

Jubilant Organosys Ltd.

Annual Report 2001 - 02

in

PDF Format



OUR PROMISE

Caring, Sharing, Growing

We will, with utmost care for the environment, continue to enhance value: for our customers by providing innovative products and economically efficient solutions; and for our shareholders through sales growth, cost effectiveness and wise investment of resources.

OUR VALUES

Our Teamwork



Our Efficiency



Our Knowhow



Our Delivery





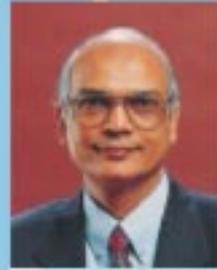
S.S. Bhartiya



H.S. Bhartiya



S.N. Singh



Shyam Bang



Arubinda Ray



Bodhiswar Rai



J.B. Dadacharji



formerly

Vam Organic
Chemicals Ltd

Directors

S.S. Bhartia	- Chairman & Managing Director
H.S. Bhartia	- Co-Chairman & Managing Director
Arabinda Ray	- Director
J.B. Dadachanji	- Director
Bodhishwar Rai	- Director
S.N. Singh	- Executive Director
Shyam Bang	- Executive Director

Secretary

Ajay Krishna

Auditors

K.N. Gutgutia & Co.
11K, Gopala Tower
25, Rajendra Place
New Delhi - 110048

Bankers

State Bank of India
Corporation Bank
Canara Bank
Bank of Baroda
Punjab National Bank
Centurian Bank Ltd.

Solicitors

Karanjwala & Company
J. Sagar Associates

Registrars and Transfer Agents

Alankit Assignments Ltd.
205-208, Anarkali Complex,
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New Delhi - 110 055
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Corporate Office

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Registered Office

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board of directors

chairmen's statement

Driven by our philosophy of 'Caring, Sharing, Growing' and our continuous endeavour to move up the value chain, we have, in the last fiscal year, refurbished our corporate identity from Vam Organic to Jubilant Organosys to reflect our changing corporate profile. We also experienced substantial operational and financial advancement in today's challenging environment. This business success, demonstrated by the company, strengthens our belief in robustness of our dynamic business model. The new corporate identity, a transformed business profile and R&D driven global focus would help us build the corporate brand equity as a Science Active company.

We strongly believe that our consumer centric initiatives aimed at enhancing consumer satisfaction and shareholder value has resulted in a strong performance by the company. This has motivated us to set new standards of efficiency, customer satisfaction and ever improving shareholder return, the commitment reflected in our promise:

We will, with utmost care for the environment, continue to enhance value: for our customers by providing innovative products and economically efficient solutions; and for our shareholders through sales growth, cost effectiveness and wise investment of resources.

Results

Jubilant Organosys followed up its last year's double digit growth performance, with another substantial increase in earnings, reflecting a growing contribution of value added products to our revenues. Operating profits of the company increased by 18.7% to reach Rs.889.4 million and profit after tax stood at Rs.236.4 million recording a growth of 77%.

Speciality chemicals business of the company continued to grow rapidly, increasing its contribution to overall business portfolio from 38% in previous year to 48% in financial year 2001-02. This is the true testimony to strong progress made by the company towards ascending the value chain. Speciality chemicals will continue to form core of our growth strategy as we move ahead.

The company established its credentials as a recognized international player in specific business areas. This was indicated in increasing share of global revenues in our total revenues. Exports recorded a significant growth of 56.2% and accounted for 13.7% of total revenues, a feat made possible through a reach to our customers in over fifty countries across the world.

Dividend

The company believes that a healthy performance should directly translate into higher returns for our shareholders – a practice followed in past as well. In line with this tradition, the Directors have recommended a dividend of Rs.7.5 per share amounting to a distribution of Rs.58.2 million and a payout ratio of 24.6%.

Strategy

Streamlining the business: To streamline our operations and leverage complementary strengths, Jubilant Organosys, a year ago, re-organized its business in three integrated strategic business units (SBUs) – Organic Intermediates, Speciality and Fine Chemicals; Performance Chemicals; and Plant Health and Animal Nutrition. Today, each of these SBUs has multiple growth units which continue to invest significantly to further our traditional market-driven R&D

competencies. The products developed through this endeavour have increasingly found applications in industries as diverse as pharmaceuticals and agrochemicals on one end of the spectrum to construction, textiles, paper and packaging and food and beverages on the other. The new set up has also equipped the company to better utilize the opportunities available at the global arena.

High value global focus: Our distinct operating strengths, robust business plan and a committed team of professionals has ensured successful accomplishment of our strategic goal of becoming a global company. The company has significantly enhanced its global presence with the products of the company being marketed to over 50 countries worldwide. With a clear focus on value-added chemicals and increase in revenues from international markets, Jubilant Organosys has established a sustainable growth model. We have also established mutually satisfying and stable relationship with our global customers, which has been and will continue to be instrumental in driving demand and thereby augmenting our performance.

Leadership and growth: Operating excellence, focus on high end value added chemicals and the aim to be a global player has resulted in Jubilant Organosys achieving leadership status not only in India but at the global level too. Our integrated, multi purpose and strategically located plants, combined with flexible manufacturing processes make us the largest domestic producer of VAM, Pyridine, Picoline and their derivatives (globally ranked third), Acetaldehyde (globally ranked sixth), Acetic Acid, Acetic Anhydride (globally ranked ninth),



Ethyl Acetate (globally ranked eighth), Vinyl Pyridine Latex (globally ranked seventh) and Choline Chloride (globally ranked seventh). We also have to our credit the distinction of having Asia's largest distillery and bio gas plant. These manufacturing capabilities combined with our locational advantage of being present in the sugar belt of India, namely Uttar Pradesh and Maharashtra, have ensured that we continue to ride on growth crest and are geared up to meet the challenges of changing environment.

The leadership stance of the company not only reflects in the production capabilities but also in the quality of people the company employs. We built a strong pool of talent in all the management areas, be it marketing, finance, operations, IT, human resources or any other functional area.

Performance in innovation: Our focus on consumer centric growth has resulted in enhanced R&D efforts by the company. This increased R&D focus translated into launch of a record number of products in last financial year. The company has developed customized molecules to fulfil the needs of our global customers. This research orientation has not only helped us in expanding our market share but has also led to our being recognized as a critical vendor by our customers. This focus on research has helped us create a diverse range of related commercial revenue streams. The company has invested substantially in these emerging opportunities.

Efficient logistics: Improvement in logistics not only results in financial saving for the company but also helps build strong relations with customers through efficient servicing. During the last financial year, the company implemented an



information technology driven supply chain management system that substantially reduced working capital requirement and improved our servicing levels to our customers.

Future Growth

As we stand at the threshold of a new and exciting era of challenges, growth and globalization, we look with appreciation the enthusiasm and dedication demonstrated by our people. In today's dynamic and demanding markets, we continue to derive our competitive edge from the quality of our people and high level of professional commitment displayed by the entire Jubilant Organosys team.

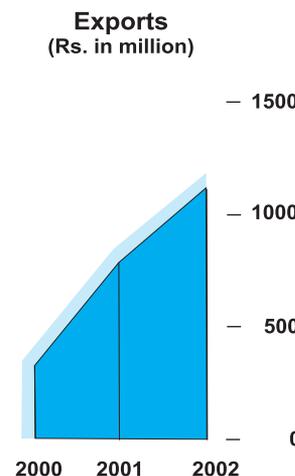
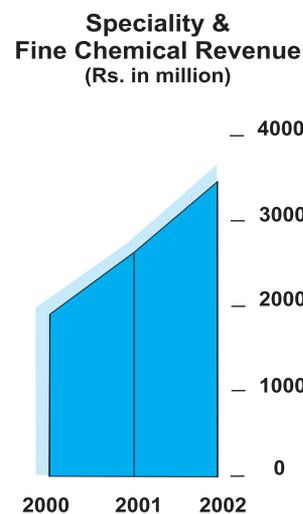
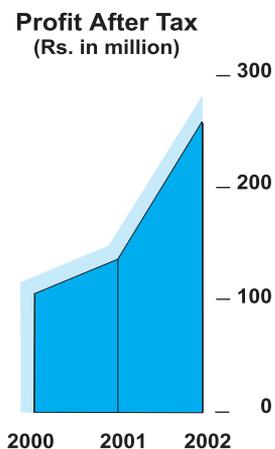
We are convinced of the immense possibilities in our business and believe that there is considerable value that can be leveraged from our products and operations. We have built a strong edifice – a vision to be global leaders, clear growth strategy, a motivated and talented

workforce, commitment to quality and above all a desire to offer Science Active solutions to our customers.

We believe that at Jubilant Organosys, the achievements of last year is just a precursor to growth led performance that we will accomplish in coming years.

Our statement would be incomplete without formally recognizing the invaluable contribution made by all of you to the success of Jubilant Organosys. We take this opportunity to thank all our stakeholders including our customers, employees, partners, suppliers, and above all our shareholders for their continued belief in us. It is their unstinted support that has helped the company achieve a cutting edge in the international market place.

With a strong foundation in place, we look ahead with confidence to the continued excellence in all the spheres of our activities and many more rewards for all of us.



S.S. Bhartia

H.S. Bhartia

I. Business Performance / Financial Overview

Jubilant Organosys Limited continued its growth in sales and profitability, reinforcing its leadership position in the domestic market. In addition, this year witnessed the company further strengthen its position in the international market as well. The total net sales i.e. gross sales excluding inter-divisional transfers and excise duty, for the year stood at Rs. 5951.1 million recording a growth of 9%. PBIDT at Rs. 877.9 million was up by 17.1% from the figure of Rs. 749.5 million recorded last year.

The company recorded significant growth in profit mainly due to a favourable shift in the product mix from Bulk chemicals to Speciality chemicals and also due to a notable growth in Exports. Speciality chemicals contributed 57% to the net sales this year, up from last year's 49% and Exports increased by 56% to touch Rs.1185 million during the year. Our strategic initiatives in the Supply Chain function also contributed significantly to the increase in profits due to improved operational efficiency, which in turn yielded significant cost savings while improving the operating cash flow.

The Speciality chemicals business grew by 28% driven by our R&D capability as well as our deep understanding of customer needs, which enabled us to proactively identify products for development and thereby stay ahead of competition.

II. Industry Structure & Development

a) Business Outlook / Industry Outlook

For Jubilant Organosys, the Pharmaceuticals, Agribusiness, Textiles and Construction industries form the core customer end use segments.

The global resurgence in the pharmaceuticals and construction industries will enable strong and continued opportunities for participation by us.

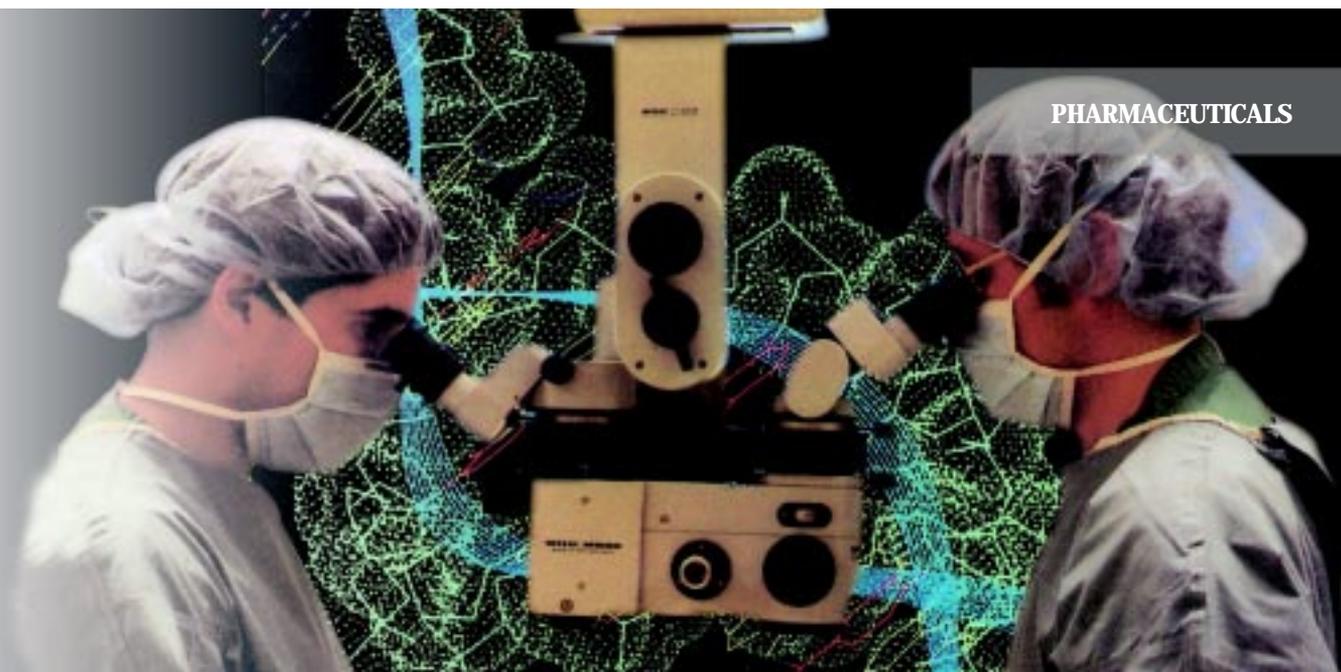
The prices for Acetyls started firming up globally during the latter part of the last financial year and therefore led to better realizations for some of our Acetyl products. We expect this price trend to continue in the current financial year as well, which should result in improved profitability for our Acetyls business. Commercial produ-

ction at the newly commissioned multi-purpose Fine chemical plant has started. This will help accelerate the sales of Fine chemicals.

Jubilant Organosys is today, well-positioned in growth markets having promising growth prospects. As we continue to invest in developing new products and new markets, for both existing, as well as new products, we remain confident of delivering sustained growth and improved manufacturing performance in all our businesses. The company is also confident of delivering on its promise of high growth in profitability through continuing thrust on Speciality Chemicals and Exports. In terms of end use segments, we expect growth to come from customers in the Pharmaceuticals, Agrochemicals and Construction sectors.

b) Growth Strategy

Our current strategy sets a clear charter for growth and expansion. This forms the very foundation for promoting a sustainable and profitable operation that continues to



PHARMACEUTICALS



create and deliver high value to all its stakeholders. The strong performance of Jubilant Organosys this year has been a result of the following:

- Intensive focus on the value-added Speciality and Fine chemicals business which has enabled us to strengthen our position in the international market by providing customised, cost-effective solutions to our global customers.
- Constant evaluation of growth opportunities in high-value Speciality chemicals for moving up the value chain through R&D driven internal efforts and utilisation of external opportunities through the mergers and acquisitions route.
- Comprehensive expansion programme undertaken to identify and capture global opportunities and to enhance the revenue contribution from Exports.
- Emphasis on R&D, which forms the basis of a distinct product and market development strategy, to expand the scope and depth of markets by developing new products and adopting a focussed market penetration approach.
- Unremitting initiatives to augment internal operational efficiencies so as to provide cost-effective solutions and create better manufacturing processes, both of which play a vital role in initiating and sustaining key client relationships.

These initiatives make us confident of success in achieving a sustained increase in sales as well as the operating margins of

the Company.

c) Business Model

While Jubilant's growth strategy has allowed the Company to create and sustain a unique position within the Speciality and Fine chemicals business, our business model has enabled us to operate and grow independently within the Chemicals business. This has led to a focus on both, growth as well as effective and efficient operations. Simultaneously, it has helped define performance matrices that facilitate accurate monitoring and measurement of its success.

Our broad horizontal delineation between the Bulk chemical and Speciality and Fine chemical business is the consequence of our strategic decision to operate in the latter segment and to capitalise on its huge existing market potential. This is what underlies our emphasis on manufacturing high end value-added products, and this in turn, has also enabled us to enhance the contribution of the Speciality and Fine chemicals business to the growth trend.

Further, the vertical definition of the company's business operations into three independent divisions namely,

- Organic Intermediates, Speciality & Fine Chemicals
- Performance Chemicals
- Plant Health and Animal Nutrition

has allowed us to create distinct growth businesses, each with its own charter for progress. This, in turn provides a clear operating framework to all senior managers, empowers them and provides them flexibility in nurturing and growing individual



business units, while keeping them aligned with the overall corporate objective.

III. Division wise / Growth Unit wise / Opportunities & Threats / Segment wise Performance

a. Organic Intermediates, Speciality & Fine Chemicals Division (OI)

This is the largest division of the company and accounted for 66% of the Company's net sales in the financial year 2001-02. This translated into a sales growth of 7%. The net profit declined by 11% during the year due to low price realization in the Acetyls product segment, which is the largest growth unit of this division.

The OI division comprises three Growth Units (GU) each of which in turn has multiple product lines. To better understand their performance, as well as future outlook in the context of opportunities and threats, we have described each growth unit in detail:

▪ Acetyls

This is the largest product segment of the company and comprises Acetic Acid, Acetic Anhydride, Vinyl Acetate

Monomer and Ethyl Acetate. Acetyls' net sales in value terms declined by 2% because of a steep decline in international prices. In volume terms the Acetyls business recorded a growth of 7.72 %. The sales of the Acetyls products are spread over a diverse industry base with 20% of the sales coming from Pharmaceutical end use, 13% from Agrochemicals, 12% from Construction, 16% from Paper/Packaging, 25% from Textiles and 6% from Food & Beverages.

Despite tough market conditions, we doubled the sales of Ethyl Acetate and now hold 28% market share in the domestic market. This was made possible due to the development of special grades of ethyl acetate for use in printing ink and packaging, including food packaging, pharmaceuticals and paint industries. Due to its superior quality, our Ethyl Acetate has been very well accepted both in the international as well as domestic market.

In Acetic Anhydride, we have the largest share of the domestic market at 46% besides being the ninth largest manufacturer

globally.

Similarly, in Vinyl Acetate Monomer, we have the largest share of the domestic market at 53%. In Acetic Acid, we have the second largest domestic market share at 22%.

Exports accounted for 10% of this business up from 5% last year. During this year, we expanded our base of customers for the Acetyls to several new countries as well.

We are also the sixth largest producers of Acetaldehyde in the world. This is the feedstock for Acetic Acid, Acetic Anhydride and Pyridine bases. For manufacturing Acetaldehyde the company uses captive natural ethanol for which we have the largest global capacity outside of Brazil and Canada. The scale of acetaldehyde and ethanol production provides us an excellent cost position and the ability to compete effectively, globally.

Future Outlook: With the firming up of international prices of bulk chemicals in the second half of the last financial year and

indications of this trend continuing in this financial year, we maintain a positive outlook for the Acetyls business. The company has consolidated its position in the higher value, speciality Ethyl Acetate where the increase in our manufacturing capacity has taken us to the eighth position globally.

▪ Pyridine & Pyridine Derivatives

The products of this Growth Unit (GU) include Pyridines, Beta, Alpha and Gamma Picolines, Cyano Pyridines, Pyridine Hydrobromide, Pyridine Hydrochloride, Niacin and Niacinamide.

Sales of this growth unit increased by 27% over the previous year driven by our increasing presence in international markets. Exports accounted for 56% of the turnover of this GU up from last year's 53%. Products of this growth unit are used essentially in the Pharmaceuticals and Agrochemicals industry.

During the last financial year we entered the 'Vitamin B' market -

a value addition to our existing 3-Cyanopyridine. This market is growing at the rate of 6% - 7% per annum and thus offers significant opportunities for growth. In the area of Pyridine & Pyridine derivatives Jubilant Organosys is the world's third largest manufacturer. In order to continuously build and improve upon our ability to compete globally, the business focussed on reducing manufacturing costs by using improved technology.

Future Outlook: This business continues to hold promising prospects, reinforced by our expanding list of global customers for whom we are able to speedily develop new products. We are expanding our Cyanopyridine facilities to include the manufacture of 2 Cyanopyridine and 4 Cyanopyridine.

▪ Fine Chemicals

The products of the Fine Chemicals Growth Unit comprise Lutidines, Collidines, Amino-pyridines, Tri-Ethyl Phosphate and Extra Neutral Alcohol.

This smallest yet fastest growing growth unit recorded an increase of 72% in sales over the previous

year. 91% of the sales of this growth unit are to the Pharmaceuticals segment and are driven both by increase in volumes of existing products and the introduction of new products. Amongst the new products introduced were -

- 2,3 Lutidine (an intermediate for Lansoprazole-Antiulcer drug),
- 2,6 Lutidine (an intermediate for Ampicillin & Amoxyciline),
- 2,4,6 Collidine (an intermediate for Vitamin - D3),
- 3,4 Lutidine (an intermediate for Pentazocine).

Exports accounted for 7% of the topline of this Growth Unit. During the year Phase I & Phase II of our multi-purpose plant has been successfully commissioned.

Future Outlook: Future for this GU is extremely positive, as the sales from new products will drive its growth in both domestic and international markets. We will be introducing additional new products such as 2,3,5 Collidine (an intermediate for Omeprazole), Piperidine and Amino-pyridines (widely used intermediates for several drugs and agrochemicals).

AGRO CHEMICALS





b. Performance Chemicals Division

This division accounted for 22% of the net sales last year. The net sales of the division grew by 12% and net profit recorded a growth of 42%.

This division is structured around seven Growth Units, each of which focuses on a high performance and often, application-intensive end use.

▪ Latex

This business continued on its high growth trajectory and grew its sales by 105% over the previous year. The sales increase was driven by a quantum jump in exports, which accounted for 34% of the turnover of this growth unit. While some large international tyre companies have become our regular customers, approval from the remaining global tyre companies is in progress. At present, almost all the sales of this growth unit are to the tyre manufacturers. We are the largest manufacturers of Latex in India.

During the year a new reactor for SBR Latex was commissioned and different grades of SBR Latex suitable for applications like Paper coating and Carpet backing were introduced.

Future Outlook: With the growing global as well as domestic demand for the products of this Growth Unit, the future outlook remains extremely positive.

▪ Industrial Adhesives

This Growth Unit has five major product lines namely, Lamination Adhesives, Pressure Sensitive Adhesives, Packaging Adhesives, Polyurethane Adhesives and Hotmelt Adhesives. The sales of this Growth Unit grew by 19% over the previous year. 94% of

the sales of these Industrial Adhesives are to the paper / packaging industry. While margins came under pressure in the last financial year due to intense competition, the business was able to increase its market share due to its focus on new products and its ability to offer superior technical support to its customers. For Pressure Sensitive Adhesives and Lamination Adhesives the company has the largest market share in India.

During the year the company commenced exports of all Industrial Adhesives and efforts are being stepped up to find new markets. A new reactor was also commissioned to augment capacity and new grades of Polyurethane (PU) were introduced to offer a versatile and extensive range to our customers.

Future Outlook: The future outlook is expected to be positive and increased sales of PU will drive both growth and profit upwards. Solvent-less Polyurethane and ultra-high performance Polyurethane adhesives, which will be introduced in current financial year, will add to the existing revenue streams for this Growth Unit.

▪ Coatings & Speciality Polymers

The products of this Growth Unit include Styrene Acrylic and VAM based emulsions for the Paints and Construction Industries and Solid PVA, which is used for making Chewing Gum.

This Growth Unit recorded a growth of 5% in sales over last



year. The prices and margins remained under pressure as the sales of the end-use Paints Industry slowed down during the second half of the year.

74% of the sales of this Growth Unit are to the Construction Industry including manufacturers of Paints and Construction Chemicals. The remainder 26% of sales goes to the Food Industry (i.e. to Confectionery products).

This Growth Unit focussed on developing the business with small-scale paint manufacturers by putting in place an extensive dealer network. Initiatives to establish a range of Construction Binders were undertaken successfully. Initial efforts towards tapping export markets were made and the Company plans to further this initiative in the current financial year.

The company established leadership position in the Solid PVA market and holds 75% share of the domestic market. A new grade of Solid PVA was introduced during the last quarter. Development work to augment the range and develop

customized products for international Chewing Gum base manufacturers continued during the year.

Future Outlook: The buoyant response both in the domestic and international market encouraged us to expand our capacity to become a global player in Solid PVA. The new plant, which conforms to international GMP requirements, is scheduled to go on-stream in the second half of the current financial year.

New products introductions are planned for the Coatings product line as well, namely, Dispersing Agents and Polymeric Opacifiers that will further strengthen the business.

▪ Textile Chemicals

This Growth Unit has four major product lines namely, Finishing, Non-woven, Flocking Agents and Printing Binders.

Net sales of this business grew by 11%. All the sales are currently to the domestic textile industry; however, opportunities have been identified for exports and will be developed in the current year.

New innovative products were introduced to strengthen our



leadership position in the industry. A major milestone has been achieved through the introduction of a unique environment-friendly binder for which the patent application has already been filed.

In the domestic market our Company is the No.1 player in Finishing and Non-woven segment.

Future Outlook: The company has a positive outlook for both sales and profit growth being driven by new products, in the focus areas of Non-Woven and Printing end uses, with an additional thrust on Exports.

▪ Specialty Gases

Products of this business include CO₂, which finds application in the manufacture of Carbonated Beverages and Engineering, and Ethylene-trioxide (ETO), which is used for the sterilization of surgical instruments.

The business grew its net sales by 2% with a focus on servicing the Carbonated Soft Drinks industry to improve its share in this segment. 42% of the sales of this Growth Unit are to the Beverages sector and 52% to the Engineering sector.

The company participated in a

recent online auction organized by Coca-Cola and won business in multiple locations across the country. As part of these contracts, Jubilant Organosys will supply CO₂ to Coca-Cola for their bottling units, bringing in significant additional volumes and increasing operating profit margins.

The company has received approval of the facility and processes of the CO₂ Plant at Nira from both Coca-Cola and Pepsi, which is an endorsement of our Company's quality manufacturing, systems driven processes and efficient utilisation of resources.

Future Outlook: The business will focus on improving its sales in its economic zone and on developing the market for ETO mixtures. In line with its strategic intent of continuing to establish stronger, long term client relationships in India, Jubilant Organosys has also entered into an engagement to supply CO₂ to the bottling franchisees of Pepsi in Western India and BOC India Ltd. The company has recently commenced working relationships with leading

Surgical Aid and Equipment manufacturers to provide ETO mixtures as well.

▪ Footwear Adhesives

Products of this Growth Unit include Rubber-based and Polyurethane (PU) Adhesives.

The business declined by 14% due to uneconomical prices in the rubber-based adhesives for the Footwear Industry. We are focussing on developing new formulations both for Rubber-based and PU Adhesives, which will result in cost reduction and improvement in the turnover of this division.

Future Outlook: This Growth Unit will focus on improving the quality of its products. We are also focussing on improving supply chain efficiency and appointing new dealers to enhance our market presence. This should result in improved performance for this Growth Unit during the coming year.

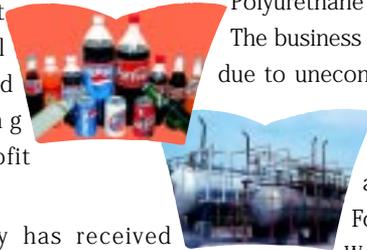
▪ Wood Working Solutions

Products of this Growth Unit include adhesives such as Jivanjor Vamicol for the premium segment and Jivanjor Polystic for the economy segment. The Jivanjor

range also includes Wood Finishes called Jivanjor Melamine, Jivanjor PU Alkyd, Jivanjor NC finishes and Jivanjor Precat finish. Also in the range complementing the Wood Working Solutions are Powder Stainers and Thinners.

The net sales of this Growth Unit declined by 6%. However, with the re-launch of a rejuvenated product range of JIVANJOR Adhesives and Wood Finishes in the last quarter of the year, we look forward to a significant improvement in performance in the months ahead.

The new branding is complemented by a new vibrant packaging of the Jivanjor range with particular attention paid to form, colour and symbol in order to bring about product differentiation and create a striking difference between ours and competitor brands. The new packaging has created improved shelf appeal for the product. The content and packaging stimuli is intended to create an emotional craving for the product and develop a strong brand association amongst the user fraternity. Technically too, induction sealing introduced for the first time in this industry, makes the packaging tamper-



CONSTRUCTION





proof, prevents leakage, promotes economy and improves shelf life. The product has been completely renovated to deliver enhanced consumer benefits.

The Company has a strong communication campaign in place addressed primarily to the carpenters who use our products as well as the architects, interior designers and household segment.



Ethoxylates, Vitamins and Minerals, Toxin Biocides, Premixes and Anipol. We are the number one player for Cholines in the domestic market and have globally the seventh largest manufacturing capacity for the same.

This business grew by 34%. The growth was driven by Exports, which grew by 46% and accounted for 46% of the net sales of this growth unit.



Future Outlook: The initial market response to the launch of these products under the Iivanjor brand has been very encouraging and we expect the brand to perform exceedingly well in the future.

c. Plant Health & Animal Nutrition Division

This division accounted for 12% of the net sales last year. It grew its sales by 20% and profit by 107%. This division has two Growth Units (GU):

▪ Plant Health

This GU comprises Single Super Phosphate Fertilizer (SSP), Sulphuric Acid, Organic Manure and Agrochemicals.

This business grew its net sales by 14% and in fact had an all time high sale of SSP, which increased our market share from 30% to 44% in the state of Uttar Pradesh.

Future Outlook: This business is expected to continue its positive trend, though the business is dependent on monsoon. The focus will also be on improving the sales of Organic Manure, which is used in new crops like Potato, Paddy and Vegetables.

▪ Animal Nutrition

This business includes Cholines,

IV. Exports / International Operations

The Export performance of Jubilant Organosys continued its upward trend, increasing by 56% to reach Rs.1185 million during the year. Exports have been a key performance driver for us and during the last five years have shown a CAGR of 73%.

In recognition of our excellent export performance in 2001, the company was granted the status of a "Trading House" by the Ministry of Commerce, Government of India. It also received the CHEMEXCIL award for our noteworthy performance in the field of Exports.

➤ Currently Jubilant Organosys exports twenty-five products to over fifty countries across diverse industry segments such as Pharmaceuticals, Tyres, Agrochemicals and Confectionery and is well positioned to expand its international market share of



key products in its portfolio.

Our ability to compete in global markets is driven by our emphasis on delivering high quality customized solutions to our global clientele and focusing on building strong, sustainable customer relationships. Our ability to provide high quality products at competitive cost makes us ideally poised to explore global markets.

➤ Last year 44% of the Export sales came from Europe, having grown by 36% over the previous year. We set up an office in China that helped the Company grow its Exports to countries in the Asia Pacific region by 82%. Exports to Asia accounted for 50% of total Exports of the company.

We are also investing in expanding the capacity of solid PVA, which is used in Chewing Gum. The additional production capacity will enable the company to improve its global market share in this segment as well.

V. Supply Chain & Information Technology

In a year when many of our major bulk chemical product lines faced margin pressures due to global downward trend in prices, reduced off take and higher input

costs, the Supply Chain initiatives helped us maintain our margins.

Relentless focus on working capital enabled us to improve our efficiencies and also the cash flow. The full impact of these measures will of course be felt in the coming year. While optimizing internal efficiencies, we focussed on improving the service level to our customers as well.

There were several cost savings initiatives undertaken in the areas of transportation, warehousing, material handling, packaging and sourcing - all of which contributed significantly towards higher operating margins.

The complete integration of ERP and implementation of process and system controls for ensuring information accuracy and timeliness have also been accomplished. Communication cost has been brought down significantly as a result of our migrating entire Wide Area Network from V-sat based to Lease Line based Network. V-Sats are now being used as backup for lease lines with a minimum bandwidth for further cost reduction. This will result in minimizing business loss due to communication infrastructure failure.

To ensure information security flowing across locations, we have enabled the security system on our Wide Area Network. The methodology of the back up procedures is finalized to minimize and eliminate the chance of data loss.

After successful implementation of ERP transaction modules at all locations, all the transactions are captured by the system.

We are now implementing Intelligent Resource Planning (IRP), Material Requirement Planning (MRP), Master Production Scheduling (MPS) and Distribution Requirement Planning (DRP) modules to add intelligence to the systems. The implementation of the IRP & MRP modules will help in reduction of stocks, effective cash planning and strict monitoring of vendor payables and customers receivables. The implementation of DRP module will enhance our forecasting capabilities enabling us to improve the quality of service provided to the customers.

The company is expanding the areas of focus in our Supply Chain. We will actively look for

and take up opportunities of improvement in vendor quality management and distribution effectiveness by extending our ERP system to our partners and customers by using Web Interface. Extending the system to dealers and distributors will result in capturing primary sales as well as secondary sales. Similarly, extending the systems to the suppliers will result in "Just in time" inventory.

The successful implementation of above systems will also result in increased people productivity along with improved quality of work life.

VI. Safety / Health / Environment

We recognize that development, economic success and business performance must always be in harmony with society and the environment. We have regularly invested in improving our manufacturing operations, products and services especially from the perspective of effluent management, safety, and energy conservation. As part of a comprehensive environmental

protection and safety policy, Jubilant has in place a wide-ranging programme, addressing all aspects of environment protection. This year we took the lead in raising awareness about our operations amongst the local community around our largest manufacturing location at Gajraula and also in understanding their concerns.

a. Effluent Management

Jubilant has the largest effluent treatment plant for industrial use and the largest bio-gas plant in India. The basic approach in effluent management is bio treatment process for the distillery effluents and then utilizing the treated effluent, which is a valuable bio fertilizer, in crop irrigation. The non-biodegradable effluents are incinerated. The odour generating vents are connected to the incinerator and furnaces, thereby minimizing the odour problem.

An Extended Aeration treatment plant was put up as a balancing facility at Gajraula to take care of the distillery effluent so that the same could be used for crop irrigation. A pipe line network was laid down in villages falling around our plant to utilize

treated distillery effluent for crop irrigation.

Effluents generated from the distillery section at Nira are completely utilized for producing bio-compost. The process involves culture of this effluent with pressmud, a byproduct of the sugar industry. The effluents from the chemical section are treated biologically and the resultant material is used for horticulture. This ensures ZERO DISCHARGE at our Nira site. During the year, a biogas plant was installed to produce energy from the biogas generated during the process. A secondary treatment facility was added to provide the option of utilizing the treated distillery effluent for crop irrigation as is done at Gajraula.

At Baroda, improvements were carried out in the air pollution control systems through installation of dedusting systems. This will help in improving the workplace environment as well as aid the recovery of fine products.

b. Energy Conservation

Our Effluent Treatment facilities generate biogas besides cleaning up the environment.





During the year, the biogas produced at Gajraula substituted 58800 tonnes of coal, saving Rs.97 million for the company. The biogas plant at Nira was commissioned in February 2002 and within two months it saved Rs.1 million worth of coal.

c. Safety Compliance

The company's safety concept includes detailed planning and monitoring of plant and machinery. Periodic inspections of manufacturing processes are conducted to confirm that all practices followed are environment friendly and all processes developed meet international environmental regulations.

During the year, there was no major accident reported from any of the manufacturing units. The Nira unit was awarded National Safety Award for Chemical & Fertilizer Industry by the National Safety Council for the longest accident free period.

d. Environment friendly production processes

Strong emphasis on environment protection and adoption of internal safety measures have not only enabled us to achieve high performance standards in terms of quality of products but has also equipped us with better production facilities which allowed us to control costs.

The environmental impact of all new processes and projects is extensively assessed and required measures are incorporated for environmental protection.

During this year, the Sulfuric acid plant of Gajraula was certified under the ISO 14001 Environment Management

System standards. Work has begun for implementation of ISO 14001 for the rest of the plants of Gajraula unit along with Safety and Occupation Health systems named OHSAS 18001. Nira plants launched and implemented the ISO 14001 systems and all the plants at this unit have been certified under ISO 14001 recently.

e. Community Interaction

With the objective of raising awareness about sustainability and the efforts of the company to eliminate and minimize risks in the crucial areas of environment protection and safety, we conducted five "Community Meets" at our Gajraula unit during the year. A cross section of the neighbourhood was invited and explained the activities carried out by us and the efforts taken by the company to address the issues of safety and environment.

The invitees are encouraged to express their views, which could be utilised for further improving our safety and environment protection standards.

The response of the community has been very positive in their appreciation of various issues involved and the efforts made by the company to address them. The company will continue to hold these "community meets" and start similar meets at our other manufacturing units during the current year.

In our attempts to foster good community relationships with the local neighbourhood, we have set up health camps providing medical aid and veterinary camps as well, to meet



the requirements of our farmer neighbours.

VII. Research and Development

A strong in-house R&D has been the most important driver of growth and expansion in our Speciality, Performance and Fine Chemicals business.

Although research and development activity at Jubilant Organosys primarily focuses on the speciality and fine chemicals business, the R&D function works in close association with other divisions, as well. Our R&D efforts are predominantly directed to address four objectives:

- Introduction of new products
- Improvement in quality and performance of existing products
- Enhance process and manufacturing efficiencies and
- Provide superior services to customers

The effectiveness of our R&D efforts is established by the regular introduction of new products. For the year 01-02 19% of the net sales came from products introduced during the

last three years.

The Company has regularly invested in research and development activity during the last few years. This has resulted in a constant flow of new products, systems and manufacturing processes. Keeping in view relatively low cost of conducting R&D in India, the spends on R&D translates to greater amount of R&D activity.

The Company's state-of-the-art R&D facility spreading across 20,000 sq. ft. at Gajraula employs more than 60 people. The facility at Gajraula houses the most advanced equipment and the best Lab and Pilot Plant facilities and Analytical Testing facilities that are comparable with those of leading organizations of the world.

Jubilant's R&D Centre is recognized by the Department of Scientific and Industrial Research, Government of India. The Company has begun filing for international patent registrations to protect the intellectual property rights (IPRs) generated by our R&D.

VIII. Strategic Investment

The company has strategically invested in Jubilant Biosys Ltd. This is serving pharmaceutical companies in the early drug discovery. In Jubilant Organosys

Ltd., 25% of the net sales is to the pharmaceutical industry. This strategic investment will help in further consolidating relationship with the pharmaceutical industry and would help drive the sales of our speciality chemicals.

Jubilant Biosys Ltd., our latest venture that was set up last March, is strategically located at Bangalore. This company focuses on providing bio-informatic research services in applying Genomics throughout the Drug Discovery and Development process.

During the year, we made excellent progress in setting up a state-of-the-art Insilco facility. We concentrated our efforts on building a talented team with a nucleus of more than 50 computational scientists. An eminent international scientific advisory board comprising of leading researchers from India and the US guides the strategy for this venture.

The company has also put in place a client focused marketing and business development team in the USA to ensure superior responsiveness to emerging and existing opportunities in the largest market space for biotechnology.

Simultaneously, we have developed our services to accelerate the drug discovery process across various steps on the value chain such as gene identification; lead optimization; target identification and validation; and patient monitoring. Our current range of offerings includes the use of a series of molecular applications and data integration technology systems. We are rapidly developing a series of curated

databases on small molecular ligands and macromolecular targets, which would be of immense utility to researchers across the world.

IX. Risk & Concerns

As part of our domestic and international operations in the field of bulk and speciality chemicals, we are subject to some risks that can affect our business performance. Entrepreneurial responsibility demands an awareness of the opportunities and risks inherent in a company's operations. In pursuing our corporate goals and objectives we endeavour to identify risks at an early stage, evaluate their consequences and take appropriate measures to derisk our business.

Risk management is an essential aspect of all business processes at Jubilant Organosys. The risk management system of the company employs a number of processes, guidelines and instruments based on the nature of risk, to insulate its business operations from unforeseen threats.

In view of our occupational profile, it is imperative that adequate measures are taken to address potential product and environment issues. Our manufacturing facilities and processes have been endorsed by our customers and certified to meet international standards. Regular inspection of all plant and machinery are undertaken to ensure that high quality is maintained and is consistent with the necessary global standards. We are committed to the well being of our employees and sensitive environmental issues. The management has developed guidelines on handling hazardous

chemicals, industrial safety and environment protection to ensure that all employees act responsibly and competently, while treating / managing high-risk chemicals.

To ensure that risks are kept within reasonable limits, we have concluded insurance agreements to guard against unforeseen circumstances. The extent of reasonable cover is periodically reviewed and adjusted as per requirement. On the safety front, a detailed Safety Audit and Quantitative Risk Assessment study for the Gajraula unit was carried out by the premier consultancy organisation in the country. An action plan is being drawn up to implement various recommendations made for further improving the safety standards at the unit. We are alive to the risk of forex fluctuation and take adequate coverage to hedge the same. We also take the advice of our expert consultants from time to time.

Our strategy focuses on growing the speciality chemicals business, which will reduce our dependence on bulk chemicals where price tends to fluctuate. The other strategic focus area is Exports, which also provide a hedge on the forex front.

With tariff barriers being driven downward by WTO regulations, the competition from imports will continue to increase and might bring pressure on margins. Through our various initiatives focussed on improving operational efficiency, we are well prepared to deal with the risks of adverse price movements. Besides, being a large integrated producer, the company has considerable cost

advantage and by adjusting the product mix we can reduce the impact on margins. With our continuous focus on R&D, we are well positioned to grow in both domestic and international markets. We shall continue to deliver the highest quality standards and customer's satisfaction.

X. Internal Control System

The company has a well-entrenched system of internal controls to ensure optimal use of company's resources and protection thereof, accurate and speedy compilation of accounts and management information reports and compliance of laws and regulations. There are adequate internal control systems to ensure that all the assets of the company are properly safeguarded and protected against losses. The company's advanced internal control mechanisms are sufficiently detailed to alert various business divisions of the impending risks at an early stage.

Extensive internal audit is carried out continuously for entire gamut of operations, policies, guidelines and procedures spanning all locations businesses and functions so that defects, if any are pointed out early for taking remedial actions. The efficiency and effectiveness of the internal control system has further improved with successful implementation of the integrated ERP system which provides with level of system based checks and controls.

Audit plan, internal audit reports, significant risk areas, assessment and adequacy of internal controls are also periodically reviewed by the Audit Committee of the Board of Directors.



To ensure internal controls are effectively executed, there are various committees to review at predefined frequencies. These include the Supply Chain Committee, which meets every week, and the Capex Committee, which meets every month. Besides, the performance of each business unit is reviewed every month by the CMDs and EDs and each functional division's performance is reviewed quarterly.

XI. Human Resources

At the end of the year our company had 1619 employees on its rolls. Jubilant Organosys is a knowledge-based company, its operations being driven by its human capital, which plays a decisive role in the company's success. It is the brainpower at Jubilant - the people and their extensive knowledge - that forms

the cornerstone of our operations and which will ensure that Jubilant gain further strength in future.

Our stated objective of being amongst the top ten employers of choice in India is supplemented by a well-defined personnel policy, a comprehensive employee progress and motivation strategy and strong industrial relations guidelines, which help us to nurture an environment that ensures all employees are adequately incentivised and encouraged to contribute their best efforts.

The company's highly favourable operational environment and successful human resource strategy have played a vital role in retaining and attracting the best talents. 39% of the employees have been with

Jubilant for more than ten years, 21% have worked for more than five years and 8% of the company's staff have been present for more than three years.

We empower our employees to make decisions and take risks while providing them opportunities to continuously learn. We encourage our employees to Always Stretch to achieve their maximum potential.

We encourage Sharing Knowledge and learning from each other. The company follows a policy of combining internal and external recruitment to maintain a strong supply of a high quality work force with talent, creativity and professionalism. In our endeavour to promote best practices across divisions, this approach has been highly rewarding in enabling fast career growth of employees within the

organization and facilitating the infusion of new perspectives and relevant experience.

To promote Excellent Quality, Jubilant ensures People Development. We acknowledge the need for continuous enhancement of skill sets of our employees. The evolving business profile of the company enables us to offer high growth opportunities in key functional areas. Additionally, cross-functional growth is also promoted which helps in developing management depth across levels and enables employees to learn about and appreciate operations and management of other divisions. An efficient performance evaluation system plays a vital role in promoting overall organizational growth and driving corporate excellence.



JUBILANT ORGANOSYS LTD.

DIRECTORS' REPORT

The Directors have pleasure in presenting the Twenty Fourth Annual Report and Audited Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS

	Year ended 31st March 2002 [Rs/Crores]	Year ended 31st March 2001 [Rs/Crores]
Sales and Other Income	869.44	846.69
Profit before Interest and Depreciation	87.78	74.96
Interest	40.74	41.33
Gross Profit	47.04	33.63
Depreciation	25.43	20.64
Profit before Taxation	21.61	12.98
Provision for Taxation	(2.01)	(0.38)
Net Profit	23.62	13.36
Profit brought forward from previous year	9.32	10.80
PROFIT AVAILABLE FOR APPROPRIATION	32.94	24.16
which the Directors have appropriated as follows :		
- Proposed Dividend on Equity shares	5.82	3.75
on Preference Shares	0.36	0.58
- Tax on Dividend on Equity Shares	—	0.38
on Preference Shares	0.04	0.13
- Transfer to General Reserve	12.00	10.00
- Transfer to Capital Redemption Reserve	5.00	—
Leaving a balance to be carried forward of	9.72	9.32

DIVIDEND

The Directors are pleased to recommend a dividend as follows:

- On Redeemable Cumulative Non Convertible Preference Shares of Rs.100/- each at the rate of 11.5% (already paid as interim dividend for the period 1st April, 2001 to 18th November, 2001 i.e. date of redemption);
- On Equity Shares of Rs.10/- each at the rate of 75% for the year ended 31st March, 2002.

SHARE CAPITAL

- 5,00,000 Cumulative Redeemable Preference Shares of Rs.100/- each allotted on 18.11.1998 on private placement basis were redeemed on 18th November, 2001. Simultaneous with the redemption of these shares, the Company has already paid interim dividend at the rate of 11.5% upto the date of redemption.
- The Company had allotted 15,00,000 Fully Convertible Warrants at a price of Rs.68.50 per warrant to the promoters in terms of special resolution passed by shareholders in Extra Ordinary General Meeting held on 25/06/2001. During the year these Fully Convertible Warrants were converted into Fully paid Equity Shares of Rs.10/- each at a premium of Rs.58.50 per share, increasing the paid up capital from Rs. 6.26 Crores (divided into 6257399 Equity Shares of Rs.10/- each) to Rs. 7.76 Crores (divided into 7757399 Equity Shares of Rs.10/- each).

CHANGE OF NAME

With effect from 23rd November, 2001, the name of the Company has changed to Jubilant Organosys Limited in terms of Fresh Certificate of Incorporation dated 23rd November, 2001 issued by the Registrar of Companies, Uttar Pradesh & Uttaranchal.

OPERATIONS

The performance of the company for the year 2001-2002 was satisfactory. The sales (including other income) and profit after tax for the year was Rs.869.44 Crores and Rs.23.62 Crores respectively. Export Sales of the company for the year was Rs.118.47 Crores.

Sales of the company during the year marginally increased by 3%. The Net Profits after tax grew by 77% as compared to the previous year. The export sales of the company grew by 56% as compared to the previous year.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217 (2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000, the Directors of your Company confirm:



JUBILANT ORGANOSYS LTD.

DIRECTORS' REPORT (Contd.)

- * that in the preparation of annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- * that the directors have adopted such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2002 and of profit and loss accounts for the period ended 31.3.2002.
- * that the directors have taken proper and sufficient care 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.
- * that the Directors have prepared the annual accounts on a going concern basis

FIXED DEPOSITS

The total amount of Fixed Deposits held as on 31st March 2002 was Rs.42.71 Crores. There were no overdue deposits. There were however, 768 unclaimed deposits amounting to Rs.1.16 Crores. Of these 85 deposits amounting to Rs.0.12 Crores have since been repaid.

SUBSIDIARY COMPANIES

The reports and accounts of the Subsidiary Companies along with the Statement pursuant to Section 212 of the Companies Act, 1956 are annexed.

DIRECTORS

Mr. S.S.Bhartia, Mr Arabinda Ray and Mr Bodhishwar Rai, Directors of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. The Board of Directors of your company have, subject to the approval of the shareholders, reappointed Mr. S.S. Bhartia as Chairman & Managing Director and Mr. H.S. Bhartia as Co-Chairman & Managing Director for a further period of five years w.e.f. April 1, 2002.

PARTICULARS OF EMPLOYEES

Information required under Section 217(2A) of the Companies Act, 1956 read with the Companies [Particulars of Employees] [Amendment] Rules 1994, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv), the Report and Accounts is being sent to all Shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Report required to be made pursuant to section 217(1)(e) of the Companies Act, 1956 read with Companies [Disclosure of Particulars in the Report of Board of Directors] Rules, 1988 is annexed at Annexure - A.

MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE

Separate Notes on Management Discussion & Analysis and Corporate Governance are attached and shall be considered part of the Directors Report.

AUDITORS

M/s. K N Gutgutia & Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and offer themselves for re-appointment. They have confirmed that they are eligible under Section 224 (1) of the Companies Act, 1956 for re-appointment.

ACKNOWLEDGMENTS

The Board wishes to place on record its appreciation for the support given by Shareholders, Financial Institutions, Bankers, other lenders, Government Authorities, Customers and Suppliers and look forward to their continued support.

FOR AND ON BEHALF OF THE BOARD

NOIDA
3rd May, 2002

S S Bhartia
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

DISCLOSURE UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

- i) Utilisation of high pressure vent gases for ash conveying resulted in power saving.
- ii) Reconfiguring the distillation operation in the acetic acid plants saving energy in the form of steam.
- iii) Optimising cooling water circulation in the acetic acid & acetaldehyde plants and stopping cooling water pumps leading to power saving.
- iv) Initiated better operational and maintenance control action to reduce steam and power consumption norms in the process plants.
- v) Maximised generation and consumption of Biogas from Biogas plant leading to saving of coal, RFO and LDO.
- vi) Replacement of rotor of TG-2 to maximise power generation by 1.1 MW.
- vii) Conversion of Oil Fired/FBC boiler into Biogas Boiler
- viii) Improvement of power factor from 0.940 to 0.989
- ix) Installation of pressure switch controller for auto on/off of Instrument Air Compressor
- x) Installation of temperature controller for auto on/off of cooling tower fan
- xi) Trimming of impeller of cooling water pumps for reducing power consumption
- xii) Installation of capacitors in 15hp motors to improve the power factor
- xiii) Installation of 60TR capacity chiller operated on NH3 feed to Pyridine/Picoline plant

(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

S.No.	Proposal for reduction of consumption of energy	Investment Planned (Rs.Lacs)
1.	Steam saving by improving energy recovering from spent wash of distillery.	10.4
2.	Change over of Furnace Firing from LDO to Biogas in Lutidine and Polyurethane Plant.	7.5
3.	Installation of Flash Steam Vessel and related accessories in Performance Chemicals plants.	4.5
4.	Replacement of reciprocating air compressors with six Nos. screw compressors so as to save 425 KWH power.	110.0
5.	Capacity / Efficiency improvement in Biogas Plant	4.0
6.	Installation of 25 TR capacity chiller operated by NH3 feed to 3 Cyno Pyridine Plant.	8.0
7.	Installation of P-20 Energy Saving Device in MCC Room.	1.5
8.	To install standby Plate Heat Exchanger for fermented wash pre-heater in Distillery	5.0
9.	Coal fired boiler instead of oil fired boiler	75.0
10.	Reverse Osmosis plant instead of DM Water plant	24.0
	TOTAL INVESTMENT	249.9

(c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

- Reduction in steam and power consumption norms in all plants
- Reduction in steam and power generation cost
- Reduction in specific fuel consumption on products

1. Saving due to Conservation of Energy (a) (i) to (xiii) : Rs. 349.1 lacs per annum
2. Saving due to the proposal (b) (i) to (10) : Rs. 139.5 lacs per annum



ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

(d) Total energy consumption and energy consumption per unit of production:

S.No	Particulars	April, 2001 to March, 2002	April, 2000 to March, 2001	
I.	Power and Fuel Consumption			
	Electricity			
	(a) Purchased			
	(i) Unit	KWH	32402901	32572640
	(ii) Total amount	Rs.lacs	1338.70	1345.76
	(iii) Rate/Unit	Rs/KWH	4.13	4.13
	(b) Own Generation			
	Through Diesel Generator			
	(i) Unit	KWH	73134706	80986697
	(ii) Units per ltr. of Diesel Oil (RFO) KW/Ltr.		4.40	3.20
	(iii) Cost/Unit	Rs/KWH	2.59	2.25
	Through Steam Turbine Generator			
	Unit	KWH	49554700	37885700
	II.	Coal		
	(i) Quantity	MT	184711	190813
(ii) Total Cost	Rs.Lacs	3477.20	3311.26	
(iii) Avg.Rate	Rs./MT	1882.51	1735.34	
III.	Furnace Oil			
(i) Quantity	LTR	17727134	20010845	
(ii) Total Cost	Rs.Lacs	1659.76	2080.56	
(iii) Avg.Rate	Rs./LTR	9.36	10.39	

Consumption per unit of Production

		Current Year	Previous Year	
A.	Organic Intermediates, Speciality Products & Fertiliser Chemicals			
	Electricity	KWH/MT	260.88	272.29
	Steam	KWH/MT	1.70	1.83
B.	Performance Chemicals			
	Electricity	KWH/MT	253.31	212.40
	Steam	KWH/MT	0.61	0.74
C.	Animal Nutrition Prod & V.P.Latex			
	Electricity	KWH/MT	234.65	191.08
	Steam	KWH/MT	0.31	0.33
	Furnace Oil	LTR/MT	42.28	43.62

B. TECHNOLOGY ABSORPTION:

(a) **Research and Development**

The R&D laboratory is recognized by DST, Govt. of India. The R&D is staffed with highly qualified scientific & technical personnel. It strongly supports the activities of various business divisions through new product development, process improvement, absorption of technology and establishing the technology on plant scale.

1. SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY.

(i) **Organic Intermediates, speciality & Fine Chemicals :**

- ⇒ Development of pyridine, picolines, lutidines, collidines and their derivatives.
- ⇒ Process improvements in the manufacture of pyridines and picolines
- ⇒ Fine Chemicals

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

(ii) Agrochemicals :

- ⇒ Development of agrochemicals

(iii) Performance Chemicals:

- ⇒ Development of emulsion polymers for use in coating, textile and other industry
- ⇒ Development of speciality polymers
- ⇒ Development of various adhesives e.g. water based, hotmelts, polyurethane etc.
 - ⇒ Development of specialized wood finishing systems
- ⇒ Development of ethoxylates & emulsifiers
- ⇒ Development of vinyl pyridine latex and SBR latex
- ⇒ Wood finishes

(iv) Biotechnology:

- ⇒ Microbial desulphurisation of biogas & recovery of elemental sulfur on pilot scale
- ⇒ Improving the fermentation process for the manufacture of alcohol
- ⇒ Effluent treatment through microbial routes.

(v) Animal Nutrition:

- ⇒ Vitamins, trace mineral, premixes and antibiotic
- ⇒ Development of choline chloride and its salts

(vi) Plant Health :

- ⇒ Plant growth regulators, organic manure etc

(vii) Contract Research

- ⇒ Organic intermediates for pharmaceuticals and agrochemicals

2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D

- ⇒ Improved competitiveness in the international and domestic market
- ⇒ Additional business through new product introduction.
- ⇒ Improved efficiencies

3. FUTURE ACTION PLAN

- ⇒ Development of derivatives of pyridines for use in Pharma, Agro and other industries
- ⇒ Improvement in the efficiencies of manufacture of various Chemicals
- ⇒ Biotransformation of organic compounds
- ⇒ Synthesis of chiral compounds
- ⇒ Improvements in the fermentation technology & effluent treatment
- ⇒ Development of new products in the field of polymers & adhesives for application in coating, textile, footwear, paper, auto, electronic and other industries.
- ⇒ Development of various surfactant, emulsifiers and Ethoxylates
- ⇒ Development of VP latex & SBR latex for different applications
- ⇒ Development of various choline salts and animal nutrition products
- ⇒ Development of various plant health chemicals

4. EXPENDITURE ON R&D

	Rs./Lacs
(a) Capital	18.22 *
(b) Recurring (R&D expenses/chemicals)	320.88 **
(c) Total	339.10
(d) Total R & D expenditure as a percentage of total turnover	0.39%

* Rs 16.92 lacs is for the divisions approved for Income Tax Rebate.

** Rs 277.82 lacs is approved for Income Tax Rebate by DSIR under section 35(2AB) of Income Tax Act.



JUBILANT ORGANOSYS LTD.

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

(b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

Technologies developed for manufacturing the products have been commercialised very quickly through in-house efforts related to design of plants, scale up of the processes on pilot scale and supporting production team in optimizing /establishing the processes in the plant

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

- New products developed
- Import substitution carried out
- Cost reduction
- Increase in export

3. Information about imported technology (imported during the last five years reckoned from the beginning of the financial year

Technology Imported	Year of import	Technology has been fully absorbed	If not fully absorbed, areas where this has not taken place
Hot melt Adhesives	1996	Yes	Implemented
Pyridine derivatives	1998	Yes	Implemented

C FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on earnings and outgo of foreign exchange is given in Notes 17(F) to 17 (I) appearing in Schedule "M" to the Accounts.

REPORT ON CORPORATE GOVERNANCE

a) Company's Philosophy

Jubilant Organosys Limited (JOL) endeavours to adopt the best global practices in the area of Corporate Governance by attaining highest levels of transparency and accountability to stakeholders. JOL recognises communication as a key element in the overall Corporate Governance framework and therefore, emphasises continuous, efficient and relevant communication such as Annual Reports, Results, media releases and other form of corporate and financial communications to all its business associates. JOL is engaging in constructive and continuous dialogue with all the stakeholders including investors, lenders, vendors, customers and local community.

Jubilant's Corporate Values are: -

- **INSPIRE CONFIDENCE:** Carefully select, train and develop our people to be creative, empower them to take decisions so that they respond to all customers with agility, confidence and team work.
- **ALWAYS STRETCH:** Stretch ourselves to be cost effective and efficient in all aspects of our operations and focus on flawless delivery to create and provide the best value to our customers.
- **SHARING KNOWLEDGE:** By sharing our knowledge and learning from each other and from the markets we serve our customers, continuously, with innovative solutions.
- **EXCELLENT QUALITY :** With utmost care for the environment and safety, we will always strive to excel in the quality of our processes, our products and our services.

b) Board of Directors

The Board comprised of eight Directors out of which four were Non-Executive Directors and two Managing Director and two Executive Directors. During the course of the year one non-executive/independent director Mr S.Sarkar, Nominee of Unit Trust of India ceased to be director of the Company. Necessary steps are being taken to appoint one more non-executive/independent director on the Board of the Company.

During the year under review, 5 Board Meetings were held on 26th May, 2001, 28th June, 2001, 7th September, 2001, 24th December, 2001 and 22nd January, 2002. The composition of the Board of Directors and attendance of Directors at the Board meetings, Annual General Meeting as also number of other directorships in Indian public limited companies are as follows:

JUBILANT ORGANOSYS LTD.

Name of the Director	Attendance at last AGM	No.of Board Meetings attended	Category of Director	Other Directorships
Mr S S Bhartia	Yes	5	CMD	12
Mr H S Bhartia	No	3	CCMD	8
Mr J B Dadachanji	No	3	NED/ID	10
Mr Bodhishwar Rai	Yes	5	NED/ID	14
Mr S.Sarkar (Ceased)	No	1	ND/NED/ID	1
Mr Arabinda Ray	No	5	NED/ID	2
Mr S N Singh	Yes	5	ED	3
Mr Shyam Bang	Yes	5	ED	4

CMD	- Chairman & Managing Director
CCMD	- Co-Chairman & Managing Director
NED	- Non Executive Director
ED	- Executive Director
ND	- Nominee Director
ID	- Independent Director

c) Committees of the Board

The Board of Directors had constituted Committees of the Directors with adequate delegation of powers to discharge urgent business of the Company. The Committees under the Corporate Governance are (a) Audit Committee (b) Investors Grievance Committee; (c) Remuneration Committee. The Committees meet as often as required.

1) Audit Committee**(i) Terms of reference:**

The Committee reviews all matters specified in clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956, such as reports of the Internal Auditors, Statutory Auditors and discuss their findings, suggestions, internal control systems, scope of audit, observations of the auditors and other related matters etc. and reviews major accounting policies followed by the Company. The minutes of the Audit Committee meetings are circulated to and confirmed by the Board of Directors.

ii) Composition

The Committee comprises of 3 independent Non-Executive Directors. Executive Directors are the permanent invitees. During the year Mr. S.Sarkar, Nominee of Unit Trust of India has ceased to be director of the Company. The Company Secretary is the Secretary of the Committee. The Committee met 3 times during the year and the attendance of members at the meetings was as follows:

Name of the Member	Status	No.of meetings attended
Mr Bodhishwar Rai	Chairman	3
Mr Arabinda Ray	Member	3
Mr S.Sarkar (Ceased)	Member	2
Mr J B Dadachanji	Member	2

2) Investors Grievance Committee**(i) Terms of reference:**

The Committee has been formed to approve the matters relating to transfer/transmission of shares, issue of duplicate certificates, non-receipt of balance sheet, non-receipt of dividend, review redressal of investors' grievances etc.

ii) Composition

The Committee comprises of 2 Non Executive Directors and 1 Executive Director viz. Mr Bodhishwar Rai, Mr.J.B.Dadachanji and Mr S.N.Singh. The Board has designated Mr Ajay Krishna, Company Secretary as the "Compliance Officer".

iii) Investors' Complaints received and resolved during the year

The Company had 24440 investors. During the year under review, the Company has received 3321 (75501 shares) cases of share transfer/transmissions/transposition out of which 3296 (74009 shares) were transferred and 25 (1492 shares) were rejected on account of technical reasons. During the year the Company has received 217 complaints out of which 215 complaints were resolved and 2 were pending as on March 31, 2002 which were resolved on April 6, 2002.



JUBILANT ORGANOSYS LTD.

3) Remuneration Committee

(i) Terms of reference:

The Committee is empowered to decide and approve the remuneration of the Directors of the Company.

(ii) Composition

The Committee comprises of 3 Non-Executive/independent Directors namely, Mr Bodhishwar Rai, Mr J.B.Dadachanji and Shri Arabinda Ray. Mr J.B. Dadachanji is the Chairman of the Committee.

d) Details of remuneration paid to directors for the year 2001-02

- i) Mr.S.S.Bhartia, Chairman & Managing Director and Mr.H.S.Bhartia, Co-Chairman & Managing Director were appointed for a period of five years w.e.f. April 01, 1997 and were paid salary, perquisite and commission of Rs.35.22 lacs and Rs.28.66 lacs respectively. Mr.S.N.Singh and Mr.Shyam Bang, Executive Directors were appointed for a period of five years w.e.f. November 01, 1998 and were paid salary and perquisite of Rs.33.98 lacs and Rs. 25.38 lacs respectively. Besides this, all the Executive Directors were also entitled to Company's Contribution to Provident Fund and Superannuation. The details of salary, commission and perquisites are under:

	Mr S.S. Bhartia	Mr H.S. Bhartia	Mr S.N. Singh	Mr.S. Bang
Salary	12,00,000	12,00,000	18,63,825	13,57,500
Commission	12,00,000	12,00,000	Nil	Nil
Perquisites	11,22,005	4,65,600	15,33,785	11,80,970
Stock Option	Nil	Nil	Nil	Nil
Bonus/ Exgratia	Nil	Nil	Nil	Nil

- ii) Sitting fees paid to the Non-Executive Directors for year ended 31st March, 2002 was Rs.1,20,000/- to Mr.Bodhishwar Rai, Rs.40,000/- to Mr.Arabinda Ray, Rs.25,000/- to Mr.J.B.Dadachanji and Rs.15,000 to Unit Trust of India for meetings attended by its Nominee Director Mr.S.Sarkar. Apart from this, subject to provision of section 310 of the Companies Act, 1956 commission of Rs.50,000/- each was also paid to the non-executive directors.

e) Remuneration Policy

Remuneration to employees consists of basic salary and perquisites and is based on the qualifications, experience, responsibilities handled by employee and their performance.

The objective of the remuneration policy is to motivate employees to excel in their performance, recognise their contribution and reward merits.

f) General Body Meetings

The last three Annual General Meetings of the Company were held as under:

Financial Year	Date	Time	Location
2000-2001	13.09.2001	11.30 a.m.	Registered Office: Bhartiagram, Gajraula District Jyotiba Phoolay Nagar, U.P.
1999-2000	28.09.2000	11.30 a.m.	Same as above
1998-1999	28.09.1999	11.30 a.m.	Same as above

g) Disclosures

- (i) There are no materially significant transaction with the related parties viz. Promoters, directors or the management, their subsidiaries or relatives, etc. that may have a conflicting potential conflict with the interest of the Company at large.
- (ii) No penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any Statutory authority on any matter related to capital markets for non-compliance by the Company during the last three years.

h) Means of Communication

- (i) The quarterly, half- yearly and annual audited financial results of the Company are sent to the Stock Exchange immediately after they are approved by the Board. The results are published in accordance with the guidelines of Stock Exchanges. Half yearly results will be sent to each household of the shareholder for the half year ending September 30, 2002.
- (ii) The results are also posted on the website of the Company at <http://www.jubilantorganosys.com>.
- (iii) Management Discussion and Analysis Report forms part of this Annual Report.

JUBILANT ORGANOSYS LTD.

D) General Shareholder's Information

(i) 24th Annual General Meeting

Venue: Registered Office at Bhartiagram, Gajraula,
District Jyotiba Phoolay Nagar, U.P. 244 223.

Time : 11.30 A.M.

Date : September 23, 2002

(ii) Tentative Financial Calendar

Publication of Audited Results	By June 30, 2002
First Quarter Results	By July 31, 2002
Half Yearly Results (Limited Review)	By October 31, 2002
Third Quarter Results	By January 31, 2003
Audited Annual Results (2002-2003)	By June 30, 2003

(iii) Book Closure

The register of members and share transfer books of the Company shall remain closed from September 9, 2002 to September 23, 2002 (both days inclusive)

(iv) Dividend Payment Date: October 21, 2002

(v) Listing on Stock Exchange and Stock codes

The names of the Stock Exchanges at which the equity shares of the Company are listed and the respective stock codes are as under:

S.No.	Name of the Stock Exchange	Stock Code
1.	The Stock Exchange, Mumbai	530019
2.	The Delhi Stock Exchange Association Ltd.	3840
3.	The Calcutta Stock Exchange Association Ltd.	32007
4.	The U.P. Stock Exchange Association Ltd.	Zz-920

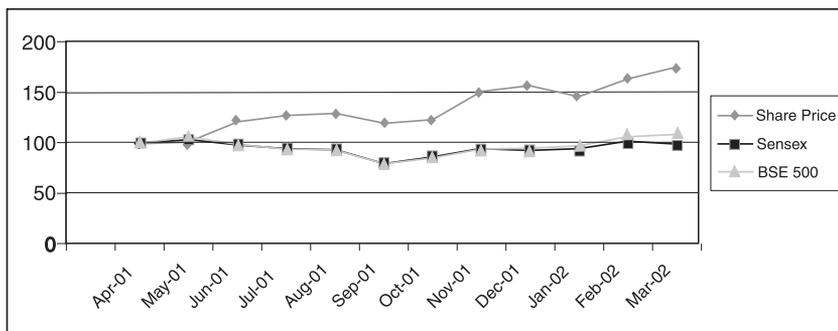
The company has already applied for delisting of shares from Delhi Stock Exchange Association Ltd. and Calcutta Stock Exchange Association Limited in terms of resolution passed by the shareholders in the Annual General Meeting held on September 13, 2001.

(vi) Market price data

High/low of market price of the Company's equity shares traded on The Stock Exchange, Mumbai during the last financial year was as follows:

Month	High (Rs)	Low (Rs)	Month	High (Rs)	Low (Rs)
April, 2001	66.00	56.60	October, 2001	85.00	65.00
May, 2001	66.15	56.20	November, 2001	103.90	80.50
June, 2001	81.00	66.00	December, 2001	105.80	85.50
July, 2001	85.70	68.60	January, 2002	93.00	85.00
August, 2001	83.70	73.00	February, 2002	109.85	90.00
September, 2001	82.60	64.10	March, 2002	111.00	102.00

(vii) Performance of the Company's equity shares in comparison to BSE Sensex and BSE 500





JUBILANT ORGANOSYS LTD.

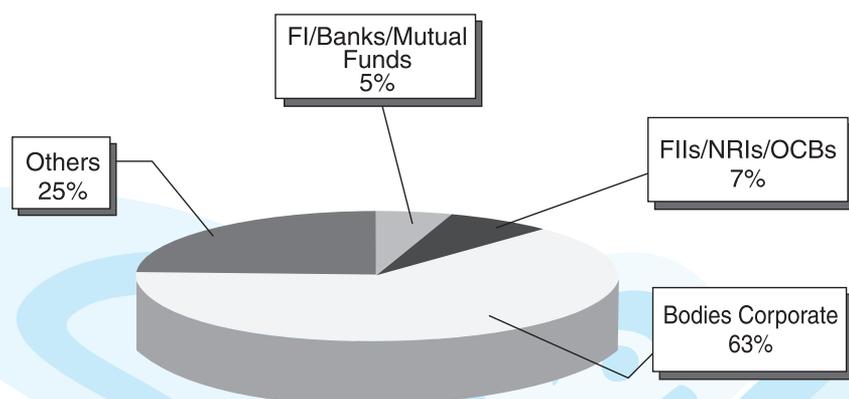
(viii) Registrar and Transfer Agent

The Company has appointed M/s Alankit Assignments Limited 205-208 Anarkali Complex, Jhandewalan Extension, New Delhi 110 055 as Registrar and Share Transfer Agent for physical as well as electronic connectivity with the depositories for dematerialised shares .

(ix) Share Transfer System

Investor Grievance Committee and designated officials of the Company are authorised to approve transfer of securities. Share transfers which are received in physical form are processed and the share certificates returned within a period of 14 days from the date of receipt subject to the documents being valid and complete in all respects. The dematerialised shares are transferred directly to the beneficiaries by the depositories. The company, as per the SEBI guidelines dated 24th March, 2000, offers the shareholders, transfer cum demat facility.

(x) Distribution of Shareholding as on 31st March, 2002



(xi) (a) Dematerialisation of Shares

The shares of the Company fall under the category of compulsory delivery in dematerialised mode by all categories of investors. The Company has signed agreements with National Securities Depository Limited (NSDL) and Central Depositories Services (India) Limited (CDSL).

(b) Liquidity

The Equity Shares of the company are traded in Group B1 at the Stock Exchange, Mumbai.

(xii) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity

Nil

(xiii) Location of the Plants

- Plant -1: Bhartiagram, Gajraula,
District Jyotiba Phoolay Nagar, U.P.
- Plant - 2 : Block 133, Village Samlaya, Taluka Savli,
District Vadodara, Gujarat
- Plant - 3 : Village Nimbut, Nira, District Pune, Maharashtra

(xiv) Address for Correspondence

Jubilant Organosys Limited
1A, Sector-16-A, Noida, U.P. 201 301
Tel: (0120) -4516601/ 4516611 Fax: (0120)-4516629
e-mail: ajay_krishna@jubilantorganosys.com

j) Re-appointment of the Directors

Three Directors are due for retirement by rotation at this Annual General Meeting and are eligible for re-appointment. Mr. S S Bhartia and Mr H S Bhartia have also been reappointed by the Board of Directors in their meeting held on May 03, 2002 as Chairman & Managing Director and Co-chairman & Managing Director respectively. Brief particulars of above Directors are given below:

- Mr S.S.Bhartia, Chairman & Managing Director is the promoter of the Company. Mr S S Bhartia is a Cost Accountant. He is a Member of the Board since incorporation of the Company and was appointed as Managing Director of the Company in the year 1981. In the year 1997 he was appointed as Vice Chairman and Managing Director. Thereafter he was appointed as Chairman & Managing Director in the year 1999.

JUBILANT ORGANOSYS LTD.

Mr S S Bhartia is a Director in the following Indian Public Limited Companies viz. Jubilant Organosys Limited, Vam Holdings Ltd., Jubilant Enpro Limited, Domino's Pizza India Ltd., Geo-Enpro Petroleum Ltd., OCL India Ltd., Chambal Fertilizers & Chemicals Ltd., Rosenbluth Lionel India Ltd., Birla Cotton Spinning & Weaving Mills Ltd., Zuari Industries Ltd., Network Programs India Ltd., Food Express (Stores) India Ltd., and Enpro-Secan India Ltd.

- ii) Mr Arabinda Ray is Professional Corporate Executive with 50 years of experience. He joined the Board of the Company in 1981 as Director. He has held various Board level offices such as Deputy Managing Director of Metal Box, Managing Director of Guest Keen William and Vice Chairman & Managing Director of Warren Tea and was Non-Executive Director of Companies like Steel Authority of India, United Bank of India, Garden Reach Shipbuilders and IFGL Refractories. He participated as Custodian of IISCO on Government take-over in 1972 and was a Founder Member of Indian Institute of Packaging and part of the visiting Faculty of Administrative Staff College of India, Hyderabad.

Mr Arabinda Ray has been on the Board of Governors of National Institute of Bank Management and a Member of the Executive Council of Institute of Financial Management & Research, Chennai.

Mr Arabinda Ray is a Director in the following Indian Public Limited Companies viz. Jubilant Organosys Limited, Sunrise Worldwide Limited and Air Link India Limited

- iii) Mr.Hari Shankar Bhartia, Co-Chairman & Managing Director is a Chemical Engineer. Mr H.S.Bhartia joined the Board as Whole-time Director in the year 1983. In the year 1997 he was appointed as Vice Chairman & Managing Director. Thereafter he was appointed as Co-Chairman and Managing Director in the year 1999. Mr H.S.Bhartia is Chairman, Board of Governors, IIT Kanpur and was also the Chairman, CII, Northern Region for the year 2001-02.

Mr H S Bhartia is a Director in the following Indian Public Limited Companies viz. Jubilant Organosys Limited, Jubilant Enpro Ltd., Television Eighteen India Ltd., Geo-Enpro Petroleum Ltd., Vam Holding Limited, Domino's Pizza India Ltd., Enpro Secan India Ltd., Network Program (I) Ltd., and Food Express Stores (I) Ltd.

- iv) Mr.Bodhishwar Rai is an eminent Banker and has occupied important positions with State Bank of India in the country and abroad. He retired as Chairman and Managing Director of Allahabad Bank in 1994. Earlier he was Managing Director of SBI Mutual Fund. Mr. B.Rai joined the Board of the company in the year 1995 as State Bank of India's Nominee and later was appointed as an independent director in the year 1999.

Mr Bodhishwar Rai is a Director in the following Indian Public Limited Companies viz. Jubilant Organosys Limited, Seven Pharmaceuticals Ltd., Prakash Woollen Mills Ltd., Madhya Bharat Papers Ltd., Uniworth International Ltd., Oriental Carbon & Chemicals Ltd., Texmaco Ltd., Hindustan Wires Ltd., Magma Leasing Ltd., Shristi Infrastructure Development Corporation Ltd., NRC Limited, West Coast Paper Mills Ltd., Domino's Pizza India Ltd., Sunil Synchem Limited, HB Estates Limited.

Auditors' Certificate on compliance of conditions of corporate governance as per clause 49 of the Listing Agreement with the stock exchanges.

To the Members of Jubilant Organosys Limited (Formerly-Vam Organic Chemicals Limited)

We have examined the compliance of conditions of corporate governance by Jubilant Organosys Limited (Formerly-Vam Organic Chemicals Limited) ("the Company") for the year ended on 31st March 2002, as stipulated in clause 49 of the Listing Agreement of the Company with the stock exchanges, with the relevant records and documents maintained by the Company and the Report on Corporate Governance as approved by the Board of Directors.

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

We certify that the Company has complied with, in all material respect, the mandatory condition of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We have been explained that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

For K.N. Gutgutia & Company

B.R. GOYAL

Partner

Chartered Accountants

Place : Noida

Date : 3rd May, 2002



JUBILANT ORGANOSYS LTD.

AUDITORS' REPORT TO THE MEMBERS OF JUBILANT ORGANOSYS LIMITED

We have audited the attached Balance Sheet of JUBILANT ORGANOSYS LIMITED (Formerly - Vam Organic Chemicals Limited) as at 31st March 2002 and the Profit and Loss Account 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.

- 1.0 As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2.0 Further to our comments mentioned in the Annexure referred to in paragraph 1 above, we report that:
 - 2.1 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.
 - 2.2 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 such books.
 - 2.3 In our opinion, the Profit & Loss Account and Balance Sheet, referred to in our Report, comply with the applicable Accounting Standards referred to in Sub-Section 3 (c) of Section 211 of the Companies Act, 1956 (as amended).
 - 2.4 On the basis of written representations received from the Directors as on 31st March 2002 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2002, from being appointed as a Director in terms of clause (g) of Sub Section (1) of Section 274 of the Companies Act, 1956.
 - 2.5 Proper returns from branches not visited by us have been received by the Company.
 - 2.6 The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
 - 2.7 In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account; together with the other notes thereon and Significant Accounting Policies, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - (i) insofar as it relates to the Balance Sheet, of the state of affairs of the company as at 31st March 2002;
 - AND
 - (ii) insofar as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

For K.N. GUTGUTIA & CO.
CHARTERED ACCOUNTANTS

Place : Noida
Dated: 3rd May 2002

B.R. GOYAL
Partner

ANNEXURE TO THE AUDITORS' REPORT

Re: JUBILANT ORGANOSYS LIMITED

Referred to in paragraph 1 of our report of even date.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Company has a programme of physical verification of its fixed assets in a phased manner and accordingly the exercise was carried out and in our opinion the same is reasonable having regard to the size of the Company and the nature of assets. No material discrepancy was noticed on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The stocks of finished goods, spare parts and raw materials have been physically verified during the year by the management excepting those lying with third parties for which necessary confirmations are being obtained. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the books records were not material and have been properly dealt with in the books of account of the Company.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper, and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken loans from companies, firms or other parties required to be listed in the register maintained under section 301 of the Companies Act, 1956.
8. In our opinion the rate of interest on which loans have been granted to companies required to be listed in the register maintained under section 301 of the Companies Act, 1956 is not, prima facie, prejudicial to the interest of the Company. Other terms and conditions have not been stipulated, hence we cannot make any comment in this respect and as regards interest wherever applicable, the same are being recovered on a regular basis.
9.
 - a) In respect of loans and advances in the nature of loans given by the Company, the parties have repaid the principal amounts on demand, as there are no specific stipulations prescribed for repayment periods, and have also been generally regular in the payment of interest wherever applicable, except in respect of few parties where the realization of interest is not regular for which reasonable steps have been initiated to recover the over-dues.
 - b) In respect of interest free loans and advances given to employees, the same are being recovered generally regularly.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets, and with regard to the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 and aggregating during the year to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services
12. As explained to us, the company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and provision has been made in the accounts for the losses arising on the items so determined.
13. 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, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realizable by-products and scrap.
15. In our opinion, the company has an internal audit system commensurate with size of the company and nature of its business.
16. We have broadly reviewed the books of account maintained by the Company pursuant to the Order made by the Central Government for the maintenance of Cost records under section 209(1) (d) of the Companies Act, 1956 for Industrial Alcohol, Sulphuric Acid and Fertilizers 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.
17. According to the records of the company, Provident Fund and Employees' State Insurance dues have been regularly deposited during the year with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, custom duty and excise duty were outstanding as at 31st March 2002, for a period of more than six months from the date they become payable.
19. During the course of our examination of the books of account carried out in accordance with generally accepted auditing practices we have not come across any personal expenses which have been charged to Profit & Loss Account, nor have we been informed of any such case by the management.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of trading activities of the Company, we have been informed that there was stock of damaged goods for which adequate provisions have been made in the accounts for the loss arising on the item so determined.

For K.N. GUTGUTIA & CO.
CHARTERED ACCOUNTANTS

Place : Noida
Dated: 3rd May 2002

B.R. GOYAL
Partner

JUBILANT ORGANOSYS LTD.**BALANCE SHEET AS AT MARCH 31, 2002**

	SCHEDULES	Lac/Rs	AS AT 31st March, 2002 Lac/Rs	AS AT 31st March, 2001 Lac/Rs
SOURCES OF FUNDS :				
Shareholders funds				
Share Capital	A		775.90	1125.90
Reserves & Surplus	B		11479.95	14152.36
			12255.85	15278.26
Deferred Tax (Net)			3079.12	—
(Refer Note 11(A) & 11(B) - Schedule " M ")				
LOAN FUNDS :				
Secured Loans	C		25155.85	28025.90
Unsecured Loans			8310.73	7104.80
			33466.58	35130.70
			48801.55	50408.96
APPLICATION OF FUNDS :				
Fixed Assets :				
Gross Block	D	53006.77		50373.25
Less: Depreciation		23070.98		19300.53
Net Block		29935.79		31072.72
Capital Work-in-Progress		1653.62		531.80
			31589.41	31604.52
Investments	E		2303.01	2353.58
Current Assets, Loans and Advances :				
Inventories	F	10208.19		9859.00
Sundry Debtors		7820.57		8443.74
Cash & Bank Balances		925.47		705.44
Loans and Advances		5784.06		3762.53
		24738.29		22770.71
Less: Current Liabilities & Provisions				
Liabilities	G	8828.93		6155.73
Provisions		1000.23		816.96
		9829.16		6972.69
Net Current Assets			14909.13	15798.02
Miscellaneous Expenditure	H		—	652.84
(To the extent not written off or adjusted)				
			48801.55	50408.96
NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES				
	M			

In terms of our report of even date attached.

for K N GUTGUTIA & CO
CHARTERED ACCOUNTANTS

B. R. GOYAL

Partner

NOIDA

Date : 3rd May,2002

AJAY KRISHNA
Company Secretary

S.S. BHARTIA
Chairman & Managing Director

H.S. BHARTIA
Co - Chairman & Managing Director

**JUBILANT ORGANOSYS LTD.****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002**

SCHEDULES		Lac/Rs	Year Ended 31st, March 2002 Lac/Rs	Year Ended 31st, March 2001 Lac/Rs
INCOME :				
Sales		86503.76		84247.66
Other Income	I	440.69		421.27
Increase(Decrease) in Finished & Process Stocks	J	(247.77)		1037.86
			86696.68	85706.79
EXPENDITURE :				
Manufacturing & Other Expenses	K	77918.06		78211.36
Depreciation (Net)		3955.34		2187.02
Less: Transferred from Revaluation Reserve for Depreciation on Revalued Amounts (see Note 1 (B) (v) of Schedule "M")		(96.41)		(122.79)
Less: Transferred from General Reserve (Refer Note 12- Schedule "M ")		(1315.62)		—
		2543.31		2064.23
INTEREST	L	4074.16		4133.34
			84535.53	84408.93
PROFIT BEFORE TAX				
			2161.15	1297.86
Tax provision for the current year including Wealth Tax		15.00		54.00
Deferred Tax Provision (Net of reversal)		(145.95)		—
Tax adjustments for Earlier Years (Net)		(70.02)		(92.25)
			(200.97)	(38.25)
PROFIT AFTER TAX				
			2362.12	1336.11
Balance Brought Forward from Previous Year			932.22	1080.35
BALANCE AVAILABLE FOR APPROPRIATION				
			3294.34	2416.46
APPROPRIATIONS :				
Dividend on Equity Shares		581.80		375.45
Dividend on Preference Shares (including Dividend Tax)		40.28		70.50
Tax on Distributed Profits on Equity Shares		—		38.29
			622.08	484.24
Transfer to Capital Redemption Reserve		500.00		—
Transfer to General Reserve		1200.00		1000.00
			1700.00	1000.00
BALANCE CARRIED TO BALANCE SHEET				
			972.26	932.22
BASIC AND DILUTED EARNINGS PER SHARE(IN RUPEES)	M		36.24	20.23
NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES	M			

In terms of our report of even date attached.

for K N GUTGUTIA & CO
CHARTERED ACCOUNTANTS

B. R. GOYAL

Partner

NOIDA

Date : 3rd May,2002

AJAY KRISHNA

Company Secretary

S.S. BHARTIA

Chairman & Managing Director

H.S. BHARTIA

Co - Chairman & Managing Director

JUBILANT ORGANOSYS LTD.

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE "A"

SHARE CAPITAL

		AS AT 31st March, 2002 Lac/Rs	AS AT 31st March, 2001 Lac/Rs
Authorised			
14600000	Equity Shares of Rs. 10/- each	1460.00	1460.00
4040000	Redeemable Cumulative Preference Shares of Rs. 100/- each	4040.00	4040.00
		5500.00	5500.00
Issued & Subscribed			
7760599	(6260599) Equity Shares of Rs. 10/- each	776.06	626.06
500000	11.5 % (Net of Dividend Tax) Redeemable Cumulative Preference Shares of Rs.100/- each.	—	500.00
		776.06	1126.06
Paid up			
7757399	(6257399) Equity shares of Rs. 10/- each fully paid up *	775.74	625.74
	Add: Equity Shares Forfeited (paid up)	0.16	0.16
500000	11.5% (Net of Dividend Tax) Redeemable Cumulative Preference Shares of Rs.100/- each fully paid up. **	—	500.00
		775.90	1125.90

***Includes:**

- i) 256522 Equity Shares of Rs. 10/- each allotted and issued pursuant to the Scheme of Amalgamation of Erstwhile Ramganga Fertilizers Ltd. with the company for consideration other than cash ; and
- ii) 839897 Equity shares allotted and issued as fully paid up shares pursuant to the Scheme of Amalgamation of Erstwhile Anichem India Ltd. and of Erstwhile Enpro Specialty Chemicals Ltd. with the company for consideration other than cash.
- iii) During the year, the Company has allotted 1500000 fully convertible Share warrants at the Issue Price of Rs.68.50 per warrants to Promoters in accordance with the SEBI Guidelines, which were converted into 1500000 Nos. equity shares of a Face value of Rs 10/- each at a Premium of Rs 58.50 per Equity shares.

** 500000 11.5 % (Net of Dividend Tax) Redeemable Cumulative Preference Share of Rs100/- each aggregating Rs.500 Lac were redeemed in entirety at Par on 18/11/2001 consequent to the Preference Share-holder exercising the option for redemption. Hence dividend has been paid on pro-rata basis during the year.

SCHEDULE "B"

RESERVES AND SURPLUS

	AS AT 31st March, 2001	ADDITIONS/ CREATED DURING YEAR	DEDUCTIONS	AS AT 31st March, 2002
Capital Reserve	228.25			228.25
Capital Redemption Reserve ##	38.50	500.00		538.50
Amalgamation Reserve	105.40			105.40
Share Premium Account **	—	877.50		877.50
Revaluation Reserve	649.59		96.41	553.18
Debenture Redemption Reserve	999.00			999.00
General Reserve	11199.40	1200.00	5193.54@@	7205.86
	13220.14			10507.69
Add : Surplus as per Profit & Loss Account	932.22	2362.12	2322.08	972.26
Total	14152.36	4939.62	7612.03	11479.95
Previous Year	13423.28	2336.11	1607.03	14152.36

** Share Premium Account is on account of Conversion of 1500000 Nos. , fully Convertible Share Warrants issued on Preferential Basis to the Promoters of the Company into 1500000 Nos. Equity Shares of a Face Value of Rs10 each at a Premium of Rs 58.50 each.

Created in respect of Redemption of 500000 Nos. Preference Shares of a Face Value of Rs 100/- each .

@@ In respect of - Additional Depreciation due to Change in Method Of Depreciation from SLM to WDV in case of Plant & Machinery located at Nira & Savli of Rs.1315.62(Refer Note "12"-Sch "M")

- In respect of Adjustment of Deferred Revenue Expenditure amounting to Rs 652.84 carried from Previous year . (Refer Note "13" - Schedule "M")

- In respect of Adjustment of deferred tax liabilities as at 01/04/2001 of Rs. 3225.08 (Refer Note " 11 A" - Schedule "M")



JUBILANT ORGANOSYS LTD.

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE "C"

LOANS

	AS AT 31st March, 2002 Lac/Rs	AS AT 31st March, 2001 Lac/Rs
SECURED		
A. Debentures		
13.50% Non Convertible Debentures (IX series) of Rs.100/- each at par	1333.33	2000.00
B. Term loans		
- Housing Development Finance Corporation Ltd	20.52	29.28
- Industrial Development Bank of India. (ACS)	1620.00	2160.00
- ICICI Ltd Term Loan	6380.00	6380.00
- Rabo India Finance Pvt Ltd	1357.14	1520.00
- Industrial Development Bank of India - Corporate Loan	281.25	656.25
- Industrial Development Bank of India - Rupee Term Loan	2000.00	—
- IFCI -Rupee Term Loan	2492.40	3215.60
- Industrial Investment Bank of India Ltd - Rupee Term Loan	900.00	900.00
- State Bank of India, Los Angeles - Foreign Currency (Original Loan US\$3 Million)	488.18	942.42
- Canara Bank - Rupee Term Loan	1357.91	1403.23
C. Cash Credit ,Packing Credit,Working Capital Demand Loan Account	6925.12	8819.12
(Including foreign currency loan Rs. 3909.32 lacs - PY. Rs.2336. lacs)		
	25155.85	28025.90
UNSECURED		
Short Term & other Deposits/Debentures(X series) from Bank	3000.00	1500.00
Fixed Deposits	4270.81	4050.87
From Bodies Corporate	500.00	1500.00
Deferred Sales Tax Loan	539.92	53.93
	8310.73	7104.80

NOTES:

1. Debentures comprised in series IX [mentioned under A above] are secured on a pari passu basis by way of mortgage of all the immovable assets and charge by way of hypothecation on the movable assets of the Company's present and future [save and except specified exclusions listed in notes 4 & 6] pertaining to the Company's Manufacturing Facilities at Bhartiagram, Gajraula, District Jyotiba Phoolay Nagar, in the State of Uttar Pradesh as also at Village Samlaya, Taluka Savli, District Vadodara in the State of Gujarat. Debentures comprised in series IX are also secured on pari-passu basis by way of mortgage of all the immovable assets and charge by way of hypothecation on the movable assets of the Company's present and future situated at Taluka Kadi, District Mehsana in the State of Gujarat. Date of Redemption of 13.5% Non-convertible Debentures [IX Series] of Rs.2000 Lacs redeemable at par in three equal annual installments commencing on February 2002, February 2003 and February 2004 respectively.
2. Loans from Housing Development Finance Corporation Ltd. (HDFC) are secured by way of exclusive mortgage over the specified land and buildings situated at Bhartiagram, District Jyotiba Phoolay Nagar, Uttar Pradesh and those constructed out of financial assistance granted by HDFC.
3. Financial Assistance from Industrial Development Bank of India [under its Rupee Term Loan, Asset Credit Scheme and Corporate Loan Scheme] as also Rupee Term Loan(s) from IFCI, IIBI, ICICI and Rabo India Finance Pvt. Ltd. are secured by a first charge by way of mortgage over the immovable assets and by way of hypothecation of movable assets both present and future pertaining to the Company's Manufacturing Units (Save & except Book debts and Bankers Goods and exclusive mortgage mentioned in 2. above) situated at Bhartiagram, Gajraula, District Jyotiba Phoolay Nagar, in the state of Uttar Pradesh as also at Village Samlaya, Taluka, Savli, District Vadodara in the State of Gujarat, such charges to rank pari-passu with other chargeholders listed in Note 1 above in respect of Loan of Rs2600 lacs sanctioned by IDBI during the year, the same is further guaranteed by Shri.S.S Bhartia and Shri. H. S. Bhartia, CMD & CCMD of the company respectively.
4. Working Capital Facilities are secured by charges by way of hypothecation, ranking pari passu interse the Banks of the entire current Assets including Book Debts both present and future of the Manufacturing Facilities at Bhartiagram, Gajraula District Jyotiba Phoolay Nagar, in the state of Uttar Pradesh, at Nimbut Village, Nira, District Pune (Maharashtra) and at Village Samlaya, Taluka, Savli, District Vadodara (Gujarat) and also by way of second charge over immovable properties [save and except specified exclusions listed in Notes 2]. However, the creation of second charge for Nira is pending.
5. External Commercial Borrowing of US\$3 Million availed from the Los Angeles Agency of State Bank of India is secured by a charge by way of hypothecation over the entire current assets of the Company's Chemical Division at Bhartiagram, District Jyotiba Phoolay Nagar, Uttar Pradesh, such charge ranking pari passu with the charges created / to be created in favour of the Working Capital Consortium of the Company enumerated at Note 4 above.
6. Financial assistance from Canara Bank by way of Rupee Term Loan is secured by way of a exclusive charge in the form of mortgage of the immovable assets of the Company and charge by way of Hypothecation of movables situated at Nimbut Village, Nira (Maharashtra).
7. Financial Facilities mentioned in 1 & 3 above are further secured as and by way of a second charge over the current assets of the Company.
8. Secured Loans includes loans of Rs. 3333.20 Lacs (Previous year Rs. 3182 lacs) repayable within one year.

JUBILANT ORGANOSYS LTD.

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE "D"

FIXED ASSETS

Description	GROSS BLOCK / COST / BOOK VALUE				DEPRECIATION				NET BLOCK	
	Total as at 31st, March 2001	Additions/ adjustments during the year	Deductions/ adjustments during the year	Total as at 31st, March 2002	Total as at 31st, March 2001	Provided during the year	Deductions/ adjustments during the year	Total as at 31st, March 2002	As at 31st March 2002	As at 31st March 2001
	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs
Land										
(a) Free Hold	872.65	71.49		944.14					944.14	872.65
(b) Lease Hold	234.76			234.76					234.76	234.76
Buildings										
(a) Factory	1528.30	49.49		1577.79	258.85	78.99		337.84	1239.95	1269.45
(b) Others	1600.46	21.28		1621.74	215.17	81.59		296.76	1324.98	1385.29
Plant & Machinery	43786.45	2472.74		46259.19	17746.20	3647.42		21393.62	24865.57	26040.25
Vehicles	391.70	9.53	215.83	185.40	167.17	17.31	104.38	80.10	105.30	224.53
Office Equipments	1013.61	150.29	59.82	1104.08	520.84	94.26	29.65	585.45	518.63	492.77
Electric Fittings	31.47			31.47	16.06	1.25		17.31	14.16	15.41
Furniture & Fixtures	668.67	323.59	189.24	803.02	131.06	34.52	50.86	114.72	688.30	537.61
Technical Knowhow	245.18			245.18	245.18			245.18		
TOTAL	50373.25	3098.41	464.89	53006.77	19300.53	3955.34***	184.89	23070.98	29935.79	31072.72
Previous Year	43072.23	7744.89	443.87	50373.25	17347.40	2187.02	233.89	19300.53		
Capital Work in Progress & Capital Advances									1653.62	531.80
									31589.41	31604.52

*** Includes Rs.1315.62 Additional Depreciation due to Change in Method Of Depreciation from SLM to WDV in case of Assets Located at Nira & Savli.

NOTES :

1. Building includes Rs.500 being cost of share in Co-operative Housing Society.
2. Vehicles include Rs. NIL Lacs being acquired on Hire/Purchase Basis.
3. Title Deeds pertaining to Land in Gajraula & Nira purchased during the year amounting to Rs 64.90 are yet to be registered in the name of the Company.



JUBILANT ORGANOSYS LTD.

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE "E"

INVESTMENTS : (Long Term)

Number	Face value per unit Rupees		AS AT 31st	
			March, 2002 Lac/Rs	AS AT 31st March, 2001 Lac/Rs
(Unquoted, unless otherwise stated)				
INVESTMENT IN SUBSIDIARY COMPANIES				
Fully paid equity shares :				
180020 (180020)	10.00	- Vam Investment Limited	18.00	18.00
270020 (270020)	10.00	- Vam Leasing Limited 12% Optionally Convertible Non Cumulative Redeemable Preference Shares	27.00	27.00
1514000 (1514000)	100.00	- Vam Investment Limited	1514.00	1514.00
590000 (590000)	100.00	- Vam Leasing Limited	590.00	590.00
15000 (15000)	US\$1	- Jubilant Organosys (USA) Inc. **	6.56	6.56
		Advance Against Share Application in - ** Jubilant Organosys (USA) Inc.	4.39	4.39
INVESTMENTS IN GOVERNMENT SECURITIES				
		National Savings Certificate (pledged with Government Authorities)	0.72	0.72
NON-TRADE INVESTMENTS				
1600 (1600)	1000.00	11% Corporate Bonds IV series of Housing Development Finance Corporation Ltd.	16.00	16.00
1263286 (1263286)	10.00	Units in Unit Trust of India (Unit Scheme - 1964) Less: Provision for Diminution In the Value of Investments	176.89 (50.57)	176.89
			<u>126.32</u>	<u>176.89</u>
			2302.99	<u>2353.56</u>
Quoted :-				
NON TRADE INVESTMENTS				
		Fully paid equity shares		
200 (200)	10.00	Tamilnadu Petro Products Ltd	0.02	0.02
			<u>0.02</u>	<u>0.02</u>
			2303.01	<u>2353.58</u>
		Aggregate market value of Quoted Investments	0.02	<u>0.04</u>

Note : a) Assured Repurchase Value of Units under Unit Scheme , 1964 during year 2003 -Rs. 126.32 Lacs(Previous Year Rs.179.38 Lacs)

b) Figures in () indicates in respect of previous year

** Previously Known as Vam Organic Chemicals (USA) Inc.

c) The company has given an undertaking to HDFC not to dilute its stake in Vam Investments Ltd(VIL) during the currency of loan to VIL.

JUBILANT ORGANOSYS LTD.

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE "F"

CURRENT ASSETS, LOANS AND ADVANCES

	AS AT 31st March, 2002 Lac/Rs	AS AT 31st March, 2001 Lac/Rs
CURRENT ASSETS		
Stocks : (Including in Transit & with Third Parties)		
- Stores, Spares, Process Chemicals, Catalyst, Fuels & Packing Material	2603.62	2157.99
- Raw Materials	3195.41	3044.08
- Process Stocks	1080.16	1169.48
- Finished Goods (including Trading Goods)	3329.00	3487.45
	10208.19	9859.00
Sundry Debtors :		
- Unsecured		
- Over Six Months - Good (Includes Subsidy receivable From State Government Rs 375.66)	911.02	1862.27
- Doubtful	22.27	—
- Other Debts - Good (Includes Subsidy receivable From State Government Rs 80.51)	6909.55	6581.47
Less: Provision for Doubtful Debts	(22.27)	—
	7820.57	8443.74
Cash & Bank Balances :		
- Cash in hand and as Imprest	22.67	40.29
- Cheques/Drafts in hand	127.62	32.39
- With Scheduled Banks		
- On Current Account	87.78	161.07
- On Dividend Account	57.61	41.85
- On Deposit Accounts (including Margin Money of Rs.428.48)	628.80	429.73
- With Non Scheduled Banks in Current Account (With Bank Of China) *	0.99	0.11
	925.47	705.44
LOANS AND ADVANCES:		
(Unsecured, Considered good)		
- Advances recoverable in cash or in kind or for value to be received **	2423.12	1245.52
- Deposits	962.96	697.03
- Deposits with Excise / Sales Tax Authorities	2072.17	1511.49
- Advance Payment of Income Tax/Wealth Tax (including TDS)	258.49	231.30
- Income Tax Refundable	67.32	77.19
	5784.06	3762.53
	24738.29	22770.71
* Maximum Balance outstanding during the Year Rs.3.42 Lacs		
** Includes Rs.652.99 lacs (Previous Year Rs 410.90 lacs) Export Incentives Receivables		
SCHEDULE "G"		
CURRENT LIABILITIES AND PROVISIONS		
A) CURRENT LIABILITIES		
Sundry Creditors and Expenses Payable	6991.26	4223.52
Acceptances	531.11	581.00
Trade deposits & Advances	573.95	480.76
Interest Accrued but not due	558.65	612.23
Unclaimed/unpaid Dividends	57.61	49.85
Other Liabilities	116.35	208.37
	8828.93	6155.73
B) PROVISIONS		
For Dividends on Equity Shares	581.80	413.74
For Income Tax & Wealth Tax	15.00	97.12
For Retirement/Post retirement Employee Benefits	403.43	306.10
	1000.23	816.96
Total (A+B)	9829.16	6972.69



JUBILANT ORGANOSYS LTD.

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE "H"

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

	AS AT 31st March, 2002 Lac/Rs	AS AT 31st March, 2001 Lac/Rs
Balance at the beginning of the year	652.84	263.47
Add: Incurred during the year	—	603.99
	652.84	867.46
Less: Written Off during the year	(652.84)	(214.62)
	—	652.84

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

SCHEDULE "I "

OTHER INCOME

	YEAR ENDED 31st, March 2002 Lac/Rs	YEAR ENDED 31st, March 2001 Lac/Rs
Income from Investments - Dividend	12.63	17.38
Insurance / Other Claims (Net)	51.69	60.53
Income From Relinquishment of rights of capital nature.**	94.67	—
Miscellaneous Receipts *	281.70	343.36
(Including sale of unserviceable spares, used Drums, residual catalyst, etc.)	440.69	421.27

* Includes: - Income from Utilities provided Rs.44.44 lacs- Previous year Rs.55.63 lacs
(Tax Deducted at source Rs. 2.70 lacs-PY Rs.2.64 lacs)

- Includes Rs.4.10 lacs Bad Debts Recovered

**Exceptional item

SCHEDULE "J "

INCREASE /(DECREASE) IN FINISHED AND PROCESS STOCKS

Stock at close - Process	1080.16	1169.48
Stock at close - Finished	3329.00	3487.45
	4409.16	4656.93
Stock Adjustment: Stocks lying out of Trial Run Transferred to regular Stocks	—	51.70
Stock at commencement - Process	1169.48	1453.26
Stock at commencement - Finished	3487.45	2114.11
	4656.93	3619.07
Increase (Decrease) in Stocks	(247.77)	1037.86

JUBILANT ORGANOSYS LTD.**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT****SCHEDULE "K"****MANUFACTURING AND OTHER EXPENSES**

	YEAR ENDED 31st, March 2002 Lac/Rs	YEAR ENDED 31st, March 2001 Lac/Rs
Inter Divisional Transfers	20499.15	23614.66
Purchases - Traded Goods	1959.87	2762.34
Raw & Process Materials Consumed	23645.82	20283.69
Power and Fuel	7027.95	7222.69
Excise Duty	6494.20	6225.58
Stores, Spares, Chemicals, Catalyst & Packing Materials	5424.82	4520.40
Processing Charges	254.38	133.68
Repairs - Plant & Machinery	1013.55	1152.00
- Buildings	118.44	116.39
Salaries, Wages, Bonus, Gratuity & Allowances	3199.79	3073.71
Contribution to Provident & Superannuation Fund	380.37	387.51
Staff Welfare Expenses	298.74	305.74
Rent (Net)	205.27	289.43
Rates & Taxes	86.82	94.42
Insurance (Net)	270.17	246.90
Advertisement & Publicity	272.22	175.44
Travelling & Other Incidental Expenses	546.22	583.84
Offices Maintenance (including Water, Electricity & Repairs)	297.87	346.64
Vehicle Operation Expenses (Including Vehicle Taxes, Insurance & Driver Cost)	221.27	214.44
Printing & Stationery	83.03	91.77
Communication Expenses	303.09	357.96
Staff Recruitment & Training	64.92	89.87
Donation	38.26	19.03
Auditors Remuneration - As Auditors	7.50	7.00
- for Taxation Matters	1.60	1.63
- for Certification/Advices	3.12	2.84
- out of Pocket Expenses	0.52	0.31
Legal & Professional Charges	204.35	176.15
Freight & Forwarding (including Ocean freight)	1393.86	984.74
Amortisation/write off - Deferred Revenue Expenditure	652.84	
Less: Transferred from General Reserve (Refer Note "13" , Schedule " M ")	(652.84)	214.62
Directors' Sitting Fees	2.00	1.45
Directors' Commission	25.50	26.00
Miscellaneous Expenses	82.80	126.35
Financial Charges (incl. Bank Charges ,Fixed Deposit expenses & Foreign Exchange fluctuations Rs. 116.70 lacs **)	429.23	409.09
Discounts & Claims to Customer and Other Selling Expenses	1864.69	2282.02
Prior Period Expenses/Adjustment	13.02	67.17
Commission on Sales *	247.49	207.32
Lease Rentals & Hire Purchase charges	284.29	248.72
Loss on sale/disposal/discard of Fixed Assets	158.05	190.07
Provision for Dimunition in Value of Investment	50.56	
Bad Debts / irrecoverable Advances woff (including Rs 22.27 lacs being provision)	443.26	957.75
	77918.06	78211.36

The above expenses are Netted off, after taking into account credit of Rs.96.06 Lacs (Previous year Rs.63.24 lacs).

* Includes Rs 91.25 lacs (Previous year Rs. 87.31 lacs) to a wholly owned Subsidiary Company

** Total foreign exchange gain of Rs.139.54 lacs (Previous year Rs.96.36 lacs) is adjusted against total foreign exchange losses as disclosed above



JUBILANT ORGANOSYS LTD.

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

SCHEDULE "L"

INTEREST

	YEAR ENDED 31st, March 2002 Lac/Rs	YEAR ENDED 31st, March 2001 Lac/Rs
On Debentures	333.33	376.70
On Term Loans	2359.41	2179.56
On Deposits	591.06	625.49
On Overdrafts & other Borrowings	1201.88	1227.15
	4485.68	4408.90
Less: Interest Income [Tax deducted at source Rs. 59.26 lacs (previous year Rs. 18.74 lacs)]	(411.52)	(275.56)
(Including Rs.1.76 lacs (Previous year Rs. 2.00 lacs) Interest Income on Investments)	4074.16	4133.34

SCHEDULE "M"

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(RUPEES IN LACS)

1. Statement of Significant Accounting Policies:

A. Recognition of Income & Expenditure

The Company follows accrual method of Accounting except for Interest receivable on overdue debts and matters referred to in 1(i) below.

B. a. Fixed Assets & Depreciation

- i. Fixed Assets are recorded at cost inclusive of such expenses as referred to in vii hereunder and/or at the revalued value as ascertained by approved valuers and at Book Value in case of Assets acquired at the time of amalgamation of certain entities with the Company.
- ii. Depreciation is provided on Straight Line Method except in case of Plant & Machinery at Nira & Savli plants which is on Written Down Method in terms of rates mentioned and in the manner specified in Schedule XIV to the Companies Act, 1956 (as amended), on the original cost/fair acquisition cost of assets and as mentioned in iii, iv, vi & vii hereunder on the revalued portion of the assets at the rates suggested by the valuers and/or at such rate arrived at with reference to residual life. Certain plants were classified as continuous process plant from the financial year ended 31-03-2000 and such classification has been done on technical assessment, (relied upon by the auditor being a technical matter) and depreciation has been provided accordingly.
- iii. Depreciation, in respect of assets added/installed upto 15th December, 1993, is provided at the rates applicable at the time of additions/installations of the assets as per Schedule XIV to the Companies Act, 1956;
- iv. Depreciation, in respect of assets added/installed during the subsequent period, is provided at the rates, mentioned in Schedule XIV to the Companies Act, 1956 read with Notification dated 16th December, 1993 issued by Department of Company Affairs, Government of India;
- v. Freehold Land, Buildings and Plant and Machinery was last revalued in the year 1991-92 on the basis of Report obtained from an Approved Valuer and Rs.2456.50 lacs was added to the Gross Block of such assets and accordingly Depreciation has been provided on the revalued figures. The first revaluation of said Assets was done during the year 1987-88. A sum of Rs.96.41 lacs (Previous Year Rs.122.79 lacs) has been transferred from Revaluation Reserve to Profit and Loss Account, which represents the difference between the depreciation on the revalued value and the original cost of the assets.
- vi. Depreciation on assets added/disposed off during the year has been provided on pro-rata basis with reference to the month of addition/disposal.
- vii. Interest on loans and other financial charges and preoperative expenses including Trial Run Expenses (Net) for new projects and/or substantial expansion upto the date of commencement of commercial production/ stabilization of the plant, have been capitalized.

b. Leased Assets: Amortization/charging off

- a. Leasehold Land value is not amortized in view of the long tenure of the unexpired lease period.
- b. Other lease assets: Assets acquired under finance lease from 1st April 2001 are capitalized at the lower of their fair value and the present value of the minimum lease payment in line with the Accounting Standard 19 issued by the Institute Of Chartered Accountants of India.

JUBILANT ORGANOSYS LTD.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

C. Inventories

- a. Finished Products - at lower of cost or market price/Net realizable value.
- b. Stock in Process - at cost and/or at net realizable value, as the case may be.
- c. Raw material - at lower of cost or net realizable value
- d. Stores, Spares, Process - at lower of cost or net realizable value
Chemicals, Catalyst,
Packing Material & Fuel etc.

Cost includes all direct cost, cost of conversion and appropriate portion of overheads and such other costs incurred as to bring the inventory to its present location and condition. Cost formula used is based upon weighted average cost.

D Investments: All Long Term investments are stated at cost except that provision for diminution in value is made when the fall is considered to be permanent in nature.

E. Accounting Policy on Deferred Tax:

In accordance with Accounting Standard 22 - Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India, the deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date.

Deferred tax assets arising from temporary timing differences are recognized to the extent there is reasonable certainty that the assets can be realized in future.

The accumulated net deferred tax liability arising on account of timing differences as on 1 April 2001 has been debited to the General Reserve Account.

F. Conversion or translation of Foreign Currency items:

Transactions in foreign currencies are generally recorded at prevailing rate on/or near to the date of transactions. Assets and liabilities denominated in foreign currency and not covered by forward contract are restated at year-end rates. All exchange gains and losses, except those relating to acquisition of fixed assets, which are adjusted to the carrying cost of such assets, are accounted for in profit and loss account. Forward contract premium is accounted over the period of contract. Investment in foreign subsidiary company is expressed in Indian Currency at the rates prevailing on the date when the remittance for the purpose was made.

G. Contingent Liabilities:

Contingent liabilities are generally not provided for in the accounts and are shown separately as notes to the accounts.

H. Research & Development:

Research & Development expenditure(except capital expenditure which are added to fixed Assets) are booked to the respective heads of accounts and charged to revenue in the year in which the same are incurred.

I. Recognition of Income & Expenditure:

The Company continues to account for the expenses in respect of Leave Travel Assistance on cash basis.

J. Retirement Benefits:

-Contribution to Gratuity-fund is made on the basis of actuarial valuation, and charged off to the Profit & Loss Account.

-Provision for leave encashment for the current year is made on the basis of actuarial valuation, and charged off to the Profit & Loss Account.

-Contribution to Superannuation fund is given to LIC, (which administers the fund) and is charged off to Profit & Loss Account.

-Employer's contribution to Employees Provident Fund Trust is charged off to Profit & Loss Account.

K. Borrowing Cost:

Borrowing costs attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such assets upto the date as mentioned in Note No.B (a) VII above. Other borrowing costs are charged to Profit & Loss Account.

L. Inter Divisional Transfers:

Inter Divisional Transfer of goods as marketable products produced by separate manufacturing facilities of the company for Captive consumption are included in Turnover and purchases. Any unrealized Profit on unsold/unutilized stocks out of such transfers is eliminated while valuing inventories.

M. Sales & Export Benefits:

Sales include Inter-Divisional transfers and Export Incentives.

Export benefits on account of entitlement to import Duty Free material under DEPB Scheme is accounted for, in the year of export.

N. Custom Duty:



JUBILANT ORGANOSYS LTD.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Custom Duty is accounted for on payment basis and no provision are made for stock lying at bonded warehouses and/or port. However, such non-provision has no impact on the profitability of the Company.

O. Catalyst:

In case of Company's Nira Plant, Catalyst consumption has been arrived at after netting of the estimated realizable residual value, spread over the effective useful life of the catalyst and in case of Gajraula Plant the consumption of Catalyst is booked on the basis of utilization of its contents.

P. Segment Accounting:

The accounting policies adopted for segment reporting are in line with accounting policies of the company. Revenue, expenses, assets, liabilities have been identified to segments on the basis of their relationship to operating activities of the segments (taking in account the nature of products and services). Revenue, expense, assets which are common to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been treated as "Common Revenue/Expense/Assets", as the case may be.

2. Estimated amount of Contracts remaining to be executed on Capital Account (Net of Advances) Rs.790.57 (Previous Year Rs. 313.67) [Advances Rs.49.42 (Previous Year Rs.26.12)].
3. Contingent liabilities, not provided for :
(In respect of demands under dispute/ under appeal)

- Central Excise	Rs. 67.83	(Previous Year Rs.67.83)
- Sales Tax	Rs. 12.13	(Previous Year Rs.9.73)
- Income Tax	Rs. 326.06	(Previous Year Rs.100.66)
4. The company has given guarantee on behalf of a Subsidiary Company to HDFC for Rs. 700 (Previous year Rs.NIL). Effective Guarantee as on 31-03-2002 Rs.692.99 (Previous Year Rs.NIL).
5. Loans and advances includes;
 - (a) Loans to Bodies Corporate and Interest Accrued thereon Rs.793.70 (Previous Year Rs.201.64).
 - (b) Loans to employees includes Rs0.85 (Previous Year Rs.1.60) given to Executive Director towards Housing Loan. Maximum amount due at any time during the year Rs.1.60 (Previous Year Rs.2.17).
 - (c) Loans to Subsidiaries and Interest Accrued thereon Rs.268.00 as included in 5(a) above.
6. Outstanding Bank Guarantees/ L/Cs /Bonds Executed in favor of various parties as at 31.03.2002 Rs.3374.81 (Previous Year Rs.2067.28).
7. Sales include subsidy amounting to Rs.809.75 (Previous Year Rs.623.16) and inter-divisional transfers made at market rates aggregating to Rs.20499.15 (Previous year Rs.23614.66). However, the said transfers at such method have no bearing on profitability of the Company.
8. Assets aggregating Rs.1136.52 (previous year - Rs.1132.75) have been acquired on financial lease during the earlier years. The obligation for future lease rentals in respect of such assets aggregate to Rs.851.18 (previous year - Rs.1095.44) payable over a period of 5 / 7 years.
9. Capitalization of Interest, etc: In line with the applicable Accounting Standard, interest on funds utilized and preoperative expenses including trial run expenses (net) for new projects and/or substantial expansions have been capitalized up to the date of commercial production/stabilization, amounting to Rs.368.00 (Previous Year Rs.559.42). All preoperative expenditure including interest of Rs.214.84 (Previous Year Rs.504.71) so capitalized and Trial Run Expenditures (net of trial run receipts) accumulated as Capital work in progress is allocated to fixed assets on a pro-rata basis calculated with reference to the Prime Cost of the respective Assets.
- 10.Sundry Creditors includes:
 - i. Amount due to Small Scale Industrial Undertaking amounting to Rs.54.77(Previous Year Rs.18.29)
 - ii. The parties being Small Scale/ancillary Industrial Undertaking to whom amount exceeding Rs.1.00 are outstanding for more than 30 days but not overdue;
 - (a) Kumar Containers
 - (b) Niranjana Containers (P) Ltd.

JUBILANT ORGANOSYS LTD.

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED ON THAT DATE**

- iii. There are no amounts overdue to small scale and / or Ancillary Industrial Suppliers on account of Principal and / or interest as at the close of the year.
- iv. The above disclosures are based on the Information/Documents available with the Company.

11 (A). During the year, the Company has implemented Accounting Standard - 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. Consequently, the Company has recognized the cumulative net deferred tax liabilities as at April 1, 2001 of Rs.3225.08 lacs as a deduction from General Reserve. The total Deferred Tax Liabilities for the year is Rs.79.70 lacs and reversal of Deferred tax Liabilities is Rs.225.65, resulted in Deferred Tax Credit of Rs.145.95 lacs. Further, the deferred tax credit of Rs.145.95 for the year has been recognized in the profit and loss account.

Deferred Tax Assets and Liabilities are attributable to the following items:

	As At 31st March, 2002 Lac/Rs.
Deferred Tax Assets	
Provision for Technical Know-how fee written off	1.59
Provision for Leave Encashment and Gratuity	128.59
Unabsorbed Depreciation and Losses	1877.79 **
Amount disallowed U/S 43B	7.14
Others	200.45
	A 2215.56
Deferred Tax Liabilities	
Accumulated depreciation	5294.68
	B 5294.68
Net deferred tax liabilities	(A-B) (3079.12)

** In the opinion of the management the Company will have sufficient taxable profits to recoup unabsorbed losses and depreciation in subsequent periods.

11 (B). Deferred Tax Assets & Liabilities (Net) has been shown as part of Sources of funds because the provision is of such nature that any significant liability on this account is not likely to arise in near future.

12. The company has changed the method of providing depreciation in the Books of Accounts from Straight line method (SLM) to Written down value (WDV) method retrospectively in respect of Plant & Machinery located at Nira & Savli.

In compliance with the Accounting Standards (AS6) issued by the Institute of Chartered Accountants of India, depreciation has been recomputed from the date of commissioning of these plants at WDV rates applicable to those years. Consequent to this, there is an additional charge for depreciation during the year of Rs.1315.62 due to said change which relates to the previous years and an equivalent amount has been withdrawn from General Reserve and credited to Profit & Loss Account.

The Profit for the Year would have been higher by Rs.332.89 and depreciation lower by corresponding amount, had there been no change in the method of providing depreciation.

13. Deferred Revenue Expenditure amounting to Rs 652.84 carried forward from the previous years has been adjusted against Surplus in Profit & Loss A/c. An equivalent amount has been transferred from the General Reserve and credited to Profit & loss A/c. Had the accounting policy followed up to the last year been applied, the profit for the year would have been lower by Rs214.62 lacs.



JUBILANT ORGANOSYS LTD.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

14. Segment Reporting :

- i) Based on the guiding principles given in Accounting Standard on " Segment Reporting" ((AS-17) Issued by the Institute of Chartered Accountants of India) the Company's Primary Business Segments are organised around customers on industry and product lines as under :
- Organic Intermediates, Speciality & Fine Chemicals
 - Performance Chemicals
 - Plant Health & Animal Nutrition
- ii) Inter Segment Transfer Pricing
Inter Segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, within an overall optimisation objective for the Company.
- iii)The Financial information about the primary business segments is presented in the table given below:

Particulars	Organic Intermediates, Specialty and Fine Chemicals Division	Performance Chemicals Division	Plant Health and Animal Nutrition Division	Total
1) Revenue	63831.23	14837.43	7835.10	86503.76
Less: Inter Segment Revenue	1862.21			1862.21
Net Sales	61969.02	14837.43	7835.10	84641.55
2) Segment results	5728.66	817.82	505.45	7051.94
Less: Interest (Net)				4074.16
Other un-allocable expenditure (net of un-allocable income)				702.69
Exceptional items				113.94
Total Profit Before Tax	5728.66	817.82	505.45	2161.15
3) Capital Employed (Segment Assets - Segment Liabilities)				
Segment Assets	43126.96	6729.34	4554.13	54410.43
Add: Common Assets				4220.28
Total Assets	43126.96	6729.34	4554.13	58630.71
Segment Liabilities	6158.56	1681.88	1334.31	9174.75
Add: Common Liabilities				37200.11
Total Liabilities	6158.56	1681.88	1334.31	46374.86
Segment Capital Employed	36968.40	5047.46	3219.82	45235.68
Add: Common Capital Employed				(32979.83)
Total Capital Employed	36968.40	5047.46	3219.82	12255.85
4) Segment Capital Expenditure	2408.69	170.94	86.10	2665.73
Add: Common Capital Expenditure				432.68
Total Capital Expenditure	2408.69	170.94	86.10	3098.41
5) Depreciation(Net)	1796.52	374.24	335.15	2505.91
Add: Common Depreciation				37.40
Total Depreciation	1796.52	374.24	335.15	2543.31

Notes : 1) The Company has disclosed Business Segment as the Primary segment

2) Segments have been identified and reported taking into account the nature of products and services, the differing risk and returns, the organization structure and the internal financial reporting systems.

3) The Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

iv) **Secondary Segment Reporting** : As the Company also exports, the Secondary segment Reporting is also given:

	Domestic	Exports	Total
Revenues	74656.22	11847.54	86503.76

JUBILANT ORGANOSYS LTD.**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED ON THAT DATE****15. RELATED PARTY DISCLOSURE UNDER ACCOUNTING STANDARD - 18**

(Rupees In lacs)

Name of the Company/Nature of Relationship	Nature of Expense / Payment	Amount Charged/Paid	Amount Recovered	Balance as on 31/3/2002
Vam Investments Ltd. (Subsidiary Company)	Inter-Corporate Deposit	351.00	83.00	268.00
	Interest on Inter-Corporate Deposit (Income)	22.77	22.77	—
	Value of Corporate Guarantee - Provided	700.00	—	700.00
	Inter-Corporate Deposit	700.00	700.00	—
	Security Deposit against Rent	21.00	—	21.00
	Rent Paid (Expense)	33.00	—	—
	Payments on their behalf & Recovered	0.23	0.23	—
	Admn. Exp/Office Exp. Recovered	1.50	1.50	—
Jubilant Biosys (P) Ltd. (Associate Company)	Inter-Corporate Deposit	872.00	700.00	172.00
	Interest on Inter-Corporate Deposit	51.19	51.19	—
	Expenses on Travel/Consultancy	—	—	—
	Rent etc. Recoverd	68.60	60.00	8.60
Vam Leasing Ltd. (Subsidiary Company)	Payments on their behalf & Recovered	0.07	0.07	—
Vam Employees Provident Fund Trust	Contribution to Provident Fund	289.71	—	—
Jubilant Enpro India Ltd. (Associate Company)	Inter-Corporate Deposit/Security Deposit	160.00	—	160.00
	Purchase of Movable Assets - installed at Noida	112.81	112.81	—
	Recovery of Expenses on A/c of Rent, Interest, Service Charges	59.91	59.91	—
	Interest on Inter-Corporate Deposit	5.41	5.41	—
	Shares Issued	—	548.00	—
Jubilant Organosys USA Inc. (Subsidiary Company)	Export Sales Commission Paid	91.25	—	—
	Sales of Finished Goods	639.94	343.18	296.77
Mr Shyam Bang Executive Director Jubilant Organosys Ltd.	Fixed Deposit	—	—	22.17
	Renewal of Fixed Deposit	—	—	1.91
	Interest accrued on Fixed Deposit	—	—	4.04
Ms Shobha Bang W/o Mr. Shyam Bang	Fixed Deposit	—	—	1.23
	Interest accrued on Fixed Deposit	—	—	0.23
Ms. Sudha Singh Daughter-in-law of Mr.S.N. Singh Executive Director Jubilant Organosys Ltd.	Fixed Deposit	—	—	2.00
	Interest accrued on Fixed Deposit	—	—	0.26
Ms Shobhana Bhartia W/o Mr. Shyam Bhartia Chairman & Managing Director Jubilant Organosys Ltd.	Renewal of Fixed Deposit	—	—	50.89
	Fixed Deposit	—	—	4.00
	Interest accrued on Fixed Deposit	—	—	7.01

Note: 1) Dividend to the above parties have been paid in accordance with the Resolution of the Shareholders above parties.

2) Managerial Remuneration - Details as per Note "16" - Schedule "M"

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JUBILANT ORGANOSYS LTD.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

16 Details of Remuneration to the Managing Directors & Executive Directors under section 198 of the Companies Act 1956

	2001-2002	2000-2001
	Lac/ Rs	Lac/ Rs
i) Salaries	56.21	52.57
ii) Perquisite Value of House	28.93	26.06
iii) Contribution to Provident Fund and Superannuation Fund	15.18	14.19
iv) Perquisite value of other Benefits	14.09	13.85
v) Commission to Managing Directors(Rs.12 to each)	24.00 **	24.00**
vi) Commission to other Directors (Excluding Executive Directors)	1.50	2.00
	<u>139.91</u>	<u>132.67</u>

Calculation of Profit in accordance with Section 198 of the Companies Act, 1956 for the purpose of calculation of Commission payable to Directors.

Profit before tax as per Profit & Loss Account	2161.15	1297.86
Add: Managerial Remuneration as above	139.91	132.67
Directors Sitting Fees	2.00	1.45
Depreciation as per Accounts	2543.31	2064.23
Net Profits	4846.37	3496.21
Less :Income From Relinquishment of rights of capital nature.	(94.67)	
Depreciation under Section 350 of the Companies Act 1956	(2543.31)	(2064.23)
Net Profits in accordance with Section 198 (I) /349 of Companies Act 1956 for calculation of Commission to Directors	2208.39	1431.98
Commission @ 1% to each Managing Director	44.17	28.64
Restricted to:		
**Managing Directors (Rs.12 to each)	24.00	24.00
Other Directors(Excluding Executive Directors)	1.50	2.00

17 (A). Capacities, Stocks, Production and Turnover

S. No.	Class of Goods	Quantitative Denomination	Capacity		Opening Stock		Production Qty @@	Turnover		Closing Stock	
			Lice- [*] nsed	Installed	Quantity	Rupees		Quantity	Rupees	Quantity	Rupees
1.	Alcohol	KBL	N.A.	141,800	2,502		112,522	152	19	10,170	
		KBL	N.A.	(141,800)	(1,391)		(97,002)	(12)	(3)	(2,502)	
2	Organic including Speciality Chemicals & its Intermediates	M.T	N.A.	## 347060	6,140		289,755	119,617	47,426	3,857	
		M.T	N.A.	## (336560)	(3,018)		(283,142)	(106,183)	(42,789)	(6,140)	
3	Polymers including Co-polymers & VP Latex/ SBR latex	M.T	N.A.	28,650	455		18,183	18,082	9,647	457	
		M.T	N.A.	(26,150)	(335)		(13,719)	(13,518)	(7,682)	(455)	
4	Single Superphosphate	M.T	N.A.	132,000	9,953		114,041	116,081	3,863	7,914	
		M.T	N.A.	(132,000)	(13,411)		(82,996)	(86,438)	(2,898)	(9,953)	
5	Sulphuric Acid **	M.T	N.A.	57,750	609		46,599	46,787	183	421	
		M.T	N.A.	(57,750)	(1,563)		(53,035)	(53,989)	(413)	(609)	
6	Dry & Acqueous Choline Chloride & Ethyoxyates	M.T	N.A.	22,000	416		9,879	6,013	2,349	194	
				(22,000)	(155)		(7,676)	(4,212)	(1,621)	(416)	
7	Feed Premixes	M.T	N.A.	3,500	70		983	956	310	97	
				(3,500)	(38)		(1,090)	(1,059)	(345)	(70)	
8	Agri Chemicals	K.L	N.A.		30		6	29	66	7	
					(0)		(328)	(298)	(526)	(30)	

* Under the Industrial Policy Statement dated 24th July, 1991 and the notifications issued thereunder, no licensing is required for the Company's products.

** Sales include Captive consumption of 36625 MT (Previous year 29914 MT)

Does not include Acetic Acid recovery from VAM plant.

@@ Includes products manufactured by Contract Manufacturers on conversion basis wherever applicable

Notes:

- 1) Acetaldehyde is also produced which is mainly for captive consumption.
- 2) Closing Stock has been arrived at after considering Captive Consumptions.
- 3) Installed capacities are as certified by the Management, being a technical matter and relied upon by the Auditors accordingly.
- 4) TEP & Formaldehyde is also produced which is mainly used captively as process chemicals.
- 5) V.P. Latex / SBR Latex installed Capacity is on Wet Basis.
- 6) Difference in quantitative tally represent materials damaged / obsolete / issue for sample etc.

JUBILANT ORGANOSYS LTD.

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED ON THAT DATE**

17. (B) Particulars in respect of Trading goods.

Particular	2001-2002		2000-2001	
	Quantity	Rs	Quantity	Rs
i) Opening Stock				
Polymers,Adhesives & Chemicals (MT)	149.26		399.34	
Misc (Nos)	7323.00		6607.00	
NovaSil & Feed Additives (MT)	5.33			
Agrochemicals (Ltr.)	16041.10		46285.10	
Organic Manure(MT)	5.40			
Other Organic Chemicals (MT)				
ii) Purchases				
Polymers,Adhesives & Chemicals (MT)	1007.68	569.63	4787.67	2570.13
Fertilizers . (MT)	5012.00	125.96	3362.00	79.35
Misc (Nos)				
NovaSil & Feed Additives (MT)			23.00	12.79
Agrochemicals (Ltrs.)	159293.00 **	212.17	50757.50	55.70
Organic Manure (MT)	2518.45	43.97	2010.50	36.30
Other Organic Chemicals (MT)	3074.38	1008.14		
iii) Sales				
Polymers,Adhesives & Chemicals (MT)	1156.94	1029.68	5037.74	4034.00
Fertilizers . (MT)	5012.00	138.81	3362.00	84.75
Misc (Nos)				
NovaSil & Feed Additives (MT)	2.35	0.97	17.67	11.38
Agrochemicals (Ltrs.)	155274.10	288.33	81001.50	138.96
Organic Manure (MT)	2523.85	67.79	2005.10	87.27
Other Organic Chemicals (MT)	1702.39	615.32		
iv) Closing Stock				
Polymers,Adhesives & Chemicals (MT)			149.26	
Misc (Nos)	7323.00		7323.00 *	
NovaSil & Feed Additives (MT)	2.98		5.33	
Agrochemicals (Ltrs.)	20060.00		16041.10	
Organic Manure (MT)			5.40	
Other Organic Chemicals (MT)	1371.99			

* Includes Sales Return.

** Includes 3520 Ltr of Leakage/damaged material

17. (C) Raw Materials Consumed(Excluding Inter-Divisional Transfers & Consumptions thereof)

Item	2001-2002		2000-2001	
	Quantity	Rs	Quantity	Rs
Molasses(MT)	524675	8232.23	456200	6091.30
Alcohol(KL)	55414	6125.85	65833	7132.66
Production Chemicals (MT)	20063	4649.39	10897	3082.59
Rock Phosphate (MT)	65460	1559.52	50057	1267.95
Sulphur etc(MT)	22732	484.50	18564	595.93
Chemicals for Feed Additive (Kgs)	3095088	1121.66	2666978	835.68
Chemicals for Latex [MT]	1406	1031.98	553	490.09
Others [MT] (none of which individually account for more than 10% of total consumption)	11929	440.69	320994	787.49
		23645.82		20283.69

17. (D) Value of imported and indigenous raw materials, stores and spare parts consumed and percentage thereof for the year:

	2001-2002		2000-2001	
	Rs	%	Rs	%
Consumption of Raw Materials				
- Imported *	3949.21	16.70	2655.79	13.09
- Indigenous	19696.61	83.30	17627.90	86.91
	23645.82	100.00	20283.69	100.00
Consumption of Stores & Spare Parts				
- Imported	1854.28	34.18	812.60	17.98
- Indigenous	3570.54	65.82	3707.80	82.02
	5424.82	100.00	4520.40	100.00

* Includes not Directly Imported by the company Rs. 221.28 lacs (Previous year Rs 512.41 lacs).

**JUBILANT ORGANOSYS LTD.****NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

	2001-2002	2000-2001
17. (E) Earning Per Share		
a) Calculation of Weighted Average number of Equity Shares of Rs.10 each		
Number of shares at the beginning of the year	6257399	6257399
Shares issued on 10th Dec. 2001 on conversion 400000 Nos Warrants	400000	
Shares issued on 23 rd March. 2002 on conversion 1100000 Nos Warrants	1100000	
Total number of equity shares outstanding at the end of the year	7757399	6257399
Equity shares outstanding for 8 months 9 days	6257399	
Equity shares outstanding for 3 months 13 days	6657399	
Equity shares outstanding for 0 months 9 days	7757399	
Weighted Average number of equity shares Outstanding during the Year	6407262	6257399
b) Net profit after tax & Preference Dividend	2321.84	1265.61
available for equity Shareholders (Rs. in Lacs)		
c) Earnings (in Rupees) per share (Nominal value of Rs10/- per share)		
- Basic Earning per Share	36.24	20.23
- Diluted Earning per Share	36.24	20.23
17. (F) Expenditure in foreign currency (on remittance basis)		
- Technical Knowhow Fee/Services/Royalty	5.41	58.86
- Travel /Entertainment Expenses	62.91	50.29
- Commission on Export Sales	140.37	113.27
- Interest on ECB/FCNRB	215.72	291.18
- Overseas Office Expenses	33.96	45.56
- Others	30.97	59.73
17. (G) Value of Imports on C.I.F basis		
- Raw Materials	2694.81	1393.34
- Spare Process Chemicals & Catalyst	1300.48	859.87
- Capital Goods		32.19
- Trading Goods	735.15	5.91
17. (H) Remittance in Foreign Currency on account of Dividend		
a) Amount of Dividend Remitted (Net of Tax)*	2.89	1.07
b) Number of Non-Resident Shareholders	1115	1140
c) Number of Equity Shares held by Non-Resident Shareholders	235431	236672
d) The Year to which Dividend related	2000-2001	1999-2000
* excluding for those shareholders for whom Dividend has been credited to their N.R.I. Account in India.		
17. (I) Earnings in Foreign Exchange		
- Commission	—	5.93
- Export Sales (FOB Value)	10873.47	7061.37

18. Previous Year's figures have been regrouped/rearranged wherever found necessary to conform to this year' s classification.

Signatures to Schedule A to M forming part of the Balance Sheet and Profit and Loss Account

for K N GUTGUTIA & CO
CHARTERED ACCOUNTANTS

B. R. GOYAL
Partner

NOIDA
Date : 3rd May,2002

AJAY KRISHNA
Company Secretary

S.S. BHARTIA
Chairman & Managing Director

H.S. BHARTIA
Co - Chairman & Managing Director

JUBILANT ORGANOSYS LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2002

		2001-2002	2000-2001
		lacs/Rs.	lacs/Rs.
A. Cash flow arising from Operating Activities :			
Net profit before tax and Extraordinary items		2,161.15	1,297.86
Add back :			
i) Depreciation	2,543.31		2,064.23
ii) Loss on Sale of Assets	158.05		190.07
iii) Interest (Net)	4,074.16		4,133.34
iv) Amortization - Deferred Revenue Expenditure	-		214.62
v) Provision for Diminution in the value of Investments	50.56		-
vi) Provision for Doubtful Debts	22.27		-
vii) Bad Debts/irrecoverable Advances woff	420.99		957.75
viii) Unrealised Exchange Difference	61.75		16.26
		7,331.09	7,576.27
		9,492.24	8,874.13
Deduct :			
i) Dividend Income	12.63		17.38
ii) Exceptional Items	94.67		-
		107.30	17.38
Operating Profit before Working Capital Changes		9,384.94	8,856.75
Deduct :			
i) Increase/(Decrease) in Trade and other Receivables	1,205.13		303.03
ii) Increase/(Decrease) in Inventories	349.19		1,868.96
iii) Increase/(Decrease) in Miscellaneous Expenditure			603.99
		1,554.32	2,775.98
		7,830.62	6,080.77
Add :			
i) Increase/(Decrease) in Trade payables			(265.10)
Cash inflow from Operations		2,662.35	5,815.67
Deduct :			
i) Interest Paid	4,539.26		4,391.70
ii) Direct taxes Paid(net of refunds)	(99.69)		(187.69)
		4,439.57	4,204.01
Net Cash Inflow/(Outflow) in course of Operating Activities		6,053.40	1,611.66
B. Cash Flow arising from Investing Activities :			
Outflow			
i) Acquisition of Fixed Assets	4,220.24		4,561.79
ii) Purchase(Sale) of Investments	-		4.39
iii) Loans to other Companies	591.53		(67.00)
		(4,811.77)	(4,499.18)
Deduct :			
Inflow			
i) Sale of Fixed Assets	121.98		19.91
ii) Interest Received	410.99		263.94
iii) Dividend Received	12.63		17.38
iv) Relinquishment of rights of capital nature (Exceptional item)	94.67		-
		640.27	301.23
Net Cash Inflow/(Outflow) in course of Investing Activities		(4,171.50)	(4,197.95)
C. Cash flow arising from Financing Activities			
Inflow			
i) Proceeds from Issue of Share Capital (Includes Share Premium of Rs.877.50)	1,027.50		-
ii) Proceeds from Long Term & Short term Borrowings	(1,743.11)	(715.61)	2,550.96
Deduct :			
Outflow			
i) Redemption of Preference Share Capital	500.00		438.18
ii) Dividend Paid (including Corporate Dividend Tax)	446.26		-
		946.26	438.18
Net Cash Inflow/(Outflow) in course of Financing Activities		(1,661.87)	2,112.78
Net Increase in Cash & Cash equivalents(A+B+C)		220.03	(473.51)
Add: Cash & Cash Equivalents at the beginning of Year		705.44	1,178.95
Cash & Cash Equivalents at the close of the Year		925.47	705.44

for and on behalf of the Board

for and on behalf of the board

S.S.Bhartia

H.S.Bhartia

NOIDA, 3rd May, 2002

Chairman & Managing Director

Co - Chairman & Managing Director

AUDITORS CERTIFICATE

The Board of Directors,
JUBILANT ORGANOSYS LTD

We have examined the attached Cash Flow Statement of JUBILANT ORGANOSYS LTD(formerly Vam Organic Chemicals Ltd) for the year ended 31st March,2002 .The Statement has been prepared by the Company in accordance with requirements of Clause No 32 of the Company's Listing Agreement with the Stock Exchanges.The Statement is based on and is derived from the Profit and Loss Account and the Balance Sheet of the Company for the year ended 31st March,2002,covered by our Report dated to the members of the Company.

for K.N. GUTGUTIA & CO
CHARTERED ACCOUNTANTS

B.R.GOYAL

Partner

NOIDA, 3rd May, 2002

JUBILANT ORGANOSYS LTD.**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES**

1. Name of the Company	Vam Leasing Limited	Vam Investments Limited	Jubilant Organosys USA INC.
2. Financial year of the Subsidiary ended	31st March, 2002	31st March, 2002	31st March, 2002
3. a) No. of shares held in Subsidiary Company on the above date			
- Equity	2,70,020	1,80,020	\$ 15,000
- Preference	5,90,000	15,14,000	
b) Extent of holding	100%	100%	100%
4. i) Net aggregate amount of Subsidiary company's Profits/losses so far as they concern members of the Holding Company and not dealt with in the Holding Company's accounts:			
a) for financial year	Rs. 10,76,932	Rs. (12,26,127)	\$ 43,373
b) for previous financial years of the Subsidiary since it became Holding Company's Subsidiary aforesaid	Rs. 4,46,638	Rs. 6,52,961	\$ 46,067
ii) Net aggregate amount of Subsidiary Company's Profit/losses so far they concern members of the Holding Company and dealt with in the holding Company's Accounts :			
a) for financial year of the aforesaid	Nil	Nil	Nil
b) for previous financial years of the Subsidiary since it became Holding Company's Subsidiary	Nil	Nil	Nil
5. Changes in Holding Company's interest in the Subsidiary between the end of the Subsidiary and of the Holding Company's financial year	Nil	Nil	Nil
6. Material change which have occurred between the end of the financial year of the Subsidiary and the end of the Holding Company's financial year in respect of the Subsidiary's:	N.A.	N.A.	N.A.
i) Fixed Assets			
ii) Investments			
iii) Money lent by the Subsidiary			
iv) Money lent by the Subsidiary for any purpose other than that of meeting current liabilities			



AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF JUBILANT ORGANOSYS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF JUBILANT ORGANOSYS LIMITED AND ITS SUBSIDIARIES

We have examined the attached Consolidated Balance Sheet of Jubilant Organosys Limited (Formerly - Vam Organic Chemicals Limited) and its subsidiaries as at 31st March 2002, the Consolidated Profit and Loss Account for the year then ended.

These financial statements are the responsibility of the Jubilant Organosys Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs.3477.20 lacs as at 31st March 2002 and total revenues of Rs.755.93 lacs for the year then ended. These financial statements have been audited/compiled by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amount included in respect of the subsidiaries, is based solely on the report of the other auditors/compilers .

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Jubilant Organosys Limited and its subsidiaries included in the Consolidated Financial Statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit report on individual audited financial statements of Jubilant Organosys Limited and its aforesaid subsidiaries, we are of the opinion that;

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Jubilant Organosys Limited and its subsidiaries as at 31st March 2002, and
- b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Jubilant Organosys Limited and its subsidiaries for the year then ended.
- c) The Consolidated Cash Flow of Jubilant Organosys Limited and its subsidiaries for the year then ended is in conformity with the accepted principles in India.

For K.N. GUTGUTIA & CO.
CHARTERED ACCOUNTANTS

Place : Noida
Dated: 3rd May 2002

B.R. GOYAL
Partner

CONSOLIDATED BALANCE SHEET of Jubilant Organosys Ltd and its subsidiary companies AS AT MARCH 31, 2002

	SCHEDULES	Lac/Rs	As At 31st March, 2002 Lac/Rs
SOURCES OF FUNDS :			
Shareholders funds			
Share Capital	A		733.34
Reserves & Surplus	B		10335.40
			<hr/>
			11068.74
			<hr/>
Deferred Tax (Net)			3079.12
[Refer Note 11(A) & 11(B) - Schedule "M"]			
LOAN FUNDS :			
Secured Loans	C		25848.84
Unsecured Loans			8310.73
			<hr/>
			34159.57
			<hr/>
			48307.43
			<hr/>
APPLICATION OF FUNDS :			
Fixed Assets :			
Gross Block	D	54164.11	
Less: Depreciation		23086.19	
		<hr/>	
Net Block		31077.92	
Capital Work-in-Progress		1653.62	
		<hr/>	
			32731.54
			<hr/>
			843.06
Investments			
Current Assets, Loans and Advances :			
Inventories	E	10301.86	
Sundry Debtors	F	7688.25	
Cash & Bank Balances		1014.74	
Loans and Advances		5503.02	
		<hr/>	
		24507.87	
		<hr/>	
Less: Current Liabilities & Provisions	G		
Liabilities		8799.75	
Provisions		975.29	
		<hr/>	
		9775.04	
		<hr/>	
Net Current Assets			14732.83
Miscellaneous Expenditure	H		—
(To the extent not written off or adjusted)			<hr/>
			48307.43
			<hr/>
NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES			
	M		

In terms of our report of even date attached.

for K N GUTGUTIA & CO
CHARTERED ACCOUNTANTS

B. R. GOYAL
Partner

NOIDA
Date : 3rd May,2002

AJAY KRISHNA
Company Secretary

S.S. BHARTIA
Chairman & Managing Director

H.S. BHARTIA
Co. Chairman & Managing Director



CONSOLIDATED PROFIT AND LOSS ACCOUNT of Jubilant Organosys Ltd. and its subsidiary companies FOR THE YEAR ENDED MARCH 31, 2002

	SCHEDULES	Lac/Rs	Year Ended 31st, March 2002 Lac/Rs
INCOME :			
Sales		86481.77	
Other Income	I	440.69	
Increase(Decrease) in Finished & Process Stock	J	(154.10)	
		<hr/>	86768.36
EXPENDITURE :			
Manufacturing & Other Expenses	K	77971.68	
Depreciation (Net)		3970.01	
Less: Transferred from Revaluation Reserve for Depreciation on Revalued Amounts (see Note 1 (C) (v) of Schedule "M")		(96.41)	
Less: Transferred from General Reserve (Refer Note 12- Schedule "M")		(1315.62)	
		<hr/>	
		2557.98	
INTEREST	L	4110.45	
		<hr/>	84640.11
PROFIT BEFORE TAX			<hr/>
Tax provision for the current year including Wealth Tax		22.09	2128.25
Deferred Tax Provision (Net of reversal)		(145.95)	
Tax adjustments for Earlier Years (Net)		(70.02)	
		<hr/>	(193.88)
PROFIT AFTER TAX			<hr/>
Balance Brought Forward from Previous Year			2322.13
			1015.35
			<hr/>
BALANCE AVAILABLE FOR APPROPRIATION			3337.48
APPROPRIATIONS :			
Dividend on Equity Shares		549.88	
Dividend on Preference Shares (including Dividend Tax)		40.28	
Tax on Distributed Profits on Equity Shares		—	
		<hr/>	
			590.16
Transfer to Capital Redemption Reserve		500.00	
Transfer to General Reserve		1200.00	
		<hr/>	1700.00
BALANCE CARRIED TO BALANCE SHEET			<hr/>
			1047.32
BASIC AND DILUTED EARNINGS PER SHARE(IN RUPEES)	M		<hr/>
NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES	M		38.15

In terms of our report of even date attached.

for K N GUTGUTIA & CO
CHARTERED ACCOUNTANTS

B. R. GOYAL

Partner

NOIDA

Date : 3rd May,2002

AJAY KRISHNA
Company Secretary

S.S. BHARTIA

Chairman & Managing Director

H.S. BHARTIA

Co. Chairman & Managing Director

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE "A" SHARE CAPITAL

As At 31st
March, 2002
Lac/Rs

Authorised

14600000	Equity Shares of Rs. 10/- each	1460.00
4040000	Redeemable Cumulative Preference Shares of Rs.100/- each	4040.00
		5500.00

Issued & Subscribed

7334982	Equity Shares of Rs. 10/- each	733.50
500000	11.5 % (Net of Dividend Tax) Redeemable Cumulative Preference Shares of Rs.100/- each.	—
		733.50

Paid up

7331782	Equity shares of Rs. 10/- each fully paid up *	733.18
	Add: Equity Shares Forfeited (paid up)	0.16
500000	11.5% (Net of Dividend Tax) Redeemable Cumulative Preference Shares of Rs.100/- each fully paid up. **	—
		733.34

*Includes:

- i) 256522 Equity Shares of Rs.10/- each allotted and issued pursuant to the Scheme of Amalgamation of Erstwhile Ramganga Fertilizers Ltd. with the company for consideration other than cash ; and
 - ii) 839897 Equity shares allotted and issued as fully paid up shares pursuant to the Scheme of Amalgamation of Erstwhile Anichem India Ltd. and of Erstwhile Enpro Specialty Chemicals Ltd. with the company for consideration other than cash.
 - iii) During the year, the Company has allotted 1500000 fully convertible Share warrants at the Issue Price of Rs.68.50 per warrants to Promoters in accordance with the SEBI Guidelines, which were converted into 1500000 Nos. equity shares of a Face value of Rs 10/- each at a Premium of Rs58.50 per Equity shares.
 - iv) The paid up Share capital is after netting of 425617 Nos Equity Shares of Rs.10/- held by the Subsidiaries of the Company.
- ** 500000 11.5 % (Net of Dividend Tax) Redeemable Cumulative Preference Share of Rs100/- each aggregating Rs.500 Lac were redeemed in entirety at Par on 18/11/2001 consequent to the Preference Share-holder exercising the option for redemption. Hence dividend has been paid on pro-rata basis during the year.

SCHEDULE "B"

RESERVES AND SURPLUS	As At 31st March, 2001	Addition/ Created During Year	Deductions	[Rupees in lacs] As At 31st March, 2002
Capital Reserve	228.25			228.25
Capital Redemption Reserve ##	38.50	500.00		538.50
Amalgamation Reserve	105.40			105.40
Share Premium Account **		877.50		877.50
Revaluation Reserve	649.59		96.41	553.18
Debenture Redemption Reserve	999.00			999.00
General Reserve	11199.96	1200.00	6413.71 @@	5986.25
	13220.70			9288.08
Add : Surplus as per Profit & Loss Account	1015.35	2322.13	2290.16	1047.32
Total	14236.05	4899.63	8800.28	10335.40

** Share Premium Account is on account of Conversion of 1500000 Nos. , fully Convertible Share Warrants issued on Preferential Basis to the Promoters of the Company into 1500000 Nos. Equity Shares of a Face Value of Rs10 each at a Premium of Rs 58.50 each.

Created in respect of Redemption of 500000 Nos. Preference Shares of a Face Value of Rs 100/- each .

@@ In respect of - Additional Depreciation due to Change in Method Of Depreciation from SLM to WDV in case of Plant & Machinery located at Nira & Savli of Rs.1315.62(Refer Note "12" -Sch "M")

- In respect of Adjustment of Deferred Revenue Expenditure amounting to Rs 652.84 carried from Previous year .(Refer Note "13" - Schedule "M")

- In respect of Adjustment of deferred tax liabilities as at 01/04/2001 of Rs. 3225.08 (Refer Note " 11 A " - Schedule "M")

- In respect of adjustment upon consolidation, difference between holding Cost of Equity Share of Rs 10/- each of this company by its subsidiaries, over the aggregate value of similar number of Shares amortizing to Rs.1220.17



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE "C" LOANS

As At 31st
March, 2002
Lac/Rs

SECURED

A. Debentures

13.50% Non Convertible Debentures (IX series) of Rs.100/- each at par 1333.33

B. Term loans

- Housing Development Finance Corporation Ltd	20.52
- Housing Development Finance Corporation Ltd- VII	692.99
- Industrial Development Bank of India. (ACS)	1620.00
- ICICI Ltd Term Loan	6380.00
- Rabo India Finance Pvt Ltd	1357.14
- Industrial Development Bank of India - Corporate Loan	281.25
- Industrial Development Bank of India - Rupee Term Loan	2000.00
- IFCI -Rupee Term Loan	2492.40
- Industrial Investment Bank of India Ltd -Rupee Term Loan	900.00
- State Bank of India, Los Angeles - Foreign Currency (Original Loan US\$3 Million)	488.18
- Canara Bank - Rupee Term Loan	1357.91

C. Cash Credit ,Packing Credit,Working Capital Demand Loan Account

(Including foreign currency loan Rs. 3909.32 lacs - PY. Rs.2336. lacs) 6925.12

25848.84

UNSECURED

Short Term & other Deposits/Debentures(X series) from Bank	3000.00
Fixed Deposits	4270.81
From Bodies Corporate	500.00
Deferred Sales Tax Loan	539.92
	8310.73

NOTES:

- Debentures comprised in series IX [mentioned under A above] are secured on a pari passu basis by way of mortgage of all the immovable assets and charge by way of hypothecation on the movable assets of the Company's present and future [save and except specified exclusions listed in notes 4 & 6] pertaining to the Company's Manufacturing Facilities at Bhartiagram, Gajraula, District Jyotiba Phoolay Nagar in the State of Uttar Pradesh as also at Village Samlaya, Taluka, Savli, District Vadodara in the State of Gujarat. Debentures comprised in series IX are also secured on pari-passu basis by way of mortgage of all the immovable assets and charge by way of hypothecation on the movable assets of the Company's present and future situated at Taluka Kadi, District Mehsana in the State of Gujarat.
Date of Redemption of 13.5% Non-convertible Debentures [IX Series] of Rs.2000 Lacs redeemable at par in three equal annual installments commencing on February 2002, February 2003 and February 2004 respectively.
- Loans from Housing Development Finance Corporation Ltd. (HDFC) are secured by way of exclusive mortgage over the specified land and buildings situated at Bhartiagram, Gajraula, District Jyotiba Phoolay Nagar, Uttar Pradesh and those constructed out of financial assistance granted by HDFC.
- Financial Assistance from Industrial Development Bank of India [under its Rupee Term Loan, Asset Credit Scheme and Corporate Loan Scheme] as also Rupee Term Loan(s) from IFCI, IBI, ICICI and Rabo India Finance Pvt. Ltd. are secured by a first charge by way of mortgage over the immovable assets and by way of hypothecation of movable assets both present and future pertaining to the Company's Manufacturing Units (Save & except Book debts and Bankers Goods and exclusive mortgage mentioned in 2. above) situated at Bhartiagram, Gajraula, District Jyotiba Phoolay Nagar, Uttar Pradesh as also at Village Samlaya, Taluka, Savli, District Vadodara in the State of Gujarat, such charges to rank pari-passu with other chargeholders listed in Note 1 above in respect of Loan of Rs2600 lacs sanctioned by IDBI during the year, the same is further guaranteed by Shri.S.S Bhartia and Shri. H. S. Bhartia, CMD & CCMD of the company respectively.
- Working Capital Facilities are secured by charges by way of hypothecation, ranking pari passu interse the Banks of the entire current Assets including Book Debts both present and future of the Manufacturing Facilities at Bhartiagram, Gajraula (Uttar Pradesh), at Nimbut Village, Nira, District Pune (Maharashtra) and at Village Samlaya, Taluka, Savli, District Vadodara (Gujarat) and also by way of second charge over immovable properties [save and except specified exclusions listed in Notes 2]. However, the creation of second charge for Nira is pending.
- External Commercial Borrowing of US\$3 Million availed from the Los Angeles Agency of State Bank of India is secured by a charge by way of hypothecation over the entire current assets of the Company's Chemical Division at Bhartiagram, District Jyotiba Phoolay Nagar, Uttar Pradesh, such charge ranking pari passu with the charges created / to be created in favour of the Working Capital Consortium of the Company enumerated at Note 4 above.
- Financial assistance from Canara Bank by way of Rupee Term Loan is secured by way of a exclusive charge in the form of mortgage of the immovable assets of the Company and charge by way of Hypothecation of movables situated at Nimbut Village, Nira (Maharashtra).
- Financial Facilities mentioned in 1 & 3 above are further secured as and by way of a second charge over the current assets of the Company.
- Secured Loans includes loans of Rs. 3418.22 Lacs repayable within one year.
- Financial Facility Sanctioned to Vam Investments Limited, a Subsidiary of Jubilant Organosys Limited :
Financial Facility of Rs.700 lacs sanctioned to the Company by way of an exclusive mortgage over the immovable property (comprising of land & building) situated at Plot 1A, Sector 16A, Institutional Area, Noida, U.P. The same is also secured by way of a Corporate Guarantee from Jubilant Organosys Limited, the holding Company. Further the Holding company has given an undertaking that it shall not dilute its stake in Vam Investments Limited during the currency of the loan.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE "D"

FIXED ASSETS

Description	GROSS BLOCK / COST / BOOK VALUE				DEPRECIATION				NET BLOCK
	Total as at 31st, March 2001	Additions/ adjustments during the year	Deductions/ adjustments during the year	Total as at 31st, March 2002	Total as at 31st, March 2001	Provided during the year	Deductions/ adjustments during the year	Total as at 31st, March 2002	As at 31st March 2002
	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs
Land									
(a) Free Hold	872.65	307.16		1179.81					1179.81
(b) Lease Hold	234.76			234.76					234.76
Buildings									
(a) Factory	1528.30	49.49		1577.79	258.85	78.99		337.84	1239.95
(b) Others	1600.46	940.26		2540.72	215.17	94.40		309.57	2231.15
Plant & Machinery	43786.45	2472.74		46259.19	17746.20	3647.42		21393.62	24865.57
Vehicles	391.70	9.53	215.83	185.40	167.17	17.31	104.38	80.10	105.30
Office Equipments	1014.55	152.04	59.82	1106.77	521.37	96.12	29.64	587.85	518.92
Electric Fittings	31.47			31.47	16.06	1.25		17.31	14.16
Furniture & Fixtures	668.67	323.59	189.24	803.02	131.06	34.52	50.86	114.72	688.30
Technical Know-how	245.18			245.18	245.18			245.18	
TOTAL	50374.19	4254.81	464.89	54164.11	19301.06	3970.01 ***	184.88	23086.19	31077.92
Capital Work in Progress & Capital Advances									1653.62
									32731.54

*** Includes Rs.1315.62 Additional Depreciation due to Change in Method Of Depreciation from SLM to WDV in case of Assets Located at Nira & Savli.

NOTES :

1. Building includes Rs.500 being cost of share in Co-operative Housing Society.
2. Vehicles include Rs. NIL Lacs being acquired on Hire/Purchase Basis.
3. Title Deeds pertaining to Land in Gajraula & Nira purchased during the year amounting to Rs. 64.90 are yet to be registered in the name of the company.

SCHEDULE "E"

INVESTMENTS : (LONG TERM)

Number	Face value per unit Rupees		AS AT 31st March, 2002 Lac/Rs
INVESTMENTS IN GOVERNMENT SECURITIES			
		National Savings Certificate (pledged with Government Authorities)	0.72
NON-TRADE INVESTMENTS			
1600	1000.00	11% Corporate Bonds IV series of Housing Development Finance Corporation Ltd.	16.00
1263286	10.00	Units in Unit Trust of India (Unit Scheme - 1964) Less: Provision for Diminution In the Value of Investments	176.89 (50.57)
			126.32
			143.04
Quoted :-			
NON TRADE INVESTMENTS			
200	10.00	Fully paid equity shares Tamilnadu Petro Products Ltd	0.02
		Share Application Money Pending Allotment- - Jubilant Biosys (P) Ltd	700.00
			843.06
		Aggregate market value of Quoted Investments	0.02

Note : a) Assured Repurchase Value of Units under Unit Scheme , 1964 during year 2003 -Rs. 126.32 Lacs(Previous Year Rs.179.38 Lacs)
b) The company has given an undertaking not to dilute its stake in Vam Investments Ltd during the currency of the loan.



SCHEDULES FORMING PART OF THE CONSOLIDATED Balance Sheet

SCHEDULE "F"

CURRENT ASSETS, LOANS AND ADVANCES

As At 31st
March, 2002
Lac/Rs

CURRENT ASSETS

Stocks : (Including in Transit & with Third Parties)

- Stores, Spares, Process Chemicals, Catalyst, Fuels & Packing Material	2603.62
- Raw Materials	3195.41
- Process Stocks	1080.16
- Finished Goods (including Trading Goods)	3422.67

10301.86

Sundry Debtors :

- Unsecured	
- Over Six Months - Good (Includes Subsidy receivable From State Government Rs 375.66)	911.02
- Doubtful	22.27
- Other Debts - Good (Includes Subsidy receivable From State Government Rs 80.51)	6777.23

7710.52

Less: Provision for Doubtful Debts

22.27

7688.25

Cash & Bank Balances :

- Cash in hand and as Imprest	22.67
- Cheques/Drafts in hand	127.62
- With Scheduled Banks	
- On Current Account	129.11
- On Dividend Account	57.61
- On Deposit Accounts (including Margin Money of Rs.428.48)	628.80
- With Non Scheduled Banks in Current Account *	48.93

1014.74

LOANS AND ADVANCES:

(Unsecured, Considered good)

- Advances recoverable in cash or in kind or for value to be received **	2156.18
- Deposits	942.13
- Deposits with Excise / Sales Tax Authorities	2072.17
- Advance Payment of Income Tax/Wealth Tax (including TDS)	265.22
- Income Tax Refundable	67.32

5503.02

24507.87

* Includes Current a/c with Bank of China Rs. 0.99, Chase Operating A/c USA Rs.45.42 & JP Money Market a/c USA Rs. 2.52.

** Includes Rs.652.99 lacs Export Incentives Receivables.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE "G"

CURRENT LIABILITIES AND PROVISIONS

As At 31st
March, 2002
Lac/Rs

A) CURRENT LIABILITIES

Sundry Creditors and Expenses Payable	6957.41
Acceptances	531.11
Trade deposits & Advances	573.95
Interest Accrued but not due	558.65
Unclaimed/unpaid Dividends	57.61
Other Liabilities	121.02
	<hr/>
	8799.75
	<hr/>

B) PROVISIONS

For Dividends on Equity Shares	549.88
For Income Tax & Wealth Tax	21.98
For Retirement/Post retirement Employee Benefits	403.43
	<hr/>
	975.29
	<hr/>

Total (A+ B)

9775.04

SCHEDULE "H"

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)
Balance at the beginning of the year
Add: Incurred during the year

As At 31st
March, 2002
Lac/Rs

Balance at the beginning of the year	652.84
Add: Incurred during the year	—
	<hr/>
	652.84
Less: Written Off during the year	(652.84)
	<hr/>
	—
	<hr/>

SCHEDULES FORMING PART OF THE CONSOLIDATED Profit & Loss Account

SCHEDULE "I"

OTHER INCOME

Year Ended
31st, March
2002
Lac/Rs

Income from Investments - Dividend	12.63
Insurance / Other Claims (Net)	51.69
Income From Relinquishment of rights of capital nature.**	94.67
Miscellaneous Receipts *	281.70
(Including sale of unserviceable spares, used Drums, residual catalyst, etc.)	
	<hr/>
	440.69
	<hr/>

* Includes: - Income from Utilities provided Rs.44.44 lacs (Tax Deducted at source Rs. 2.70 lacs)

- Includes Rs.4.10 lacs Bad Debts Recovered

** Exceptional item

SCHEDULE "J"

INCREASE /(DECREASE) IN FINISHED AND PROCESS STOCKS

Year Ended
31st, March
2002
Lac/Rs

Stock at close	-Process	1080.16
Stock at close	-Finished	3422.67
		<hr/>
		4502.83
Stock at commencement	-Process	1169.48
Stock at commencement	-Finished	3487.45
		<hr/>
		4656.93
		<hr/>
Increase (Decrease) in Stocks		(154.10)
		<hr/>



SCHEDULES FORMING PART OF THE CONSOLIDATED Profit & Loss Account

SCHEDULE “K”

MANUFACTURING AND OTHER EXPENSES

**Year Ended
31st, March
2002
Lac/Rs**

Inter Divisional Transfers		20499.15
Purchases - Traded Goods		1959.87
Raw & Process Materials Consumed		23645.82
Power and Fuel		7027.95
Excise Duty		6494.20
Stores, Spares, Chemicals,Catalyst & Packing Materials		5424.82
Processing Charges		254.38
Repairs - Plant & Machinery		1013.55
- Buildings		118.44
Salaries, Wages, Bonus, Gratuity & Allowances		3259.77
Contribution to Provident & Superannuation Fund		380.37
Staff Welfare Expenses		298.74
Rent (Net)		172.27
Rates & Taxes		87.28
Insurance (Net)		275.08
Advertisement & Publicity		272.22
Travelling & Other Incidental Expenses		557.04
Offices Maintenance (including Water, Electricity & Repairs)		300.47
Vehicle Operation Expenses (Including vehicle Taxes,Insurance & Driver Cost)		221.27
Printing & Stationery		83.11
Communication Expenses		311.43
Staff Recruitment & Training		65.19
Donation		38.32
Auditors Remuneration - As Auditors		7.62
- for Taxation Matters		1.60
- for Certification/Advices		3.12
- out of Pocket Expenses		0.52
Legal & Professional Charges		227.87
Freight & Forwarding (including Ocean freight)		1438.55
Amortisation/write off - Deferred Revenue Expenditure	652.84	
Less: Transferred from General Reserve (Refer Note “13” , Schedule “M”)	(652.84)	
		—
Directors’ Sitting Fees		2.00
Directors’ Commission		25.50
Miscellaneous Expenses		83.24
Financial Charges (incl. Bank Charges ,Fixed Deposit expenses & Foreign Exchange fluctuations Rs. 116.70 lacs **)		443.59
Discounts & Claims to Customer and Other Selling Expenses		1869.56
Prior Period Expenses/Adjustment		13.30
Commission on Sales		156.25
Lease Rentals & Hire Purchase charges		286.35
Loss on sale/disposal/discard of Fixed Assets		158.05
Provision for Diminution in Value of Investment		50.56
Bad Debts / irrecoverable Advances woff (including Rs 22.27 lacs being provision)		443.26
		77971.68

The above expenses are Netted off,after taking into account credit of Rs.94.56 Lacs

** Total foreign exchange gain of Rs.139.54 lacs is adjusted against total foreign exchange losses as disclosed above

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

SCHEDULE "I" INTEREST

Year Ended
31st, March
2002
Lac/Rs

On Debentures	333.33
On Term Loans	2373.11
On Deposits	591.06
On Overdrafts & other Borrowings	1201.88
	4499.38
Less: Interest Income [Tax deducted at source Rs. 59.26 lacs (Including Rs.1.76 lacs Interest Income on Investments)]	388.93
	4110.45

SCHEDULE " M "

NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

1. Statement of Significant Accounting Policies:

A. Recognition of Income & Expenditure

The Company follows accrual method of Accounting except for Interest receivable on overdue debts and matters referred to in 1(i) below.

B. Principles of consolidation

- The consolidated financial statements relate to Jubilant Organosys Limited ('the Company') and its wholly owned Subsidiary Companies. The consolidated financial statements have been prepared on the following basis.
 - The financial statements of the Company and its Subsidiary Companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses and netting off crossing Holdings.
 - The consolidated financial statements have been prepared in accordance with the Accounting Standard 21 (AS-21), "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India and using 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 Company's separate financial statements.
- The Subsidiary Companies considered in the consolidated financial statements are:

<u>Name of the Company</u>	<u>Country of incorporation</u>	<u>% voting power held as at 31st March 2002</u>
Vam Investments Ltd.	India	100
Vam Leasing Ltd.	India	100
Jubilant Organosys USA, Inc.	USA	100

- For the purpose of Consolidation of accounts of foreign subsidiary, monthly average rate of currency has been taken for revenue items and for Balance sheet items, except for fixed assets(which is taken on basis of original rates of transaction) the year end rates have been applied.
- As this the first year of adoption of AS-21, previous year figures have not been given.

C. a. Fixed Assets & Depreciation

- Fixed Assets are recorded at cost inclusive of such expenses as referred to in vii hereunder and/or at the revalued value as ascertained by approved valuers and at Book Value in case of Assets acquired at the time of amalgamation of certain entities with the Company.
- Depreciation is provided on Straight Line Method except in case of Plant & Machinery at Nira & Savli plants which is on Written Down Method in terms of rates mentioned and in the manner specified in Schedule XIV to the Companies Act, 1956 (as amended), on the original cost/fair acquisition cost of assets and as mentioned in iii, iv, vi & vii hereunder on the revalued portion of the assets at the rates suggested by the valuers and/or at such rate arrived at with reference to residual life. Certain plants were



NOTES TO CONSOLIDATED ACCOUNTS (CONTD.)

- classified as continuous process plant from the financial year ended 31-03-2000 and such classification has been done on technical assessment, (relied upon by the auditor being a technical matter) and depreciation has been provided accordingly.
- iii. Depreciation, in respect of assets added/installed upto 15th December, 1993, is provided at the rates applicable at the time of additions/installations of the assets as per Schedule XIV to the Companies Act, 1956;
 - iv. Depreciation, in respect of assets added/installed during the subsequent period, is provided at the rates, mentioned in Schedule XIV to the Companies Act, 1956 read with Notification dated 16th December, 1993 issued by Department of Company Affairs, Government of India;
 - v. Freehold Land, Buildings and Plant and Machinery was last revalued in the year 1991-92 on the basis of Report obtained from an Approved Valuer and Rs.2456.50 lacs was added to the Gross Block of such assets and accordingly Depreciation has been provided on the revalued figures. The first revaluation of said Assets was done during the year 1987-88. A sum of Rs.96.41 lacs (Previous Year Rs.122.79 lacs) has been transferred from Revaluation Reserve to Profit and Loss Account, which represents the difference between the depreciation on the revalued value and the original cost of the assets.
 - vi. Depreciation on assets added/disposed off during the year has been provided on pro-rata basis with reference to the month of addition/disposal.
 - vii. Interest on loans and other financial charges and preoperative expenses including Trial Run Expenses (Net) for new projects and/or substantial expansion upto the date of commencement of commercial production/ stabilization of the plant, have been capitalized.
 - viii. Depreciation on JUBILANT ORGANOSYS USA INC. has been provided by using accelerated methods.

b. Leased Assets: Amortization/charging off

- a. Leasehold Land value is not amortized in view of the long tenure of the unexpired lease period.
- b. Other lease assets: Assets acquired under finance lease from 1st April 2001 are capitalized at the lower of their fair value and the present value of the minimum lease payment in line with the Accounting Standard 19 issued by the Institute of Chartered Accountants of India.

D. Inventories

- a. Finished Products - at lower of cost or market price/Net realizable value.
- b. Stock in Process - at cost and/or at net realizable value, as the case may be.
- c. Raw material - at lower of cost or net realizable value
- d. Stores, Spares, Process Chemicals, - at lower of cost or net realizable value
Catalyst, Packing Material & Fuel etc.

Cost includes all direct cost, cost of conversion and appropriate portion of overheads and such other costs incurred as to bring the inventory to its present location and condition. Cost formula used is based upon weighted average cost.

E Investments

All Long Term investments are stated at cost except that provision for diminution in value is made when the fall is considered to be permanent in nature.

F Accounting Policy on Deferred Tax

In accordance with Accounting Standard 22 - Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India, the deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date.

Deferred tax assets arising from temporary timing differences are recognized to the extent there is reasonable certainty that the assets can be realized in future.

The accumulated net deferred tax liability arising on account of timing differences as on 1 April 2001 has been debited to the General Reserve Account.

G. Conversion or translation of Foreign Currency items

Transactions in foreign currencies are generally recorded at prevailing rate on/or near to the date of transactions. Assets and liabilities denominated in foreign currency and not covered by forward contract are restated at year-end rates. All exchange gains and losses, except those relating to acquisition of fixed assets, which are adjusted to the carrying cost of such assets, are accounted for in profit and loss account. Forward contract premium is accounted over the period of contract. Investment in foreign subsidiary company is expressed in Indian Currency at the rates prevailing on the date when the remittance for the purpose was made.

NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

H. Contingent Liabilities

Contingent liabilities are generally not provided for in the accounts and are shown separately as notes to the accounts.

I. Research & Development

Research & Development expenditure(except capital expenditure which are added to Fixed Assets) are booked to the respective heads of accounts and charged to revenue in the year in which the same are incurred.

J. Recognition of Income & Expenditure:

The Company continues to account for the expenses in respect of Leave Travel Assistance on cash basis.

K. Retirement Benefits

- Contribution to Gratuity-fund is made on the basis of actuarial valuation, and charged off to the Profit & Loss Account.
- Provision for leave encashment for the current year is made on the basis of actuarial valuation, and charged off to the Profit & Loss Account.
- Contribution to Superannuation fund is given to LIC, (which administers the fund) and is charged off to Profit & Loss Account.
- Employer's contribution to Employees Provident Fund Trust is charged off to Profit & Loss Account.

L. Borrowing Cost

Borrowing costs attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such assets upto the date as mentioned in Note No.B (a) VII above. Other borrowing costs are charged to Profit & Loss Account.

M. Inter Divisional Transfers

Inter Divisional Transfer of goods as marketable products produced by separate manufacturing facilities of the company for Captive consumption are included in Turnover and purchases. Any unrealized Profit on unsold/unutilized stocks out of such transfers is eliminated while valuing inventories.

N. Sales & Export Benefits

Sales include Inter-Divisional transfers and Export Incentives.

Export benefits on account of entitlement to import Duty Free material under DEPB Scheme is accounted for, in the year of export.

O. Custom Duty

Custom Duty is accounted for on payment basis and no provision are made for stock lying at bonded warehouses and/or port. However, such non-provision has no impact on the profitability of the Company.

P. Catalyst

In case of Company's Nira Plant, Catalyst consumption has been arrived at after netting of the estimated realizable residual value, spread over the effective useful life of the catalyst and in case of Gajraula Plant the consumption of Catalyst is booked on the basis of utilization of its contents.

Q. Segment Accounting

The accounting policies adopted for segment reporting are in line with accounting policies of the company. Revenue, expenses, assets, liabilities have been identified to segments on the basis of their relationship to operating activities of the segments(taking in account the nature of products and services). Revenue, expense, assets which are common to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been treated as "Common Revenue/Expense/Assets", as the case may be.

2. Estimated amount of Contracts remaining to be executed on Capital Account (Net of Advances) Rs.790.57. [Advances Rs.49.42].

3. Contingent liabilities, not provided for :

(In respect of demands under dispute/ under appeal)

-	Central Excise	Rs. 67.83
-	Sales Tax	Rs. 12.13
-	Income Tax	Rs. 326.06

4. The company has given guarantee to HDFC for Rs. 700. Effective Guarantee as on 31-03-2002 Rs.692.99.

5. Loans and advances includes;

(a) Loans to Bodies Corporate and Interest Accrued thereon Rs.525.70

(b) Loans to employees includes Rs.0.85 given to Executive Director towards Housing Loan. Maximum amount due at any time during the year Rs.1.60 .

6. Outstanding Bank Guarantees/ L/Cs /Bonds Executed in favor of various parties as at 31.03.2002 Rs.3374.81 .

7. Sales include subsidy amounting to Rs.809.75 and inter-divisional transfers made at market rates aggregating to Rs.20499.15. However, the said transfers at such method have no bearing on profitability of the Company.



NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

8. Assets aggregating Rs.1136.52 have been acquired on financial lease during the earlier years. The obligation for future lease rentals in respect of such assets aggregate to Rs.851.18 payable over a period of 5 / 7 years.
9. Capitalization of Interest, etc: In line with the applicable Accounting Standard, interest on funds utilized and preoperative expenses including trial run expenses (net) for new projects and/or substantial expansions have been capitalized up to the date of commercial production/stabilization, amounting to Rs.368.00. All preoperative expenditure including interest of Rs.214.84 so capitalized and Trial Run Expenditures (net of trial run receipts) accumulated as Capital work in progress is allocated to fixed assets on a pro-rata basis calculated with reference to the Prime Cost of the respective Assets.
10. Sundry Creditors includes:
- Amount due to Small Scale Industrial Undertaking amounting to Rs.54.77
 - The parties being Small Scale/ancillary Industrial Undertaking to whom amount exceeding Rs.1.00 are outstanding for more than 30 days but not overdue;
 - Kumar Containers
 - Niranjan Containers (P) Ltd.
 - There are no amounts overdue to small scale and / or Ancillary Industrial Suppliers on account of Principal and / or interest as at the close of the year.
 - The above disclosures are based on the Information/Documents available with the Company.
- 11(A) During the year, the Company has implemented Accounting Standard - 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. Consequently, the Company has recognized the cumulative net deferred tax liabilities as at April 1, 2001 of Rs.3225.08 lacs as a deduction from General Reserve. The total Deferred Tax Liabilities for the year is Rs.79.70 lacs and reversal of Deferred tax Liabilities is Rs.225.65, resulted in Deferred Tax Credit of Rs.145.95 lacs. Further, the deferred tax credit of Rs.145.95 for the year has been recognized in the profit and loss account.
- Deferred Tax Assets and Liabilities are attributable to the following items:

	As At 31st March, 2002 Lac/Rs
Deferred Tax Assets	
Provision for Technical Know-how fee written off	1.59
Provision for Leave Encashment and Gratuity	128.59
Unabsorbed Depreciation and Losses	1877.79 **
Amount disallowed U/S 43B	7.14
Others	200.45
	A 2215.56
Deferred Tax Liabilities	
Accumulated depreciation	5294.68
	B 5294.68
Net deferred tax liabilities	(A-B) (3079.12)

** In the opinion of the management the Company will have sufficient taxable profits to recoup unabsorbed losses and depreciation in subsequent periods.

- 11 (B) Deferred Tax Assets & Liabilities (Net) has been shown as part of Sources of funds because the provision is of such nature that any significant liability on this account is not likely to arise in near future.
12. The company has changed the method of providing depreciation in the Books of Accounts from Straight line method(SLM) to Written down value (WDV) method retrospectively in respect of Plant & Machinery located at Nira & Savli.
- In compliance with the Accounting Standards (AS6) issued by the Institute of Chartered Accountants of India, depreciation has been recomputed from the date of commissioning of these plants at WDV rates applicable to those years. Consequent to this, there is an additional charge for depreciation during the year of Rs.1315.62 due to said change which relates to the previous years and an equivalent amount has been withdrawn from General Reserve and credited to Profit & Loss Account.
- The Profit for the Year would have been higher by Rs.332.89 and depreciation lower by corresponding amount, had there been no change in the method of providing depreciation.
13. Deferred Revenue Expenditure amounting to Rs 652.84 carried forward from the previous years has been adjusted against Surplus in Profit & Loss A/c. An equivalent amount has been transferred from the General Reserve and credited to Profit & loss A/c. Had the accounting policy followed up to the last year been applied, the profit for the year would have been lower by Rs214.62 lacs.

NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

14. Segment Reporting :

i) Based on the guiding principles given in Accounting Standard on "Segment Reporting" ((AS-17) Issued by the Institute of Chartered Accountants of India) the Company's Primary Business Segments are organised around customers on industry and product lines as under :

- Organic Intermediates, Speciality & Fine Chemicals
- Performance Chemicals
- Plant Health & Animal Nutrition

ii) Inter Segment Transfer Pricing

Inter Segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, within an overall optimisation objective for the Company.

iii) The Financial information about the primary business segments is presented in the table given below:

	Particulars	Organic Intermediates, Speciality and Fine Chemicals Division	Performance Chemicals Division	Plant Health and Animal Nutrition Division	Total
1)	Revenue	63806.16	14839.95	7835.66	86481.77
	Less: Inter Segment Revenue	1862.21			1862.21
	Net Sales	61943.95	14839.95	7835.66	84619.56
2)	Segment results	5749.43	817.82	509.17	7076.42
	Less : Interest (Net)				4110.45
	Other un-allocable expenditure (net of un-allocable income)				723.78
	Exceptional items				113.94
	Total Profit Before Tax	5749.43	817.82	509.17	2128.25
3)	Capital Employed (Segment Assets - Segment Liabilities)				
	Segment Assets	43135.77	6729.34	4555.05	54420.16
	Add: Common Assets				3662.31
	Total Assets	43135.77	6729.34	4555.05	58082.47
	Segment Liabilities	6124.56	1681.88	1334.31	9140.75
	Add: Common Liabilities				37872.98
	Total Liabilities	6124.56	1681.88	1334.31	47013.73
	Segment Capital Employed	37011.21	5047.46	3220.74	45279.41
Add: Common Capital Employed				(34210.67)	
	Total Capital Employed	37011.21	5047.46	3220.74	11068.74
4)	Segment Capital Expenditure	2410.44	170.94	86.10	2667.48
	Add: Common Capital Expenditure				1587.33
	Total Capital Expenditure	2410.44	170.94	86.10	4254.81
5)	Depreciation(Net)	1798.38	374.24	335.15	2507.77
	Add: Common Depreciation				50.21
	Total Depreciation	1798.38	374.24	335.15	2557.98

Notes : 1) The Company has disclosed Business Segment as the Primary segment

2) Segments have been identified and reported taking into account the nature of products and services, the differing risk and returns, the organization structure and the internal financial reporting systems.

3) The Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

iv) **Secondary Segment Reporting** :As the Company also exports, the Secondary segment Reporting is also given:

	Domestic	Exports	Total
Revenues	74727.82	11753.95	86481.77



NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

15. Related Party Disclosure under Accounting standard - 18

(Rupees In lacs)

Name of the Company/Nature of Relationship	Nature of Expense / Payment	Amount Charged/Paid	Amount Recovered	Balance as on 31/3/2002
Vam Investments Ltd. (Subsidiary Company)	Inter-Corporate Deposit	351.00	83.00	268.00
	Interest on Inter-Corporate Deposit (Income)	22.77	22.77	—
	Value of Corporate Guarantee - Provided	700.00	—	700.00
	Inter-Corporate Deposit	700.00	700.00	—
	Security Deposit against Rent	21.00	—	21.00
	Rent Paid (Expense)	33.00	—	—
	Payments on their behalf & Recovered	0.23	0.23	—
	Admn. Exp/Office Exp. Recovered	1.50	1.50	—
Jubilant Biosys (P) Ltd. (Associate Company)	Inter-Corporate Deposit	872.00	700.00	172.00
	Interest on Inter-Corporate Deposit	51.19	51.19	—
	Expenses on Travel/Consultancy	—	—	—
	Rent etc. Recoverd	68.60	60.00	8.60
Vam Leasing Ltd. (Subsidiary Company)	Payments on their behalf & Recovered	0.07	0.07	—
Vam Employees Provident Fund Trust	Contribution to Provident Fund	289.71	—	—
Jubilant Enpro India Ltd. (Associate Company)	Inter-Corporate Deposit/Security Deposit	160.00	—	160.00
	Purchase of Movable Assets - installed at Noida	112.81	112.81	—
	Recovery of Expenses on A/c of Rent, Interest, Service Charges	59.91	59.91	—
	Interest on Inter-Corporate Deposit	5.41	5.41	—
	Shares Issued	—	548.00	—
Jubilant Organosys USA Inc. (Subsidiary Company)	Export Sales Commission Paid	91.25	—	—
	Sales of Finished Goods	639.94	343.18	296.77
Mr Shyam Bang Executive Director Jubilant Organosys Ltd.	Fixed Deposit	—	—	22.17
	Renewal of Fixed Deposit	—	—	1.91
	Interest accrued on Fixed Deposit	—	—	4.04
Ms Shobha Bang W/o Mr. Shyam Bang	Fixed Deposit	—	—	1.23
	Interest accrued on Fixed Deposit	—	—	0.23
Ms. Sudha Singh Daughter-in-law of Mr.S.N. Singh Executive Director Jubilant Organosys Ltd.	Fixed Deposit	—	—	2.00
	Interest accrued on Fixed Deposit	—	—	0.26
Ms Shobhana Bhartia W/o Mr. Shyam Bhartia Chairman & Managing Director Jubilant Organosys Ltd.	Renewal of Fixed Deposit	—	—	50.89
	Fixed Deposit	—	—	4.00
	Interest accrued on Fixed Deposit	—	—	7.01

Note: 1) Dividend to the above parties have been paid in accordance with the Resolution of the Shareholders to above parties.

NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

16 (A). Capacities, Stocks, Production and Turnover

Sl. No.	Class of Goods	Quantitative Denomination	Capacity		Opening Stock		Production	Turnover		Closing Stock	
			Licensed*	Installed	Quantity	Rupees	Qty@@	Quantity	Rupees	Quantity	Rupees
1.	Alcohol	KBL	N.A.	141,800	2,502		112,522	152	19	10,170	
2.	Organic including Speciality Chemicals & its Intermediates	M.T	N.A.	## 347060	6,140		289,755	119,579	47,401	3,895	
3.	Polymers including Co-polymers & VP Latex/ SBR latex	M.T	N.A.	28,650	455		18,183	18,082	9,650	457	
4.	Single Superphosphate	M.T	N.A.	132,000	9,953		114,041	116,081	3,863	7,914	
5.	Sulphuric Acid **	M.T	N.A.	57,750	609		46,599	46,787	183	421	
6.	Dry & Aqueous Choline chloride & Ethoxylates	M.T	N.A.	22,000	416		9,879	5,968	2,350	239	
7.	Feed Premixes	M.T	N.A.	3,500	70		983	956	310	97	
8.	Agri Chemicals	K.L	N.A.		30		6	29	66	7	

* Under the Industrial Policy Statement dated 24th July, 1991 and the notifications issued thereunder, no licensing is required for the Company's products.

** Sales include Captive consumption of 36625 MT

Does not include Acetic Acid Recovery from Vam Plant

@@ Includes products manufactured by Contract Manufacturers on conversion basis wherever applicable

Notes:

- 1) Acetaldehyde is also produced which is mainly for captive consumption.
- 2) Closing Stock has been arrived at after considering Captive Consumptions.
- 3) Installed capacities are as certified by the Management, being a technical matter and relied upon by the Auditors accordingly.
- 4) TEP & Formaldehyde is also produced which is mainly used captively as process chemicals.
- 5) V.P. Latex / SBR Latex installed Capacity is on Wet Basis.
- 6) Difference in quantitative tally represent materials damaged / obsolete / issue for sample etc.



NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

16. (B) Particulars in respect of Trading goods.

Particulars	2001-2002	
	Quantity	Rs
i) Opening Stock		
Polymers,Adhesives & Chemicals (MT)	149.26	
Misc (Nos)	7323.00	
NovaSil & Feed Additives (MT)	5.33	
Agrochemicals (Ltr.)	16041.10	
Organic Manure(MT)	5.40	
Other Organic Chemicals (MT)		
ii) Purchases		
Polymers,Adhesives & Chemicals (MT)	1007.68	569.63
Fertilizers . (MT)	5012.00	125.96
Misc (Nos)	—	—
NovaSil & Feed Additives (MT)	—	—
Agrochemicals (Ltrs.)	159293.00 **	212.17
Organic Manure (MT)	2518.45	43.97
Other Organic Chemicals (MT)	3074.38	1008.14
iii) Sales		
Polymers,Adhesives & Chemicals (MT)	1156.94	1029.68
Fertilizers (MT)	5012.00	138.81
Misc (Nos)	—	—
NovaSil & Feed Additives (MT)	2.35	0.97
Agrochemicals (Ltrs.)	155274.10	288.33
Organic Manure (MT)	2523.85	67.79
Other Organic Chemicals (MT)	1702.39	615.32
iv) Closing Stock		
Polymers,Adhesives & Chemicals (MT)		
Misc (Nos)	7323.00	
NovaSil & Feed Additives (MT)	2.98	
Agrochemicals (Ltrs.)	20060.00	
Organic Manure (MT)	—	
Other Organic Chemicals (MT)	1371.99	

* Includes Sales Return.

** Includes 3520 Ltr of Leakage/damaged material

16. (C) Raw Materials Consumed(Excluding Inter-Divisional Transfers & Consumptions thereof)

Item	2001-2002	
	Quantity	Rs
Molasses(MT)	524675	8232.23
Alcohol (KL)	55414	6125.85
Production Chemicals (MT)	20063	4649.39
Rock Phosphate (MT)	65460	1559.52
Sulphur etc (MT)	22732	484.50
Chemicals for Feed Additive (Kgs)	3095088	1121.66
Chemicals for Latex [MT]	1406	1031.98
Others [MT] (none of which individually account for more than 10% of total consumption)	11929	440.69
		23645.82

16. (D) Value of imported and indigenous raw materials, stores and spare parts consumed and percentage thereof for the year.

	2001-2002	
	Rs	%
Consumption of Raw Materials		
- Imported *	3949.21	16.70
- Indigenous	19696.61	83.30
	23645.82	100.00
Consumption of Stores & Spare Parts		
- Imported	1854.28	34.18
- Indigenous	3570.54	65.82
	5424.82	100.00

* Includes not Directly Imported by the company Rs. 221.28 lacs

NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

2001-2002

16. (E) Earning Per Share

a) Calculation of Weighted Average number of Equity Shares of Rs.10 each

Number of shares at the beginning of the year	5831782
Shares issued on 10th Dec. 2001 on conversion 400000 Nos Warrants	400000
Shares issued on 23 rd March. 2002 on conversion 1100000 Nos Warrants	1100000
Total number of equity shares outstanding at the end of the year	7331782
Equity shares outstanding for 8 months 9 days	5831782
Equity shares outstanding for 3 months 13 days	6231782
Equity shares outstanding for 0 months 9 days	7331782
Weighted Average number of equity shares Outstanding during the Year	5981645

b) Net profit after tax & Preference Dividend

available for equity Shareholders (Rs. in Lacs)	2281.85
---	---------

c) Earnings (in Rupees) per share

(Nominal value of Rs10/- per share)

- Basic Earning per Share	38.15
- Diluted Earning per Share	38.15

16. (F) Expenditure in foreign currency (on remittance basis)

- Technical Knowhow Fee/Services/Royalty	5.41
- Travel /Entertainment Expenses	62.91
- Commission on Export Sales	49.13
- Interest on ECB/FCNRB	215.72
- Overseas Office Expenses	33.96
- Others	30.97

16. (G) Value of Imports on C.I.F. basis

- Raw Materials	2694.81
- Spare Process Chemicals & Catalyst	1300.48
- Capital Goods	—
- Trading Goods	735.15

16. (H) Remittance in Foreign Currency on account of Dividend

a) Amount of Dividend Remitted (Net of Tax)*	2.89
b) Number of Non-Resident Shareholders	1115
c) Number of Equity Shares held by Non-Resident Shareholders	235431
d) The Year to which Dividend related	2000-2001

*excluding for those shareholders for whom Dividend has been credited to their N.R.I. Account in India.

16. (I) Earnings in Foreign Exchange

- Commission	—
- Export Sales (FOB Value)	10779.88

17. Previous Year's figures have been regrouped/rearranged wherever found necessary to conform to this year's classification.

Signatures to Schedule A to M forming part of the Balance Sheet and Profit and Loss Account

for K N GUTGUTIA & CO
CHARTERED ACCOUNTANTS

B. R. GOYAL
Partner

S.S. BHARTIA
Chairman & Managing Director

NOIDA
Date : 3rd May, 2002

AJAY KRISHNA
Company Secretary

H.S. BHARTIA
Co. Chairman & Managing Director



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

		2001-2002
		lacs/Rs.
A. Cash flow arising from Operating Activities :		
Net profit before tax and Extraordinary items		2,128.25
Add back :	i) Depreciation	2,557.98
	ii) Loss on Sale of Assets	158.05
	iii) Interest (Net)	4,110.45
	iv) Amortization - Deferred Revenue Expenditure	—
	v) Provision for Diminution in the value of Investments	50.56
	vi) Provision for Doubtful Debts	22.27
	vii) Bad Debts/irrecoverable Advances woff	420.99
	viii) Unrealised Exchange Difference	61.75
		7,382.05
		9,510.30
Deduct :	i) Dividend Income	12.63
	ii) Exceptional Items	94.67
		107.30
Operating Profit before Working Capital Changes		9,403.00
Deduct :	i) Increase(Decrease) in Trade and other Receivables	357.24
	ii) Increase/(Decrease) in Inventories	442.86
		800.10
		8,602.90
Add :	i) Increase/(Decrease) in Trade payables	2,593.56
Cash inflow from Operations		11,196.46
Deduct :	i) Interest Paid	4,552.96
	ii) Direct taxes Paid(net of refunds)	(95.66)
		4,457.30
Net Cash Inflow/(Outflow) in course of Operating Activities		6,739.16
B. Cash Flow arising from Investing Activities :		
Outflow	i) Acquisition of Fixed Assets	5,376.52
	ii) Purchase(Sale) of Investments	700.00
	iii) Loans to other Companies	323.53
		(6,400.05)
Deduct :	i) Sale of Fixed Assets	121.98
Inflow	ii) Interest Received	388.30
	iii) Dividend Received	12.63
	iv) Relinquishment of rights of capital nature (Exceptional item)	94.67
		617.58
Net Cash Inflow/(Outflow) in course of Investing Activities		(5,782.47)
C. Cash flow arising from Financing Activities		
Inflow	i) Proceeds from Issue of Share Capital (Includes Share Premium of Rs.877.50)	1,027.50
	ii) Proceeds from Long Term & Short term Borrowings	(1,050.12)
		(22.62)
Deduct :	i) Redemption of Preference Share Capital	500.00
Outflow	ii) Dividend Paid (including Corporate Dividend Tax)	420.72
		920.72
Net Cash Inflow/(Outflow) in course of Financing Activities		(943.34)
Net Increase in Cash & Cash equivalents (A+ B+ C)		13.35
Add: Cash & Cash Equivalents at the beginning of Year		1,001.39
Cash & Cash Equivalents at the close of the Year		1,014.74

NOIDA, 3rd May, 2002

for and on behalf of the Board
S.S.Bhartia
Chairman & Managing Director

for and on behalf of the Board
H.S.Bhartia
Co. Chairman & Managing Director

AUDITORS CERTIFICATE

The Board of Directors,
JUBILANT ORGANOSYS LTD

We have examined the attached Consolidated Cash Flow Statement of JUBILANT ORGANOSYS LTD (formerly Vam Organic Chemicals Ltd) for the year ended 31st March, 2002. The Statement has been prepared by the Company in accordance with requirements of Clause No 32 of the Company's Listing Agreement with the Stock Exchanges.

The Statement is based on and is derived from the Profit and Loss Account and the Balance Sheet of the Company for the year ended 31st March, 2002, covered by our Report dated to the members of the Company.

for K.N. GUTGUTIA & CO
CHARTERED ACCOUNTANTS
B.R.GOYAL
Partner

NOIDA, 3rd May, 2002

VAM LEASING LIMITED

Directors Report

Your Directors have pleasure in presenting the Seventeenth Annual Report together with the Audited Accounts for the period ended 31st March, 2002.

Operations

The financial results show a net profit of Rs. 10,76,932/- for the period ended 31st March, 2002.

Directors

Shri S.N. Singh will retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Conservation of energy, Technology absorption.

The provisions of Section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy, technology absorption etc. are not attracted.

Foreign Exchange Earning and Outgo

The Company did not earn any foreign exchange during the year and there was no outgo of foreign exchange during the year.

Particulars of employees under section 217(2A) of the companies Act, 1956

The company had no employee during the year under review.

Auditors

M/s Bhandari Gupta & Associates, Chartered Accountants, who were appointed as Auditors of the Company, retire at the conclusion of the Annual General Meeting and are eligible for appointment.

Directors, Responsibility Statement

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;
- that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- that they have taken proper and sufficient care 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
- that they have prepared the annual accounts on a going concern basis.

Audit Committee

As per the requirement of Section 292A of the Companies Act, 1956 Audit Committee was constituted by the Board of Directors. The composition of the audit Committee is Mr. S.N. Singh, Chairman Mr. Shyam Bang, Member Mr. Mukesh Gupta, Member

For and on behalf of the Board
VAM LEASING LIMITED

New Delhi
Dated: 22nd April, 2002

S. N. SINGH
Director

MUKESH GUPTA
Director

Compliance Certificate

To,
The Members
VAM LEASING LIMITED

I have examined the registers, records, books and papers of VAM LEASING LIMITED (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2002 and vide its Registration no: 55-21481 and Paid Up Equity Share Capital of the Company is Rs. 27,00,200/-. In my opinion and to the best of my information and according to the examination carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

- The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been recorded.
- The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies generally within the time prescribed under the Act and the rules made thereunder.
- The company, being deemed public limited company, has the minimum prescribed paid-up capital.
- The Board of Directors duly met six times on 24th May, 2001, 29th May, 2001, 24th July, 2001, 31st August 2001, 1st December, 2001, and 20th March, 2002 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. No circular resolution was passed.
- The Company has not closed its Register of Members and/or Debentures during the year. The Company does not have any Debenture holders.
- The Annual General Meeting for the financial year ended on 31.3.2001 was held on 28th September, 2001 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- No Extra Ordinary General Meeting was held during the financial year.
- As explained to me, the company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act
- As explained to me, the company has not entered into contracts which fall within the purview of section 297 of the Act.
- The company has made necessary entries in the register maintained under section 301 of the Act.
- As there were no instances falling within the purview of section 314 of the Act, the company is not required to obtain any approvals from the Board of Directors, members or Central Government.
- The Company has not issued any duplicate share certificates during the financial year.
- The Company has:
 - delivered all the certificate on lodgment thereof for transfer of securities in accordance with the provisions of the act;
 - not deposited any amount in a separate Bank Accounts as no dividend was declared during the financial year.
 - not required to post warrants to any members of the company as no dividend was declared during the financial year.
 - not transferred any amount of unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon to Investor Education and Protection Fund as there was no amount lying in the above said respective account head.
 - complied with the requirements of section 217 of the Act.
- The Board of Directors of the company is duly constituted and the appointment of additional Directors have been duly made.
- The Company has not appointed any Managing Director/Whole time Director/Manager during the financial year. The Company as on the date of certificate is managed by the Board of Director.
- The Company has not appointed any sole-selling agents during the financial year.
- In my opinion and according to the information and explanations given to me, the company has filed the papers with Registrar of Companies relating to Availability of Name but the approval is pending. And no further approval was required to obtain from the Central Government, Company Law Board, Regional Director, Registrar or such other authorities prescribed under the various provisions of the Act during the financial year. (The Company is Deemed Public Limited Company as on the date of Certificate)
- The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the act and the rules made thereunder.
- The company has not issued any shares/debentures/other securities during the financial year.
- The company has not bought back any shares during the financial year
- There was no redemption of preference shares or debentures during the financial year.
- There were no transactions necessitating the company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
- The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of section 58A during the financial year.
- The Company has not made any borrowings during the financial year ended 31.3.2001.
- As explained to me, the Company has not made loans and investments, or not given guarantees but provided securities in respect of term loan availed by Jubilant Enpro Limited by way of pledge of certain securities to Infrastructure Leasing & Financial Services Limited (IL&FS) in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose.
- The company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.

- The company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
- The company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny.
- The company has not altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.
- The company has not altered its articles of association during the financial year.
- According to the records of the Company and the information & explanations given to me, there was no prosecution initiated against or show cause notices received by the company and no fines and penalties or any other punishment imposed on the company for the offences under the Act.
- The company has not received any money as security from its employees during the year under certification.
- The company has not constituted any Provident Fund for its employees as per provisions of Section 418 of the Act. Hence the provisions of Section 418 of the Act are applicable.

For P. Kathuria & Associates
Company Secretaries
C.P. No. 3086

Place : New Delhi
Date : 1st May, 2002

(Pradeep Kathuria)
Proprietor
Annexure A

Registers as maintained by the Company

- Register of Members under section 150
- Registers & Returns under section 163
- Minutes Book of Meetings under section 193(1)
- Books of accounts under section 209
- Register of Particulars of Contracts in which Directors are interested under section 301
- Register of Directors, Managing Directors, Managing Director, Manager and Secretary under section 303
- Register of Director's Shareholdings under section 307
- Register of Investments or Loans made, Guarantee given or Security provided under section 372A

Other Registers

- Register of Fixed Assets

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March, 2002

Sl. No.	Form No./ Return	Filed under section	For	Date of filing	Whether filed within Pres.time	If delay in filing whe Req. Add Fee Paid
					Yes/No	Yes/No
1.	Form 18	146	Change in the Regd. Office	27.4.2001	Yes	No
2.	Form 23	192	Registration of Spl. Resolution	11.7.2001	No	Yes
3.	Form 1A	21	Application for Name Availability for Change of Name	29.7.2001	Yes	No
4.	Balance sheet	220	Periodicals Returns	28.11.2001	No	Yes
5.	Form 1A	21	Application for Name Availability for Change of Name	12.12.2001	Yes	No
6.	Annual Return	159	Periodicals Returns	3.1.2002	No	Yes

AUDITOR'S REPORT TO THE MEMBERS OF VAM LEASING LIMITED

We have audited the attached Balance Sheet of VAM LEASING LIMITED as at 31st March 2002 and also the Profit and Loss Account 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. 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.

We report that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- In our opinion, proper books of accounts as required by law have been kept by the Company so far, as appears from our examination of the books.
- The Balance Sheet and the Profit & Loss account dealt with by the Report are in agreement with the Books of Account.
- In our opinion, the Balance Sheet and the Profit and Loss Account dealt within the report are in compliance with the mandatory Accounting Standards referred to in Section 211 (3c) of the Companies Act 1956, in so far as they apply to the Company.
- On the basis of written representation received from the directors & taken in record by the board of directors, we report that none of the directors is disqualified as on 31.3.2002 from being appointed as director in terms of clause (g) of sub-section 1 of section 274 of the Companies Act 1956.
- In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes annexed thereto give the information required by the Companies Act 1956, in the manner so required and give a true and fair view:
 - In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2002.
 - In the case of Profit & Loss Account of the loss for the year ended on that date.

As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of section 227 (4A) of the Companies Act 1956 (and as per the information and explanation given to us during the course of our audit), we further state on the matters specified in paragraph 4 & 5 of the said order as far as applicable to the Company, as under:

- In our opinion no comments under paragraph 4 of the order are called for in case of items (i), (ii), (iii), (iv), (v), (vi), (xii), (xv):
- The company has not taken unsecured loans from Companies, Firms and other parties listed in the register maintained under section 301 of the Companies Act 1956.
 - The Company has not granted unsecured loans to companies, firms or other parties listed in the register maintained Under Section 301 of the Companies Act 1956.
 - The Company has not given any loans, or advances in the nature of loans to any party.
 - There is an adequate internal control procedure commensurate with the size of the company and the nature of its business. However, no internal Audit System is in place.
 - The company has not made purchase of goods and materials and sale of goods, materials and service made in pursuance of contracts or arrangements with parties listed in the register maintained Under Section 301 of the Companies Act 1956, aggregating during the year to Rs.50,000/- (Rupees Fifty Thousand Only) or more.
 - The Company has not accepted any deposits from the public to which the provisions of Section 58A of the Companies Act 1956 and rules framed thereunder including the directives issued by the Reserve Bank of India apply.
 - We were informed that the Company is not required to maintain cost records under section 209 (1) (d) of the Companies Act 1956.
 - There are no employees in the company hence Employee State Insurance and Provident Fund Act is not applicable to the Company.
 - To the best of our knowledge and according to the information and explanations given to us there are no undisputed amount payable in respect of Income-tax, wealth-tax, Customs Duty and Excise Duty were outstanding as at 31st March 2002, for a period of more than six months from the date they become payable.
 - During the course of our audit of books of account carried out in accordance with the generally accepted accounting practice. We have not come across any personal expenses which have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
 - The Company is not a Sick Industrial Company within the meaning of clause (O) of Sub Section (1) of the Section 3 of the Six Industrial Companies (Special Provisions) Act, 1985.

For BHANDARI GUPTA & ASSOCIATES
CHARTERED ACCOUNTANTS

PLACE : NEW DELHI
DATED : 22.04.2002

(RAJEEV KUMAR)
PARTNER



VAM LEASING LIMITED

BALANCE SHEET AS AT 31st MARCH, 2002

SCHEDULES	Rs	As At 31st March, 2002 Rs	As At 31st March, 2001 Rs
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1	61700200	61700200
Reserves & Surplus	2	1539923	462991
Total		63240123	62163191
APPLICATION OF FUNDS			
Investments (At Cost)			
Current Assets, Loans & Advances	3	61640000	61640000
CURRENT ASSETS			
Cash & Bank Balance			
Balance with Scheduled bank		1606524	527312
LOANS & ADVANCES	4	79	79
(Unsecured & Considered good)			
		1606603	527391
Less : Current Liabilities & Provisions	5	6480	4200
Net Current Assets		1600123	523191
Total		63240123	62163191

NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES

Schedule 1 to 6 form an integral part of Accounts.

As per the report of even date attached

For Bhandari Gupta & Associates

Chartered Accountants

(Rajeev Kumar)

Partner

New Delhi

Date : 22.04.2002

S.N. Singh
Director

Mukesh Gupta
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2002

SCHEDULES	Year Ended 31st March 2002 Rs	Year Ended 31st March 2001 Rs
INCOME		
Dividend Income	1124052	459038
	1124052	459,038
EXPENDITURE		
Legal & Consultancy	21000	3151
Audit Fees	5460	4200
Filing Fees	7500	1000
Printing & Stationery	3443	270
General Charges	9500	3779
Bank Charges	217	
	47120	12400
Profit(Loss) before Tax	1076932	446638
Profit(Loss) after Tax	1076932	446638
Profit(Loss) brought forward from last year	451991	5353
Balance available for appropriation	1528923	451991
Transfer to Reserve Fund	—	—
Balance carried to Balance Sheet	1528923	451991

NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES

Schedule 1 to 6 form an integral part of Accounts.

As per the report of even date attached

For Bhandari Gupta & Associates

Chartered Accountants

(Rajeev Kumar)

Partner

New Delhi

Date : 22.04.2002

S.N. Singh
Director

Mukesh Gupta
Director

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE - 1 SHARE CAPITAL	As At 31st March, 2002 Rs	As At 31st March, 2001 Rs
AUTHORISED		
3,00,000 Equity Shares of Rs.10/- each	3000000	3000000
6,70,000 Preference Shares of Rs.100/- each	67000000	67000000
	70000000	70000000
ISSUED, SUBSCRIBED AND PAID-UP		
2,70,020 (2,70,020) Equity Shares of Rs.10/- each fully paid up (held by the holding Co. Jubilant Organosys Ltd (formerly Vam Organic Chemicals Limited) & its Nominees	2700200	2700200
5,90,000 (5,90,000) 12% Optionally Convertible Non-Cumulative Redeemable Preference Shares of Rs.100/- each (Redeemable at any time before the expiry of 20 years by converting into Equity shares of the Company at a premium not exceeding Rs.5 per share)	59000000	59000000
	61700200	61700200

SCHEDULE - 2 RESERVES & SURPLUS Reserve Fund	As At 31st March, 2002 Rs	As At 31st March, 2001 Rs
Addition during the year	11000	11000
	11000	11000
Profit and Loss Account	1528923	451991
	1539923	462991

SCHEDULE - 3 INVESTMENTS	As At 31st March, 2002 Rs	As At 31st March, 2001 Rs
Long Term Investments (quoted)		
1,87,342 (1,87,342) Equity Shares of Rs.10/- each of Jubilant Organosys Ltd. (formerly Vam Organic Chemicals Ltd.) the Holding Company, [171400 equity shares allotted as fully paid up shares, pursuant to the scheme of amalgamation of Erstwhile Anichem India Ltd with the Jubilant Organosys Ltd. (formerly Vam Organic Chemicals Ltd.) the holding Co.	61640000	61640000
	61640000	61640000
Aggregate market value of quoted Investments	19296226/-	11783812/-

SCHEDULE - 4 LOANS & ADVANCES	As At 31st March, 2002 Rs	As At 31st March, 2001 Rs
Advances Recoverable in cash or in or for value to be received	79	79
	79	79

SCHEDULE - 5 CURRENT LIABILITIES AND PROVISIONS	As At 31st March, 2002 Rs	As At 31st March, 2001 Rs
Current Liabilities		
Sundry Creditors	6480	4200
	6480	4200

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE - 6 I. Statement of Significant Accounting Policies

1. Basis of Accounting

The accounts of the company are prepared under the historical cost convention and in accordance with applicable accounting standards except where otherwise stated. For recognition of income and expenses, Mercantile systems of accounting is followed.

2. Investments

Investments are valued at cost, any permanent decline in the value of the investment shall be charged to the Profit and Loss Account in the year of such decline.

II. Notes of the Accounts

1. Claim against the company not acknowledged as Debts, - NIL

2. Estimated amount of contracts remaining to be executed on capital account and not provided for - NIL

3. Other money for which company is contingently liable - NIL

4. Other additional information as required under Para 3 & 4 of part II of the Schedule VI of the Companies Act, 1956 are not applicable to the company.

5. No provision has been made for decline in the market value of quoted investment in view of :

a) The amalgamation of Erstwhile Anichem India Ltd with the Jubilant Organosys Ltd. (formerly Vam Organic Chemicals Ltd.) the Holding Co. and ;

b) Pursuant to the Scheme of Amalgamation, and after considering the extinguishment of shares held in erstwhile Anichem India Ltd by the company as Investments, 171400 equity shares of Rs.10 each of Vam Organic Chemicals Ltd have been allotted.

Signature to Schedule 1 to 6 form an Integral part of Accounts.

As per the report of even date attached

For Bhandari Gupta & Associates

Chartered Accountants

(Rajeev Kumar)

Partner

New Delhi

Date : 22.04.2002

S.N. Singh

Director

Mukesh Gupta

Director

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details			
Registration No.	21481	State Code	55 (Refer Code List)
Balance Sheet	31 03 2002	Date	Month Year
II. Capital Raised During the Year			
(Amount in Rs.Thousands)			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
III. Position of Mobilisation and Deployment of Funds			
(Amount in Rs.Thousands)			
Total Liabilities	63240.12	Total Assets	63240.12
Source of Funds			
Paid-Up Capital	61700.20	Reserves & Surplus	1539.92
Secured Loans	NIL	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets	NIL	Investments	61640.00
Net Current Assets	1600.12	Misc. Expenditure	NIL
Accumulated Losses	NIL		
IV. Performance of Company			
(Amount in Rs. Thousands)			
Turnover**	1124.05	Total Expenditure	47.12
**Includes other Income			
+ - Profit/Loss Before Tax	1076.93	+ - Profit/Loss After Tax	1076.93
✓		✓	
Earning per share in Rs.	3.99		
Dividend rate %	NIL		
V. Generic names of three principal products/Services of Company			
(as per monetary terms)			
Item Code	NA		
(ITC No.)			
Product Description	NA		
Item Code	NA		
(ITC No.)			
Product Description	NA		
Item Code	NA		
(ITC No.)			
Product Description	NA		

VAM INVESTMENTS LIMITED

Directors Report

Your Directors have pleasure in presenting the Seventeenth Annual Report together with the Audited Accounts for the period ended 31st March, 2002.

Operations

The financial results show loss of Rs. 1226127 for the period ended 31st March, 2002.

Directors

Shri S.N. Singh will retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Conservation of Energy, Technology Absorption.

The provisions of Section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy, technology absorption etc. are not attracted.

Foreign Exchange earning and outgo

The Company did not earn any foreign exchange during the year and there was no outgo of foreign exchange during the year.

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956.

The Company had no employee during the period under review.

Auditors

M/s Bhandari Gupta & Associates, Chartered Accountants, who were appointed as the Auditors of the Company retire at the conclusion of the Annual General Meeting and are eligible for reappointment.

Directors, Responsibility statement

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;
- that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- that they have prepared the annual accounts on a going concern basis.

Audit Committee

As per the requirements of Sec 292A of the Companies Act, 1956 the Audit Committee was constituted by the Board of Directors. The composition of the Audit Committee is Mr S.N. Singh, Chairman Mr. Shyam Bang, Member, Mr. Pankaj Gupta, Member.

For and on behalf of the Board
VAM INVESTMENTS LIMITED

22nd April, 2002
New Delhi

S. N. SINGH
Director

SHYAM BANG
Director

Compliance Certificate

To,
The Members
VAM INVESTMENTS LIMITED

I have examined the registers, records, books and papers of VAM INVESTMENTS LIMITED (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2002 and vide its Registration no: 55-21482 and paid Up Equity Share Capital of the Company is Rs. 18,00,200/-. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

- The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been recorded.
- The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies generally within the time prescribed under the Act and the rules made thereunder.
- The company, being public limited company, has the minimum prescribed paid-up capital.
- The Board of Directors duly met seven times on 24th May, 2001, 29th May, 2001, 24th July, 2001, 31st August 2001, 1st December, 2001, 31st December, 2001 and 20th March, 2002 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. No circular resolution was passed.
- The Company has not closed its Register of Members and/or Debentures during the year. The Company does not have any Debenture holders.
- The Annual General Meeting for the financial year ended on 31.3.2001 was held on 28th September, 2001 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- One Extra Ordinary General Meeting on 8th May, 2001 was held during the financial year after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
- As explained to me, the company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act.
- As explained to me, the company has not entered into contracts which fall within the purview of section 297 of the Act.
- The company has made necessary entries in the register maintained under section 301 of the Act.
- As there were no instances falling within the purview of section 314 of the Act, the company is not required to obtain any approvals from the Board of Directors, members or Central Government.
- The Company has not issued any duplicate share certificates during the financial year.
- The Company has:
 - delivered all the certificate on lodgment thereof for transfer of securities in accordance with the provisions of the Act;
 - not deposited any amount in a separate Bank Accounts as no dividend was declared during the financial year;
 - not required to post warrants to any members of the company as no dividend was declared during the financial year;
 - not transferred any amount of unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon to Investor Education and Protection Fund as there was no amount lying in the above said respective account head.
 - complied with the requirements of section 217 of the Act.
- The Board of Directors of the company is duly constituted and the appointment of additional Directors have been duly made.
- The Company has not appointed any Managing Director/Whole time Director/Manager during the financial year.
- The Company has not appointed any sole-selling agents during the financial year.
- In my opinion and according to the information and explanations given to me, the company has filed the papers with Registrar of Companies relating to Availability of Name but the approval is pending. And no further approval was required to obtain from the Central Government, Company Law Board, Regional Director, Registrar or such other authorities prescribed under the various provisions of the Act during the financial year. (The Company is Deemed Public Limited Company as on the date of Certificate)
- The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
- The company has not issued any shares/debentures/other securities during the financial year.
- The company has not bought back any shares during the financial year.
- There was no redemption of preference shares or debentures during the financial year.
- There were no transactions necessitating the company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
- The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of section 58A during the financial year.
- The amount borrowed by the company during the financial year are within the limits of the Company and that necessary resolution as per Section 293(1)(d) of the Act have been passed in duly convened Extra Ordinary General Meeting.
- As explained to me, the Company has made loans and investments, or given guarantees or provided securities to other bodies corporate in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose.
- The company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
- The company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
- The company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny.
- The company has not altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.
- The company has not altered its articles of association during the financial year.

- According to the records of the Company and the information & explanations given to me, there was no prosecution initiated against or show cause notices received by the company and no fines and penalties or any other punishment imposed on the company for the offences under the Act.
- The company has not received any money as security from its employees during the year under certification.
- The company has not constituted any Provident Fund for its employees as per provisions of Section 418 of the Act. Hence the provisions of Section 418 of the Act are not applicable.

For P. Kathuria & Associates

Company Secretaries
C.P. No.3086
(Pradeep Kathuria)
Proprietor

Place : New Delhi
Date : 1st May, 2002

Registers as maintained by the Company

- Register of Members under section 150
- Registers & Returns under section 163
- Minutes Book of Meetings under section 193(1)
- Books of accounts under section 209
- Register of Particulars of Contracts in which Directors are interested under section 301
- Register of Directors, Managing Directors, Managing Director, Manager and Secretary under section 303
- Register of Director's Shareholdings under section 307
- Register of Investments or Loans made, Guarantee given or Security provided under section 372A

Other Registers

- Register of Fixed Assets

Annexure A

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March, 2002

Sl. No.	Form No./No.	Filed under section	For	Date of filing	Whether filed within Pres. time	If delay in filing whe Req. Add Fee Paid
					Yes/No	Yes/No
1.	Form 18	146	Change in the Regd. Office	27.4.2001	No	No
2.	Form 32	303	Resignation & Appointment of Directors	30.5.2001	No	Yes
3.	Form 29	264/266	Consent to act as Director	30.5.2001	No	Yes
4.	Form 23	192	Registration of Spl. Resolution	11.7.2001	No	Yes
5.	Form 1A	21	Application for Name Availability for Change of Name	29.7.2001	Yes	No
6.	Balance sheet	220	Periodicals Returns	28.11.2001	No	Yes
7.	Form 23	192	Registration of Spl. Resolution	21.11.2001	No	Yes
8.	Form 1A	21	Application for Name Availability for Change of Name	12.12.2001	Yes	No
9.	Annual Return	159	Periodicals Returns	3.1.2002	No	Yes
10.	Form 8 & 13	125	Creation of Charges	5.3.2002	Yes	No

Annexure B

AUDITOR'S REPORT TO THE MEMBERS OF VAM INVESTMENTS LTD.

We have audited the attached Balance Sheet of VAM INVESTMENT LIMITED as at 31st March 2002 and also the Profit and Loss Account 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. 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.

We report that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- In our opinion, proper books of accounts as required by law have been kept by the Company so far, as appears from our examination of the books.
- The Balance Sheet and the Profit & Loss account dealt with by the Report are in agreement with the Books of Account.
- In our opinion, the Balance Sheet and the Profit and Loss Account dealt within the report are in compliance with the mandatory Accounting Standards referred to in Section 211 (3c) of the Companies Act 1956, in so far as they apply to the Company.
- On the basis of written representation received from the directors & taken in record by the board of directors, we report that none of the directors is disqualified as on 31.3.2002 from being appointed as director in terms of clause (g) of sub-section 1 of section 274 of the Companies Act 1956.
- In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes annexed thereto give the information required by the Companies Act 1956, in the manner so required and give a true and fair view:
 - In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2002.
 - In the case of Profit & Loss Account of the loss for the year ended on that date.
- As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of section 227 (4A) of the Companies Act 1956 (and as per the information and explanation given to us during the course of our audit), we further state on the matters specified in paragraph 4 & 5 of the said order as far as applicable to the Company, as under:
 - In our opinion no comments under paragraph 4 of the order are called for in case of items (iii), (iv), (v), (vi), (xii), (xiv);
 - The company has maintained proper records to show full particulars including quantitative dates and situation of fixed assets. The assets have been physically verified by the management during the year. No material discrepancies were noticed on such verification. In our opinion, frequency of such verification is reasonable having regards to size of the company and nature of fixed assets.
 - None of the fixed assets have been revalued during the year.
 - The company has taken unsecured loans from Companies, Firms and other parties listed in the register maintained under section 301 of the Companies Act 1956. The rate of the interest and other terms & conditions are, prima facie, not prejudicial to the interest of the company.
 - The Company has not granted unsecured loans to companies, firms or other parties listed in the register maintained Under Section 301 of the Companies Act 1956.
 - The company has not given any loans, or advances in the nature of loans to any party.
 - There is an adequate internal control procedure commensurate with the size of the company and the nature of its business.
 - The company has not made purchase of goods and materials and sale of goods, materials and service made in pursuance of contracts or arrangements with the parties listed in the register maintained Under Section 301 of the Companies Act 1956, aggregating during the year to Rs.50,000/- (Rupees Fifty Thousand Only) or more in respect of each party.
 - The company has not accepted any deposits from the public to which the provisions of Section 58A of the Companies Act 1956 and rules framed thereunder including the directives issued by the Reserve Bank of India apply.
 - We were informed that the Company is not required to maintain cost records under section 209 (i) (d) of the Companies Act 1956.
 - In our opinion the company has no internal audit system, as it is not considered commensurate with the size and the nature of its business by the management.
 - We are informed that Provident Fund and Employees State Insurance is not applicable to the company.
 - To the best of our knowledge and according to the information and explanations given to us there are no undisputed amount payable in respect of Income-tax, Wealth-tax, Customs Duty and Excise Duty were outstanding as at 31st March 2002 for a period of more than six months from the date they become payable.
 - During the course of our audit of books of account carried out in accordance with the generally accepted accounting practice. We have not come across any personal expenses which have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
 - The Company is not a sick industrial company within the meaning of clause (o) of Sub Section 91) of the Section 3 of the Sick Industrial Companies (Special Provisions) Act 1985.
 - As per the information and explanation given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other security.
 - The provision of any special statute applicable to the chit fund, nidhi or mutual benefit society does not apply to the company.
 - In our opinion and as per the information and explanation given to us, the company has maintained proper records of the transaction and contracts and timely entries have being made therein. The shares, securities, debentures and the other investments have been held by the company in its own name except to the extent of the exemption granted us 49 of the Companies Act 1956.

For BHANDARI GUPTA & ASSOCIATES
CHARTERED ACCOUNTANTS

(RAJEEV KUMAR)
PARTNER

PLACE : NEW DELHI
DATED : 22.04.2002



VAM INVESTMENTS LIMITED

BALANCE SHEET AS AT 31st MARCH, 2002		As At 31st March, 2002	As At 31st March, 2001
SCHEDULES		Rs	Rs
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1	153200200	153200200
Reserves & Surplus	2	199442	1425569
Loan Funds			
Secured Loan	2a	69299105	
Unsecured Loan		26800000	
Total		249498747	154625769
APPLICATION OF FUNDS			
Fixed Assets	3	115465992	
Less Depreciation		1281353	
Investments (At Cost)	3a	134632752	64632752
Current Assets, Loans & Advances			
CURRENT ASSETS			
Cash & Bank Balance			
Balance with Scheduled bank		2525851	17942139
Sundry Debtors : Unsecured			2129400
LOANS & ADVANCES			
Advances recoverable in cash or in kind or for value to be received (Unsecured, Considered good)	4	778964	70206618
Less : Current Liabilities & Provisions	5	3304815	90278157
		2623459	285140
Net Current Assets		681356	89993017
Total		249498747	154625769
NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES			
Schedule 1 to 6 form an Integral part of Accounts. As per the report of even date attached For Bhandari Gupta & Associates Chartered Accountants	6		
(Rajeev Kumar) Partner	S.N. Singh Director		Shyam Bang Director
New Delhi			
Date : 22.04.2002			

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2002		Year Ended 31st March 2002	Year Ended 31st March 2001
SCHEDULES		Rs	Rs
INCOME			
Loss on Sale of Shares(Net)			(1428039)
Dividend Income		1429650	1071597
Interest Income		—	380446
Other Income		—	933200
Rental Income		3300000	—
Total		4729650	957204
EXPENDITURE			
Office Maintenance & Administrative Expenses		114000	206000
Communication Expenses		36000	24000
Legal & Consultancy		44500	5151
Audit Fees		6510	4200
Filing Fees		16550	2500
Processing fees		700000	—
General Charges		27104	9214
Bank Charges		1843	3179
Printing Stationery		5443	—
Prior Period Expenses		27500	—
Depreciation		1281353	—
Interest		3646974	—
Total		5905777	254244
Profit(Loss) before Tax		(1176127)	702961
Provision for Income Tax		50000	50000
Profit(Loss) after Tax		(1226127)	652961
Profit(Loss) brought forward from last year		1380569	727608
Balance available for appropriation		154442	1380569
Transfer to Reserve Fund		—	—
Balance carried to Sch-2, Reserve & Surplus		154442	1380569
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS			
Schedule 1 to 6 form an Integral part of Accounts. As per the report of even date attached For Bhandari Gupta & Associates Chartered Accountants	6		
(Rajeev Kumar) Partner	S.N. Singh Director		Shyam Bang Director
New Delhi			
Date : 22.04.2002			

SCHEDULES FORMING PART OF THE BALANCE SHEET		As At 31st March, 2002	As At 31st March, 2001
SCHEDULE - 1		Rs	Rs
SHARE CAPITAL			
AUTHORISED			
3,00,000	Equity Shares of Rs.10/- each	3000000	3000000
15,20,000	Preference Shares of Rs.100/- each	152000000	152000000
		155000000	155000000
ISSUED, SUBSCRIBED AND PAID-UP			
1,80,020	(180020) Equity Shares of Rs.10/- each fully paid up held by the holding Co. Jubilant Organosys Ltd. (formerly Vam Organic Chemicals Limited) & its Nominees	1800200	1800200
1514000	(1514000) 12% Optionally Convertible Non - Cumulative Redeemable Preference Share Rs.100/- each. (Redeemable at any time before the expiry of 20 years by converting into Equity shares of the Company at a premium not exceeding Rs.5/- per share)	151400000	151400000
		153200200	153200200
SCHEDULE - 2			
RESERVES & SURPLUS			
General Reserve			
Addition during the year		45000	45000
	(a)	45000	45000
Profit and Loss Account	(b)	154442	1380569
	(a+b)	199442	1425569
SCHEDULE - 2a			
LOANS SECURED			
Loan from Housing Development Finance Corporation Ltd (HDFC) is secured by way of exclusive Mortgage over the immovable property (comprising of land & building) situated at sector 16 A, Plot 1 A, Noida and also by way of a Corporate Guarantee from Jubilant Organosys Ltd. The Holding Company has given an undertaking not to dilute its stake in VIL during the currency of the loan. Secured Loans includes Loans of Rs. 8501852/- repayable within one year.			

SCHEDULE - 3		GROSS BLOCK/COST/BOOK VALUE		DEPRECIATION		NET BLOCK			
Description	Total As at 31st March 2001	Additions/adjustments during the year	Deductions/adjustments during the year	TOTAL As at 31st March 2002	TOTAL As at 31st March 2001	Provided during the year	Deductions/adjustments during the year	TOTAL As at 31st March 2002	
								As at 31st March 2002	As at 31st March 2001
	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs	Lac/Rs
Land		235.67		235.67					235.67
Building		918.98		918.98		12.81		12.81	906.17
Total		1154.65		1154.65		12.81		12.81	1141.84

SCHEDULE - 3a		As At 31st March, 2002	As At 31st March, 2001
INVESTMENTS		Rs	Rs
Long Term Investments			
2,38,275	(2,38,275) Equity Shares of Rs.10/-each of Jubilant Organosys Ltd. (formerly Vam Organic Chemicals Ltd.) the Holding Company (quoted) [312097 equity shares allotted as fully paid up shares, pursuant to the scheme of amalgamation of Erstwhile Anichem India Ltd. and Erstwhile Enpro Speciality & Chemicals Ltd. with the Vam Organic Chemicals Ltd. (the holding Co)] Share Application Money Pending Allotment in Jubilant Biosys Ltd.	70000000	
		134632752	64632752
Aggregate market value of quoted investments		24542325/-	14987497/-

SCHEDULE - 4		As At 31st March, 2002	As At 31st March, 2001
LOANS & ADVANCES		Rs	Rs
Advances Recoverable in cash or in or for value to be received		105760	70206618
Advance income tax		673200	
		778964	70206618

SCHEDULE - 5		As At 31st March, 2002	As At 31st March, 2001
CURRENT LIABILITIES AND PROVISIONS		Rs	Rs
Current Liabilities			
Sundry Creditors		2573459	235140
		2573459	235140
Provisions			
Provision for Income Tax		50000	50000
		2623459	285140

NOTES TO THE BALANCE SHEET AS AT 31st MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

- SCHEDULE - 6**
- I. Statement of Significant Accounting Policies**
- Basis of Accounting**
The accounts of the company are prepared under the historical cost convention and in accordance with applicable accounting standards except where otherwise stated. For recognition of income and expenses, Mercantile systems of accounting is followed.
 - Fixed Assets & Depreciation**
Fixed Assets are stated at cost of acquisition less depreciation determined on a straight line basis.
 - Investments**
Investments are valued at cost, any permanent decline in the value of the investment shall be charged to the Profit and Loss Account in the year of such decline.
 - Foreign Exchange Transaction**
Transaction arising in foreign currency during the year are converted at the rate closing approximately those relating on the transaction date.
- II. Notes of the Accounts**
- Claim against the company not acknowledged as Debts - NIL
 - Estimated amount of contracts remaining to be executed on capital account and not provided for - Rs. NIL (P.Y. Rs. 416 lacs Nil)
 - Other money for which company is contingently liable - NIL
 - Other additional information as required under Para 3 & 4 of part II of the Schedule VI of the Companies Act, 1956 are not applicable to the company.
 - No provision has been made for decline in the market value of quoted investment in view of :
a) The amalgamation of Erstwhile Anichem India Ltd and Enpro Speciality & Chemicals Ltd with the Jubilant Organosys Ltd (formerly Vam Organic Chemicals Ltd) the Holding Co and ;
b) Pursuant to the Scheme of Amalgamation, and after considering the extinguishment of shares held in erstwhile Anichem India Ltd & Enpro Speciality & Chemicals Ltd by the company as Investments, 312097 equity shares of Rs.10 each of Jubilant Organosys Ltd (formerly Vam Organic Chemicals Ltd) have been allotted.

Signatures to Schedule 1 to 6 form an Integral part of Accounts.
As per the report of even date attached
For Bhandari Gupta & Associates
Chartered Accountants

(Rajeev Kumar) Partner
New Delhi
Date : 22.04.2002

S.N. Singh Director
Shyam Bang Director

Balance Sheet Abstract and Company's General Business Profile	
I. Registration Details	
Registration No.	21482
Balance Sheet	31 03 2002
Date Month Year	
II. Capital Raised During the Year	
(Amount in Rs.Thousands)	
Public Issue	NIL
Bonus Issue	NIL
III. Position of Mobilisation and Deployment of Funds	
(Amount in Rs.Thousands)	
Total Liabilities	249498.75
Source of Funds	
Paid-Up Capital	153200.20
Secured Loans	69299.11
Application of Funds	
Net Fixed Assets	114184.64
Net Current Assets	681.36
Accumulated Losses	NA
IV. Performance of Company	
(Amount in Rs. Thousands)	
Turnover**	4729.65
**Includes other Income	
+ - Profit/Loss Before Tax	1176.13
+ - Profit/Loss After Tax	1226.12
(Please tick appropriate box + for Profit - for Loss)	
Earning per share in Rs	NIL
Dividend rate %	NIL
V. Generic names of three principal products/Services of Company	
(as per monetary terms)	
Item Code (ITC No.)	NA
Product Description	NA
Item Code (ITC No.)	NA
Product Description	NA
Item Code (ITC No.)	NA
Product Description	

JUBILANT ORGANOSYS USA, INC.

AUDITORS REPORT

To
The Board of Directors and Stockholders
Jubilant Organosys USA, Inc.
Hamden, Connecticut

I have compiled the accompanying balance sheets of Jubilant Organosys, USA, Inc. (a C Corporation) as of March 31, 2002 and 2001 and related statements of operations and retained earnings and cash flows for the years then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements because it is not required by State or Federal law or the American Institute of Certified Public Accountants and accordingly do not express an opinion or any other form of assurance on them.

May 1, 2002

Walter J. Morgenthaler, CPA

BALANCE SHEETS For the Years Ending March 31, 2002 and 2001

Assets	2002 US \$	2001 US \$
Current assets		
Cash	98,246	237,997
Accounts Receivable	411,386	7,695
Inventory	206,267	—
Total Current assets	715,899	245,692
Property and equipment		
Office equipment	5,488	1,992
Accumulated depreciation	(4,914)	(1,036)
	574	956
Other assets		
Security deposit	351	351
Total assets	716,824	246,999
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	608,128	191,149
Accrued expenses	4,770	1,200
Taxes payable	13,274	7,371
Total current liabilities	626,172	199,720
Stockholders' Equity		
Advance against share application	10,000	10,000
Common Stock - 15,000 shares authorized, issued & outstanding	15,000	15,000
Retained earnings	65,652	22,279
	90,652	47,279
Total liabilities and stockholders' equity	716,824	246,999

Statements of Operations & Changes in Retained Earnings For the Years Ending March 31, 2002 and 2001

	2002 US \$	2001 US \$
Sales		
Sales	1,228,184	1,064,747
Commissions	248,975	204,891
	1,477,159	1,269,638
Cost of sales:		
Purchases	1,165,723	1,008,709
	311,436	260,929
Operating expenses		
Advertising	—	1,139
Auto expense	—	3,192
Bank fees	545	338
Charitable contributions	125	—
Consulting	1,773	—
Corporate filing fee	463	212
Depreciation	3,878	638
Dues and subscriptions	149	508
Gifts	59	—
Insurance	10,287	10,051
Legal and professional	15,886	14,812
Meals and entertainment	3,501	4,543
Office expense	5,584	3,606
Payroll service	384	672
Payroll taxes	6,911	7,474
Pension administration	1,500	—
Pension expense	4,500	5,850
Rent	4,325	4,425
Repacking fees	—	8,220
Salaries	111,000	108,000
Shipping and warehouse charges	15,111	2,974
Telephone expense	15,651	9,462
Travel expenses	23,271	24,383
	224,903	210,499
Profit from operations	86,533	50,430
Other income/(expenses)		
Interest income	359	3,568
Extraordinary legal expenses	(30,000)	—
Income/(loss) before income taxes	56,892	53,998
Corporate federal and state income taxes	13,519	7,931
Net Income	43,373	46,067
Retained earnings/(accumulated deficit) - beginning of year	22,279	(23,788)
Retained earnings - end of year	65,652	22,279

STATEMENTS OF CASH FLOWS

For the Years Ending March 31, 2002 and 2001

	2002 US \$	2001 US \$
Cash flows from operating activities:		
Net Income	43,373	46,067
Adjustments to reconcile net income to Net cash provided (used) by operating activities:		
Depreciation	3,878	638
Net changes in:		
Accounts receivables	(403,691)	(7,695)
Inventory	(206,267)	—
Accounts payables	416,979	191,149
Accrued expenses	3,570	(12,200)
Taxes payable	5,903	7,371
Net cash provided (used) by operating activities	(136,255)	225,330
Cash flows from investing activities:		
Fixed assets acquired	(3,496)	—
Additional paid-in capital	—	10,000
Net cash provided (used) by investing activities:	(3,496)	10,000
Net (decrease)/increase in cash	(139,751)	235,330
Cash at beginning of year	237,997	2,667
Cash at end of year	98,246	237,997
Supplemental disclosures of cash flow information:		
Income taxes	13,519	7,931

NOTES TO FINANCIAL STATEMENTS

Years Ending March 31, 2002 and 2001

Note A - Significant Accounting Policies

Nature of business

The Company engages in the distribution and sales of specialty chemicals produced by its parent company, Jubilant Organosys Limited, located in Noida (Uttar Pradesh), India. The company is a wholly owned U.S. subsidiary of Jubilant Organosys Limited. During the fiscal year ending March 31, 2002, the corporation changed its name from Vam Organic Chemicals USA, Inc. to Jubilant Organosys USA, Inc. The change was made to follow the name change initiated by the parent corporation.

Basis of accounting

The financial statements of Jubilant Organosys USA, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Depreciation

Depreciation is provided using accelerated methods.

Inventory valuation

Inventories are stated at the lower of cost or market. Inventory balance for the year ended March 31, 2002 was \$206,267.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

All provisions or liability for Federal income taxes has been included in the financial statements since the corporation is treated as a chapter C Corporation under the Internal Revenue Code.

Cash Equivalents

The Company considers all short-term marketable investments to be cash equivalents.

Considerations of credit risk

The Company maintains its cash balances in one financial institution located in New Haven Connecticut. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At March 31, 2001, the Company had no uninsured cash balances.

Note B - Pension Contribution

The Company sponsors a 401(k) plan that covers all full time employees with one year of service and who are over 21 years of age. Participants can elect to defer up to 15% of their compensation under the 401(k) plan and will have a 100% vested interest in all participant assets that have been contributed under this plan. The Company also makes a matching contribution for each plan year up to 5% of the individual participant's compensation. The total pension expense for the year ended March 31, 2002, was \$4,500. The pension expense for the year ended March 31, 2001 was \$5,850.

Note C - Operating Lease

The Company conducts its operations from facilities located at One Evergreen Avenue, Hamden Connecticut. Terms of the lease are year to year with the current lease obligation expiring on August 1, 2002. The monthly rent is \$400. The lease payment includes utilities, maintenance and real estate taxes. Rent expense for the years ending March 31, 2002 and 2001 was \$4,325 and \$4,425 respectively.

The following is a schedule of future minimum rental payments required under the above operating lease:

	2002	\$1,600

Note D - Related party transactions

The Company receives commission income from the parent company, Jubilant Organosys Limited. The commission income is derived from sales to customers generated by the efforts of Jubilant Organosys USA, Inc. Invoicing related to these sales are billed directly from the parent company. The parent company pays the commission to the wholly owned subsidiary at a rate of 3% or 5% determined by a mutual understanding between the parent company and Jubilant Organosys USA, Inc. Commissions received for the year ending March 31, 2002 and 2001 amounted to \$248,975 and \$204,891 respectively.

NOTE E - Patent litigation

Legal fees in the amount of \$30,000 were necessary to properly defend the suite of Jubilant Organosys Ltd. and a company in a related industry.



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