemented conservation measures recommended by the auditors through the investment of Rs.20 Lacs to install energy conservation equipments. These equipments are expected to improve boiler efficiency and recover flash steam energy from plant, steam condensate, thereby reducing the fuel consumption.

The company conducted a power audit and streamlined its cooling water distribution system which will result in power savings.

## FORM - B

## DISCLOSURE OF PARTICULARS WITH RESPECT TO

## A) RESEARCH &amp; DEVELOPMENT

Our R&D Department has developed processes for Mancozeb, Acephate, Glyphosate, Methyl Parathion, Monocrotophos and their intermediates DETC, DMTC-Amide, Glycine, TMP, TEP, PCL3, PSCL3, P2S5 and PMIDA.

Our R&D has taken up New Projects on Insecticides, fungicides and herbicides with a view to implement them in existing Plants so as to utilise capacities fully by manufacturing multiple products.

As far as existing products, quality is as per international standards.

## B) TECHNOLOGY ABSORPTION, ADAPTATION, INNOVATION

The Company has commercialised the technology of all the above products but is not manufacturing Methyl Parathion, DMTC Amide and Glycine as imports from China are cheaper.

## C) FOREIGN EXCHANGE EARNINGS AND OUTGO

a. The Company's products were exported to South America, U.S.A., Europe, South East Asia and Africa.

b. Total Foreign Exchange Used and Earned :

	Current Year	Previous Year
(Rs. in Lacs)		
Total Foreign Exchange earned :		
F.O.B. Value of Exports	2572.99	2106.95
Total Foreign Exchange Used :		
i) Imports of Raw Materials on C.I.F. basis	1319.69	563.51
ii) Stores & Spares	0.94	—
iii) Foreign Travel	23.98	13.99
iv) Other Matters	15.13	5.20
v) Dividend to Non Resident Shareholders	—	—
Net Foreign Exchange Earned	1213.25	1524.24

## ANNEXURE "B" THE DIRECTORS' REPORT

## STATEMENT OF PARTICULARS OF EMPLOYEE(S) UNDER SECTION 217(2A)

Statement of Particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and forming part of the Directors Report for the period ended 31<sup>st</sup> March, 2002.

NAME & AGE	DESIGNATION, NATURE OF DUTIES & DATE OF COMMENCEMENT OF EMPLOYMENT	GROSS REMUNERATION (Rs.)	QUALIFICATION / EXPERIENCE	PARTICULARS OF LAST EMPLOYMENT
MR. SUMIT H. CHUGANEE (35 YEARS)	MANAGING DIRECTOR (15.9.1993)	18,69,904/-	B.S. ENGG. (VPI, USA), MBA (DUKE, USA) (10 YEARS)	ROHM & HAAS COMPANY INC., USA.
MR. HERO J. CHUGANEE (67 YEARS)	WHOLE TIME DIRECTOR AND CHAIRMAN (17.10.1998)	19,00,037/-	B.Sc., D. Chem.E. (LONDON) M.I.I.Ch.E. A.M.P. (HARVARD) (40 YEARS)	INDOFIL CHEMICALS COMPANY (DIVISION OF MODIPON LIMITED)

Note : The nature of employment is contractual.



## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF THE OPERATIONS :

The company has improved its performance due to various measures like revised sales strategy, reduction in costs and strong collection drive. Overall economic conditions and a favourable monsoon have also helped the company to increase domestic sales by 47 % as compared to the previous year. With an aggressive overseas marketing campaign there has been a 22 % increase in the export turnover as compared to the previous year. There has been an overall increase in sales of 39% as compared to the previous year.

The company made a profit before interest, depreciation, taxation and amortisation (EBITDA) of Rs. 15.82 crores as against Rs. 7.86 crores in the previous year. However on account of very steep interest and finance cost, the company could make marginal profits of only Rs.0.45 crores as compared to the loss of Rs. 6.82 crores in the previous year.

### INTERMEDIATES :

The company initiated a process modification to reduce the energy and material cost in the manufacture of DETC. The company should achieve reasonable cost savings and increase in capacity on account of the process modification during the year 2002-2003.

TMP production was higher by 20% as compared to the previous year on account of increased exports and captive use in the manufacture of Monocrotophos.

### PESTICIDES :

The production of Monocrotophos was stabilized during the year and the quality of the company's product was well received in the pesticides market.

The Glyphosate manufacturing process was modified to the IDA route so as to yield cost advantages to the company. The process under IDA was being stabilized, and it is expected that optimum yields will be achieved during the financial year 2002-2003.

Additional formulations of Mancozeb consisting of liquid flowables and dry flowables (WDG) will be manufactured and available for sale by September, 2002.

Process improvement in Acephate will result in a five percent decrease in raw material consumptions in 2002-2003.

### EXPORT HOUSE STATUS :

The directors are pleased to inform you that due to the excellent export performance, your company has been awarded Export House status by DGFT effective 1<sup>st</sup> April 2001.

### RESTRUCTURING OF LONG TERM DEBTS :

Financial institutions have been cooperating to provide restructuring packages for the long term debts of the company. As of date ICICI Bank, GIC Mutual Fund and IDBI have sanctioned desired packages to reduce interest and reschedule principal repayments. The negotiation with remaining institutions is in process and is expected to be completed shortly.

### ERP :

The company has begun implementation of an ERP system, based on a Tallyserver enterprise system with integration between Head office at Mumbai, the factory at Sarigam and its various C & F agents. This system will enable the company to integrate its sales, purchase, inventory and production with its accounting and financial systems resulting in economic benefits over the long term.

### ISO 9001-2000 :

Your company has decided to get an ISO certification with the audit conducted by Bureau Veritas Quality International who are one of the leading ISO accrediting agencies. It is expected that we should receive the ISO certification by 31<sup>st</sup> December 2002, as per the new "2000" guidelines.

### INTERNAL AUDIT:

The company plans to strengthen its internal audit function through the appointment of Ernst & Young, one of the leading companies globally providing international level benchmarking in this area. The scope of the audit goes beyond transactional audit to also cover systems and business processes.

### FUTURE OUTLOOK & MARKETS :

The company is growing its branded formulation business through increased market share of Mosum, Acehero, Glyweed and Emthane-45. Furthermore, your company plans to introduce three new product in 2002-2003 namely Trihero, Sabimid, Humero. The company plans to double its branded formulation business through additional products, increase geographical area of operations and an increase in its field sales force.

Cost reduction projects initiated by the company will bring in reasonable savings in raw material & energy consumption which will contribute to the bottom line of the company. With the stabilization of Monocrotophos and Glyphosate increased DETC Capacity and new formulations of Mancozeb the company will achieve increased capacity utilization and increased sales. The Company further plans to launch additional products which can be made in existing plants to maximize capacity utilization.

### SAFETY, HEALTH AND ENVIRONMENT :

Your Company continues to maintain a high level of awareness towards Safety, Health and Environment.

The Company is meeting all the environmental requirements of the Gujarat Pollution Control Board and conducts an annual environmental audit through certified external agencies.

We have further implemented a holistic review and audit system covering Quality, Environment, Healthy & Safety (QuEHST) to meet the global requirements of our multinational customers.

Safety audits are conducted monthly as per the audit format and rating systems of the British Safety System.

The Company continues to conduct fire fighting programmes, safety training programmes, safety committee meetings and plantation activities etc. at the factory on an ongoing basis. The company is pursuing an ISO 14001 certification, which it hopes to receive by December, 2002.

### RESEARCH & DEVELOPMENT :

The company has received R & D Center accreditation by Ministry of Science and Technology upto 31<sup>st</sup> March 2003. As reported last year our R & D has prepared a new formulation of Mancozeb namely WDG a dry flowable, which we shall market in the third quarter of the financial year 2002-2003.

Our scientists are also working on various Water Treatment Chemicals and other specialty Organo Phosphorus Compounds. Various insecticides, fungicides and herbicides are under development which the company hopes to commercialize in the coming year.





## REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

### A. MANDATORY REQUIREMENTS

#### 1. Company's Philosophy on Code of Governance

The Company's philosophy of Corporate Governance is aimed at assisting the top management of the Company in the efficient conduct of its business and in meeting its obligations to shareholders. 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 & Size of the Board

The Board of Directors consists of eight directors comprising of three Whole time Executive directors & the remaining Directors of Non-Executive category, of which one is Nominee of Gujarat Industrial Investment Corporation Limited. The Chairman is an Executive Director and the number of independent directors is more than 50% of the composition of the board.

Number of Board Meetings held and attended by Directors

Five Board Meetings were held during the year 2001-2002. The dates on which the said meetings were held are as follows:

28th June 2001, 31st July 2001, 30th August 2001, 31st October 2001 and 24th January 2002.

The Composition of the Board, Category of Directors and their Attendance at the Board Meetings and last Annual General Meeting (AGM) and the number of Companies and Committees where he is Director/ Member (as on the date of the Directors' Report) are as follows:

Directors	Category of Directorship	No. of Board Meetings Attendance	Attended at the last AGM	Directorship in other Companies	No of Other Board Committees
Chairman Member					
Mr. Hero J. Chuganee	Executive	4	Yes	5	—
Mr. Sumit H. Chuganee	Executive	3	Yes	4	—
Mr. J. S. Sethi	Executive	5	Yes	—	1
Mr. A. B. Shah (Nominee of GILC Ltd.)	Non-Executive	1	No	—	—
Mr. S. S. Mathur	Non-Executive	5	Yes	—	1
Mr. Raj Tandon	Non-Executive	5	Yes	—	1
Mr. John R. English	Non-Executive	0	No	—	—
Mr. Mohit H. Chuganee	Non-Executive	5	Yes	4	1

All significant information had been placed before the Board. Henceforth, the required information as listed in the Annexure I of Clause 49 will be made available to the Board.

#### 3. Audit Committee

##### Broad Terms of Reference

The terms of reference of this Committee covers the matters specified for Audit Committee under clause 49 of the Listing Agreements as well as Section 292A of the Companies Act, 1956.

- Reviewing the Company's financial reporting process and the disclosure of its financial information.
- Recommending the appointment and removal of statutory auditors, fixation of audit fees and also to approve payment for other services.
- Reviewing the quarterly and annual financial statements with primary focus on accounting policies and practices, compliance with accounting standards and legal requirements concerning financial statements.
- Reviewing the adequacy of internal control systems and internal audit function, ensuring compliance of internal control systems and reviewing the Company's financial risk and management policies.
- Reviewing the reports furnished by the internal auditors and statutory auditors and ensure suitable follow-up thereon.

##### Composition

The Company has formed Audit Committee consisting of three Non-Executive Directors under the Chairmanship of Mr. S. S. Mathur, the other members of the Committee being Mr. Raj Tandon and Mr. Mohit H. Chuganee. The Statutory Auditors and the Internal Auditors attend the meeting on invitation by the Chairman. The Company Secretary acts as the Secretary to the Committee.

Meetings and the attendance during the year

There were three meeting of the Audit Committee during the year. The attendance of each member of the committee is given below:

Name of Director	No. of meetings attended
Mr. S. S. Mathur	3
Mr. Raj Tandon	3
Mr. Mohit H. Chuganee	3

#### 4. Remuneration to Directors

The Company has not set up a Remuneration Committee.

The Executive Directors are paid remuneration as per the agreements entered between them and the Company. These agreements are placed for approval before the Board, the Shareholders and such authorities as may be necessary. The remuneration structure of the Executive Directors comprises of salary, house rent allowance, perquisites and contribution to provident fund.

The Non-Executive Directors except one to whom Professional Fees is paid for rendering Technical Advisory Services do not draw any remuneration from the company. Sitting fees is paid to all other Non-Executive Directors.

Remuneration (excluding gratuity) to the Executive Directors:

(Figures in Rs.)

Director	Position	Salary and Allowances	Contribution to Provident Fund	Perquisites	Total
Hero Chuganee	Chairman	17,22,133	1,36,800	41,104	19,00,073
Sumit H. Chuganee	Managing Director	17,15,304	1,29,600	25,000	18,69,904
J.S. Sethi	Director-Corporate Affairs	2,67,000	—	21,600	2,88,600

Remuneration/sitting fees paid to the Non-Executive Directors:

(Figures in Rs.)

Director	Professional Fees	Sitting Fees
Mohit H Chuganee	18,00,000	—
S.S. Mathur	—	7,000
Raj Tandon	—	6,000
G.A. Sompura *	—	1,000
Hasmukh Adhia **	—	2,000

\* ceased to be a director w.e.f. 29.08.01

\*\* ceased to be a director w.e.f. 17.07.01

#### 5. Investors Grievances Redressal Committee

The Company has formed an Investors Grievances Redressal Committee under Chairmanship of Mr. Raj Tandon. The other members of the Committee are Mr. S. S. Mathur and Mr. J. S. Sethi.

The committee looks into redressing of shareholders/investors complaints. During the year under review 835 requests and complaints were received from shareholders/investors, which were replied/resolved to the satisfaction of the investors.

The Board has designated Mr. Arun Shembekar, the Company Secretary as the Compliance Officer.

#### 6. Share Transfer Committee

The Board has delegated the powers to a committee to approve transfer/transmission of shares/debentures and attend to all other matters related thereto.

The Committee consist of Mr. Hero Chuganee, Mr. Mohit Chuganee and Mr. Sumit Chuganee.

The Committee generally meets twice a month. There were no share transfers pending for registration for more than 30 days as on 31st March, 2002 except one transfer request pending due to precautionary notice sent to seller and the same was processed on 6th April, 2002.

#### 7. General Body Meetings

The details of Annual General Meetings (AGM) held in last three years are as under:

Financial Year	Date & Time
2000-2001	28th September, 2001 at 9.30 A.M.
1999-2000	25th September, 2000 at 10.00 A.M.
1998-1999	27th August, 1999 at 10.00 A.M.

All the AGMs were held at Umernagar Club, Madhuban Complex, Sanjan Road, Umernagar - 396 171, Dist. Bular, Gujarat.

All the resolutions including the special resolutions set out in the respective Notices were passed by the Shareholders. No postal ballots were used for voting at all these meetings.