SUNSHIELD CHEMICALS LTD.

16TH ANNUAL REPORT
FOR THE YEAR ENDED ON 31ST DECEMBER, 2002

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

Company Secretary
Ms. Aarti Kamath

Auditors
M/s. Tembey & Mhatre
Chartered Accountants

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

Solicitors
M/s. Junnarkar & Associates

REGISTERED OFFICE
Janki Niwas, N. C. Kelkar Road,
Dadar, Mumbai 400 028.
Tel. : 2430 1454, 2430 1057, 2430 8261
Fax : 2430 7094

FACTORY / R & D CENTRE
Pali-Khopoli Road, Village Rasal,
Taluka Sudhagad, Dist. Raigad,
Maharashtra.
Tel.: (02142) 42226

NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of Sunshield Chemicals Limited will be held on Tuesday, 25th March, 2003 at 3.30 p.m. at the Karnataka Sangha Hall, T. H. Kataria Marg, Matunga, Mumbai - 400016 to transact the following business:-

ORDINARY BUSINESS:

1. To consider and adopt the Profit and Loss Account for the year ended 31st December, 2002, 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. Vinaykumar Patwardhan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ashok 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 modifications, the following resolution as an **Ordinary Resolution**.

"RESOLVED THAT Mr. Satish M. Kelkar be and is hereby appointed a Director of the Company;

RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the reappointment of Mr. Satish M. Kelkar as the Managing Director of the Company for a further period of five years with effect from 1st April 2002 on the terms and conditions including remuneration as set out in the letter of appointment dated 12th June 2002 issued to Mr. Satish M. Kelkar, a copy whereof is submitted to this Meeting and is hereby specifically sanctioned;

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 of Directors of the Company (hereinafter referred to as the **"Board"**) may think fit by way of salary, perquisites and allowances not exceeding the limits stipulated in the said letter of appointment subject to an overall ceiling limit of Rs. 12,00,000/- per annum or Rs 1,00,000/- per month or such other higher sum as the Board may deem fit and as may be permitted from time to time in terms of Section II of Part II of Schedule XIII to the Act and in addition thereto the perquisites also 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 in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII to the Act, the Board be and is hereby authorised to vary or enhance the remuneration including salary, commission, perquisites, allowances etc. within such prescribed limit or ceiling without any further reference to the Company in General Meeting;

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
For SUNSHIELD CHEMICALS LIMITED

Sd/-

Aarti Kamath
Company Secretary

Mumbai, 07-02-2003.

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 14th March, 2003 to 25th March, 2003 (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 send their demat/remat applications, request for share transfers, intimation of change of address and other correspondence to the Company's Registrar & Transfer Agents, M/s. Tata Share Registry Ltd. having its Office at Army & Navy Building. 148, M.G. Road, Fort, Mumbai - 400 001.
8. The Company has transferred the unclaimed dividend for the Financial Year 1994 - 95 to the Investor Education & Protection Fund as per the provisions of Section 205 (A) of the Companies Act, 1956.
9. Shareholders, who have not so far encashed their dividend warrants for the earlier Financial Year 1997-98, may approach the Company for claiming the unclaimed dividend amount.

EXPLANATORY STATEMENT

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

Item No. 5

The Members of the Company at the 11th Annual General Meeting held on 24th September 1997 had approved the reappointment of Mr. Satish M. Kelkar as Managing Director for a period of five years with effect from 1st April, 1997. The remuneration payable to Mr. Satish M. Kelkar was revised and further revised by the Members at the 13th Annual General Meeting and 14th Annual General Meeting held on 21st December 1999 and on 21st December 2000 respectively based on the then prevailing position where Mr. Satish M. Kelkar was Managing Director of both the Company and Schenectady Specialities Asia Ltd. ("**SSAL**") (earlier known as Sunshield Organics Limited ("SOL").

The Board of Directors at its Meeting held on 30th January 2002, had extended the appointment of Mr. Satish M. Kelkar by 3 (three) months effective from April 1, 2002 to June 30, 2002. Thereafter, the Board of Directors at its Meeting held on 12th June, 2002 reappointed Mr. Satish M. Kelkar as Managing Director of the Company for a period of 5 (five) years with effect from 1st April 2002 to 31st March, 2007, on the terms and conditions set out in the letter of appointment dated 12th June, 2002. The members of the Company were informed of such reappointment made by the Board through the circulation of an abstract of the terms of appointment and remuneration to the Managing Director in terms of Section 302(2) of the Companies Act, 1956.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 162 (1) of the Articles of Association of the Company, Mr. Satish M. Kelkar holds office as a Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing u/s. 257 of the Companies Act, 1956 from a member signifying his intention to propose the candidature of Mr. Satish M. Kelkar as a Director of the Company alongwith deposit of Rs.500/-.

Mr. Satish M. Kelkar fulfils the conditions of appointment contained in Part I of Schedule XIII.

The Board of Directors decided the terms and conditions of appointment which are embodied in the letter of appointment dated 12th June, 2002 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.

2. **PERQUISITES:**

a) House Rent Allowance: The Managing Director will be entitled to a House Rent Allowance @ 60% of the basic salary drawn for the corresponding period. Alternatively, if the Managing Director is staying in a rented house and if so desired, 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 self and his family upto a ceiling of Rs.20, 000/- in one year.

c) Leave Travel Concession: The Managing Director will be entitled to Leave Travel Concession for self and his family, equal to Rs. 20,000/- once in a year.

d) Personal Accident Insurance: The Company will pay a premium not exceeding Rs. 5,000/- per annum 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.

f) Motor Car: The Company shall reimburse the Managing Director all the actual expenses incurred for maintenance and usage of a Motor Car for Company's business. Alternatively, the Company will provide 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 "Perquisite", "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 and Superannuation Fund: The Managing Director will be eligible for coverage under the Provident Fund and Superannuation Fund as per the Rules of the company.

b) 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.

c) Leave Encashment: The Managing Director will be entitled to leave encashment at the end of his tenure as Managing Director and as per the Rules of the Company.

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 The Managing Director will be entitled to leave in accordance with the rules of the Company.

In the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII to the Act, the Board of Directors will have authority to vary or enhance the remuneration and perquisites to be granted and paid to the Managing Director within such prescribed limit or ceiling.

Mr. Satish M. Kelkar was earlier drawing remuneration from both the Company and SOL since he was, at the material time, Managing Director of both the Companies. As per the terms of his earlier appointment, Mr. Satish M. Kelkar was entitled to a basic salary of Rs. 75,000/-per month if he is the Managing Director of only the Company and Rs. 44,000/- per month if he is the Managing Director of both the Company and SOL (later Schenectady Specialities Asia Ltd. (**"SSAL"**)) during his term of office. Since 12th March 2001, Mr. Satish Kelkar has ceased to be Managing Director of SSAL. He is eligible to draw remuneration now only from the Company and there is no increase in the remuneration now payable to him.

Your Directors consider the aforesaid remuneration commensurate with the duties and responsibilities of the Managing Director and commend the Resolution for your acceptance.

The copy of the letter of appointment issued by the Company to the Managing Director 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
For SUNSHIELD CHEMICALS LTD.

Aarti Kamath
Company Secretary

Mumbai, 07-02-2003.

Additional Information pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking election:

Item No. 2

Mr. Vinaykumar Patwardhan was appointed as an Additional Director of the Company on 17th June, 1994. He was subsequently appointed as Director of the Company at the Annual General Meeting held on 16th August 1996 and had been reappointed thereafter on 21st December 1999.

He is a M.Sc., Food Tech. and after initial work experience with a Multinational Company in India, he has been in his own business in the field of Cashew and other products operating with a base in N.J. in USA & Fortaleza at Brazil.

He is the Chairman of the Company and a Director on the Board of the following Companies:

i) Vihar Investment Private Ltd.
ii) Aniza Trading and Investment Ltd.

Item No. 3

Mr. Ashok Datar was appointed as an Additional Director of the Company on 27th February, 1992. He was subsequently appointed as Director of the Company at the Annual General Meeting held on 24th August 1992 and had been reappointed thereafter on 28th September 1995, 28th September 1998 and 21st December 2000. He is also a member of the Shareholders Compliance/ Grievance Committee and the Audit Committee of the Board.

Mr. Datar is a Postgraduate in Economics from Stanford University, U.S.A. He held important management positions in leading Indian and Multinational Companies over the last 34 years. He is involved with a number of social groups in the field of "improved social awareness and improvements especially in the field of mass transportation and optimum utilisation of open areas of Metropolitan Mumbai".

He is also a Director on the Board of the following Companies:

i) Cybertech Systems Ltd.
ii) Junish International Pvt. Ltd.
iii) Focus Holding Private Ltd.

Item No. 5

Mr. Satish M. Kelkar was appointed as Director on 19th November 1986. He was subsequently appointed as Director and Managing Director of the Company at the Annual General Meeting held on 16th August 1991 and had been reappointed thereafter at the Extra Ordinary General Meeting held on 3rd April 1992 for five years from 1st April 1992 to 31st March 1997.Subsequently, at the Annual General Meeting held on 24th September 1997 he was appointed for a five year term from 1st April 1997 to 31st March 2002. He is also a member of the Shareholders Compliance/ Grievance Committee of the Board.

Mr. Satish M. Kelkar is a postgraduate in Business Management. After initial 5 years experience in a Multinational Company, he has been working full time with the Company and its predecessor firms / companies for over 27 years.

He is also a Director on the Board of the following Companies:

i) Atsuan Chemicals Pvt. Ltd.
ii) Kelkar Chemicals Pvt. Ltd.
iii) Neokel Investments Pvt. Ltd.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to submit their 16th Annual Report and Audited Accounts for the year ended 31st December, 2002.

OPERATIONS ALONGWITH MANAGEMENT'S DISCUSSION & ANALYSIS OF PERFORMANCE OF THE COMPANY:

A) FINANCIAL RESULTS & REMARKS:

Rs.in lakhs

Sr. No.	Particulars	Audited 18 2001-02 (1)	Annualised 12 2001-02 (2)	Audited 12 2000-01 (3)	% increase (decrease) Annualised 02 /Audited 01 (2)/(3)	Remarks Status of change in business focus
1	**Gross Sales**	**2512**	**1674**	**1514**	11%	Gross Sales growth
2	Net Sales excluding taxes, duties, etc.	2087	1391	1214	15%	Net Sales growth
3	**Exports** *	229	153	47	225%	Export thrust initiated
4	**Local sales**	1858	1239	1167	6%	Growth in the local sale through change in product mix
5	Production cost incl. Material cons.	1702	1135	993	14%	Production cost in line with sales
6	**Gross Margin from operation (3+4+5)**	**385**	**257**	**221**	16%	Margin growth in line with net sales growth
7	Employee Cost	209	139	158	(12%)	Rationalised manpower cost
8	Other admin.costs	130	87	92	(6%)	economy in administration costs
9	**Total Fixed costs**	339	225	250	(10%)	Controlled fixed costs
10	**Op.margin (PBIDT)**	**46**	**32**	**(29)**	209%	Improved product-mix but need for larger volumes
11	Interest	157	105	107	(2%)	Controlled interest cost
12	**Other Income incl. interest**	25	17	52	(68%)	Reduction in other income and *reimbursements, after* withdrawal from JV.
13	Reimbursement of exp.	24	16	72	(78%)	
14	**Gross Profit/ (Loss)**	**(62)**	**(40)**	**(12)**	(235%)	Cash loss continues till sufficient volume from new product-mix
15	(Depreciation)	110	73	63	16%	Higher Depreciation on added assets
16	(Ammortisation)	28	19	9	111%	VRS & product development cost apportioned
17	**Net profit/(loss)-PBT**	**(200)**	**(132)**	**(84)**	(57%)	Increased loss, till refocused business generates desired volume

Exports Include as / through Merchant exporters*

During the current year, the Company has initiated the forward steps to shift the business focus from commodity surfactants based on Ethylene Oxide Condensates (EOC) to Niche Speciality Chemicals (NSC) (see MANAGEMENT'S DISCUSSION & ANALYSIS REPORT).

During the current year of 18 months, as also on annualised basis, there is a growth in sales, improvement in gross margins from manufacturing operations as also reduced fixed cost resulting into improved PBIDT over the previous year.

Interest cost has also remained under control. However, on account of withdrawal from JV, effective October 2001, there has been a substantial drop in the other income / reimbursement of expenses.

Though the new Niche product business by itself has comparatively better margin potentials, it is yet to gather enough mass to substitute sale of low margin products and offset drop in "other income & reimbursements".

Therefore at this stage of transition of business focus, during the current year of 18 months, the operations have resulted in a loss of Rs. 200 lacs after providing for depreciation of Rs. 110 lacs and amortisation of expenditures on VRS and product development together amounting to Rs. 28 lacs as compared to a loss of Rs. 84 lacs (after depreciation of Rs. 64 lacs and amortisation of Rs. 9 lacs) in the previous year's 12 months ending on 30th June, 2001.

However, on the basis of response received to the Company's new product range from MNCs and large corporates in India and abroad, the directors are of the view that once adequate new product business is obtained, the operations will be healthier.

As mentioned in Note 15 of Schedule 22, in compliance with AS-22, the Company has provided for deferred taxation liability, which in the current year is a deferred tax asset of Rs. 86 lacs. However, as a matter of prudence, the Directors are of the opinion that a separate earmarked "Deferred Tax Equalisation Account (DTEA)", has been created equal to matching amount of Rs. 86 lacs.

B) MANAGEMENT'S DISCUSSION & ANALYSIS REPORT:

(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

i) Industrial Structure & Development:

Ethylene Oxide Condensates (EOC) industry meets vital requirements of "process chemicals" for industries such as Textile, Leather, Pesticide, Paper, Engineering, Petrochemical, Oil recovery, Cosmetics & Pharma and many others.

The EOC industry is dependent on availability and price of key raw material EO which is primary output of large petrochemical complexes producing MEG. The major players for years were NOCIL, IPCL and Reliance based on Naptha/ other petro feed stocks. These companies marketed EO but not EOC.

There have been major changes in this industry. With the closure of NOCIL's petrochemical complex and merging of IPCL'S interest with Reliance, the Company is solely dependent on one source only for the principal raw material - EO.

Sea transportation of EO is virtually impossible because of long distance transportation hazards associated with EO, which is highly flammable.

With the above typical status about EO, there has been tremendous price rise of local EO but non-importability of EO as an alternate source which is absent to the industry.

Against the above, the end products EOCs can be cost efficiently imported (low duties plus no transportation hazard) and thus, a very low price cap on EOC has been set, specially with the tremendous recession all over the world.

In addition, an independent composite manufacturer of EO and EOC (not using costly Naptha based EO, but based on low cost molasses), started using EO captively and produced EOC at much lower cost against other manufacturers of EOC, who have to purchase high priced EO from a single source.

With low cost EO, he initiated "downward price spiral" for EOCs, specially commodity surfactants. He priced bulk EOCs at very low prices, which are virtually equal to or below cost of production of EOC by major EOC makers like your Company.

There are number of EOC manufacturers in the small scale sector having excise concessions who further started selling EOCs, specially to Textile and Pesticide industries, (the major consumer industry for EOC) at "rock-bottom prices".This "price war" amongst EOC manufacturers has completely eroded profitability of major commodity EOCs.

In addition, one of the major EOC consuming industries viz Pesticide, faced one of the worst droughts of India, resulting into fall in demand for EOC from this segment.

Further, with respect to Textile industry, (the other major EOC consumer) cheap imports of textile material itself and further substitution of Indian exports by cheaper competitive offers from China/ Korea in the developed markets have created very low demand for EOCs from Textile, Leather and other similar industries.

With the above background of the changed EOC industry, your company has chosen to shift the business focus from commodity surfactants, based on EOC and make alternate use of the manufacturing assets by taking up development of new products and processes, making tie-ups with MNCs and large corporates in the field and develop growth by shifting from price competitive commodity EOC market to "Niche Speciality Chemicals (NSC)".

ii) **Opportunities and Threats:**

Globalisation and increased competition in India and abroad are demanding continiuos improvement in quality and productivity with simultaneous cost reduction in various industries. Most of our current and prospective customers require specific process chemicals to be developed for their individual needs. Such "specific process chemical needs" are gaining acceptance all over the world. With the development taking place in India, your Company finds this as a great opportunity to develop such products by reorganising the manufacturing base by installation of balancing equipments, increasing process / product development efforts and make tie-ups with key large players, both MNCs and corporates in India and abroad in the field of Polymers, Plastics, Rubber / Latex, Tyre, Automobile, Lubrication and many other industries.

However, it takes considerable time to establish credentials in the field of " Niche speciality chemicals" to make long term arrangements / tie-ups with these market leaders in India and abroad. Your company has incurred substantial capex to put balancing Plant & machinery and other equipments, incurred substantial cost on product development and restructuring the employee strength, in this direction.

The threats to these efforts are ever increasing global competition without level playing field for the Company.

iii) **Segment / productwise performance:**

The Company's products belong to one common segment viz. speciality chemicals and no significant separation / utility is expected by separating the business data into segment / productwise. Such product / marketwise confidentiality is necessary in the Company's interest.

iv) **Outlook:**

EOC industry is in into a vortex of deep profitability squeeze. The Company's steps to reduce its dependence on EO based commodity surfactants and shift the focus to (a) only customer specific chemicals based on EO and (b) the field of Antioxidants and other Niche speciality chemicals will strengthen and improve the working of the Company. The Company has received an encouraging response to its range of Antioxidants, which are developed for specific industrial applications, by working closely with the user industry. The users are market leaders, both in India and abroad.

The Company has embarked upon a plan to begin exports directly and through merchant exporters and develop speciality chemicals for specific use by large MNCs and prime Indian corporates.

The strategy has improved gross margins from operations. The Company underwent a reengineering / restructuring exercise by rightsizing the factory and office strength and bring about economies in the administration cost. These steps will give the Company stability and growth, make it ready to operate in a globally competitive environment through strategic tie-ups.

v) **Financial performance v/s. operational performance:**

Sales growth came mainly from exports whether direct or as/ through merchant exports and by local sale of new Niche products. As the Company dropped a substantial commodity EOC sale, there was less sales growth locally. However, the new product mix has started initial improvements in operating product margins. Economies through manpower restructuring and reduction in administration cost has improved PBIDT. Interest cost was kept under control inspite of increase in Capex, development cost and funding loss. However, withdrawal of company's interest from the JV company in October, 2001 had denied availability of "the other income" from JV company and reimbursement of shared expenses.

The new sales growth of Niche speciality chemicals is at "initiation stage". Product evaluation by MNCs and large corporates requires substantial time and cost and therefore inspite of margin from operations improving, the working during the current year, resulted in a loss.

vi) **Risk and Concerns:**

The Company has undergone a severe erosion in net worth and therefore has to accept higher interest bearing borrowed funds. Simultaneously, the interest free deferred sales tax is now under repayment phase.

The Company has made a request to its bankers to consider restructure of the various loans and facilities and reduce the interest rates. This is expected to receive favorable response and if granted, will help the Company in its ability to withstand the transition period.

All these cash needs create a very challenging situation for the company to "maintain its efforts" to concentrate on development of products and markets in India and abroad of NSCs. It is here that raises the concern and risk of gathering adequate business mass to generate adequate margins / gross profit to meet increase in working capital needs and honour commitment of repayment of deferred sales tax alongwith term loans and give fair returns to all stakeholders.

The risk and concerns are thus "need of holding power" during the development phase of this new focus change and the time required to achieve it.

vii) **Internal Control System and their adequacy:**

The Company has instituted a system of internal controls and checks which are supplemented by an ongoing program of internal audit.

During the year under review, no significant internal control issues were identified. The Audit Committee of the Board has been formed on April 30th, 2002 and has met twice during the year. It actively reviews internal control system as well as financial disclosures.

viii) **Material developments in HR:**

Employee relations at all levels have been cordial. A VRS scheme was successfully implemented at the factory and office and now the Company has 77 employees as on 31st December, 2002. There have been interactions between the management and employees at all levels from time to time and the employees have been kept fully informed about the state of the industry, economy and working of the Company and its objectives.

The employees are fully aware of need of improved productivity, new product development to be the main mission to get stable growth for the Company in the field of niche speciality chemicals.

The statement in this report including Management's Discussion & Analysis Report reflect Company's projections, estimates, expectations or predictions. These may be forward looking statements within the meaning of applicable securities, laws and regulations. Actual results could differ materially from those expressed or implied, since the Company's operations are influenced by many external and internal factors beyond the control of the Company.

DIVIDEND:

In view of losses, the Board of Directors does not recommend payment of dividend for the year ended on 31st December, 2002.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 read with Article 166 of the Articles of Association of the Company, Mr. Vinaykumar Patwardhan and Mr.Ashok 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 12th June, 2002 reappointed Mr. Satish M. Kelkar as Managing