DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fiftyfifth Annual Report of the Company and the audited accounts for the financial year ended 31st March, 2001.

1. 2000-2001 IN RETROSPECT

The country experienced economic slow down during the financial year 2001 and the GDP growth slipped to around 6% from the growth rate of 6.4% for the previous year. While the monsoon was considered as normal for the thirteenth successive year, the agricultural production suffered due to unfavourable distribution of rainfall over time and regions. The food grains production is estimated to have declined to 199 million tons from the record production of 209 million tons in 1999-2000. The entire industrial sector, save mining, suffered reversals as the following data indicates:

	Percentage Growth	
	F.Y. 2001	F.Y.2000
Food grains production	**(4.7)**	2.7
Manufacturing	**5.3**	7.0
Electricity generated	**4.1**	7.4
Capital goods	**2.1**	6.6

The sustained growth of service sector, better performance of mining industry and a growth of around 20% in exports prevented the otherwise likely steep decline in GDP growth.

The inflation based on wholesale price index was higher at 6.5% as compared to 3.5% in 1999-2000. The rupee depreciated by 6.9%.

A devastating earthquake struck large parts of Gujarat in January 2001. Many villages and towns in the district of Kutch, Saurashtra region and parts of north Gujarat suffered total or partial destruction. A few thousand lives were lost and some estimates place the value of properties destroyed at over Rs. 20,000 crores. These parts of Gujarat may take years to recover and attain normalcy. This tragic disaster has caused a severe setback to the economy of the State as the cost of relief and reconstruction is enormous.

In these adverse economic conditions, the paints market was subdued and the demand for paints is estimated to have grown at around 8% to 9%.

2. COMPANY PERFORMANCE

Financial Highlights

(Rs. in Crores)

	2000-2001	1999-2000
GROSS SALES	**1499.02**	1341.64
Profit Before Interest, Depreciation and Taxes	**209.59**	191.22
Less: Interest	**22.12**	20.29
Depreciation	**31.58**	27.84
PROFIT BEFORE TAX	**155.89**	143.09
Less: Provision for Taxation	**49.50**	45.75
PROFIT AFTER TAX	**106.39**	97.34
Add: Balance brought forward from the previous year	**42.00**	30.00
Prior year adjustments (Net)	**(0.81)**	0.09
DISPOSABLE PROFIT	**147.58**	127.43
That the Directors recommend for appropriation as under:		
Dividend - Interim I	**19.26**	16.05
Interim II	**—**	24.07
Final	**25.67**	—
Tax on Dividend	**6.86**	4.41
Transfer to Debenture Redemption Reserve	**10.00**	10.00
Transfer to General Reserve	**33.79**	30.90
Balance carried to Balance Sheet	**52.00**	42.00
TOTAL DISPOSAL	**147.58**	127.43

3. MANAGEMENT DISCUSSION AND ANALYSIS

A. Industry Structure and Development

The Company has been the leading manufacturer of paints in India for over three decades. Its vision is to be one of the top five decorative paints companies in the world. For this, the Company in India and its subsidiaries abroad remain focussed on decorative paints market. The Company has a Joint Venture with PPG Industries, Inc., of the USA, Asian PPG Industries Ltd., that deals with the Auto OE, Auto Refinish and the Industrial OE markets. The manufacture of Pentaerythritol and Phthalic Anhydride undertaken in the era of licenses and controls for ensuring uninterrupted supply for captive consumption will be managed for value.

There are six large companies and over a thousand small units, some of them in the tiny sector, that are players in the decorative paints market. Most decorative paints are sold through trade channels. Almost all the decorative paints sold in the country are applied by contractors and painters; the 'do it yourself' (DIY) market is extremely small. As there are a large number of manufacturers and several thousand retailers marketing decorative paints, reliable information on the size of this market is not available. We estimate that the market for decorative paints would have been around Rs.4600 crores in 2000-01. The total coatings market would probably have been around Rs.6100 crores. The average annual growth rate has been around 8-10%; the market grew at over 15% in the previous year, 1999-2000. Six major companies share approximately 55% of this market and the rest is shared by over a thousand other units.

The demand for paints is dependent on the general economic conditions such as good overall economic growth, agricultural growth, and performance of related industries like steel, cement and construction. In advanced economies, the growth of the coatings market mimics the GDP growth rate. In developing countries like India, increasing urbanisation and the increase of standard housing are major drivers of growth. Therefore, the growth of the coatings industry is 1.5-2.0 times the rate of growth of GDP. Nearly, 70% of paints are sold for repainting and the balance 30% goes for new construction. Therefore, the health of construction industry is important.

As the market develops, customers are demanding products superior to the traditional low cost coatings, branded products and greater choice. This has led to a huge increase in demand for economy finishes. At the same time, opportunities have increased for sophisticated and niche finishes comparable to the best available anywhere in the world. Within all categories, customers demand greater choice in shade and effect. The rapid increase in the market for good quality exterior finishes is a part of this overall trend.

B. Opportunities and Threats

The country's historical GDP growth trajectory of 3% per annum has clearly shifted to 6%. In all likelihood, the country will move to 7 or 8 per cent growth path in the near future. This should lead to further expansion of market for all consumer products. The standard of living of the rural population is gradually improving and the advertisements in the multiple television channels have increased the brand consciousness of this class of consumers. This has opened up opportunities for branded and moderately priced quality paints. At present, the per capita use of paints in India is less than a litre while in the developed countries the per capita use is estimated to be over 10 litres. Therefore, the growth opportunity for the paint industry is immense.

The competition in the paint industry has always been severe. The opening up of the economy, in our opinion, does not pose any serious threat to decorative paints trade.

C. Risks and Concerns

The risks associated with the paints industry are similar to those impacting other industries that are mature and well established. Political uncertainties, social unrest, natural disasters and transport strikes etc., disrupt the business and also adversely affect the demand.

The cost of retaining the customers is increasing day by day with increased expectations regarding the availability of choice and service. In the present competitive environment, the paint companies are spending large sums to install tinting systems at retail outlets so that the customer may be provided with the widest choice of shades. Increased demand for higher skills and knowledge is increasing employee related costs at an accelerated pace. The inexorable decline in the rupee and the recent increase in petroleum product prices have increased the cost of input materials, fuels and transportation. The advertising media, especially T.V channels are multiplying and the viewership is getting fragmented. This has substantially increased the cost of advertisement to reach the same viewership.

Environmental concerns are now very important and the paints industry has to address these and cope. Investments in pollution abatement are significant and especially so when facilities have to be expanded or newly established.

D. Segment Report

The revenue of the Company for the financial year 2001 is earned as follows:

Paints	93%
Chemicals	7%

The Company caters to the heavy duty coatings, powder coatings and some other non-decorative businesses. Manufacturing and sale of these paints involve sharing of common facilities across operations. Considering the nature of the products, production processes, regulatory environment and supply chain management and share of revenue in the total revenue at 3% being not very significant, this business line is not considered as a segment separate from the rest of the paints business.

69% of the production of Pentaerythritol and 32% of the production of Phthalic Anhydride are captively consumed in the manufacture of paints. The sales/

transfer revenue earned is only 7% of the total sales revenue. However, these two chemicals together are considered as one segment on the basis of organisational structure.

The revenue and the profit before taxes of the segments are as follows:

(Rs. in Crores)

Particulars	Paints		Chemicals		Total	
	00-01	99-00	**00-01**	99-00	**00-01**	99-00
Sales net of discounts and excise	**1108.43**	986.46	**47.67**	40.78	**1156.10**	1027.24
Inter Division Transfers	**—**	—	**40.44**	38.93	**40.44**	38.93
Other Income	**17.11**	12.15	**1.36**	1.43	**18.47**	13.58
Total Revenue	**1125.54**	998.61	**89.47**	81.14	**1215.01**	1079.75
Profit Before Tax	**146.73**	127.54	**9.16**	15.55	**155.89**	143.09

E. Financial Performance

i) Domestic Sales

The general slow down witnessed in the manufacturing sector was also witnessed in the performance of the paint industry. The demand for paints was subdued and is estimated to have grown at around 8-9% as against the appreciable growth rate of around 15% during the previous year.

The prospects for the Company's paints business were further adversely affected due to widespread drought in the western region of the country in which the Company enjoys a high market share. The sale of paints in the last quarter in the state of Gujarat was badly disrupted due to the earthquake. The paints business of the Company grew at around 12% during the financial year as against an appreciable growth of 19% during the previous year.

Phthalic Anhydride business grew by 14% partly due to higher price realisation and partly due to higher volume sales.

Pentaerythritol plant is operating at near capacity and any variation in its turnover happens largely due to the prices realised. Nearly 69% of its production has been captively consumed in the manufacture of paints and the Company's turnover is not materially influenced by this business.

ii) Exports

Export turnover was Rs. 11.74 crores as against Rs.13.48 crores during the previous year. Export of paints, resins and related materials was Rs. 8.47 crores as against Rs. 7.37 crores during the previous year. Penta division with its exports of Rs. 3.27 crores continued to remain a net exporter. The international prices for Phthalic Anhydride being unremunerative, no export was undertaken by this division.

Particulars regarding export promotion are provided in the annexure.

iii) Raw Materials situation

The availability of all raw materials for the manufacture of paints was satisfactory throughout the year. The high level of crude oil price during the year resulted in steep increase in the prices of petroleum based raw materials like Mineral Turpentine, Xylene, Penta and Acrylic Monomers. The price of Titanium Dioxide Rutile also increased substantially and remained at high levels during April to December. However, the continued focus on cost reductions and the various sourcing initiatives helped to keep the inflation at a moderate level of about 5% over last year.

The average price of Orthoxylene, the sole input material in the manufacture of Phthalic Anhydride, was higher by 23% over the average price of the previous year.

iv) Packing Materials Situation

The availability of packing materials was satisfactory. While the price of Tinplate remained steady throughout the year, the prices of plastic materials increased due to the high level of Crude oil price. However, the cost reduction initiatives helped to keep the inflation under control.

v) Working Capital

The Company fully implemented i2 supply chain management software during the year. The raw material and finished goods inventories levels, as measured in number of days, declined during the year. The debtors, however, went up due to increase in sales in the last two months of the year. The creditors were lower than last year. The cost of funds during the financial year was marginally lower.

vi) Profits

The profit before taxes for the year at Rs. 155.89 crores has registered a growth of 9% over the corresponding profits for the previous year. The growth of profit before taxes for the previous year was 42%. The lower growth in profits for the year is largely due to the following factors:

a) The depressed market conditions for paints with sales growth of 12% as against the appreciable growth of 19% in the previous year.

b) A 15% increase in the transportation cost over the previous year's average cost.

c) Due to the drop in demand after Diwali, that is from November/December, the scope available for sharp reduction in costs was limited; most promotional and other marketing expenditure is incurred in the run up to the season.

d) A 10% drop in the gross margin for Phthalic Anhydride due to high cost of Orthoxylene and with no commensurate increase in the price of the finished product being feasible.

The growth in profit for the year is not strictly comparable with the growth for the previous year as the adoption of accounting standard AS2 in the previous year for the valuation of closing stock resulted in the additional profit of Rs. 11.40 crores. Adjusting this additional profit in the profits of the previous year, the growth rate in profits for the year works out to 18%. The growth in profits is in line with the growth in revenue for the year.

F. Outlook

There are as yet no clear signals of economic recovery in the first two months of the financial year 2002. Other major economies of the world have also slowed down and this may further affect the growth of the Indian economy. However, a benevolent monsoon can revive the confidence in the economy.

The opportunities available in the rural market is well recognised by the Company and the Company's products had their presence in this market for decades. 'Utsav' brand distemper, a moderately priced product, was launched in 1991 and the sale of this product has been growing at a good rate. 'Utsav' brand enamel was launched in the current year to provide a complete painting solution for rural customers at moderate prices.

The Company has launched a number of wood finishes in the recent years. This market is largely occupied by french polish and is in need of better products. The presence of other major companies in this segment is not significant. The growth of these wood finishes is promising.

The Company has installed around 2000 dealer tinting systems under the 'Colourworld' programmes. It is proposed to further install around 500 to 600 tinting systems in the financial year 2002. This will provide the required competitive edge to the Company for providing widest choice of shades to the ultimate customers.

These are some steps taken by the Company to expand the existing markets and create new markets.

The effect of the widespread drought and the earthquake in Gujarat will spill over to the first half of the financial year 2002. The decorative paints market is expected to grow at around 8% to 9% and the Company's paints business may grow between 3% to 4% above the market growth. Chemical business is expected to repeat its performance of the financial year 2001.

Paint industry has always fared better than the rest of the manufacturing sector and your Directors are optimistic about the future.

G. Internal Control Systems and their Adequacy

The Company constituted an EDP department as early as 1970 and gradually computerised the entire transactions management by 1980. The various computerised systems always had adequate checks and balances and improvements in controls were made year after year. Enterprise-wide Resource Planning (ERP) system has been implemented since December 2000. ERP ensures complete internal consistency of the data processed and speedy access to the latest business information.

The Company has an independent Internal Audit function staffed with qualified and experienced people. In addition, external audit firms are employed to conduct regular audits at our field units. A summary of audit observations and the 'action taken reports' are placed before the Audit Committee of the Board of Directors, at least three times in a year. The Audit Committee's suggestions and directions are minuted and actions taken accordingly. The Company has well defined procedures to execute financial transactions.

The Directors consider the existing internal controls as adequate.

H. Developments in Human Resources and Industrial Relations

The Company, with the assistance of outside consultants, undertook a survey of 'employee satisfaction at work place' and based on their findings, steps are being taken to enhance the employee satisfaction by providing suitable training to supervising employees. Other training inputs were provided to the employees such as problem solving techniques, mentoring and focus on key factors for enhanced performance.

Industrial relations during the year were cordial except for the industrial dispute resulting in the closure of Kasna plant in Uttar Pradesh for over four months. This dispute was amicably settled with a new agreement entered into with the workers. The implementation of the agreement with the full co-operation of the workers has ensured increase in productivity.

The total number of employees at the end of the year was 3197 as against 2984 employees at the end of the previous year.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report.

4. DIVIDEND

The Company declared an interim dividend of Rs. 3/- per equity share in October 2000 on the expanded capital after the issue of bonus shares in September 2000. Your Directors recommend a further payment of final dividend of Rs. 4/- per equity share, bringing the total dividend proposed to Rs. 7/- per equity share as against Rs. 10/- per equity share declared during the previous year on the share capital expanded by issue of bonus shares during the year. The final dividend on equity shares, if approved, would absorb Rs. 25.67 crores and will be paid to those members whose names appear on the Register of Members as on 28th August, 2001. The corporate dividend tax payable on the above dividend will be Rs. 2.62 crores. As against the dividend payment of Rs. 40.12 crores for the previous year, the total dividend, if approved, would absorb Rs. 44.93 crores in the current year.

5. ISSUE OF BONUS SHARES

In accordance with the approval given by the shareholders in the Fiftyfourth Annual General Meeting on 12th July, 2000, the Bonus Shares were allotted on 4th September, 2000 to the eligible shareholders in the ratio of 3 (three) equity shares for every 5 (five) equity shares held. Bonus Share certificates were despatched to all the shareholders holding the shares in physical form and the intimation for credit of bonus shares to the shareholders holding shares in demat form was also given to the respective depositories in September 2000.

6. CAPACITY EXPANSION

The rationalisation of processes and work practices and further investments in the pollution control equipments undertaken at our plants at Patancheru in Andhra Pradesh and at Ankleshwar in Gujarat have enabled the Company to realise higher production from the existing production related plant and machinery. The Company has submitted applications to the respective State Pollution Control Boards for permission to realise the increased production within the present approved parameters for pollution control. The Company is optimistic about getting the required permissions and on receiving such permissions, the Company will be able to increase the capacity by another 60,000 tons per annum, enhancing the overall paints manufacturing capacity from the present 1,68,900 tons per annum to 2,28,900 tons per annum.

The project undertaken for the upgradation of the plant to achieve better output levels at the Phthalic plant has been completed during the year and the manufacturing capacity for Phthalic Anhydride has further increased from 22,000 tons per annum to 24,000 tons per annum. This increased capacity will be realised with change in catalyst.

7. SALES TAX DEFERMENT BENEFIT

The Company continues to avail the sales tax benefit at Patancheru for the expanded capacity under Target 2000 scheme, for which the eligibility certificate was granted for Rs. 40.70 crores. A sum of Rs. 4.78 crores has been availed during the year and with this, the total amount of deferment availed upto March 31, 2001 was Rs. 8.50 crores.

An application for availing sales tax deferment benefit for the expanded capacity at Kasna has been submitted and the Company is optimistic of getting the requisite eligibility certificate.

8. JOINT VENTURE WITH PPG INDUSTRIES, INC.

The production of cars and multi-utility vehicles was lower by 10% in the current year over the production of last year due to sluggish demand. The production of two wheelers virtually stagnated. In these depressed conditions, the joint venture Company has recorded satisfactory growth in sales and profits.

The auto refinishes business taken over from your Company in the previous year has been fully integrated with the existing business and the distribution channels and logistics are well established.

9. PENTASIA INVESTMENTS LIMITED

Pentasia Investments Limited recorded a profit of Rs. 16.09 lacs as against Rs. 12.65 lacs for the previous year. The above profit was due to receipt of second interim dividend for the financial year 1999-2000 from your Company on 1,49,646 equity shares received in exchange of equity shares of erstwhile Pentasia Chemicals Limited and the interim dividend for the financial year 2000-2001 received on 2,39,434 equity shares as increased by the bonus issue during the year. These shares are being held by the nominee of Pentasia Investments Limited as per the orders of the BIFR. The Investment Company has repaid Rs. 22.07 lacs to your Company towards its loan balance.

10. OVERSEAS OPERATIONS

A. Asian Paints (South Pacific) Limited

Fiji's economy in the year 2000 suffered on account of the political instability that the country went through after the events of May 2000. The GDP growth for the year 2000 was estimated to have shrunk to 8.2% with the possibility of a further downward revision, mainly due to the lower than expected sugar output. The manufacturing sector also declined largely due to the negative performance of the garment sector. As a consequence, the building and construction industry also declined considerably. The subsidiary in Fiji reported a gross turnover of Fiji $ 8,488 thousand for the year 2000 as against Fiji $ 8,960 thousand for the year 1999, a decline in sale by about 5%. The profit before tax for the year was Fiji $ 682 thousand as against Fiji $ 1225 thousand for the previous year. The Directors recommended to maintain a total dividend of 80 cents per share of Fiji $ 1 each.

B. Asian Paints (Tonga) Limited

The recession in Tonga continued unabated in the year 2000 also and this had a dampening effect on all businesses in the Kingdom. The subsidiary reported a gross turnover of T$ 932 thousand for the year 2000 as against T$ 913 thousand for the year 1999. However, the profit before tax for the year was T$ 137 thousand as against T$104 thousand for the year 1999, an increase of 32%. The Directors recommended to maintain a total dividend of 50 cents per share of T$ 1 each.

C. Asian Paints (SI) Limited

Amidst the disturbed conditions, the gross turnover in the year 2000 was SI $ 2848 thousand as against SI $ 5666 thousand in the year 1999. The profit too was lower by 64% with profit before tax of SI $ 953 thousand as against SI $ 2636 thousand for the previous year. The Directors, however, retained the dividend of 250 cents per share for this year, too.

D. Asian Paints (Vanuatu) Limited

The overall economy of the country remained quite sluggish throughout the year. Due to political disturbances in the neighboring countries viz., Fiji and Solomon Islands, there was a sharp downfall in industrial growth in the second half of the year. Construction activity was at its lowest. The gross sales in 2000 was Vatu 1,37,319 thousand as against Vatu 1,32,241 thousand in 1999, recording a growth of 3.84%. The profit before tax was Vatu 23,735 thousand as against Vatu 20,833 thousand for the previous year recording a growth of 14%. The Directors recommended a dividend of 35 US cents (previous year 30 US cents) per share.

E. Asian Paints (Queensland) Pty. Limited

The Queensland subsidiary reported a turnover of A$ 2981 thousand for the year ended 31st December, 2000 as against A$ 2362 thousand for the previous year. The operating loss after income tax was A$ 213 thousand as against the operating loss after income tax of A$ 128 thousand for the previous year.

The subsidiary issued 360,000 redeemable preference shares of the face value of A$ 1 each to Asian Paints (South Pacific) Holdings Ltd., and utilised this fund to acquire the business of M/s. Pacific Paints Company Pty. Ltd., in Brisbane. This had given the subsidiary, local manufacturing facility and a reasonable presence in the local market to the tune of A$ 1 million per annum.

F. Asian Paints (South Pacific) Holdings Limited

A wholly owned subsidiary (WOS) was incorporated on 7th September, 2000 in Vanuatu to channel investments in the south pacific region. The WOS borrowed US $ 200,000 from Asian Paints (Vanuatu) Limited and invested in the preference shares issued by Asian Paints (Queensland) Pty. Ltd. The Australian unit used these funds for the acquisition of the business of Pacific Paints in Brisbane, Australia. Its first financial year ended on 31st March 2001 and the WOS made a profit of US $ 63,213.

G. Asian Paints (International) Limited

The Company formed a wholly owned subsidiary (WOS) on 3rd September, 1999 in Mauritius to channel the overseas investments. The WOS was set up as an International Company. Subsequently, the Company was converted into an off shore Company on 13th September, 2000. The first financial year of the WOS ended on 31st December, 2000. In view of the change in status of the subsidiary during the financial year, separate statement of accounts have been attached for those periods.

During this period, the WOS borrowed US $ 855,000 from your Company and acquired 76% stake in Asian Paints (Lanka) Limited (formerly Delmege Forsyth & Co. (Paints) Ltd.) in Sri Lanka. In November 2000, the WOS borrowed US $ 257,000 from your Company and subscribed to 12% Redeemable preference shares issued by Asian Paints (Lanka) Limited. The WOS recorded a loss of US $ 67,190 in its first year of operations.

H. Asian Paints (Middle East) LLC.

The unit commenced business operations in March 2000. The sale during the year 2000 was RO 317 thousand. After writing off the entire preliminary expenses (in accordance with the applicable accounting guidelines), the unit recorded a loss of RO 293 thousand for the year.

I. Asian Paints (Mauritius) Limited

The Company commenced its operations in March 2000. The turnover for the year ended 31st December, 2000 was MR 13,470,799. The loss for the year stood at MR 87,81,791 as against MR 13,088 for the six months ended on 31st December, 1999.

J. Asian Paints (Nepal) Private Limited

The gross sale for the Nepal year 2056-57 (July 16, 1999 to July 15, 2000) was N Rs. 1617 lacs as against N Rs. 1512 lacs for the previous year, recording a growth of 7 per cent. The profit before tax was at N Rs. 273.52 lacs as against the profit of N Rs. 256.35 lacs for the previous year. The Directors recommended to maintain a total dividend of N Rs. 15 per share.

Sales during the nine months period of the current year stood at N Rs. 1229 lacs as against the corresponding N Rs. 1088 lacs for the corresponding period of the previous year.

The Company has received approval from the Department of Company Affairs, Ministry of Law, Justice & Company Affairs, Government of India, exempting from compliance with the provisions of Section 212 (2) (c) of the Companies Act, 1956.

K. Asian Paints (Lanka) Limited
(Formerly Delmege Forsyth & Co. (Paints) Limited)

The financial year 2000-01 was the first full year of operation for the Sri Lankan unit under the management of your Company. The unit recorded a sale of SLR 300.69 million, a decline of 8% over the sales of last year. The loss for the aforesaid period was SLR 17 million as against the loss of SLR 6 million for the previous year.

During the year, the name of the Company was changed to Asian Paints (Lanka) Limited. Products from the stable of Asian Paints were launched during the year. The products were received well the market.

The unit set up depots in various parts of the country to streamline the distribution network. The range of products offered to customers was rationalised and low margin products were dropped. These steps resulted in a drop in sales during the current year. The economic crisis faced by the country led to rapid depreciation of the currency and resulted in significant increase in input costs. Interest costs increased to over 24%. Also, a provision for SLR 11 million was made for bad and doubtful debts. All these factors lead to the drop in profits. Delmege Paints Distributors (Private) Limited ceased to have any business operations.

Your Directors are optimistic of the unit's prospects in the next financial year.

11. FIXED DEPOSITS MATURED BUT NOT CLAIMED

Fixed deposits from public and shareholders stood at Rs.8.83 crores at the end of the year. Further, a sum of Rs.0.18 crores from 174 depositors pertained to deposits that had not been claimed or for which disposal instructions had not been received by the Company. Since close of the year, deposits amounting to Rs.0.04 crores relating to 34 depositors have been paid.

12. INFORMATION TECHNOLOGY

You are aware that the Company undertook the implementation of a new supply chain management and enterprise wide resource planning systems. The implementation of both the systems has been completed as per the original schedule. The total cost of fully implementing the systems including the cost of hardware was around Rs. 29.41 crores.

13. CORPORATE GOVERNANCE

Your Company has initiated various actions to comply with the requirements of Corporate Governance during the year. Accordingly, the Board has been expanded in line with the conditions of Listing Agreement. The Board has also reconstituted the Audit Committee to discharge the functioning as stipulated in the Companies Act, 1956, and the Listing Agreement. Further, the Board has constituted Shareholders/ Investors Grievance Committee.

The Management Discussion and Analysis Report forms part of this report. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

A separate report on Corporate Governance is included as a part of the Annual Report.

14. INSURANCE

All the insurable interests of the Company including inventories, buildings, plant and machinery and liabilities under legislative enactments are adequately insured. Loss of profit risk for the financial year 2000-2002 is self insured.

15. ECOLOGY & SAFETY

Several measures have been implemented to ensure safety in the handling of materials such as storage, charging and discharging. Safety Committees are meeting regularly to review the safety measures. Steps have been taken to control pollution from effluents, dust and emissions from chimneys, etc. Samples are periodically drawn and reports are submitted to Pollution Control Boards to ensure compliance with standards.

During the year, the Company's paint plants at Kasna, Patancheru and Bhandup received ISO 14001 certification and the Company's paint plant at Kasna received ISO 9001 certification.

16. CONSERVATION OF ENERGY AND TECHNOLOGY

Particulars in respect of conservation of energy and technology absorption by the Company as per Section 217(1)(e) of the Companies Act, 1956, are given as Annexures to this report in Form A and B respectively.

17. FOREIGN EXCHANGE EARNINGS & OUTGO

The details of expenditure and earnings in foreign currencies are given at Notes B-13 and B-14 respectively of the Schedule 'M' to the Accounts.

18. BANKS & FINANCIAL INSTITUTIONS

Your Directors wish to place on record their appreciation of the continued support from State Bank of India, other Financial Institutions and various Development Corporations of the States of Maharashtra, Gujarat, Andhra Pradesh and Uttar Pradesh.

19. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- The accounting policies have been selected and applied consistently and the judgements and estimates made, are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- 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.

  The annual accounts have been prepared on a going concern basis.

20. DIRECTORS

Shri R.A. Shah joined as an Additional Director on the Company's Board with effect from 7th April, 2001 and holds office until the close of the ensuing Annual General Meeting. He is a Solicitor and Senior Partner of M/s. Crawford Bayley & Co. He specialises in a broad spectrum of Corporate Laws in general, with special focus on Foreign Investments, Joint Ventures, Technology and Licence Agreement, Intellectual Property Rights, Mergers and Acquisitions, Industrial Licensing, Anti Trust Laws, Company Law and Taxation.

He is a Director on the Boards of several reputed companies and a Member of the Managing Committee of Bombay Chamber of Commerce and Indo German Chamber of Commerce. He is also a Member of the Committee on Revision of SEBI Take Over Code. He holds office until the close of the Annual General Meeting.

A notice has been received from a shareholder proposing his appointment as a Director of the Company. Necessary resolution is placed before you for his appointment as a Director liable to retire by rotation and your Board commends his appointment for your consideration.

Dr. S. Sivaram joined as an Additional Director on the Company's Board with effect from 7th April, 2001 and holds office until the close of the ensuing Annual General Meeting. Dr. S. Sivaram is the Deputy Director and Head of the Division of Polymer Chemistry at the National Chemical Laboratory, Pune. He is a scientist of repute - his research interests being 'Polymer Synthesis'.

A notice has been received from a shareholder proposing his appointment as a Director of the Company. Necessary resolution is placed before you for his appointment as a Director liable to retire by rotation and your Board commends his appointment for your consideration.

Shri Mahendra M. Shah joined as an Additional Director on the Company's Board with effect from 6th June, 2001 and holds office until the close of the ensuing Annual General Meeting. Shri Mahendra M. Shah is a Director on the Boards of the Indian Card Clothing Company Limited and Texmatic India Limited. Shri Mahendra M. Shah is also the Chairman of Association of Indian Textile Machinery and Textile Stores Manufacturers and Vice Chairman of Indian Textile Machinery Exhibition Organizing Committee.