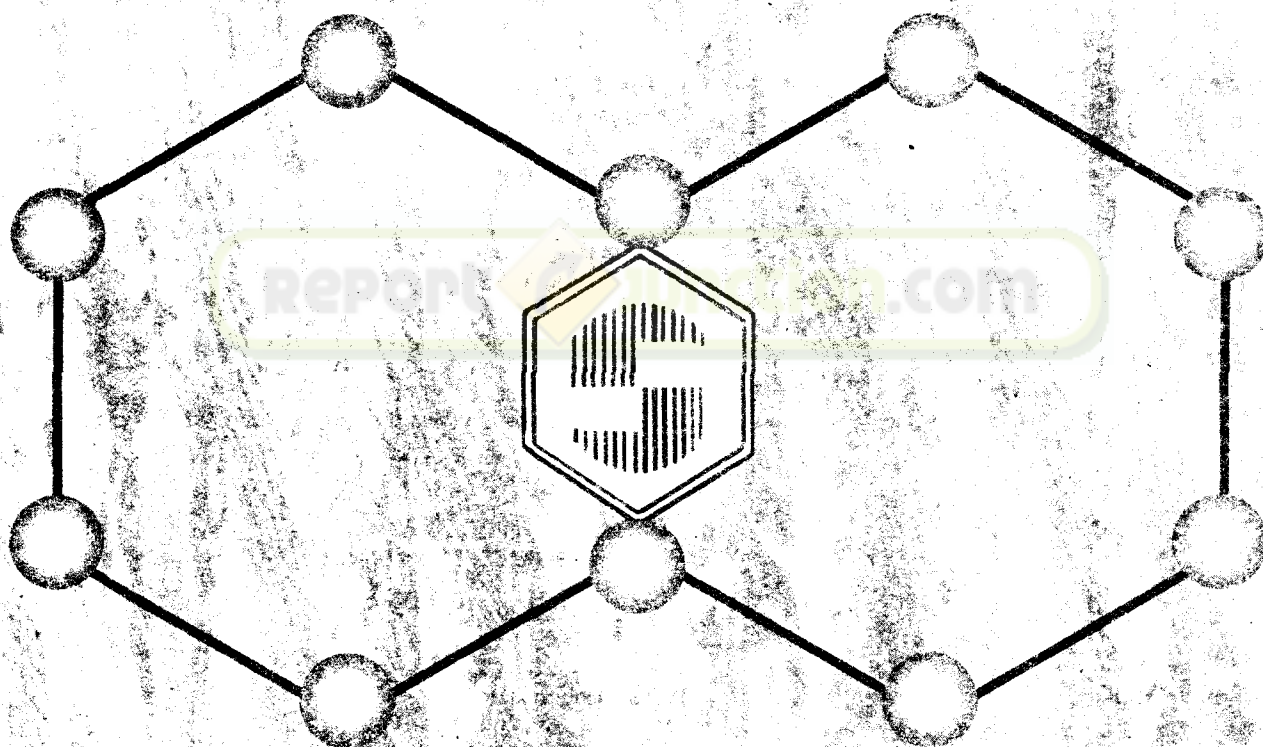


SABERO

The right chemistry at work



SABERO ORGANICS GUJARAT LIMITED

12th Annual Report 2002-2003



SABERO ORGANICS GUJARAT LIMITED

BOARD OF DIRECTORS

Mr. Hero J. Chuganee	Chairman
Mr. Mohit H. Chuganee	Vice Chairman & Managing Director
Mr. John R. English	
Mr. Raj Tandon	
Mr. A. B. Shah	GLIC Nominee
Mr. S. S. Mathur	
Mr. Sumit H. Chuganee	
Mr. J. S. Sethi	Director - Corporate Affairs & Head - Secretarial Department

AUDITORS

SMNP & COMPANY
Chartered Accountants.

BANKERS

Union Bank of India
Bank of India

SOLICITORS

Manilal Kher Ambalal & Co.
Rajani Associates

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Intime Spectrum Registry Ltd.
C-13, Kantilal Maganlal Industrial Estate,
Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West), Mumbai - 400 078.
Tel. No. 2592 3837
Fax : 2567 2693

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.: 022-24964898, 24960979
Fax : 022-24953727

12th Annual General Meeting
on Friday, the 26th September,
2003 at 11.00 A.M. at
Umernag Club, Madhuban
Complex, Sanjan Road,
Umernag - 396 171, Dist.
Bulsar, Gujarat.

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NOTICE

NOTICE is hereby given that the 12th Annual General Meeting of the Members of Sabero Organics Gujarat Limited will be held on 26th September, 2003 at 11.00 A.M. at Umergam Club, Madhuban Complex, Sanjan Road, Umergaon - 396 171, Dist. Bulsar to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2003 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. John R. English who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. S.S. Mathur who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors 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 Special 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 re-appointment of Mr. Hero J. Chuganee as Chairman and Whole time Director of the Company for a period of Five years from 17th October, 2003, upon the same terms, conditions and stipulations contained in the agreement entered by the Company with Mr. Hero J. Chuganee on 17.10.1998."

6. To consider and if thought fit to pass with or without modification/s the following as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 61 and other applicable provisions of the Companies Act, 1956, and Clause 6.1 and other applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as 'delisting guidelines') and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company ('the Board which term shall be deemed to include any Committee thereof'), consent of the Company be and is hereby accorded to the Board to delist the Equity Shares of the Company from the Stock Exchanges of Vadodara, Ahmedabad, Calcutta, Delhi, and Hyderabad;

RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the aforesaid voluntary delisting of shares as it may in its absolute discretion deem fit without being required to seek any further approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution;

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all necessary steps in this regard in order to comply with all the legal and procedural formalities and further to authorise any of its Committees or any of its Directors or any of the Officers of the Company to do all such acts, deeds or things to give effect to the aforesaid resolution."

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

"RESOLVED THAT in accordance with provisions of Section 81, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Government of India, Securities and Exchange Board of India (SEBI) and Financial Institutions and subject to such other approvals, sanctions and permissions as may be necessary and subject to such terms and conditions and modifications as may be prescribed in granting of such approvals and which may be agreed to by the Board of Directors of the Company or the Managing Director as directed by the Board to issue/offer equity shares and/or convertible debentures (fully or partly) and/or non-convertible debentures, all or any of the aforesaid with or without warrants of any nature, and/or any other financial instruments (hereinafter for brevity's sake referred to as "Securities") as the Board and or the Managing Director as directed by the Board at its sole discretion may at any time or times hereafter decided for an amount not exceeding 15% more than current issued capital or approximately upto the Rs.3.11 crores at the face value and in addition the premium of not less than Rs.10/- per equity share capital, to the Members, Employees, Promoters group and their associates, Non-Residents Indians, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), Mutual Funds, Investment/Financial Institutions, Companies/Banks, other entities/authorities and to such other persons through public issue, right issue, more preferably on private placement on preferential basis or on exchange of securities, or otherwise for general corporate purposes including capital expenditure, working capital requirements, strategic investments and or covering expenses to be incurred in generation of data for the purpose of registration internationally or as the Board may deem fit and or by any one or more of a combination of the above modes / methods or otherwise and in one or more branches, with voting rights in General Meetings/Class Meetings of the Company as may be permitted under the then prevailing laws in accordance with the guidelines, approvals, sanctions and/or permissions issued/granted by Government of India, SEBI and Financial Institutions and such other institutions as may be necessary in this regard and at such time as the Board of Directors or the Managing Director as directed by the Board in its absolute discretions think fit and or preferably on the following terms and conditions :

- (i) The debenture will carry interest at the rate of not exceeding 3% over LIBOR in case subscribed through foreign exchange and not more than 9% in case of subscription by Rupee funds.
- (ii) The Board of Directors or the Managing Director as directed by the Board may exercise the 'Put option' in the best interest of the Company
- (ii) The shares issued on conversion will rank pari passu with the current share capital with respect to dividend, voting rights and such other rights and privileges as enjoyed by the present equity shareholders."

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

"RESOLVED THAT in supersession of the resolution passed by the Members at the 10th Annual General Meeting of the Company held on 28th September, 2001 and pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies which, together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free



reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount so borrowed by the Board shall not, at any time exceed the sum of Rs.100 crores (Rupees Hundred Crores) over and above the aggregate of the paid-up capital of the Company and its free reserves."

By Order of the Board of Directors
For **Sabero Organics Gujarat Limited**

PPlace: Mumbai
Date : 31.7.2003

J. S. Sethi
Director – Corporate Affairs

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. 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.
3. 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.
4. The Register of Members of the Company will remain closed from 19th September, 2003 to 26th September, 2003 (both days inclusive).
5. Members are requested to notify immediately any change in their addresses to the Registrars & Share Transfer Agent, **M/s Intime Spectrum Registry Ltd.**
6. 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.
7. 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.
8. Explanatory Statement pursuant to Section 173 (2) of the Companies Act 1956 is attached herewith
9. Re appointment of Directors :
At the ensuing Annual General Meeting Mr. John R English and Mr. S.S.Mathur retire by rotation and being eligible, offer themselves for reappointment. Pursuant to Clause 49 (VI) (A) of the Listing Agreement relating to the Code of Corporate Governance, the particulars of the aforesaid Directors are given below :

Profile of Directors retiring by rotation :

- a. Mr. John R English is a B.Sc and B.E from Australia. He has many years of experience in international sales and manufacturing of chemicals and pesticides with Union Carbide and Montedison SpA. He is currently an industrialist with interests in international trading of pesticides, in companies such as Hallmark Chemicals B V, Netherlands.
- b. Mr. S. S. Mathur is an MBA from Birmingham, U.K. and retired as Deputy Managing Director of Goodlass Nerolac Limited. He has considerable managerial experience to his credit. He presently does not hold directorship in any other companies.

By Order of the Board of Directors
For **Sabero Organics Gujarat Limited**

PPlace: Mumbai
Date : 31.7.2003

J. S. Sethi
Director – Corporate Affairs

ANNEXURE TO THE NOTICE

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

ITEM NO. 5

At the 7th Annual General Meeting held on 17th September, 1998 the members had approved inter alia the terms of the remuneration of Mr. Hero J Chuganee, Chairman and Whole time Director of the Company. It is proposed to re-appoint Mr. Hero J Chuganee, aged 69 years as Chairman and Whole Time Director of the Company with effect from 17th October, 2003. The material terms of the appointment and remuneration payable to Mr. Hero J Chuganee are the same, which was approved by the Members in the 7th Annual General Meeting, which is re produced below :

1. Period of Appointment : For a period of 5 years from 17th October, 2003.
2. Remuneration :

The Whole – time Director and Chairman 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. 95,000/- Per month
Salary Grade : Rs. 95,000/- to Rs. 1,90,000/- Per month.

The Chairman and Whole time director shall be intitled to such annual increments 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 of the Director.

- (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 months' 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 Whole – time Director and Chairman, 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. Hero J. 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 Whole – time Director and Chairman shall 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 Whole – time Director and Chairman prior to the expiry of his term under this agreement, pay compensation to the Whole – time Director and Chairman in such sum as shall not exceed the remuneration which the Whole – time Director and Chairman 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 Whole – time Director and Chairman immediately preceding the date on which he ceases to hold that office.
8. The Whole – time Director and Chairman 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 Whole – time Director and Chairman 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 aforesaid appointment.

The Directors recommended the Resolution set out at Item no. 5 of the accompanying Notice for your approval.

This 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

In order to provide liquidity to the shareholders and investors, the Company's Equity Shares were listed on the Stock Exchanges of Mumbai (BSE), Delhi (DSE), Kolkata (CSE), Hyderabad (HSE), Ahmedabad (ASE), Vadodara (VSE) and National Stock Exchange (NSE). The bulk of the trading in the Company's Equity shares takes place on BSE and NSE.

It has been observed that since last few years trading in Equity Shares of the Company on DSE, CSE, HSE, ASE and VSE ('the said Stock Exchanges') is rare and negligible and is disproportionate to the listing fees payable by the Company to the Said Stock Exchanges owing to the expansion of BSE and emergence of NSE and their extensive networking and the available of terminals in other cities have provided the investors an access to on – line dealings in

the Company's Equity Shares on such terminals across the Country.

The Company's Equity Shares are one of the Scripts which the Securities and Exchange Board of India has specified for settlement only in dematerialized form by all investors.

Further, the Company has been spending considerable amount of money on listing fees, advertisement in newspaper in respect of various provisions of the Listing Agreements, facsimile communication etc, with the said Stock Exchanges and no particular benefit is available to the Shareholders of the Company by continuing the listing of the Equity Shares on the Said Stock Exchanges.

In this backdrop, it is considered desirable to delist the Equity Shares of the Company from DSE, CSE, HSE, ASE and VSE, subject to the Company complying the various provisions of SEBI (Delisting of Securities) Guidelines, 2003 ('the Delisting Guidelines') and obtaining requisite approvals, permissions and sanctions in this regard.

The members have already approved a Special Resolution in the 8th Annual General Meeting held on 27th August, 1999 to delist the shares from the DSE, CSE, HSE, and ASE. Since the SEBI had recently prescribed guidelines called SEBI (Delisting of Securities) Guidelines 2003 which contains procedures to be followed to delist securities. Hence, a Special Resolution is required to be passed under the above guidelines to apply for the delisting of Equity shares from the Said Stock Exchanges.

In terms of the Delisting Guidelines, a public announcement regarding the proposed delisting will be published. The delisting will take effect only after all approvals, sanctions and permissions have been received. The exact date on which delisting will take place will be suitably notified at that time.

Due to availability of trading facilities on the connectivity of BSE and NSE in most of the cities across the country, the proposed delisting of the Company's Equity Shares on the said Stock Exchanges will not be prejudicial to, or affect the interest of, the shareholders and investors.

The Directors commend the Special Resolution for the approval of the members.

No Director of the Company is concerned or interested in the said Resolution.

ITEM NO. 7

The Company is in need of funds for working capital, capital expenditures, general corporate purposes, strategic investment purpose or other purpose as the Board or the Managing Director as directed by the Board may decide.

Your Directors consider that it would be necessary to raise finance by issue of appropriate instruments, at such price or prices, to such persons and in such manner but more preferable as stated in the resolution.

Consent of the Shareholders is sought to authorise the Board of Directors for issuing Securities as stated in the resolution which would result in issuance of further shares of the Company in accordance with terms and nature of the securities.

The resolution set out at item no. 7 is an enabling provision conferring authority on the Board to cover all contingencies and corporate requirements.

Your Directors recommend the above resolution for your approval.

All the Directors of the Company may be deemed to be concerned or interested to the extent they are holding the equity shares.

ITEM NO. 8

The Company is in the process of restructuring its long term debts and is in negotiation with the financial institutions who have granted loans and other credit facilities to the Company or are holding debentures of the Company. The Company would also be required to make further borrowings for meeting its working capital requirements and/or creation of fixed assets. The Special Resolution proposed under item no.8 is an enabling resolution authorising the Board of Directors to borrow funds up to Rs.100 crores over and above the Paid up Capital and Free Reserves of the Company. The said resolution is recommended for your consideration. None of the Directors of the Company is, in any way, deemed to be concerned or interested in the said Resolution.

By Order of the Board of Directors
For Sabero Organics Gujarat Limited

Place : Mumbai
Date : 31.7.2003

J. S. Sethi
Director – Corporate Affairs



DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 12th Annual Report and audited accounts of your company for the year ended 31st March, 2003.

FINANCIAL HIGHLIGHTS :

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

	Year Ended 31.03.2003	Year Ended 31.03.2002
Gross Sales : Domestic	6583.70	7875.84
Export	3634.75	3204.75
Total Sales	10218.45	11080.59
Profit before interest, Depreciation and Taxation	1444.99	1516.16
Less : Interest & Finance Charges	945.85	1037.22
Less Depreciation	435.51	424.91
Exceptional Items	88.39	31.94
Provision for Tax (including deferred Tax)	(45.54)	41.37
Profit (Loss) for the year before prior period adjustments	197.55	44.60
Less : Prior period adjustments	—	21.98
Profit / (Loss) for the year	197.55	22.62
Surplus Brought forward from last year	(384.81)	—
Transfer from (to) Debenture Redemption Reserve	226.58	(22.62)
Adjustment for deferred tax liabilities of earlier year		92.76
Profit (loss) carried to Balance Sheet	39.32	(384.81)

Exceptional Item refers to waiver granted by Industrial Development Bank of India, General Insurance Corporation and National Insurance Corporation in the course of restructuring and rescheduling of term debt.

DIVIDEND :

Although company has made profits 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 2002-2003.

AUDITORS' OBSERVATION :

The auditors of the company have commented vide para 4(g) of their report regarding their inability to comment on the realisability of overdue debtors and advances of 179 lakhs. Your directors are confident of recovery of these dues. The management is taking all steps in pursuing these debts through summary suits and criminal proceedings under Section 138 of Negotiable Instruments Act, as well as making efforts in obtaining possession of alternative securities.

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.(CDSL)

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. The Company had held Seminars and Workshop to motivate and train the employees to contribute towards the growth of the Company, which resulted in an overwhelming response and loyalty among the employees. The company will give long service awards for completion of over five years of service to over a hundred employees in September 2003. As on 31st March, 2003 employees strength (on permanent rolls) of the Company was 322.

INSURANCE :

All the properties of the company have been adequately insured.

BANK & FINANCIAL INSTITUTIONS :

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

DIRECTORS :

Mr. John R. English and Mr. S.S.Mathur 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 31st March 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 31st March, 2003 on a 'going concern' basis.

AUDITORS :

The term of M/s SMNP & Co, Chartered Accountants, expires at the conclusion of this Annual General Meeting and they are eligible for re-appointment. The Auditors have given a certificate to the effect that the re-appointment if made will be within the prescribed limits specified u/s 224 (1B) of the Companies Act, 1956. The observations made in the Auditors' Report are a statement of facts and do not require further clarifications.

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 is not applicable as no employee or Directors is drawing remuneration above the limit prescribed under the aforesaid Section.

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 where the Company had paid the Listing fees.

On behalf of the Board of Directors

Place : Mumbai
Date : 31st July, 2003.

Hero J. Chuganee
Chairman



ANNEXURE "A" TO THE DIRECTORS' REPORT

FORM - A

DISCLOSURE OF PARTICULARS WITH RESPECT TO
CONSERVATION OF ENERGY

	CURRENT YEAR 2002-2003	PREVIOUS YEAR 2001-2002
A. POWER & FUEL CONSUMPTION		
1) Electricity		
a) Purchased Units (kwh)	8208490	11465425
Total Amount (Rs.)	42684148	58665584
Average Rate/Unit (Rs.)	5.20	5.12
b) Own Generation		
Through diesel generator		
Unit (Kwh)	76084	114651
Units per litter of Diesel Oil	3.20	2.91
Cost per unit (Rs.)	7.81	6.11
2) Fuel for Steam Generation		
i. Furnace Oil		
Quantity (KL)	3339.50	5757.01
Total Amount (Rs.)	35064981	49158010
Average Rate (Rs./KL)	10.50	8540
ii. HSD (KL)	577.00	489.19
Total Amount	14425000	8693285
Average Rate (Rs./KL)	25000	17770

CONSERVATION OF ENERGY :

- The Equipments installed for improving boiler efficiency and condensate recovery has given saving of Furnace Oil and feed water temperature to Boiler has increased from 54° to 77° Celsius resulting in saving of Rs. 13 lacs.
- Cooling water and chilled water distribution system were modified to give saving of Rs. 24 lacs in 2002 - 03
- Replacement of aerator by Roots Blower in ETP plant has given saving of Rs. 1.5 lacs in 2002 - 03.

FORM - B

DISCLOSURE OF PARTICULARS WITH RESPECT TO

A) RESEARCH & DEVELOPMENT

The R&D Department is recognized by the Department of Science and Industrial Research (DSIR), Government of India and fully equipped with pilot plant facility and sophisticated instruments like GLC, HPLC, UV etc.

Our R & D Department has developed various process like Mancozeb, Acephate, Glyphosate, Monocrotophos and agro intermediates like DETC, TMP, TEP, DMTC - Amide, PCL3, PSCL3, P2S5.

During the year 2002 - 03, our R&D Department has developed a process for DETA & DETC by the P2S5 route, a continuous process for P2S5, a process for Mancozeb 75WDG, Red Mancozeb, Blue - Green Mancozeb and liquid formulations of Mancozeb suspension concentrate.

The Process for Chlorpyrifos is developed and will be commercialized during the year 2003 - 04 in existing plant facilities.

B) TECHNOLOGY ABSORPTION, ADAPTATION, INNOVATION

During the year 2002 -03 the Company absorbed the technology for P2S5, DETC by the P2S5 route and Mancozeb 75 WDG and successfully commercialized the various products.

The Chlorpyrifos technology will be commercialized during the 2003 - 04.



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE OPERATIONS

The Company started on an extremely strong note whereby the sales in the first quarter increased by 40% over the previous year and the Company maintained an encouraging level of profitability.

In the second quarter, with the delay in monsoon and the resultant drought which affected Indian agriculture, the first quarter positive sentiments began to weaken resulting in longer credit period demands by customers necessitating requirements for much higher working capital which the Company did not have.

The Company consolidated its export sales performance and achieved a 10% increase in Exports during 2002-03 besides broadening its customer base.

The company made a profit before interest, depreciation, taxation and amortisation (EBITDA) of 15.77 crores. The profit before tax and exceptional items increased to 63.62 lakhs as against 54.03 lakhs in the previous year.

INTERMEDIATES

As indicated in the last year's report the company had initiated process modification to reduce energy and material cost in the manufacture of DETC. However this modification could only be completed after the close of the agricultural season and the envisaged higher utilization of capacity and cost savings to DETC will materialize only in 2003-04.

Company achieved higher sales of TEP mainly through exports.

PESTICIDES

The company achieved an increase in its capacity utilization of the Mancozeb plant. Additional formulations of Mancozeb comprising liquid flowables and dry flowables will be introduced in the 2003-04 season contributing to a further increase in sales in this product line.

The monocrotophos production was duly stabilised resulting in a 25% increase in production over the previous year and material consumptions were optimized.

ENTERPRISE SYSTEM

The company successfully implemented an ERP system based on the Tallyserver enterprise system, and achieved integration between the Corporate Office at Mumbai, factory at Sarigam and its 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 & ISO 14001 :

Your company has been awarded ISO 9001 & 14001 certification by Bureau Veritas Quality International who are one of the leading ISO accrediting agencies. The ISO 9001 certification is given for the quality standards of the Company and the certificate was awarded on 12th November 2002 and shall be valid for three years i.e 11th November, 2005.

The ISO 14001 certification is given for the high Environmental Standards also widely known as EMS (Environment Management Systems) and valid for three years i.e 11th January, 2006.

INTERNAL AUDIT

The company appointed Ernst & Young, one of the leading audit firms globally as Internal Auditors. The scope of the internal audit included systems and process audits besides transactions audit. The findings and recommendations of the audit have been by and large implemented and have been accepted by the statutory auditors of the company as a result of which the qualification made last year has been removed. Areas audited included comprehensive MIS of the company and material and utility processes at the plant.

FUTURE OUTLOOK & MARKETS

The Company has initiated steps to increase sales and profitability in the coming years as described below:

The Company modified its process of DETC during 2002-03, which is expected to reduce the cost of production and also increase its capacity by at least 35%.

To compete with the Chinese manufacturers for Glyphosate, the Company changed its route of manufacture from the Glycine route to the IDA route thereby reducing the cost of producing Glyphosate. The benefits of this change will accrue to the Company mainly in 2003-2004.

To further utilize the spare plant capacities as most pesticides are seasonal products, the Company is planning to manufacture Chloropyrifos in the existing plant, which will be introduced in this year. Minor modifications in the plant are being accordingly designed and implemented in the second half of 2003-04.

The Company has introduced other new formulations of Mancozeb such as the Dry Flowable (DF) and the Oil Suspension (OS) in this year, which are expected to contribute to the top and bottom line of the Company in the coming year.

The Company expects to further improve its performance based on the above initiatives and based on its existing fixed assets the Company can expect to achieve a turnover of almost Rs. 200 crores in the coming years without any further major capital investments, which will result in higher profitability with strong cash flows but for which adequate working capital is required which is what the Company is currently seeking.

The company has made improvements in the TEP process to reduce cost improve quality and has consequently increased its TEP exports in 2003-04.

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 (QEHS) 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.

RESEARCH & DEVELOPMENT

The company has received R & D Centre accreditation by Ministry of Science and Technology upto 31st March 2006. As reported the company has developed a new formulation of Mancozeb namely WDG a dry flowable and other Mancozeb formulations like SE & SC and blue-green Mancozeb.

Our scientists are also working on various Water Treatment Chemicals and other speciality Organo Phosphorus Compounds. Various insecticides, fungicides and herbicides are under development which the company hopes to commercialize in the coming year. R & D is also focussing on consolidating existing products with respect to cost reduction along with quality improvement. For R & D and Quality control the company is going in for Good Laboratory practice (GLP) certification during the year.

RESTRUCTURING OF LONG TERM DEBTS

The Company continued its efforts to restructure its long term debt and successfully negotiated terms with the Industrial Development Bank of India and General Insurance Corporation. The restructuring will reduce the debt servicing burden of the company and also improve its profitability with a lower interest burden.