



Agriculture is our culture

Annual Report 2002-2003

REPORT  JUNCTION



United Phosphorus Limited

BOARD OF DIRECTORS**MR. R. D. SHROFF** *Chairman & Managing Director***MRS. S. R. SHROFF** *Vice Chairman***MR. K. BANERJEE** *Wholetime Director***MR. J. R. SHROFF** *Executive Director***MR. A. C. ASHAR** *Director - Finance***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***LEGAL ADVISORS****DSK LEGAL****BANKERS**

Dena Bank
 Bank of Baroda
 State Bank of India
 Union Bank of India
 Canara Bank
 Indian Overseas Bank
 Centurion Bank Ltd.
 IDBI Bank Ltd.
 UTI Bank Ltd.
 Punjab & Sind Bank
 Global Trust 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 34th 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, 24th September, 2003 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Profit & Loss Account for the year ended 31st March, 2003, 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 Shri. Arun C. Ashar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. (Mrs.) Reena Ramchandran who retires by rotation and being eligible offers herself for re-appointment.
5. To appoint a Director in place of Dr. Anil Bhatt 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 **Special Resolution** :

"RESOLVED THAT pursuant to 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, ratification be and is hereby made in respect of corporate guarantees provided by the Company on behalf of M/s. Search Chem Industries Limited (SCIL) in addition to investments made, loans and guarantees given and securities already 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.59.71 crores as given under :

- (a) Corporate guarantee given on behalf of SCIL in favour of the Government of Gujarat through Industries Commissioner for a sum not exceeding Rs. 39.21 crores in respect of sales tax benefit on assets taken on lease by them;
- (b) Corporate guarantee given on behalf of SCIL in favour of State Bank of India for a sum not exceeding Rs. 20.50 crores in respect of working capital facility given by them."

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 19th September 2003 to 24th September 2003 (both days inclusive).
4. Pursuant to provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the year 1996-97 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 Arun C. Ashar, Dr. (Mrs.) Reena Ramchandran and Dr. Anil Bhatt, Directors retire by rotation and being eligible offer themselves for reappointment.
 - (i) Shri Arun C. Ashar is the Director of the Company since 28th February 1992. He is a Chartered Accountant. He was associated with the Company in the capacity of consultant prior to his joining of the Board. He looks after the financial functions of the Company and has been instrumental in raising finance for various projects of the Company. He is also a Director in Search Chem Industries Limited.
 - (ii) Dr. (Smt.) Reena Ramchandran is the Director of the Company since 29th January, 2001. She has a Doctorate in Chemistry from University of Allahabad and a Doctorate in Science in Chemistry in France. She has been a member of various associations and institutions relating to education. She was also associated with various committees appointed by various Ministries of Government of India. She has varied professional experience of over 30 years in textile, Drug, Cement, Petroleum and Petrochemical Industry.
 - (iii) Dr. Anil Bhatt is the Director of the Company since 29th January 2001. He is a retired Professor and Consultant of Indian Institute of Management, Ahmedabad. He has been advisor to various voluntary organisations involved in human development and social justice. He has been a member and chairman of various State and Central Government committees and consultant to voluntary Government and International organisation. He has published widely on the subjects of Government, Society and Development. He is also a Director in Saline Area Vitalization Enterprise Limited.
7. Members may kindly note that in accordance with the provisions of section 192A of the Companies Act, 1956 read with the Companies (passing of the resolution by postal ballot) Rules, 2001, the assent or dissent of the Members in respect of the Special Resolution item no. 7 of the notice can be determined through postal ballot. Accordingly, the postal ballot form and a postage prepaid envelope is separately sent to the Members together with an extract of Special Resolution at Business item no. 7 of the Notice and the Explanatory Statement thereto. The procedure for the postal ballot is set out in the aforesaid postal ballot papers, which is separately sent to the Members.

By Order of the Board of Directors

M. B. TRIVEDI*Company Secretary.*Mumbai.
2nd July 2003.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.

M/s. Search Chem Industries Ltd. (SCIL), is a subsidiary of United Phosphorus Limited (UPL). SCIL is engaged in the manufacture of caustic soda, chlorine and other specialty chemicals and is also engaged in generating power. The Company seeks to ratify the corporate guarantee given by it on behalf of the said subsidiary. Pursuant to section 372A of the Companies Act, 1956 giving of loan, guarantee, providing security or making investment by a body corporate in any other body corporate in excess of 60% of the paid up capital & free reserves or 100% of free reserve requires prior approval of shareholders in a general meeting by special resolution. However, pursuant to the provisions of the said section 372A of the Companies Act, 1956, Board of Director of the Company can give guarantee without first obtaining the approval of the shareholders in a general meeting by passing a resolution in Board meeting provided, the board resolution so passed is confirmed by the members within twelve months in the General Meeting or Annual General Meeting held after passing the said board resolution, whichever is earlier. Accordingly, the Board of Directors have provided guarantee/s on behalf of its subsidiary company, M/s. Search Chem Inds. Limited (SCIL) vide resolution passed in the Board meetings held on 27th September, 2002 and 26th October 2002 and it is now sought to ratify the same by obtaining shareholders approval.

As per the latest audited Balance Sheet of your Company as on 31st March, 2003, the new cut off limit upto which the Board of Directors of the Company can make investments and provide guarantees (including in subsidiary companies) without prior sanction of shareholders as aforesaid vide section 372A is Rs.376.13 crores (being 100% of the free reserves of the Company). The corporate guarantees given to SCIL as mentioned hereunder and proposed to be ratified by the shareholders at the ensuing Annual General Meeting aggregating to Rs. 59.71 crores exceeds the limit provided under Section 372A, taken together with existing investments made, loans given and guarantees and securities already provided by the Company. Hence, it is necessary to obtain the approval of the shareholders in respect of the resolution proposed for matters under item no. 7 as briefly given below:

- (a) M/s. Search Chem Industries Limited (SCIL), subsidiary Company had requested the Company to issue a corporate guarantee in favour of the Government of Gujarat through Industries Commissioner for a sum not exceeding Rs. 39.21 crores in respect of sales tax benefit on assets taken on lease by them. This will help in increasing the sale of the SCIL and will be of substantial benefit to SCIL. As the company is interested in the business of its subsidiaries all the directors agreed to give guarantee at the Board meeting held on 27th September, 2002, subject to approval of the members at the forthcoming General Meeting
- (b) SCIL has now turned corner and made a small profit for the six months ending 31st March, 2003. State Bank of India had agreed to extend the working capital facilities to SCIL on the condition that the said financial assistance will be backed by a corporate guarantee from the Company. Accordingly, SCIL had approached the Company with a request to provide the said corporate guarantee for Rs. 20.50 crores. As the Company is interested in the business of its subsidiary it was decided to give the said guarantee. The Board of Directors of the Company at the Board meeting held on 26th October, 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.

The Board recommends the above resolution as a special resolution for your consideration and approval.

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 in 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, GIDC, Vapi,

Dist. Valsad, Pin – 369 195.

Date: 2nd July, 2003.

DIRECTORS REPORT

TO
THE MEMBERS OF
UNITED PHOSPHORUS LIMITED

Your Directors have pleasure in presenting the 34th Annual Report of the Company and the audited accounts for the financial year ended 31st March 2003.

Financial Results

	Year ended 31/03/2003	(Rs. in lakhs) Year ended 31/03/2002
Profit before taxation	6197.66	5037.25
Less : Provision for taxation	770.33	82.35
Profit after taxation	5427.33	4954.90
Add : (a) Debenture Redemption Reserve written back	1380.13	1247.87
(b) Dividend of earlier year and tax thereon written back	—	280.72
	6807.46	6483.49
Less : (i) Prior period adjustments (Net)	389.58	1347.47
(ii) Debenture Redemption Reserve	662.50	662.50
(iii) Capital Redemption Reserve	—	200.00
	5755.38	4273.52
Add : Balance brought forward	473.72	702.90
Amount available for appropriation	6229.10	4976.42
APPROPRIATIONS :		
Preference Dividend and tax thereon	208.25	247.95
Proposed Equity Dividend and tax thereon	574.77	254.75
Transfer to General Reserve	5000.00	4000.00
Balance carried forward	446.08	473.72
	6229.10	4976.42

Operational Performance

During the year under review, the sales have gone up from Rs. 617.06 crores to Rs. 670.39 crores, registering a growth of 9%. The profit before tax has gone up from Rs. 50.37 crores to Rs. 61.98 crores. The increase in profits can be attributable mainly to exports. The year had witnessed failure of monsoon throughout the country and hence, local operations have not resulted in any profits. However, the overseas operations have yielded extremely good results.

In the later part of the year, rupee value appreciated against dollar and to some extent, the company suffered a setback as the export realisations were less.

Future Outlook

Your Directors are optimistic about the agricultural business and believe that your Company has a good growth potential. Notwithstanding the tough business environment, the company's performance has been outstanding. The Company has focused on creating and strengthening brand equity amongst farmers in the command area.

The outlook for the current year appears promising on account of the optimistic predictions on the weather conditions. The monsoon has been, and still is, the life force that drives Indian agriculture. The agrarian nature of the Indian economy, the emphasis on the optimal farm productivity to meet the growing demand for food grains bodes well for the

future of the agrochemicals sector in India.

The Company is also trying to obtain more registrations for its products as also acquisition of business of some companies and all this will help in increasing the turnover and profits.

Dividend

Your Directors recommend dividend of Rs. 2/- per share of Rs. 10/- each on the equity shares of the company for the year under review. The dividend is free of tax in the hands of the recipients.

Demerger of Company's Manufacturing Business

The Board of Directors have worked out a Scheme of Arrangement for Demerger of Company's manufacturing business with Search Chem Industries Limited. The details of the scheme have already been forwarded to the members. Necessary application is made to the Gujarat High Court for approval of the scheme as per the requirement of sections 391 and 394 of the Companies Act, 1956. The said demerger will result into lot of benefit for both the companies. There will be considerable tax benefit for the merged company. The necessary effect of the demerger will be given in the books of accounts on receipt of order of the High Court of Gujarat approving the scheme.

Finance

To curtail increase in the interest cost, your Directors have taken steps to swap the Rupee borrowing into foreign currency borrowing. Apart from this, the Company is also in the process of replacing high cost borrowing with low cost borrowing. This will help in reducing the interest burden.

International Activities

During the year under review, the exports have gone up significantly and it now accounts for 55% of the total sales. The company still wants to increase its global presence. For this purpose, it has entered into strategic alliances with various companies. The company's own network of various subsidiaries and stock points helps in catering to the needs of overseas customers.

The key to success in export business is registration of company's products in different countries. The company is taking necessary steps in this direction.

Research & Development

The Company has undertaken research for developing some new products. During the year under review, it successfully came out with Sulfosulfuron, a selective herbicide. This is a very effective herbicide on wheat.

The success of the Company is mainly attributable to its strong R & D base. The Company is able to achieve a higher yield for most of its products, due to continuous research being carried out. This also helps the company to compete in the world market. At present, the R & D team of the Company is working on some new products. Once experiments give satisfactory results, the company will be able to introduce these products in the international and local markets.

Social Activities

The Company has always been in the forefront in carrying out various social activities and meeting its social obligations towards the society. The Company has concentrated on education, medical, cultural and sports activities in different parts of Gujarat, Daman, Tamil Nadu, Punjab and West Bengal. The Company also helps other local education institutions who impart computer and management training to the students.

The company also supports hospitals in Vapi and Ankleshwar in Gujarat. Due to this, excellent medical facilities are made available to the patients in these hospitals. The company has also given generous donation to the Cancer Institute in West Bengal. Help is also extended to set up a nursing college in Vapi.

The company has taken lead in environmental activities and has started effluent treatment plant in Ankleshwar. Waste management company is also set up at Vapi. Tree plantation is carried out in a big way. The company has adopted Vapi railway station which is now kept very clean and services are improved at this station to help the commuters.

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 are enclosed herewith. Consolidated accounts of the Company and its subsidiaries are also enclosed herewith.

Overall, the performance of various subsidiaries have shown improvement. It is expected that better results will be shown in the coming years.

Insurance

The Company's properties are adequately insured.

Fixed Deposits

As at 31st March 2003 the total amount of fixed deposit held by the Company was Rs. 12.63 lacs. Deposits aggregating to Rs.0.53 lacs had matured but remained unclaimed out of which deposits amounting to Rs. 0.34 lacs are repaid.

Auditors Report

The Auditors have made qualifications in their report in respect of non-provision for diminution in value of investment made in the subsidiary company namely, Search Chem Industries Limited, and for loans 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 it has attained break-even in its operations. Further, in view of the proposed scheme of Arrangement of demerger of the manufacturing division of the company with the said subsidiary, diminution in value is considered to be a temporary phenomenon.

Depository Details

As of 31st March 2003 82.45% of shares of Company are dematerialized.

Directors

During the year Mr. Arun C. Ashar , Dr. (Mrs.) Reena Ramchandran and Dr. Anil Bhatt retire by rotation and being eligible, offer themselves for reappointment.

Auditors

The Company's auditors, M/s. S.V. Ghatalia & Associates, Chartered Accountants are retiring at the ensuing Annual General Meeting. Auditors being eligible for re-appointment have expressed their willingness to continue, if reappointed. Your directors recommend their appointment for the ensuing year.

Cost Audit

The Board of Directors have appointed M/s. M. B. Ashtamker, Cost Accountants, Mumbai as Cost Auditors of the Company for conducting audit of the cost accounts maintained by the Company in respect of Insecticides for the year 2003-04.

Personnel

Industrial Relations during the period at all units of the Company were cordial and peaceful.

Environment

Protecting the environment and promoting safety occupies a position of high importance within the long term and medium term business plan. Your Company places much emphasis on its role in aiding safe and efficient operations. The Company is contributing to the environmental preservation by investing a substantial amount in pollution control equipments, incineration etc. The Company has always been taking a proactive stance on environment management and views conservation of resources as a driver of efficiency.



United Phosphorus Limited

A number of trees are grown in factory as well as surrounding area for ensuring a clean environment and enhancing beauty of places.

Conservation Of Energy and Particulars of Employees

The information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and under Section 217 (1) (E) of the said Act read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 forms part of this report. In terms of provisions of Section 219 (1) (b) (iv), the Reports and accounts are being sent to all the shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, and the Statement of particulars of employees. Interested shareholders may write to the Secretary at the registered office of the Company for a copy of the above details.

Directors Responsibility

To the best of their knowledge and belief and according to the information and explanations obtained by them from the operating management, your Directors confirm the following in terms of Section 217(2AA) of the Companies Act, 1956:

1. That in the preparation of annual accounts for the year ended 31st March, 2003, the Company has followed the applicable accounting standards along with the proper explanations relating to material departures, if any;
2. That they have selected accounting policies and applied them consistently and made judgements and estimates that are 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 of the Company for that period,
3. That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the annual accounts have been prepared on a going concern basis.

Corporate Governance

Your Directors are happy to report that, your Company has been fully compliant with the SEBI Guidelines on Corporate Governance, which have been incorporated in clause 49 of the Listing Agreement with the Stock Exchanges. The Management Discussion and Analysis report forms part of this Report. Auditor's certificate regarding compliance of the conditions of Corporate Governance as stipulated in the said clause is also attached to the report.

Listing

Company's shares are listed with (i) National Stock Exchange at Exchange Plaza, Bandra Kurla Complex, Bandra-E, Mumbai – 400 050, (ii) Bombay Stock Exchange at Phiroj Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001, and (iii) Ahmedabad Stock Exchange at Kamdhenu Complex, Nr. Polytechnic Panjara Pole, Ahmedabad – 15. There is no default in paying annual listing fees.

Acknowledgements

Your Company and its Board of Directors express their grateful appreciation for excellent assistance received from various Government departments, Consortium of Banks, Financial Institutions & Investors.

Your Directors place on record their deep appreciation of the commitment, hard work and contribution of Company's employees.

For and on behalf of the Board of Directors

R. D. SHROFF

Chairman and Managing Director

Place : Mumbai

Date: 29th April, 2003.

CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Corporate Governance

The Company's philosophy on Corporate Governance relates to providing maximum service to all its stakeholders. It wants to enhance shareholder value with best practices of corporate governance. The high standard of corporate governance is maintained by being transparent, accountable and continuous interaction with shareholders, employees, lending institutions, banks, govt. agencies and all the dealers.

The Company's products are marketed not only in India but all across the globe. The Company is therefore conscious of the fact that to achieve success very high ethical value of the management and the employees is inevitable.

The Company has constituted a share transfer committee in 1986, much before the norms of the corporate governance were codified. Compliance with the requirements of the corporate governance is, thus, a formality of the best practices already followed by the Company.

2. Board of Directors

The Board of Directors consists of 10 directors.

Composition and category of Directors is as follows :

THE CONSTITUTION OF THE BOARD OF DIRECTORS AS ON 31 ST MARCH, 2003	
Name of the Directors	Category
Mr. R. D. Shroff	Promoter & Executive Chairman
Mrs. S. R. Shroff	Promoter & Non-Executive Vice Chairman
Mr. J. R. Shroff	Promoter & Executive Director
Mr. A. C. Ashar	Non-Promoter Executive Director
Mr. K. Banerjee	Non-Promoter Executive Director
Mr. D. A. Anandpura	Non-Executive & Independent Director
Dr. (Mrs.) Reena Ramchandran	Non-Executive & Independent Director
Dr. Anil Bhatt	Non-Executive & Independent Director
Dr. P. V. Krishna	Non-Executive & Independent Director
Mr. Pradeep Goyal	Non-Executive & Independent Director

Attendance of each Director at the Board meetings, last Annual-General Meeting and Number of other Directorship and Chairmanship/ Membership of Committee of each Director in various companies :

OTHER DIRECTORSHIPS AND COMMITTEE MEMBERSHIPS

Name of the Director	Attendance Particulars		No. of other directorships and Committee member/ chairmanship		
	Board Meeting	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. R. D. Shroff	5	Yes	10	—	—
Mrs. S. R. Shroff	4	—	9	—	—
Mr. J. R. Shroff	4	—	8	—	—
Mr. A. C. Ashar	6	Yes	3	—	—
Mr. K. Banerjee	3	—	1	—	—
Mr. D. A. Anandpura	4	Yes	3	—	—
Dr. (Mrs) Reena Ramchandran	5	—	—	—	—
Dr. Anil Bhatt	5	—	1	—	—
Dr. P. V. Krishna	5	—	1	2	1
Mr. Pradeep Goyal	4	—	4	1	1