

ATUL LIMITED

AUDITED ACCOUNTS FOR THE YEAR

ENDED MARCH, 2004

ATUL LTD

27th Annual Report 2003-2004

Directors :

Mr A N Lalbhai
(Chairman)

Mr N N Wadia

Mr R A Shah

Mr G S Patel

Dr S S Baijal

Mr S S Lalbhai
(Managing Director & CEO)

Mr M R Shroff

Mr B S Mehta

Mr H S Shah

Dr H Kaiwar

Mr J L Shah
(Executive Director)

Mrs. S S Shah
(Nominee Director of ICICI Bank Ltd.-upto 31.7.2003)

Mr S A Lalbhai
(Managing Director)

Mr M K Tondon
(Nominee Director of UTI)

Mr S M Datta

Secretary :

Mr T R Gopi Kannan

Auditors :

Dalal & Shah
Chartered Accountants

Cost Auditors :

R Nanabhoy & Co

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Registered Office:

Ashoka Chambers
Rasala Marg
Ahmedabad 380 006, Gujarat
India

Head Quarters:

Atul 396020, Gujarat
India
E-Mail: sec@atul.co.in
Web Site: www.atul.co.in

Bankers :

State Bank of India
Bank of Baroda
Bank of India
Uco Bank
Karur Vysya Bank
State Bank of Saurashtra
ICICI Bank
UTI Bank

NOTICE

NOTICE is hereby given that the Twenty-Seventh Annual General Meeting of the shareholders of the Company will be held on Friday, the August 06, 2004 at 11.00 a.m. at Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad 380 006, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at March 31, 2004 and the Profit and Loss Account for the year ended on that date together with the reports of Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Bansi S Mehta, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. G S Patel, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Nusli N Wadia, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
6. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

“RESOLVED THAT Messrs Dalal & Shah, Chartered Accountants, be and they are hereby appointed as Auditors of the Company, to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting, on a remuneration of Rs15,00,000/- (Rupees fifteen lacs only) plus applicable service tax and the reimbursement of expenses incurred by them for attending to the audit work of the Company.”

By Order of the Board

T R Gopi Kannan
President, Finance &
Company Secretary

May 21, 2004

N.B.

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.
2. Printed copies of the Balance Sheet, the Profit & Loss Account, the Directors' Report, the Auditors' Report and every other document required by law to be annexed or attached to the Balance Sheet for the financial year ending March 31, 2004 are enclosed herewith.

3. **Book Closure :** The Register of Members and the Share Transfer Books of the Company will remain closed from July 01, 2004 to July 05, 2004 (both days inclusive).
4. **Distribution of Dividend :** Dividend on Equity Shares, if sanctioned by the General Meeting, shall be paid to those shareholders whose names appear on the Register of the Company as on July 01, 2004. The members are requested to notify immediately any change in address.
5. **Transfer of unclaimed dividend pursuant to Section 205A of the Companies Act, 1956 :** The Company has transferred the unclaimed dividend to Investors' Education & Protection Fund up to the financial year ended on March 31, 1996.

Transfer of unclaimed amount pursuant to Section 205C of the Companies Act, 1956: The Company has transferred into the Investors' Education & Protection Fund unpaid/unclaimed interest on debentures, unpaid/unclaimed fixed deposits and interest thereon upto the financial year ended on March 31, 1997.

6. Pursuant to the directions of SEBI vide circular No. D&CC/FITTC/ CIR – 18/ 2002 dated February 12, 2003, the Company has appointed M/s. Pinnacle Shares Registry Pvt. Limited, Near Ashoka Mills, Naroda Road, Ahmedabad 380025(Pinnacle) , as Registrar and Transfer Agents for physical and demat shares. The members are requested to deal with the aforesaid agency.
7. **Reappointment of Directors :** At the ensuing Annual General Meeting Mr. Bansi S Mehta, Mr. G S Patel and Mr. Nusli N Wadia , retire by rotation and being eligible offer themselves for reappointment. The information or details to be provided for the aforesaid Directors under the code of Corporate Governance are as under :

(a) **Mr. Bansi S Mehta** is a Director of the Company since April 16, 1992. He is a practising Chartered Accountant and is a past President of the Institute of the Chartered Accountants of India. He was involved in educational activities at the under graduate and post graduate levels at the University of Mumbai. He is a Director in the following companies : Atul Limited, Bharat Bijlee Limited, Century Enka Limited, CEAT Limited, Housing Development Finance Corporation Limited, IL&FS Investment Managers Ltd., J. B. Chemicals & Pharmaceuticals Limited, Pidilite Industries Limited, Procter & Gamble Hygiene and Health Care Limited, Varun Shipping Co. Limited, SBI Capital Markets Limited, Sudarshan Chemical Industries Ltd., The Dawn Mills Co. Ltd. and Vinyl Chemicals (India) Ltd. He is an alternate Director of the following companies : Chemetall Rai India Limited, Udhe India Limited, Sasken Communication Technologies Limited and Shaw Wallace Distilleries Limited. He is also a member of Compensation Committee of Housing Development Finance Corporation Limited and a member of Audit Committee of the following companies : Housing Development Finance Corporation Limited, Century Enka Limited, Procter & Gamble Hygiene and Health Care Limited and Atul Limited, and a Chairman of Audit Committee of the following companies : IL&FS Venture Corporation Ltd., J B Chemicals & Pharmaceuticals Ltd., Sudarshan Chemicals Ltd., Sasken Communication Technologies Ltd. and Pidilite Industries Limited.

(b) **Mr. G S Patel** is an M.A. (Economics), LL.B. (Bombay), B.Sc.(Economics) from London School of Economics and Bar at Law from Lincoln's Inn, London. He is the Former Chairman of UTI and a Director of the Company since August 10, 1983.

(c) **Mr. Nusli N Wadia**, 60, has been a director of the Company since March 22, 1978. Mr. Wadia has contributed actively in the deliberations of various organizations such as the Cotton Textiles Export Promotion Council

(TEXPROCIL), Millowners' Association (MOA), Associated Chambers of Commerce & Industry of India, etc. He is former Chairman of TEXPROCIL and also of MOA. He was appointed on the Prime Minister's Council on Trade & Industry in 1998, 1999 & 2000. He was the Convenor of the Special Group Task Force on Food and Agro Industries Management Policy in September, 1998. He was a Member of the Special Subject Group to review regulations and procedures to unshackle Indian Industry and on the Special Subject Group on Disinvestment. He has made a name for himself also in public affairs and has been actively associated with leading charitable institutions. He is also on the Managing Committee of the Nehru Centre. Directorship: The Bombay Dyeing & Mfg. Co. Ltd. (Chairman), The Bombay Burmah Trading Corporation Ltd. (Chairman), Britannia Industries Ltd.(Chairman), Wadia BSN India Ltd. (Chairman), Nowrosjee Wadia & Sons Ltd. (Chairman & Managing Director), Gherzi Eastern Ltd., Tata Iron & Steel Co. Ltd., Tata Chemicals Ltd., Tata Motors Ltd, EIH Ltd. and Atul Ltd. and in 5 foreign companies. He is also member of Remuneration Committee of The Bombay Dyeing & Mfg. Co. Ltd., EIH Ltd., Britannia Industries Ltd. and Chairman of Remuneration Committee of Tata Motors Limited. He is also Chairman of Investment Committee of Britannia Industries Limited.

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By Order of the Board

T R Gopi Kannan
President, Finance &
Company Secretary

Registered Office :
Ashoka Chambers,
Rasala Marg,
Ahmedabad - 380 006.

May 21, 2004

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Atul Limited										
A TEN YEAR REVIEW										
										(Rs in lacs)
OPERATING RESULTS:	2003-04	2002 - 03	2001 - 02	2000 - 01	1999 - 00	1998 - 99	1997 - 98	1996 - 97	1995 - 96	1994 - 95
REVENUE	60359	61865	60263	59336	53491	56776	47400	48635	42478	26206
OPERATING PROFIT (PBIDT)	5580	9890	8937	9050	7397	11372	8980	8503	5994	3986
INTEREST	2157	3293	3928	4733	4884	5209	4770	4614	2414	1422
GROSS PROFIT	3423	6597	5009	4317	2513	6163	4210	3889	3580	2564
DEPRECIATION	2728	2702	2801	2837	3016	3064	2381	2161	2086	966
TAXATION	469	489	225	5	5	235	136	207	5	32
NET PROFIT	226	3406	1983	1475	(508)	2864	1693	1521	1489	1566
DIVIDENDS	502	728	449	383	85	610	455	782	870	616
(* Inclusive of Dividend Tax)										
PROFIT RETAINED (a)	(276)	2678	1534	1168	(1495)	2202	1219	523	232	931
FINANCIAL POSITION:										(Rs in lacs)
GROSS BLOCK	66647	61026	57245	55961	55500	54873	46564	44177	40711	23082
NET BLOCK	27604	24352	22344	23697	25809	27963	26291	26252	24897	13842
NET CURRENT & OTHER ASSETS	34572	35355	37829	35719	35969	35962	32837	31114	29032	12917
CAPITAL EMPLOYED	62176	59707	60173	59416	61778	63925	59128	57366	53929	26759
EQUITY SHARE CAPITAL	2967	2967	2967	2966	2966	2966	2966	2966	2966	2593
RESERVES AND SURPLUS (b)	25557	25724	22042	23667	22502	24003	19278	18087	17627	13351
SHAREHOLDER'S EQUITY	28524	28691	25009	26633	25468	26969	22244	21053	20593	15943
PREFERENCE SHARE CAPITAL	-	-	-	100	600	600	950	950	900	-
BORROWINGS	30036	27864	32195	32682	35708	36356	35934	35363	32436	10816
PER EQUITY SHARE:										
DIVIDENDS	1.50	2.00	1.50	1.00	0.00	1.50	1.00	2.00	3.00	3.00
(*tax free)										
BOOK VALUE	96	97	84	90	86	90	75	71	69	61

Notes:

- (a) After adjusting amounts in respect of previous year/s.
(b) Including Revaluation Reserve created in 1985 Rs 776 lacs.
erstwhile Cibatul Ltd which amalgamated with the Company in the respective years.
(d) Previous years figures regrouped.

DIRECTORS' REPORT

Dear Members,

The Directors of Atul Limited present the Annual Report of the Company together with the audited Statement of Accounts for the year ended March 31, 2004.

FINANCIAL RESULTS:

	<u>2003-04</u>	<u>2002-03</u>	(Rs in lacs)
Sales and Operating Income	59398	60564	
Other Income	961	1301	
Total Revenue	60359	61865	
Profit before taxation	695	3894	
Taxation	469	489	
Profit after tax	226	3405	
Balance brought forward	8253	5319	
Transferred from			
Debenture Redemption Reserve	800	625	
Investment Allowance Reserve	-	281	

(Debits)/Credits relating to earlier years	(38)	(65)
Tax adjustments and interest on refunds	162	1066
Disposable surplus	<u>9403</u>	<u>10631</u>
Appropriation:		
Capital Redemption Reserve	-	1000
Debenture Redemption Reserve	-	250
General Reserve	58	400
Preference dividend paid	-	59
Proposed Dividend	445	593
Dividend Tax on above	57	76
Balance carried forward	<u>8843</u>	<u>8253</u>
	<u>9403</u>	<u>10631</u>

DIVIDEND:

The Directors of the Company recommend payment of dividend of Rs1.50 per share on 2,96,61,733 Equity Shares of Rs10 each fully paid up as on April 1, 2003.

PROFITABILITY:

The profitability during the year remained under severe pressure mainly due to higher raw material prices which could not be passed on to customers, lower export realisation due to a weak dollar, lower sales in some high margin product categories due to weak demand and higher amortization resulting from payment under VRS of Rs1050 lacs made during the year. However, the reduction in operating profit was partly offset by lower interest costs resulting from a lower average interest rate. The result of all these factors was that the profit before tax before non-recurring items drastically reduced from Rs3496 lacs to Rs695 lacs.

FINANCE:

The Company continued to access low cost funds, to lower its overall interest cost. The Interest and finance charges (net) during the year amounted to Rs2157 lacs compared to Rs3293 lacs during the previous year, a decrease of 32%. As a result, the net interest cost fell to 3.6% of sales, down from 5.4% in 2002-03. During the year, the Company curbed interest cost further by pre-paying high cost loans (without pre-payment penalty), raising loans in foreign currency, substitution of high cost loans and enhanced utilization of concessional export credits from Banks. The Company is endeavouring bring down these costs further.

Loans borrowed during the year were used for the purposes stated.

The Board wishes to thank the Banks and Financial institutions for their continued support in meeting various long-term and short-term fund requirements.

INSURANCE:

The Company has taken adequate insurance to cover the risks to its assets, profits, employees and third parties based on risk study.

RESEARCH & DEVELOPMENT:

The in-house R&D work was targeted towards timely development of efficient and environmentally sound processes for manufacturing high value fine chemicals, high performance agrochemicals and speciality dyes and dye intermediates. A number of existing processes were revamped so as to improve productivity, yield and quality and enhance solvent recovery. R&D efforts were also targeted towards reducing effluent loads. Interaction with CSIR laboratories was stepped up and some CSIR technologies are at an advanced stage of development and validation.

SAFETY, HEALTH AND ENVIRONMENT:

The Company progressed further on its various initiatives. The overall injuries declined further all around. This was made possible with a well structured and focused campaign. The Company received awards from Gujarat Safety Council, with “site West” receiving a rotating shield for the lowest disabling injury index and a certificate of honor for completing 3 million man-hours without a loss time injury. Some of the employees also received state level awards (Shram Bushan and Shram Shri) from the Gujarat State Government for their contribution during plant emergencies in the past years.

On the Environment front, the efforts of the Company in setting up an Environmental Management System (EMS) with a thrust on improvement yielded good results – AG, BI, PI, PO divisions and IA & RE units were awarded the ISO 14001 certification by BVQI. The EMS implemented in these areas focuses on specific improvement plans with a goal to achieve sustainable development. Preparatory work in the remaining areas is currently underway.

The directors are pleased to state that the Company received the Environmental Clearance from Ministry of Environment & Forests, Govt. of India, for its proposed expansion projects and actions have been initiated to realize them. During the year, more saplings were planted to further expand the greenbelt cover around the campus. The arrival of increasing number of migratory birds during the last year’s breeding season is a testimony of the good environmental standards around Atul Campus.

DIRECTORS:

According to Article 134 of the Articles of Association of the Company, Mr. Bansi S Mehta, Mr. G S Patel and Mr. Nusli N Wadia retire by rotation and being eligible offer themselves for reappointment.

CORPORATE GOVERNANCE:

A Report on Corporate Governance along with a Report from the Auditors of the Company regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is annexed.

INFORMATION REGARDING CONSERVATION OF ENERGY ETC, EMPLOYEES AND SUBSIDIARIES

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv), the Report and Accounts are being sent to all 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. Any shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

The Company has four wholly owned subsidiaries namely, Ameer Trading Corporation Limited, Atul Deutschland GmbH, Atul Americas Inc. and Atul Europe Limited. The Company has got exemption from attaching the details as provided under Section 212(1) of the Companies Act, 1956 in respect of the subsidiaries.

However, the investors may seek the copies of the annual reports and related detailed information of the subsidiaries by writing to the Company Secretary at the registered office of the Company.

RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:
(iii) in the preparation of the annual accounts, the applicable accounting standards have been followed;

(iv) Such accounting policies have been selected and applied consistently and such judgements and estimates have been made as are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2004 and of the profit of the Company for the year ended on that date.

(v) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(vi) The attached annual accounts for the year ended March 31, 2004 have been prepared on a going concern basis.

AUDITORS AND AUDITORS' REPORT:

Dalal & Shah, the Auditors of the Company, will retire at the conclusion of the ensuing Annual General Meeting. They have given their consent to continue to act as Auditors of the Company for the current year, if reappointed. Members are requested to reappoint them and fix their remuneration.

The relevant notes forming part of the accounts are self-explanatory and give full information and explanation in respect of the observations made by the Auditors in their Report.

ACKNOWLEDGEMENT:

The directors express their sincere thanks to all customers, employees, lenders and suppliers for their continuing support.

For and on behalf of the Board of Directors

Arvind N Lalbhai
Chairman

Mumbai
May 21, 2004

Management Discussion and Analysis

Overview

After six years of consistent improvement, in 2003-04 the performance of the Company was adversely affected. While the decline in sales was only of the order of 2%, the fall in PBT from operations was quite steep at 80%. The main reasons for the decline in performance are higher input prices, little scope for increasing prices of finished goods, lower export realisation due to a weak dollar and weak demand. Growth in profitability in future will depend on cost competitiveness, ability to deliver good value and superior customer relationship management. The Company embarked on several initiatives to secure the future. Three projects were successfully commissioned during the year whose benefits will accrue from 2004-05. These are production of pharma intermediates, technology upgradation and capacity expansion of para cresol and distillation facility for Agrochemicals. These projects will on the one hand reduce variable cost significantly and on the other hand launch high-value, high-margin products. Breakthrough was achieved

to stabilize two other projects for manufacture of intermediates which when successfully completed will add significantly to the top and bottom lines. The Company further significantly reduced its interest cost and rationalized its manpower. On the whole, though marred by a weak performance, the year witnessed sustained efforts towards future consolidation and growth.

1) Segment: COLORS

a) Industry structure and developments

Global dyes market continued to reel under pressure of over-supply (excess capacity) during 2003-04. The major end-user segment of textiles continued to be increasingly demanding on price competitiveness with its obvious impact on the prices of the dyes. Customers continued to look for value added products with reduced per kg cost of the dyed substrate. Trend of the shift of the market from the countries in the West to those in the East continued in 2003-04. China and other Asian countries increased their influence and gained further shares in the manufacture and consumption of dyes.

Currency was volatile during 2003-04 with Euro gaining and USD weakening significantly. The fluctuations in the price of the cotton fibre were significant and affected the operations of the textile units adversely.

b) Review of Operations

Softening of selling prices and weak demand in some high-margin product groups coupled with a weak US dollar adversely affected sales and profitability.

c) Opportunities and threats

With the withdrawal of quota restrictions under the WTO Agreement for global textile trade, the manufacturing activity in India is expected to go up manifold. The major threat is competition from China. Other countries like Bangladesh, Sri Lanka, Kenya, Turkey and East European countries are also likely to make a dent in India's aspirations. Support from the Government in terms of policies and infrastructure (especially for the Processing Sector) will play a key role in the Indian entrepreneurs' efforts to compete on the global scale.

d) Risks and concerns

Pressure on pricing is potential in view of the end-customers endeavouring to be globally competitive. With import duties going down, imports will be sizeable, and hence competition from MNCs as well as Chinese/Korean dyes suppliers may increase.

e) Outlook

Dismantling of quota restrictions may lead to a major growth particularly in the organised sector. The Company will endeavour to get a good share of this growth through attainment of lower costs and better technical services.

2) Segment: Speciality and Other Chemicals

a) Industry Structure and Developments

The global market for conventional crop protection products (excluding sales of herbicide tolerant and insect resistant seeds) used in 2003 increased by 6.2% to US\$ 26 billion.

The major markets for Aromatics range of specialities are sunscreens, bulk drugs, antioxidants and flavours & fragrance (F&F). Generally there is a steady growth in the user industries and manufacture is shifting to Asia, particularly China and India.

The bulk chemicals and intermediate Industry had mixed fortunes; while caustic/chlorine had a stable demand, CSA had a downturn and the demand for intermediates remained steady.

The Epoxy business remains highly competitive and fragmented. The global demand started picking up only in the second half of the year. The supply remains far in excess of demand. The Formaldehyde business is also very fragmented with a number of large and small scale manufacturers. The price of Methanol which is a major input went up to an unprecedented level resulting in pressure on margins.

Despite rapid growth, there was pressure on the Indian Pharma Industry due to overcapacity and the impending implementation of product patents by 2005.

a) Review of Operations

Sale of Agrochemicals grew by over 20% and efficiency of operations also improved in this group of specialities. However, increase in price of a key material, phenol, blunted profitability. A new product under the brand "Convo" was launched in November, 2003 in the wheat market in North India. The product has been very well received by the farmers.

In the case of Aromatics, though volumes grew, an unprecedented increase in petrochemical prices particularly toluene and methanol affected profitability. The first phase of the new 10,000 tpa para cresol plant has been commissioned and the second phase will be commissioned in the first quarter of 2004-05.

Lower demand and lower prices of some products affected the profitability of bulk chemicals and intermediates.

Exports of epoxies increased through customization of products and superior customer relationship management. However, higher input costs affected profitability.

A new pharma intermediates facility was commissioned towards the end of 2003 and its activities are being streamlined. Several key customers have been supplied trial batches of their products and regular business from these customers is expected to start by the middle of 2004.

b) Opportunities and threats

Agrochemical markets are expected to grow steadily in the next few years and present an opportunity to launch new products both in the domestic and international markets.

Steady growth in the sunscreen market and personal care industries and antioxidant market will help the growth of the volumes of aromatics; however the competition is likely to be severe and will further intensify given the emerging opportunities.

The automobile and electronic sectors are witnessing growth and this affords an opportunity for the newer intermediates business segment.

Free trade agreements with various countries could put pressure on the Epoxy price and margins.

c) Risks & Concerns

Given the large exports, if US dollar continues to weaken, it would be a matter of concern. Volatility in prices of key raw materials and overcapacity in some product groups (which results in severe competition) are the other major risks and concerns.

d) Outlook

Though volatile raw material prices and US dollar exchange rate are of great concern, the new projects which have been recently commissioned described elsewhere in this Report and the new value-added products to be launched will enhance product mix and competitiveness. Barring unforeseen circumstances, the sales and profitability will significantly improve.

Social Responsibilities

The Company spearheaded a number of socio-economical development programmes for upliftment of the communities mainly in the areas of community health, education, infrastructure development, etc. In community health, thrust was given on eye care and health awareness. The Company organized free EYE CAMPS at 11 villages where 2500 elderly poor were examined, 1500 spectacles provided and 260 cataract operations successfully performed in a city eye hospital. Eye care awareness classes with primary vision test were conducted in 13 schools covering about 8000 students. Health awareness of adolescent children and nutrition training programmes were carried out in 11 schools and 1100 students attended these programmes. To ensure that the school children drink pure water, the company has undertaken construction of RAIN WATER HARVESTING SYSTEM (RWHS) at primary schools in rural areas and already completed and commissioned RWHS in 3 primary schools. More RWHS are under construction. The Company organized science education classes and exhibitions in 20 schools and distributed 10,000 notebooks, slates, pens, pencils, etc. to 38 primary schools and Balwadis. The Company also carried out upgradation of village roads, repairs/modifications of school buildings, street lighting, new cremation facility, upgradation of public water supply network, borewell facilities, etc. at Haria, Umarsadi, Magod Dungri and other surrounding villages.

Internal Control System

The Company has developed over the years and put in place a strong and dynamic internal control system for safeguarding the assets of the Company and to prevent and detect fraud or any other irregularity. The Company has an adequate and independent internal audit department comprising qualified professionals. The internal audit department, as a part of their audit programme, reviews the adequacy of the internal control system periodically as well as checks for compliance with the laid down policy and procedures by the operating Units. The internal control system and the reports of the internal audit department are reviewed by the Audit Committee.

Human Resources

Human Resources continue to be the focus of the Company to enhance the value delivered to the stakeholders. The Human Resources management team has been further strengthened. The new Performance Management System is in place and will encourage good performance through suitable rewards for delivery of performance.

Continuous training and development of Human Resources is a standard practice in the Company. Employees at all levels, based on specific needs, are exposed to modern methods. Kaizen, a work place improvement technique, has been learnt and implemented in the Company. The Company is now using IT to administer training and also track the needs, delivery and follow up of development inputs. 3271 mandays of training was imparted during the year.

The Company continues to attract excellent talent to further its business interests. The Management Trainee Scheme is attracting interest from reputed institutes.

Manpower strength as on March 31, 2004 is 3949.

Industrial Relations continue to be cordial. The wage settlement discussions at Atul complex were concluded.

PS: Statements in this Report of projections, estimates, expectations or predictions are based on certain assumptions. The Company cannot guarantee that these assumptions are accurate or will be realised. The actual results, performance or achievements of the Company could thus differ materially from those projected or estimated.

REPORT ON CORPORATE GOVERNANCE

1) **A brief statement on Company's philosophy on code of governance:**

The Mission statement of the Company includes creation of wealth for all its stakeholders and the Company firmly believes that only good Governance will generate value on a sustained basis to all its stakeholders. Corporate Governance primarily concerns transparency, full disclosure of facts, independence of Board and fair play with all stakeholders. The Company will endeavour to constantly comply with and to continuously improve aspects with an overall view to earn the trust and respect of the Members, lenders and other stakeholders.

2) **Board of Directors :**

Composition and category of directors:

The Board of Directors comprises **fourteen** members, consisting of nine Non- executive Directors, **three** Promoter Directors, **one** Executive Director and **one** Nominee Director. Non-executive Directors account for 64% of the Board's Strength as against minimum requirement of 50% as per the listing agreement. Non-executive Directors are eminent professionals, drawn from amongst persons with experience in business & industry, finance, law & public enter

(i) Attendance of each director at the Board of Directors Meetings and the last Annual General Meeting :

Sr. No.	Name of Director & Designation	Board Meetings held during 2003-04		Annual General Meeting on Dt. 06-08-2003
		Total	Attended	
1.	Mr. Arvind Narottam Lalbhai (Chairman)	7	6	Present
2.	Mr. Sunil S Lalbhai (Managing Director & CEO)	7	7	Present
3.	Mr. Nusli N Wadia (Director)	7	-	
4.	Mr. R A Shah (Director)	7	5	
5.	Mr. G S Patel (Director)	7	5	Present
6.	Dr. S S Bajjal (Director)	7	6	Present
7.	Mr. Manu R Shroff (Director)	7	6	Present
8.	Mr. Bansi S Mehta (Director)	7	7	
9.	Mr. Hasmukh S Shah (Director)	7	5	Present
10.	Dr. H. Kaiwar (Director)	7	7	Present
11.	Mrs. Shalini S Shah (Nominee Director of ICICI Bank Limited - Upto 31.07.2003)	2	1	
12.	Mr. J L Shah (Executive Director)	7	7	Present
13.	Mr. Samveg A Lalbhai	7	6	Present

	(Managing Director)			
14.	Mr. M K Tandon (Nominee Director of Unit Trust of India)	7	7	
15.	Mr. S M Datta (Director)	7	7	Present

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(ii) Number of other Board of Directors or Board Committees he is a member or Chairperson of :

Sr. No.	Name of the Directors	Category	No. of other Directorships held	No. of membership/ chairmanship on the Committee(s) of the Board
1.	Mr. Arvind Narottam Lalbhai (Chairman)	Promoter	8	1/-
2.	Mr. Sunil S Lalbhai (Managing Director & CEO)	Promoter	3	5/-
3.	Mr. Nusli N Wadia (Director)	Non Executive/ Independent	15	3/2
4.	Mr. R A Shah (Director)	Non Executive/ Independent	15	6/4
5.	Mr. G S Patel (Director)	Non Executive/ Independent	NIL	1/1
6.	Dr. S S Bajjal (Director)	Non Executive/ Independent	7	4/5
7.	Mr. Manu R Shroff (Director)	Non Executive/ Independent	3	3/2
8.	Mr. Bansi S Mehta (Director)	Non Executive/ Independent	14	5/5
9.	Mr. Hasmukh S Shah (Director)	Non Executive/ Independent	10	3/2
10.	Dr. H. Kaiwar (Director)	Non Executive/ Independent	2	1/-
11.	Mr. J L Shah (Executive Director)	Executive	3	1/1
12.	Mr. Samveg A Lalbhai (Managing Director)	Promoter	11	-/1
13.	Mr. M K Tandon (Nominee Director of Unit Trust of India)	Nominee	4	1/1
14.	Mr. S M Datta (Director)	Non Executive/ Independent	12	5/5

(iii) Number of Board of Directors meetings held, dates on which held:

Seven Meetings of the Board of Directors were held on (1) 26.05.03 (2) 28.07.03 (3) 26.09.03 (4) 29.10.03 (5) 15.12.03 (6) 27.01.04 and (7) 26.03.04.

3) Audit Committee :

A) Brief description of terms of reference

- i) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- ii) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for audit services.

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iii) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on :

- a) Any changes in accounting policies and practices.
- b) Major accounting entries based on exercise of judgement by the management.
- c) Qualifications in draft audit report.
- d) Significant adjustments arising out of audit.
- e) The going concern assumption.
- f) Compliance with accounting standards.
- g) Compliance with stock exchange and legal requirements concerning financial statements.
- h) Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict

with the interest of the company at large.

- (iv) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- (v) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the heading the department, reporting structure coverage and frequency of internal audit.
- (vi) Discussions with internal auditors on any significant findings and follow up thereon.
- (vii) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or of internal control systems of a material nature and reporting the matter to the Board.
- (viii) Discussions with external auditors before the audit commences regarding nature and scope of the audit as well as to have post-audit discussion ascertain any area of concern.
- (ix) Reviewing the company's financial and risk management policies.
- (x) To look into the reasons for substantial defaults, if any in the payment to the depositors, debenture holders, shareholders (in case of non-pay declared dividends) and creditors.
- (xi) To discuss with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and re half-yearly and annual financial statements before submission to the Board.
- (xii) To ensure compliance of internal control systems.

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B) Composition, name of members and Chairperson:

Chair person- Dr. S S Baijal, other members: Mr. Manu R Shroff, Mr. Bansi S Mehta and Mrs. Shalini S Shah(Upto 31-7-03).

All the members of the Audit Committee are Non- executive Directors.

A) Meetings and attendance during the year :

Sr. No.	Name of Director & Designation	Audit Committee Meetings	
		Total	Attended
1.	Dr. S S Baijal (Director)	6	5
2.	Mr. Manu R Shroff (Director)	6	5
3.	Mr. Bansi S Mehta (Director)	6	6
4.	Mrs. Shalini S Shah (Nominee Director of ICICI Bank Limited-Upto 31-07-03)	2	1

The Board of Directors notes the Minutes of the Audit Committee Meetings at first following Board Meetings.

4) Remuneration Committee :

- (i) Brief description of terms of reference, Composition, name of members and Chairperson, Attendance during the year, Remuneration policy:
 - (A) The Remuneration Committee shall determine on behalf of the Board and on behalf of the shareholders policy of the Company on specific remuneration packages for executive directors including pension rights and any compensation payment. The Committee shall determine the remuneration packages of the executive directors.
 - (B) Composition, name of members and Chairperson:
Chair person- Mr. Hasmukh S Shah, other members: Mr. G S Patel and Dr. S S Baijal.
All the members of the Remuneration Committee are Non- executive Directors
 - (C) Meetings and attendance during the year : No meeting held during the year.
 - (D) Remuneration Policy : The Remuneration Committee determines the remuneration of Executive Directors based on individual performance, qualifications and experience, Company performance, Comparable Industry practices etc.

(ii) Details of remuneration to all the directors, as per format in main report:

Sr. No.	Name of the Directors	Remuneration for 2003-2004			
		Sitting fees Rs.	Salary & perks Rs.	Commission Rs.	Total Rs.
1.	Mr. Arvind Narottam Lalbhai (Chairman)	30,000/-	--	68,117/-	98,117/-

2..	Mr. Sunil S Lalbhai (Managing Director & CEO)	-	30,50,983/-	-	30,50,983/-
3.	Mr. Nusli N Wadia (Director)	NIL	--	68,117/-	68,117/-
4.	Mr. R A Shah (Director)	27,000/-	--	68,117/-	95,117/-
5.	Mr. G S Patel (Director)	28,000/-	--	68,117/-	96,117/-
6.	Dr. S S Bajjal (Director)	57,000/-	--	68,117/-	1,25,117/-
7.	Mr. Manu R Shroff (Director)	55,000/-	--	68,117/-	1,23,117/-
8.	Mr. Bansi S Mehta (Director)	67,000/-	--	68,117/-	1,35,117/-
9.	Mr. Hasmukh S Shah (Director)	25,000/-	--	68,117/-	93,117/-
10.	Dr. H. Kaiwar (Director)	39,000/-	--	68,117/-	1,07,117/-
11.	Mrs. Shalini S Shah (Nominee Director of ICICI Bank Limited)	10,000/-		22,713/-	32,713/-
12.	Mr. J L Shah (Director)	-	22,48,752/-	-	22,48,752/-
13.	Mr. Samveg A Lalbhai (Managing Director)	-	22,54,306/-	-	22,54,306
14.	Mr. M K Tandon (Nominee Director of Unit Trust of India)	35,000/-	--	68,117/-	1,03,117/-
15.	Mr. S M Datta (Director)	35,000/-	--	68,117/-	1,03,117/-

5) **Disinvestment Committee :**

Brief description of terms of reference, Composition, name of members and Chairperson, Attendance during the year :

- (A) The Disinvestment Committee shall review Investments of the Company. The Committee shall also decide on whether to the current Investments or to sell the same at a prevailing good market price.
- (B) Composition, name of members and Chairperson:
Chair person- Mr. R A Shah, other members: Mr. Bansi S Mehta, Dr. S S Bajjal and Mr. Sunil S Lalbhai.
- (C) Meetings and attendance during the year ..

Sr. No.	Name of Director & Designation	Disinvestment Committee Meetings	
		Total	Attended
1.	Mr R A Shah (Director)	1	1
2.	Mr. Bansi S Mehta (Director)	1	1
3.	Dr. S S Bajjal (Director)	1	1
4	Mr Sunil S Lalbhai (Managing Director & CEO)	1	1

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- (D) Disinvestment Policy: The Disinvestment Committee reviews the existing investments of the Company based on market information, comp performance, comparable industry performance and future prospects of the companies.

6) **Share transfer and Shareholder / Investor grievance Committee :**

- i) Name of non-executive director heading the committee: Mr. G S Patel
- ii) Name of members: Mr. G S Patel, Mr. Sunil S Lalbhai, and Dr. H Kaiwar
- iii) Name and designation of compliance officer: Mr. T R Gopi Kannan, President, Finance & Company Secretary.
- iv) Meetings and attendance during the year :

Sr. No.	Name of Director & Designation	Share transfer and Shareholder / Investor grievance Committee Meetings	
		Total	Attended
1.	Mr. G S Patel (Director)	4	3
2.	Mr. Sunil S Lalbhai (Managing Director & CEO)	4	4
3.	Dr. H. Kaiwar (Director)	4	4

- v) Number of shareholder complaints received so far : 12
- vi) Number not solved to the satisfaction of shareholders : NIL
- vii) Number of pending share transfers : NIL

7) **General Body Meetings :**

i) Location and time, where last three AGMs held:

Financial Year	Location	Date	Time
2000-2001	Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.	August 8, 2001	11.00 a.m.
2001-2002	Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.	August 7, 2002	11.00 a.m.
2002-2003	Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.	August 6, 2003	11.00 a.m.

Special resolution moved at the last AGM was passed by show of hands by requisite majority of members attending the meeting.

- ii) Whether special resolutions were put through postal ballot exercise, details of voting pattern, person who conducted the postal ballot exercise postal ballot had to be conducted.
- iii) Are proposed to be conducted through postal ballot : Not Applicable
- iv) Procedure for postal ballot : Not applicable.

8) Disclosures :

i) Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors, management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large : NIL

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ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority matter related to capital markets, during the last three years : NIL

9) Means of communication :

Half-yearly report sent to each household of shareholders.	No
Quarterly and half-yearly results.	Financial results of the Company are sent to the Stock Exchanges immediately after the Board approves. Published in The Economic Times, Ahmedabad Edition and The Jai Hind (Gujarati), Ahmedabad Edition. The results are published in accordance with the guidelines of Stock Exchanges.
Any website, where displayed	On the web-site of the Company : www.atul.co.in On the web-site of SEBI: www.sebidifar.nic.in
Whether it also displays official news releases	No – proposed to start this.
The presentations made to institutional investors or to the analysts	No – proposed to start this.
Whether MD&A is a part of annual report or not	Yes.

10) General Shareholder information :

i) Annual General Meeting :

- Date and time: 27th Annual General Meeting, Date : August 06, 2004 at 11.00 a.m.
- Venue: Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.

As required under Clause 49VI(A), particulars of Directors seeking reappointment are given in the Notice of the Annual General Meeting to be held on August 06, 2004.

ii) Financial Calendar : April 1 to March 31.

iii) Date of Book closure : July 01, 2004 to July 05, 2004

iv) Dividend Payment Date : August 11, 2004

v) Listing on Stock Exchanges: Ahmedabad, Mumbai and National Stock Exchange.

The Company has paid listing fees for the financial year 2004-05 to all the Stock Exchanges where securities are listed. The ISIN No. of the Company Share is **INE100A01010**

vi) Stock Code : Ahmedabad – 06240, Mumbai –500027

vii) Market Price Data : High, Low during each month in last financial year.

viii) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.

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Month	Share Price of Atul Limited		BSE Sensex	
	High(Rs)	Low (Rs)	High	Low
April, 2003	32.50	28.05	3215.24	2924.03
May, 2003	43.50	30.60	3180.75	2942.78
June, 2003	57.30	39.00	3607.13	3181.97
July, 2003	64.15	47.00	3792.61	3554.13
August, 2003	51.00	42.00	4244.73	3741.66
September, 2003	49.85	40.60	4453.24	4134.15
October, 2003	49.60	37.65	4930.53	4455.08
November, 2003	57.20	36.65	5097.84	4771.23

December, 2003	73.50	52.10	5838.96	5131.54
January, 2004	69.75	43.60	6194.11	5593.74
February, 2004	50.55	37.25	6035.80	5567.12
March, 2004	40.00	31.05	5935.19	5365.40

ix) Registrar and Transfer Agents : For physical and Demat shares : Pinnacle Share Registry Private Ltd.
Near Ashoka Mills, Naroda Road, Ahmedabad – 380 022.

x) Share Transfer System :

- Securities lodged for transfer at the Registrar's address are processed within 30 days from the date of lodgement, if the documents are clear and correct. All requests for dematerialisation of securities are processed and the confirmation is given to the depositories within 21 days. The Company also offers transfer-cum-demat facility for the convenience of the investors.
- Pursuant to clause 45(c) and 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half-yearly basis have been issued by the Company Secretary in Practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary in Practice for timely dematerialisation of the share certificates by the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.

xi) Distribution of shareholding as on March 31, 2004.

Sr. No.	Category	No. of shares	Percentage of shareholding
1.	Promoters	1,06,03,181	35.747
2.	Mutual Funds & Administrator of the Specified Undertaking of Unit Trust of India	20,38,004	6.871
3.	Banks, Financial Institutions, Insurance Companies etc.	48,88,301	16.480
4.	Foreign Institutional Investors (FIIS)	11,300	0.038
5.	Private Corporate Bodies	36,30,417	12.239
6.	NRIs / OCBs	58,874	0.199
7.	State Government	-	-
8.	Indian Public	84,31,656	28.426
	TOTAL :	2,96,61,733	100.000

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i) Dematerialization of shares and liquidity: Electronic holding by Members comprising 89.12% of the paid up Equity Share Capital of the Company through the National Securities Depository Limited (84.77%) and Central Depository Services (India) Limited (4.35%) and 10.88% are in physical form as on 31.3.2004.

Shareholders holding shares in electronic form may please note that :

- i) Instructions regarding bank details which they wish to incorporate in future dividend warrants must be submitted to their Depository Participant (DP). As per the regulations of NSDL and CDSL, the Company is obliged to print bank details on the dividend warrants, as furnished to the depositories to the Company.
- ii) Instructions already given by the shareholders for shares held in physical form will not be automatically applicable to the dividend warrants held in electronic form.
- iii) Instructions regarding change of address, nomination and power of attorney should be given directly to the DP.

ii) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity : Nil.

iii) Plant Locations: (1) Atul, Dist. Valsad, Gujarat and (2) Ankleshwar, Dist. Bharuch, Gujarat.

iv) Address for correspondence: Secretarial & Legal Department, P.O.: Atul-396020,
Dist. Valsad, Gujarat. E-mail : sec@atul.co.in

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TO THE MEMBERS

We have examined the compliance of the conditions of Corporate Governance by Atul Limited for the year ended 31st March, 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company, with the stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that there were no investor grievances remaining unattended / pending for a period exceeding one month, against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For and on behalf of Dalal & Shah,
Chartered Accountants

Mumbai
May 21, 2004

B R SHAH
Partner
Membership No. 5806

AUDITOR'S CERTIFICATE

To,
The Board of Directors
ATUL LTD
Post: Atul 396 020
Dist. Valsad (Gujarat)

Dear Sirs,

We have examined the attached Cash Flow Statement of ATUL LIMITED for the year ended 31st March 2004. The Statement has been prepared by the Company in accordance with the requirement of Clause 32 of the Listing Agreement with Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and the Balance Sheet of the Company for the year ended 31st March 2004, covered by our report of 21st May 2004 to the Members of the Company.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Mumbai
May 21,2004

B R SHAH
Partner

ATUL LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of Atul Limited as at 31st March, 2004 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 2) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - 3) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - 4) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - 5) On the basis of written representations received from the Directors, as on 31st March, 2004, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - 6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
 - (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- (c) In the case of the Cash Flow Statement of the Cash Flows for the year ended on that date;

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and in terms of the information and explanations given to us and on the basis of such checks as we considered appropriate, we further state that:

- i. (a) The Company has generally maintained proper records showing particulars including quantitative details and situation of fixed assets;**
- (b) As explained to us, fixed assets, according to the practice of the Company, are physically verified by the management at reasonable intervals, in a phased verification-programme, which, in our opinion, is reasonable, looking to the size of the Company and the nature of its business. According to the information and explanations given to us, discrepancies noticed on physical verification have been adjusted in the books of account;**
- (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status;**

- ii. (a) As explained to us, inventories have been physically verified during the year by the management, except for inventories lying with outside parties, which have, however, been confirmed by them;
- (b) The procedures explained to us, which are followed by the management for physical verification of inventories, are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) on the basis of our examination of the inventory records of the Company, we are of the opinion that, the Company is maintaining proper records of its inventory. Discrepancies which were noticed on physical verification of inventory as compared to book records, have been properly dealt with in the books of account;
- iii. (a) According to the information and explanations given to us, the Company has taken unsecured loan (in the nature of fixed deposits) from four parties listed in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 9.82 lacs and the year end balance of loan taken from such parties was Rs 9.82 lacs. The Company has not taken any loan, secured or unsecured, from the companies and firms covered in the register maintained under Section 301 of the Act. The Company has not granted any loan, secured or unsecured, to the companies, firms or other parties covered in the register maintained under section 301 of the Act;
- (b) In our opinion, the rate of interest and other terms and conditions on which loan has been taken from the parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima-facie, prejudicial to the interest of the company;
- (c) The Company is regular in repaying the principal amounts as stipulated and have been regular in the payment of interest;
- (d) There is no over due amount of loans taken from the parties listed in the register maintained under section 301 of the Companies Act, 1956;
- iv. In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods. During the course of our previous assessment, no major weakness in internal control, had come to our notice;
- v. (a) on the basis of the audit procedures performed by us, and according to the information, explanations and representations given to us, we are of the opinion that, the transactions in which directors were interested and which were required to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been so entered;
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at that time;
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, and its Rules, and also the directives of Reserve Bank of India. Since the Company has not defaulted in repayments of deposits, compliance of Section 58AA or obtaining any order from the National Company Law Tribunal does not arise;
- vii. In our opinion the company has an adequate internal audit system commensurate with the size of the company and the nature of its business;

- viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the Company's products to which the said rules are made applicable, and are of the opinion that, prima-facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate;
- ix. (a) According to the records of the Company, it has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Custom Duty, Excise Duty, Cess and other statutory Dues with the appropriate authorities, according to the explanation given to us there are no arrears of statutory due which has remain outstanding at the last date of financial year, for a period of more than six month from the date they became payable;
- (b) According to the information and explanations given to us and on the basis of our examination of the documents and records the disputed statutory dues which have not been deposited with the appropriate authorities are as under;

Nature of Statute	Nature of Dues	Period to which amount relates	Amount Rs in lacs	Forum where dispute is pending
The Central Excise Act, 1944	Central Excise	1995-96 to 2003-04	60.58	Joint Commissioner
		1995-96 to 2000-01	83.53	Commissioner (Appeals)
		1986 to 1998	1267.28	Customs, Excise & Service Tax Appellate Tribunal
		1991-1992	2.20	Gujarat High Court
		1997-2000	70.23	Settlement Commission
	TOTAL :		1483.82	
The Customs Act, 1962	Customs Duty	1994 to 1998	60.12	Commissioner (Appeals)
		1993-94	98.32	Customs, Excise & Service Tax Appellate Tribunal
	TOTAL :		158.44	
The Income Tax Act, 1961	Income Tax	2000-01	485.25	Commissioner of Income-tax (Appeals)
	TOTAL :		485.25	
The Wealth Tax Act, 1957	Wealth Tax	1996-97	1.60	Commissioner of Wealth-tax (Appeals)
	TOTAL :		1.60	
Gujarat Sales Tax Act, 1969	Sales Tax	1998-99	12.14	Gujarat Sales Tax Tribunal, Ahmedabad
	TOTAL :		12.14	

- x. The Company has neither accumulated losses at the end of the financial year nor has it incurred cash losses, both, in the financial year under report and in the immediately preceding financial year;
- xi. On the basis of the records examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks, or debenture holders;
 - i. As explained to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or any other securities;
 - ii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company;
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments;
- xv. According to information and explanations given to us, and the representations made by the management, the Company has not given any guarantee for loans taken by others from any bank or financial institution;
- xvi. On the basis of the records examined by us, and relying on the information compiled by the Company for co-relating the funds raised to the end use of term loans, we have to state that, the Company has, prima-facie, applied the term loans for the purposes for which they were obtained;
- xvii. According to the information and explanations given to us and on an overall examination of the Financial Statements of the Company and after placing reliance on the reasonable assumptions made by the Company for classification of long term and short term usages of funds, we are of the opinion that, prima-facie, as at the close of the year, long term funds amounting to Rs. 15178.34 lacs have been utilized for short term purposes, including Rs 2786.21 lacs relating to utilization during the year;
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956;
- xvix. On the basis of the records and documents examined by us, the Company has not issued any secured debentures during the year;
- xx. The Company has not raised any money by public issue, during the year;
- xxi. According to the information and explanations given to us, and to the best of our knowledge and belief, no fraud on or by the Company, has been noticed or reported by the Company during the year;

For and on behalf of DALAL & SHAH
Chartered Accountants

B R Shah

Partner

Mumbai
21st May, 2004

Membership No 5806

SCHEDULE 1 TO 19 ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

		(Rs in lacs)	
		As at	
		31.03.2003	
		Rs	Rs
SCHEDULE - 1 - SHARE CAPITAL:			
Authorised:			
8000000	Cumulative Redeemable Preference Shares of Rs 100/- each	8000.00	8000.00
80000000	Equity Shares of Rs 10/- each	8000.00	8000.00
		<u>16000.00</u>	<u>16000.00</u>
Issued:			
29691780	Equity Shares of Rs 10/- each	2969.18	2969.18
		<u>2969.18</u>	<u>2969.18</u>
Subscribed:			
29661733	Equity Shares of Rs 10/- each fully paid	2966.17	2966.17
	Add: Forfeited shares (amount paid-up)	1.31	1.31
		<u>2967.48</u>	<u>2967.48</u>

Notes:

- 1 Rs 35860000/- consisting of 3586000 Equity Shares of Rs 10/- each stands reduced to Rs 3586000/- consisting of 358600 Equity Shares of Rs 10/- each on reduction and consolidation of said paid up capital as confirmed by the High Court of Gujarat as per its Order dated 20th August, 1988.
- 2 7500000 Equity Shares are issued to the Shareholders of erstwhile The Atul Product Limited, pursuant to Amalgamation scheme sanctioned by the High Court of Gujarat as per its order dated 20th August, 1988.
- 3 Of the above Equity Shares 1964650 Shares are issued as fully paid-up Bonus shares by way of capitalisation of Reserves.
- 4 Of the above Equity Shares 3809310 shares are issued as fully paid-up Shares on Conversion of 12.5% Fully Convertible Secured Debentures of Rs 120/- each.
- 5 Of the above Equity Shares 11028893 Shares are issued as fully paid-up on conversion of 14% Fully Convertible Secured Debentures of Rs 180/- each per Debenture.

SCHEDULE - 2 - RESERVES AND SURPLUS:

			(Rs in lacs)
			As at
			31.03.2003
	Rs	Rs	Rs
Capital Redemption Reserve Account:			
As per last Account	2360.00		1360.00
Add: Set aside this year	<u>-</u>		<u>1000.00</u>
		2360.00	<u>2360.00</u>
Security Premium Account:		8691.54	8691.54
Debenture Redemption Reserve:			
As per last Account	800.00		1175.00
Less: Transferred to Profit & Loss Account	<u>800.00</u>		<u>625.00</u>
	-		550.00
Add: Set aside this year	<u>-</u>		<u>250.00</u>
		-	<u>800.00</u>
Central and State Subsidy Reserve		64.38	64.38
Capital Reserve:			
As per last Account		466.78	466.78
Revaluation Reserve:			
As per last Account	776.46		776.46
Less: Adjustment on account of Sale of assets	<u>14.35</u>		<u>-</u>
		762.11	<u>776.46</u>
Investment Allowance Reserve Account:			
As per last Account *	-		280.76
Less: Transferred to Profit & Loss Account on completion of statutory period	<u>-</u>		<u>280.76</u>
		-	-
* (Utilised towards acquisition of new plant & machinery to date Rs 280.76 lacs)			
General Reserve:			
As per last Account	4311.53		3908.16
Add: Amount paid-up on forfeited Debentures	-		3.37
Add: Set aside this year	<u>58.00</u>		<u>400.00</u>
		4369.53	4311.53
Surplus as per annexed Account		<u>8843.03</u>	<u>8253.49</u>
		<u>25557.37</u>	<u>25724.18</u>

Atul Limited

SCHEDULE - 3 - SECURED LOANS:

(Rs in lacs)
As at
31.03.2003

	Rs	Rs	Rs
Debentures:			
1100000 16% Secured Redeemable Non-Convertible Debentures of Rs 100/- each, issued on Private Placement basis, to be redeemed in three equal installments at the end of 3rd, 4th and 5th year from the date of allotment. (See note: 1 below)	-		366.67
500000 Secured Redeemable Non-Convertible Debentures of Rs 100/- each, issued on Private Placement basis, to be redeemable at the end of one year from the date of issue. (See note: 13 below)	-		500.00
		-	<u>866.67</u>
Term Loans from Financial Institutions:			
Aromatics Unit:			
From Bank of Baroda -Term Loan (See note : 14A below)		1190.91	-
From a Company (see note: 7 below)		-	1.38
From Banks, against hypothecation of Inventories & Book Debts of Aromatics Unit:			
Cash Credit	217.83		228.02
Packing Credit	676.81		472.29
Bills Discounting	343.11		282.46
Interest accrued & due	-		0.30
		1237.75	<u>983.07</u>
Atul Unit:			
From Exim Bank for Normal Capex (See note: 4 below)		-	75.00
From ICICI Bank Ltd - Rupee Term Loan (See note: 3 below)		-	1600.00
From Housing Development Finance Corporation Ltd Housing Loan (See note: 5 below)		-	150.00
From ICICI Bank Ltd - Rupee Term Loan (See note: 6 below)		-	3200.00
From Exim Bank - Long Term Working Capital Loan (See note: 8A below)		2422.29	2500.00
From Exim Bank - Long Term Working Capital Loan (See note: 8A below)		928.68	500.00
From Exim Bank - Long Term Working Capital Loan (See note: 8B below)		1800.00	-
From UTI Bank Ltd - Boiler Term Loan (See note: 9 below)		667.84	942.58
From UTI Bank Ltd - Term Loan (See note: 15 below)		400.09	-
From UTI Bank Ltd - Foreign Currency Loan (See note: 15 below)		966.97	-
From Bharat Overseas Bank Ltd - Foreign Currency Loan (See note: 16 below)		965.32	-
From ICICI Bank Ltd (See note: 7 below)		51.18	34.27
From a Company (See note: 7 below)		2.96	9.70

SCHEDULE - 3 - SECURED LOANS (Contd):

(Rs in lacs)
As at
31.03.2003

	Rs	Rs	Rs
From			
Banks, against hypothecation of Tangible Movable Assets (other than movable Machinery), Inventories and Book Debts of Atul Unit, and also Secured by Second and Subservient charge on Company's immovable Assets to the extent of Rs 12437 lacs.			
Cash Credit	-		382.17
Working Capital Demand Loan	1.85		60.00
FCNRB (DL)	2274.50		2441.00
Packing Credit	<u>752.47</u>		<u>107.96</u>
		3028.82	2991.13
From			
Exim Bank - Foreign Currency PCFC Loan (See note: 17 below)			
Short Term Loans, against Pledge of Shares held as Investment per Contra.		888.60	-
From			
HDFC Bank, against Pledge of 130172 Equity Shares of Novartis India Limited, 555935 Equity Shares of Ciba Specialty Chemicals(India) Ltd and 217890 Equity Shares of Wyeth Ltd		1433.00	-
From			
Infrastructure Leasing & Financial Services Ltd, against pledge of 75000 Equity Shares of Novartis India Limited and 275000 Equity Shares of BASF India Ltd		-	500.00
From			
Bank of India Demand Loan (See note: 14A below)		1824.99	-
From			
Housing Development Finance Corporation Ltd - Term Loan (See note: 10 below)		400.00	600.00
From			
Housing Development Finance Corporation Ltd - Term Loan (See note: 10 below)		600.00	800.00
From			
Housing Development Finance Corporation Ltd - Term Loan (See note: 10 below)		1000.00	1000.00
From			
Housing Development Finance Corporation Ltd - Corporate Loan (See note: 10 below)		1000.00	-
From			
The Karur Vysya Bank Ltd - Term Loan (See note: 11A below)		1600.09	2000.00
From			
The Karur Vysya Bank Ltd - Term Loan (See note: 11B below)		887.15	-
From			
Infrastructure Leasing & Financial Services Ltd - Term Loan (See note: 12 below)		1500.00	1500.00

SCHEDULE - 3 - SECURED LOANS (Contd):

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(Rs in lacs)

As at

31.03.2003

	Rs	Rs	Rs
COLORS (WEST) UNIT :			
From	Banks, against hypothecation of all Tangible Current Assets and Book Debts. (See note: 2 below)		
	Cash Credit	-	47.24
	Packing Credit	-	431.49
	Bills Discounting	87.79	1697.70
			<u>2176.43</u>
		87.79	
P P Unit:			
From	Bank of Baroda Term Loan (See note: 14A below)	781.99	-
From	Bank of Baroda Demand Loan (See note: 14B below)	215.23	-
From	Banks, against hypothecation of raw-materials, finished and semi-finished goods, consumable stores and spares, raw materials in transit etc. and book debts		
	Cash Credit	143.70	399.72
	Working Capital Demand Loan	0.55	5.46
	FCNRB (DL)	831.49	854.37
	Packing Credit	146.98	396.02
	Interest accrued and due	-	0.90
			<u>1656.47</u>
		1122.72	
			<u>27004.37</u>
			<u>24086.70</u>

NOTES:

- 1 Secured by pari passu first charge on company's immovable & movable fixed assets, both present and future and pledge of 128000 shares of Wyeth Ltd held by the company and in the event of IDBI ceases to be the debenture holder, IDBI will release the shares.
- 2 Also secured by second charge on immovable properties created in favour of bankers of Colors (West) Unit.
- 3 Secured by pari passu first charge on all the Company's immovable and movable properties, both present and future, including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created (i) in favour of the Company's Bankers on the Company's stocks of raw material, semi-finished and finished goods, consumable stores and book debts and such other movables as may be agreed to by the Lender for securing borrowings for Working Capital requirements in the ordinary course of business, and (ii) on specific items of machinery charged to Exim Bank for loans of Rs 1450 lacs, ICICI for foreign currency loan of USD 869565 (equivalent to Rs 300 lacs), ICICI for asset credit assistance of Rs 530 lacs, GLFL for Term loan of Rs 150 lacs and State Bank of India for Term Loan of Rs 200 lacs.(*)
- 4 Exclusive first charge by way of hypothecation in favour of Exim Bank over movable fixed assets partly to be financed out of this loan.
- 5 Secured by pari passu first mortgage on all assets and properties of the company, both present and future, save and except the properties exclusively charged in favour of certain lenders for their financial assistance to the company and the properties exclusively charged to the banks for their working capital loans / term loans / specific loans to the company.
- 6 Secured by pari passu first mortgage on all assets and properties of the company, both present and future, save and except the properties exclusively charged in favour of certain lenders for their financial assistance to the company and the properties exclusively charged to the banks for their working capital loans / term loans / specific loans to the company and against pledge of equity shares worth of Rs 1680 lacs.
- 7 Secured by exclusive charge by way of Hypothecation of Vehicles purchased thereunder.

Atul Limited

SCHEDULE - 3 - SECURED LOANS (Contd):

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- 8A Secured by first pari passu charge by way of hypothecation of all the movable fixed assets and mortgage of the entire immovable properties of the company, present and future, excluding specific assets with exclusive charge and second charge on the entire current assets of the company, present and future.
- 8B To be secured by first pari passu charge by way of hypothecation of all the movable fixed assets and mortgage of the entire immovable properties of the company, present and future, excluding specific assets with exclusive charge and second charge on the entire current assets of the company, present and future (security since created).
- 9 Secured by exclusive first hypothecation charge on the boiler and auxiliary equipments and pari passu second charge on the fixed assets of the company.
- 10 Secured by exclusive first charge on : (i) guest house, club house & 27 residential quarters situated at village Gadkhol, Tal. Ankleshwar, Dist. Bharuch (ii) 15 dwelling units on land situated village Charvai, Atul, Tal. & Dist. Valsad and first pari passu charge on balance immovable and movable properties of the company, subject to prior exclusive charges in favour of lenders.
- 11A Secured by pari passu first charge on all assets and properties of the company, both present and future, save and except the properties exclusively charged in favour of certain lenders for their financial assistance and the properties exclusively charged to the banks for their working capital loans / specific loans / term loans etc and also second pari passu charge on the entire current assets of the company.
- 11B To be Secured by pari passu first charge on all assets and properties of the company, both present and future, save and except the properties exclusively charged in favour of certain lenders for their financial assistance and the properties exclusively charged to the banks for their working capital loans / specific loans / term loans etc and also second pari passu charge on the entire current assets of the company.
- 12 Secured by first pari passu charge by way of mortgage on entire immovable properties and by hypothecation of entire movable fixed assets of the company, present and future, excluding assets with exclusive charge, if any and second pari passu charge on the entire current assets of the company.
- 13 Secured by pari passu second charge on the current assets of Atul (East) Unit of the company.
- 14A Secured by first pari passu charge on the fixed assets of the company as a whole both present and future , excluding specific assets with specific charge.
- 14B To be secured by first pari passu charge on the fixed assets of the company as a whole both present and future , excluding specific assets with specific charge (security since created).
- 15 To be secured by a first pari passu charge over the present and future immovable and movable (save and except current assets and specific charge on specific assets) properties of the borrower situated at Atul and Ankleshwar
- 16 To be secured by first pari passu charge on the fixed assets of the company as a whole both present and future, excluding specific assets with specific charge.
- 17 Exclusive charge over proceeds of export contracts financed by EXIM and to be secured by first pari passu charge on the fixed assets of the company, excluding specific assets with specific charge.
- * Mortgages and charges rank pari passu inter se.

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SCHEDULE - 4 - UNSECURED LOANS:

	(Rs in lacs)	
	As at	As at
	31.03.2003	31.03.2003
	Rs	Rs
Fixed Deposits including interest accrued on New Cumulative Deposits	1761.91	1592.29
Sales Tax Deferment under Government of Gujarat New Sales Tax Incentive Scheme for Industries	203.18	264.36
From SBI - Buyers credit in Foreign Currency	154.33	-
From Companies	16.78	66.78
Hire Purchase Finance for purchase of cars	-	3.63
Commercial papers (maximum balance during the year Rs 800 lacs)	-	800.00
From a Company - ECB Loan	895.85	1050.50
	<u>3032.05</u>	<u>3777.56</u>

SCHEDULE - 5 - FIXED ASSETS:

ASSETS	GROSS BLOCK (b)				DEPRECIATION				(Rs in lacs) NET BLOCK	
	As at 31/03/2003	Additions	Deductions & Adjustments	As at 31/03/2004	Up to 31/03/2003	Recouped & Adjustments	For the Year	Up to 31/03/2004	As at 31/03/2004	As at 31/03/2003
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Land - Free Hold (a)	1121.99	0.75	14.49	1108.25	-	-	-	-	1108.25	1121.99
Land - Lease Hold	420.42	-	4.63	415.79	-	-	-	-	415.79	420.42
Buildings (c)	7508.71	805.24	4.41	8309.54	2679.88	3.37	212.44	2888.95	5420.59	4828.83
Roads	149.16	3.99	-	153.15	65.57	-	6.26	71.83	81.32	83.59
Tubewells & Pump House	8.50	1.36	-	9.86	1.68	-	0.19	1.87	7.99	6.82
Plant & Machinery	45648.75	4827.75 (d)	283.77	50192.73	30607.88	244.39	2191.12	32554.61	17638.12	15040.87
Plant & Machinery (Lease)	1012.02	-	55.00	957.02	825.20	45.97	101.80	881.03	75.99	186.82
Railway Sidings	8.47	-	-	8.47	8.38	-	0.01	8.39	0.08	0.09
Laboratory Equipments	461.55	85.66	-	547.21	235.39	-	43.92	279.31	267.90	226.16
Equipments, Furniture & Dead Stock	1185.79	105.23	22.52	1268.50	871.27	16.80	63.42	917.89	350.61	314.52
Office Equipments	15.86	3.52	-	19.38	10.89	-	1.06	11.95	7.43	4.97
Vehicles	511.58	77.89	24.58	564.89	259.36	18.41	65.21	306.16	258.73	252.22
Capitalised Spares	114.03	6.52	14.81	105.74	66.17	13.89	9.92	62.20	43.54	47.86
Research & Development:										
Building	264.29	-	-	264.29	122.80	-	8.19	130.99	133.30	141.49
Machinery	1012.72	71.65	17.16	1067.21	912.08	16.32	24.31	920.07	147.14	100.64
Office Equipment	7.59	0.58	-	8.17	7.12	-	0.14	7.26	0.91	0.47
Total as on 31/03/2004	59451.43	5990.14	441.37	65000.20	36673.67	359.15	2727.99	39042.51	25957.69	22777.76
Total as on 31/03/2003	56089.26	4474.81	1112.64	59451.43	34900.26	928.82	2702.23	36673.67	22777.76	

Note: (a) Includes Rs 92.41 lacs (31.03.2003 Rs 92.41 lacs) being the value of land for which sale deeds are in process of registration.

(b) At cost, except land freehold and plant and machinery at revalued value and land - leasehold at cost, less amounts written off.

(c) Include premises on ownership basis Rs 51.92 lacs (31.03.2003 Rs 51.92 lacs) and cost of share in Co-operative Society Rs 0.01 lac (31.03.2003 Rs 0.01lac).

(d) After the adjustment of Rs 82.96 lacs (Previous Year Rs. Nil) on account of decrease in foreign currency liability due to Exchange Rate Fluctuations.

SCHEDULE - 6 - TECHNICAL KNOW-HOW :

	(Rs in lacs)	
	As at	
	31.03.2003	
	Rs	Rs
As per last Account	-	4.81
Less: Written off this year	-	4.81
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

SCHEDULE - 7 - INVESTMENTS, at cost :
LONG TERM INVESTMENTS:

	Face Value Rs	Nos	Rs	Rs	Rs	(Rs in lacs) As at 31.03.2003 Rs
Government and Trust Securities:						
Unquoted:						
6 Years National Savings Certificates (Deposited with Government Departments)	266000 (267000)				2.66	2.67
Units of Unit Trust of India under Venture Capital Unit Scheme 1990 Vecaus II	100				0.36	0.36
Less: Redeemed during the year		(1110)			0.36	-
						0.36
					2.66	3.03
Equity Shares, Fully paid, Quoted:						
Trade:						
Novartis India Ltd	5	384660			102.29	102.29
Ciba Speciality Chemicals (India) Ltd	10	1252080				
Ciba Speciality Chemicals (India) Ltd	10	70073			81.99	-
					184.28	102.29
Others:						
Arvind Mills Ltd	10	178315			118.08	118.08
ICICI Bank Ltd	10	18823			7.75	7.75
Wyeth Ltd (Formerly Wyeth Lederle Ltd)	10	1367845			136.95	136.95
BASF India Ltd	10	547138				
Amal Ltd (Formerly Amal Products Ltd)	10	407453	44.07			44.07
Less: Provision for diminution in value			40.24			40.24
					3.83	3.83
					266.61	266.61
						450.89
						368.90
Others, Unquoted:						
Ameer Trading Corporation Ltd - a Subsidiary	7 (100)	500000			500.03	500.03
Gujarat Synthwood Ltd	10	400000	65.31			65.31
Less: Provision for diminution in value			61.31			61.31
					4.00	4.00
Atul Americas Inc. - a subsidiary	\$ 1000	2000			628.80	628.80
Atul Pharmaceuticals Ltd (Rs 10)	10	1				
Atro Ltd	10	50004			5.00	5.00
Atul Europe Ltd - a subsidiary	£ 1	1000000			690.48	690.48
Atul Deutschland GMBH - a subsidiary	€ 25000	1			14.23	-
Bharuch Enviro Infrastructure Ltd	10	70000			7.00	7.00
Bharuch Eco Aqua Infrastructure Ltd (Previous year Rs 4/- per Share paidup)	10	589965			59.00	23.60
Unquoted:						1908.54
13% HDFC Corporate Bonds III Series	- (760000)	-				7.60
						2362.09
						2238.44
Contribution to equity share capital in subsidiary- Atul Deutschland GMBH, awaiting registration with commercial Register						
	€ 75000				40.78	-
					2402.87	2238.44

	Book Value as at 31st March,		Market Value as at 31st March,	
	2004	2003	2004	2003
Quoted	453.55	368.90	9302.27	5072.59
Unquoted	1908.54	1869.54		
	<u>2362.09</u>	<u>2238.44</u>		

SCHEDULE - 8 - CURRENT ASSETS, LOANS AND ADVANCES :

		(Rs in lacs)	
		As at	
		31.03.2003	
	Rs	Rs	Rs
(a) Inventories, (As taken, certified and valued by Managing Director & CEO)			
Stores, Spares, etc., at cost or net realisable value whichever is lower		2139.45	2129.09
Stock - in - Trade, at cost or net realisable value whichever is lower:			
Raw Materials	2632.49		2738.51
Materials - in - Process	5782.57		6965.84
Finished Goods	4928.05		6226.43
	<u> </u>	13343.11	<u>15930.78</u>
Goods - in - Transit, cost to date		516.08	220.34
Goods in Bonded Warehouse, cost to date		317.05	88.71
Scrapped assets awaiting disposal, at estimated realisable value		2.78	1.49
		<u>16318.47</u>	<u>18370.41</u>
(b) Sundry Debtors, Unsecured: (see note:16 & 19)			
Outstanding for more than six months			
Good (see note:16 & 19)	5449.73		4914.31
Doubtful	79.55		62.66
Less: Provision	<u>79.55</u>		<u>62.66</u>
	<u> </u>		<u> </u>
	5449.73		4914.31
Other, Good	<u>13163.93</u>		<u>12582.98</u>
		18613.66	<u>17497.29</u>
(c) Cash and Bank Balances:			
Cash on hand	<u>12.36</u>		<u>12.14</u>
Cheques in hand with Bank as Collecting Agency in terms of an arrangement	<u>107.44</u>		<u>124.35</u>
Bank Balances, with Scheduled Banks:			
In Current Account	790.73		537.75
In Margin Deposit	-		41.78
In Fixed Deposits	155.00		147.82
Interest accrued on above	<u>3.63</u>		<u>11.94</u>
	<u>158.63</u>		<u>159.76</u>
	<u>949.36</u>		<u>739.29</u>
		1069.16	<u>875.78</u>
(d) Other Current Assets:			
Interest Receivable (including Rs 0.54 Lac on Investments - Previous Year Rs 0.39 Lac)	119.32		116.79
Other Receivables	<u>18.99</u>		<u>18.99</u>
		138.31	<u>135.78</u>
(e) Loans and Advances, Unsecured, Good: (Unless otherwise stated)			
Loans to Subsidiaries	117.92		131.91
Interest receivable on above	<u>5.09</u>		<u>6.88</u>
	<u>123.01</u>		<u>138.79</u>
Loans to Jointly Promoted Companies	724.51		724.43
Other Loans	1169.79		1424.10
Advances recoverable in cash or in kind or for value to be received			
Good	4281.45		3335.84
Doubtful	3.58		3.58
Less: Provision	<u>3.58</u>		<u>3.58</u>
	<u> </u>		<u> </u>
	4281.45		3335.84
Balances with Customs, Bombay Port Trust and Excise etc.	368.72		136.38
Sundry Deposits	328.25		342.81
Tax paid in advance	<u>675.33</u>		<u>1350.37</u>
		7671.06	<u>7452.72</u>
		<u>43810.66</u>	<u>44331.98</u>

SCHEDULE - 9 - CURRENT LIABILITIES AND PROVISIONS :

		(Rs in lacs)	
		As at	
		31.03.2003	
	Rs	Rs	Rs
(a) Liabilities:			
Acceptances		1950.42	473.83
Sundry Creditors			
(i) Due to Small Scale Industrial Undertakings (See note: 15)	303.94		542.96
(ii) Due to others	<u>10984.26</u>		<u>11041.03</u>
		11288.20	<u>11583.99</u>
Due to Subsidiaries		10.29	6.62
Lease terminal adjustments		-	19.71
Investors Education and Protection Fund shall be credited by the following: (See note below)			
Unclaimed Dividends	29.64		27.91
Unpaid matured debentures	6.96		7.29
Matured fixed deposits	2.22		8.06
Interest payable on above	<u>33.89</u>		<u>57.24</u>
		72.71	<u>100.50</u>
Interest accrued but not due on loans		98.68	72.77
Unclaimed amount of sale proceeds of fractional Coupons of Bonus Shares of erstwhile The Atul Products Limited		9.67	9.67
Unclaimed amount of sale proceeds of fractional Coupons of Bonus Shares		1.38	1.38
		<u>13431.35</u>	<u>12268.47</u>
(b) Provisions:			
For Unencashed leave	819.95		716.71
For Taxation	474.45		899.25
For Dividend Tax	57.00		75.99
Proposed Dividends	<u>444.93</u>		<u>593.24</u>
		1796.33	2285.19
		<u>15227.68</u>	<u>14553.66</u>

Note:

The figures are outstanding as at 31st March, 2004. The actual amount to be transferred to the said fund in this respect shall be determined on the due dates.

SCHEDULE - 10 - MISCELLANEOUS EXPENDITURE :

(To the extent not written off or adjusted)

Deferred Revenue Expenditure			
Equipment Lease Rent		2788.43	3103.49
Payment under Voluntary Retirement Scheme		<u>797.75</u>	<u>234.81</u>
		<u>3586.18</u>	<u>3338.30</u>

SCHEDULE - 11 - SALES AND OPERATING INCOME:

				(Rs in lacs) 2002-2003
	Rs	Rs	Rs	Rs
(a) Sales etc.				
Sales including Excise Duty	60802.45			61643.80
Less: Excise Duty	<u>3965.46</u>			<u>3872.57</u>
		56836.99		<u>57771.23</u>
Export Incentives		<u>1529.99</u>		<u>1944.50</u>
			58366.98	<u>59715.73</u>
(b) Leasing:				
Lease Rental Income		0.23		0.72
Add : Lease Equalisation		<u>59.43</u>		<u>62.57</u>
			59.66	<u>63.29</u>
(c) Operating Income:				
Processing Charges		58.75		147.74
Charges received for services to other Companies		340.44		412.89
Miscellaneous scrap sales		<u>571.86</u>		<u>224.40</u>
			971.05	<u>785.03</u>
			<u>59397.69</u>	<u>60564.05</u>

SCHEDULE - 12 - OTHER INCOME:

Dividend on long term investments:(Gross, Tax deducted at source
Rs Nil lacs Previous Year Rs 27.06 lacs)

From Trade Investments		85.19		148.26
Others		<u>110.48</u>		<u>110.13</u>
			195.67	<u>258.39</u>
Insurance claims			2.98	13.46
Income from property			50.93	53.76
Sales Tax Refunds			6.28	-
Exchange Rate Difference, net			502.14	-
Miscellaneous Income			176.52	223.50
Provision for doubtful debts & advances written back			4.57	346.87
Surplus on sale of assets			21.77	7.73
Profit on sale of investments			<u>0.02</u>	<u>397.66</u>
			<u>960.88</u>	<u>1301.37</u>

SCHEDULE - 13 - COST OF GOODS SOLD AND MATERIALS CONSUMED:		(Rs in lacs)	
	Rs	Rs	2002-2003
			Rs
Raw Materials Consumed:			
Stocks at commencement	2738.51		2690.71
Less: Unserviceable Stock written off	1.63		13.40
	<u>2736.88</u>		<u>2677.31</u>
Add: Purchases	24970.36		25252.63
	<u>27707.24</u>		<u>27929.94</u>
Less: Stocks at close	2632.49		2738.51
		25074.75	<u>25191.43</u>
Finished Goods Purchases		945.35	280.20
Excise Duty on closing Stock of finished goods		246.63	306.07
Increase (Decrease) in stocks:			
Stocks at close:			
Materials - in - process	5782.57		6965.84
Finished Goods	4928.05		6226.43
	<u>10710.62</u>		<u>13192.27</u>
Less: Stocks at commencement:			
Materials - in - process	6965.84		6196.22
Finished Goods	6226.43		5193.98
Less: Obsolete Stock Written Off	0.14		33.58
	<u>6226.29</u>		<u>5160.40</u>
	<u>13192.13</u>		<u>11356.62</u>
		2481.51	(1835.65)
Excess Provision of Excise duty		(26.44)	(66.10)
		<u>28721.80</u>	<u>23875.95</u>

SCHEDULE - 14 - MANUFACTURING EXPENSES :

Stores Consumed	1871.48	2555.99
Power, Fuel and Water	7247.40	8167.67
Conversion and Plant operation charges etc.	541.70	1165.19
Building Repairs	332.51	325.10
Machinery Repairs	2344.45	2143.47
Sundry Repairs	135.12	137.27
	<u>12472.66</u>	<u>14494.69</u>

SCHEDULE - 15 - EMPLOYEES' EMOLUMENTS :

Salaries, Wages, Bonus etc.	5657.06	5334.60
Proportionate deferred revenue expenditure of voluntary Retirement benefit, written off	500.99	152.30
Emoluments under settlement	-	415.50
Contribution to Provident and Other Funds	976.42	771.85
Welfare Expenses	600.26	620.05
Provident & Other Fund expenses	38.40	37.61
	<u>7773.13</u>	<u>7331.91</u>

SCHEDULE - 16 - INTEREST & FINANCE CHARGES, NET :

		(Rs in lacs)	
		2002-2003	
	Rs	Rs	Rs
Interest: (see note 21)			
On Debentures		60.03	111.68
On Fixed Loans		1617.52	2502.75
Others		535.05	749.64
		<u>2212.60</u>	<u>3364.07</u>
Less: Interest earned (Gross, Tax Deducted Rs 36.86 lacs Previous Year Rs 79.77 lacs)			
On Debentures and Bonds	0.37		1.14
Interest from Customers	23.49		30.48
Others	<u>173.59</u>		<u>377.62</u>
		<u>197.45</u>	<u>409.24</u>
		2015.15	2954.83
Discounting Charges		<u>142.06</u>	<u>338.45</u>
		<u>2157.21</u>	<u>3293.28</u>

SCHEDULE - 17 - OTHER EXPENDITURE:

Rent	52.90	38.54
Rates & Taxes	67.28	59.78
Insurance	246.60	218.62
Site Maintenance	65.56	68.04
Freight, Cartage and Octroi	1341.98	1220.51
Advertisement and Publicity	36.16	34.66
Commission and Discount	1279.98	1336.58
Brokerage	6.93	7.64
Travelling and Conveyance	436.60	448.29
Payments to Statutory Auditors	27.46	24.94
Payments to Cost Auditors	1.82	1.62
Directors' Fees & Travelling Expenses	10.92	9.65
Directors' Commission (Other than Managing & Executive Director)	7.72	8.57
Charities and Donations	40.10	11.01
Contribution towards Research & Development	-	49.88
Loss on Materials sold	5.46	-
Bad Debts	9.93	430.73
Irrecoverable Balances Written Off	123.66	78.48
Provision for Doubtful Debts & Advances	7.79	13.67
Provision for Diminution in value of Investments	-	101.55
Sales tax	33.37	44.08
Miscellaneous Expenses	1617.22	1424.48
Obsolete & Unserviceable Material Written Off	29.13	57.36
Loss on Assets sold, discarded or demolished	42.44	179.69
Amount written off on account of Technical Know-how	-	4.81
Amount written off against leasehold land	4.63	4.61
Proportionate Deferred Revenue Expenditure Written Off	315.26	395.23
	<u>5810.90</u>	<u>6273.02</u>

SCHEDULE - 18 - (DEBITS)/CREDITS RELATING TO EARLIER YEARS :

		(Rs in lacs) 2002-2003
	Rs	Rs
Debits relating to earlier years:	<u>92.52</u>	<u>106.45</u>
	92.52	106.45
Credits relating to earlier years:		
Provisions no longer required	45.86	34.47
Excess Depreciation on re-computation written back	8.39	0.04
Excess Provision for doubtful debts written back	-	6.62
	<u>54.25</u>	<u>41.13</u>
	<u>(38.27)</u>	<u>(65.32)</u>

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS:

	2003-2004 Rs	(Rs in lacs) 2002-2003 Rs
1		
Contingent Liabilities not provided for in respect of:		
(a) Bills Discounted	1577.49	2087.77
Since realised	470.00	939.70
(b) Disputed excise demands - matter under appeal	1272.27	1113.31
(c) Disputed customs demands - matter under appeal	59.49	-
(d) Claims against the Company not acknowledged as debts	267.35	135.52
(e) Guarantees given by the Company to banks and financial institutions on behalf of third parties	-	50.00
(f) Income - Tax demands (including interest) - matter under appeal	505.99	131.63
(g) Sales Tax matter under appeal	12.14	0.22
(h) Uncalled liability on partly paid Shares.	-	35.80
2		
Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (net of advances).	643.01	1957.82
3		
Profit & Loss Account includes Expenditure on Research & Development and Pilot Plants as under:		
Materials consumed	49.67	16.40
Other Expenditure	593.40	612.95
4		
(a) Hypothecation of Tangible Movable Assets (other than movable machinery) and Stocks of Atul Unit of the Company, favouring State Bank of India also extends to guarantees given by the said Bank. Amount of guarantees outstanding at the end of the year.	300.07	367.83
(b) Hypothecation of Inventory of Aromatics Unit favouring Bank of Baroda also extends to the guarantees given by the said Bank. Amount of guarantees outstanding at the end of the year.	-	6.57
(c) Hypothecation of Inventory of P P Site favouring State Bank of Saurashtra also extends to the guarantees given by the said Bank. Amount of guarantees outstanding at the end of the year.	125.28	35.83
(d) Hypothecation of all Tangible Current Assets and Book Debts of Colors Unit favouring Bank of India and State Bank of India also extends to the guarantees given by the said Bank. Amount of guarantees outstanding at the end of the year.	217.38	222.05
5		
Payments to Auditors:		
(a) Statutory Auditors:		
(i) As Auditors	16.20	16.20
(ii) In other capacity:		
For Tax Audit	4.32	4.20
For Certificates	5.66	3.36
(iii) For Expenses	1.28	1.18
	<u>27.46</u>	<u>24.94</u>
(b) Cost Auditors:		
(i) As Auditors	1.73	1.58
(ii) For Expenses	0.09	0.04
	<u>1.82</u>	<u>1.62</u>
6		
C I F Value of Imports, Remittances, Expenditure and Earnings in Foreign Currency:		
(a) C I F Value of Imports:		
Raw Materials	9396.38	4943.24
Finished Goods - For Trading	486.59	-
Capital Goods	368.48	272.98
(b) Expenditure in Foreign Currency:		
Commission	318.58	305.69
Interest, net of tax	0.40	2.81
Other matters	560.53	348.48
(c) Remittances:		
Investment in foreign subsidiary	55.01	-
Loan Repayments	154.65	-
(d) Earnings in Foreign Currency:		
F O B Value of Exports	28709.98	29090.22
Other matters	41.27	142.41

7 Managerial Remuneration:

(a) Calculation of Directors, Managing & Executive Director's Commission:	Rs	Rs
Profit as per Profit & Loss Account		226.14
Add: Managing Directors' Remuneration (including Perquisites)	53.05	
Executive Directors' Remuneration (including Perquisites)	22.49	
Directors' Commission	7.72	
Depreciation	2727.99	
Provision for Taxation	468.74	
		<u>3279.99</u>
		3506.13
Less: Profit on Sale of Investments	0.02	
Depreciation Under Section 350	2727.99	
Excess of sales price over the cost of Assets Sold	5.92	
		<u>2733.93</u>
Profit on which commission is payable		<u>772.20</u>

(b) No commission is payable to the Managing & Executive Director as otherwise their total remuneration will exceed the limits laid down in section 198 and 309 of the Companies Act, 1956

(c) Directors' Commission

Director's Commission @1% on Rs 772.20 lacs 7.72

			2003 -2004 Rs in lacs	2002 - 2003 Rs in lacs
	<u>S S Lalbhai</u>	<u>S A Lalbhai</u>		
(i) Salary	17.05	10.78	27.83	20.40
(ii) House Rent Allowance	-	1.38	1.38	1.59
(iii) Commission	-	-	-	16.16
(iv) Gratuity	0.88	0.57	1.45	1.45
(v) Contribution to Provident & other Funds	5.67	3.73	9.40	5.51
(vi) Perquisites	6.91	6.08	12.99	11.84
	<u>30.51</u>	<u>22.54</u>	<u>53.05</u>	<u>56.95</u>
Estimated monetary value of perquisites to Managing Directors on account of Furniture	-	0.19	0.19	0.47

(d) Details of payments and provisions on account of remuneration to Executive Director included in the respective heads of expenditure in Profit & Loss Account as under:

	<u>J L Shah</u>	
(i) Salary	13.77	14.98
(ii) Commission	-	14.10
(iii) Gratuity	0.70	0.58
(iv) Contribution to Provident & other Funds	4.54	4.05
(v) Perquisites	3.48	6.46
	<u>22.49</u>	<u>40.17</u>
Estimated monetary value of perquisites to Executive Director on account of Furniture	0.23	0.23

(e) Applications of erstwhile Atic Industries Ltd to the Central Government for its approval to the reappointment of its ex-Managing Director with effect from 1st August, 1981 to 31st March, 1984, still pending.

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS :

8 Details of Raw Materials consumption and Goods Traded in:

(A) Raw Materials Consumption:

	Unit	2003 - 2004		2002 - 2003	
		Qty	Rs in lacs	Qty	Rs in lacs
I Aromatics Unit:					
Toluene	MT	6053	1484.23	6702	1343.18
Caustic soda lye	MT	5614	656.37	4505	447.71
Cresylic acid	MT	-	-	-	-
Dimethyl sulphate	MT	2959	515.71	3156	474.75
Manganese dioxide powder	MT	6902	645.72	6767	656.57
Sulphuric acid	MT	15244	236.60	13547	159.35
Manganese sulphate	MT	6960	692.92	-	-
Other	MT		238.54		250.32
			<u>4470.09</u>		<u>3331.88</u>
II Atul Unit:					
Aniline oil	MT	31	15.01	45	21.34
Iron powder	MT	99	11.42	162	14.54
Naphthalene crude	MT	-	-	13	2.08
Phenol	MT	3862	1669.02	3924	1389.57
Potassium chloride	MT	39	4.09	38	4.05
Sulfur	MT	19020	874.96	19629	754.75
Soda ash	MT	996	86.17	1066	94.69
Common salt	MT	25928	139.83	27578	145.85
Benzene	KL	809	182.46	730	132.28
Toluene	MT	26	7.38	60	16.78
Alpha naphthylamine	MT	6	8.86	13	16.16
Others			5619.34		6672.86
			<u>8618.54</u>		<u>9264.95</u>
III Colors (West) Unit:					
Aluminium chloride	MT	-	0.04	443	157.90
Aluminium ingots	MT	241	206.54	123	105.03
Anhraquinone	MT	224	238.23	485	490.70
Benzene nitration grade	KL	501	115.13	415	92.17
Caustic potash flakes	MT	536	140.31	670	170.24
Caustic soda flakes	MT	804	110.41	911	101.74
Cyanuric chloride	MT	187	161.77	184	184.59
Glycerine	MT	144	75.15	211	118.62
H - acid	MT	149	210.75	115	206.20
Phthalic anhydride	MT	547	216.24	523	198.78
Sulphur powder	MT	4997	230.33	4960	170.12
2 - Naphthylamine 3,6,8 - trisulphonic acid	MT	17	20.33	17	23.64
Tamol MNO	MT	270	134.35	312	126.92
Indanthrone	MT	1	21.29	1	50.23
Others			2839.62		4264.08
			<u>4720.49</u>		<u>6460.96</u>

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS (Contd.):

Details of Raw Materials consumption and Goods Traded in (Contd.):

(A) Raw Materials Consumption (Contd.):

	Unit	2003 - 2004		2002 - 2003	
		Qty	Rs in lacs	Qty	Rs in lacs
IV P P Site:					
Acetic acid	MT	10	2.80	12	3.01
Aniline oil	MT	329	146.70	245	103.33
Chlorosulphonic acid	MT	-	-	-	-
Urea	MT	994	89.48	1151	102.68
Epichlorohydrin	MT	1189	679.00	2285	1219.82
Methanol	MT	7819	1358.08	9500	1280.39
Acetone	MT	89	35.48	92	34.98
Phenol	MT	338	140.16	98	31.50
Acetanilide	MT	2	1.21	26	12.62
Bisphenol - A	MT	1299	759.74	2892	1460.94
Caustic soda lye	MT	466	56.06	1025	103.51
Castor oil	MT	-	-	54	17.84
Dibutyl phthalate	MT	52	29.30	46	25.02
4,4 Dichlorodiphenyl	MT	184	193.78	265	272.91
H H P A	MT	127	109.18	85	90.56
TETA	MT	134	172.52	109	103.31
Others			3492.14		1271.22
			<u>7265.63</u>		<u>6133.64</u>
Grand Total			<u>25074.75</u>		<u>25191.43</u>

(B) Imported and Indigenous Raw Materials Consumption:

	2003 - 2004		2002 - 2003	
	Rs in lacs	Percentage	Rs in lacs	Percentage
Imported	9022.02	35.98	6789.31	26.95
Indigenous	16052.73	64.02	18402.12	73.05
	<u>25074.75</u>	<u>100.00</u>	<u>25191.43</u>	<u>100.00</u>

(C) Goods Traded in : Purchases

	2003 - 2004		2002 - 2003	
	MT	Rs in lacs	MT	Rs in lacs
I Atul Unit:				
Dyestuffs	55	112.09	68	142.46
Intermediates	785	833.26	25	116.67
		<u>945.35</u>		<u>259.13</u>
II P P Site:				
Ancamine	-	-	2	21.07
		<u>-</u>		<u>21.07</u>
Grand Total		<u>945.35</u>		<u>280.20</u>

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

9 Licensed and Installed capacity, Production, Stocks and Turnover:

(A) Licensed and Installed Capacity and Production:

I Aromatics Unit:

Class of goods	Licensed Capacity		Installed Capacity (a)		Production	
	2003 - 2004	2002 - 2003	2003 - 2004	2002 - 2003	2003 - 2004	2002 - 2003
	MT	MT	MT	MT	MT	MT
Cresol(*)	5000	5000	7200	5500	1129	1397
Toluidines	-	-	-	-	-	-
Sodium sulphite	7350	7350	9000	9000	7548	8698
Sodium sulphate	1160	1160	-	-	-	-
Soda ash	1310	1310	-	-	-	-
Gypsum	5900	5900	7000	7000	7250	6218
Resorcinol (b)	150	150	-	-	-	-
LABASA (acid slurry) (b)	4000	4000	-	-	-	-
Spent acid	2000	2000	-	-	-	-
p-Cresidine	-	-	420	420	225	210
p-Anisaldehyde	-	-	3600	3600	2861	2945
p-Anisic alcohol (**)	-	-	200	200	258	216

* Increase capacity from March 2004

** Enhancement of capacity by Debottlenecking of hydrogenation from April 2003

(a) As certified by General Manager Works and being a technical matter, accepted by the Auditors as correct.

(b) Under D G T D Registration.

II Atul Unit:

Class of goods (a)	Licensed Capacity		Installed Capacity (b)		Production	
	2003 - 2004	2002 - 2003	2003 - 2004	2002 - 2003	2003 - 2004	2002 - 2003
	MT	MT	MT	MT	MT	MT
Dyestuff	8787	8787	16886	15236	4043	3885
Chemicals (other than fertilizers)	108504	108504	210866	210341	60452	49258
Drugs & Pharmaceuticals	722	722	310	310	23	14

(a) Class of goods based on classification given in the industries (Development and regulation) Act, 1951.

(b) As certified by General Manager - Manufacturing and being a technical matter, accepted by the Auditors, as correct.

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

9 Licensed and Installed Capacity, Production, Stocks and Turnover: (Contd.)

(A) Lincensed and Installed Capacity, and Production: (Contd.)

III Colors (West) Unit:

Class of goods (b)	Licensed Capacity (a)		Installed Capacity (c)		Production	
	2003 - 2004	2002 - 2003	2003 - 2004	2002 - 2003	2003 - 2004	2002 - 2003
	MT	MT	MT	MT	MT	MT
Dyestuff	2750	2750	3150	3150	2645	3152
Chemicals (other than fertilizers)	16500	16500	16500	16500	3077	271

(a) In addition to existing Licensed capacity, company has also filed memorandum for manufacture of 400 te. of Vat Dyes with the Department of Industrial Development Ministry of Industry, Government of India.

(b) Class of Goods based on classification given in the Industries (Development & Regulation) Act. 1951.

(c) As certified by General Manager - Manufacturing and being a technical matter, accepted by the Auditors, as correct.

(d) Pastes and liquid weights are converted to dry weights.

IV P P Site:

Class of goods	Licensed Capacity		Installed Capacity (a)		Production	
	2003 - 2004	2002 - 2003	2003 - 2004	2002 - 2003	2003 - 2004	2002 - 2003
	MT	MT	MT	MT	MT	MT
Sulpha drug intermediates	1830	1830	6525(c)	6525(c)	79	90
2,6-Dichloraniline	20	20	20	20	-	-
Bulk drugs & drug intermediate	115	115	57(c)	57(c)	51	36
Pharmaceutical Intermediate (PHIN)	320	-	300	-	20	-
Sulpha methyl phenazole sodium	13	13	13	13	-	-
Pyrazole base	107	107	126	126	-	-
UF/MF/PF dicyandiamide resins	3250	3250	6600	6600	1670	1937
Epoxy resins	1948	1948	3750	3750	4600	4360
Hardners & auxiliaries	1000	1000	1215	1215	1430	945
Hardners (intermediates)	230	230	485(c)	485(c)	-	-
Formaldehyde	30000	30000	20000	20000	12669	14664
Hexamine (tech)	1257	1257	1800	1800	-	-
Bisphenol - A	900	900	1500	1500	-	-
Vinyl ester resins	450	450	450	450	-	-
Polyaminoamide & their intermediates	1940	1940	1940	1940	236	170
Sulphanilic acid	300	300	400(c)	400(c)	-	1
Bisphenol - S & intermediate chemicals	200	200	40	40	-	-
Ketone formaldehyde resins & Sulphonamide formaldehyde resins	250	250	100	100	-	-
Polyurethane	-	-	-	-	-	-
Sulpha bulk drugs for export (b)	-	-	-	-	356	545

(a) As certified by the Executive Director and being a technical matter accepted by the Auditors, as correct.

(b) Licence not required for production for export within existing facilities under drug policy.

(c) No licence is required in terms of notification No 477(E) dated 25th July, 1991 on New Industrial Policy.

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

(B) Stocks & Turnover:

I Aromatics Unit:

Class of Goods	Stocks at Commencement				Stocks at Close				Turnover			
	2003 - 2004		2002 - 2003		2003 - 2004		2002 - 2003		2003 - 2004		2002 - 2003	
	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs
Cresol	260	215.85	192	151.40	154	128.27	260	215.85	1235	1201.66	1329	1201.81
Toludine	-	-	2	1.41	-	-	-	-	-	-	-	-
Sodium sulphite	123	4.01	83	2.81	111	4.10	123	4.01	7561	351.50	8658	355.95
Gypsum	84	-	32	-	33	-	84	-	7301	3.88	6167	4.73
Resorcinol	-	-	-	-	-	-	-	-	-	-	-	-
LABSA(acid slurry)	-	-	-	-	-	-	-	-	-	-	-	-
p-Anisaldehyde	105	169.11	33	59.44	70	114.08	105	169.11	2896	6255.49	2873	6638.71
p-Anisyl alcohol	4	7.30	15	32.91	27	55.22	4	7.30	235	794.38	227	782.60
p-Cresidine	42	105.87	26	59.55	34	74.26	42	105.87	233	671.33	194	559.60
Anisole	12	6.93	17	10.95	12	8.96	12	6.93	6	7.17	-	0.50
p-Methoxybenzaldehyde	-	-	-	-	-	-	-	-	-	-	-	-
Others		71.88		19.03		50.04		71.88		1743.19		1307.69
Goods traded in:												
Resorcinol		0.67		0.67	-	-		0.67	-	0.10	-	-
		<u>581.62</u>		<u>338.17</u>		<u>434.93</u>		<u>581.62</u>		<u>11028.70</u>		<u>10851.59</u>
II Atul Unit:												
Dyes & Dye												
Intermediates (b)	604	1193.54	634	1125.13	511	851.58	604	1193.54	4190	5265.28	3983	5452.39
Caustic/Chlorine	884	62.35	857	91.98	943	57.54	884	62.35	2447	212.35	986	16.51
Chemicals	2072	527.79	2401	577.00	1989	378.35	2072	527.79	53986	10992.97	48574	10523.76
Pharmaceuticals	8	58.58	5	36.26	5	33.26	8	58.58	26	177.73	11	85.99
Goods traded in:												
Intermediates	-	-	5	35.23	-	-	-	-	785	937.37	30	170.69
Chemicals &												
Pharmaceuticals	4	-	4	-	4	-	4	-	-	-	-	-
		<u>1842.26</u>		<u>1865.60</u>		<u>1320.73</u>		<u>1842.26</u>		<u>17585.70</u>		<u>16249.34</u>

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

Class of Goods	Stocks at Commencement				Stocks at Close				Turnover			
	2003 - 2004		2002 - 2003		2003 - 2004		2002 - 2003		2003 - 2004		2002 - 2003	
	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs
Bisphenol - S & intermediates chemicals	-	-	-	-	-	-	-	-	-	-	-	-
Polyminoamide resins & their intermecciates	15	14.83	22	18.29	14	16.90	15	14.83	237	335.82	177	237.99
Sulpanilic acid	1	0.15	-	-	1	0.20	1	0.15	-	-	-	-
Polyurethne (a)	-	-	-	0.19	-	-	-	-	-	-	-	-
Sulpha bulk drugs for export	58	189.93	23	57.08	38	109.62	58	189.93	376	1711.32	510	2553.65
Others	-	65.68	-	38.76	45	33.45	-	65.68	1	0.41	-	147.88
Trading activity:												
Ancamine/Ancamide /Anchor	-	-	-	-	-	-	-	-	-	-	2	32.62
Noary Bond	-	-	-	-	-	-	-	-	-	-	-	-
Catalyst	-	-	-	-	-	-	-	-	-	-	-	-
PVD Cellular Sheet	-	-	-	-	-	-	-	-	-	-	-	-
IPF Multifoam	1	4.46	3	10.00	-	-	1	4.46	1	2.33	2	7.95
Baero products & Indovin	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
		<u>645.04</u>		<u>504.41</u>		<u>713.23</u>		<u>645.04</u>		<u>13203.20</u>		<u>12691.77</u>
GRAND TOTAL		<u>6226.43</u>		<u>5193.98</u>		<u>4928.05</u>		<u>6226.43</u>		<u>60802.45</u>		<u>61643.80</u>

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

10 Taxation:

- (a) There is no liability for income tax for the year under, the Income-tax Act, 1961, hence no provision has been made there for.

(b) Deferred Taxation	Accumulated as at 31.3.2003	Charge/Credit during the year	(Rs in lacs) Balance as at 31.3.2004
Deferred Tax Liability on account of :			
(i) Depreciation	2578.92	479.21	3058.13
(ii) Deferred Revenue	1197.78	(148.21)	1049.57
	<u>3776.70</u>	<u>331.00</u>	<u>4107.70</u>
Deferred Tax Asset on account of :			
(i) Expenses allowable for Tax purposes when paid	70.54	47.28	117.82
(ii) Provision for Doubtful Debts and Advances	33.44	(3.61)	29.83
(iii) Provision for unascertained liability	268.60	(268.60)	-
(iv) Taxed Lease Income, Credit for which will be taken in future	(29.39)	29.39	-
(v) Unencashed leave	258.30	35.85	294.15
(vi) Capitalised spares amortisation	23.74	(23.74)	-
(vii) Deferred revenue - VRS	-	50.89	50.89
	<u>625.23</u>	<u>(132.54)</u>	<u>492.69</u>
Net Deferred Tax Liability (Asset)	<u>3151.47</u>	<u>463.54</u>	<u>3615.01</u>

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS (Contd.)

11 Related Party Information :

A. Name of related party and nature of relationship

SN	Name of the related party	Description of relationship
1.	Atul Europe Ltd	Subsidiary
2.	Atul Americas Inc	Subsidiary
3.	Atul Deutchland GMBH	Subsidiary
4.	Ameer Trading Corp Ltd	Subsidiary
5.	Amal Products Ltd	Associate company
6.	Gujarat Synthwood Ltd	Jointly promoted company
7.	AtRo Ltd	Jointly promoted company
8.	Key Management Personnel: Mr Sunil S Lalbhai Mr Samveg A Lalbhai Mr J L Shah	----- Managing Director & CEO ----- Managing Director ----- Executive Director
9.	Relatives of Key Management Personnel: Mrs Abhilasha S Lalbhai Mrs Vimlaben S Lalbhai Mrs Smita J Shah Mr Maulik J Shah	----- Relative of Key Management Personnel ----- Relative of Key Management Personnel ----- Relative of Key Management Personnel ----- Relative of Key Management Personnel

11 Related Party Information :(Contd.)

B. Transactions with related parties

							Rs. in lacs
SN	Name of the related party	Subsidiaries	Jointly promoted companies	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	
Sales and Income:							
1.	Sale of goods	8011.89	36.81	110.17	-	-	
		(7688.82)	(120.32)	(41.13)	-	-	
2.	Interest received	13.88	-	28.58	-	-	
		(21.18)	-	(138.35)	-	-	
3.	Supply of services	-	-	202.28	-	-	
		-	-	(299.98)	-	-	
Purchases and Expenses:							
1.	Purchase of goods	46.41	0.10	474.79	-	-	
		(16.21)	(15.92)	(509.54)	-	-	
2.	Commission paid	120.20	-	46.04	-	-	
		(100.32)	-	(53.11)	-	-	
3.	Service charges paid	27.69	-	-	-	-	
		(27.69)	-	-	-	-	
4.	Remuneration	-	-	-	75.54	-	
		-	-	-	(97.13)	-	
5.	Rent paid	-	-	-	-	-	
		-	(0.60)	-	-	-	
Other transactions:							
1.	Loan given	-	73.27	-	-	-	
		-	(0.03)	-	-	-	
2.	Other transactions	-	-	118.35	-	-	
		(5.14)	(31.26)	(10.51)	-	-	
3.	Guarantee given	-	-	-	-	-	
		(48.00)	-	-	-	-	
4.	Fixed deposit received	-	-	-	-	-	(8.67)
		-	-	-	-	-	0.90
5.	FD Interest paid	-	-	-	-	-	(1.65)
		-	-	-	-	-	

Outstanding balances:

							Rs. in lacs
SN	Name of the related party	Subsidiaries	Jointly promoted companies	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	
1.	Payable	64.35	-	317.85	1.31	9.82	
		(43.39)	(176.80)	(105.26)	(22.79)	(9.69)	
2.	Receivables	4206.35	974.91	900.04	-	-	
		(3731.98)	(1287.60)	(507.00)	-	-	

C. There are no provisions for doubtful debts or amounts written off or written back in respect of debts due to or due from related parties.

D. Related party relationship is as identified by the Company on the basis of information available with them and on legal opinion obtained by the Company and relied upon by the Auditors.

SCHEDULE 19 - NOTES FORMING PART OF THE ACCOUNTS:(Contd.)

12 Segment Information :

A Information about Business Segment - Primary

(Rs in lacs)

Particulars	Colors		Speciality and other Chemicals		Total	
	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs
1 Segment Revenue						
External Sales	24436.67	27422.01	36365.78	34221.79	60802.45	61643.80
Inter Segment Sales	178.11	534.27	390.05	1049.15	568.16	1583.42
Total Segment Revenue	24614.78	27956.28	36755.83	35270.94	61370.61	63227.22
Less: Inter Segment Revenue	178.11	534.27	390.05	1049.15	568.16	1583.42
Net Revenue from operations	24436.67	27422.01	36365.78	34221.79	60802.45	61643.80
2 Segment Results						
Profit before Interest and Tax	582.63	2792.32	2980.03	5355.66	3562.66	8147.98
Interest (net)					2157.21	3293.28
Other unallocable expenditure (net of unallocable income)					710.57	960.36
Profit Before Tax					694.88	3894.34
3 Other Information						
Segment Assets	28961.16	34117.39	36822.07	29303.17	65783.23	63420.56
Unallocated Common Assets					11620.73	10840.49
Total Assets					77403.96	74261.05
4 Segment Liabilities						
Segment Liabilities	5851.68	5483.70	7639.59	6754.49	13491.27	12238.19
Unallocated Common Liabilities					4849.49	4796.94
Total Liabilities					18340.76	17035.13
5 Capital Expenditure						
Capital Expenditure	204.70	857.35	5556.32	3750.30	5761.02	4607.65
Unallocated Capital Expenditure					301.11	290.34
Total Capital Expenditure					6062.13	4897.99

SCHEDULE 19 - NOTES FORMING PART OF THE ACCOUNTS:(Contd.)

12 Segment Information (Contd.)

Other information (Contd.)

(Rs in lacs)

Particulars	Colors		Speciality and other Chemicals		Total	
	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs
6 Depreciation	824.77	934.04	1089.01	1276.29	1913.78	2210.33
Unallocated Depreciation					814.21	491.90
Total Depreciation					2727.99	2702.23
7 Non Cash Expenses	125.37	-	109.96	390.51	235.33	390.51
Unallocated Non Cash Expenses					569.29	407.52
Total Non Cash Expenses					804.62	798.03

B Business Secondary - Geographical by Customers

Particulars	In India		Outside India		Total	
	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs
Segment Revenue	31024.38	31238.28	29778.07	30405.52	60802.45	61643.80
Carrying Cost of Assets by location of Assets	67778.86	68837.84	9625.10	5423.21	77403.96	74261.05
Addition to Assets and Intangible Assets	6062.11	4897.99	-	-	6062.13	4897.99

Other Disclosure

- 1 Segments have been identified in line with the Accounting Standard - 17 "Segment Reporting" taking into account the organisation structure as well as the differing risks and returns.
- 2 Company has disclosed Business Segment as the Primary Segment.
- 3 Composition of Business Segment:
Name of Segment Comprises of
(a) Colors Dyes and Intermediates
(b) Speciality and Other Chemicals Agrochemicals, Pharmaceuticals, Polymers, Other Chemicals and Aromatic Compounds
- 4 The Segment Revenue, Results, Assets and Liabilities include respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

13 Earning Per Share :

Earning Per Share (EPS) - The numerators and denominators used to calculate Basic and diluted Earning Per Share:

	<u>31.03.2004</u>	<u>31.03.2003</u>
Profit for the year attributable to the Equity Shareholders	Rs 349.47	4348.00
Basic/Weighted average number of Equity Shares outstanding during the year	29661733	29661733
Nominal value of Equity Share	Rs 10	10
Basic & diluted earning Per Share	Rs 1.18	14.66

14 Customs Duty:

Import Duty payable on goods lying in customs bonded warehouse will, as per the Company's practice and be charged in the year of clearance of the goods. Amount estimated as on 31st March, 2004, Rs 70.93 lacs (Previous year Rs 56.91 lacs). This accounting policy has no impact on the Profit for the year.

15 Small Scale Undertaking Dues:

(a) This disclosure is on the basis of information available with the Company regarding the status of supplier as defined under the "Interest on delayed payment to Small scale and ancillary Industrial Undertaking Act, 1993" unpaid liability on account of interest Rs 16.49 lacs (Previous year Rs 16.49 lacs).

(b) The name of Small Scale Industrial Undertakings in respect of whom amounts are outstanding for more than 30 days.

Aromatics Unit:

(1) Mrugal Enterprise (2) Jay Agro Industries (3) Sanjay Ind (4) Charbhujia Metals Pvt Ltd (5) Micromesh Minerals & Metals (6) Shree Khodiyar Ice Factory (7) Vamech Seals (8) Bhagwati Ind (9) Welmech Engineering Services (10) Inmarco Industrial Maintenance

Atul Unit:

(1) A Choksey Chemical Industries (2) Anami Organics (3) Athiappa Chemicals Pvt Ltd (4) Arvico Rubber Industries (5) Amit Chemical Industries (6) Akry Organics Pvt Ltd (7) Advance Reinforced Plastics Pvt Ltd (8) Aarti Drums (9) Ajay Valves Pvt Ltd (10) Bhagat Salt & Chemical Ind (11) Caps Ramsons Pvt Ltd (12) Chandan Chemicals (13) Chandan Intermediates & Chemicals Pvt Ltd (14) Control Engineers (15) Dakle Industrial Plastics (16) Demia Valves Pvt Ltd (17) Dooall Corpo India Pvt Ltd (18) Deepankit Metals Works (19) Dalal Enterprises (20) Elco Valves (21) Fluorocarbon Processing Inds (22) Forum Hoist Pvt Ltd (23) Gahlot Ind (24) Gujarat Petrochem (25) Horizon Polymer Eng Pvt Ltd (26) Hindustan Polymers (27) Industrial Instruments & Controls (28) Jayflow Ind (29) Jackson Chemical Ind (30) Jaypee Footwear Co (31) J R Mullic & Co Pvt Ltd (32) Kalamkhush (33) Khosla Profil Pvt Ltd (34) Kailash Chemicals (35) Laxmi Narayan Salt Works (36) Mech Engineers (37) Modern Industrial Works (38) Masibus Process Instruments Pvt Ltd (39) Meridian Chem-Bond Ltd (40) Navjivan Industries (41) Neo Carbons Pvt Ltd (42) Nirav Engineering Corporation (43) Neo-Orga-Chem (44) National Industrial Corporation (45) Pramukh Oxygen Pvt Ltd (46) Pack-well Ind (47) Paramount Chemicals (48) Power Control Systems (49) Pioneer Engineer (50) Premier Ind (51) R D Electricals (52) Shree Rang Saw Mill (53) Suprit Chemicals Pvt Ltd (54) Savi Chemicals Pvt Ltd (55) Swati Chemical Ind (56) Travaini Maneklal Vacuum Technology Pvt Ltd (57) Texind Corporation (58) Unison Valves Pvt Ltd (59) Vamech Seals (60) Vasanti Engineering (61) Vishal Glass Shots (62) Weaverbird Fabrics (63) Shree Laxmi Salt Chem Pvt Ltd.

Colors (West):

(1) Amit Chemical Industries (2) Arvico Rubber Industries (3) Arpan Brush Co Pvt Ltd (4) Dakle Industrial Plastics (5) Deepankit Metal Works (6) Dip-Flon Engineering & Co (7) Fluorocarbon Processing Inds (8) Gluck (India) Mfg Co (9) Gopinath Chemteck Ltd (10) Harsh Engineering (11) Hemendra Metal Industries (12) Industrial Solvents & Chem Pvt Ltd (13) Industrial Limes (14) Industrial Moulders (15) Jayant & Brothers (16) Jim Chemical Industries Pvt Ltd (17) Khosla Profil Pvt Ltd (18) Maxo Products (19) Nishko Instruments Pvt Ltd (20) Oil Seals Mfg Co Pvt Ltd (21) Pam Extrusion (Div. of Dragon Drugs) (22) Pneucon Valves Pvt Ltd (23) Prakash Steel Fab (24) Raajratna Electrodes Pvt Ltd (25) Shree Umiya Timber Industries (26) Shroff Process Pumps (27) Span Chemicals (28) Transducers and Controls Pvt Ltd (29) Usha Compressors Pvt Ltd (30) Vadilal Chemicals Ltd (31) Vibha Chem Products Pvt Ltd (32) Waaree Instruments Ltd.

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

P P Site:

(1) Alliance Engineering Co (2) Koshal Polyplast (Mumbai) (3) OCV Dandy Control Pvt Ltd (4) Parshava Chemical (5) Precision Industries (6) Pack Well Ind (Valsad) Pvt Ltd (7) Vadilal Chemicals Ltd.

- 16 Sundry Debtors outstanding for more than six months under Sundry Debtors in Schedule 8 include Rs356.80 lacs for the recovery of which, legal action has been or is being taken by the Company, however, the same are considered good by the management.
- 17 Exchange difference in respect of forward contracts to be recognised in the Profit & Loss Account of subsequent accounting periods amounts to Rs 13.58 lacs.
- 18 Significant Accounting policies followed by the Company are as stated in the statement annexed to this Schedule.
- 19 Sundry Debtors under Schedule '8' amounting to Rs 3147.98 lacs are partly secured by hypothecation of movable plant and machinery, stocks, receivables etc. and pledge of shares.

20 Loans and Advances in nature of loans:	Amount outstanding as on 31-03-2004	(Rs in lacs) Maximum balance during the year
(i) Subsidiary:		
Ameer Trading Corporation Ltd	117.91	131.91
(ii) Associate Companies:		
Gujarat Synthwood Ltd (Refer note (a) below)	721.38	721.38
Atul Pharmaceuticals Ltd (b)	0.62	0.62
AtRo Ltd (b)	2.51	2.51
Amal Ltd	225.49	328.80
(iii) Loan to others where there is no interest or repayment schedule		
Atul Club	94.30	95.30

Note:

- (a) Loan is given to finance the over run of project cost and cash losses. In terms of understanding with Financial Institutions loan to be free of interest and is subordinate to the loans from Financial Institutions.
- (b) No Repayment Schedule.
- (c) Loans given to employees as per company's policy are not considered.

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

- 21 Borrowing Cost is net of capitalisation Rs 39.93 lacs (Previous year Rs Nil)
- 22 Information required in terms of Part IV of Schedule VI of the Companies Act, 1956 is attached.
- 23 Previous year's figures have been regrouped wherever necessary.
- 24 Figures less than Rs 500/- has been shown at actuals in bracket as the figures have been rounded off to nearest thousand.

For & on behalf of
DALAL & SHAH
Chartered Accountants

(B R SHAH)
Partner
Membership No 5806

Mumbai
May 21, 2004

For and on behalf of the Board of Directors

Chairman

Managing Director & CEO

Managing Director

Company Secretary

Directors

Annexure referred to in Note 18 in Schedule 19 of the Accounts for the year ended 31st March, 2004.

Statement of Significant Accounting Policies:

1 System of Accounting:

- 1.1 The Company, generally, follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.
- 1.2 Financial statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money except in case of freehold land which was revalued in the year 1985 and resultant surplus is kept credited under Revaluation Reserves. Certain plant and machinery of amalgamating company Atic Industries Ltd. were revalued as on 1st April, 1995 and are included and shown at the revalued value in Schedule of Fixed Assets.

2 Fixed Assets and depreciation:

- 2.1.1 Fixed assets are carried at cost of acquisition or construction including incidental expenses, less accumulated depreciation (except on freehold land) and amortisation except freehold land and Plant and Machinery which is at revalued value. Also refer para 6. Borrowing cost related to the acquisition or construction of the qualifying fixed assets for the period up to the completion of their acquisition or construction are included in the cost of fixed assets.

- 2.1.2 Spares for specific machinery are carried at cost less amortisation (For change in accounting policy refer Note No 21)

2.2 Depreciation and Amortisation:

2.2.1 Lease hold land:

Premium on lease hold land is amortised over the period of lease.

2.2.2 Other fixed assets:

2.2.2.1 Aromatics Unit:

- (i) Depreciation on Buildings (other than roads) and Plant and Machinery, except on Ancillary Equipments to Plant and Machinery taken on lease, is being provided on "Straight Line Method" basis in accordance with provisions of Section 205(2)(b) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act and on all other assets is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- (ii) Depreciation on Ancillary Equipment to Plant and Machinery taken on lease on or after 1.4.1991 has been provided on equated installments basis over the primary lease period of said machinery viz. 20% (corresponding rate under Schedule XIV 10.34%)
- (iii) Depreciation on assets sold, scrapped or discarded during the year is being provided at their respective rates up to the month in which such assets are sold, scrapped or discarded, as required by Schedule XIV to the Companies Act, 1956.
- (iv) Depreciation on additions to the assets during the year is being provided on pro-rata basis at their respective rate with reference to the month of acquisition / installation as required by Schedule XIV to the Companies Act, 1956.

2.2.2.2 Atul Unit :

- (i) Depreciation on Building, Plant and Machinery pertaining to plants commissioned up to 31 December, 1967 and on further additions thereto, is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- (ii) Depreciation on Buildings and Plant and Machinery pertaining to plants commissioned on or after 1st January, 1968 is being provided on "Straight Line Method" basis, in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.

Annexure referred to in Note 18 in Schedule 19 of the Accounts for the year ended 31st March, 2004.

Statement of Significant Accounting Policies (Contd.) :

- (iii) Depreciation on assets other than Buildings and Plant and Machinery is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- (iv) Depreciation on additions to the assets during the year is being provided on pro-rata basis at their respective rates as required by Schedule XIV to the Companies Act, 1956 with reference to the month of acquisition / installation.
- (v) Depreciation on assets sold, scrapped or demolished during the year is being provided at their respective rates up to the month in which such assets are sold, scrapped or demolished, as required by Schedule XIV to the Companies Act, 1956.

2.2.2.3 Colors (West) Unit:

- (i) Depreciation on addition to Fixed Assets up to 31 December 1987 is being provided on "Straight Line Method" basis pursuant to circular No.1-1/1986, CLV No. 14(50)84 CL VI dated 21st May, 1986 issued by the Department of Company Affairs and in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, at the rates corresponding to the rates (inclusive of Multiple Shift Allowance) applicable under Income Tax Rules in force at the time of acquisition / installation.
- (ii) Depreciation on additions on or after 1st January, 1988 is being provided on "Straight Line Method" basis, in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- (iii) Depreciation on assets sold, scrapped or discarded during the year is being provided at their respective rates up to the date of sale, scrapping or demolition of such assets, as required by Schedule XIV to the Companies Act, 1956.
- (iv) In the case of increase on account of revaluation of certain Plant & Machinery, Depreciation is computed on "Straight Line Method" on the basis of residual life as estimated by the valuers.

2.2.2.4 P P Site:

- (i) Depreciation on buildings constructed and Plant & Machinery commissioned up to 31st December, 1967 is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) in the manner and at the rates specified in Schedule XIV to the said Act.
- (ii) Depreciation on buildings constructed and Plant & Machinery commissioned on or after 1st January, 1968 except on Ancillary Equipment to Plant and Machinery taken on lease on or after 1st April 1990 is being provided on "Straight Line Method" basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- (iii) Depreciation on leased assets is being provided on "Straight Line method" basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956 in the manner and at rates specified in Schedule XIV to the said Act, (see para 8 below).
- (iv) Depreciation on Ancillary Equipments to Plant & Machinery taken on lease on or after 1st April, 1990 is being provided on equated installments basis over a primary lease period of Machinery taken on lease viz. 20% (corresponding rates under schedule XIV on "Straight Line Method" basis 10.34%).
- (v) Depreciation on assets other than Buildings and Plant & Machinery is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 at the rates specified in Schedule XIV to the said Act.

Annexure referred to in Note 18 in Schedule 19 of the Accounts for the year ended 31st March, 2004.

Statement of Significant Accounting Policies (Contd.) :

- (vi) Depreciation on additions to the assets during the year is being provided on pro-rata basis at their respective rate with reference to the month of acquisition / installation as required by Schedule XIV to the Companies Act, 1956.
 - (vii) Depreciation on assets sold, scrapped or demolished during the year is being provided at their respective rates up to the month in which such assets are sold, scrapped or demolished, as required by Schedule XIV to the Companies Act, 1956.
- 2.3 Cost of spares for specific machinery is amortised over balance period of life of related machinery.
- 3 Technical Know - how Fees:
Expenditure on acquiring technical know - how (including Income Tax and R & D Cess) is being amortised over a period of six years from the year of its utilisation.
- 4 Investments:
Investments are valued at cost of acquisition.
- 5 Inventories:
- 5.1 Raw Materials are valued at cost or net realisable value whichever is lower. Cost is arrived at on annual average basis for Atul Unit and P P Site, on FIFO basis for Aromatics Unit and on monthly average basis for Colors (West) Unit.
 - 5.2 Stores and spares other than specific spares for machinery are valued at cost or net realisable value whichever is lower basis. Cost is arrived at on Moving Weighted Average basis except for Colors (West) Unit which is on a Monthly Average basis. However cost of fuel and packing materials of Aromatic Division is valued at on Yearly Average basis.
 - 5.3 Materials - in - Process are valued at cost or net realisable value whichever is lower.
 - 5.4 Finished Goods:
Finished goods stocks are valued at full absorption cost or net realisable value whichever is lower (including excise duty).
 - 5.5 Stock of goods traded in is valued at Annual Average cost or net realisable value whichever is lower.
 - 5.6 Materials in transit and in Bonded Warehouse are stated at the cost to the date of Balance Sheet.
- 6 Exchange Fluctuations:
- 6.1 Foreign Currency loans for financing fixed assets outstanding at the close of the financial year are revalored at the contracted / closing exchange rates at the close of the year. The gain or loss due to decrease / increase in rupee liability due to fluctuation in rates of exchange is adjusted to the cost of assets acquired through these loans.
 - 6.2 Current Assets and Liabilities in Foreign Currency outstanding at the close of the financial year are valued at the contracted / closing exchange rates at the close of the year. The loss or gain due to fluctuation of exchange rates is charged to Profit and Loss Account.
- 7 Sales:
- 7.1 Export sales are accounted on the basis of the dates of Bill of Lading and / or Airway Bill.
 - 7.2 Benefits on account of entitlement to import goods free of duty under the "Duty Entitlement Pass Book under the Duty Exemption Scheme" is being accounted in the year of export.

Annexure referred to in Note 18 in Schedule 19 of the Accounts for the year ended 31st March, 2004.

Statement of Significant Accounting Policies (Contd.) :

8 Leasing Income:

8.1 Lease rental income is recognised on accrual basis.

8.2 Based on the recommendation of Institute of Chartered Accountants of India in respect of "Accounting for Leases", a matching annual charge is made to the Profit & Loss Account, representing recovery of net investment of leased assets during the year. The said charge is calculated by deducting Finance Income for the year (arrived at by applying the interest rate implicit in the lease to the net investment in the lease during the year) from the lease rental. This annual charge comprises of book depreciation (as per policy stated in para 2.2.2.4(iii)) and a lease equalisation charge where the annual lease charge is less than the book depreciation, a lease equalisation charge credit is taken.

9 Lease Rent:

Total lease rent payable on machinery taken on lease is being treated as Deferred Revenue Expenditure and is amortised over a period of expected life of the machinery. Financing cost is being amortised over the primary period of the lease.

10 Research & Development Expenditure:

Research and Development Expenditure is charged to revenue under the natural heads of account in the year in which it is incurred. However, R & D expenditure on Fixed Assets is treated in the same way as expenditure on other Fixed Assets.

11 Retirement Benefits:

11.1 Provident Fund and Pension Schemes:

Retirement Benefit in the form of Provident Fund and Pension Schemes whether in pursuance of any law or otherwise is accounted on accrual basis and charged to Profit & Loss Account of the year.

11.2 Gratuity:

Provision for payments to the Employees' Gratuity Fund after taking into account the funds available with the Trustees of the Gratuity Fund is based on actuarial valuation done at the close of each financial year.

11.3 Superannuation:

Contribution for superannuation benefits are made on the basis of company's Superannuation Fund Scheme.

11.4 Voluntary Retirements:

Compensation under the Voluntary Retirement Scheme is being treated as Deferred Revenue Expenditure and is amortised over a period of enduring benefits as estimated by the Management.

11.5 Leave Encashment:

Provision for leave encashment is accrued and provided for at the end of financial year on the basis of an actuarial valuation.

12 Taxation :

Income-tax expense comprises current tax and deferred tax charge or credit. Provision for current tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred tax asset and deferred tax liability are calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets on account of timing differences are recognised, only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of Deferred tax assets are reviewed to reassure realisation.

Annexure referred to in Note 18 in Schedule 19 of the Accounts for the year ended 31st March, 2004.

Statement of Significant Accounting Policies (Contd.) :

13 Borrowing Costs:

Borrowing costs in relation to acquisition and construction of assets are capitalised as part of cost of such assets up to the date when such assets are ready for intended use. Other borrowing costs are charged as expense in the year in which these are incurred.

ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No	:	2859
State Code	:	04
Balance Sheet Date	:	March 31, 2004

II Capital Raised during the year (Amount Rs in Thousands)

Public Issue	:	Nil
Right Issue	:	Nil
Bonus Issue	:	Nil
Private Placement (Redeemable Preference Shares)	:	Nil

III Position of Mobilisation and Development of Funds (Amount Rs in Thousands)

Total Liabilities	:	6217628
Total Assets	:	6217628
Source of Funds		
Paid-up Capital	:	296748
Reserves & Surplus	:	2555737
Secured Loans	:	2700437
Unsecured Loans	:	303205
Application of Funds		
Net Fixed Assets	:	2760425
Technical Know-how	:	Nil
Investments	:	240287
Net Current Assets	:	2858298
Miscellaneous Expenditure	:	358618
Accumulated Losses	:	Nil

IV Performance of Company (Amount Rs in Thousands)

Turnover (including other income)	:	6035857
Total Expenditure	:	5966369
Profit before Tax	:	69488
Profit after Tax	:	22614
Earning per Share (Equity)	:	Rs 1.18
Dividend Rate (Proposed)	:	15%

V Generic names of Three Principal Products / Services of Company (As per Monetary terms)

Item Code No (ITC Code)	:	3204
Products Description	:	Synthetic organic colouring matter
Item Code No (ITC Code)	:	291200
Product Description	:	Para anisic aldehyde
Item Code No (ITC Code)	:	390730.09
Product Description	:	Epoxy resins

ATUL LIMITED

Distribution of shareholding

(As on 31.03.2004)

No. of shares	No. of Accounts	Total Shares
1 to 10	4402	24148
11 to 50	15974	442562
51 to 100	6573	537319
101 to 500	9779	2320403
501 to 1000	1624	1189846
1001 to 1500	451	559914
1501 to 2000	239	427035
2001 to 3000	192	479277
3001 to 4000	95	330778
4001 to 5000	70	320557
5001 to 10000	117	842328
Above 10001	147	22187566
TOTAL :	39663 =====	29661733 =====

Ac/s04/printerdistrishare2004

(Rs in lacs)

As at

31.03.2003

	Schedule	Rs	Rs	Rs
I SOURCES OF FUNDS:				
1 Shareholder's Fund:				
(a) Capital	1	2967.48		2967.48
(b) Reserves and Surplus	2	<u>24801.00</u>		<u>25219.07</u>
			27768.48	<u>28186.55</u>
2 Deferred Tax (net)			3608.05	3147.59
3 Loan Funds:				
(a) Secured Loans	3	27004.37		24086.70
(b) Unsecured Loans	4	<u>3032.05</u>		<u>3777.56</u>
			30036.42	<u>27864.26</u>
			<u>61412.95</u>	<u>59198.40</u>
II APPLICATION OF FUNDS:				
1 Fixed Assets:				
(a) Gross Block	5	65062.16		59516.40
(b) Less: Depreciation		<u>39081.36</u>		<u>36718.93</u>
(c) Net Block		25980.80		22797.47
(d) Capital work in progress, expenditure to date		1207.93		948.89
(e) Advances against capital expenditure		<u>438.63</u>		<u>625.68</u>
			27627.36	24372.04
2 Technical know - how	6		-	-
3 Investments	7		657.47	548.06
4 Current Assets, Loans and Advances:				
(a) Inventories	8	17924.33		19927.75
(b) Sundry Debtors		17589.54		18658.88
(c) Cash and Bank Balances		1368.34		1237.04
(d) Other Current Assets		165.02		175.72
(e) Loans and Advances		<u>8128.71</u>		<u>7877.22</u>
		<u>45175.94</u>		<u>47876.61</u>
Less: Current Liabilities and Provisions:				
(a) Liabilities	9	13830.72		14644.05
(b) Provisions		<u>1803.28</u>		<u>2292.56</u>
		<u>15634.00</u>		<u>16936.61</u>
Net Current Assets			29541.94	30940.00
5 Miscellaneous Expenditure				
(To the extent not written off or adjusted)				
Deferred Revenue Expenditure	10		3586.18	3338.30
			<u>61412.95</u>	<u>59198.40</u>
Notes forming part of the Accounts	19			

As per our attached report of even date
For & on behalf of
DALAL & SHAH
Chartered Accountants

For and on behalf of the Board of Directors

(B R SHAH)
Partner
Membership No 5806

Company Secretary

Chairman

Managing Director & CEO

Managing Director

Mumbai
May 21, 2004

Directors

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ATUL LIMITED AND
ITS SUBSIDIARIES FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule	(Rs in lacs)	
		Rs	Rs
		2002-2003	2002-2003
INCOME:			
Sales and Operating Income	11	61576.82	62857.28
Other Income	12	977.12	1307.90
		<u>62553.94</u>	<u>64165.18</u>
EXPENDITURE:			
Cost of goods sold and Materials consumed	13	30752.20	25409.29
Manufacturing Expenditure	14	12477.14	14498.65
Employees' Emoluments	15	7932.28	7492.80
Interest and Finance charges, net	16	2148.58	3290.54
Others	17	5947.63	6335.17
Depreciation		<u>2732.20</u>	<u>2706.51</u>
		<u>61990.03</u>	<u>59732.96</u>
Profit before Taxation		563.91	4432.22
Provision for Taxation:			
Current tax		1.78	315.10
Deferred tax		460.46	185.40
Provision for Wealth Tax		<u>5.20</u>	<u>5.25</u>
		<u>467.44</u>	<u>505.75</u>
PROFIT FOR THE YEAR		<u>96.47</u>	<u>3926.47</u>
Credits / (Debits) relating to earlier years	18	(38.27)	(65.88)
Tax Adjustments relating to earlier years		177.17	1066.42
		<u>235.37</u>	<u>4927.01</u>
As per last Account		8693.94	5238.94
Investment Allowance Reserve transferred		-	280.76
Transferred from Debenture Redemption Reserve		<u>800.00</u>	<u>625.00</u>
		<u>9729.31</u>	<u>11071.71</u>
Capital Redemption Reserve Account		-	1000.00
Debenture Redemption Reserve		-	250.00
General Reserve		58.00	400.00
Preference Dividend paid in terms of the issue		-	58.54
		-	-
Proposed Dividend		444.93	593.24
Corporate Dividend Tax on above		<u>57.00</u>	<u>75.99</u>
		<u>501.93</u>	<u>669.23</u>
Balance carried to Balance Sheet		<u>9169.38</u>	<u>8693.94</u>
Basic/diluted earning Per Share		Rs 0.79	Rs 16.41
Notes forming part of the Accounts	19		

As per our attached report of even date
For & on behalf of
DALAL & SHAH
Chartered Accountants

For and on behalf of the Board of Directors

Chairman

(B R SHAH)
Partner
Membership No 5806

Managing Director & CEO

Managing Director

Company Secretary

Mumbai
May 21, 2004

Directors

SCHEDULE 1 TO 19 ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET
AS AT AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

		(Rs in lacs)	
		As at	
		31.3.2003	
		Rs	Rs
SCHEDULE - 1 - SHARE CAPITAL:			
Authorised:			
		8000.00	8000.00
	8000000 Cumulative Redeemable Preference Shares of Rs 100/- each	8000.00	8000.00
	80000000 Equity Shares of Rs 10/- each	<u>16000.00</u>	<u>16000.00</u>
Issued:			
		2967.48	3004.18
	29691780 Equity Shares of Rs 10/- each	<u>2967.48</u>	<u>3004.18</u>
Subscribed:			
		2966.17	2966.17
	29661733 Equity Shares of Rs 10/- each fully paid	1.31	1.31
	Add: Forfeited shares (amount paid-up)	<u>2967.48</u>	<u>2967.48</u>

Notes:

- 1 Rs 35860000/- consisting of 3586000 Equity Shares of Rs 10/- each stands reduced to Rs 3586000/- consisting of 358600 Equity Shares of Rs 10/- each on reduction and consolidation of said paid up capital as confirmed by The High Court of Gujarat as per its Order dated 20th August, 1988.
- 2 7500000 Equity Shares are issued to the Shareholders of erstwhile The Atul Product Limited, pursuant to Amalgamation scheme sanctioned by the High Court of Gujarat as per its order dated 20th August, 1988.
- 3 Of the above Equity Shares 1964650 Shares are issued as fully paid-up Bonus shares by way of capitalisation of Reserves.
- 4 Of the above Equity Shares 3809310 shares are issued as fully paid-up Shares on Conversion of 12.5% Fully Convertible Secured Debentures of Rs 120/- each.
- 5 Of the above Equity Shares 11028893 Shares are issued as fully paid-up on conversion of 14% Fully Convertible Secured Debentures of Rs 180/- each per Debenture.

Atul Limited - Consolidated
SCHEDULE - 2 - RESERVES AND SURPLUS:

4

		(Rs in lacs)	
		As at	
		31.3.2003	
	Rs	Rs	Rs
Capital Redemption Reserve Account:			
As per last Account	2360.00		1360.00
Add: Set aside this year	<u>-</u>		<u>1000.00</u>
		2360.00	<u>2360.00</u>
Security Premium Account:		8691.54	8691.54
Debenture Redemption Reserve:			
As per last Account	800.00		1175.00
Less: Transferred to Profit & Loss Account	<u>800.00</u>		<u>625.00</u>
	-		550.00
Add: Set aside this year	<u>-</u>		<u>250.00</u>
		-	800.00
Central and State Subsidy Reserve		64.38	64.38
Capital Reserve:			
As per last Account		466.78	466.78
Revaluation Reserve:			
As per last Account	776.46		776.46
Less: Adjustment on account of Sale of assets	<u>14.35</u>		<u>-</u>
		762.11	<u>776.46</u>
Investment Allowance Reserve Account:			
As per last Account	*	-	280.76
Less: Transferred to Profit & Loss Account on completion of statutory period	<u>-</u>		<u>280.76</u>
		-	-
* (Utilised towards acquisition of new plant & machinery to date Rs 280.76 lacs)			
General Reserve:			
As per last Account	3881.61		4064.41
Add: Amount paid-up on forfeited Debentures	-		3.37
Less: Adjustment in respect of cost of investments in Associates as losses exceed the cost	-		121.14
Less: Adjustment of loss on account of reduction in value of equity shares of a wholly - owned subscribed subsidiary	-		465.03
Add: Set aside this year	58.00		<u>400.00</u>
		3939.61	<u>3881.61</u>
Exchange Fluctuation Reserve on consolidation of Foreign Subsidiaries		(652.80)	(515.64)
Surplus as per annexed Account		<u>9169.38</u>	<u>8693.94</u>
		<u>24801.00</u>	<u>25219.07</u>

Atul Limited - Consolidated
SCHEDULE - 3 - SECURED LOANS:

	Rs	Rs	5 (Rs in lacs) As at 31.03.2003 Rs
Debentures:			
1100000 16% Secured Redeemable Non-Convertible Debentures of Rs 100/- each, issued on Private Placement basis, to be redeemed in three equal installments at the end of 3rd, 4th and 5th year from the date of allotment. (See note: 1 below)	-		366.67
500000 Secured Redeemable Non-Convertible Debentures of Rs 100/- each, issued on Private Placement basis, to be redeemable at the end of one year from the date of issue. (See note: 13 below)	-		500.00
		-	866.67
Term Loans from Financial Institutions:			
Aromatics Unit:			
From Bank of Baroda -Term Loan (See note : 14A below)		1190.91	-
From a Company (See note: 7 below)		-	1.38
From Banks, against hypothecation of Inventories & Book Debts of Aromatics Unit:			
Cash Credit	217.83		228.02
Packing Credit	676.81		472.29
Bills Discounting	343.11		282.46
Interest accrued & due	-		0.30
		1237.75	983.07
Atul Unit:			
From Exim Bank for Normal Capex (See note: 4 below)		-	75.00
From ICICI Bank Ltd - Rupee Term Loan (See note: 3 below)		-	1600.00
From Housing Development Finance Corporation Ltd Housing Loan (See note: 5 below)		-	150.00
From ICICI Bank Ltd - Rupee Term Loan (See note: 6 below)		-	3200.00
From Exim Bank - Long Term Working Capital Loan (See note: 8A below)		2422.29	2500.00
From Exim Bank - Long Term Working Capital Loan (See note: 8A below)		928.68	500.00
From Exim Bank - Long Term Working Capital Loan (See note: 8B below)		1800.00	-
From UTI Bank Ltd - Boiler Term Loan (See note: 9 below)		667.84	942.58
From UTI Bank Ltd - Term Loan (See note:15 below)		400.09	-
From UTI Bank Ltd - Foreign Currency Loan (See note: 15 below)		966.97	-
From Bharat Overseas Bank Ltd - Foreign Currency Loan (See note: 16 below)		965.32	-
From ICICI Bank Ltd (See note: 7 below)		51.18	34.27
From a Company (See note: 7 below)		2.96	9.70

Atul Limited - Consolidated
SCHEDULE - 3 - SECURED LOANS (Contd.):

		6 (Rs in lacs) As at 31.03.2003	
		Rs	Rs
From	Banks, against hypothecation of Tangible Movable Assets (other than movable Machinery), Inventories and Book Debts of Atul Unit, and also Secured by Second and Subservient charge on Company's immovable Assets to the extent of Rs 12437 lacs.		
	Cash Credit	-	382.17
	Working Capital Demand Loan	1.85	60.00
	FCNRB (DL)	2274.50	2441.00
	Packing Credit	<u>752.47</u>	<u>107.96</u>
		3028.82	2991.13
From	Exim Bank - Foreign Currency PCFC Loan (See note: 17 below)	888.60	-
	Short Term Loans, against Pledge of Shares held as Investment per Contra.		
From	HDFC Bank, against Pledge of 130172 Equity Shares of Novartis India Limited, 555935 Equity Shares of Ciba Specialty Chemicals(India) Ltd and 217890 Equity Shares of of Wyeth Ltd	1433.00	-
From	Infrastructure Leasing & Financial Services Ltd, against pledge of 75000 Equity Shares of Novartis India Limited and 275000 Equity Shares of BASF India Ltd.	-	500.00
From	Bank of India Demand Loan (See note: 14A below)	1824.99	-
From	Housing Development Finance Corporation Ltd - Term Loan (See note: 10 below)	400.00	600.00
From	Housing Development Finance Corporation Ltd - Term Loan (See note: 10 below)	600.00	800.00
From	Housing Development Finance Corporation Ltd - Term Loan (See note: 10 below)	1000.00	1000.00
From	Housing Development Finance Corporation Ltd - Corporate Loan (See note: 10 below)	1000.00	-
From	The Karur Vysya Bank Ltd - Term Loan (See note: 11A below)	1600.09	2000.00
From	The Karur Vysya Bank Ltd - Term Loan (See note:11B below)	887.15	-
From	Infrastructure Leasing & Financial Services Ltd - Term Loan (See note: 12 below)	1500.00	1500.00

Atul Limited - Consolidated

SCHEDULE - 3 - SECURED LOANS (Contd.):

				7
				(Rs in lacs)
				As at
				31.03.2003
		Rs	Rs	Rs
Colors(West) Unit :				
From	Banks, against hypothecation of all Tangible Current Asset and Book Debts. (See note: 2 below)			
	Cash Credit	-		47.24
	Packing Credit	-		431.49
	Bills Discounting	<u>87.79</u>		<u>1697.70</u>
			87.79	<u>2176.43</u>
P P Unit:				
From	Bank of Baroda Term Loan (See note : 14A below)		781.99	-
From	Bank of Baroda Demand Loan (See note : 14B below)		215.23	-
From	Banks, against hypothecation of raw-materials, finished and semi-finished goods, consumable stores and spares, raw materials in transit etc. and book debts			
	Cash Credit	143.70		399.72
	Working Capital Demand Loan	0.55		5.46
	FCNRB (DL)	831.49		854.37
	Packing Credit	146.98		396.02
	Interest accrued and due	<u>-</u>		<u>0.90</u>
			1122.72	<u>1656.47</u>
			<u>27004.37</u>	<u>24086.70</u>

NOTES:

- 1 Secured by pari passu first charge on company's immovable & movable fixed assets, both present and future and pledge of 1,28,000 shares of Wyeth Lederle Ltd held by the company and in the event of IDBI ceases to be the debenture holder, IDBI will release the shares.
- 2 Also secured by second charge on immovable properties created in favour of bankers of Colors (West) Unit.
- 3 Secured by pari passu first charge on all the Company's immovable and movable properties, both present and future, including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created (i) in favour of the Company's Bankers on the Company's stocks of raw material, semi-finished and finished goods, consumable stores and book debts and such other movables as may be agreed to by the Lender for securing borrowings for Working Capital requirements in the ordinary course of business, and (ii) on specific items of machinery charged to Exim Bank for loans of Rs 1450 lacs, ICICI for foreign currency loan of USD 869565 (equivalent to Rs 300 lacs), ICICI for asset credit assistance of Rs 530 lacs, GLFL for Term loan of Rs 150 lacs, and State Bank of India for Term Loan of Rs 200 lacs.(*)
- 4 Exclusive first charge by way of hypothecation in favour of Exim Bank over movable fixed assets partly to be financed out of this loan.
- 5 Secured by pari passu first mortgage on all assets and properties of the company, both present and future, save and except the properties exclusively charged in favour of certain lenders for their financial assistance to the company and the properties exclusively charged to the banks for their Working Capital Loans/Term Loans/specific loans to the company.
- 6 Secured by pari passu First mortgage on all assets and properties of the company, both present and future, save and except the properties exclusively charged in favour of certain lenders for their financial assistance to the company and the properties exclusively charged to the banks for their working capital loans / term loans / specific loans to the company and against pledge of equity shares worth of Rs 1680 lacs.
- 7 Secured by exclusive charge by way of Hypothecation of Vehicles purchased thereunder.
- 8A Secured by first pari passu charge by way of hypothecation of all the movable fixed assets and mortgage of the entire immovable properties of the company, present and future, excluding specific assets with exclusive charge and Second charge on the entire current assets of the Company, present and future.
- 8B To be Secured by first pari passu charge by way of hypothecation of all the movable fixed assets and mortgage of the entire immovable properties of the company, present and future, excluding specific assets with exclusive charge and Second charge on the entire current assets of the Company, present and future (Security since created).
- 9 Secured by exclusive first hypothecation charge on the boiler and auxiliary equipments and pari passu Second charge on the fixed assets of the Company.
- 10 Secured by exclusive first charge on : (i) Guest house, club house & 27 residential quarters situated at Village Gadkhol, Tal. Ankleshwar, Dist. Bharuch (ii) 15 dwelling units on land situated village Chanvai, Atul, Tal. & Dist. Valsad and first pari passu charge on balance immovable and movable properties of the Company, subject to prior exclusive charges in favour of Lenders.
- 11A Secured by pari passu first charge on all assets and properties of the Company, both present and future, save and except the properties exclusively charged in favour of certain lenders for their financial assistance and the properties exclusively charged to the banks for their working capital loans / specific loans / term loans etc and also Second pari passu charge on the entire Current Assets of the Company

- 11B To be Secured by pari passu first charge on all assets and properties of the Company, both present and future, save and except the properties exclusively charged in favour of certain lenders for their financial assistance and the properties exclusively charged to the banks for their working capital loans / specific loans / term loans etc and also Second pari passu charge on the entire Current Assets of the Company
- 12 Secured by first pari passu charge by way of mortgage on entire immovable properties and by hypothecation of entire movable fixed assets of the Company, present and future, excluding assets with exclusive charge, if any and Second pari passu charge on the entire current assets of the Company
- 13 Secured by pari passu second charge on the current assets of Atul East Unit of the Company.
- 14A Secured by first pari passu charge on the fixed assets of the Company as a whole both present and future , excluding specific assets with specific charge.
- 14B To be Secured by first pari passu charge on the fixed assets of the Company as a whole both present and future , excluding specific assets with specific charge (Security since created).
- 15 To be Secured by a first pari passu charge over the present and future immovable and movable(save and except current assets and specific charge on specific assets) properties of the Borrower situated at Atul and Ankleshwar
- 16 To be Secured by first pari passu charge on the fixed assets of the Company as a whole both present and future , excluding specific assets with specific charge.
- 17 Exclusive charge over proceeds of export contracts financed by EXIM and first pari passu charge on the fixed assets of the Company, excluding specific assets with specific charge.
- * Mortgages and charges rank pari passu inter se.

Atul Limited - Consolidated
SCHEDULE - 4 - UNSECURED LOANS:

10

	(Rs in lacs)	
	Rs	As at 31.03.2003 Rs
Fixed Deposits including interest accrued on New Cumulative Deposits	1761.91	1592.29
Sales Tax Deferment under Government of Gujarat New Sales Tax Incentive Scheme for Industries	203.18	264.36
From SBI - Buyers credit in Foreign Currency	154.33	-
From Companies	16.78	66.78
Hire Purchase Finance for purchase of cars	-	3.63
Commercial papers (maximum balance during the year Rs 800 lacs)	-	800.00
From a Company - ECB Loan	<u>895.85</u>	<u>1050.50</u>
	<u><u>3032.05</u></u>	<u><u>3777.56</u></u>

SCHEDULE - 5 - FIXED ASSETS:

ASSETS	(Rs in lacs)									
	GROSS BLOCK (b)				DEPRECIATION				NET BLOCK	
	As at 31-03-2003 Rs	Additions Rs	Deductions & Adjustments Rs	As at 31-03-2004 Rs	Up to 31-03-2003 Rs	Recouped & Adjustments Rs	For the Year Rs	Up to 31-03-2004 Rs	As at 31-03-2004 Rs	As at 31-03-2003 Rs
Goodwill (e)	1.30			1.30	-	-	-	-	1.30	1.30
Land - Free Hold (a)	1121.99	0.75	14.49	1108.25	-	-	-	-	1108.25	1121.99
Land - Lease Hold	420.42	-	4.63	415.79	-	-	-	-	415.79	420.42
Buildings (c)	7508.71	805.24 (d)	4.41	8309.54	2679.88	3.37	212.44	2888.95	5420.59	4828.83
Roads	149.16	3.99	-	153.15	65.57	-	6.26	71.83	81.32	83.59
Tubewells & Pump House	8.50	1.36	-	9.86	1.68	-	0.19	1.87	7.99	6.82
Plant & Machinery	45655.58	4827.75	283.77	50199.56	30611.62	244.39	2191.55	32558.78	17640.78	15040.87
Plant & Machinery (Lease)	1012.02	-	55.00	957.02	825.20	45.97	101.79	881.02	76.00	186.82
Railway Sidings	8.47	-	-	8.47	8.38	-	0.01	8.39	0.08	0.09
Laboratory Equipments	461.55	85.66	-	547.21	235.39	-	43.92	279.31	267.90	226.16
Equipments, Furniture & Dead Stock	1202.88	105.23	22.52	1285.59	884.63	16.80	64.23	932.06	353.53	322.43
Office Equipments	35.74	5.57	0.12	41.19	25.46	0.06	2.25	27.65	13.54	10.01
Vehicles	531.45	83.59	35.22	579.82	272.95	28.97	67.00	310.98	268.84	257.68
Capitalised Spares	114.03	6.52	14.81	105.74	66.17	13.89	9.92	62.20	43.54	47.86
Research & Development:										
Building	264.29	-	-	264.29	122.80	-	8.19	130.99	133.30	141.49
Machinery	1012.72	71.65	17.16	1067.21	912.08	16.32	24.31	920.07	147.14	100.64
Office Equipment	7.59	0.58	-	8.17	7.12	-	0.14	7.26	0.91	0.47
Total as on 31-03-2004	59516.40	5997.89	452.13	65062.16	36718.93	369.77	2732.20	39081.36	25980.80	22797.47
Total as on 31-03-2003	56150.75	4478.29	1112.64	59516.40	34941.25	928.83	2706.51	36718.93	22797.47	

Note: (a) Includes Rs 92.41 lacs (31.03.2003 Rs 92.41 lacs) being the value of land for which sale deeds are in process of registration.

(b) At cost, except land freehold and plant and machinery at revalued value and land - leasehold at cost, less amounts written off.

(c) Include premises on ownership basis Rs 51.92 lacs (31.03.2003 Rs 51.92 lacs) and cost of share in Co-operative Society Rs 0.01 lac (31.03.2003 Rs 0.01lac).

(d) After the adjustment of Rs 82.96 lacs (Previous Year Rs. Nil) on account of decrease in foreign currency liability due to Exchange Rate Fluctuations.

(e) At Cost.

SCHEDULE - 6 - TECHNICAL KNOW-HOW :

	(Rs in lacs)	
	Rs	Rs
As per last Account	-	4.81
Less: Written off this year	-	4.81
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

SCHEDULE - 7 - INVESTMENTS, at cost :

LONG TERM INVESTMENTS:

(Rs in lacs)

As at

31.3.2003

	Rs	Rs	Rs	Rs
Government and Trust Securities:				
Unquoted:			2.66	3.40
Long term Investments				
Equity Shares, Fully paid, Quoted:				
Trade:			184.28	102.29
Others:		428.21		428.21
Less: Cost of Investments adjusted to General Reserve as loss in associates exceed the cost		24.20		24.20
Less: Provision for diminution in value		40.24		40.24
		<u> </u>	363.77	<u>363.77</u>
Others, Unquoted:		278.51		715.38
Less: Cost of Investments adjusted to General Reserve as loss in associates exceed the cost		96.94		96.94
Less: Provision for diminution in value		74.81		74.81
Less: Adjustment of loss on account of reduction in value of equity shares of wholly-owned subscribed subsidiary		-		465.03
		<u> </u>	106.76	<u>78.60</u>
			<u>657.47</u>	<u>548.06</u>

	Book Value as at 31st March.		Market Value as at 31st March.	
	2004	2003	2004	2003
Quoted	548.05	466.06	9495.61	5205.75
Unquoted	109.42	82.00		
	<u>657.47</u>	<u>548.06</u>		

SCHEDULE - 8 - CURRENT ASSETS, LOANS AND ADVANCES :

	Rs	Rs	Rs
(a) Inventories, (As taken, certified and valued by Managing Director)			
Stores, Spares, etc., at cost		2139.45	2129.09
Stock - in - Trade, at cost or net realisable value whichever is lower:			
Raw Materials	2632.49		2738.51
Materials - in - Process	5782.57		6965.84
Finished Goods	<u>6533.91</u>		<u>7783.77</u>
		14948.97	17488.12
Goods - in - Transit, cost to date		516.08	220.34
Goods in Bonded Warehouse, Cost to date		317.05	88.71
Scrapped assets awaiting disposal at estimated realisable value		<u>2.78</u>	<u>1.49</u>
		17924.33	19927.75
(b) Sundry Debtors, Unsecured:			
Outstanding for more than six months			
Good		5697.65	5028.81
Doubtful	79.55		62.66
Less: Provision	<u>79.55</u>		<u>62.66</u>
		-	-
		<u>5697.65</u>	<u>5028.81</u>
Other, Good		<u>11891.89</u>	<u>13630.07</u>
		17589.54	18658.88
(c) Cash and Bank Balances:			
Cash on hand		<u>12.79</u>	<u>11.45</u>
Cheques in hand with Bank as Collecting Agency in terms of an arrangement		<u>107.44</u>	<u>124.35</u>
Bank Balances, with Scheduled Banks:			
In Current Account		1081.19	893.59
In Margin Deposit		<u>-</u>	<u>41.78</u>
In Fixed Deposits	162.29		153.45
Interest accrued on above	<u>4.63</u>		<u>12.42</u>
		<u>166.92</u>	<u>165.87</u>
		<u>1248.11</u>	<u>1101.24</u>
		1368.34	1237.04
(d) Other Current Assets:			
Interest Receivable (including Rs 0.25 Lac on Investments - Previous Year Rs 0.13 Lac)		126.98	125.49
Other Receivables		<u>38.04</u>	<u>50.23</u>
		165.02	175.72
(e) Loans and Advances, Unsecured, Good: (Unless otherwise stated)			
Loans to jointly Promoted Companies		724.51	724.43
Other Loans (See note 17)		1169.79	1424.10
Advances recoverable in cash or in kind or for value to be received			
Good		4850.07	3870.29
Doubtful	3.58		3.58
Less: Provision	<u>3.58</u>		<u>3.58</u>
		-	-
		<u>4850.07</u>	<u>3870.29</u>
Balances with Customs, Bombay Port Trust and Excise etc.		368.72	136.38
Sundry Deposits		328.25	342.81
Tax paid in advance		<u>687.37</u>	<u>1379.21</u>
		8128.71	7877.22
		<u>45175.94</u>	<u>47876.61</u>

SCHEDULE - 9 - CURRENT LIABILITIES AND PROVISIONS :

		(Rs in lacs)	
		As at	
		31.3.2003	
	Rs	Rs	Rs
(a) Liabilities:			
Acceptances		1950.42	473.83
Sundry Creditors			
(i) Due to Small Scale Industrial Undertakings	303.94		542.96
(ii) Due to others	<u>11393.92</u>		<u>13423.23</u>
		11697.86	13966.19
Lease terminal adjustments		-	19.71
Investors Education and Protection Fund shall be credited by the following: (See note below)			
Unclaimed Dividend	29.64		27.91
Unpaid matured debentures	6.96		7.29
Matured fixed deposits	2.22		8.06
Interest payable on above	<u>33.89</u>		<u>57.24</u>
		72.71	<u>100.50</u>
Interest accrued but not due on loans		98.68	<u>72.77</u>
Unclaimed amount of sale proceeds of fractional Coupons of Bonus Shares of erstwhile The Atul Products Limited		9.67	9.67
Unclaimed amount of sale proceeds of fractional Coupons of Bonus Shares		<u>1.38</u>	<u>1.38</u>
		13830.72	<u>14644.05</u>
(b) Provisions:			
For Unencashed leave	824.41		720.81
For Taxation	476.94		902.52
For Dividend Tax	57.00		75.99
Proposed Dividends	<u>444.93</u>		<u>593.24</u>
		1803.28	<u>2292.56</u>
		<u>15634.00</u>	<u>16936.61</u>

Note:

The figures are outstanding as at 31st March, 2004. The actual amount to be transferred to said fund in this respect shall be determined on the due dates.

SCHEDULE - 10 - MISCELLANEOUS EXPENDITURE :

(To the extent not written off or adjusted)

Deferred Revenue Expenditure			
Equipment Lease Rent		2788.43	3103.49
Payment under Voluntary Retirement Scheme		<u>797.75</u>	<u>234.81</u>
		<u>3586.18</u>	<u>3338.30</u>

SCHEDULE - 11 - SALES AND OPERATING INCOME:

		(Rs in lacs)	
		2002 - 2003	
	Rs	Rs	Rs
(a) Sales etc.			
Sales including Excise Duty	62981.58		63937.03
Less: Excise Duty	<u>3965.46</u>		<u>3872.57</u>
		59016.12	60064.46
Export Incentives		<u>1529.99</u>	<u>1944.50</u>
		60546.11	62008.96
(b) Leasing:			
Lease Rental Income	0.23		0.72
Add : Lease equalisation	<u>59.43</u>		<u>62.57</u>
		59.66	<u>63.29</u>
(c) Operating Income:			
Processing Charges	58.75		147.74
Charges received for services to Associated Companies	340.44		412.89
Miscellaneous scrap sales	571.86		224.40
		<u>971.05</u>	<u>785.03</u>
		<u>61576.82</u>	<u>62857.28</u>

SCHEDULE - 13 - COST OF GOODS SOLD AND MATERIALS CONSUMED:

	(Rs in lacs)	
	2002 - 2003	
	Rs	Rs
Raw Materials Consumed:		
Stocks at commencement	2738.51	2690.71
Less: Unserviceable Stock written off	1.63	13.40
	<u>2736.88</u>	<u>2677.31</u>
Add: Purchases	24970.36	25205.38
	<u>27707.24</u>	<u>27882.69</u>
Less: Stocks at close	2632.49	2738.51
	<u>25074.75</u>	<u>25144.18</u>
Finished Goods Purchases	3024.13	2215.37
Excise Duty on closing Stock of finished goods	246.63	306.07
Increase (Decrease) in stocks:		
Stock at Close:		
Materials - in - process	5782.57	6965.84
Finished Goods	6533.77	7783.77
	<u>12316.34</u>	<u>14749.61</u>
Less: Stocks at commencement:		
Materials - in - process	6965.84	6196.22
Finished Goods	7783.77	6396.74
Less: Obsolete Stock Written Off	0.14	33.58
	<u>7783.63</u>	<u>6363.16</u>
	<u>14749.47</u>	<u>12559.38</u>
Excess Provision of Excise duty	2433.13	(2190.23)
	<u>(26.44)</u>	<u>(66.10)</u>
	<u>30752.20</u>	<u>25409.29</u>

SCHEDULE - 14 - MANUFACTURING EXPENSES :

Stores Consumed	1871.48	2555.99
Power, Fuel and Water	7247.40	8167.91
Conversion and Plant operation charges etc.	541.70	1165.19
Building Repairs	332.51	325.10
Machinery Repairs	2344.45	2143.47
Sundry Repairs	139.60	140.99
	<u>12477.14</u>	<u>14498.65</u>

SCHEDULE - 15 - EMPLOYEES' EMOLUMENTS :

Salaries, Wages, Bonus etc.	5798.37	5471.25
Proportionate deferred revenue expenditure of voluntary		
Retirement benefit, written off	500.99	152.30
Emoluments under settlement	-	422.96
Contribution to Provident and Other Funds	979.36	774.80
Welfare Expenses	615.16	633.88
Provident & Other Fund expenses	38.40	37.61
	<u>7932.28</u>	<u>7492.80</u>

SCHEDULE - 16 - INTEREST & FINANCE CHARGES, NET :

	Rs	Rs	(Rs in lacs) 2002 - 2003 Rs
Interest:			
On Debentures		60.03	111.68
On Fixed Loans		1617.52	2502.75
Others		524.96	778.92
		<u>2202.51</u>	<u>3393.35</u>
Less: Interest earned (Gross, Tax, Deducted Rs 41.70 lacs Previous Year Rs 85.93 lacs)			
On Debentures and Bonds	0.37		1.14
Interest from Customers	23.87		30.55
Others	171.75		409.57
		<u>195.99</u>	<u>441.26</u>
		<u>2006.52</u>	<u>2952.09</u>
Discounting Charges		142.06	338.45
		<u>2148.58</u>	<u>3290.54</u>

SCHEDULE - 17 - OTHER EXPENDITURE:

Rent	70.01	54.83
Rates & Taxes	67.62	60.05
Insurance	250.69	223.85
Site Maintenance	65.56	68.04
Freight, Cartage and Octroi	1341.98	1220.17
Advertisement and Publicity	36.16	34.66
Commission and Discount	1194.71	1219.35
Brokerage	6.93	7.64
Travelling and Conveyance	482.53	493.17
Payments to Statutory Auditors	37.39	32.64
Payments to Cost Auditors	1.82	1.62
Directors' Fees & Travelling Expenses	11.16	9.91
Directors' Commission (Other than Managing & Executive Directors)	7.72	8.57
Charities and Donations	40.10	11.01
Contribution towards Research & Development	-	49.88
Loss on Materials sold	5.46	-
Bad Debts	29.89	430.73
Irrecoverable Balances Written Off	123.66	78.48
Provision for doubtful Debts & Advances	7.79	13.67
Provision for Diminution in value of Investment	-	115.05
Sales tax	33.37	44.08
Miscellaneous Expenses	1741.56	1516.07
Obsolete & Unserviceable Material Written Off	29.13	57.36
Loss on Assets sold, discarded or demolished	42.50	179.69
Amount written off on account of Technical Know-how	-	4.81
Amount written off against leasehold land	4.63	4.61
Proportionate Deferred Revenue Expenditure Written Off	315.26	395.23
	<u>5947.63</u>	<u>6335.17</u>

SCHEDULE - 18 - (DEBITS)/CREDITS RELATING TO EARLIER YEARS :

		(Rs in lacs) 2002 - 2003
	Rs	Rs
Debits relating to earlier years:	<u>92.52</u>	<u>107.01</u>
	92.52	107.01
Credits relating to earlier years:		
Provisions no longer required	45.86	34.47
Excess Depreciation on re-computation written back	8.39	0.04
Excess Provision for doubtful debts written back	-	6.62
	<u>54.25</u>	<u>41.13</u>
	<u>(38.27)</u>	<u>(65.88)</u>

Atul Limited - Consolidated

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS (Contd) :

20
(Rs in lacs)
2002-2003

	2003-2004 Rs	2002-2003 Rs
1 Contingent Liabilities not provided for in respect of:		
(a) Bills Discounted	1577.49	2087.77
Since realised	470.00	939.70
(b) Disputed excise demands - matter under appeal	1272.27	1113.31
(c) Disputed customs demands - matter under appeal	59.49	-
(d) Claims against the Company not acknowledged as debts	267.35	135.52
(e) Guarantees given by the Company to banks and financial institutions on behalf of third parties	-	50.00
(f) Income - Tax demands (including interest) - matter under appeal	505.99	131.63
(g) Sales Tax matter under appeal	12.14	0.22
(h) Uncalled liability on partly paid Shares.	-	35.80
2 Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (net of advances).	643.01	1957.82
3 Profit & Loss Account includes Expenditure on Research & Development and Pilot Plants as under:		
Materials consumed	49.67	16.40
Other Expenditure	593.40	612.95
4 (a) Hypothecation of Tangible Movable Assets (other than movable machinery) and Stocks of Atul Unit of the Company, favouring State Bank of India also extends to guarantees given by the said Bank. Amount of guarantees outstanding at the end of the year.	300.07	367.83
(b) Hypothecation of Inventory of Aromatics Unit favouring Bank of Baroda also extends to the guarantees given by the said Bank. Amount of guarantees outstanding at the end of the year.	-	6.57
(c) Hypothecation of Inventory of P P Site favouring State Bank of Saurashtra also extends to the guarantees given by the said Bank. Amount of guarantees outstanding at the end of the year.	125.28	35.83
(d) Hypothecation of all Tangible Current Assets and Book Debts of Colors Unit favouring Bank of India and State Bank of India also extends to the guarantees given by the said Bank. Amount of guarantees outstanding at the end of the year.	217.38	222.05
5 Payments to Auditors:		
(a) Statutory Auditors:		
(i) As Auditors	26.08	24.90
(ii) In other capacity:		
For Tax Audit	4.32	4.20
For Certificates	5.71	2.36
(iii) For Expenses	1.28	1.18
	<u>37.39</u>	<u>32.64</u>
(b) Cost Auditors:		
(i) As Auditors	1.73	1.58
(ii) For Expenses	0.09	0.04
	<u>1.82</u>	<u>1.62</u>

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

6 Taxation :

(a) Provision for Income tax has been made as per the Income Tax Act, 1961.

	Accumulated as at 31.03.2003	Charge/Credit during the year	(Rs in lacs) Balance as at 31.3.2004
(b) Deferred Taxation			
Deferred Tax Liability on account of :			
(i) Depreciation	2578.92	479.21	3058.13
(ii) Deferred Revenue	1197.78	(148.21)	1049.57
	<u>3776.70</u>	<u>331.00</u>	<u>4107.70</u>
Deferred Tax Asset on account of :			
(i) Expenses allowable for tax purposes when paid	70.54	47.28	117.82
(ii) Provision for Doubtful Debts and Advances	33.44	(3.61)	29.83
(iii) Provision for unascertained liability	268.60	(268.60)	-
(iv) Taxed Lease Income, credit of which will be taken in future	(29.39)	29.39	-
(v) Unencashed leave	258.30	35.85	294.15
(vi) Capitalised spares amortisation	23.74	(23.74)	-
(vii) Deferred revenue -VRS	-	50.89	50.89
	<u>625.23</u>	<u>(132.54)</u>	<u>492.69</u>
Net Deferred Tax Liability / (Asset)	3151.47	463.54	3615.01
Deferred Tax Asset of Subsidiaries	(3.88)	(3.08)	(6.96)
Net Deferred Tax Liability / (Asset)	<u>3147.59</u>	<u>460.46</u>	<u>3608.05</u>

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS (Contd.)

7 Related Party Information :

A. Name of related party and nature of relationship

SN	Name of the related party	Description of relationship
1.	Gujarat Synthwood Ltd	Jointly promoted company
2.	AtRo Ltd	Jointly promoted company
3.	Amal Ltd	Associate company
4.	Key Management Personnel:	
	Mr Sunil S Lalbhai	----- Managing Director & CEO
	Mr Samveg A Lalbhai	----- Managing Director
	Mr J L Shah	----- Executive Director
	Mr CJ Bent	----- Director
5.	Relatives of Key Management Personnel:	
	Mrs Abhilasha S Lalbhai	----- Relative of Key Management Personnel
	Mrs Vimlaben S Lalbhai	----- Relative of Key Management Personnel
	Mrs Smita J Shah	----- Relative of Key Management Personnel
	Mr Maulik J Shah	----- Relative of Key Management Personnel

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS (Contd.)

7 Related Party Information (Contd) :

B. Related party transactions

					Rs. in lacs
SN	Name of the related party	Jointly promoted companies	Associate Company	Key Management Personnel	Relatives of Key Management Personnel
Sales and Income:					
1.	Sale of goods	36.81 (120.32)	110.17 (41.13)	- -	- -
2.	Interest received	-	28.58 (138.35)	- -	- -
3.	Supply of services	- -	202.28 (299.98)	- -	- -
Purchases and Expenses:					
1.	Purchase of goods	0.10 (15.92)	474.79 (509.54)	- -	- -
2.	Commission paid	-	46.04 (53.11)	- -	- -
3.	Remuneration	-	-	110.47 (129.60)	- -
4.	Rent paid	- (0.60)	-	-	- -
Other transactions:					
1.	Loan given	73.27 (0.03)	-	-	-
2.	Other transactions	- (31.26)	118.35 (10.51)	- -	- -
3.	Fixed deposit received	-	-	-	-
4.	FD Interest paid	-	-	-	(8.67) 0.90 (1.65)

Outstanding balances:

					Rs. in lacs
SN	Name of the related party	Jointly promoted companies	Associate Company	Key Management Personnel	Relatives of Key Management Personnel
1.	Payable	- (176.80)	317.85 (105.26)	1.31 (22.79)	9.82 (9.69)
2.	Receivables	974.91 (1287.60)	900.04 (507.00)	- -	- -

C. There are no provisions for doubtful debts or amounts written off or written back in respect of debts due to or due from related parties.

D. Related party relationship is as identified by the Company on the basis of information available with them and on legal opinion obtained by the Company and relied upon by the Auditors.

SCHEDULE 19 - NOTES FORMING PART OF THE ACCOUNTS:(Contd.)

8 Segment Information

A Information about Business Segment - Primary

(Rs in lacs)

Particulars	Colors		Speciality and other Chemicals		Total	
	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs
1 Segment Revenue						
External Sales	25816.03	28991.01	37165.55	34946.02	62981.58	63937.03
Inter Segment Sales	178.11	534.27	390.05	1049.15	568.16	1583.42
Total Segment Revenue	25994.14	29525.28	37555.60	35995.17	63549.74	65520.45
Less: Inter Segment Revenue	178.11	534.27	390.05	1049.15	568.16	1583.42
Net Revenue from operations	25816.03	28991.01	37165.55	34946.02	62981.58	63937.03
2 Segment Results						
Profit before Interest and Tax	766.40	3396.00	3065.17	5614.31	3831.57	9010.31
Interest (net)					2148.52	3290.54
Other unallocable expenditure (net of unallocable income)					1119.14	1287.55
Profit Before Tax					563.91	4432.22
3 Other Information						
Segment Assets	30252.29	35922.42	36032.71	30251.91	66285.00	66174.33
Unallocated Common Assets					10761.95	9960.68
Total Assets					77046.95	76135.01
4 Segment Liabilities						
Unallocated Common Liabilities	5975.64	7623.38	7713.83	6936.80	13689.47	14560.18
Total Liabilities					5050.65	5524.02
					18740.12	20084.20
5 Capital Expenditure						
Unallocated Capital Expenditure	204.70	857.35	5556.32	3750.30	5761.02	4607.65
Total Capital Expenditure					308.64	289.81
					6069.66	4897.46

SCHEDULE 19 - NOTES FORMING PART OF THE ACCOUNTS:(Contd.)

8 Segment Information (Contd.)

Other information (Contd.)

(Rs in lacs)

Particulars	Colors		Speciality and other Chemicals		Total	
	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs
6 Depreciation	824.77	934.05	1089.01	1276.29	1913.78	2210.34
Unallocated Depreciation					818.42	496.17
Total Depreciation					2732.20	2706.51
7 Non Cash Expenses	125.37	-	109.96	390.51	235.33	390.51
Unallocated Non Cash Expenses					569.29	407.52
Total Non Cash Expenses					804.62	798.03

B Business Secondary - Geographical by Customers

Particulars	In India		Outside India		Total	
	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs	2003-2004 Rs	2002-2003 Rs
Segment Revenue	31024.38	31238.27	31957.20	32698.76	62981.58	63937.03
Carrying Cost of Assets by location of Assets	63321.92	64030.01	13725.03	11870.19	77046.95	76135.01
Addition to Assets and Intangible Assets	6062.14	4894.76	7.52	2.70	6069.66	4897.46

Other Disclosure

- Segments have been identified in line with the Accounting Standard - 17 "Segment Reporting" taking into account the organisation structure as well as the differing risks and returns.
- Company has disclosed Business Segment as the Primary Segment.
- Composition of Business Segment:
Name of Segment Comprises :
(a) Colors Dyes and Intermediates
(b) Speciality and Other Chemicals Agrochemicals, Pharmaceuticals, Polymers, Other Chemicals and Aromatic Compounds and Cresols
- The Segment Revenue, Results, Assets and Liabilities include respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.

Atul Limited - Consolidated

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SCHEDULE 19 - NOTES FORMING PART OF THE ACCOUNTS:(Contd.)

9 Details of Associates considered in Consolidation:

(Rs in lacs)

Name of Associate	Country of incorporation	Main activities	Ownership interest and voting power	Original cost of investments	Amount of Goodwill / Capital Reserve included in original cost	Accumulated Loss at the year end (Unaudited Accounts)	Carrying amount of investments at the year end (see note)
1	2	3	4	5	6	7	8
(a) Amal Products Ltd	India	Dye Intermediates	36.75%	515.15	-	1594.30	24.20
(b) Gujarat Synthwood Ltd	India	PVC sheets & Panels	34.64%	129.61	-	1459.00	6.94
(c) AgriMore Ltd	India	Agrochemicals	50.00%	40.00	-	994.90	40.00
(d) AtRo Ltd	India	Agrochemicals	50.00%	50.00	-	61.00	50.00
(e) Atul Pharmaceuticals Ltd	India	Pharmaceuticals	28.00%	-	-	0.54	-
				734.76	-	4109.74	121.14

Note: (i) After provision for diminution in value of investments in case of 'a' & 'b'.

(ii) Value of investment in Atul Pharmaceuticals Ltd. under column '5' and '8' is Rs 140/-.

SCHEDULE - 19 - NOTES FORMING PART OF THE ACCOUNTS : (Contd..)

- 10 Earning Per Share :
Earning Per Share (EPS) - The numerators and denominators used to calculate Basic and diluted Earning Per Share:
- | | | <u>31.03.2004</u> | <u>31.03.2003</u> |
|--|------------|-------------------|-------------------|
| Profit for the year attributable to the Equity Shareholders | Rs in lacs | 235.37 | 4868.47 |
| Basic/Weighted average number of Equity Shares outstanding during the year | | 29661733 | 29661733 |
| Nominal value of Equity Share | Rs | 10 | 10 |
| Basic & diluted earning Per Share | Rs | 0.79 | 16.41 |
- 11 Customs Duty:
Import Duty payable on goods lying in customs bonded warehouse will, as per the Company's practice and be charged in the year of clearance of the goods. Amount estimated as on 31st March, 2004, Rs 70.93 lacs (Previous year Rs 56.91 lacs). This accounting policy has no impact on the Profit for the year.
- 12 Small Scale Undertaking Dues:
This disclosure is on the basis of information available with the Company regarding the status of supplier as defined under the "Interest on Delayed payment to Small Scale and ancillary Industrial Undertaking Act, 1993."
- 13 Sundry Debtors outstanding for more than six months under Sundry Debtors in Schedule 8 include Rs 356.80 lacs (previous year Rs 363.59 lacs) for the recovery of which, legal action has been or is being taken by the Company, however, the same are considered good by the management.
- 14 Exchange difference in respect of forward contracts to be recognised in the Profit & Loss Account of subsequent accounting periods amounts to Rs 13.58 lacs (previous year Rs 21.88 lacs).
- 15 Significant Accounting Policies followed by the Company are as stated in the statement annexed to this Schedule.
- 16 Sundry Debtors under Schedule '8' amounting to Rs 3147.98 lacs are partly secured by hypothecation of movable plant and machinery, stocks, receivables etc. and pledge of shares.
- 17 Other Loans' under 'Loans and Advances' in Schedule '8' include Rs 210.00 lacs fully secured by way of Pledge of Shares
- 18 Previous year's figures have been regrouped wherever necessary.
- 19 Figures less than Rs 500/- has been shown at actuals in bracket as the figures have been rounded off to nearest thousand.

<p>For & on behalf of DALAL & SHAH Chartered Accountants</p> <p>(B R SHAH) Partner Membership No 5806</p> <p style="text-align: center;">Company Secretary</p> <p>May 21, 2004</p>	<p>For and on behalf of the Board of Directors</p> <p>Chairman</p> <p>Managing Director & CEO</p> <p>Managing Director</p> <p>Directors</p>
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Annexure referred to in Note 15 in Schedule 19 of the Accounts for the year ended 31st March, 2004.

Statement of Significant Accounting Policies:

1 System Accounting:

- 1.1 The Company, generally, follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.
- 1.2 Financial statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money except in case of freehold land which is revalued in the year 1985 and resultant surplus is kept credited under Revaluation Reserves. Certain plant and machinery of amalgamating company Atic Industries Ltd were revalued as on 1st April, 1995 and are included and shown at the revalued value in Schedule of fixed Assets.

2 Principles of consolidation:

- 2.1 The Consolidated Financial Statements relate to 'ATUL LIMITED' (The Parent Company) and 'AMEER TRADING CORPORATION LTD INDIA,' 'ATUL AMERICAS INC' U S A 'ATUL EUROPE LTD' U K 'Atul Deutschland GMBH Germany' (The wholly owned subsidiary Companies).
- 2.2 The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS - 21) "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- 2.3 The investments in Associates are accounted in these consolidated financial statements in accordance with the requirements of Accounting Standard AS - 23 - 'Accounting for Investments in Associates in Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India. (for details refer note no 16 in Schedule 19 to the Accounts)
- 2.4 The Financial Statements of the Parent Company and its Subsidiary Companies have been combined on a line by line basis by adding together book values of the items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transaction resulting in unrealised profits or losses.
- 2.5 The Consolidated Financial Statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the parent Company' s separate Financial Statements.
- 2.6 In the case of Consolidation of Foreign Subsidiaries transactions are translated as per Accounting Standard As - 11 "Accounting for the effects of changes in Foreign Exchange Rates" issued by the Institute of Chartered Accountants of India. The resulting translation differences are adjusted and recorded as a exchange fluctuation reserve on consolidation of Foreign Subsidiaries.

3 Other Significant Accounting Policies:

- 3.1 These are set out in the notes to accounts under "Statement of Accounting Policies" of the Financial Statements of Parent Company and its Subsidiaries.