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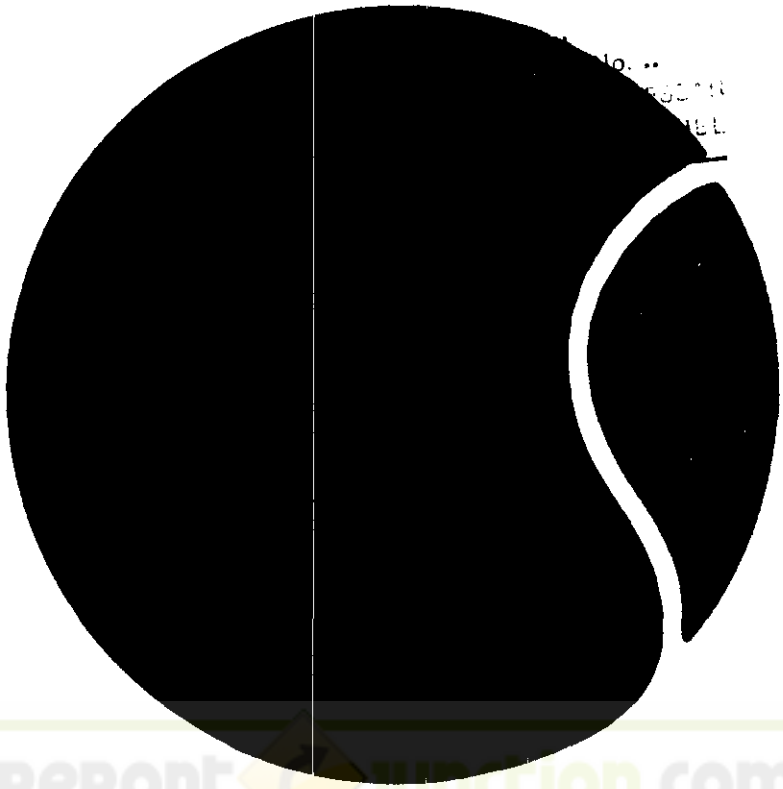

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SUNSHIELD CHEMICALS LTD.

14TH ANNUAL REPORT FOR THE YEAR
ENDED ON 30TH JUNE 2000

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SUNSHIELD
CHEMICALS LTD.

BOARD OF DIRECTORS

Mr. Vinaykumar Patwardhan	Chairman
Mr. Ashok Datar	
Mr. Sandeep Junnarkar	
Mr. Madhav Kale	
Mr. Ashok Patwardhan	
Mr. Satish Kelkar	Vice Chairman & Managing Director

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Company Secretary

Mr. Devdatta Buche

Auditors

M/s. Tembey & Mhatre
Chartered Accountants

Bankers

Bank of Baroda
The Saraswat Co-op. Bank Ltd.
State Bank of India

Solicitors

M/s. Kanga & Company

REGISTERED OFFICE

Janki Niwas, N. C. Kelkar Road,
Dadar, Mumbai 400 028.
Tel. : 430 1454, 430 1057, 430 8261
Fax : 430 7094

SALES & MARKETING OFFICE

Yudhishthir, Ganesh Peth Lane,
Dadar, Mumbai 400 028.
Tel. : 431 3265, 436 1791, 431 2136

FACTORY / R & D CENTRE

Pali-Khopoli Road, Village Rasal,
Taluka Sudhagad, Dist. Raigad,
Maharashtra.
Tel. : (02142) 42226

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NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of Sunshield Chemicals Limited will be held on Thursday, 21st December, 2000 at 3.00 p.m. at the Karnataka Sangha Hall, T. H. Kataria Marg, Matunga, Mumbai - 400 016 to transact the following business:—

ORDINARY BUSINESS:

1. To consider and adopt the Profit and Loss Account for the year ended 30th June, 2000, the Balance Sheet as at that date and the Reports of the Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Ashok M. Patwardhan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ashok R. Datar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Tembey & Mhatre, Chartered Accountants, Mumbai as 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 authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") (including any statutory modification or re-enactment thereof, for the time being in force), and further to the Ordinary Resolution passed by the shareholders at the 11th Annual General Meeting of the Company held on 24th September, 1997 and further amended by the Shareholders by the Ordinary Resolution passed at the 13th Annual General Meeting of the Company held on 21st December, 1999, the Company hereby approves the enhancement in the remuneration of Mr. Satish M. Kelkar, Vice Chairman & Managing Director of the Company with effect from 1st April 2000 for the remaining period of his tenure as the Managing Director, expiring on 31st March, 2002, on the terms and conditions including remuneration as set out in the fresh letter of appointment dated 28th April, 2000 issued to him, copies whereof duly initialled by the Chairman for the purposes of identification and submitted to this meeting, are hereby specifically sanctioned and approved and the Board of Directors of the Company (hereinafter referred to as 'the Board') be and is hereby authorised to alter and vary the said terms and conditions of appointment and remuneration contained in the fresh Letter of Appointment dated 28th April, 2000 in such manner as the Board may deem proper and as may be agreed to by Mr. Satish M. Kelkar but so that his remuneration shall not exceed the limits specified in Schedule XIII to the Act (including any statutory modification and re-enactment thereof for the time being in force).

   RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of Mr. Satish M. Kelkar as Managing Director, the Company has no profits or its profits are inadequate, the Company may pay to Mr. Satish M. Kelkar all such remuneration as the Board may think fit by way of salary, perquisites and allowances not exceeding the limits stipulated in the fresh letter of appointment referred to herein above subject to an overall ceiling limit of Rs. 15,00,000/- per annum if he is Managing Director only of the Company and Rs. 9,00,000/- per annum if he is Managing Director of both the Company and Schenectady Specialities Asia Limited or such other higher sums as the Board may deem fit and as may be permitted from time to time in terms of Schedule XIII to the Companies Act, 1956 and in addition thereto the perquisites not exceeding the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956 or any amendment thereto or re-enactment thereof.

   RESOLVED FURTHER THAT the Board be and is hereby authorised to vary or enhance the remuneration including salary, commission, perquisites, allowances etc. within the limits prescribed under Schedule XIII of the Companies Act, 1956 or any amendment thereto or re-enactment thereof for the time being in force and to suitably amend the fresh letter of Appointment referred herein above between the Company and Mr. Satish M. Kelkar.

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RESOLVED FURTHER THAT the Board be and is hereby authorised to do, perform and execute all such acts, deeds, matters and things as may be necessary, proper, desirable or expedient to give effect to this Resolution."

By Order of the Board of Directors

Devdatta Buche
Company Secretary

Mumbai, 15th November, 2000

NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The instrument appointing proxy in order to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
4. The Register of Members and the Share Transfer Books will remain closed from 18th December, 2000 to 21st December, 2000 (both days inclusive).
5. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries in writing to the Secretary of the Company at its Registered Office so as to reach at least seven days before the date of the meeting.
6. Members are requested to bring their own copies of the Annual Report. Copies will not be distributed at the Meeting.
7. Members are requested to intimate the change in their address, if any, to the Secretary of the Company, at its Registered Office, quoting their folio numbers.

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 5

The shareholders at the 11th Annual General Meeting of the Company (SCL) held on 24th September 1997 had approved the re-appointment of Mr. Satish M. Kelkar as the Managing Director of the Company for the period 1st April, 1997 to 31st March, 2002. At the said meeting the shareholders had also approved the revised remuneration payable to Mr. Satish M. Kelkar for the period from 16th August, 1997 upto the remaining period of his tenure as the Managing Director upto 31st March, 2002 on the terms therein stated. While approving the remuneration payable to Mr. Satish M. Kelkar as the Managing Director of the Company, the shareholders had specifically allowed him to draw remuneration from Schenectady Specialities Asia Ltd. (SSAL) (formerly Sunshield Organics Ltd.) in his capacity as its Managing Director or in any other capacity and the amount of remuneration, if any, that may be drawn by him from SSAL would be reduced from the remuneration payable to him by SCL.

The Board of Directors of SCL at its meeting held on 29th October, 1999 decided that the remuneration payable to Mr. Satish M. Kelkar by both Companies shall be shared so long as Mr. Satish M. Kelkar continues to be the Managing Director of SSAL. Accordingly, the amount of remuneration drawn by Mr. Satish M. Kelkar from SSAL would, from 1st April, 1999, not be deducted from the remuneration payable to him by SCL. The shareholders at the 13th Annual General Meeting of SCL held on 21st December, 1999 approved the above partial alteration and variation of the remuneration payable to Mr. Satish M. Kelkar for the period 1st April, 1999 upto 31st March, 2002.

The Central Government vide its Notification G.S.R. 215(E) dated 2nd March, 2000 has amended Schedule XIII of the Act increasing the minimum monthly remuneration payable to a managerial person in case a company does not have profits or its profits are inadequate.

On the basis of the effective capital of SCL, Mr. Satish M. Kelkar, as Managing Director of SCL, is entitled to a minimum monthly remuneration of Rs. 1,25,000/- i.e. Rs. 15,00,000/- per annum.

On the basis of the effective capital of SSAL, the Managing Director of SSAL, is entitled to a minimum

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monthly remuneration of Rs. 1,50,000/- i.e. Rs. 18,00,000/- per annum.

Since Mr. Satish M. Kelkar continues to be the Managing Director of SSAL also, the remuneration is agreed to be shared between SCL and SSAL. From SCL Rs. 9,02,200/- p.a. and from SSAL Rs. 8,97,800/- p.a.

Section III, Part II of Schedule XIII of the Act provides that the managerial person shall draw remuneration from one or both companies, provided that the total remuneration drawn from the companies does not exceed the higher maximum limit admissible from any one of the companies of which he is a managerial person.

Accordingly, the Board of Directors of SCL at its meeting held on 28th April, 2000 revised the remuneration payable to the Managing Director to an overall ceiling limit of Rs. 15,00,000/- per annum, if he is Managing Director only of SCL and Rs. 9,00,000/- per annum, if he is Managing Director of both SCL and SSAL, with effect from 1st April, 2000 for his remaining tenure as the Managing Director.

The revised terms and conditions are embodied in the fresh Letter of Appointment dated 28th April, 2000 issued to the Managing Director, the material terms of which are summarised as follows:

1. **SALARY:** The Managing Director will be entitled to a basic salary of Rs. 75,000/- per month if he is Managing Director only of SCL and Rs. 44,000/- per month if he is Managing Director of both SCL and SSAL.

2. **PERQUISITES:**

   (a) House Rent Allowance: The Managing Director will be entitled to House Rent Allowance @ 60% of the basic salary drawn for the corresponding period. Alternatively, if he is staying in a rented house and if he so desires, rent @ 60% of the basic salary drawn for the corresponding period will be paid on his behalf.

   (b) Medical Reimbursement: The Managing Director will be reimbursed medical expenses incurred for himself and his family upto a ceiling of Rs. 20,000/- in one year whether he is Managing Director only of SCL or of both SCL & SSAL.

   (c) Leave Travel Concession: The Managing Director will be entitled to Leave Travel Concession for himself and his family, equal to Rs. 20,000/- if he is Managing Director only of SCL and Rs. 18,000/- if he is Managing Director of both SCL and SSAL, once in a year.

   (d) Personal Accident Insurance: The Company will pay a premium not exceeding Rs. 5,000/- per annum if he is Managing Director only of SCL and Rs. 4,400/- per annum if he is Managing Director of both SCL and SSAL, (to be borne by SCL only), towards Personal Accident Insurance Policy for the Managing Director.

   (e) Soft furnishings: The Managing Director will be reimbursed expenditure incurred by him on Soft Furnishings subject to a maximum of Rs. 15,000/- per annum whether he is Managing Director only of SCL or of both SCL & SSAL.

   (f) Motor Car: The Company shall reimburse the Managing Director all the actual expenses incurred by him for maintenance and usage of a Motor Car for Company's business. Alternatively, the Company will provide the Managing Director with a Motor Car for use of Company's business. Expenditure incurred by the Company for personal usage, if ascertainable, will be recovered by the Company, otherwise the perquisite value for the same will be evaluated in terms of the Income-tax Rules, 1962.

   (g) Telephone: The Company will provide the Managing Director with a telephone at his residence. The cost of personal long distance calls (STD / ISD) will be recovered by the Company.

For the purpose of 'Perquisites', "Family" shall mean the Managing Director's spouse, his dependent children and his dependent parents. The Company will also be entitled to consider that quantum of perquisites provided to him, which are not exempted income under the provisions of the Income-tax Act, 1961 and correspondingly deduct tax thereon from his salary.

3. **RETIREMENT BENEFITS:**

   (a) Contribution to Provident Fund: The Managing Director will be required to become a member of the Provident Fund

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Scheme of the Company and eligible for coverage thereunder.

(b) Superannuation Fund: The Managing Director will be eligible for coverage under the Superannuation Scheme as and when it is introduced by the Company.

(c) Gratuity: The Managing Director will be entitled to gratuity in accordance with the Company's rules for the time being in force and the same shall not exceed half month's salary for each completed year of service.

(d) Leave encashment: The Managing Director will be entitled to leave encashment at the end of his tenure as the Managing Director.

4. OTHER FACILITIES:

(a) Entertainment: The Managing Director will be entitled to reimbursement of entertainment and other expenses incurred in the course of the business of the Company.

(b) Leave: For each completed year of continuous service the Managing Director will be entitled to leave in accordance with the rules specified by the Company.

5. OTHER TERMS AND CONDITIONS:

So long as Mr. S. M. Kelkar remains Managing Director of SSAL, Mr. S. M. Kelkar will draw remuneration from both SCL and SSAL provided that the total remuneration drawn from both the companies does not exceed the higher maximum limit admissible from either of the two companies. In the event of Mr. S. M. Kelkar ceasing to be the Managing Director of SSAL during the current tenure of his appointment as the Managing Director of SCL expiring on 31st March, 2002, the remuneration as sanctioned to him by this Ordinary Resolution will become payable to him (unless subsequently varied by the Board of Directors and approved by the shareholders) for the remainder of his tenure thereafter upto 31st March, 2002 and the whole of such remuneration shall then be borne and paid only by the Company till 31st March, 2002.

The Board of Directors will have the authority to vary the terms and conditions of appointment and remuneration to be paid to the Managing Director within the limits prescribed under Schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force.

Your Directors consider the aforesaid remuneration commensurate with the duties and responsibilities of the Managing Director and recommend the resolution at Item No. 5 for your acceptance. Mr. Satish M. Kelkar fulfils the conditions of appointment contained in Part I of Schedule XIII to the Companies Act, 1956.

The above may be treated as an abstract of the terms of variation under Section 302 of the Companies Act, 1956.

A copy of the fresh Letter of Appointment issued by the Company to the Managing Director, Mr. Satish M. Kelkar, is available for inspection by the members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days except Saturdays, Sundays and Public Holidays.

None of the Directors, except Mr. Satish M. Kelkar, is in any way, concerned or interested in the proposed resolution.

By Order of the Board of Directors

Devdatta Buche
Company Secretary

Mumbai, 15th November, 2000

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to submit their 14th Annual Report and Audited Accounts for the year ended 30th June, 2000.

(1) OPERATIONS & PERFORMANCE OF THE COMPANY:

(A) FINANCIAL RESULTS:

Rs. In Lakhs

Particulars	Current Year 1999-2000	Previous Year 1998-99
Gross Sales	1867	1799
Other Income	55	60
Total Income	1922	1859
Less: Manufacturing & Other Expenses	1732	1694
Operating Profits (PBIDT)	190	165
Less: Interest	115	103
Depreciation	59	55
Profit/(Loss) for the year	(17)	7

(B) PERFORMANCE DURING THE YEAR:

The Company maintained sales volumes, but had lower average selling prices because of competitive markets.

The commodity speciality chemical industry, based on Ethylene Oxide derivatives faced tremendous internal and external competition. Coupled with this, was a steep increase in crude prices resulting in raw material cost as also energy cost going up without corresponding increase in end product prices. This meant squeeze on margins.

Opening up the economy, coupled with reduction in import duties on finished products and no proportionate decrease in import duties on raw material, has been a serious problem for chemical industry in general and commodity speciality chemicals in particular.

In view of steps taken to shift focus from commodity surfactants to Niche Speciality Chemicals, though the Company could not increase gross sale value:

- operating profits showed an increase of about 15%.
- gross profit grew by about 21%

Based on the turbulent industrial scenario, Directors decided to make adequate provisioning for doubtful debts. This resulted in a loss of about Rs. 17 lakhs during the year as against profit of Rs. 7 lakhs in the previous year.

(C) DEVELOPMENT FOR FUTURE:

In light of the above, the Company continues with increased vigour its efforts to shift focus from commodity/ competitive surfactants to Niche Markets/Products.

Members are aware that steps required to shift the thrust of business from Alkyl Phenols and Commodity Speciality Chemicals to "Niche Speciality Chemicals" are expected to take time. This needs additional investment. Your Directors believe that though, it would put a strain on the resources during the interim period, in the long run, it would go to build long term success.

As a result of the above product development activity during the year, your Company;

(a) launched in the last month of the year, a speciality Anti Oxidant which is marketed by a global leader for its Indian customers;

(b) successfully developed a trial product for a speciality process used by the Indian affiliate of a large multinational group.

(D) EXPORTS EFFORTS:

The Company has successfully obtained the trial order and entered into a tolling

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agreement with a large multinational company in USA for a new range of Speciality Chemicals.

The steps at C & D above are expected to improve profitability and bring the Company into stabilised business environment.

(2) DIVIDEND:

In view of losses, the Board of Directors does not recommend payment of dividend for the year ended on 30th June, 2000.

(3) DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 read with Article 166 of the Articles of Association of the Company, Mr. Ashok M. Patwardhan and Mr. Ashok R. Datar, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

The Board of Directors at its meeting held on 28th April, 2000 revised the remuneration payable to Mr. Satish M. Kelkar Managing Director of the Company. Approval of the members is sought for the said revision in remuneration.

(4) AUDITORS:

M/s. Tembey & Mhatre, Chartered Accountants, Mumbai, hold office upto the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have furnished the necessary certificate as required under Section 224 (1B) of the Companies Act, 1956. The Board recommends their appointment.

(5) AUDITORS' REPORT:

The Company has not provided for diminution in the value of investment since in the opinion of the Board of Directors, the same is of a temporary nature.

(6) PARTICULARS OF EMPLOYEES:

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Reports and Accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Secretary at the Registered Office of the Company.

(7) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

As required by Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 the relevant data pertaining to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in the prescribed format as an Annexure to this Report.

(8) LISTING FEES:

The Company has paid Listing fees for the financial year 2000-2001 to all the four Stock Exchanges at Mumbai, Delhi, Ahmedabad and Hyderabad, where the Company's shares are listed.

(9) APPRECIATION:

The Directors place on record their sincere appreciation of the support, which the Company continues to receive of the efficient services, rendered by the employees of the Company at all levels and unions wherever applicable. Your Directors also place on record their sincere appreciation of the wholehearted support extended by the Company's bankers, business associates, shareholders and the Government.

For and on behalf of the Board of Directors

Satish M. Kelkar
Vice Chairman & Managing Director

Place : Mumbai
Date : 15th November, 2000

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ANNEXURE TO THE DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 30th June, 2000.

(A) CONSERVATION OF ENERGY:

The Company has always been conscious of the need to conserve energy. The Company is continuously identifying areas where energy can be saved and appropriate measures have been taken for optimising the energy conservation.

(a) Energy Conservation Measures taken:

(i) Installation of a capacitor panel in the electrical distribution system.

(ii) Use of fuel additive for LDO used in Boiler.

(iii) Independent electrical metering and connected load.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Efforts continue to further reduce the consumption of energy by optimising batch sizes.

(c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. There is a saving in electrical energy and requirement of electrical energy does not exceed the contract demand, thereby restricting electrical demand charges. This has resulted in reduced electricity cost per unit of production.

(d) Total energy consumption and energy consumption per unit of production as per Form A.

FORM A

Disclosure of particulars with respect to conservation of energy.

(a) *Power and Fuel Consumption*

Particulars	Current Year Ended 30-6-2000	Previous Year Ended 30-6-1999
	Rs. In Lakhs	
1. Electricity		
(a) Purchased Units (KW/H)	2,94,566	3,99,294
Total Amount (Rs.)	15,78,577	16,29,120
Rate/Unit (Rs.)	5.36	4.08
(b) Own Generation	N.A.	N.A.
2. Coal	N.A.	N.A.
3. Furnace Oil/LDO		
Qty. (Ltr.)	94,420	71,720
Total Cost	9,65,917	6,71,308
Average Rate	10.23	9.36
4. Others/internal generations	NIL	N.A.

(b) *Consumption per unit of Production*

Particulars	Current Year Ended 30-6-2000	Previous Year Ended 30-6-1999
	Rs. In Lakhs	
Products (with details)		
Units (MT)	3,194.61	3,223.51
Electricity (Units)/Mt.	92.21	124
Furnace Oil (Ltr.)/LDO/Mt.	29.56	22

(B) TECHNOLOGY ABSORPTION:

(e) Efforts made in technology absorption as per Form B.

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