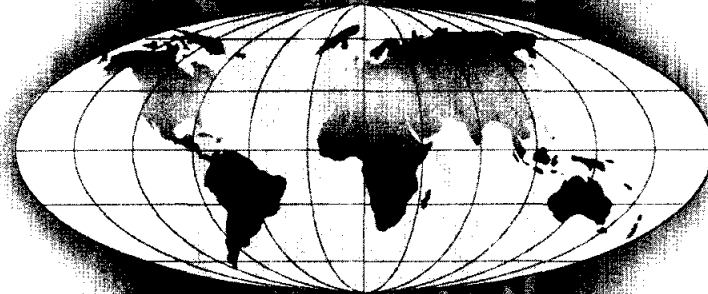


ANNUAL REPORT
2001 - 2002



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United Phosphorus Limited

33rd Annual Report 2001-2002

BOARD OF DIRECTORS

MR. R. D. SHROFF	<i>Chairman & Managing Director</i>
MRS. S. R. SHROFF	<i>Vice Chairman</i>
MR. K. BANERJEE	<i>Wholetime Director</i>
MR. J. R. SHROFF	<i>Executive Director</i>
MR. A. C. ASHAR	<i>Director – Finance</i>
MR. D. A. ANANDPURA	
DR. (MRS) R. RAMACHANDRAN	
DR. A. BHATT	
MR. P. GOYAL	
DR. P. V. KRISHNA	

COMPANY SECRETARY

MR. M. B. TRIVEDI

AUDITORS

S. V. GHATALIA & ASSOCIATES *Chartered Accountants*

BANKERS

Dena Bank
Bank of Baroda
State Bank of India
Union Bank of India
Canara Bank
HSBC Ltd.
Centurion Bank Ltd.
IDBI Bank Ltd.
UTI Bank Ltd.

ADMINISTRATIVE OFFICE

UNIPHOS HOUSE
C. D. Marg, Khar (w),
Mumbai – 400 052.

REGISTERED OFFICE

11, G. I. D. C.,
Vapi, Dist. Bulsar,
Gujarat – 396 195



United Phosphorus Limited

NOTICE

NOTICE is hereby given that the 33rd Annual General Meeting of the Members of United Phosphorus Limited will be held at Hotel Green View Hall, N.H. No. 8, Vapi - 396 195 on Wednesday, 25th September, 2002 at 9.30 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Profit & Loss Account for the year ended 31st March, 2002, Balance Sheet as at that date, the Directors' Report and the Auditors' Report thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Jai R. Shroff who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. D. A. Anandpura who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Kalyan Banerjee who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to Section 314(1B) and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby consents subject to the approval of the Central Government, to Mr. Vikram R Shroff, a relative of Shri. R. D. Shroff, Shri. Jai R Shroff and Smt. Sandra R Shroff, Directors of the Company, holding and continuing to hold an office/place of profit under the Company for a period of five years with effect from 1st October, 2002 or any later date as may be sanctioned by the Central Government, in the monthly salary, in the grade of Rs. 50,000 – 10,000 – 70,000 – 15,000 – 1,00,000 together with usual allowances and benefits, amenities and facilities including superannuation fund, gratuity and provident fund benefits applicable to other employees occupying similar post or posts within the same salary grade/scale, with authority to the Board of Directors to sanction at their discretion increments as they may deem fit and proper and to sanction at their discretion in due course promotions to the next higher grade/grades to the said Mr. Vikram Shroff together with usual allowances and benefits applicable to such higher grade/grades and also to decide and sanction increments accompanied with such higher grade/grades, as it may deem and consider fit and proper.

RESOLVED FURTHER THAT the remuneration payable to Mr. Vikram Shroff as aforesaid will be subject to such modification as the Central Government may suggest or require which the Directors are hereby authorised to accept on behalf of the Company and which are not less favourable to the Company."

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

RESOLVED THAT in terms of the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956, or of any other law for the time being in force, the Board of Directors of the Company be and is hereby authorised to make investments in, and/or provide guarantees and securities to/on behalf of M/s. Search Chem Industries Limited (SCIL) in addition to investments made, guarantees and securities already given/provided by the Company in excess of 60% of the paid-up capital and free reserves of the Company or 100% of the free reserves of the Company whichever is more as prescribed under the section, upto an aggregate amount of Rs. 11.85 crores as given under :

- (a) Make investment in Preference Share Capital of SCIL upto an aggregate amount of Rs. 1,85,00,000/- (Rupees One Crore Eighty Five Lacs Only) by purchase of preference shares having face value of Rs. 2,00,00,000/- (Rupees Two Crore Only) from M/s. Goodlass Nerolac Paints Limited;
- (b) Ratification of corporate guarantee given on behalf of SCIL in favour of Gujarat Gas Company Limited (GGCL) for a sum not exceeding Rs. 10,00,00,000/- (Rupees Ten Crores Only) for supply of natural gas by GGCL to SCIL for a period of five years with effect from 1st April, 2002.

33rd Annual Report 2001-2002**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 A PROXY NEED NOT BE A MEMBER.** The instrument appointing proxy should be deposited at the Registered Office of the Company not later than forty eight hours before the time fixed for the meeting.
2. The Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, in respect of the Special Business as aforesaid is annexed to the Notice.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 10th September, 2002 to 25th September, 2002 (both days inclusive).
4. Pursuant to provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the year 1994-95 and prior to that which remained unpaid or unclaimed is transferred to Investors Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend subsequent to this period are requested to claim the same from the Company. It may be noted that once unclaimed dividend is transferred to the Investors Education and Protection Fund, no claim shall lie in respect thereof.
5. The Members are requested to intimate any change of their address etc. immediately to the Share Department of the Company situated at Excel Estate, S.V. Road, Goregaon (West), Mumbai - 400 062, quoting their Folio No. and in case their shares are held in dematerialised form, this information should be passed on to their respective Depository Participants.
6. Re-appointment of Directors :

At the ensuing Annual General Meeting, Shri. Jai R. Shroff, Shri. D.A. Anandpura and Shri. Kalyan Banerjee, Directors retire by rotation and being eligible offer themselves for reappointment.

- (i) Shri. Jai R. Shroff is the Director of the Company since 3rd February, 1994. He is a science graduate and is actively associated with the Company's activities as the Executive Director. He is mainly involved with international marketing and exports of the Company. He is also a Director on the Board of various other public limited companies, viz : Search Chem Industries Limited, Uniphos Agro Industries Limited, Nivi Trading Limited, Enviro Technology Limited, Bharuch Enviro Infrastructure Limited, Ventura Guarantee Limited, Agri Net Solutions Limited, Uniphos Enviro Limited and JRF Biogenomics Limited.
- (ii) Shri. D. A. Anandpura is the Director of the Company since 4th June, 1984. He has vast experience in administration as the General Manager of Gujarat Industrial Development Corporation (GIDC). He is a very active social worker and is associated with large number of social activities in and around Ankleshwar and Bharuch. He has also been the past president of Ankleshwar Industries Association. He is a director in public limited companies, viz: Enviro Technology Limited, Bharuch Enviro Infrastructure Limited and Bharuch Eco-acqua Infrastructure Limited.
- (iii) Shri. Kalyan Banerjee is the Director of the Company since 17th April, 1985. He is a Chemical Engineer and has been associated with the Company since its inception. He is an active rotarian and has been on the Board of Rotary International besides holding various important positions in commercial, educational and social fields. He is also on Board of CII, Western Region. He is also associated with various education institutions at Vapi.

By Order of the Board of Directors

M. B. TRIVEDI
Company Secretary.

Mumbai.
19th July, 2002.

Registered Office :
11, G.I.D.C., Vapi,
Dist. Valsad, Pin - 396 195.



United Phosphorus Limited

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 7

At the Annual General Meeting of the members of the Company held on 29th September, 1998, consent by special resolution was accorded to payment of remuneration in excess of Rs. 10,000/- p.m. to Mr. Vikram Shroff, who is holding office/place of profit under the Company as Executive Director – Commercial. Mr. Vikram Shroff joined the Company in October, 1997. Since his association with the Company, the said Mr. Vikram Shroff has actively involved himself with the key areas of the Company and continued to be an integral part of major policy decisions of the Company. Since his joining the Company he has absorbed the functional and other related aspects affecting the operational efficiency of the organisation by way of continuous process of discussions and deliberations with key personnel, feedback response, implementation operation etc. Over the few years he has brought about structured policy changes in various important operational areas and has contributed significantly towards initiating and effective implementation of cost reduction measures which has enabled the Company to achieve appreciable growth in terms of profitability, quality assurance and productivity. Due to his significant contribution and assuming responsibilities of vital areas of operations of the Company, he is positioned as the "Chief Executive Officer" of the Company. He is having independent charge of HR functions, purchase, commercial, marketing (local) and production departments of the Company and is directly reporting to the Managing Director and the Board of Directors of the Company.

During the current year, Mr. Vikram Shroff was given charge of diverse and important functional areas due to which the reporting and accountability of key personnel in the middle and senior level management was brought under his direct superintendence and control. The Company has grown and progressed manifold under the responsible management of Mr. Vikram Shroff and his efforts are reflected in the company's current year results where the sales have crossed Rs. 600 crores and profits have increased from Rs. 22.04 crores to Rs. 49.54 crores. In view of and in appreciation of Mr. Vikram Shroff's distinct contribution to the spherical development of the Company, the management thinks it appropriate to sanction increments as applicable to the grade in which the said Mr. Vikram Shroff is placed. This will increase Mr. Vikram Shroff's monthly remuneration beyond Rs. 20,000/- together with usual allowances and benefits attached to such or similar grade or grades. The company has very ambitious plans of growth in the future years and for fulfillment of the same, it will have to rely heavily on the contributions from Mr. Vikram Shroff.

Under sub-section (1B) of Section 314 of the Companies Act, 1956, it is necessary to obtain the prior consent of the Company by a special resolution and the approval of the Central Government for holding or continuing to hold office or place of profit under the company in any such office or place of profit carrying a total monthly remuneration of Rs. 20,000/- or more. Your Company had made an application to the Central Government in 2001 for approving payment of remuneration in excess of Rs. 20,000/- to the said Mr. Vikram Shroff w.e.f October, 2001. The said application was not approved on the grounds that a fresh approval from the members by special resolution should be sought.

Accordingly, in view of the above, the proposed special resolution is intended to obtain the consent of the members and approval of the Central Government to Mr. Vikram Shroff's holding and continuing to hold office or place of profit under the Company and to receive remuneration as given hereinbelow.

Salary : -

- (a) (i) Basic Salary per month in the grade of Rs. 50,000 – 10,000 – 70,000 – 15,000 – 1,00,000.
- (ii) Special Allowance: 50% of the Basic Salary.
- (b) Bonus as per payment of Bonus Act.
- (c) Perquisites as follows shall be allowed in addition to the salary but subject to a limit of Rs. 4,50,000/- per annum. The perquisites will be evaluated for the purpose of the said ceiling on the basis of the cost of the Company or as provided in the Income Tax Act, 1961, or rules framed thereunder, as may be applicable :
 - (i) Housing : -
 - (a) The expenditure by the Company on hiring furnished/unfurnished accommodation will be subject to a ceiling of 60% of salary over and above 10% of the salary payable by the appointee;
 - (b) If the Company does not provide accommodation to the appointee, he shall be entitled to house rent allowance at 50% of the Basic Salary;
 - (c) If the accommodation is provided in a Company owned house, then a deduction of 10% shall be made from the salary of appointee;

33rd Annual Report 2001-2002

- (ii) The expenditure incurred by the Company on Gas, Electricity, Water and Furnishing shall be as per Income-Tax Rules, 1962. This shall however, be subject to a ceiling of 10% of the salary of the appointee;
- (iii) Reimbursement of Medical expenses incurred for self and family (subject to a ceiling of one month's salary in a year or three month's salary in a block of three years);
- (iv) Leave Travel concession for self and family once in a year incurred in accordance with the rules of the Company;
- (v) Fees of clubs subject to a maximum of two clubs. This will not include life membership and admission fees;
- (vi) Personal Accident Insurance of an amount, the annual premium of which shall not exceed Rs. 4000/-;
- (vii) Contribution towards Provident Fund, Superannuation Fund or Annuity Fund will be as per rules of the Company. These 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, 1961;
- (viii) Gratuity payable shall be at the rate of half a month's salary for each completed year of service, and the same will not be included in perquisites;
- (ix) Car with driver shall be provided for use on Company's business and the same will not be considered as perquisites. Use of car for private purposes shall however, be billed by the Company;
- (x) Telephone at residence will be provided and the same will not be considered as perquisite but personal long distance calls shall be billed by the Company;
- (xi) Actual Entertainment expenses incurred for the business of the Company will be reimbursed;
- (xii) All such other privileges and amenities as may be applicable from time to time to the Company's managers.

The resolution also seeks to authorise the Board to sanction in due course promotion/s to Mr. Vikram Shroff to the next higher grade together with usual allowances and benefits as applicable to such higher grade or grades.

Shri. Rajju D Shroff, Smt. Sandra R Shroff and Shri. Jai R Shroff are interested in the resolution as it pertains to holding and continuing to hold office/place of profit by their relative Mr. Vikram Shroff.

None of the other Directors is in any way concerned or interested in the resolution.

Item No. 8

The Company proposes to make further investment in the shares of its subsidiary company, M/s. Search Chem Industries Limited. The Company also seeks to ratify the corporate guarantee given by it on behalf of the said subsidiary in fulfillment of terms of agreement entered into by the latter with other bodies corporate.

The said transactions of investment and guarantee are regulated by section 372A of the Companies Act, 1956 according to which the Board of Directors of the Company shall not make further investments in other bodies corporate including its subsidiaries, or provide guarantee or security if the existing investments made loans and guarantees given (including those in respect of subsidiary companies) together with further investments to be so made or guarantees to be so given exceed 60% of the paid-up capital and free reserves of the Company or 100% of the free reserves of the Company, whichever is more, unless prior approval and authorisation of the Shareholders by a Special Resolution is obtained in the matter.

As per the latest audited Balance Sheet of your Company as on 31st March, 2002, the new cut off limit upto which the Board of Directors of your Company can make investments and provide loans and guarantees (including in subsidiary companies) without prior sanction of shareholders as aforesaid vide section 372A is Rs. 326.40 crores (being 100% of the free reserves of the Company). The proposed investment and ratification of corporate guarantee aggregating to Rs. 11.85 crores together with existing investments made loans given and guarantees already provided is in excess of the limit of Rs. 326.40 crores. Hence, it is necessary to obtain the approval of the shareholders in respect of the resolution proposed for various matters under item no. 8, as briefly given below :

- (a) Search Chem Inds. Limited (SCIL) had allotted 2,00,000 preference shares of the face value of Rs. 2,00,00,000/- (Rupees Two Crores Only) to M/s. Goodlass Nerolac Paints Limited by private placement. M/s. Goodlass Nerolac Paints Limited has requested your company to purchase the said preference shares from them at an aggregate



United Phosphorus Limited

amount of Rs. 1,85,00,000/- (Rupees One Crore Eighty Five Lacs Only). The matter was given due consideration and your Board of Directors has decided to invest in the preference shares of SCIL by way of purchase of the same from M/s. Goodlass Nerolac Paints Limited at an aggregate value of Rs. 1,85,00,000/- (Rupees One Crore Eighty Five Lacs Only). Your Directors consider this investment to be in the interest of both the subsidiary and the Company and seek the members approval to the said proposal.

- (b) M/s. Search Chem Inds. Limited (SCIL), our subsidiary Company recently undertook a restructuring exercise in which it was decided to substitute the long used feedstock naphtha with natural gas to run its power plant. This switch was envisaged to be more economical and result in bottomline improvement. Accordingly, SCIL entered into an agreement with Gujarat Gas Company Limited (GGCL) for provision of natural gas on mutually agreeable terms and conditions. One of the conditions of the sanction for provision of natural gas by GGCL to SCIL included the furnishing of a Corporate Guarantee by the parent company of SCIL on its behalf in favour of GGCL. Accordingly, SCIL had approached the Company with a request to provide corporate guarantee for Rs. 10 Crores in fulfillment of the terms of the said agreement entered into between SCIL and Gujarat Gas Company Limited (GGCL) for supply by the latter to SCIL of natural gas for a period of five years.

The Board of Directors of your Company at the Board meeting held on 10th January, 2002 gave due consideration to the matter and agreed to furnish the Corporate Guarantee on behalf of SCIL, subject to approval of the members at the forthcoming General Meeting. Accordingly, Shareholders approval is required.

Shri. Rajju D Shroff, Smt. Sandra R Shroff, Shri. Jai R Shroff, Shri. A C Ashar, Dr. P. V. Krishna and Shri. Pradeep Goyal, Directors of the Company are also the Directors and/or Shareholders of SCIL and hence, they are interested or concerned in the above resolution to the extent of their involvement with SCIL. None of the other Directors of the Company is in any way interested or concerned in the resolution.

By Order of the Board of Directors

M. B. TRIVEDI
Company Secretary

Registered Office :
11, G.I.D.C., Vapi,
Dist. Valsad, Pin - 396 195.
Date: 19th July, 2002.



33rd Annual Report 2001-2002

DIRECTORS REPORT

TO
THE MEMBERS OF
UNITED PHOSPHORUS LIMITED

Your Directors hereby present their report on the business and operations of the Company and the Financial Accounts for the year ended 31st March 2002.

	Year Ended 31/03/2002	(Rs. In lakhs) Year Ended 31/03/2001
Profit before taxation	5,037.25	2,363.63
Less: Provision for taxation	82.55	160.00
Profit after taxation	4,954.90	2,203.63
Add: (a) Investment Allowance Reserve (Utilised) and written back	—	60.00
(b) Debenture Redemption Reserve written back	1,247.87	—
(c) Dividend of earlier year and tax thereon written back	280.72	—
	6,483.49	2,263.63
Less: (i) Prior period Adjustments (Net)	1,347.47	204.27
(ii) Debenture Redemption Reserve	682.50	715.83
(iii) Capital Redemption Reserve	200.00	1,000.00
	4,273.52	343.53
Add: Balance brought forward	702.90	1,527.85
Amount available for appropriation	4,976.42	1,871.38
APPROPRIATIONS:		
Preference dividend	225.00	291.51
Equity Dividend (Proposed)	254.75	509.49
Tax on dividend	22.05	117.48
Transferred to General Reserve	4,000.00	250.00
Balance Carried Forward	473.72	702.90
	4,976.42	1,871.38

OPERATIONAL PERFORMANCE

During the year under review, the sales have gone up significantly from Rs. 531.18 Crores to Rs. 617.06 Crores, thereby registering a growth of 13%. The profit before tax has gone up significantly from Rs. 23.64 Crores to 50.37 Crores. This increase in the net profit is attributed mainly due to increase in export sales and better price realization for the products of the Company. During the year under review, there was very good monsoon in the country, resulting in higher sales in the local market. However, your company has been concentrating more on the exports, where the opportunities for increase are tremendous. This also gives the leverage to your Company, as it no longer has to depend on the vagaries of monsoon in the country. The Company's pursuit for excellent quality products matched with competitive prices have resulted in excellent performance as reflected in higher profits.

The other factors contributing to the improved performance have been continuous cost reduction in all areas of operations, better planning, tight credit control and early realization of its debts and continuous improvement in yield of the products.

In order to reduce the costs, the company had relocated some of the plants, viz. Devrinol, Phenmedipham and Desmedipham, from its U.K. subsidiary to India. All these plants are operating very efficiently and the company has benefited by this relocation.



United Phosphorus Limited

FUTURE OUTLOOK

The outlook for the next few years appears to be very promising for the Agrochemical Industry. Your Company is geared up to take advantage of the changing scenario. All its products are registered in various countries and this will help increasing the export in the coming years. Even the local market for your Company's products are growing and this will help increase the local sales. Also the Company is taking timely steps to increase the volume of production so as to cater to the increase in demand.

DIVIDEND

Your Directors recommend dividend payment at 10% i.e. Rs. 1 per share of Rs. 10 each on the equity shares for the year under review. Your Directors think it prudent to recommend this dividend and are hopeful that the members will be rewarded by higher dividend in the coming years.

FINANCE

To curtail the increase in the interest cost, your Directors have taken steps to reduce the outside borrowing. Last year, it has reduced its borrowing by about Rs. 65 Crores. The loan by way of external commercial borrowing has been totally repaid in the year. In the current year, this process will continue and the borrowing will be reduced further, and consequently, the interest burden will also be reduced. In the current year, the final installment for the debentures issued to the public in the year 1993 will also be paid off.

INTERNATIONAL ACTIVITIES

In the year under review, the Company has concentrated more on the exports because of its competitive edge over the other players in the international market. At present, exports account for about 45% of total sales. The Company wants to take it up to 65% in the coming years. Your Directors wish to state that the company is geared up for the same.

The overall sales of the group have been equally spread among U.S.A., U.K. and other European countries and the rest of the world.

The Company has been entering in strategic alliances with various Multinational Companies in different parts of the world on mutually beneficial terms. It is also concentrating on obtaining more registrations for its products in various countries. The various subsidiary Companies set up in different countries will help in meeting these additional opportunities. All these activities at International level will see the Company achieving very higher growth rates in its export.

RESEARCH AND DEVELOPMENT

During the year, the Company has carried out research for developing some new products, which have excellent export opportunities. Some of these products have excellent market abroad, once the registrations are obtained by the Company. Research and Development was also carried out for making a few compounds. Such specialized combination products have proved to be more effective on the crops. In respect of the existing product, Research and Development was carried to improve the yields of the finished goods. In case of some intermediates, Research and Development has helped in improving yields by approximately 3 to 4%. The efforts to develop phosphine gas generator will help the Company in future to increase its exports.

SOCIAL ACTIVITIES

The Company has always been in the forefront in carrying out various social activities, thereby meeting its obligations towards the society. In and around Vapi, Ankleshwar, Jhagadia, Daman and Sattur, the company is running schools and technical colleges, and other education institutions. Computer education is provided in these schools. It is also running Balwadis in Vapi where tiny children begin their education lessons. Management college is started at Vapi where professional courses are taught.

The Company has created green belts in Vapi. At Ankleshwar also, the company's subsidiary Enviro Technology Limited is set up to provide effluent treatment facilities to small and medium scale industrial units. A land fill site is developed at Ankleshwar for disposal of solid waste. Lots of tree plantation programmes are taken up by the Company.

The Company also runs most modern hospital at Vapi where the latest medical equipments are provided and the patients are given the best medical treatment. At Ankleshwar also the company has taken keen interest in development of hospitals and other medical facilities. The company has taken up cleanliness and beautification projects of Vapi and Ankleshwar railway stations. Beautification of national highway is also taken up.

33rd Annual Report 2001-2002

To help the educated youth, the company is having a project to train unemployed agricultural graduates so as to start agri clinics. This project is appreciated by the state government.

Overall the Company is providing financial support as well as strong management inputs for the betterment of the society, and upliftment of the people.

SUBSIDIARY COMPANIES

Pursuant to section 212 of the Companies Act 1956, the latest audited accounts together with the Auditors and Directors report of various subsidiaries and wholly owned overseas subsidiaries are enclosed herewith. As per the accounting standards, as well as conditions of listing agreements with the stock exchanges, consolidated accounts of the Company and its subsidiary Companies are also enclosed herewith, alongwith certificate from the statutory Auditors from the Company.

The working for overseas subsidiary Companies have been improving and Directors expect that in the current year the performance will improve further. As regards the Indian subsidiary Companies, the working of Search Chem Industries Limited does not inspire much confidence. However, the power plant is now running very smoothly and is likely to bring down the losses very substantially. This subsidiary has undertaken restructuring exercise to improve its profitability and it is expected that its performance will improve now.

INSURANCE

The Company's properties are fully insured.

FIXED DEPOSITS

As at 31st March 2002 the total amount of fixed deposit held by the Company was Rs. 20.34 lacs, Deposit aggregating to Rs. 2.28 lacs had matured but remained unclaimed or were not renewed as at 31st March 2002, out of which deposit amounting to Rs. 1.40 lacs have been refunded/renewed till date.

AUDITORS REPORT

The Auditors have made qualifications in their report in respect of non-provision of diminution in value of investment made in the subsidiary company namely Search Chem Industries Limited, loan and advances and interest receivable from the said Company. In this connection, the Directors have to state that the said Company has taken restructuring measures and the diminution in value of investment is a temporary phenomena. Similarly, the Company expects recovery of loan, advance and interest from the said Company very soon. Your attention is invited to note Nos. 9 and 10 in schedule S, which are self-explanatory. Further the Auditors have also made qualification in respect of amortization of expenses on product development, registration and data access fees over a period of 5 years, which were hitherto being amortized over a period of 10 years, as also lowering of reserves and surplus and charging higher amount on this account in the profit and loss account. In this connection your attention is invited to note No. 5 in schedule S, which is self-explanatory.

DEPOSITORY DETAILS

As of 31st March 2002, 67.92% of shares of the Company are dematerialized.

DIRECTORS

During the year Mr. Jai R. Shroff, Mr. D. A. Anandpura and Mr. Kalyan Banerjee retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

The current auditors of the Company, M/s. S. V. Ghatalia & Associates, Chartered Accountants are retiring at the ensuing Annual General Meeting. The Auditors being eligible for re-appointment, have expressed their willingness to continue, if re-appointed. The consent of members is sought for re-appointment of auditors and fixing their remuneration for the year 2002-2003. The audit committee had reviewed the scope of work of the auditors and recommended audit fee for the year 2002-2003 for Rs. 11 lacs plus service tax plus out of pocket expenses not exceeding Rs. 75,000/-.

PERSONNEL

The Industrial relations at all the units of the Company were harmonious.