Making science work for you

Jubilant Organosys Ltd.

Annual Report 2002-03

Contents

OUR JUBILANT 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

INSPIRE CONFIDENCE

OUR EFFICIENCY

ALWAYS STRETCH

OUR KNOWHOW

SHARING KNOWLEDGE

OUR DELIVERY

EXCELLENT QUALITY

Board of Directors

S.S.Bhartia
Chairman & Managing Director

H.S.Bhartia
Co-Chairman & Managing Director

Dr. J.M.Khanna
Executive Director

S.N.Singh
Executive Director

Shyam Bang
Executive Director

Arabinda Ray
Director

J.B.Dadachanji
Director

Bodhishwar Rai
Director

Surendra Singh
Director

Dr. Naresh Trehan
Director

R. Sankaraiah

Chief Financial Officer

DIRECTORS

S.S.Bhartia	*Chairman & Managing Director*
H.S.Bhartia	*Co-Chairman & Managing Director*
Dr. J.M.Khanna	*Executive Director*
S.N.Singh	*Executive Director*
Shyam Bang	*Executive Director*
Arabinda Ray	*Director*
J.B.Dadachanji	*Director*
Bodhishwar Rai	*Director*
Surendra Singh	*Director*
Dr. Naresh Trehan	*Director*

CHIEF FINANCIAL OFFICER

R. Sankaraiah

SECRETARY

Ajay Krishna

STATUTORY AUDITORS

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

US GAAP AUDITORS

KPMG
4B, DLF Corporate Park
DLF City, Phase III
Gurgaon–122 002,
India.

COST AUDITORS

J.K. Kabra & Co.
552/1B, Arjun Street,
Main Vishwas Road,
Vishwas Nagar,
Delhi–110 032, India.

REGISTRARS AND TRANSFER AGENTS

Alankit Assignments Ltd.
205-208, Anarkali Complex,
Jhandewalan Extension,
New Delhi 110055
Tel.: +91 11 23610220-24

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1A, Sector 16A, Institutional Area, Noida, U.P. 201301, India
Tel.: +91 (120) 2516601-11, Fax: +91 (120) 2516629

REGISTERED OFFICE

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Tel.: +91 (5924) 252351, 252353-60, Fax: +91 (5924) 252352

Dear Shareholders,

The financial year 2002-03 has been a year of opportunities and challenges, a year of change and paradigm shifts for the chemicals industry as well as for us. The chemicals industry has emerged as a significant contributor to the economy in recent years and is now increasingly becoming a knowledge-based industry. Although bulk chemicals still account for almost half of the global industry's output, there is a visible shift towards value-added speciality and knowledge chemicals as industry players look for higher growth opportunities in a difficult economic environment. The increasing focus on the knowledge-based segment within the chemicals industry not only improves margins but also insulates against the cyclicality witnessed in other segments. It presents a promising global opportunity for established Indian players with the requisite flexibility and resources, due to the inherent intellectual assets that India possesses. Companies that are able to achieve global scale and leverage the knowledge component in their products by continuously innovating and making investments in technology and R&D, stand to benefit the most from the rapid changes occurring in the global marketplace today.

At Jubilant, over the past five years, we have increasingly focused on speciality and pharmaceutical chemicals and have made strategic investments in creating world-class R&D and manufacturing infrastructure. This has helped us build globally dominant positions in our defined product categories. During the year under review, we have made significant progress towards consolidating our position as a high value-added innovation-led player in the knowledge-based segment of speciality chemicals. This is also reflected in our results.

Results

We are pleased to report another excellent year of continued growth, with our knowledge-led businesses making increased contributions to both revenues and earnings. The progressive performance during the FY 2003 is a strong endorsement of our strategy to focus on high value-added speciality chemicals and exports supported by enhanced efficiencies and reduced cost of capital.

Our net profits have increased by 104 per cent for FY 2003. Our revenues too demonstrated continued growth, and increased by 19 per cent to touch Rs 7,105 million compared to Rs 5,951 million in the previous year. The pharmaceuticals and speciality chemicals business accounted for two-thirds of total net sales. R&D continued to be the key growth driver in our knowledge-based speciality chemicals business. During the year, products developed over the last five years contributed 28 per cent of the net sales of the company.

Dividend

Jubilant Organosys' dividend policy is aimed at enabling shareholders to progressively share in the operating performance of the Company, and in keeping with this, the Board of Directors of the Company have recommended a dividend of 90 per cent for the year under review, which amounts to a higher payout than last year.

Business focus
Capitalising on the Life Sciences Opportunity

Jubilant Organosys has constantly evolved to meet changing market needs and the global scenario. Over half a decade ago, Jubilant Organosys, with extensive focus on the pharmaceutical and agrochemical sectors, identified the need to change its business model to focus more on R&D-driven high value-added products. This means building on the Company's strong base in the bulk chemicals business, in terms of inherent expertise and capabilities, to create a high-value speciality and fine chemicals business on a global scale for the fast growing life sciences industry. The life sciences industry is a vibrant sector that has shown a healthy growth trend over the years and continues to possess strong potential for long-term sustained and orderly growth. The imminent change in the global drug patent regime and impending expiration of several drug patents is likely to offer tremendous opportunities in the area of Active Pharmaceutical Ingredients, Advance Intermediates and Custom Research & Manufacturing Services (CRAMS) for pharmaceuticals.

API business integration

Jubilant's entry into the Active Pharmaceutical Ingredients (API) business, through the acquisition of Max India's API operations, is reflective of the Company's strategy to keep moving up the value chain and is a complementary extension of its current position that will lead to an enhancement of its business portfolio. The acquired API business, which has a state-of-the-art, US FDA approved manufacturing facility in Nanjangud near Mysore, has been completely integrated and synergised with Jubilant Organosys during the year under review.

The acquired API business operates primarily in the high growth Central Nervous System (CNS) segment and has an established manufacturing and marketing position with unique strengths in R&D, SCM, and IT functions that will be leveraged by Jubilant Organosys to intensively drive the API business in the future. This expansion will also enable Jubilant Organosys to further target global corporations, augment its leadership position in domestic and international markets and create more sustainable and scalable customer relationships.

Enhancing global positions

The cornerstone of our strategy is to establish leading positions in our chosen areas of activity and, thereby, generate superior and consistent long-term growth. Jubilant has already established its position as the country's largest manufacturer of speciality chemicals and a leading manufacturer of Active Pharmaceutical Ingredients. During the year, the Company enhanced or maintained its global position in various product categories. For example:

- Second largest producer of Pyridine and its derivatives
- Second largest producer of Carbamazepine – an API for the CNS segment
- Third largest producer of solid PVA

- Sixth largest producer of VP Latex
- Sixth largest producer of Acetaldehyde
- Seventh largest producer of Choline Chloride
- Ninth largest producer of Acetic Anhydride

Such global scale manufacturing capabilities provide improved operating efficiencies that make us more cost competitive and take us closer to realising our goal of becoming a dominant global player in our defined business areas.

Leveraging exports to drive growth

Exports are a key growth driver for Jubilant Organosys. Exports revenue for FY 2003 increased to Rs. 1,964 million, indicating a growth of 66 per cent over the previous year. Jubilant Organosys already exports over 30 products to leading companies across 50 countries and has a fully owned subsidiary in Connecticut, USA and a representative office in Shanghai, China for greater proximity to key markets. The Company has aggressively explored new export markets and expanded existing ones in the US and Europe in FY 2003. Business relationships with leading pharmaceuticals and agrochemical companies in Europe in the area of Advance Intermediates and Custom Research and Manufacturing Services (CRAMS) business units were strengthened. Among the new markets for exports, China emerged as a significant export destination for speciality chemicals. In addition, new markets for ethyl acetate were opened up in Europe as well as Asia, further enhancing the Company's global footprint.

Going forward, the Company will leverage its cost competitiveness as a platform to enter new global markets, introduce new products and to enhance existing market penetration. It will also focus on leveraging R&D to develop and deliver customised downstream solutions to global majors as a means of building strong relationships. We expect these strengths and initiatives to yield positive results.

Setting high standards in corporate governance

We recognise that creating sustainable shareholder value depends on a full understanding of the risks inherent in our business operations and the responsible management of our business in a manner consistent with our values and principles. To this end, we have established a Corporate Sustainability Management System (CSMS) that sets the framework for developing and reporting our efforts in this area. Corporate sustainability is a comprehensive business case approach focused on opportunities and risks, and could also be described as the "Triple Bottom Line" approach since it is about meeting economic, ecological and social objectives and goals. This approach helps in ensuring wider stakeholder engagement processes, which in turn lead to improved information flows and decision-making. We feel that this interactive, measurement-oriented approach will be a catalyst for innovation, will create new options and will strengthen our competitive advantage. By also ensuring that the long-term relationships we develop with our stakeholders are built on mutual respect and trust, CSMS will underpin our strategic goals.

The Company's Board of Directors was further strengthened during the year with the induction of Dr. J.M. Khanna - an eminent person in the Indian pharmaceutical industry; Mr. Surendra Singh - a well known bureaucrat and administrator, and Dr. Naresh Trehan, a prominent cardiologist. The Jubilant Organosys Board now has 10 members comprising eminent professionals who bring to the Company extensive experience in the chemicals and pharmaceuticals industry and in establishing and leading diverse businesses and long-term strategic relationships. The Board has a balanced representation, with five independent

directors, three executive directors and two promoter directors, imperative for guiding the organisation towards long-term growth.

The progressive results we have achieved in FY 2003 are much due to the continuing support, commitment and enterprise of all our stakeholders – our employees, partners, customers, vendors and suppliers as well as our shareholders. We are pleased that this report gives us the opportunity to express our personal appreciation.

In the next fiscal, we expect to be able to capitalise further on our strengths – our world-class integrated manufacturing facilities, cutting-edge R&D capability, experienced human resources and impressive client base – to deliver sustainable profitability. We view the future with optimism, believing that our best days are still ahead of us, and look forward to another exciting and rewarding year.

S.S.Bhartia
Chairman & Managing Director

H.S.Bhartia
Co-Chairman & Managing Director

Corporate Headquarter, Noida (near Delhi)

Macroeconomic Overview

The Indian chemical and pharmaceutical sectors in particular demonstrated impressive growth rates of 8.6 per cent and 15 per cent respectively during FY 2003. The Indian chemicals industry continues to be characterised by a high degree of fragmentation, small scale of operations, and limited emphasis on R&D and exports. In this scenario, a well-defined growth strategy, resources to compete in a tough operating environment, R&D focus and the ability to develop export markets will be key to domestic leadership and for a significant play in the international market.

The chemicals industry has performed better compared to the overall global economy during 2002. According to information released by the European Chemical Industrial Association, the European chemical industry grew by 2 per cent during calendar year 2002 as compared to a de-growth of 0.5 per cent during the previous year. Similarly, the U.S. chemical industry's output increased by 1.8 per cent during calendar year 2002, higher than the growth recorded in the previous year.

During 2003, the European economies are expected to have a lower growth rate due to a weakening dollar and sluggish industrial demand. The recovery of the U.S. economy is likely to be delayed till the first half of the calendar year 2004. In contrast, domestic factors for India look positive with soft interest rates, a sustained period of low inflation in non-fuel products and an upturn in the manufacturing sector.

Overall Review

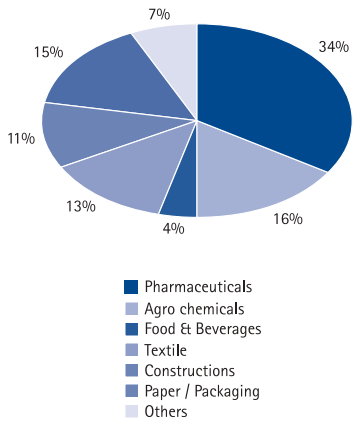
Our knowledge-led businesses are making increased contributions to both revenues and earnings. The progressive performance during the financial year 2003 is a strong endorsement of our strategy to focus on high value added speciality chemicals and exports. Our focus on speciality chemicals and international markets, supported by enhanced efficiencies and reduced cost of capital, has resulted in a 104 per cent increase in net profit for FY 2003. Our revenues too demonstrated continued growth, with revenues from the pharmaceuticals and speciality chemicals business accounting for two-thirds of total net sales.

The life science industry which includes pharma, agrochemical and food and feed, continued to be the major industry where the products of the Company are used with more than half of the sales targeted to this industry. Textile, construction and paper and packaging being other key industries, which use the products of Jubilant.

The cornerstone of our strategy is to establish leading positions in our chosen areas of activity and, thereby, generate superior and consistent long-term growth. Jubilant has already established its position as the country's largest manufacturer of speciality chemicals and a leading manufacturer of Active Pharmaceutical Ingredients.

R&D is the key growth driver in our knowledge based speciality chemicals business. During the year, products developed over the last five years contributed 28 per cent of the net sales of the Company.

In the next fiscal, we expect to be able to capitalise further on our strengths – our world-class integrated manufacturing facilities, cutting-edge R&D capability, experienced human resources and impressive client base – to deliver sustainable profitability. We look forward to another exciting and rewarding year.



End-use industry wise net sales break up

Landmark Events in the FY 2003

During the year, the Company enhanced its global positions in various product categories, becoming the second largest producer of Pyridine and its derivatives, the second largest producer of Carbamazepine – an API for the CNS segment, the third largest producer of solid PVA, and the sixth largest producer of VP Latex in the world. Jubilant also maintained its position as the world's sixth largest producer of Acetaldehyde, seventh largest producer of Choline Chloride, and ninth largest producer of Acetic Anhydride.

Acquisition of Active Pharmaceutical Ingredients (API) business

During FY 2003, Jubilant acquired the API business of Max India. Full integration of the acquired business with the Company was completed on 31st March 2003. The API activity is a natural extension of the Company's speciality chemicals business and represents ascension in the Science Active area of knowledge-based, high value added products by the Company. The acquired API business operates primarily in the high growth Central Nervous System (CNS) segment and has key molecules for CNS as well as anti-infectives and gastro-intestinals in its existing range of products. Jubilant already manufactures advance intermediates for major global pharmaceutical companies and this acquisition will enable the Company to further target global corporations, augment its leadership position in domestic and international markets and create more sustainable and scalable customer relationships. This acquisition will also accelerate the learning curve for the Company in the life sciences business and with a US FDA approved manufacturing facility at Nanjangud in Karnataka, it would give the Company greater access to a larger portfolio of products, customers and intellectual property rights.

Acquisition of UDV India's bottling plant

In line with its strategy of moving up the value chain and to capitalise it's manufacturing capabilities, the Company has entered into an agreement to acquire the bottling plant of UDV India, located at Jubilant's facilities in Nira, for production and bottling of potable alcohol. Jubilant already owns one of the largest alcohol capacities in the world at Gajraula. This acquisition will enable the Company to add a new business line while leveraging its existing infrastructure at Nira. This acquisition is subject to the potable liquor licence being transferred in the name of the Company, the Company entering into a bottling contract and supply of extra neutral alcohol for the Nira plant to Triumph Distillers & Vintners (P) Ltd.

Financial Review

Jubilant's FY 2003 financial results reflect higher contributions from value added products through the acquired API business and speciality chemicals, along with strong growth in export earnings. This demonstrates the Company's continued progress towards its long-term objective of becoming a high-value added knowledge-led player in pharmaceuticals and speciality chemicals industry.

The Company's net sales advanced by 19 per cent to Rs. 7,105 million in FY 2003 from Rs. 5,951 million in FY 2002. Gross sales during FY 2003, at Rs. 9,677 million, were 12 per cent higher than the previous year. Jubilant's net sales have grown at a CAGR of 20 per cent over the last three years.

Revenues from the pharmaceuticals and speciality chemicals business grew by 39 per cent and now account for 66 per cent of the Company's net sales as compared to 57 per cent last year. This includes revenues of the API business acquired from Max India Limited for September 2002–March 2003 performance.

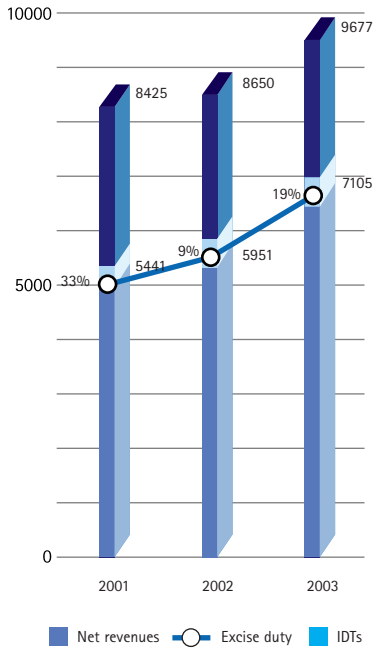
Export sales increased by 66 per cent, having 28 per cent share of the Company's net sales, compared with 20 per cent last year. Jubilant's exports have grown at a CAGR of 72 per cent over the last three years as the Company aggressively explored new export markets and expanded existing ones in the Asia-Pacific, China, Europe and the USA.

Jubilant's profit after tax at Rs. 481 million in FY 2003 increased by 104 per cent compared to Rs. 236 million of FY 2002. The profit before tax of Rs. 641 million, showed a remarkable growth of 197 per cent for FY 2003 from Rs. 216 million during FY 2002 with the CAGR of 70 per cent for a three-year period.

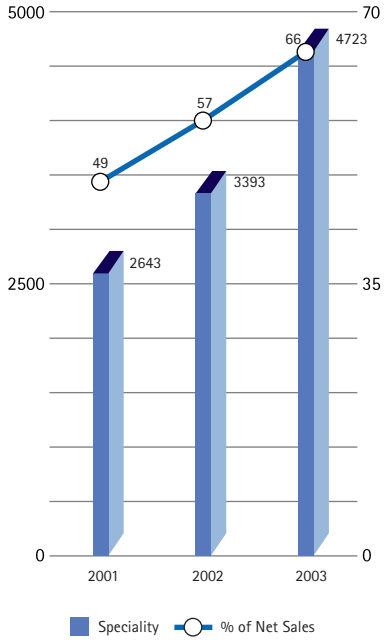
The operating profit (profit before interest, depreciation and taxes) advanced by 46 per cent to Rs.1,281 million during FY 2003, and the operating profit margin was at 18 per cent of net sales, up from 14.8 per cent last year. Manufacturing expenses on account of power and fuel were lower at 10.5 per cent of net sales in FY 2003 compared to 11.8 per cent in FY 2002.

Jubilant's return on average capital employed for FY 2003 increased to 18.9 per cent compared with 12.8 per cent last year.

During FY 2003 the Company reduced its average cost of debt to 12.3 per cent from 13.8 per cent last year. This was achieved by restructuring the high cost debt with low cost debts both in foreign currency and Rupees. The total foreign



Growth in Net Sales



Pharmaceuticals and Speciality Chemicals Business

currency debt at the year-end was 34 per cent of the total debt as compared to 12 per cent in the previous year. The Company has also moved out from fixed rate borrowing to a mix of fixed and floating rates to take advantage of falling interest rates scenario with prepayment options.

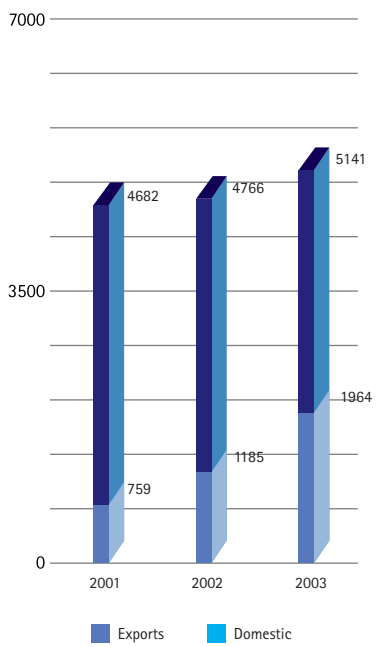
In FY 2003, the Company's stock was split into two shares with a face value of Rs. 5 each for every one existing share effective from 22 November 2003. The shareholders in the Annual General Meeting held on 23 September 2002 approved the stock split.

The Board of Directors of the Company has recommended a dividend of 90 per cent for the year under review, for shareholders' approval at the forthcoming AGM. The proposed dividend payout for FY 2003 of Rs 74.4 million, inclusive of dividend tax, is 20 per cent higher than FY 2002 dividend payout.

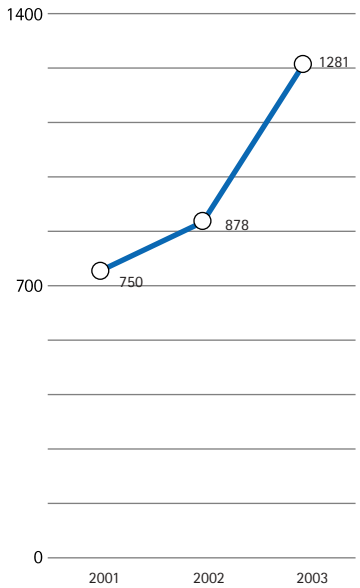
In line with its policy to present performance in a globally accepted matrix and reflect complete transparency in accounts and corporate governance, the Company has voluntarily taken the initiative of disclosing its results as per US GAAP (Generally Accepted Accounting Principles) also for the year under review. The Company's net sales as per US GAAP is US$ 135.9 million and net profit after taxes is at US$ 5.8 million for FY 2003. The main reason for difference in profit after tax figures between Indian GAAP and US GAAP is due to capitalisation of profits of acquired API business, which has been shown as reduction in purchase consideration as per US GAAP standards.

During the year, the Company has obtained approval from the Hon'ble High Courts of Delhi and Allahabad for merging its two subsidiaries VAM Investments Ltd. and VAM Leasing Ltd. and vesting their assets in the Company from 1st April 2002. As a result of the merger, the Company's share capital has been reduced to Rs. 73.3 million from Rs. 77.6 million and the assets vested at fair value with the Company at Rs. 237 million and the term loans of Rs.69.3 million. This merger has resulted in higher earnings per share for continuing shareholders.

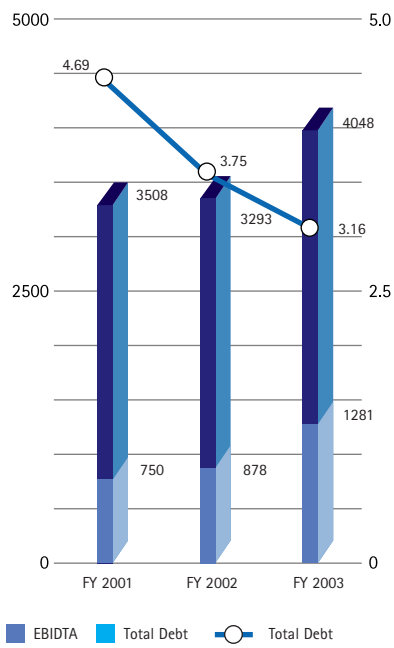
The Company incurred a total capital expenditure of Rs. 1,158 million during FY 2003, on account of normal capital expenditure as well as acquisition of the API business. The long-term funds required for capital expenditure were generated from a combination of internal cash accruals and external borrowings.



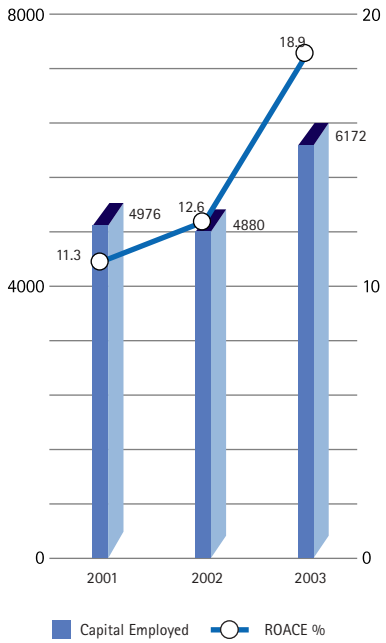
Export Sales



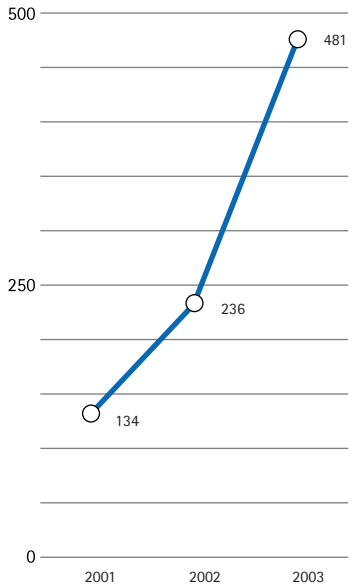
Operating Profit



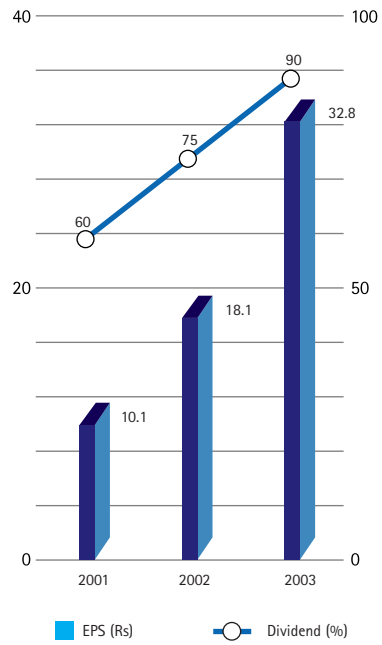
Debt/EBIDTA



Return on Average Capital Employed



Profit After Tax



EPS and Dividend


MULTIPURPOSE PLANT

Jubilant is the largest speciality chemicals company of India having global positions in defined chemical categories. The Company has organised its business into four divisions:

- Pharmaceuticals and Life Science Chemicals
- Performance Chemicals
- Organic Intermediates
- Agri Products

Each business division is further organised in multiple Growth Units (GUs) based on the end use industry and nature of the business.

Detailed analysis of division-wise net sales and operating profit before interest and tax (PBIT) is given in the table below:

Division	Net sales		Operating profit before interest and tax	
	01-02	02-03	01-02	02-03
Pharmaceuticals and Life Science Chemicals	1,566	2,201	381	562
Performance Chemicals	1,301	1,440	89	79
Organic Intermediates	2,626	2,971	263	504
Agri Products	458	493	44	58
Total	5,951	7,105	777	1,203

PHARMACEUTICALS AND LIFE SCIENCE CHEMICALS

The Pharmaceutical and Life Science Chemicals division, with net sales of Rs. 2,201 million, contributes 31 per cent of the Company's net revenues. The sales of this division have grown by 41 per cent over the previous year. The Pharmaceutical and Life Science Chemicals Division will continue to be the main growth and value driver for the Company both in the domestic and the exports market. The Company offers a comprehensive range of products to meet customer requirements in all the segments of the life sciences industry – pharmaceuticals, agrochemicals and food and beverages.

This division is structured around four growth units each of which has multiple product lines.

- Pharmaceuticals
- Custom Research and Manufacturing Services
- Advance Intermediates
- Nutrition products

To better understand their performance and future outlook in the context of opportunities and risks we have described each in detail:

Pharmaceuticals

The pharmaceutical business was acquired during the year under review and has since been integrated with the existing businesses. For the last seven months of FY 2003, sales of this GU were Rs. 441 million. Exports accounted for 37 per cent of the sales of this GU during FY 2003. This GU has a portfolio of 10 products in the therapeutic segments of central nervous system, anti infectives and gastro intestinal. It is a major supplier of Carbamazepine to Novartis and is the second largest global manufacturer for this product. Its other major products include Oxcarbazepine, Citalopram, Azithromycin, Roxithromycin, Tramadol and Pinavarium Bromide. This GU has a strong research commitment with several patents to its credit. The unit also has a significant pipeline of products in therapeutic categories like CNS, anti infectives, GI, CVS, asthma and diabetes. The Company has a non-infringing process for Citalopram and the patent has been filed for the same. Jubilant is working with several generic companies in Europe and USA who have filed their ANDAs based on our DMFs. The company's research team has also developed a new non-infringing process for Oxcarbazepine and this is expected to help us in export efforts.

Going forward, this GU will focus on the developed and regulated markets of the Americas, Europe and Australia where it can leverage its strengths in chemistry, regulatory compliance, process capabilities and observance of best industry practices. Changes driven by WTO will play a major role in the pricing of pharmaceutical products in India, from 2005 onwards. However, this unit is not likely to be adversely affected, as any negative impact will be offset by the Company's increased focus on non-infringing processes and products coming out of patent restrictions over the next three to five years.

Custom Research and Manufacturing Services (CRAMS)

The revenues of this GU increased 41 per cent over the previous year to Rs 257 million in FY 2003. Exports accounted for 26 per cent of the sales of this GU, as compared to 23 per cent last year. The growth in exports was achieved by the successful commercialisation of several new products introduced during the second half of FY 2003.

This GU regularly receives requests from global players in the pharmaceuticals and agro chemicals industry to undertake research and provide molecules customised exactly as per their requirements. During FY 2003, the CRAMS GU initiated development work for 40 new clients of which 29 are international pharmaceutical companies. Ten new products were added to the portfolio of this GU to meet the growing demand of its customers.

Through this GU, Jubilant acts as a 'one-stop shop' for pharmaceutical and agro chemical companies, offering services right from the early stage development phase to commercial production, which include product development, process development and technology scale-up with in-house research and integrated engineering capabilities complying quality and environmental regulations. This GU offers seamless scale-up from grams to metric tonne quantities.

The GU's strength lies in its chemical process capabilities which include cyclocondensation, esterification, Grignard reaction, Hoffman bromide reaction, Balz-schiemam reaction, ammoxidation, nitration, Hanzch synthesis, dealkylation, oxidation, dehalogenation, ehoxylation, halogenation, reduction, methylation/alkylation, aromatisation, phosphate esters/POCL3 handling, quarternisation, Sandmeyer reaction, dehydration, hydrogenation, diazotisation, ketene and diketene derivatives, stereo selective, transesterification, fermentation, hydrogenation, Claisen condensation and bio-conversion.

The GU has international standard lab and pilot (kilo lab) facilities, multi-purpose production facilities, in-house design and engineering capabilities and analytical testing facilities. Jubilant also has a strong team to address IPR and regulatory issues. During the year, the GU enhanced its expertise and used its multi-purpose production facility to manufacture several new products.

This will continue to remain a strategic focus area and the Company is investing in setting up another kilo lab to better service the needs of its increased customer base. The kilo lab will be used to develop processes and manufacture new molecules that are in scale-up stages.

The future outlook for this GU is very encouraging. It has a strong and robust new products pipeline, and it has also strengthened its batch manufacturing capabilities to service the needs of a growing customer base.

Advanced Intermediates

The sales of this GU were Rs 1,152 million in FY 2003, registering a growth of five per cent over the previous year. Exports accounted for 59 per cent of this GU's turnover, having grown by seven per cent from last year. Over the years, this GU has built strong technological edge in the area of Pyridine chemistry and is today the second largest global manufacturer of Pyridine and its derivatives. With the addition of new products like 2-Cyano pyridine and 4-Cyano pyridine, this GU is expected to grow at an accelerated pace in the future. This business has complete backward integration for critical raw material inputs like Acetaldehyde and Formaldehyde and therefore enjoys excellent cost advantages.

Nutrition products

This includes two GUs – vitamins and animal nutrition products.

The sales of the vitamins GU are entirely to the export markets, and were Rs. 69 million for FY 2003, recording a 128 per cent growth over the previous year. This GU manufactures vitamin B (Niacin and Niacinamide) in two grades - USP for human consumption and feed grade for mixing with animal feed. Vitamin B is used as an ingredient in pharmaceuticals and OTC Vitamins. This market is estimated at 28,000 MT per year with an annual growth rate of seven per cent. This unit represents a value addition to our existing 3-Cyano pyridine.

The animal nutrition GU manufactures and markets mainly feed additives for poultry, cattle and aquaculture industry. The sales of this GU were Rs 282 million for FY 2003. Despite a slowdown in the poultry segment, which was aggravated by drought conditions during the year, the Company's animal nutrition sales grew by 10 per cent over the last year. During the year, the unit successfully added products for aqua feed as well. Exports accounted for 47 per cent of this GU, growing by 11 per cent over the previous year. The Company has increased this GU's product offering and sales staff to increase geographic coverage and strengthen distribution. The Company plans to expand the GU's global footprint by entering the markets of Central and East European countries. In the domestic market, the aqua segment is showing signs of a promising recovery and the Company has negotiated an annual contract with a large manufacturer.

PERFORMANCE CHEMICALS DIVISION

The sales of this division were Rs 1,440 million during FY 2003, recording an 11 per cent growth over the previous year, and accounted for 20 per cent of Jubilant's total net revenues.

The performance chemicals of the Company are used by diverse industries like pharmaceuticals, construction, textile, paper and packaging, tyre and food and beverages. The operating margins of this division have been under pressure due to increase in the price of raw materials consumed, which has not been passed on to the end consumer.

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

- Coatings
- Food polymers
- Industrial adhesives
- Textiles
- Latex
- Speciality gases
- Consumer products

The GU-wise performance of this division is described hereunder:

Coatings: This GU offers polymer-based coatings used by the paint and construction industry. The growth in this GU during FY 2003 was driven by the strong performance of the domestic paint industry. The Company's focus on key accounts and consistent product quality enabled the unit to post encouraging results though due to increased competition, margins were under pressure. The GU is developing innovative new products for exterior applications, which are the fastest growing end use category for coatings. The Company has also taken specific initiatives to enable this GU gain inroads in select international markets, which is likely to contribute towards its growth in the coming years.

Food polymers: This GU manufactures and markets solid Polyvinyl Acetate (PVA), which is used as base in chewing gums and bubble gums. The sales growth of this GU was driven largely by exports during FY 2003. The GU achieved a major breakthrough in exports during the year, with supplies of solid PVA commencing to a large European customer. The Company has also joined the European Association of Chewing Gums Industry (EACGI) in order to keep itself abreast of latest developments, trends and innovations in the global chewing gum industry. This GU is presently developing customised grades for international customers based in Europe and USA. Keeping in view the competencies of the Company and the large target market, the Company is confident of continued progressive performance by this GU in the future.

Industrial adhesives: The products of this GU cater primarily to the paper and packaging industry. This GU's growth is being driven by introduction of new products, aggressive marketing, competitive pricing and excellent technical support to customers. During FY 2003, the industrial adhesives GU introduced nine new products and successfully undertook export efforts, with its products gaining acceptance in Asia and Africa.

Textiles: The textile chemicals GU continued to record volume growth in FY 2003, although prices and margins remained under pressure. This GU has revised its business focus with greater emphasis on printing binders and non-woven binders while consciously moving out of finishing agents. The GU has also met with initial success in developing nearby export markets. New products launches, exports and operational efficiencies will drive this unit's future growth.

Latex: This GU concentrated on getting product and manufacturing facility approval from both Indian and international clients during the year. These approvals will form the basis for future growth. Exports accounted for 29 per cent of this unit's net sales in FY 2003 and during the year, the unit received multiple new approvals for bulk supplies from several customers in Europe, China and the Middle East. The GU also introduced the sampling for approval process for cold SBR latex with major users in the Asia Pacific region, Europe and USA.

Speciality gases: The growth in the sales of this GU was driven by increased sales to the beverages segment. During FY 2003, Jubilant entered into an agreement with an international manufacturer, wherein their CO2 plant is leased to Jubilant for the supply of liquid gas to them and also for catering to Jubilant's own growing customer base. This will enable the Company to overcome seasonal cyclicalities by enhancing the plant's capacity utilisation during the lean season and will also help improve our service levels to customers during the peak season.

Consumer products: This GU markets a range of products for woodworking solutions and footwear adhesives. The woodworking solution business continued to record double-digit growth in net sales in FY 2003. Growth in both revenues and market share was achieved through a successful re-branding exercise and innovative distribution initiatives. The new brand 'Jivanjor' found ready acceptance in the marketplace and was supported by multiple region and product-specific sales promotion initiatives. Going forward, the Company will concentrate on an effective communication strategy to complement our efforts in the field. Jubilant will also be focusing on realising the export potential for the Jivanjor product line. The GU also manufactures a range of footwear adhesives, which include rubber and PU-based adhesive systems.

ORGANIC INTERMEDIATES DIVISION

Accounting for 42 per cent of the total net revenues, this is Jubilant's largest business division. The net sales for FY 2003 were Rs. 2,971 million, recording an increase of 13 per cent from last year due to strong performance of two of its major products – Ethyl Acetate and Acetic Anhydride. Ethyl Acetate is used in the packaging industry which recorded healthy growth globally. Pharmaceuticals and agrochemicals industry continued to grow, which helped the growth of acetic anhydride as this product is a major ingredient for Paracetamol and Aspirin – well known drugs and Acephate, a popular agrochemical.

Exports accounted for 37 per cent of its sales recording a growth of 169 per cent over the previous year. This growth was achieved primarily due to the Company's focus on improving the quality of Ethyl Acetate and bringing it up to global standards, which allowed the division to compete successfully in the European market. Additionally, the Company successfully forayed into export markets for food grade Acetic Acid, acquiring customers in South East Asia.

The products of this division are used by a wide spectrum of end user industries including pharmaceuticals, agrochemicals, construction, paper and packaging, textiles and food and beverages.

AGRI-PRODUCTS DIVISION:

This division had net sales of Rs. 493 million during FY 2003, having grown by eight per cent over the previous year, and accounted for seven per cent of the Company's net sales. The products of this GU include Single Super Phosphate (SSP), organic manure, sulphuric acid and agro chemicals.

Aggressive field promotions and improved distribution and availability drove the growth in SSP sales during the year under review, while expansion of use of organic manure into additional crops like potato, paddy and vegetables fuelled its sales.

New initiative on Agrovet sales: From March 2003, the Company has combined the sales and distribution infrastructure for the animal nutrition

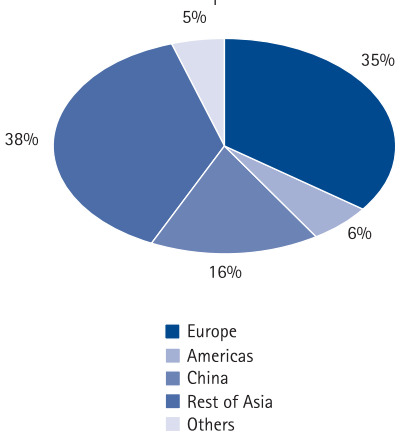
and plant health businesses to form a comprehensive and robust resource that will be leveraged to expand market presence and facilitate the launch of new speciality products.

The positive trend in this division is expected to continue, subject to a good monsoon. The Company expects SSP consumption to increase due to current trends emphasising crop diversification. The division will also focus on enhancing the reach and acceptance of its Ramban organic manure, which has properties that reduce the pollution load of the soil. Backed by innovative marketplace activities, increased geographic coverage and expanded production due to de-bottlenecking of manufacturing operations, this division is poised for a larger role in the Company's overall growth.

INTERNATIONAL BUSINESS

Jubilant has identified exports as a key future growth driver. It has already established itself as the largest domestic speciality chemicals company. It is also India's largest exporter of speciality chemicals. Globally, Jubilant is the second largest manufacturer of Pyridine and its derivatives and seventh largest manufacturer of Vinyl Pyridine Latex. During FY 2003, the Company expanded the capacity for solid PVA to become the third largest manufacturer of this product globally. Its international position is sustainable and strong in terms of its R&D expertise and manufacturing capabilities, enabling it to cater to the growing global demand for speciality, life science and fine chemicals.

Global market sensitivity to value-added products at competitive costs gives Jubilant a natural edge in the global markets. Exports, driven by the Company's ability to provide customised and cost-effective solutions, have continued to post progressive performance in FY 2003, increasing by 66 per cent over last year to reach Rs. 1,964 million. Exports have been an important performance driver for Jubilant and have grown at a CAGR of 72 per cent during the last three years. Market expansion and new product introductions have been the drivers of this excellent performance. New products introduced during the last five years contributed 36 per cent of export sales.



International Business

Currently, Jubilant serves customers in more than 50 countries across the world. Europe is the single largest export market for Jubilant and has grown by 33 per cent over the previous year. China has been one of the fastest growing markets and accounts for 16 per cent of the Company's exports. The rest of Asia and Australia account for 38 per cent of Jubilant's exports while the Americas contributed six per cent and other countries five per cent of the Company's exports. Going forward, the Company will focus on strengthening its presence in the regulated markets of the Americas, Europe and Australia and will continue to leverage China and the Middle East. The Company has already taken a step towards this end by establishing a subsidiary in the US. The Company also has in place an extensive international distribution network to effectively cater to its international customers. Its office in China, along with several agents and distributors in various other countries, will further support the Company's export efforts.

The Company has been recognised for its outstanding performance in exports and has received the award for Best Exporter of Speciality Chemicals from India from Chemexil, the export promotion council for the Chemical industry.

Business Model and Growth Strategy

Jubilant has built a business model that facilitates independent operation and growth within the different business segments. The business model has been developed to enable strong focus on both the organisation's growth strategy and effective business management. This structure also aids creation of a performance matrix that facilitates accurate monitoring and measurement of the business initiatives.

The Company has horizontally categorised its business into the bulk chemical business and the high value pharmaceutical and speciality chemicals business. It has long-standing experience in the manufacture of Acetyl-based chemicals and has established itself as a domestic market leader in this segment.

The vertical segmentation of the Company's business operations into four independent divisions (Pharmaceuticals and Life Science Chemicals, Performance Chemicals, Organic Intermediates and Agri Products) allows it to create distinct growth businesses, with each division having its own independent charter for growth. Such a segmentation of its business divisions provides a clear operating constitution to the management and empowers them with the freedom and flexibility to nurture and grow individual business divisions, while leveraging synergies across divisions and maintaining focus on the overall corporate growth objectives.

Further, the entire portfolio has been divided into growth units (GUs) along key industry segments. The purpose of this realignment is to ensure superior customer service and enhance business focus throughout the value chain, from strategy to execution. This will also enable the Company to reorient its competencies and expertise in order to serve its customers in a more effective manner and tap new opportunities in these key segments.

Business divisions	Growth units	End use industry segments
Pharmaceuticals and Life Science Chemicals	• Pharmaceuticals • Custom Research and Manufacturing Services (CRAMS) • Advanced Intermediates • Nutrition products	• Pharmaceuticals • Agrochemicals
Performance Chemicals	• Coatings • Food Polymers • Industrial Adhesives • Textiles • Latex • Speciality gases • Consumer products	• Paper and packaging • Textiles • Construction • Tyres • Footwear • Food and beverages • Engineering
Organic Intermediates	• Acetyls	• Pharmaceuticals, agrochemicals, textiles, packaging, construction
Agri Products	• Fertiliser and organic manure • Agrochemicals	• Agrochemicals

Across the four business divisions, exports, R&D driven innovation and operating efficiencies have been identified as key growth drivers. The growth in exports maps the strategic focus on pharmaceuticals and speciality chemicals. Jubilant has established a global presence in defined segments and product categories. One of the principal facilitating factors for the focus on pharmaceuticals and speciality chemicals has been the result-oriented R&D programme of the Company, which has enabled it to identify and address emerging global opportunities in high growth segments. In addition, the strong base that the Company has established in the bulk chemicals business has enabled it to effectively pursue a strategy of leveraging its inherent technical expertise and research capabilities to evolve into a high-value pharmaceuticals and speciality chemicals manufacturer on a global scale. This will help in enhancing the contribution of speciality chemicals component across all its business divisions. With a view to sustain its position in the international markets, the Company has created global scale manufacturing facilities and continuously endeavours to enhance its operating efficiencies to provide high quality customised solutions to its customers at competitive prices.

GROWTH STRATEGY

The Company's strategy of being a knowledge-led global player has been the true guiding force and the key enabler behind its progressive performance over the past five years. Jubilant has already established its position as the country's largest manufacturer of speciality chemicals and a leading manufacturer of select APIs. The Company has a well–defined strategy to become a dominant global player in the pharmaceuticals and speciality chemicals industry, which is based on leveraging its core competencies – formidable application-led R&D expertise, integrated manufacturing capabilities and a strong understanding of and dominant presence in the domestic and global markets.

Jubilant has in place a highly qualified and capable management team that is confident of pursuing the corporate growth strategy to explore and exploit new growth opportunities on a global scale, boost profitability and deliver increasingly improved overall performance.

Industry and Business Outlook

In this section, we present our perspective on the future outlook of the business. These are based on certain assumptions and expectations of future events. It is organised in two parts: industry outlook and company performance outlook. The next section lays our perspective on the industry.

INDUSTRY OUTLOOK

The knowledge-based areas of pharmaceuticals and speciality chemicals, where Jubilant's business focus is, have shown a healthy growth trend and continue to possess strong potential. In the pharma sector, the global market for generics was approximately $27 billion in 2001 and has grown at an average rate of 8 per cent p.a. Besides, several large-selling drugs with global sales of around $82 billion are expected to go off patent by the year 2007, opening up substantial opportunities for industry players with competencies in manufacturing APIs.

Driven by the objective of lowering costs of medicines without compromising on quality, global pharma companies are increasingly looking to outsource manufacturing. This presents tremendous opportunities for the Company in the area of APIs, Advance Intermediates and CRAMS for pharmaceuticals.

Although the basic chemicals segment continues to be the largest one within the Indian chemical industry, there is a visible shift in favour of speciality and knowledge chemicals (source: report on the Indian chemical industry by KPMG India, 2003). The pharmaceuticals, biotechnology and speciality chemicals segments are likely to experience higher growth than other segments in the coming years. The knowledge segment is the fastest growing segment of the Indian chemical industry and is expected to spearhead the expansion in India's share of the global chemicals market.

PERFORMANCE OUTLOOK

The Company has emerged as a player of global stature in the high value added speciality and life science chemicals business, with dominant positions in defined product categories. It has built multiple key customer relationships globally by providing customised, cost-effective solutions in concurrence with international quality standards. Going forward, Jubilant's revenues and earnings will be driven by its strategy of leveraging these strengths as well as its inherent expertise and capabilities in application-led R&D and integrated manufacturing to evolve into a high-value speciality chemicals producer on a global scale. Across its business divisions, the Company is focusing on enhancing the contribution of the speciality component as well as exports, and expects this to yield positive results. Based on these initiatives, the Company is targeting to increase revenues in line with growth in the past.

Operational excellence

Operational excellence is a continuous process at Jubilant, and plays a critical role in building and sustaining the Company's competitive advantage. The Company's efforts to achieve operational excellence are guided by its focus on attaining cost leadership, proper execution of business strategy; and aligning its manufacturing, logistics, procurement, sales and marketing efforts around customer centric business processes.

An integrated programme of operational excellence under the theme of "Building a New Bottom Line" was launched last year. It covered several cost saving and business process improvement initiatives undertaken in the areas of transportation, warehousing, material handling, packaging and sourcing.

Increasingly, Jubilant is procuring materials for maintenance, repair and operations through e-commerce. This has resulted in speedier processing at lower cost. It is also improving its interactions with vendors by setting in place a structured and comprehensive vendor audit process. Continuous performance evaluation of vendors and the processes, techniques and controls used at their end enables the Company to realise benefits in terms of cost, quality and delivery.

A complete and comprehensive review of our fleet operations has helped us improve our ability to ensure on-time delivery to customers.

Manufacturing efficiencies initiatives launched during the year, targeted at improving process yields, shortening cycle time, reducing energy consumption and minimising waste water generation, have resulted in substantial savings. During FY 2003, the cost of power and fuel as a percentage of net sales decreased from 11.8 per cent in FY 2002 to 10.5 per cent.

The implementation of business process improvement, driven by effective application of technology, has enabled Jubilant to identify and reinforce associated control gaps for key business processes. It also helped review and strengthen the role and scope of the internal audit processes and has allowed the Company to redefine certain key performance indicators and work flows in line with global best practices. These business process changes were incorporated in the Company's Baan ERP system for continuous reporting and monitoring.

Research & Development

The Company's total R&D expenditure during the year under review was Rs. 84 million compared to Rs. 34 million last year. As a percentage of net sales, the R&D expenditure has increased from 0.6 per cent last year to 1.2 per cent in FY 2003. When compared to net sales from speciality chemicals alone, where most R&D efforts have been focused, the R&D expenditure of the Company has grown from one per cent of Speciality Chemicals net sales last year to 1.8 per cent in FY 2003. During FY 2003, 28 per cent of the Company's net sales have been contributed by products that were introduced over the last five-year period, compared to 25 per cent in FY 2002.

The Company has about 150 scientists dedicated to the R&D function at its state-of-the-art facilities including the R&D centre, the kilo lab and pilot plants. The Company will increase the R&D manpower to around 175 scientists by the end of the year to give a boost to R&D-led businesses of API and CRAMS. The R&D efforts have resulted in Jubilant filing nineteen patent applications in the US and other countries, of which three have already been granted. Jubilant's quality and environmental systems have received recognitions such as ISO 9001:2000 standards, DSIR India certification for R&D, ISO 14001 certification at Gajraula plant and US FDA approval of Carbamazepine plant in Mysore.

Jubilant is investing Rs. 150 million for a new state-of-the-art R&D facility near its corporate office in Noida and for the expansion of the kilo lab and pilot plant facilities in compliance with international standards.

Over the past five-year period, the Company has introduced 111 new products as a result of R&D work, and R&D-driven process efficiencies and improvements have contributed to substantial savings.

In R&D technologies, Jubilant derives strength from its niche expertise in widespread cost-effective reaction capabilities. The Company's R&D team is designed in groups to maximise focus on key deliverables. Its Chemical Research Group is fully focused on analytical research. The Chemistry Services Group develops novel chemical synthesis for Advance Intermediates for APIs and NCEs in mg to kg quantities for drug discovery, pre-clinical and clinical studies. The APIs and Intermediates Group develops APIs and Advanced intermediates and also offers custom synthesis and toll manufacturing.

The IPR Group continuously monitors patent status for all products and co-ordinates patent filing and patent infringement issues worldwide. The Regulatory/Compliance Group responsible for monitoring and auditing our laboratories, kilo labs, and pilot plants, is also responsible for filing DMFs, COS etc in various countries.

Risk Management

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

Risk management is an essential aspect of all business processes at Jubilant. 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.

This year onwards, Jubilant has decided to adopt the corporate sustainability approach to ensure sustained value creation.

Corporate sustainability is a comprehensive business case approach focussed on opportunities and risks. It is also referred to as the "Triple Bottom Line" as it is about meeting the economic, ecological and social needs. This approach helps in ensuring a wider stakeholder engagement, which in turn leads to improved information and decision making. This approach is interactive, measurement oriented and helps to improve innovation, create new options and build competitive advantage.

In view of Jubilant's occupational profile, it is imperative that adequate measures are taken to address potential product and environment issues. The Company's manufacturing facilities and processes have been endorsed by 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. Jubilant is committed to the well being of its employees and sensitive environmental issues. The management has developed guidelines on handling hazardous chemicals, industrial safety and environment protection to ensure that risk is minimised while treating / managing high-risk chemicals.

To ensure that risks are kept within reasonable limits, the Company has 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 a premier consultancy organisation in the country. An action plan is being drawn up to implement the various recommendations made for further improving the safety standards at the unit.

Jubilant is alert to the risk of forex fluctuation and takes adequate coverage to hedge the same. The Company also takes advice from expert consultants from time to time. Additionally, this year the company has formed a new cell, which focuses on enabling efficient treasury operations.

Jubilant's strategy focuses on growing the speciality chemicals business, which will reduce its dependence on bulk chemicals where prices tend 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 Indian market will be more accessible to international competition. However, this increased competition is not expected to have any negative impact as the prices in Indian market are already lower than import parity due to extensive local competition.

FUTURE OUTLOOK OF MOLASSES AND ALCOHOL

Molasses and alcohol are important raw material inputs for the Company and constituted 21.6 per cent during FY 2003. In view of the seasonality associated with production of molasses, the Company has invested in storage capacities for molasses so that it can efficiently procure during the season and ensure optimum procurement costs throughout the year. For alcohol, Jubilant has arrangements with several distilleries in both Uttar Pradesh and Maharashtra for procuring alcohol. It also has access to global markets for alcohol. The Company has invested in storage capacities for alcohol also. Jubilant is, therefore, confident that its procurement strategy provides a well evaluated advantage in terms of raw materials management.

Perspectives on the gasohol programme

There has been some debate on the issue of gasohol and there have been suggestions that the chemical industry would be adversely impacted. However, the long-term sustainability of the gasohol programme is dependent upon various issues, some of which are enumerated below:

- There are several challenges to the gasohol programme, both, economic and logistical. The alcohol for fuel is priced higher than the ex-factory production price of petrol. Besides, the blending of Ethanol with gasoline would have to be done at units distributed across the country, which is a big logistics challenge and requires huge infrastructure.

- In countries like Brazil where gasohol programmes have been implemented, there is a surplus of alcohol unlike India. In India, the total alcohol produced is evenly consumed by the potable and industrial-use sectors and any surplus has been exported to earn valuable foreign exchange. Diversion of alcohol to other uses may result in imports of alcohol and a net outflow of forex.

- Production and usage of alcohol as fuel is not energy efficient

  Use of ethanol as auto fuel is likely to result in poor mileage as it contains only about two-thirds the energy as gasoline. (Source: US Agricultural Department 1986 study report)

  About 70 per cent more energy is required to produce ethanol than the energy that is actually inherent in ethanol. This means that for every gallon of ethanol produced, there is a net energy loss of 54,000 BTU. (Source: Dr Pimentel, Chairman, US Department of Energy)

- Gasohol is more polluting than gasoline. Tests conducted by the US Environmental Production Agency and the US Department of Energy show substantial increases in evaporative hydrocarbon emission from cars using gasohol compared to gasoline. Besides, the US Agricultural Department report also concluded that ethanol blends gave five to 20 per cent more air emissions than gasoline.

As is evident from the above perspectives on gasohol, there are multiple challenges before such a fuel programme can be implemented. Irrespective of that, the Company has access to easily available alcohol in the international markets, imports of which can be covered by exports of finished products, and the gasohol programme is not expected to have any significant impact on the Company's operations.

Internal Control Systems

The Company has a well-entrenched system of internal controls to ensure optimal use of resources and protection thereof, accurate and speedy compilation of accounts and management information reports and for compliance with laws and regulations. The advanced internal control mechanisms are sufficiently detailed to alert the business divisions of the impending risks at an early stage.

Extensive internal audit is carried out continuously for the 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 Audit Committee of the Board of Directors also periodically reviews audit plans, internal audit reports, significant risk areas, assessment and adequacy of internal controls.

To ensure internal controls are effectively executed, there are various committees to review at pre-defined frequencies. These include the committees for supply chain, purchase and the capex. Besides, the performance of each business unit is reviewed every month by the CMDs & EDs and each functional division's performance is reviewed quarterly.

The Supply Chain Committee meets every week to initiate, review, monitor and approve key aspects of operations. The focus areas for the committee include working capital management, pricing, planning and procurement. The Purchase Committee is focussed on ensuring the most efficient procurement and meets twice in a week to review the status of all purchase needs. The Capex Committee approves investment decisions while ensuring adequate return on capital employed. The committee reviews and approves all capex investment and meets weekly. It continually monitors and reviews the performance of all projects including post completion audit.

Environment, health and safety (EHS)

Jubilant has met the targets set for environment, health and safety for the year 2002-03. The Company has also taken steps to publish its first public report on corporate sustainability covering the triple bottomline of EHS, Economics and Society in conjunction with this annual report. This report provides a detailed account of Jubilant's performance in the field of eco-efficiency, environment, health and safety and corporate social responsibility. The key achievements in the areas of environment, health and safety are:

Environment: The main feedstock for Jubilant's product line is molasses, a renewable bio-mass, which makes the manufacturing approach inherently eco-efficient. The Company efforts have resulted in reduction in specific energy consumption by 20 per cent, specific water consumption by 35 per cent and increase in recovery from renewable fuels by about 100 per cent over the last five years. The Company has also been focusing on developing products that have less impact on the environment during its manufacturing and use.

Jubilant's efforts towards upgrading environment management facilities have resulted not only in the Company being fully environmentally compliant but also in reduction of discharge into the nearby environment. The plants at Nira and Nanjangud have already achieved zero discharge norms whereas at Gajraula the level of effluent discharge has come down to about 20 per cent of what it used to be five years ago. This unit is also expected to achieve zero effluent discharge in the next three years.

Safety: The Company has stringently followed safety norms at its manufacturing locations, resulting in a very low level of incidents. During the year, there has been only one major accident due to which one person remained out of work for two months. The number of road accidents involving the Company's transport vehicles has come down from an average of four per 10,000 tonnes of product transported per year four years ago to just one per 10,000 tonnes in FY 2003.

Health: Continuous efforts are made to keep the dust, gases and noise levels in work place environment at all the manufacturing locations to the minimal level. All employees undergo periodic medical check-ups and so far no major occupational illness has been identified.

CORPORATE SOCIAL RESPONSIBILITY

The Company considers the community around its area of operations as an important group of stakeholders. Apart from improving its environment performance that automatically reduces impact on the neighbouring community, the Company has also been working in the areas of health care, child welfare, women education and skill development programmes for the benefit of adjoining communities in order to improve their quality of life.

In a pioneering initiative, the Company regularly organises "Community Meets" where representatives of the local community are invited for detailed interactions, where efforts made by the Company in the area of environment and safety are showcased. These meets have been extremely useful in receiving continuous feedback from this important group of stakeholders, which enables us to fine-tune our community work to better meet their needs.

Human Resources

From the HR perspective, the Company has set its vision to be a globally benchmarked organisation with the best people processes and management practices and set examples for others. The Company is committed to further improve its HR practices during the coming year and move closure to its stated vision of being one of the top 10 employers of the country.

To attract and retain talent across functions and levels, Jubilant launched its "K-edge" initiative at all premier Business Schools and Technical colleges across the country, targeting potential business managers and engineers who could be groomed for future roles within the organisation.

One of the stepping stones towards transformation has been goal setting for the entire organisation, which was derived from the Company's business strategies. The entire performance management system and the reward system has been revamped, bringing in more transparency and fostering a performance-oriented organisational culture.

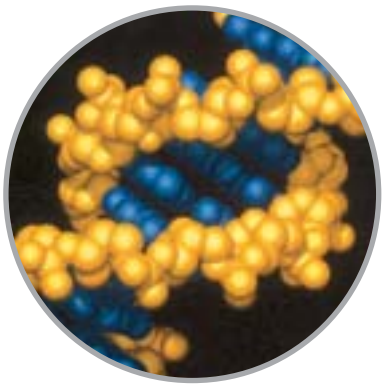
The capability enhancement programmes of the Company were dovetailed with the skill gaps identified through the performance management system. The Company conducted 4991 man days of both behavioural and product training during the year. Employees have been identified as the major stakeholders with respect to attaining sustainable development. Therefore, apart from skills enhancement, sustainable development has been an ongoing process wherein the Company brings in a culture that enables employees to maximise their productivity and improve their quality of life.

To further increase transparency within the HR systems and processes, activities and information such as appraisal, leave management, income tax computation, salary details and HR manual were made accessible to employees online. This, the Company believes, is just the beginning of the journey towards e-HR at Jubilant.

Employee relations have been Jubilant's core strength. During the year, the Company maintained excellent work relations at all its manufacturing locations and did not lose even a single man-day of work due to industrial unrest.

Retention of our highly energised manpower was facilitated by people-oriented policies of the Company and constantly benchmarking best practices in the industry. Jubilant has also been able to successfully prepare employees to evolve and align with the Company's business needs and dynamics.

Jubilant Biosys



Jubilant Biosys was a strategic investment made by the Company two years ago. It is located at Bangalore and recognised by the Department of Scientific and Industrial Research (DSIR) as an R&D company. This company focuses on providing bio-informatics research services throughout the drug discovery and development process.

During FY 2003, Jubilant Biosys developed innovative knowledge-based products that provide bio and chemo-informatic services. Some of these products are Kinase ChemBioBase; GPCR Annotator; Caspase database; Pathways database; Nitrilase and Nitrile Hydratase database.

These databases help accelerate drug discovery processes across various steps on the value chain such as lead identification; lead optimisation and prioritisation; target validation; developing inhibitors for Alzheimer's disease, arthritis and cancer; optimisation of reaction mechanisms and new enzymes discovery. The Company has also initiated discussions with leading international pharmaceutical and biotech companies for drug discovery knowledge base projects.

Cautionary Statement

In this Annual Report statements describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results might differ materially or substantially from those expressed or implied. Important factors that could affect the Company's operations include global and Indian demand and supply conditions, raw material pricing and availability, significant changes in political and economic environment in India or key markets abroad and any litigations.

Dear Shareholders,

The Directors are pleased to present the Twenty Fifth Annual Report and Audited Accounts for the year ended 31 March 2003, reporting a strong performance that continues to be driven by the Company's strategy to focus on high value added speciality and life science chemicals and exports.

FINANCIAL RESULTS

	Year ended 31 March 2003 [Rs/million]	Year ended 31 March 2002 [Rs/million]
Sales and other income	9,716.37	8,694.44
Net sales (excluding excise duty & inter divisional transfer)	7,105.33	5,951.03
Profit before interest and depreciation	1,281.15	877.87
Interest	402.50	407.42
Gross profit	878.65	470.45
Depreciation	237.45	254.33
Profit before taxation	641.20	216.12
Provision for taxation	160.15	(20.10)
Net Profit	481.05	236.22
Profit brought forward from previous year	97.23	93.22
Proposed dividend reversed	3.19	
Profit available for appropriation	581.47	329.44
Which the Directors have appropriated as follows :		
- Proposed dividend on equity shares	65.99	58.18
on preference shares	-	3.66
- Tax on dividend on equity shares	8.45	-
on preference shares	-	0.37
- Transfer to general reserve	50.00	120.00
- Transfer to capital redemption reserve	-	50.00
Balance to be carried forward	457.03	97.23

DIVIDEND

The Directors recommend a dividend of 90 per cent on fully paid up equity shares of face value Rs. 5/- each, for the year ended 31 March 2003, reflecting the Company's tradition of enabling shareholders to participate in its progressive performance.

OPERATIONS

Financial year 2002-2003 has been a year of growth and positive change, with value-added knowledge-led products driving revenues and earnings expansion. The Company's net sales recorded a growth of 19 per cent to Rs. 7,105.33 million in FY 2003 as compared to Rs. 5,951.03 million in the previous year. Revenues from exports increased 66 per cent to Rs. 1,964.29 million from Rs. 1,184.77 million, as the Company aggressively explored new export markets and expanded existing ones in the US, Europe and China. Operating margins increased to 18 per cent from 15 per cent last year, on the back of improved operating efficiencies, active supply chain management and higher sales of value added products and exports.

- Net sales advanced by 19 per cent to Rs. 7,105.33 million from Rs. 5,951.03 million.
- Exports sales expanded to Rs.1,964.29 million from Rs. 1,184.77 million, a growth rate of 66 per cent.
- Operating profit increased to Rs.1,281.15 million (18 per cent of net sales) from Rs. 877.87 million (15 per cent of net sales), a growth rate of 46 per cent.
- Profit before tax improved to Rs. 641.20 million (9 per cent of net sales) from Rs. 216.12 million (4 per cent

of net sales) an increase of 197 per cent.

• Profit after tax, increased to Rs. 481.05 million (7 per cent of net sales) from Rs. 236.22 million (4 per cent of net sales), an increase of 104 per cent.

The FY 2003 results of the Company include seven months operations of Active Pharmaceuticals Ingredients (API) business acquired from Max India Limited during the year.

ACQUISITIONS

Jubilant Organosys is focused on building a high value-added pharmaceuticals and speciality chemicals business by providing customised and cost effective solutions to global customers, backed by intensive marketing efforts, focused research and an increasing scale of operational efficiencies. In line with this strategy, the Company acquired the API business of Max India Limited with its facilities at Nanjangud, Mysore. The Company's entry into the API business is a complementary extension of its current position and will lead to an enhancement of its business portfolio. The API business of Max India Limited has been transferred on 31 March, 2003 with the economic benefits accruing to the Company from 01 September, 2002 (as the said business was run by Max India in trust for the Company during September 2002 to March 2003). Accordingly, the financials of the Company include seven months (September 2002 – March 2003) results of the acquired API business. This acquisition is complementary to the company's speciality chemicals business, facilitates the company's rapid entry into the high growth API business and reduces the learning curve. The acquired API business has US FDA, TGA of Australia and Europe CoS approvals.

The Company also entered into an MOU with Triumph Distillers and Vintners Pvt. Ltd. (TDV) for the bottling facility of UDV India Limited (UDV) that is located at Nira, Maharashtra for a consideration of Rs. 27.50 million. The acquisition is subject to UDV India Ltd. transferring the potable liquor licence in the Company's name and TDV entering into a contract with the Company for bottling and supply of extra neutral alcohol.

MERGER

The two subsidiary companies, Vam Investments Limited and Vam Leasing Limited merged with the company w.e.f. 01 April, 2002 by virtue of the approval of Scheme of Amalgamation by Hon'ble High Court of Judicature, Allahabad and High Court of Delhi, Delhi. As a result of the amalgamation, the share capital of the Company has reduced to Rs.73.33 million from Rs. 77.60 million.

SUB-DIVISION OF SHARES

During the year, the Company decided to sub-divide each fully paid-up share of Rs.10 into two shares of Rs. 5 each, fully paid-up, with the objective of providing its shareholders the benefit of improved liquidity in the Company's stock. The sub-division became effective from 22 November 2002.

ADDITIONAL INFORMATION TO SHAREHOLDERS

In keeping with its continued commitment to the high standards of corporate governance, your Company has voluntarily decided to compile and present financial statements that conform to US GAAP.

In line with the "Promise" of "Caring, Sharing, Growing", your Company has adopted a Corporate Sustainability Management System during the year under review. This would enable your Company to reduce industrial risks, improve operating efficiencies and enhance innovative capabilities, thereby minimising overall business risk and adding to shareholder value. Your Company has prepared its EHS (Environment, Health and Safety) Report that covers salient features of EHS management performance as well as the path forward for the future.

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:

• that in the preparation of annual accounts, the applicable accounting standards have been followed along with 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 on 31 March 2003 and of the profit and loss of the Company for the year ended 31 March, 2003.

- 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 31 March 2003 was Rs. 338.68 million. There were no overdue deposits. There were, however, 971 unclaimed deposits amounting to Rs. 13.53 million. Of these, 329 deposits amounting to Rs.4.34 million have since been repaid/claimed.

DIRECTORS

Mr. H. S. Bhartia, Mr. S. N. Singh and Mr. Shyam Bang, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

During the year Dr. J. M. Khanna, well known within the Indian pharmaceutical industry, joined the Board of Directors of the Company. As Executive Director & President – Life Sciences, he would spearhead the Company's foray into the Active Pharmaceutical Ingredients business.

Mr. Surendra Singh, who has held several key positions in the Indian Government as well as the World Bank, joined the Board as Independent Director.

Padma Bhushan Dr. Naresh Trehan, a renowned Cardiologist, joined the Board as Independent Director during the year.

PARTICULARS OF EMPLOYEES

As required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure included in this report.

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.

MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE

Separate Notes on Management Discussion & Analysis and Report on Corporate Governance are annexed to this report.

AUDITORS

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

Your Directors acknowledge with gratitude the co-operation and assistance received from government authorities, financial institutions, banks and other lenders. Your Directors thank the shareholders, depositors, customers, vendors and other business associates for their continued support. The Board wishes to place on record its appreciation to the contribution made by employees at all levels.

FOR AND ON BEHALF OF THE BOARD

NOIDA
09 May 2003

S. S. Bhartia
Chairman and Managing Director

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) Installed and commissioned high efficiency screw type air and nitrogen compressors to replace lower efficiency reciprocating type compressors.

(ii) Installed high efficiency trays in Ethyl Acetate plant for improving steam consumption norms and increasing capacity.

(iii) Maximised 8 Kg/cm2 steam from TG extraction instead of let down steam.

(iv) Improvised operation and maintenance controls to reduce steam and power consumption in process plants.

(v) Reduced RFO consumption in oil / gas fired boiler.

(vi) Reduced coal consumption through use of biogas and organic residue for steam generation.

(vii) Commissioned ammonia recovery unit for R-3 in Pyridine plant.

(viii) Utilising RFO sludge from DG-House in incinerator.

(ix) Improved operation to stop CO2 blower in distillery.

(x) Utilised biogas in furnace of multi purpose plant.

(xi) Replaced old blower of the boiler by a new energy efficient blower.

(xii) Installed computer-based power-monitoring system for better management of load.

(xiii) Installed plate heat exchanger for brine chiller and improved the operating efficiencies.

(xiv) Provision of stand-by PHE for fermented wash pre-heating in Distillery was made.

(xv) Provision of acid and alcohol feed pre-heaters in Ethyl Acetate plant with recovery column drain water was made.

(xvi) Improved condensate recovery by replacing faulty steam traps in VAM plant and by providing condensate collection tank and pump in Ethyl Acetate plant.

(xvii) Pre-heating of boiler feed water by using spent-lease generated in distillery.

(xviii) Acid reactor circulation pattern changed from forced to thermosyphon by providing higher capacity heat exchanger and stoppage of circulation pump.

(xix) Intermittent stoppage of chilling unit operation in Ethyl Acetate plant.

(xx) Replaced floating reactors with spare blower in combined effluent treatment plant.

(xxi) Replaced aluminium cooling tower fan blades with FRP blades.

(xxii) Improved operational efficiency of FBC boilers helped in avoiding operation of oil/gas fired boiler.

(xxiii) Power contract demand reduced from 1200 KVA to 1000 KVA.

(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/million]
1.	Utilisation of exhaust steam from CO2 carbon filter in distillery.	0.08
2.	Use of high-pressure vent gas from Acetaldehyde absorber column for power generation / refrigeration and nitrogen generation.	2.00
3.	Installation of vapour absorption chiller in Pyridine plant	3.50
4.	Reduction in flue gas outlet temperature from 280° C to 170° C in oil-fired boiler.	2.10

S.no.	Proposal for reduction of consumption of energy	Investment planned [Rs/million]
5.	Reduction in unburnt carbon in fly ash from 5.0 to 4.0 %.	1.22
6.	Reduction in steam losses from 4.5 to 3.5 %.	0.35
7.	Reduction in speed of Ethylene compressors (2 Nos.) in VAM plant so as to reduce connected load from 67 to 45 KW.	0.30
8.	Replacement of existing aeration system in EAT of combined effluent treatment plant with diffused aeration system, to reduce power consumption and also to enhance performance.	1.00
9.	Optimisation of the capacity of oil/gas fired boiler.	1.00
10.	Utilisation of biogas in Dowtherm vaporiser in VAM plant in place of LDO.	2.00
11.	Improvement of power factor to get rebate from Gujarat Electricity Board in monthly GEB bill.	0.02
12.	To run corn cob plant maximum during night shift to get night power rebate from GEB	
13.	FRP fan in place of aluminium fan in 3000m^3/hr cooling tower	0.02
	TOTAL INVESTMENTS	13.59

(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 cost.
- Reduction in specific fuel consumption on products.

1. Saving due to conservation of energy : Rs. 50.97 million per annum
2. Saving due to the proposal b(1) to b(13) : Rs. 29.99 million per annum

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

S.no.	Particulars		April 2002 to March 2003	April 2001 to March 2002
	Power and Fuel Consumption			
I.	Electricity			
	(a) Purchased			
	(i) Unit	Kwh	39523057	32402901
	(ii) Total amount	Rs.million	152.13	133.87
	(iii) Rate/Unit	Rs/Kwh	3.85	4.13
	(b) Own generation			
	- Through diesel generator			
	(i) Unit	Kwh	72456110	73134706
	(ii) Units per ltr. of diesel oil (RFO)	Kw/Ltr.	4.16	4.40
	(iii) Cost/Unit	Rs/Kwh	2.70	2.59
	- Through steam turbine generator Unit	Kwh	51486420	49554700
II.	Coal*			
	(i) Quantity	MT	177005	184711
	(ii) Total cost	Rs.million	325.78	347.72
	(iii) Avg. rate	Rs./MT	1840.51	1882.51
III.	Furnace Oil			
	(i) Quantity	Ltr	17413708	17727134
	(ii) Total cost	Rs.million	195.97	165.98
	(iii) Avg. rate	Rs./Ltr	11.25	9.36

* E grade coal is used for power generation and C/D grades coal is used for steam generation.

Consumption per unit of production

			April 2002 to March 2003	April 2001 to March 2002
A.	**Pharmaceuticals and Life Science Chemicals***			
	Electricity	Kwh/MT	552.28	481.49
	Steam	Kwh/MT	13.47	12.54
	Furnace Oil	Ltr/MT	30.41	28.06
B.	**Performance Chemicals**			
	Electricity	Kwh/MT	243.41	274.28
	Steam	Kwh/MT	0.35	0.66
	Furnace Oil	Ltr/MT	43.24	42.75
C.	**Organic Intermediates**			
	Electricity	Kwh/MT	273.65	294.85
	Steam	Kwh/MT	1.75	1.87
D.	**Agri Products**			
	Electricity	Kwh/MT	42.50	45.66

* Figures for April 2002 to March 2003 include figures for acquired API business for 7 months period.

B. TECHNOLOGY ABSORPTION:

(a) Research and Development

The Company has R&D centres at Gajraula, Nanjangud, Samalaya and Sahibabad. These are approved by DSIR, Govt. of India except Samalaya. The Company has 113 R & D employees out of which 30 are doctorates and others are post graduate and graduates. R&D supports the activities of various business groups through new product development, diversification, process development, absorption of technology and establishing the technology on plant scale.

1. **Specific areas in which R&D carried out by the company:**

(i) Pharmaceuticals and Life Science

- Process development of Active Pharmaceutical Ingredients (API) and intermediates.
- Continuous improvements in the processes for the manufacture of APIs.
- Synthesis of new compound for drug discovery, pre-clinical and clinical studies.
- Creation of intellectual property through development of new synthetic routes.

(ii) Advance Intermediaries

- Product process development in the field of pyridine and its derivatives and heterocyclic chemistry.
- Continuous process improvements in the manufacture of key products.
- Chiral compounds
- Other fine chemicals
- Custom Research and Manufacturing Services (CRAMS)

(iii) Biotechnology

- Microbial processes for the treatment of industrial effluents.
- Bio composting.
- Process for the manufacture of speciality and fine chemicals using bioconversion routes.

(iv) Animal Health and Nutrition

- Development in the field of choline chloride and its salts.
- Developing premixes of vitamins, trace mineral, antibiotics etc. for the animal health and nutritional requirements.

(v) Agrochemicals

- Development of processes for the manufacture of agrochemicals.

(vi) Performance Chemicals

- Development of emulsion polymers for use in coating, textile and other industries.
- Development of speciality polymers.

- Development of various adhesives e.g. water based, hotmelts, Polyurethane etc.
- Development of specialised wood finishing systems.
- Development of ethoxylates & emulsifiers
- Development of vinyl pyridine latex and SBR latex.

(vii) Contract Research

- Advance intermediates for pharmaceuticals and agrochemicals.

2. Benefits derived as a result of the above R&D

- Strong position in Science Active, knowledge based businesses.
- Global leadership in select segments of our business.
- Major growth in export of our products.
- National leadership position in most of the segments of our business.
- Competitiveness in cost and quality.

3. Future action plan

- Process developments for identified Active Pharmaceutical Ingredients.
- Process development of new derivatives of Pyridine and other heterocyclic chemicals.
- Development of advanced pharmaceutical/agrochemical intermediates.
- Bio transformations for the manufacture of fine and speciality chemicals.
- Synthesis of chiral compounds.
- Development of research chemicals for pharma/agrochemical Industry.
- Improvements in the fermentation technology and effluent treatment.
- Development of new products in the field of polymers and adhesives for application in coating, textile, footwear, paper, auto, electronic and other industries.
- Development of various surfactants, emulsifiers, and ethoxylates.
- Development of VP latex and 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. million
(a)	Capital	29.42*
(b)	Recurring (R&D expenses/chemicals)	54.31**
(c)	Total	83.73
(d)	Total R & D expenditure as a percentage of total turnover	0.86%

* Rs. 6.33 million is for the divisions approved for Income Tax rebate.
** Rs. 35.63 is approved for Income Tax rebate by DSIR under Section 25(2AB) of Income Tax Act.

(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 optimising /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: Over last five years, your Company has developed 111 new products generating a total revenue of Rs. 2016.4 million for the year 2002-03 contributing to 28 per cent of net sales.

   - Increase in Export: The export has grown at CAGR of 62 per cent over last five years and is at 28 per cent of the net sales for the current year.

   - Import substitution carried out

   - Cost reduction

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
Pyridine derivatives	1998	Yes	Implemented

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports initiatives taken to increase exports, development of new export market for products and export plans are given in the Management Discussion and Analysis.

The information on earnings and outgo of foreign exchange is given in Notes 16(F) to 16(I) appearing in Schedule 'N' to the Accounts.

STATEMENT UNDER SECTION 217 (2-A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2003.

S.NO.	NAME	DESIGNATION	QUALIFICATIONS	TOTAL WORKING EXPERIENCE (YEARS)	DATE OF COMMENCEMENT OF EMPLOYMENT	REMUNERATION (RS)	AGE (YEARS)	PREVIOUS EMPLOYMENT HELD	
								DESIGNATION	COMPANY'S NAME
A.	EMPLOYED FOR FULL YEAR								
1	BANG S.	EXECUTIVE DIRECTOR	M.Tech (Chem Engg.)	30	01-Feb-97	2785688	52	PRESIDENT	ENPRO INDIA LIMITED
2	MALHOTRA M. L.	CHIEF OF R.&D.	M.Sc.	39	16-Dec-85	2461788	60	SECTION HEAD (R&D)	I.E.L. LIMITED
3	SINGH S. N.	EXECUTIVE DIRECTOR	B.Sc.(Chem Eng.)	42	14-Dec-81	3828410	65	GENERAL MANAGER	I.D.P LIMITED
B.	EMPLOYED FOR PART OF THE YEAR								
1	DUA DINESH	CHIEF OF OID & PCD-II	M.B.A., BVSC & AH	22	30-Apr-99	2228123	48	G.M. MARKETING	RELIANCE INDUSTRIES LTD.
2	KHANNA J.M.	EXECUTIVE DIRECTOR	M.S PHD	37	16-Aug-02	2981803	62	PRESIDENT (R &D)	RANBAXY LABORATORIES LTD.
3	R. SANKARAIAH	CHIEF FINANCIAL OFFICER	CA	19	09-Sept-02	1774567	44	G.M. FINANCE	SRF LTD.

a) Company's philosophy

Our promise to all the stakeholders is "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."

In line with this "Promise", your Company has focused on a comprehensive Corporate Sustainability Management System (CSMS). This would enable your Company to reduce industrial risks, improve operating efficiencies and increase innovative capabilities, thereby lowering overall business risk and adding to shareholder value.

Jubilant recognises communication as a key element in the overall corporate governance framework and therefore, emphasises on continuous, efficient and relevant communication through annual reports, quarterly results, media releases and other forms of corporate and financial communications. The Company is engaged in constructive and continuous dialogue with all its stakeholders including investors, lenders, vendors, customers and the local community.

b) Board of Directors

The Board comprises ten Directors out of which five are Non-Executive Directors, two Managing Directors and three Executive Directors. During the year under review, five Board Meetings were held on 03 May, 2002, 17 July, 2002, 4 September, 2002, 16 November, 2002 and 5 March, 2003. The composition of the Board of Directors and attendance of Directors at the Board meetings, Annual General Meeting as also the number of other directorships in Indian public limited companies are as follows:

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	13
Mr. H.S.Bhartia	Yes	5	CCMD	8
Mr. J.B.Dadachanji	No	5	NED/ID	4
Mr. Bodhishwar Rai	Yes	5	NED/ID	14
Mr. Surendra Singh*	No	2	NED/ID	6
Mr. Arabinda Ray	No	5	NED/ID	1
Dr. Naresh Trehan**	No	1	NED/ID	5
Mr. S.N.Singh	Yes	4	ED	1
Mr. Shyam Bang	Yes	4	ED	2
Dr. J.M.Khanna*	Yes	2	ED	-

CMD - Chairman & Managing Director; CCMD - Co-Chairman & Managing Director
NED - Non Executive Director; ED- Executive Director; ID - Independent Director
*Mr. Surendra Singh and Dr. J M Khanna joined the Board on 16 August, 2002
** Dr Naresh Trehan joined the Board on 05 March, 2003

c) Committees of the Board

The Board of Directors has constituted Committees of Directors with adequate delegation of powers to discharge urgent business of the Company. The Committees for corporate governance are (a) Audit Committee (b) Investors Grievance Committee, and (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 discusses

their findings, suggestions, internal control systems, scope of audit, observations of the auditors and other related matters 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 three independent Non-Executive Directors. The Executive Directors are permanent invitees. The Company Secretary is the Secretary of the Committee. The Committee met four times during the year under review and the attendance of members at the meetings was as follows:

Name of the member	Status	No. of meetings attended
Mr. Bodhishwar Rai	Chairman	4
Mr. Arabinda Ray	Member	4
Mr. J.B.Dadachanji	Member	4

2) Investors Grievance Committee

(i) Terms of reference:

The Committee had been formed to address and approve 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 two Non Executive Directors and one Executive Director, namely 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 has 22059 investors. During the year under review, the Company has received 605 (39931 shares) cases of share transfer/transmissions/transposition out of which 526 (33773 shares) were transferred and 79 (6158 shares) were rejected on account of technical reasons. During the year the Company has received 320 complaints out of which 317 complaints were resolved and three were pending as on 31 March, 2003 which were resolved on 05 April, 2003.

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 three Independent Non-Executive Directors namely, Mr. Bodhishwar Rai, Mr. J. B. Dadachanji and Mr. Arabinda Ray. Mr. J. B. Dadachanji is the Chairman of the Committee. The Company Secretary is the Secretary of the Committee. The Committee met twice during the year and the attendance of members at the meetings was as follows:

Name of the member	Status	No. of meetings attended
Mr. J.B.Dadachanji	Chairman	2
Mr. Arabinda Ray	Member	2
Mr. Bodhishwar Rai	Member	2

d) Details of remuneration paid to directors for the year 2002-03

(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. 01 April, 2002. Mr. S. N. Singh and Mr. Shyam Bang, Executive Directors were appointed for a period of five years w.e.f. 01 November, 1998. Dr. J. M. Khanna, was appointed on 16 August, 2002 as Executive Director for a period of five years. Besides, salary, commission and perquisites as detailed below, all whole time directors are also entitled for contribution to Provident Fund, Superannuation and Gratuity.

(Rs.)

	Mr S.S. Bhartia	Mr H.S. Bhartia	Mr S.N. Singh	Mr. S. Bang	Dr. J.M. Khanna
Salary	1,500,000	1,500,000	2,098,950	1,529,325	1,758,773
Commission	6,500,000	6,500,000	-	-	-
Perquisites	1,260,820	531,074	1,729,460	1,256,363	1,223,030
Stock option	Nil	Nil	Nil	Nil	Nil
Bonus/ Ex-gratia	Nil	Nil	Nil	Nil	Nil

(ii) Sitting fees paid to the Non-Executive Directors for year ended 31st March 2003 was Rs.145,000/- to Mr. Bodhishwar Rai, Rs. 55,000/- to Mr. Arabinda Ray, Rs. 62,500/- to Mr. J. B. Dadachanji, Rs.10,000/- to Mr. Surendra Singh and Rs. 5,000/- to Dr. Naresh Trehan. Apart from this, subject to provision of Section 310 of the Companies Act, 1956 and approval of Central Government (already applied for), commission of Rs.100,000/- each will also be paid to the non-executive directors for the year.

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

(i) The last three annual general meetings of the Company were held as under:

Financial Year	Date	Time	Location
2001-2002	23.09.2002	11.30 a.m.	Registered Office: Bhartiagram, Gajraula District Jyotiba Phoolay Nagar, U.P.
2000-2001	13.09.2001	11.30 a.m.	Same as above
1999- 2000	28.09.2000	11.30 a.m.	Same as above

(ii) Special resolution pertaining to alteration in the Objects Clause of the Memorandum of Association was put through postal ballot in the 24th Annual General Meeting held on 23 September, 2002. Mr. S N Singh, Executive Director and Mr. Ajay Krishna, Company Secretary were responsible for conduct of the postal ballot exercise. Mr. B. K. Sethi, Practising Company Secretary was the scrutiniser for the postal ballot. 40,07,078 votes were cast in favour of the resolution, 590 votes were cast against and shareholders holding 37,48,685 votes abstained from voting.

g) Disclosures

(i) There is no materially significant transaction with the related parties viz. Promoters, directors or the management, their subsidiaries or relatives, etc. that may have a potential conflict with the interests of the Company at large. Related party transactions are given at Note No. 14A of Schedule 'N' on the accounts.

(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 the Board approves them. The results are published in accordance with the guidelines of stock exchanges. Half-yearly results were sent to each shareholder for the half-year ending 30 September, 2002.

(ii) The results are also posted on the website of the Company at http://www.jubl.com.

(iii) Management's Discussion and Analysis Report forms part of this Annual Report.

(iv) Presentation has been made before Analysts at the Analyst Meet in June 2002 and discussions were also held with Institutional Investors and Brokers after Q3 results in January 2003 and February 2003.

i) General shareholder's information

(i) 25th Annual General Meeting is proposed to be held as under:

Venue : Registered Office at
Bhartiagram, Gajraula,
District Jyotiba Phoolay Nagar,
U.P. 244223.

Time : 11.30 A.M.

Date : 26 September 2003

(ii) Tentative financial calendar

First quarter results	Last week of July , 2003
Half yearly results	Last week of October, 2003
Third quarter results	Last week of January, 2004
Audited annual results (2003-2004)	Last week of May, 2004

(iii) Book Closure

The register of members and share transfer books of the Company shall remain closed from 22 September 2003 to 26 September 2003 (both days inclusive). Dividend, if declared, will be paid within 30 days.

(iv) Dividend payment date : 25 October 2003

(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 Ltd. in terms of the resolution passed by the shareholders in the Annual General Meeting held on 13 September, 2001.

The Company has made application to the National Stock Exchange of India Limited for listing of its shares.

(vi) Market price data

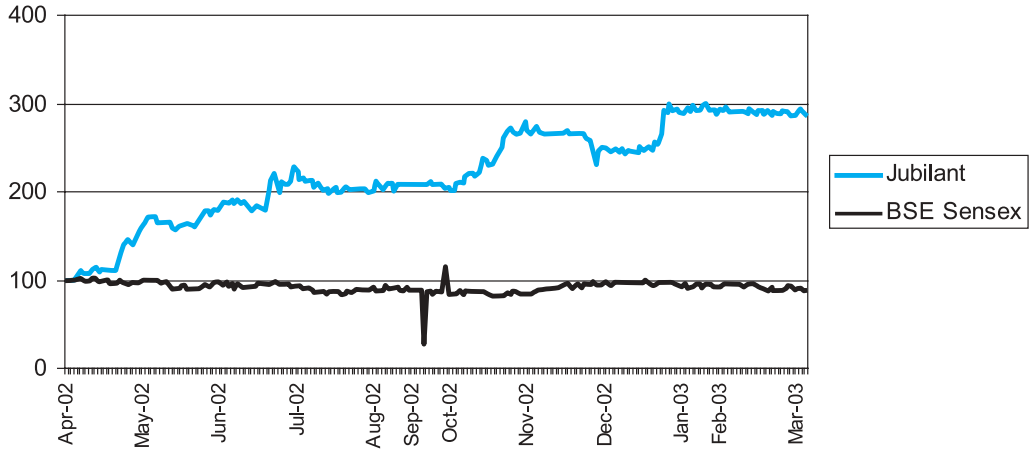
High/low of market price of the Company's equity shares traded on The Stock Exchange, Mumbai

during the last financial year was as follows:

Month	High (Rs.)	Low (Rs.)
April, 2002	75.50	51.00
May, 2002	90.00	71.50
June, 2002	102.00	83.50
July, 2002	122.00	92.50
August, 2002	112.00	100.00
September, 2002	113.00	97.50
October, 2002	142.00	96.00
November, 2002	153.00	137.50
December, 2002	137.00	120.00
January, 2003	160.00	126.00
February, 2003	162.00	150.00
March, 2003	164.00	148.00

During the year, in accordance with the resolution passed by the shareholders in the Annual General Meeting held on 23 September, 2002, one equity share of Rs.10/ each fully paid-up was sub-divided into two equity shares of Rs.5/ each fully paid-up on 22 November, 2002. Accordingly above provided high/low share prices from 01 April, 2002 to 21 November, 2002 have been adjusted at Rs. 5/ per share.

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



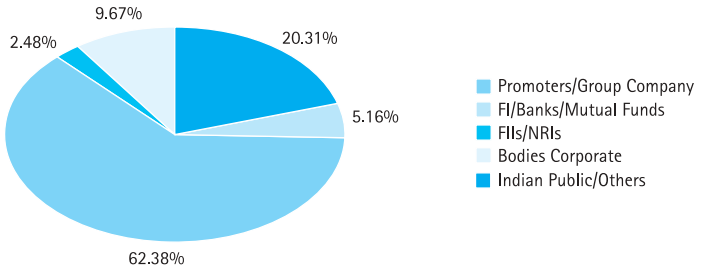
(viii) Registrar and Transfer Agent

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 24 March 2000, offers transfer-cum-demat facility to shareholders.

(x) Distribution of shareholding as on 31 March, 2003



(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 and at the National Stock Exchange of India Ltd, 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. India.
Plant – 2	:	Block 133, Village Samlaya, Taluka Savli, District Vadodara, Gujarat, India.
Plant – 3	:	Village Nimbut, Nira, District Pune, Maharashtra, India.
Plant – 4	:	51-56 KIADB Industrial Area, Nanjangud, Mysore, Karnataka, India.

(xiv) Address for correspondence

Jubilant Organosys Limited
Plot No.1A, Sector-16-A
Noida, U.P. 201301
Tel : (0120) -2516601/ 2516611
Fax : (0120)-2516629
e-mail : ajay_krishna@jubl.com
Website : http://www.jubl.com

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE PER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

To the Members of Jubilant Organosys Ltd.

We have examined the compliance of conditions of corporate governance by Jubilant Organosys Ltd. ("the Company") for the year ended on 31st March, 2003, 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 & Co.**
Chartered Accountants

Place: Noida
Date: 9th May, 2003

(B R Goyal)
Partner

To the members of Jubilant Organosys Ltd.

We have audited the attached Balance Sheet of Jubilant Organosys Ltd. ("the Company") as at 31st March 2003, the related Profit and Loss Account for the year ended on that date annexed thereto, and the Cash Flow statement for the period ended on that date, which we have signed under reference to this report. 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 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2003, 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 in conformity with the accounting principles generally accepted in India:

(i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2003;

(ii) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and

(iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **K N Gutgutia & Co.**
Chartered Accountants

Noida
Date: 9th May, 2003

(B R Goyal)
Partner

(Referred to in paragraph 1 of our report of even date.)
To the members of Jubilant Organosys Ltd.

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 realisation 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. The Company has a system of determining unserviceable or damaged stores and spares, packing materials, raw material or finished gods on the basis of technical evaluation and on such basis in our opinion adequate amounts have been written of for such stocks in the accounts.

13. In the case of public deposits received by the Company, the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Act, and the rules framed thereunder, where applicable, have been complied with.

14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable 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 and Sulphuric Acid and Fertilisers and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We are, however, not required to and have not carried out any detailed examination of such accounts and 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 in India.

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 2003, 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 other than those payable under contractual obligations and/or accepted business practices as followed in India.

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, the Company has a reasonable system of ascertaining the damaged goods and adequate provision for loss has been made in the books of accounts

For **K N Gutgutia & Co.**
Chartered Accountants

Place : Noida
Date: 9th May, 2003

(B R Goyal)
Partner

Balance Sheet

(Rs/Millions)

As at 31st March,	Schedules		2003		2002
SOURCES OF FUNDS					
Shareholders' funds					
Share Capital	A	73.33		77.59	
Reserves & Surplus	B	1,405.57		1,148.00	
			1,478.90		1,225.59
Deferred Tax Liabilities (Net)	C		564.11		307.91
Loan Funds	D				
Secured Loans		3,473.21		2,515.58	
Unsecured Loans		575.15		777.08	
Deferred Sales Tax Credits		80.72		53.99	
			4,129.08		3,346.65
			6,172.09		4,880.15
APPLICATION OF FUNDS					
Fixed Assets	E				
Gross Block		6,644.79		5,300.68	
Less: Depreciation		2,513.61		2,307.10	
Net Block		4,131.18		2,993.58	
Capital Work-in-Progress		113.10		165.36	
			4,244.28		3,158.94
Investments	F		163.23		230.23
Current Assets, Loans and Advances	G				
Inventories		1,341.90		1,020.82	
Sundry Debtors		829.88		782.06	
Cash & Bank Balances		99.54		92.55	
Loans and Advances		760.31		578.47	
		3,031.63		2,473.90	
Less: Current Liabilities & Provisions	H				
Liabilities		1,083.53		882.90	
Provisions		184.68		100.02	
		1,268.21		982.92	
Net Current Assets			1,763.42		1,490.98
Miscellaneous Expenditure	I		1.16		–
(To the extent not written off or adjusted)					
			6,172.09		4,880.15
Notes to Accounts & Significant Accounting Policies	N				

In terms of our report of even date attached.

for **K N Gutgutia & Co.**

Chartered Accountants

B R Goyal
Partner

S S Bhartia
Chairman & Managing Director

Noida
Date : 9th May, 2003

Ajay Krishna
Company Secretary

R Sankaraiah
Chief Financial Officer

H S Bhartia
Co-Chairman & Managing Director

Profit and Loss Account

(Rs/Millions)

For the year ended 31st March,	Schedules		2003		2002
INCOME					
Sales			9,677.07		8,650.37
Other Income	J		39.30		44.07
Increase (Decrease) in Finished & Process Stocks	K		55.24		(24.77)
			9,771.61		8,669.67
EXPENDITURE					
Manufacturing & Other Expenses	L		8,490.46		7,791.80
Depreciation (Net) (Refer Note 2 of Schedule "E")		246.60		395.53	
Less: Transferred from Revaluation Reserve for Depreciation on Revalued Amounts (Refer Note 1 (B) (v) of Schedule "N")		(9.15)		(9.64)	
Less: Transferred from General Reserve		–		(131.56)	
			237.45		254.33
Interest	M		402.50		407.42
			9,130.41		8,453.55
Profit Before Tax			641.20		216.12
Tax provision for the current year including Wealth Tax			49.70		1.50
Deferred Tax Liability		256.20			
Less: Withdrawn from Reserve (Refer Note 9(B) of Schedule "N")		145.75			
			110.45		(14.60)
Tax adjustments for Earlier Years (Net)			–		(7.00)
			160.15		(20.10)
Profit After Tax			481.05		236.22
Balance Brought Forward from Previous Year			97.23		93.22
Add: Proposed dividend reversed (Refer Note 11 of Schedule "N")			3.19		–
Balance Available for Appropriation			581.47		329.44
APPROPRIATIONS					
Dividend on Equity Shares		65.99		58.18	
Dividend on Preference Shares (including Dividend Tax)		–		4.03	
Tax on Distributed Profits on Equity Shares		8.45		–	
			74.44		62.21
Transfer to Capital Redemption Reserve			–		50.00
Transfer to General Reserve			50.00		120.00
Balance Carried to Balance Sheet			457.03		97.23
Basic and Diluted Earnings per Share (in Rupees)	N		32.79		18.12
Notes to Accounts & Significant Accounting Policies	N				

In terms of our report of even date attached.
for **K N Gutgutia & Co.**
Chartered Accountants

B R Goyal
Partner

S S Bhartia
Chairman & Managing Director

Noida
Date : 9th May, 2003

Ajay Krishna
Company Secretary

R Sankaraiah
Chief Financial Officer

H S Bhartia
Co-Chairman & Managing Director

Cash Flow Statement

(Rs/Millions)

For the year ended 31st March,			2003		2002
A. Cash flow arising from Operating Activities :					
Net profit before tax and Extraordinary items			641.20		216.12
Add back :	i)	Depreciation	237.45	254.33	
	ii)	Loss on Sale of Assets	3.05	15.80	
	iii)	Interest (Net)	402.50	407.42	
	iv)	Amortisation - Deferred Revenue Expenditure	0.11	–	
	v)	Provision for Diminution in the value of Investments	–	5.06	
	vi)	Provision for Doubtful Debts	–	2.23	
	vii)	Bad Debts/irrecoverable Advances w/off	38.10	42.10	
	viii)	Unrealized Exchange Difference	(22.57)	6.17	
			658.64		733.11
			1,299.84		949.23
Deduct :	i)	Dividend Income	–	1.26	
	ii)	Exceptional Items	–	9.47	
			–		10.73
Operating Profit before Working Capital Changes			1,299.84		938.50
Deduct :	i)	Increase/(Decrease) in Trade and other Receivables	235.75	120.51	
	ii)	Increase/(Decrease) in Inventories	321.07	34.92	
	iii)	Increase/(Decrease) in Miscellaneous Expenditure	1.27	–	
			558.09		155.43
			741.75		783.07
Add :	i)	Increase in Trade payables	180.00		235.03
Cash inflow from Operations			921.75		1,018.10
Deduct :	i)	Interest Paid	432.83	453.92	
	ii)	Direct taxes Paid(net of refunds)	54.20	(9.96)	
			487.03		443.96
Net Cash Inflow/(Outflow) in course of Operating Activities			**434.72**		**574.14**
B. Cash Flow arising from Investing Activities :					
Outflow	i)	Acquisition/purchase of Fixed Assets/CWIP	1,083.41	390.82	
	ii)	Purchase(Sale) of Investments(net)	60.70	–	
	iii)	Loans to other Companies (net)	19.50	59.15	
			1,163.61		449.97
Deduct :					
Inflow	i)	Sale of Fixed Assets	8.07	12.20	
	ii)	Interest Received	32.12	41.10	
	iii)	Dividend Received	–	1.26	
	iv)	Relinquishment of rights of capital nature (Exceptional item)	–	9.47	
			40.19		64.03
Net Cash Inflow/(Outflow) in course of Investing Activities			**(1,123.42)**		**(385.94)**
C. Cash flow arising from Financing Activities					
Inflow	i)	Proceeds from Issue of Share Capital (Includes Share Premium of Rs. 87.75 Mn)	–	102.75	
	ii)	Proceeds from Long Term & Short Term Borrowings	745.66	(174.31)	
Deduct :			745.66		(71.56)
Outflow	i)	Redemption of Preference Share Capital	–	50.00	
	ii)	Dividend Paid (including Corporate Dividend Tax)	54.10	44.63	
			54.10		94.63
Net Cash Inflow/(Outflow) in course of Financing Activities			**691.56**		**(166.19)**
Net Increase in Cash & Cash equivalents(A+B+C)			**2.86**		**22.01**
Add: Cash & Cash Equivalents of erstwhile Vam Investments Ltd & Vam Leasing Ltd			**4.13**		**–**
Add: Cash & Cash Equivalents at the beginning of Year			**92.55**		**70.54**
Cash & Cash Equivalents at the close of the Year			**99.54**		**92.55**

In terms of our report of even date attached.
for **K N Gutgutia & Co.**
Chartered Accountants

B R Goyal
Partner

S S Bhartia
Chairman & Managing Director

Noida
Date : 9th May, 2003

Ajay Krishna
Company Secretary

R Sankaraiah
Chief Financial Officer

H S Bhartia
Co-Chairman & Managing Director

Schedules forming part of the Balance Sheet

(Rs/Millions)

As at 31st March,		2003	2002
A SHARE CAPITAL			
Authorised			
29200000	Equity Shares of Rs. 5/- each	146.00	146.00
	(Previous Year 14600000 Equity Shares of Rs. 10/- each)		
4040000	Redeemable Cumulative Preference Shares of Rs. 100/- each	404.00	404.00
		550.00	550.00
Issued & Subscribed			
14669964	Equity Shares of Rs. 5/- each	73.35	77.61
	(Previous Year 7760599 Equity Shares of Rs. 10/- each)		
		73.35	77.61
Paid up			
14663564	Equity shares of Rs. 5/- each fully paid up	73.31	77.57
	(Previous Year 7757399 Equity Shares of Rs. 10/- each)*		
	Add: Equity Shares Forfeited (paid up)	0.02	0.02
		73.33	77.59

Notes:

1) The shareholders of the Company in Annual General Meeting held on September 23, 2002 authorised splitting of one equity share of Rs. 10/- each fully paid up into two equity shares of Rs. 5/- each fully paid up and accordingly the shares have been split effective Nov 21, 2002.

2) Pursuant to the Scheme of Amalgamation approved by the Hon'ble High Court of Judicature, Allahabad and Hon'ble High Court of Delhi, Delhi, and as contained in the Opening Reference Balance Sheet annexed to the Scheme, the paid up share capital of the Company has been reduced during the year by cancellation of 476550 Equity shares and 374684 Equity shares of Rs. 5/- fully paid up held by erstwhile M/s Vam Investments Ltd. and M/s Vam Leasing Ltd., respectively as investments in the Company.

*** Includes :**

- 328804 Equity shares of Rs. 5/- (Previous Year 256522 Equity Shares of Rs. 10/- each) allotted and issued pursuant to the Scheme of Amalgamation of erstwhile Ramganga Fertilisers Ltd. with the Company for consideration other than cash (152356 Equity shares of Rs. 5/- each allotted to Vam Investments Ltd. and 31884 Equity Shares of Rs. 5/- each allotted to Vam Leasing Ltd. were cancelled during the year - refer Note 2 above).
- 1012800 Equity shares of Rs. 5/- (Previous Year 839897 Equity Shares of Rs. 10/- each) allotted and issued pursuant to the Scheme of Amalgamation to shareholders of erstwhile Anichem India Ltd. and of erstwhile Enpro Specialty Chemicals Ltd. with the Company for consideration other than cash (324194 Equity shares of Rs. 5/- each allotted to Vam Investment Ltd. and 342800 Equity Shares of Rs. 5/- each allotted to Vam Leasing Ltd. were cancelled during the year -refer Note 2 above).

(Rs/Millions)

	As at 31st March, 2002	Additions/created during the year	Deductions	As at 31st March, 2003
B RESERVES AND SURPLUS				
Capital Reserve	22.82			22.82
Capital Redemption Reserve	53.85			53.85
Amalgamation Reserve (1)	10.54	2.67		13.21
Share Premium Account	87.75			87.75
Revaluation Reserve	55.32		9.15	46.17
Debenture Redemption Reserve	99.90			99.90
General Reserve (2)	720.59	50.00	145.75	624.84
	1,050.77			948.54
Add : Surplus as per Profit & Loss Account	97.23	484.24	124.44	457.03
Total	1,148.00	536.91	279.34	1,405.57
Previous Year	1,415.24	493.96	761.20	1,148.00

Notes : (1) Refer Note 11 of Schedule "N". (2) Refer Note 9B of Schedule "N".

Schedules forming part of the Balance Sheet

(Rs/Millions)

As at 31st March,	2003	2002
C DEFERRED TAX LIABILITY		
Deferred Tax Liabilities	651.04	529.47
Deferred Tax Assets	86.93	221.56
Deferred Tax Liabilities (Net)	564.11	307.91
(Refer Note 9A of Schedule "N")		
D LOANS		
Secured		
A. Debentures		
13.50% Non Convertible Debentures (IX series) of Rs. 100/- each at par	66.67	133.33
11.43% Non Convertible Debentures (XI series) of Rs. 100/- each at par	240.00	–
B. Term Loans from		
– Banks		
– Rupee Loans	763.90	773.79
– Foreign Currency	–	48.82
– Financial Institutions		
– Rupee Loans	672.09	731.42
– Foreign Currency	712.35	–
– Others		
– Rupee Loans	114.00	135.71
C. Other Loans (vehicles)	1.73	–
D. Working Capital Loans		
– Rupee	223.36	350.40
– Foreign Currency	679.11	342.11
	3,473.21	2,515.58
Unsecured		
From Bodies Corporate	150.00	150.00
From a Bank	100.00	200.00
Fixed Deposits	325.15	427.08
	575.15	777.08
Deferred Credits		
Deferred Sales Tax Credits	80.72	53.99
	80.72	53.99

NOTES

1. Debentures comprised in series IX and XI [mentioned under A above] are secured by way of first charge
   a) by way of mortgage of the immovable assets and charge by way of hypothecation on the movable assets, both present and future [save and except specified exclusions listed in notes 2 & 5 below] pertaining to the Company's Manufacturing Facilities located at Bhartiagram, Gajraula, District Jyotiba Phoolay Nagar in the State of Uttar Pradesh and at Village Samlaya, Taluka Savli, District Vadodara in the State of Gujarat. The said charge shall rank pari passu with the charges created in favour of lenders mentioned in Note 4 below.
   b) 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.
   c) However, the security by way of mortgage over the said immovable properties in respect of XI series Debentures is pending creation.

   Dates of Redemption
   a) 13.5% Non Convertible Debentures [IX Series] balance of Rs. 66.67 Mn are redeemable at par in February 2004.
   b) 11.43% Non Convertible Debentures [XI Series] of Rs. 240.00 Mn are redeemable at par in eight equal quarterly installments

Schedules forming part of the Balance Sheet

(Rs/Millions)

D LOANS (Contd.)

commencing March 2005 and ending December, 2006. There is a Put and Call Option at the end of two years from the date of first disbursement i.e. 28.03.2003.

2. Loans from Housing Development Finance Corporation Ltd. (HDFC) are secured as under :-
   a) In respect of Rupee denominated loans, by way of an exclusive mortgage over the specified land and buildings situated at Bhartiagram, District Jyotiba Phoolay Nagar, Uttar Pradesh and constructed out of financial assistance granted by HDFC.
   b) In respect of Non Residential Premises Loan of Rs. 70.00 Mn sanctioned to erstwhile Vam Investments Ltd., which now stands merged with the Company, by way of an exclusive mortgage over Land and Building located at Plot No 1A, Sector 16A, Noida. Uttar Pradesh
   c) In respect of notional USD Loan of $10 Mn, the same is secured as and by way of:-
      i. extension of an exclusive mortgage over the assets mentioned in 2a) above
      ii. extension of an exclusive mortgage over the assets mentioned in 2b) above
      iii. by way of an exclusive mortgage over the Land & Building of Active Pharmaceutical Ingredients Unit located at Nanjangud, Mysore, Karnataka which was acquired from Max India Ltd. during the year.

      However, charge as mentioned in 2c) ii. and iii. above is pending creation.
3. Financial Facilities from Canara Bank by way of Rupee Term Loans are secured by way of an 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.
4. Financial Assistance from Industrial Development Bank of India [under its Rupee Term Loan and Asset Credit Scheme] as also Rupee Term Loan(s) from IFCI Limited, Industrial Investment Bank of India Limited, ICICI Bank Limited, Rabo India Finance Pvt. Ltd., Jammu and Kashmir Bank Limited as also Long Term Foreign Currency Loan of USD 5 Mn from Export Import Bank of India are secured by a first charge by way of: -
   a) 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 as per Note 5 below and exclusive mortgage mentioned in Notes 2 & 3 above) situated at Bhartiagram, District Jyotiba Phoolay Nagar, Uttar Pradesh and at Village Samlaya, Taluka Savli, District Vadodara in the State of Gujarat.
   b) Such charges to rank pari-passu with other chargeholders listed in Note 1 above.
   c) In respect of Loan of Rs 260.00 Mn sanctioned by Industrial Development Bank of India, the same is further guaranteed by Shri S S Bhartia and Shri H S Bhartia, CMD & CCMD respectively of the Company.
   d) In respect of Loan of Rs. 233.50 Mn sanctioned by Jammu and Kashmir Bank Limited during the year, the first charge by way of mortgage over the said immovable assets is pending creation.
5. Working Capital Facilities sanctioned by Consortium of Banks comprising of State Bank of India, Canara Bank, Corporation Bank, Jammu & Kashmir Bank Limited, Bank of Baroda, Punjab National Bank, Centurion Bank Limited, ICICI Bank Limited, Export Import Bank of India are secured by :-
   a) a first charge by way of hypothecation, ranking pari passu inter se Banks of the entire Book Debts and Inventories 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
   b) also by way of second charge over immovable properties [save and except specified exclusions listed in Notes 2 & 3 above].
6. Financial Facility by way of Working Capital Term Loan of USD 5 Mn sanctioned by Export Import Bank of India is secured by way of a first charge over entire book debts and inventories of the Company, both on present and future basis and ranking pari passu with the charge created in favour of Company's working capital consortium as per Note 5 above.
7. Financial Facility by way of Pre-shipment Credit of USD 5 Mn sanctioned by Export Import Bank of India is secured by way of a first exclusive charge over specific future receivables pertaining to the export contracts financed by them. As an interim security, pending receipt of No Objection Certificates, it is further guaranteed by Shri S S Bhartia and Shri H S Bhartia, CMD & CCMD respectively of the Company.
8. Loans availed for financing purchase of vehicles are secured by a first charge by way of an exclusive hypothecation of the vehicles purchased out of the loan proceeds in favour of the lender.
9. Financial Facilities mentioned in 1 & 4 above are further secured as and by way of a second charge over the current assets of the Company.
10. Secured Loans includes loans of Rs. 470.80 Mn (Previous year Rs. 333.30 Mn) repayable within one year.

E FIXED ASSETS

(Rs/Millions)

	Gross Block - Cost/Book Value					Depreciation				Net Block	
Description	Total as at 31st March, 2002	Additions/ consequent to Amalgamation	Additions/ adjustments during the year	Deductions/ adjustments during the year	Total as at 31st March, 2003	Total as at 31st March, 2002	Provided during the year	Deductions/ adjustments during the year	Total as at 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002
Land											
(a) Free Hold	94.41				94.41					94.41	94.41
(b) Lease Hold	23.48	80.56 *	15.62 *		119.66					119.66	23.48
Buildings											
(a) Factory	157.90		98.12 *		256.02	33.77	9.71		43.48	212.54	124.13
(b) Others (1)	162.05	156.57 *	29.73 *	0.66	347.69	29.69	10.53	0.07	40.15	307.54	132.36
Plant & Machinery (2)	4,625.92		894.89		5,520.81	2,139.36	194.33(2)		2,333.69	3,187.12	2,486.56
Vehicles	18.54		9.05	9.05	18.54	8.01	2.16	4.63	5.54	13.00	10.53
Office Equipments	109.81		18.22	38.33	89.70	58.47	10.64	34.80	34.31	55.39	51.35
Electric Fittings	3.15				3.15	1.73	0.13		1.86	1.29	1.42
Furniture & Fixtures	80.90		12.31	3.17	90.04	11.55	7.30	0.59	18.26	71.78	69.34
Technical Know-how	24.52				24.52	24.52			24.52		
Patents/Rights			80.25 *		80.25		11.80		11.80	68.45	
Total	5,300.68	237.13	1,158.19	51.21	6,644.79	2,307.10	246.60	40.09	2,513.61	4,131.18	2,993.58
Previous Year	5,037.33		309.84	46.49	5,300.68	1,930.06	395.53	18.49	2,307.10		
Capital Work in Progress & Capital Advances										113.10	165.36
										4,244.28	3,158.94

Notes :

(1) Building includes Rs. 500 being cost of share in Co-operative Housing Society.

(2) Reversal of Rs. 47.80 Mn depreciation provided in earlier years due to change in classification of Plant & Machinery is netted off.

* Includes recently acquired API Business at Nanjangud, Mysore (Refer Note 12 of Schedule "N") and assets vested with the company consequent to the Scheme of Amalgamation (Refer Note "10" of Schedule "N") to be transferred in the name of the Company.

Schedules forming part of the Balance Sheet

(Rs/Millions)

As at 31st March,				2003		2002
F INVESTMENTS : (Long Term)						
Number	Face Value per unit Rupees					
		(Unquoted,unless otherwise stated)				
		IN SUBSIDIARY COMPANIES				
		Fully paid equity shares : (Note (2) below)				
180020	10.00	- Vam Investment Limited		–		1.80
(180020)						
270020	10.00	- Vam Leasing Limited		–		2.70
(270020)		12% Optionally Convertible Non Cumulative				
		Redeemable Preference Shares (Note (2) below)				
1514000	100.00	- Vam Investment Limited		–		151.40
(1514000)						
590000	100.00	- Vam Leasing Limited		–		59.00
(590000)						
25000	US$1	- Jubilant Organosys (USA) Inc.		1.09		0.66
(15000)						
		Advance Against Share Application in -		–		0.44
		Jubilant Organosys (USA) Inc.				
		TRADE INVESTMENTS				
		Fully paid equity shares :				
140000	10.00	Jubilant Biosys (P) Ltd.		70.00		–
(-)		Advance Against 10% Optionally Convertible				
		Non Cumulative Redeemable Preference Shares				
		Jubilant Biosys (P) Ltd.		77.80		–
		NON-TRADE INVESTMENTS				
1600	1000.00	11% Corporate Bonds III series of Housing		1.60		1.60
(1600)		Development Finance Corporation Ltd.				
1263286	10.00	Units in Unit Trust of India				
(1263286)		(Unit Scheme - 1964)	17.69		17.69	
		Less: Provision for Dimunition In the				
		Value of Investments	(5.06)		(5.06)	
				12.63		12.63
				163.12		230.23
		Quoted :-				
		NON TRADE INVESTMENTS				
		Fully paid equity shares				
–	10.00	Tamilnadu Petro Products Ltd		–		*
(200)						
3000	10.00	Canara Bank		0.11		–
(-)				163.23		230.23
		Aggregate market value of Quoted Investments		0.21		*

Notes:

(1) * (Previous year Rs. 2,000) rounded off to Nil.

(2) Pursuant to the Scheme of Amalgamation approved by the Hon'ble High Court of Judicature, Allahabad and Hon'ble High Court of Delhi, investments of the Company in the Equity Shares and 12% Optionally Convertible Non Cumulative Redeemable Preference Shares held in erstwhile Vam Investments Ltd and erstwhile Vam Leasing Ltd stand cancelled.

(3) Assured Re-purchase Value of Units under Unit Scheme, 1964 during year 2003 - Rs. 12.63 Mn.

(4) Figures in ( ) indicates in respect of previous year.

Schedules forming part of the Balance Sheet

(Rs/Millions)

As at 31st March,	2003	2002
G CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
Inventories : (Including in Transit & with Third Parties)		
– Raw Materials	427.61	319.54
– Stores, Spares, Process Chemicals, Catalyst, Fuels & Packing Material	353.09	260.36
– Process Stocks	191.24	108.02
– Finished Goods (including Trading Goods)	369.96	332.90
	1,341.90	1,020.82
Sundry Debtors		
Unsecured		
– Over Six Months - Good	84.07	91.10
[Includes Subsidy receivable From State Government Rs. 52.66 Mn (Previous Year Rs. 37.57 Mn)]		
– Doubtful	1.14	2.23
– Other Debts - Good	745.81	690.96
[Includes Subsidy receivable From State Government Rs. 8.40 Mn (Previous Year 8.05 Mn)]	831.02	784.29
Less: Provision for Doubtful Debts	1.14	2.23
	829.88	782.06
Cash & Bank Balances		
– Cash in hand and as Imprest	4.05	2.27
– Cheques/Drafts in hand	9.42	12.76
– With Scheduled Banks		
– On Current Account	12.42	8.78
– On Dividend Account	6.65	5.76
– On Deposit Accounts [including Margin Money - Rs. 46.23 Mn (Previous Year Rs. 42.85 Mn)]	66.94	62.88
– With Non Scheduled Banks in Current Account (With Bank of China) *	0.06	0.10
	99.54	92.55
LOANS AND ADVANCES		
(Unsecured, Considered good)		
– Advances recoverable in cash or in kind or for value to be received **	322.99	242.31
– Deposits	116.20	100.84
– Deposits with Excise / Sales Tax Authorities ***	233.65	202.74
– Advance Payment of Income Tax/Wealth Tax (including TDS)	80.74	25.85
– Income Tax Refundable	6.73	6.73
	760.31	578.47
	3,031.63	2,473.90

* Maximum Balance outstanding during the Year Rs. 0.57 Mn (Previous Year Rs. 0.34 Mn)

** Includes Rs. 127.26 Mn (Previous Year Rs. 65.30 Mn) Export Benefits Receivables & Rs. 35.10 Mn Receivables from Max India Ltd.

*** Deposit against disputed demands - Rs. 98.09 Mn

Schedules forming part of the Balance Sheet

(Rs/Millions)

As at 31st March,	2003	2002
H CURRENT LIABILITIES AND PROVISIONS		
A) CURRENT LIABILITIES		
Sundry Creditors and Expenses Payable	737.69	568.48
Acceptances	187.25	183.75
Trade deposits & Advances	66.01	57.40
Interest Accrued but not due	52.37	55.87
Other Liabilities	16.77	11.64
Investors Education and Protection Fund shall be credited with the following amount namely:		
– Unclaimed/unpaid Dividends	6.65	5.76
– Unclaimed Fixed Deposits *	14.76	–
– Interest on Unclaimed Matured Fixed Deposits *	2.03	–
	1,083.53	882.90
* The Previous year figures have not been disclosed as the disclosure requirement came into force with effect from 13th November, 2002.		
B) PROVISIONS		
For Dividends on Equity Shares	74.44	58.18
For Income Tax & Wealth Tax	51.25	1.50
For Retirement/Post retirement Employee Benefits	58.99	40.34
	184.68	100.02
Total (A+B)	1,268.21	982.92

I MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Balance at the beginning of the year	–	65.28
Add: Incurred during the year	1.27	–
	1.27	65.28
Less: Written Off during the year	0.11	65.28
	1.16	–

Schedules forming part of the Profit and Loss Account

(Rs/Millions)

For the year ended 31st March,	2003	2002
J OTHER INCOME		
Income from Investments - Dividend	–	1.26
Insurance / Other Claims (Net)	1.96	5.17
Income From Relinquishment of rights of capital nature.**	–	9.47
Profit on Sale of Investments ***	0.68	–
Miscellaneous Receipts *	36.66	28.17
(Including sale of unserviceable spares, used drums, residual catalyst, etc.)	39.30	44.07

* Includes: – Income from Utilities provided Rs. 3.12 Mn - Previous year Rs. 4.44 Mn (Tax Deducted at source Rs. 0.18 Mn - Previous year Rs. 0.27 Mn)
– Processing Charges of Rs. 2.19 Mn - Previous year Rs. 1.48 Mn (Tax Deducted at source Rs. 0.05 Mn - Previous year Rs. 0.03 Mn)

**Exceptional item

*** In respect of sale of 20000 equity shares of Canara Bank acquired and sold during the year.

K INCREASE/(DECREASE) IN FINISHED AND PROCESS STOCKS		
Stock at close – Process	191.24	108.02
Stock at close – Finished	369.96	332.90
	561.20	440.92
Stock Adjustment; Pursuant to acquisition of API Business – Process	41.20	–
– Finished	23.84	–
Stock at commencement – Process	108.02	116.95
Stock at commencement – Finished	332.90	348.74
	505.96	465.69
Increase/(Decrease) in Stocks	55.24	(24.77)

Schedules forming part of the Profit and Loss Account

(Rs/Millions)

For the year ended 31st March,	2003	2002
L MANUFACTURING AND OTHER EXPENSES		
Inter Divisional Transfers	1,832.13	2,049.92
Purchases - Traded Goods	47.76	195.99
Raw & Process Materials Consumed	3,012.34	2,371.70
Power and Fuel	746.12	702.79
Excise Duty	739.61	649.42
Stores, Spares, Chemicals, Catalyst & Packing Materials consumed	643.01	535.36
Processing Charges	60.66	25.44
Repairs – Plant & Machinery	109.75	101.35
- Buildings	13.11	11.84
Salaries, Wages, Bonus, Gratuity & Allowances	364.04	319.98
Contribution to Provident & Superannuation Fund	49.75	38.04
Staff Welfare Expenses	38.85	29.87
Rent (Net of recoveries)	18.67	20.53
Rates & Taxes	14.75	8.68
Insurance [Net of recoveries - Rs. 5.30 Mn (PY - Rs. 5.09 Mn)]	29.90	27.02
Advertisement, Publicity & Sales Promotion	38.03	27.22
Travelling & Other Incidental Expenses	64.77	54.62
Offices Maintenance (including Water, Electricity & Repairs)	32.73	29.79
Vehicle Maintenance (Including Vehicle Taxes,Insurance & Driver Cost)	25.58	22.13
Printing & Stationery	10.39	8.30
Communication Expenses	28.78	30.31
Staff Recruitment & Training	9.80	6.49
Donation	2.39	3.83
Auditors Remuneration - As Auditors	0.92	0.75
– for Taxation Matters	0.19	0.16
– for Certification/Advices	0.28	0.31
– Out of Pocket Expenses	0.04	0.05
Legal, Professional & Consultancy Charges	25.97	20.44
Freight & Forwarding (including Ocean freight)	187.45	139.38
Amortisation/write off - Deferred Revenue Expenditure	0.11	65.28
Less: Transferred from General Reserve	–	(65.28)
Directors' Sitting Fees	0.28	0.20
Directors' Commission	13.50	2.55
Miscellaneous Expenses	10.49	9.58
Financial Charges (incl. Bank Charges, Fixed Deposit expenses & Foreign Exchange fluctuations net gain of Rs. 27.64 Mn **)	36.90	42.92
Discounts & Claims to Customer and Other Selling Expenses	156.65	186.47
Commission on Sales *	54.80	24.75
Lease Rentals & Hire Purchase charges	28.81	28.43
Loss on sale/disposal/discard of Fixed Assets	3.05	15.80
Provision for Dimunition in Value of Investment	–	5.06
Bad Debts /Irrecoverable Advances w/off	38.10	44.33
	8,490.46	7,791.80

The above expenses are Netted off, after taking into account credit of Rs. 4.74 Mn (Previous year Rs. 9.61 Mn).

The above total expenditure includes :

i) expenditure incurred on R&D of Rs. 54.31 Mn (Previous Year Rs. 32.08 Mn) under various heads of accounts

ii) Prior period adjustments determined during the years are adjusted to respective heads of account of Rs. 2.45 Mn (Previous Year of Rs. 1.30 Mn)

* Includes Rs. 9.65 Mn (Previous year Rs. 9.12 Mn) to a wholly owned Subsidiary Company

** Total foreign exchange gain of Rs. 47.32 Mn (Previous year Rs. 13.95 Mn) is adjusted against total foreign exchange losses of Rs. 19.68 Mn (Previous year Rs. 25.62 Mn) as disclosed above and financial charges includes Rs. 18.20 Mn being one time charges paid for restructuring of long term loans.

Schedules forming part of the Profit and Loss Account

(Rs/Millions)

For the year ended 31st March,	2003	2002
M INTEREST		
On Debentures	18.88	33.33
On Term Loans	255.51	235.94
On Deposits	50.63	59.11
On Overdrafts & other Borrowings	106.33	120.19
	431.35	448.57
Less: Interest Income [Tax deducted at source Rs. 3.58 Mn (Previous year Rs. 5.93 Mn)]	28.85	41.15
(Including Rs. 0.18 Mn (Previous year Rs. 0.18 Mn) Interest Income on Investments)	402.50	407.42

Notes to the Accounts

N NOTES TO THE ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES

Notes to the Balance Sheet as at 31st March, 2003 and Profit and Loss Account for the year ended on that date

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Accounting:

The accounts of the Company (except for revaluation of certain fixed assets) are prepared under historical cost convention and in accordance with the relevant Accounting Standards. The Company follows accrual basis of Accounting except for Interest receivable on overdue debts & Leave travel assistance in view of the uncertainty as to realisability / ascertainment of the amount involved.

B. a. Fixed Assets & Depreciation:

i. Fixed Assets are recorded at cost inclusive of such expenses as referred to in (viii) 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 and at such fair value as ascertained by the valuer in case of acquisition of a unit as a going concern and the cost incidental to acquisition of such unit.

ii. Depreciation is provided on Straight Line Method except in case of Plant & Machinery at Nira & Samlaya plants which are 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/ acquisition cost of assets and as mentioned in iii, v, vi, vii & viii 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. a) 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;

b) 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;

iv. Patents/Rights acquired are capitalised and are amortised over a period of 5 years.

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. 245.65 Mn 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. 9.15 Mn (Previous Year Rs. 9.64 Mn) 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. Insurance spares / standby equipments are capitalised as part of the mother assets and are depreciated at the applicable rate.

viii. Interest on loans & other financial charges and preoperative expenses including Trial Run Expenses (Net) for projects (including Research & Development) and/or substantial expansion upto the date of commencement of commercial production/ stabilisation of the project, have been capitalised.

ix. Certain employee perquisite – related assets are depreciated over five years, the period of the perquisite scheme.

b. Leased Assets - Amortisation/charging off:

a. Leasehold Land value is not amortised in view of the long tenure of the unexpired lease period/ conversion to freehold at the expiry of lease tenure.

b. Other lease assets: Assets acquired under finance lease from 1st April 2001 are capitalised 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. In respect of other leases, lease rentals are charged to Profit and Loss Account.

C. Valuation of Inventories:

Inventories are valued at lower of cost or net realisable value.

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

D. Investments:

Long Term quoted investments (non-trade) are valued at cost unless there is a permanent fall in their value as at the date of Balance Sheet.

Unquoted investments in subsidiaries & associates being of long term nature, are valued at cost and no loss is recognised in the fall in their net worth, if any, unless there is a permanent fall in their value. 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.

E. Taxation:

Tax provision is made, taking into consideration the provisions of Minimum Alternate Tax and the contentions of the Company and also the fact that certain expenditure becoming allowable on payment being made before filing of the return of income.

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 recognised to the extent there is reasonable certainty that the assets can be realised in future.

F. Conversion or translation of Foreign Currency items:

Transactions in foreign currency are recorded at the exchange rate prevailing on/or closely approximating to the date of transactions. Current assets and liabilities (other than relating to fixed assets) are restated at the rate prevailing at the period end or at the forward rate where forward cover has been taken. The difference between the period end rate and the exchange rate at the date of the transaction is recognised as income or expense in the profit and loss account. In respect of forward exchange contracts, the difference between the contract rate and the rate on the date of transaction is recognised as income or expense in the profit and loss account over the life of the contract.

In the case of liabilities incurred for the acquisition of fixed assets, the loss or gain on conversion (at the rate prevailing at the period end or at the forward rate where forward cover has been taken) is included in the carrying amount of the related fixed assets.

G. Contingent Liabilities:

Liabilities, though contingent, are provided for if there are reasonable prospects of such liabilities maturing. Other contingent liabilities, barring frivolous claims, not acknowledged as debts, are disclosed by way of note.

H. Research & Development:

Revenue expenditure on Research & Development are included under the natural heads of expenditure. Capital expenditure on Research & Development are treated in the same manner as expenditure on other fixed Assets.

I. Retirement Benefits:

– Provision for Gratuity and leave encashment 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.

Notes to the Accounts

(Rs/Millions)

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

J. Borrowing Cost:

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

K. 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/unutilised stocks out of such transfers is eliminated while valuing inventories.

L. Sales & Export Benefits:

Sales are inclusive of excise duty, inter-divisional transfers and export incentives.

Export benefits on account of entitlement to import duty free material under DEPB Scheme are accounted for, in the year of export.

M. Catalyst:

In case of Company's Nira Plant, Catalyst consumption has been arrived at after netting of the estimated realisable 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 utilisation of its contents.

N. Miscellaneous Expenditure / Amortisation:

Miscellaneous expenditure consists of amount incurred in respect of registration of patents and the same is amortised over a period of five years.

O. Segment Accounting:

The accounting policies adopted for segment reporting are in line with accounting policies of the Company. Revenue, expenses, assets and liabilities have been identified to segments on the basis of their relationship to operating activities of the segments (taking in to account the nature of products and services and risks & rewards associated with them). Revenue, expenses, assets and liabilities 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/Expenses/Assets/Liabilities, as the case may be.

2. CAPITAL COMMITMENTS:

Estimated amount of contracts remaining to be executed on Capital Account (Net of Advances) Rs. 81.40 (Previous Year Rs. 79.06) [Advances Rs. 16.71 (Previous Year Rs. 4.94)].

3. CONTINGENT LIABILITIES:

a) Claims/demands against the Company not acknowledged as debts on account of:

(Rs/Millions)

	2002-03	2001-02
– Central Excise	16.73*	6.78
– Sales Tax	0.70	1.21
– Income Tax	31.91	32.61

*Amount deposited Rs. 16.73

The Company has been advised that its contentions in the matter of disputed demands are legally tenable and hence the possibility of these maturing is remote.

b) The Company has challenged the levy of licence fee by State of Uttar Pradesh on captive consumption of denatured spirit in the Gajraula factory. The order of State imposing the levy was quashed by the Hon'ble High Court of Allahabad in April, 2000. The decision of Hon'ble High Court was subsequently stayed by Hon'ble Supreme Court in September, 2000. The Company has been advised that the levy of licence fee on denatured spirit by State is not tenable. However, the Company has deposited Rs. 75.16 under protest out of the total licence fee claimed of Rs. 147.14.

c) The Company has challenged the levy of transport fee by State of Maharashtra on consumption of rectified and denatured spirit in the Nira factory. The order of State imposing the levy was quashed by the Hon'ble Mumbai High Court on 9th January, 2001. The Company has been advised that the levy of transport fee on rectified denatured spirit by State is not tenable. However the Company has deposited Rs. 6.20 under protest out of the total transport fee claimed of Rs. 28.49.

d) Pursuant to the now withdrawn Molasses Control Order, the Company received price differential claims amounting to Rs. 17.00 from few of its suppliers in Uttar Pradesh. These claims were confirmed by an arbitrator appointed by the Hon'ble High Court of

Notes to the Accounts

(Rs/Millions)

Allahabad. The Company has been advised that appointment and award of arbitrator is void. Accordingly, the Company has challenged the appointment of arbitrator in Hon'ble Supreme Court as also the award of arbitrator in the Hon'ble High Court.

e) Outstanding guarantees furnished to Banks including in respect of Letters of Credits/Bonds is Rs. 421.36 (Previous Year Rs. 337.48).

f) Exports obligation undertaken by the Company under EPCG scheme to be completed over a period of five/eight years on account of import of Capital goods at concessional import duty amount to Rs. 551.22.

4. Sales include subsidy amounting to Rs. 80.94 (Previous Year Rs. 80.97), export incentives Rs. 135.96 (Previous year Rs. 97.41) and inter-divisional transfers made at market rates aggregating to Rs. 1,832.13 (Previous year Rs. 2049.92). However, the said transfers at such method have no bearing on profitability of the Company.

5. (A) Loans and advances include;

(i) Loans to Bodies Corporate and Interest Accrued thereon Rs. 35.50 (Previous Year Rs. 79.37).

(ii) Loans to employees include Rs. Nil (Previous Year Rs. 0.09) given to Executive Director towards Housing Loan. Maximum amount due at any time during the year Rs. 0.09 (Previous Year Rs. 0.16).

(B) Sundry Debtors as on 31st March, 2003 as shown in Schedule "G" is net after giving the effect of sale of receivables amounting to Rs. 197.32.

6. Assets aggregating Rs. 109.96 (Previous year - Rs. 113.65) have been acquired on financial lease during the earlier years. The obligation for future lease rentals in respect of such assets aggregate to Rs. 57.48 (Previous year - Rs. 85.19) payable over a period of 4 years. Lease rentals payable during the year 2003-04 is Rs. 24.52.

7. CAPITALISATION OF INTEREST, PRE-OPERATIVE AND TRIAL RUN EXPENSES:

In line with the applicable Accounting Standards, interest on funds utilised and preoperative expenses including trial run expenses (net) for projects (including R & D) and/or substantial expansions have been capitalised up to the date of commercial production/stabilisation of the project, amounting to Rs. 50.82 (Previous Year Rs. 36.80). All preoperative expenditure including interest of Rs. 18.67 (Previous Year Rs. 21.48) so capitalised and Trial Run Expenditures (net of trial run receipts) accumulated as capital work in progress has been allocated to respective fixed assets.

8. SUNDRY CREDITORS INCLUDE:

i. Amount due to small scale industrial undertaking/ancillary industrial undertaking amounting to Rs. 5.22 (Previous Year Rs. 5.48).

ii. The names of small scale/ancillary industrial undertakings to whom the above amount is due are, Kumar Containers, Niranjan Containers (P) Ltd., Phawa plastics, Melody Plastics Products (P) Ltd.

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.

Notes to the Accounts

9. (A) DEFERRED ASSETS AND LIABILITIES ARE ATTRIBUTABLE TO THE FOLLOWING ITEMS:

(Rs/Millions)

As at 31st March,	2003	2002
Deferred Tax Assets		
Provision for Technical Know-how fee written off	–	0.16
Provision for Leave Encashment and Gratuity	21.16	12.86
Unabsorbed Depreciation and Losses	65.05	187.78
Amount disallowed u/s 43 B	0.72	0.71
Others	–	20.05
	86.93	221.56
Deferred Tax Liabilities		
Accumulated depreciation	651.04	529.47
Deferred Tax Liabilities (Net)	**564.11**	**307.91**

Deferred tax assets on unabsorbed depreciation and losses has been recognised considering that the Company is a profit making entity and on the basis of profitability projection for the next 3 years.

(B) An amount of Rs. 145.75 has been withdrawn from reserves to offset the charge arising on reversal of deferred tax assets created and adjusted to General Reserve in earlier years.

10. During the year, the two subsidiaries, Vam Investment Ltd (VIL) (engaged to carry out business of an investment company) and Vam Leasing Ltd. (VLL) (engaged to carry on and undertake the business of leasing and financing of leasing operations) have been amalgamated with the Company with effect from 1st April, 2002 along with its fixed assets, current assets, current liabilities, rights and powers together with all present and future liabilities including contingent liabilities and obligations at their fair value, in terms of the Scheme of Amalgamation approved by the Hon'ble High Court of Judicature, Allahabad and Hon'ble High Court of Delhi vide its Order dated 13th March, 03 & 24th March, 03 respectively. Accordingly the undertaking and the entire business of both VIL & VLL have been transferred to and vested in the Company.

11. The amalgamation which has been accounted for under Purchase Method as provided in Accounting Standard No.14, issued by Institute of Chartered Accountants of India has resulted in the transfer of assets and liabilities at fair value as on April 1, 2002 and creation of the Amalgamation Reserve amounting to Rs. 2.67 as detailed below:

(Rs/Millions)

	VIL	VLL	Total
Fixed Assets	237.13		237.13
Investments	70.00		70.00
Other Assets	3.30	1.61	4.91
Secured Loans	(69.30)		(69.30)
Unsecured Loans	(26.80)		(26.80)
Current Liabilities & Provision	(2.62)	(0.01)	(2.63)
Jubilant Organosys Ltd. Investment in VIL & VLL	(153.20)	(61.70)	(214.90)
Equity Share of Jubilant Organosys Ltd. held by VIL & VLL as Investments	2.38	1.88	4.26
Excess of Assets over Liabilities transferred to Amalgamation Reserve			**2.67**

Proposed Dividend of the previous year in respect of shares held by such erstwhile Companies, declared by the Company in respect of their holdings amounting to Rs. 3.19 have been reversed and reflected in Profit & Loss Account of current year since the said shareholding have been cancelled pursuant to the scheme.

Expenses incurred in respect of the above scheme amounts to Rs. 1.54 and included in the respective heads of account.

12. The Company has acquired Active Pharmaceutical Ingredients [API] business of Max India Ltd situated at Nanjangud, Mysore, Karnataka, with all its immovable & movable assets/licences & permissions/contracts/ intellectual properties and current liabilities free from all encumbrances on a going concern basis for a lump sum consideration of Rs. 631.10. The business has been transferred on 31st March, 2003 with the economic benefits accruing to the Company from 1st September, 2002 (as the said business was run by them in trust for the Company during the said period). Accordingly, the financials of the Company includes seven months results of API business.

In compliance of Accounting Standards, the consideration paid for this acquisition together with the incidental expenditure (including payments to Consultants associated with such acquisition) totalling to Rs. 683.22 has been apportioned as detailed below to various assets on fair value basis as determined and reported by the expert valuers as detailed below:

(Rs/Millions)

1. Fixed Assets (including intangibles)	576.45
2. (a) Current Assets	270.98
(b) Less : Current Liabilities	(163.47)
(c) Net Current Assets	107.51
3. Vehicle Loan	(0.74)
4. Total	683.22

Notes to the Accounts

13. 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 :

a. Pharmaceuticals & Life Science Chemicals includes : Pharmaceuticals, Nutrition Products, Advanced Intermediates, Custom Research & Manufacturing Services.

b. Performance Chemicals includes: Latex, Coating & Solid Polymers, Industrial Adhesives, Textile Chemicals,Woodworking Solutions, Footwear Adhesives, Speciality Gases.

c. Organic Intermediates includes: Acetic Acid, Acetic Anhydride, Ethyl Acetate, Vinyl Acetate Monomer.

d. Agri Products includes : Crop Nutrition Products, Fertilisers (SSP), Organic Manure, Crop Protection Formulations.

ii) Inter Segment Transfer Pricing :
Inter Segment prices are based on market prices.

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

(Rs/Millions)

Particulars	Pharmaceuticals & Life Science Chemicals		Performance Chemicals		Organic Intermediates		Agri Products		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
1) **Revenue**	2,855.97	2,015.28	1,663.14	1,487.17	4,590.85	4,630.40	567.11	517.52	9,677.07	8,650.37
Less: Inter/Intra Segment Revenue	500.73	354.76	0.60	–	1,262.88	1,638.36	67.92	56.80	1,832.13	2,049.92
Less: Excise Duty	153.91	94.05	222.22	186.21	357.21	366.18	6.27	2.98	739.61	649.42
Net Sales	**2,201.33**	**1,566.47**	**1,440.32**	**1,300.96**	**2,970.76**	**2,625.86**	**492.92**	**457.74**	**7,105.33**	**5,951.03**
2) **Segment results**	562.06	381.79	78.68	88.56	503.73	263.72	58.50	43.68	1,202.97	777.75
Less : Interest (Net)									402.50	407.42
Other un-allocable expenditure (net of un-allocable income)									159.27	154.21
Total Profit Before Tax	**562.06**	**381.79**	**78.68**	**88.56**	**503.73**	**263.72**	**58.50**	**43.68**	**641.20**	**216.12**
3) **Capital Employed** (Segment Assets - Segment Liabilities)										
Segment Assets	2,711.60	1,352.70	764.33	683.84	3,040.38	3,117.15	279.67	247.55	6,795.98	5,401.24
Add: Common Assets									644.32	461.83
Total Assets	**2,711.60**	**1,352.70**	**764.33**	**683.84**	**3,040.38**	**3,117.15**	**279.67**	**247.55**	**7,440.30**	**5,863.07**
Segment Liabilities	333.21	144.11	135.06	156.82	521.29	447.77	44.02	91.01	1,033.58	839.71
Add: Common Liabilities									234.63	143.21
Total Liabilities	**333.21**	**144.11**	**135.06**	**156.82**	**521.29**	**447.77**	**44.02**	**91.01**	**1,268.21**	**982.92**
Segment Capital Employed	2,378.39	1,208.59	629.27	527.02	2,519.09	2,669.38	235.65	156.54	5,762.40	4,561.53
Add: Common Capital Employed									409.69	318.62
Total Capital Employed	**2,378.39**	**1,208.59**	**629.27**	**527.02**	**2,519.09**	**2,669.38**	**235.65**	**156.54**	**6,172.09**	**4,880.15**
4) **Segment Capital Expenditure**	935.17	63.99	61.05	17.09	146.92	180.86	1.14	4.63	1,144.28	266.57
Add: Common Capital Expenditure									251.04	43.27
Total Capital Expenditure	**935.17**	**63.99**	**61.05**	**17.09**	**146.92**	**180.86**	**1.14**	**4.63**	**1,395.32**	**309.84**
5) **Depreciation (Net)**	62.29	78.39	25.73	38.51	131.60	125.87	10.21	8.36	229.83	251.13
Add: Common Depreciation									7.62	3.20
Total Depreciation	**62.29**	**78.39**	**25.73**	**38.51**	**131.60**	**125.87**	**10.21**	**8.36**	**237.45**	**254.33**

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 organisation 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 : Geographical

(Rs/Millions)

Particulars	India		China		Rest Asia		Europe		Americas		Other Countries	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Revenues	7,712.77	7,465.62	311.20	156.50	732.30	368.90	693.70	523.30	119.60	67.40	107.50	68.65
Less: Inter/Intra Segment Revenue	1,832.13	2,049.92										
Less: Excise Duty	739.61	649.42										
Net Sales	**5,141.03**	**4,766.28**	**311.20**	**156.50**	**732.30**	**368.90**	**693.70**	**523.30**	**119.60**	**67.40**	**107.50**	**68.65**

Notes to the Accounts

14 A. RELATED PARTY TRANSACTIONS

The Company has entered into transactions with the related parties:

a) Related parties where control exists

Jubilant Organosys USA Inc, a wholly owned Subsidiary

b) Other related parties with whom transactions have taken place during the year

- Associates
  Jubilant Biosys (P) Ltd., Jubilant Enpro India Ltd.
- Others
  Vam Employees Provident Fund Trust

c) i. Key Management Personnel

Mr. S.S. Bhartia, Mr. H.S. Bhartia, Mr. S.N. Singh, Mr. Shyam Bang, Dr. J.M. Khanna

ii. Relatives of Key Management Personnel

Ms. Shobhana Bhartia, Ms. Sudha Singh, Ms. Shobha Bang

d) Transactions with related parties during the year (Rs/Millions)

Particulars	Subsidiary	Associates	Key Mgmt. Personnel & Relatives	Others
Expenses recharged to other Companies for facilities provided	– (3.48)	8.55 (12.85)		
Sale of Finished Goods	72.97 (63.99)			
Export Commission paid	9.65 (9.12)			
Company's Contribution to PF Trust				31.55 (28.97)
Advance against 10% Optionally Non-cumulative Redeemable Preference shares		77.80 (–)		
Inter-Corporate Deposits given	– (105.10)	– (103.20)		
Inter-Corporate Deposits received back	– (78.30)	16.00 (70.00)		
Interest accrued & received on Inter Corporate Deposit	– (2.28)	1.13 (5.66)		
Investments in equity share capital	1.09 (1.09)	70.00* (–)		
Remuneration and related expenses			30.15 (13.99)	
Fixed Deposits outstanding at the year end			7.60 (8.22)	
Interest accrued on Fixed deposits during the year			1.06 (1.15)	

Note: Managerial remuneration – Details as per Note 15 of Schedule "N".

Figures in ( ) indicates in respect of previous year.

* Amount given by VIL, erstwhile subsidiary Company, amalgamated as per Scheme during the year. Shares have been allotted during the current year.

14 B. PROMOTER GROUP

Group companies

The Company is controlled by Mr S S Bhartia/Mr H S Bhartia group ("the promoter group"), being a group as defined in the Monopolies and Restrictive Trade Practices Act, 1969.

The persons constituting the promoter group include individuals and corporate bodies who/which jointly exercise, and are in a position to exercise, control over the Company. The names of these individuals and bodies corporate are Mr. S S Bhartia, Mr. H S Bhartia, Mrs. Shobhna Bhartia, Mrs. Kavita Bhartia, Mr. Priyavrat Bhartia, Mr. Shamit Bhartia, Ms. Aashti Bhartia, Master Arjun S Bhartia, Best Luck Vanijya P Ltd., Denon Dealers P Ltd., Enpro Exports P Ltd., Enpro Finance P Ltd., Enpro Investments P Ltd., Jaytee P Ltd., Jubilant Enpro Ltd., Jubilant Securities P Ltd., Jubilant Capital P Ltd., Kavita Commercial P Ltd., Klinton Agencies P Ltd., Marketex Mercantiles P Ltd., Marshall Mercantiles P Ltd., Shobhna Commercial P Ltd., Speedage Vinimay P Ltd., Rance Investment Holdings Ltd., Cumin Investments Ltd., Torino Overseas Ltd., Value Leasing Ltd., Vam Holdings Ltd., VOCL Investments Ltd., Volvo Holdings Ltd., Westcost Vyapaar P Ltd.

Notes to the Accounts

15. DETAILS OF REMUNERATION TO THE MANAGING DIRECTORS & EXECUTIVE DIRECTORS UNDER SECTION 198 OF THE COMPANIES ACT, 1956

(Rs/Millions)

	2002-03	2001-02
i) Salaries	8.39	5.62
ii) Perquisite Value of Housing Facility	4.40	2.89
iii) Contribution to Provident Fund and Superannuation Fund	2.26	1.52
iv) Perquisite value of other Benefits	1.60	1.41
v) Commission to Managing Directors (Previous year Rs. 1.20 Mn to each)	13.00 **	2.40 **
vi) Commission to other Directors (Excluding Executive Directors)	0.50	0.15
	30.15	13.99
The above excludes provision for gratuity where calculations are on overall Company basis.		
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	641.20	216.12
Add: Managerial Remuneration as above	30.15	13.99
Directors Sitting Fees	0.28	0.20
Depreciation as per Accounts	237.45	254.33
Net Profits	909.08	484.64
Less: Income From Relinquishment of rights of capital nature.	–	9.47
Depreciation under Section 350 of the Companies Act, 1956	237.45	254.33
Net Profits in accordance with Section 198 (I) /349 of Companies Act, 1956 for calculation of Commission to Directors	671.63	220.84
Commission @ 1% to each Managing Director (Rounded amount for current year)	13.00	4.42
Restricted to:		
**Managing Directors (Previous year Rs.1.20 Mn to each)	–	2.40
Other Directors (Excluding Executive Directors) @ Rs. 0.10 Mn each (Previous Year Rs. 0.05 Mn each)	0.50	0.15

16. (A). CAPACITIES, STOCKS, PRODUCTION AND TURNOVER

S. No.	Class of Goods	Quantitative Denomi-nation	Capacity* Installed	Opening Stock Quantity	Opening Stock Rs/ Millions	Production QTY@@	Turnover Quantity	Turnover Rs/ Millions	Closing Stock Quantity	Closing Stock Rs/ Millions
1.	Alcohol	KBL	151800	10170		119310	207	4.81	5908	
		KBL	(141800)	(2502)		(112522)	(152)	(1.90)	(10170)	
2	Organic including Speciality	MT	# 366430	3857		308562	134299	5,443.39	3942	
	Chemicals & its Intermediates	MT	#(347060)	(6140)		(289755)	(119617)	(4,742.62)	(3857)	
3	Polymers including Co-polymers &	MT	30900	457		20463	20305	1,049.91	460	
	VP Latex/ SBR latex	MT	(28650)	(455)		(18183)	(18082)	(964.70)	(457)	
4	Single Superphosphate ***	MT	132000	7914		126135	124544	415.24	9505	
		MT	(132000)	(9953)		(114041)	(116081)	(386.30)	(7914)	
5	Sulphuric Acid **	MT	57750	421		59034	59211	46.69	244	
		MT	(57750)	(609)		(46599)	(46787)	(18.30)	(421)	
6	Dry & Aqueous Choline Chloride	MT	22000	194		10451	6137	248.84	49	
	& Ethyoxylates		(22000)	(416)		(9879)	(6013)	(234.90)	(194)	
7	Feed Premixes	MT	3500	97		1344	1362	43.38	80	
			(3500)	(70)		(983)	(956)	(31.00)	(97)	
8	Agri Chemicals	K.L		7		10	9	4.50	8	
				(30)		(6)	(29)	(6.64)	(7)	
9	Active Pharmaceuticals Ingredients (API)	MT	202	5 @		126	126	471.53	5	

* 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 38136.286 MT (Previous year 36624.788 MT)

*** Sales include Captive consumption of 16.850 MT (Previous year Nil)

Does not include Acetic Acid recovery from VAM plant.

@ Stocks acquired on acquisition of API business at Nanjangud, Mysore. (Refer Note 12 of Schedule N)

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

Notes:

1) Acetaldehyde is also produced which is mainly used for captive consumption.
2) Closing Stocks have 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.
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 / shortages for sample etc.
7) Production for API is for 7 months period. (Sept 02 to Mar 03)

Notes to the Accounts

16. (B) PARTICULARS IN RESPECT OF TRADING GOODS

Particulars	2002-03		2001-02	
	Quantity	Rs/Millions	Quantity	Rs/Millions
i) Opening Stock				
Polymers, Adhesives & Chemicals (MT)	–		149.26	
Misc (Nos)	7323.00		7323.00	
Agrochemicals (Ltr.)	20060.00		16041.10	
Organic Manure (MT)	–		5.40	
Other Organic Chemicals (MT)	1371.99		–	
Others	2.98		5.33	
ii) Purchases				
Polymers, Adhesives & Chemicals (MT)	–	–	1007.68	56.96
Fertilisers. (MT)	–	–	5012.00	12.60
Misc (Nos)	–	–	–	–
Agrochemicals (Ltrs.)	236240.00	17.01	159293.00	21.22
Organic Manure (MT)	2746.05	4.39	2518.45	4.40
Other Organic Chemicals (MT)	607.53	25.74	3074.38	100.81
Others	36.44	0.62	–	–
iii) Sales				
Polymers, Adhesives & Chemicals (MT)	–	–	1156.94	102.97
Fertilisers. (MT)	–	–	5012.00	13.88
Misc (Nos)	–	–	–	–
Agrochemicals (Ltrs.)	231916.00	21.97	155274.10	28.83
Organic Manure (MT)	2746.05	10.80	2523.85	6.78
Other Organic Chemicals (MT)	1979.51	82.96	1702.39	61.53
Others	35.75	0.92	2.35	0.10
iv) Closing Stock				
Polymers, Adhesives & Chemicals (MT)				
Misc (Nos)	7323.00		7323.00 *	
Agrochemicals (Ltrs.)	24384.00		20060.00	
Organic Manure (MT)	–		–	
Other Organic Chemicals (MT)	–		1371.99	
Others	3.67		2.98	

* Includes Sales Return.

16 (C) RAW MATERIALS CONSUMED(EXCLUDING INTER-DIVISIONAL TRANSFERS & CONSUMPTIONS THEREOF)

Particulars	2002-03		2001-02	
	Quantity	Rs/Millions	Quantity	Rs/Millions
Molasses(MT)	552633	900.16	524675	823.22
Alcohol(KL)	56243	644.87	55414	612.58
Process Chemicals (MT)	25621	706.53	20063	472.06
Rock Phosphate (MT)	73000	173.04	65460	155.95
Sulphur etc(MT)	30921	89.31	22732	48.45
Chemicals for Feed Additive (Kgs)	3479364	126.48	3095088	112.17
Latex chemicals [MT]	1389	112.80	1406	103.20
API Chemicals [MT]	2935	195.70	–	–
Others [MT] (none of which individually account for more than 10% of total consumption)	–	63.45	–	44.07
		3,012.34		2,371.70

16 (D) VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS, STORES AND SPARE PARTS CONSUMED AND PERCENTAGE THEREOF FOR THE YEAR.

Particulars	2002-03		2001-02	
	Rs/Millions	%	Rs/Millions	%
Consumption of Raw Materials				
– Imported	819.45	27.20	400.40	16.88
– Indigenous	2,192.89	72.80	1,971.30	83.12
	3,012.34	100.00	2,371.70	100.00
Consumption of Stores, Spares, Chemicals, Catalyst & Packing material				
– Imported	97.97	15.24	179.95	33.61
– Indigenous	545.04	84.76	355.41	66.39
	643.01	100.00	535.36	100.00

Notes to the Accounts

(Rs/Millions)

	2002-03	2001-02
16 (E) EARNING PER SHARE		
a) Calculation of Weighted Average number of Equity Shares of Rs. 5 each (Previous Year Equity Shares of Rs. 10 each)		
Number of shares at the beginning of the year	7757399 *	6257399
Shares issued on 10th Dec. 2001 on conversion 400000 Nos Warrants		400000
Shares issued on 23rd March. 2002 on conversion 1100000 Nos Warrants		1100000
Total number of equity shares outstanding at the end of the year	14663564 *	7757399
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	14663564	6407262
* on account of sub-division of shares and after giving the effect of cancellation of shares in pursuance of the Scheme (Refer - schedule A)		
b) Net profit after tax & Preference Dividend available for equity shareholders (Rs./Millions)	481.05	232.19
c) Earnings (in Rupees) per share (Nominal value of Rs. 5 per share)		
– Basic Earning per Share	32.79	18.12
– Diluted Earning per Share	32.79	18.12
16 (F) EXPENDITURE IN FOREIGN CURRENCY		
– Technical Knowhow Fee	0.52	0.54
– Travel /Entertainment Expenses	8.60	6.29
– Commission on Export Sales	25.86	14.04
– Interest on ECB	1.26	4.03
– Overseas Office Expenses	5.81	3.40
– Others	32.54	3.10
16 (G) VALUE OF IMPORTS ON C.I.F. BASIS		
– Raw Materials	696.36	269.48
– Stores. Spares, Chemicals & Catalyst	92.36	130.05
– Capital Goods	9.62	–
– Trading Goods	12.89	73.52
16 (H) REMITTANCE IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND		
a) Amount of Dividend Remitted (Net of Tax)*	1.51	0.29
b) Number of Non-Resident Shareholders	1086	1115
c) Number of Equity Shares held by Non-Resident Shareholders	532012	235431
d) The Year to which Dividend related	2001-02	2000-01
* 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	0.77	–
– Export Sales (FOB Value)	1,828.34	1,087.35

17 Previous year's figures have been regrouped/rearranged wherever found necessary to conform to this year' s classification. In view of scheme of amalgamation of two subsidiary companies and on account of acquisition of API business, previous years figures are not strictly comparable.

Signatures to Schedule A to N 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 : 9th May, 2003

Ajay Krishna
Company Secretary

R Sankaraiah
Chief Financial Officer

H S Bhartia
Co-Chairman & Managing Director

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. 2 0 4 6 2 4 State Code No. 2 0

Balance Sheet Date 3 1 (Date) 0 3 (Month) 2 0 0 3 (Year)

II. Capital Raised During the year (Amount in Rs. thousands)

Public Issue	Rights Issue
N I L	N I L
Bonus Issue	**Private Placement**
N I L	N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)

Total Liabilities	Total Assets
6 1 7 2 0 9 8	6 1 7 2 0 9 8

Sources of Funds

Paid-up Capital	Reserves & Surplus
7 3 3 3 4	1 4 0 5 5 6 7
Secured Loans	**Unsecured Loans**
3 4 7 3 2 0 6	6 5 5 8 7 7
Deferred Tax Assets & Liability (Net)	
5 6 4 1 1 4	

Application of Funds

Net Fixed Assets	Investments
4 2 4 4 2 8 3	1 6 3 2 3 2
Net Current Assets	**Miscellaneous Expenditure**
1 7 6 3 4 2 5	1 1 5 8

IV. Performance of Company (Amount in Rs. thousands)

Turnover **	Total Expenditure
9 7 1 6 3 6 8	9 0 7 5 1 6 6

** Includes other Income

+	−	Profit/Loss Before Tax	+	−	Profit/Loss After Tax
✔		6 4 1 2 0 2	✔		4 8 1 0 4 8

Earnings per share in Rs.	Dividend %
3 2 . 7 9	9 0

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code	(ITC No.) Product Description
2 9 1 5 2 1 . 0 0	ACETIC ACID
2 9 1 5 3 2 . 0 0	VINYL ACETATE MONOMER
3 9 0 5 1 1 . 0 1	POLYVINYL ACETATE

In terms of our report of even date attached.
for **K N Gutgutia & Co.**
Chartered Accountants

B R Goyal
Partner

S S Bhartia
Chairman & Managing Director

Noida
Date : 9th May, 2003

Ajay Krishna
Company Secretary

R Sankaraiah
Chief Financial Officer

H S Bhartia
Co-Chairman & Managing Director

Consolidated Financial Statements of Jubilant Organosys Ltd.

Auditors' Report

Auditors' Report to the Board of Directors of Jubilant Organosys Ltd. on the Consolidated Financial Statements of Jubilant Organosys Ltd. and its subsidiary and associate.

1 We have examined the attached Consolidated Balance Sheet of Jubilant Organosys Ltd. and its subsidiary, namely Jubilant Organosys USA, Inc. and Associate Company, namely, Jubilant Biosys (P) Ltd., as at 31st March, 2003, the Consolidated Profit and Loss Account for the year then ended and annexed thereto and the consolidated cash flow statement for the year ended on that date. These financial statements are the responsibility of the Jubilant Organosys Ltd's management based upon our audit. Our responsibility is to express an opinion on these financial statements based on our audit.

2 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.

3 We did not audit the financial statements of subsidiary, whose financial statements reflect total assets of Rs.28.30 Mn as at 31st March 2003 and total revenues of Rs.77.78 Mn for the year then ended. These financial statements have been audited by other auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amount included in respect of the subsidiary, is based solely on the report of the other auditor.

4 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 and Accounting Standard 23 - Accounting for investments in Associates in 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 Ltd., its subsidiary and associate included in the Consolidated Financial Statements.

5 On the basis of the information and explanation given to us and on consideration of the separate audit report on individual audited financial statements of Jubilant Organosys Ltd., its aforesaid subsidiary and associate, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of the consolidated Balance Sheet, of the consolidated state of affairs of Jubilant Organosys Ltd., its subsidiary and associate, as at March 31, 2003;

(b) In the case of the consolidated Profit and Loss Account of the consolidated results of operations of Jubilant Organosys Ltd., its subsidiary and associate for the year ended on that date; and

(c) In the case of the consolidated cash flow statement, of the consolidated cash flows of Jubilant Organosys Ltd., its subsidiary and associate for the year ended on that date.

For **K N Gutgutia & Company**
Chartered Accountants

Noida
Date : 9th May, 2003

(B R Goyal)
Partner

Consolidated Balance Sheet

(Rs/Millions)

As at 31st March,	Schedules		2003		2002
SOURCES OF FUNDS					
Shareholders' funds					
Share Capital	A	73.33		73.33	
Reserves & Surplus	B	1,407.95		1,033.54	
			1,481.28		1,106.87
Deferred Tax Liabilities (Net)	C		564.14		307.91
Loan Funds	D				
Secured Loans		3,473.21		2,584.89	
Unsecured Loans		575.15		777.08	
Deferred Sales Tax Credits		80.72		53.99	
			4,129.08		3,415.96
			6,174.50		**4,830.74**
APPLICATION OF FUNDS					
Fixed Assets	E				
Gross Block		6,645.08		5,416.41	
Less: Depreciation		2,513.76		2,308.62	
Net Block		4,131.32		3,107.79	
Capital Work-in-Progress		113.10		165.36	
			4,244.42		3,273.15
Investments	F		161.84		84.23
Current Assets, Loans and Advances	G				
Inventories		1,350.02		1,030.18	
Sundry Debtors		815.15		768.83	
Cash & Bank Balances		106.27		101.47	
Loans and Advances		760.33		550.38	
		3,031.77		2,450.86	
Less: Current Liabilities & Provisions	H				
Liabilities		1,079.72		879.97	
Provisions		184.97		97.53	
		1,264.69		977.50	
Net Current Assets			1,767.08		1,473.36
Miscellaneous Expenditure	I		1.16		–
(To the extent not written off or adjusted)					
			6,174.50		**4,830.74**
Notes to Accounts & Significant Accounting Policies	N				

In terms of our report of even date attached.
for **K N Gutgutia & Co.**
Chartered Accountants

B R Goyal
Partner

S S Bhartia
Chairman & Managing Director

Noida
Date : 9th May, 2003

Ajay Krishna
Company Secretary

R Sankaraiah
Chief Financial Officer

H S Bhartia
Co-Chairman & Managing Director

Consolidated Profit and Loss Account

(Rs/Millions)

For the year ended 31st March,	Schedules		2003		2002
INCOME					
Sales			9,686.07		8,648.18
Other Income	J		39.30		44.07
Increase(Decrease) in Finished & Process Stocks	K		54.00		(15.41)
			9,779.37		8,676.84
EXPENDITURE					
Manufacturing & Other Expenses	L		8,497.67		7,797.17
Depreciation (Net) (Refer Note 2 of Schedule "E")		246.67		397.00	
Less: Transferred from Revaluation Reserve for Depreciation on Revalued Amounts (see Note 1 (B) (v) of Schedule "N")		(9.15)		(9.64)	
Less: Transferred from General Reserve		–		(131.56)	
			237.52		255.80
Interest	M		402.50		411.05
			9,137.69		8,464.02
Profit Before Tax			641.68		212.82
Tax provision for the current year including Wealth Tax			50.13		2.21
Deferred Tax Liability		256.20			
Less: Withdrawn from Reserve (see Note 9(B) of Schedule "N")		145.75			
			110.45		(14.60)
Tax adjustments for Earlier Years (Net)			–		(7.00)
			160.58		(19.39)
Profit After Tax			481.10		232.21
Share of Profit/(Loss) in Associate			(0.30)		–
Profit After Tax and Share of Profit/(Loss) in Associate			480.80		232.21
Balance Brought Forward from Previous Year			104.73		101.54
Balance Available for Appropriation			585.53		333.75
APPROPRIATIONS					
Dividend on Equity Shares		65.99		54.99	
Dividend on Preference Shares (including Dividend Tax)		–		4.03	
Tax on Distributed Profits on Equity Shares		8.45		–	
			74.44		59.02
Transfer to Capital Redemption Reserve			–		50.00
Transfer to General Reserve			50.00		120.00
Balance Carried to Balance Sheet			461.09		104.73
Basic and Diluted Earnings per Share (in Rupees)	N		32.79		19.07
Notes to Accounts & Significant Accounting Policies	N				

In terms of our report of even date attached.
for **K N Gutgutia & Co.**
Chartered Accountants

B R Goyal
Partner

S S Bhartia
Chairman & Managing Director

Noida
Date : 9th May, 2003

Ajay Krishna
Company Secretary

R Sankaraiah
Chief Financial Officer

H S Bhartia
Co-Chairman & Managing Director

Consolidated Cash Flow Statement

(Rs/Millions)

For the year ended 31st March,			2003		2002
A. Cash flow arising from Operating Activities :					
Net profit before tax and Extraordinary items			641.68		212.82
Add back :	i)	Depreciation	237.52	255.80	
	ii)	Loss on Sale of Assets	3.05	15.80	
	iii)	Interest (Net)	402.50	411.05	
	iv)	Amortisation - Deferred Revenue Expenditure	0.11	–	
	v)	Provision for Diminution in the value of Investments	–	5.06	
	vi)	Provision for Doubtful Debts	–	2.23	
	vii)	Bad Debts/irrecoverable Advances w/off	38.10	42.10	
	viii)	Unrealised Exchange Difference	(22.57)	6.17	
			658.71		738.21
			1,300.39		951.03
Deduct :	i)	Dividend Income			
	ii)	Exceptional Items	–	1.26	
			–	9.47	
			–		10.73
Operating Profit before Working Capital Changes			1,300.39		940.30
Deduct :	i)	Increase/(Decrease) in Trade and other Receivables	236.41	35.72	
	ii)	Increase/(Decrease) in Inventories	319.83	44.29	
	iii)	Increase/(Decrease) in Miscellaneous Expenditure	1.27	–	
			557.51		80.01
			742.88		860.29
Add :	i)	Increase in Trade payables	181.63		228.15
Cash inflow from Operations			924.51		1,088.44
Deduct :	i)	Interest Paid	432.83	455.30	
	ii)	Direct taxes Paid (net of refunds)	55.00	(9.57)	
			487.83		445.73
Net Cash Inflow/(Outflow) in course of Operating Activities			436.68		642.71
B. Cash Flow arising from Investing Activities :					
Outflow	i)	Acquisition/purchase of Fixed Assets/CWIP	1,083.43	506.45	
	ii)	Purchase(Sale) of Investments(net)	60.70	70.00	
	iii)	Loans to other Companies (net)	19.50	32.35	
			1163.63		608.80
Deduct : Inflow	i)	Sale of Fixed Assets	8.07	12.20	
	ii)	Interest Received	32.12	38.83	
	iii)	Dividend Received	–	1.26	
	iv)	Relinquishment of rights of capital nature (Exceptional item)	–	9.47	
			40.19		61.76
Net Cash Inflow/(Outflow) in course of Investing Activities			(1,123.44)		(547.04)
C. Cash flow arising from Financing Activities					
Inflow	i)	Proceeds from Issue of Share Capital (Includes Share Premium of Rs. 87.75 Mn)	–	102.75	
	ii)	Proceeds from Long Term & Short Term Borrowings	745.66	(105.02)	
Deduct :			745.66		(2.27)
Outflow	i)	Redemption of Preference Share Capital	–	50.00	
	ii)	Dividend Paid (including Corporate Dividend Tax)	54.10	42.07	
			54.10		92.07
Net Cash Inflow/(Outflow) in course of Financing Activities			691.56		(94.34)
Net Increase in Cash & Cash equivalents (A+B+C)			**4.80**		**1.33**
Add: Cash & Cash Equivalents at the beginning of Year			**101.47**		**100.14**
Cash & Cash Equivalents at the close of the Year			**106.27**		**101.47**

In terms of our report of even date attached

for **K N Gutgutia & Co.**
Chartered Accountants

B R Goyal
Partner

S S Bhartia
Chairman & Managing Director

Noida
Date : 9th May, 2003

Ajay Krishna
Company Secretary

R Sankaraiah
Chief Financial Officer

H S Bhartia
Co-Chairman & Managing Director

Schedules forming part of the Consolidated Balance Sheet

(Rs/Millions)

As at 31st March,		2003	2002
A SHARE CAPITAL			
Authorised			
29200000	Equity Shares of Rs. 5/- each	146.00	146.00
	(Previous Year 14600000 Equity Shares of Rs. 10/- each)		
4040000	Redeemable Cumulative Preference Shares of Rs. 100/- each.	404.00	404.00
		550.00	550.00
Issued & Subscribed			
14669964	Equity Shares of Rs. 5/- each	73.35	73.35
	(Previous Year 7334982 Equity Shares of Rs. 10/- each)		
		73.35	73.35
Paid up			
14663564	Equity shares of Rs. 5/- each fully paid up	73.31	73.31
	(Previous Year 7331782 Equity Shares of Rs.10/- each) *		
	Add: Equity Shares Forfeited (paid up)	0.02	0.02
		73.33	**73.33**

Notes:

1) The shareholders of the company in Annual General Meeting held on September 23, 2002 authorised splitting of one equity share of Rs. 10/- each fully paid up into two equity shares of Rs. 5/- each fully paid up and accordingly the shares have been split effective Nov 21, 2002.

2) Pursuant to the Scheme of Amalgamation approved by the Hon'ble High Court of Judicature, Allahabad and Hon'ble High Court of Delhi, and as contained in the Opening Reference Balance Sheet annexed to the Scheme, the paid up share capital of the Company has been reduced during the year by cancellation of 476550 Equity shares and 374684 Equity shares of Rs. 5/- fully paid up held by erstwhile M/s Vam Investments Ltd. and M/s Vam Leasing Ltd., respectively as investments in the Company.

*** Includes :**

- 328804 Equity shares of Rs. 5/- (Previous Year 256522 Equity Shares of Rs. 10/- each) allotted and issued pursuant to the Scheme of Amalgamation of erstwhile Ramganga Fertilisers Ltd. with the company for consideration other than cash (152356 Equity shares of Rs. 5/- each allotted to Vam Investments Ltd. and 31884 Equity Shares of Rs. 5/- each allotted to Vam leasing Ltd. were cancelled during the year - refer Note 2 above).

- 1012800 Equity shares of Rs. 5/- (Previous Year 839897 Equity Shares of Rs. 10/- each) allotted and issued pursuant to the Scheme of Amalgamation to shareholders of erstwhile Anichem India Ltd. and of erstwhile Enpro Specialty Chemicals Ltd. with the Company for consideration other than cash (324194 Equity shares of Rs. 5/- each allotted to Vam Investment Ltd and 342800 Equity Shares of Rs. 5/- each allotted to Vam leasing Ltd. were cancelled during the year - refer Note 2 above).

(Rs/Millions)

	As at 31st March, 2002	Additions/created during the year	Deductions	As at 31st March, 2003
B RESERVES AND SURPLUS				
Capital Reserve	22.82			22.82
Capital Redemption Reserve	53.85			53.85
Amalgamation Reserve (1)	10.54	2.67		13.21
Share Premium Account	87.75			87.75
Revaluation Reserve	55.32		9.15	46.17
Debenture Redemption Reserve	99.90			99.90
General Reserve (2)	718.91 (3)	50.00	145.75	623.16
	1,049.09			946.86
Add : Surplus as per Profit & Loss Account	104.73	480.80	124.44	461.09
Total	1,153.82	533.47	279.34	1,407.95
Previous Year	1,423.61	489.96	880.03	1,033.54

(1) Refer Note 11 of Schedule "N".

(2) Refer Note 9B of Schedule "N".

(3) Includes Rs. 120.28 Mn being consequent to merger of erstwhile Vam Investments Ltd. & Vam Leasing Ltd. with the company during the year on account of :
Reversal of Dimunition in value of investments Rs. 122.02 Mn & of Reserves Rs. 1.74 Mn of the said companies carried out as at 31.03.2002

Schedules forming part of the Consolidated Balance Sheet

(Rs/Millions)

As at 31st March,	2003	2002
C DEFERRED TAX LIABILITY		
Deferred Tax Liabilities	651.07	529.47
Deferred Tax Assets	86.93	221.56
Deferred Tax Liabilities(Net)	564.14	307.91
(Refer Note 9A of Schedule "N")		
D LOANS		
Secured		
A. Debentures		
13.50% Non Convertible Debentures (IX series) of Rs. 100/- each at par	66.67	133.33
11.43% Non Convertible Debentures (XI series) of Rs. 100/- each at par	240.00	–
B. Term Loans from		
- Banks		
- Rupee Loans	763.90	773.79
- Foreign Currency	–	48.82
- Financial Institutions		
- Rupee Loans	672.09	800.73
- Foreign Currency	712.35	–
- Others		
- Rupee Loans	114.00	135.71
C. Other Loans (vehicles)	1.73	–
D. Working Capital Loans		
- Rupee	223.36	350.40
- Foreign Currency	679.11	342.11
	3,473.21	2,584.89
Unsecured		
From Bodies Corporate	150.00	150.00
From a Bank	100.00	200.00
Fixed Deposits	325.15	427.08
	575.15	777.08
Deferred Credits		
Deferred Sales Tax Credit	80.72	53.99
	80.72	53.99

Notes:

1. Debentures comprised in series IX and XI [mentioned under A above] are secured by way of first charge
   a) by way of mortgage of the immovable assets and charge by way of hypothecation on the movable assets, both present and future [save and except specified exclusions listed in notes 2 & 5 below] pertaining to the Company's Manufacturing Facilities located at Bhartiagram, Gajraula, District Jyotiba Phoolay Nagar in the State of Uttar Pradesh and at Village Samlaya, Taluka Savli, District Vadodara in the State of Gujarat. The said charge shall rank pari passu with the charges created in favour of lenders mentioned in Note 4 below.
   b) 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.
   c) However, the security by way of mortgage over the said immovable properties in respect of XI series Debentures is pending creation.

   Dates of Redemption
   a) 13.5% Non Convertible Debentures [IX Series] balance of Rs. 66.67 Mn are redeemable at par in February 2004.
   b) 11.43% Non Convertible Debentures [XI Series] of Rs. 240.00 Mn are redeemable at par in eight equal quarterly installments commencing March 2005 and ending December, 2006. There is a Put and Call Option at the end of two years from the date of first disbursement i.e. 28.03.2003.

Schedules forming part of the Consolidated Balance Sheet

(Rs/Millions)

D LOANS (CONTD.)

2. Loans from Housing Development Finance Corporation Ltd. (HDFC) are secured as under :-
   a) In respect of rupee denominated loans, by way of an exclusive mortgage over the specified land and buildings situated at Bhartiagram, District Jyotiba Phoolay Nagar, Uttar Pradesh and constructed out of financial assistance granted by HDFC.
   b) In respect of Non Residential Premises Loan of Rs. 70.00 Mn sanctioned to erstwhile Vam Investments Ltd, which now stands merged with the Company, by way of an exclusive mortgage over Land and Building located at Plot No 1A, Sector 16A, Noida. Uttar Pradesh
   c) In respect of notional USD Loan of $10 Mn, the same is secured as and by way of:-
      i. extension of an exclusive mortgage over the assets mentioned in 2a) above
      ii. extension of an exclusive mortgage over the assets mentioned in 2b) above
      iii. by way of an exclusive mortgage over the Land & Building of Active Pharmaceutical Ingredients Unit located at Nanjangud, Mysore, Karnataka which was acquired from Max India Ltd. during the year.

      However, charge as mentioned in 2c) ii. and iii. above is pending creation.
3. Financial Facilities from Canara Bank by way of Rupee Term Loans are secured by way of an 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.
4. Financial Assistance from Industrial Development Bank of India [under its Rupee Term Loan and Asset Credit Scheme] as also Rupee Term Loan(s) from IFCI Limited, Industrial Investment Bank of India Limited, ICICI Bank Limited, Rabo India Finance Pvt. Ltd., Jammu and Kashmir Bank Limited as also Long Term Foreign Currency Loan of USD 5 Mn from Export Import Bank of India are secured by a first charge by way of: -
   a) 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 as per Note 5 below and exclusive mortgage mentioned in Notes 2 & 3 above) situated at Bhartiagram, District Jyotiba Phoolay Nagar, Uttar Pradesh and at Village Samlaya, Taluka, Savli, District Vadodara in the State of Gujarat.
   b) Such charges to rank pari-passu with other chargeholders listed in Note 1 above.
   c) In respect of Loan of Rs. 260.00 Mn sanctioned by Industrial Development Bank of India, the same is further guaranteed by Shri S S Bhartia and Shri H S Bhartia, CMD & CCMD respectively of the company.
   d) In respect of Loan of Rs. 233.50 Mn sanctioned by Jammu and Kashmir Bank Limited during the year, the first charge by way of mortgage over the said immovable assets is pending creation.
5. Working Capital Facilities sanctioned by Consortium of Banks comprising of State Bank of India, Canara Bank, Corporation Bank, Jammu & Kashmir Bank Limited, Bank of Baroda, Punjab National Bank, Centurion Bank Limited, ICICI Bank Limited, Export Import Bank of India are secured by :-
   a) a first charge by way of hypothecation, ranking pari passu inter se Banks of the entire Book Debts and Inventories 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
   b) also by way of second charge over immovable properties [save and except specified exclusions listed in Notes 2 & 3 above].
6. Financial Facility by way of Working Capital Term Loan of USD 5 Mn sanctioned by Export Import Bank of India is secured by way of a first charge over entire book debts and inventories of the Company, both on present and future basis and ranking pari passu with the charge created in favour of Company's working capital consortium as per Note 5 above.
7. Financial Facility by way of Pre-shipment Credit of USD 5 Mn sanctioned by Export Import Bank of India is secured by way of a first exclusive charge over specific future receivables pertaining to the export contracts financed by them. As an interim security, pending receipt of No Objection Certificates, it is further guaranteed by Shri. S. S. Bhartia and Shri. H. S. Bhartia, CMD & CCMD respectively of the Company.
8. Loans availed for financing purchase of vehicles are secured by a first charge by way of an exclusive hypothecation of the vehicles purchased out of the loan proceeds in favour of the lender.
9. Financial Facilities mentioned in 1 & 4 above are further secured as and by way of a second charge over the current assets of the Company.
10. Secured Loans includes loans of Rs. 470.80 Mn (Previous year Rs. 341.82 Mn) repayable within one year.

E FIXED ASSETS

(Rs/Millions)

Description	Gross Block – Cost/Book Value					Depreciation				Net Block	
	Total as at 31st March, 2002	Additions/ consequent to Amalgamation	Additions/ adjustments during the year	Deductions/ adjustments during the year	Total as at 31st March, 2003	Total as at 31st March, 2002	Provided during the year	Deductions/ adjustments during the year	Total as at 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002
Land											
(a) Free Hold	94.41				94.41					94.41	94.41
(b) Lease Hold	47.04	80.56 *	15.62 *	23.56	119.66					119.66	47.04
Buildings											
(a) Factory	157.90		98.12 *		256.02	33.77	9.71		43.48	212.54	124.13
(b) Others (1)	253.95	156.57 *	29.73 *	92.56	347.69	30.97	10.53	1.35	40.15	307.54	222.98
Plant & Machinery (2)	4,625.92		894.89		5,520.81	2,139.36	194.33(2)		2,333.69	3,187.12	2,486.56
Vehicles	18.54		9.05	9.05	18.54	8.01	2.16	4.63	5.54	13.00	10.53
Office Equipments	110.08		18.24	38.33	89.99	58.71	10.71	34.96	34.46	55.53	51.38
Electric Fittings	3.15				3.15	1.73	0.13		1.86	1.29	1.42
Furniture & Fixtures	80.90		12.31	3.17	90.04	11.55	7.30	0.59	18.26	71.78	69.34
Technical Know-how	24.52				24.52	24.52			24.52		
Patents/Rights			80.25 *		80.25		11.80		11.80	68.45	
Total	5,416.41	237.13	1,158.21	166.67 ***	6,645.08	2,308.62	246.67	41.53 ***	2,513.76	4,131.32	3,107.79
Previous Year	5,037.42		425.48	46.49	5,416.41	1,930.11	397.00	18.49	2,308.62		
Capital Work in Progress & Capital Advances										113.10	165.36
										4,244.42	3,273.15

Notes :

(1) Building includes Rs. 500 being cost of share in Co-operative Housing Society.

(2) Reversal of Rs. 47.80 Mn depreciation provided in earlier years due to change in classification of Plant & Machinery is netted off.

* Includes recently acquired API Business at Nanjangud, Mysore (Refer Note 12 of Schedule "N") and assets vested with the Company consequent to the Scheme of Amalgamation (Refer Note "10" of Schedule "N") to be transferred in the name of the Company.

*** Deductions/ Adjustments represents the effect of merger of erstwhile Vam Investments Ltd & Vam Leasing Ltd with the Company during the year.

Schedules forming part of the Consolidated Balance Sheet

(Rs/Millions)

As at 31st March,				2003		2002
F INVESTMENTS : (Long Term)						
Number	Face Value per unit Rupees					
		(Unquoted, unless otherwise stated)				
		TRADE INVESTMENT				
		Share Application Money Pending Allotment				
		Jubilant Biosys (P) Ltd.		–		70.00
		Fully paid equity shares :				
140000	10.00	Jubilant Biosys (P) Ltd.	70.00			
(-)		Share of Profit/(Loss) in Associate	(0.30)			
				69.70		–
		Advance Against 10% Optionally Convertible Non Cumulative Redeemable Preference Shares				
		Jubilant Biosys (P) Ltd.		77.80		–
		NON-TRADE INVESTMENTS				
1600	1000.00	11% Corporate Bonds III series of Housing		1.60		1.60
(1600)		Development Finance Corporation Ltd.				
1263286	10.00	Units in Unit Trust of India				
(1263286)		(Unit Scheme - 1964)	17.69		17.69	
		Less: Provision for Dimunition In the Value of Investments	(5.06)		(5.06)	
				12.63		12.63
				161.73		84.23
		Quoted :-				
		NON TRADE INVESTMENTS				
		Fully paid equity shares				
–	10.00	Tamilnadu Petro Products Ltd.		–		*
(200)						
3000	10.00	Canara Bank		0.11		–
(-)				161.84		84.23
		Aggregate market value of Quoted Investments		0.21		*

Note:

(1) * (Previous Rs. 2,000) rounded off to Nil.

(2) Pursuant to the Scheme of Amalgamation approved by the Hon'ble High Court of Judicature, Allahabad and Hon'ble High Court of Delhi, investments of the Company in the Equity Shares and 12% Optionally Convertible Non Cumulative Preference Shares held in erstwhile Vam Investments Ltd. and erstwhile Vam Leasing Ltd. stand cancelled.

(3) Assured Re-purchase Value of Units under Unit Scheme, 1964 during year 2003 -Rs. 12.63 Mn.

(4) Figures in ( ) in first column indicates in respect of previous year.

Schedules forming part of the Consolidated Balance Sheet

(Rs/Millions)

As at 31st March,	2003	2002
G CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
Inventories : (Including in Transit & with Third Parties)		
- Raw Materials	427.61	319.54
- Stores, Spares, Process Chemicals, Catalyst, Fuels & Packing Material	353.09	260.36
- Process Stocks	191.24	108.02
- Finished Goods (including Trading Goods)	378.08	342.26
	1,350.02	1,030.18
Sundry Debtors:		
- Unsecured		
- Over Six Months - Good	84.07	91.10
(Includes Subsidy receivable From State Government Rs. 52.66 Mn (Previous Year 37.57 Mn))		
- Doubtful	1.14	2.23
- Other Debts - Good	731.08	677.73
(Includes Subsidy receivable from State Government Rs. 8.40 Mn (Previous Year 8.05 Mn))	816.29	771.06
Less: Provision for Doubtful Debts	1.14	2.23
	815.15	768.83
Cash & Bank Balances:		
- Cash in hand and as Imprest	4.05	2.27
- Cheques/Drafts in hand	9.42	12.76
- With Scheduled Banks		
- On Current Account	16.68	12.91
- On Dividend Account	6.65	5.76
- On Deposit Accounts [including Margin Money - Rs. 46.23 Mn (Previous Year Rs. 42.85 Mn)]	66.94	62.88
- With Non Scheduled Banks in Current Account *	2.53	4.89
	106.27	101.47
LOANS AND ADVANCES		
(Unsecured, Considered good)		
- Advances recoverable in cash or in kind or for value to be received **	322.99	215.70
- Deposits	116.22	94.21
- Deposits with Excise / Sales Tax Authorities ***	233.65	207.22
- Advance Payment of Income Tax/Wealth Tax (including TDS)	80.74	26.52
- Income Tax Refundable	6.73	6.73
	760.33	550.38
	3,031.77	2,450.86

* Includes Current Account with Bank of China, Rs. 0.06 Mn, Chase operating A/c USA Rs. 2.21 Mn & J P Money Market A/c USA Rs. 0.26 Mn

** Includes Rs. 127.26 Mn (Previous Year Rs. 65.30 Mn) Export Benefits Receivables & Rs. 35.10 Mn Receivables from Max India Ltd.

*** Deposit against disputed demands - Rs. 98.09 Mn.

Schedules forming part of the Consolidated Balance Sheet

(Rs/Millions)

As at 31st March,	2003	2002
H CURRENT LIABILITIES AND PROVISIONS		
A) CURRENT LIABILITIES		
Sundry Creditors and Expenses Payable	733.88	565.09
Acceptances	187.25	183.75
Trade Deposits & Advances	66.01	57.40
Interest Accrued but not due	52.37	55.87
Other Liabilities	16.77	12.10
Investors Education and Protection Fund shall be credited with the following amount namely:		
- Unclaimed/unpaid Dividends	6.65	5.76
- Unclaimed Fixed Deposits *	14.76	–
- Interest on Unclaimed Matured Fixed Deposits *	2.03	–
	1,079.72	879.97
* The Previous year figures have not been disclosed as the disclosure requirement came into force with effect from 13th November, 2002.		
B) PROVISIONS		
For Dividends on Equity Shares	74.44	54.99
For Income Tax & Wealth Tax	51.54	2.20
For Retirement/Post retirement Employee Benefits	58.99	40.34
	184.97	97.53
Total (A+B)	1,264.69	977.50

I MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Balance at the beginning of the year	–	65.28
Add: Incurred during the year	1.27	–
	1.27	65.28
Less: Written Off during the year	0.11	65.28
	1.16	–

Schedules forming part of the Consolidated Profit and Loss Account

(Rs/Millions)

For the year ended 31st March,	2003	2002
J OTHER INCOME		
Income from Investments - Dividend	–	1.26
Insurance / Other Claims (Net)	1.96	5.17
Income From Relinquishment of rights of capital nature.**	–	9.47
Profit on Sale of Investments ***	0.68	–
Miscellaneous Receipts *	36.66	28.17
(Including sale of unserviceable spares, used drums,residual catalyst, etc.)		
	39.30	44.07

* Includes: - Income from Utilities provided Rs. 3.12 Mn - Previous year Rs. 4.44 Mn
(Tax Deducted at source Rs. 0.18 Mn - Previous year Rs. 0.27 Mn)
- Processing Charges of Rs. 2.19 Mn - Previous year Rs. 1.48 Mn
(Tax Deducted at source Rs. 0.05 Mn - Previous year Rs. 0.03 Mn)

**Exceptional item

*** In respect of sale of 20000 equity shares of Canara Bank acquired and sold during the year.

K INCREASE/(DECREASE) IN FINISHED AND PROCESS STOCKS

Stock at close	- Process	191.24	108.02
Stock at close	- Finished	378.08	342.26
		569.32	450.28
Stock Adjustment; Pursuant to acquisition of API Business	- Process	41.20	–
	- Finished	23.84	–
Stock at commencement - Process		108.02	116.95
Stock at commencement - Finished		342.26	348.74
		515.32	465.69
Increase (Decrease) in Stocks		54.00	(15.41)

Schedules forming part of the Consolidated Profit and Loss Account

(Rs/Millions)

For the year ended 31st March,	2003	2002
L MANUFACTURING AND OTHER EXPENSES		
Inter Divisional Transfer	1,832.13	2,049.92
Purchases - Traded Goods	47.76	195.99
Raw & Process Materials Consumed	3,012.34	2,371.70
Power and Fuel	746.12	702.79
Excise Duty	739.61	649.42
Stores, Spares, Chemicals, Catalyst & Packing Materials consumed	643.01	535.36
Processing Charges	60.66	25.44
Repairs - Plant & Machinery	109.75	101.35
- Buildings	13.11	11.84
Salaries, Wages, Bonus, Gratuity & Allowances	370.24	325.98
Contribution to Provident & Superannuation Fund	49.75	38.04
Staff Welfare Expenses	38.85	29.87
Rent (Net of recoveries)	18.90	17.23
Rates & Taxes	14.75	8.73
Insurance [Net of recoveries -Rs. 5.30 Mn (PY -Rs. 5.09 Mn)]	30.51	27.51
Advertisement, Publicity & Sales Promotion	38.03	27.22
Travelling & Other Incidental Expenses	66.10	55.70
Offices Maintenance (including Water, Electricity & Repairs)	32.89	30.05
Vehicle Maintenance (Including Vehicle Taxes, Insurance & Driver Cost)	25.58	22.13
Printing & Stationery	10.39	8.31
Communication Expenses	29.53	31.14
Staff Recruitment & Training	9.80	6.52
Donation	2.39	3.83
Auditors Remuneration - As Auditors	0.92	0.76
- for Taxation Matters	0.19	0.16
- for Certification/Advices	0.28	0.31
- out of Pocket Expenses	0.04	0.05
Legal, Professional & Consultancy Charges	26.65	22.79
Freight & Forwarding (including Ocean freight)	191.94	143.85
Amortisation/write off - Deferred Revenue Expenditure	0.11	65.28
Less: Transferred from General Reserve	–	(65.28)
Directors' Sitting Fees	0.28	0.20
Directors' Commission	13.50	2.55
Miscellaneous Expenses	10.44	9.65
Financial Charges (incl. Bank Charges, Fixed Deposit expenses & Foreign Exchange fluctuations net gain of Rs. 27.64 Mn **)	36.64	44.36
Discounts & Claims to Customer and Other Selling Expenses	159.39	186.96
Commission on Sales	45.13	15.63
Lease Rentals & Hire Purchase charges	28.81	28.64
Loss on sale/disposal/discard of Fixed Assets	3.05	15.80
Provision for Dimunition in Value of Investment	–	5.06
Bad Debts / irrecoverable Advances w/off	38.10	44.33
	8,497.67	7,797.17

The above expenses are Netted off, after taking into account credit of Rs. 4.74 Mn (Previous year Rs. 9.61 Mn).

The above total expenditure includes :

i) expenditure incurred on R&D of Rs. 54.31 Mn (Previous Year Rs. 32.08 Mn) under various heads of accounts.

ii) Prior period adjustments determined during the years are adjusted to respective heads of account of Rs. 2.45 Mn (Previous Year of Rs. 1.30 Mn).

** Total foreign exchange gain of Rs. 47.32 Mn (Previous year Rs. 13.95 Mn) is adjusted against total foreign exchange losses of Rs. 19.68 Mn (Previous year Rs. 25.62 Mn) as disclosed above and financial charges includes Rs. 18.20 Mn being one time charges paid for restructuring of long term loans.

Schedules forming part of the Consolidated Profit and Loss Account

(Rs/Millions)

For the year ended 31st March,	2003	2002
M INTEREST		
On Debentures	18.88	33.33
On Term Loans	255.51	237.31
On Deposits	50.63	59.11
On Overdrafts & other Borrowings	106.33	120.19
	431.35	449.94
Less: Interest Income [Tax deducted at source Rs. 3.58 Mn (Previous year Rs. 5.93 Mn)] (Including Rs. 0.18 Mn (Previous year Rs. 0.18 Mn) Interest Income on Investments)	28.85	38.89
	402.50	411.05

Notes to Consolidated Accounts

N NOTES TO THE CONSOLIDATED ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES

Notes to the Consolidated Balance Sheet as at 31st March, 2003 and Profit and Loss Account for the year ended on that date

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Accounting:

The accounts of the Company (except for revaluation of certain fixed assets) are prepared under historical cost convention and in accordance with the relevant Accounting Standards. The Company follows accrual basis of Accounting except for Interest receivable on overdue debts & leave travel assistance in view of the uncertainty as to realisability / ascertainment of the amount involved.

B. Principles of consolidation

1. The consolidated financial statements relate to Jubilant Organosys Ltd. ('the Company') and its wholly owned Subsidiary Company namely Jubilant Organosys USA, Inc. and its associate namely, Jubilant Biosys (P) Ltd. The consolidated financial statements have been prepared on the following basis:
   i. The consolidated financial statements have been prepared in accordance with the Accounting Standard 21 (AS-21), "Consolidated Financial Statements", Accounting Standard 23 (AS-23) on "Accounting of Investments in Associates in 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.
   ii. The financial statements of the Company and its Subsidiary Company has 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.
   iii. In case of associates where the Group directly or indirectly holds more than 20% of equity, investments in associates are accounted for using equity method in accordance with Accounting Standard (AS-23) "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
   iv. 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.
2. The Subsidiary Company/Associate Company considered in the consolidated financial statements are:

Name of the Company	Country of incorporation	% voting power held as at 31st March 2003	Relationship
Jubilant Organosys USA, Inc.	USA	100%	Subsidiary
Jubilant Biosys (P) Ltd.	INDIA	49%	Associate

During the previous year, Vam Investments Ltd. & Vam Leasing Ltd., being subsidiaries were also considered but they have been merged with the Company during the year.

Notes to Consolidated Accounts

B. a. Fixed Assets & Depreciation:

i. Fixed Assets are recorded at cost inclusive of such expenses as referred to in (viii) 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 and at such fair value as ascertained by the valuer in case of acquisition of a unit as a going concern and the cost incidental to acquisition of such unit.

ii. Depreciation is provided on Straight Line Method except in case of Plant & Machinery at Nira & Samlaya plants which are 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/ acquisition cost of assets and as mentioned in iii, v, vi, vii & viii 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. a) 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;

b) 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;

iv. Patents/Rights acquired are capitalised and are amortised over a period of 5 years.

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. 245.65 Mn 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. 9.15 Mn (Previous Year Rs. 9.64 Mn) 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. Insurance spares / standby equipments are capitalised as part of the mother assets and are depreciated at the applicable rate.

viii. Interest on loans & other financial charges and preoperative expenses including Trial Run Expenses (Net) for projects (including Research & Development) and/or substantial expansion upto the date of commencement of commercial production/ stabilisation of the project, have been capitalised.

ix. Certain employee perquisite - related assets are depreciated over five years, the period of the perquisite scheme.

x. Depreciation on Jubilant Organosys USA Inc. is provided over the estimated useful life by using the Straight Line Method. The estimated useful lives of all equipments is 4 years.

b. Leased Assets – Amortisation/charging off:

a. Leasehold land value is not amortised in view of the long tenure of the unexpired lease period/ conversion to freehold at the expiry of lease tenure.

b. Other lease assets: Assets acquired under finance lease from 1st April, 2001 are capitalised 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. In respect of other leases, lease rentals are charged to Profit and Loss Account.

C. Valuation of Inventories:

Inventories are valued at lower of cost or net realisable value.

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

D. Investments:

Long Term quoted investments (non-trade) are valued at cost unless there is a permanent fall in their value as at the date of Balance Sheet.

Unquoted investments in subsidiaries & associates being of long term nature, are valued at cost and no loss is recognised in the fall in their net worth, if any, unless there is a permanent fall in their value. 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.

E. Taxation:

Tax provision is made, taking into consideration the provisions of Minimum Alternate Tax and the contentions of the Company and also the fact that certain expenditure becoming allowable on payment being made before filing of the return of income.

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 recognised to the extent there is reasonable certainty that the assets can be realised in future.

Notes to Consolidated Accounts

(Rs/Millions)

F. Conversion or translation of Foreign Currency items:

Transactions in foreign currency are recorded at the exchange rate prevailing on/or closely approximating to the date of transactions. Current Assets and Liabilities (other than relating to fixed assets) are restated at the rate prevailing at the period end or at the forward rate where forward cover has been taken. The difference between the period end rate and the exchange rate at the date of the transaction is recognised as income or expense in the profit and loss account. In respect of forward exchange contracts, the difference between the contract rate and the rate on the date of transaction is recognised as income or expense in the Profit and Loss Account over the life of the contract.

In the case of liabilities incurred for the acquisition of fixed assets, the loss or gain on conversion (at the rate prevailing at the period end or at the forward rate where forward cover has been taken) is included in the carrying amount of the related fixed assets.

G. Contingent Liabilities:

Liabilities, though contingent, are provided for if there are reasonable prospects of such liabilities maturing. Other contingent liabilities, barring frivolous claims, not acknowledged as debts, are disclosed by way of note.

H. Research & Development:

Revenue expenditure on Research & Development are included under the natural heads of expenditure. Capital expenditure on Research & Development are treated in the same manner as expenditure on other fixed assets.

I. Retirement Benefits:

- Provision for gratuity and leave encashment 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.

J. Borrowing Cost:

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

K. 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/unutilised stocks out of such transfers is eliminated while valuing inventories.

L. Sales & Export Benefits:

Sales are inclusive of excise duty, inter-divisional transfers and export incentives.
Export benefits on account of entitlement to import duty free material under DEPB Scheme are accounted for, in the year of export.

M. Catalyst:

In case of Company's Nira plant, catalyst consumption has been arrived at after netting of the estimated realisable 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 utilisation of its contents.

N. Miscellaneous Expenditure / Amortisation:

Miscellaneous expenditure consists of amount incurred in respect of registration of patents and the same is amortised over a period of five years.

O. Segment Accounting:

The accounting policies adopted for segment reporting are in line with accounting policies of the Company. Revenue, expenses, assets and liabilities have been identified to segments on the basis of their relationship to operating activities of the segments (taking in to account the nature of products and services and risks & rewards associated with them). Revenue, expenses, assets and liabilities 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/Expenses/Assets/Liabilities, as the case may be.

2. CAPITAL COMMITMENTS:

Estimated amount of Contracts remaining to be executed on Capital Account (Net of Advances) Rs. 81.40 (Previous Year Rs. 79.06) [Advances Rs. 16.71 (Previous Year Rs. 4.94)].

3. CONTINGENT LIABILITIES:

a) Claims/demands against the Company not acknowledged as debts on account of:

(Rs/Millions)

	2002-03	2001-02
- Central Excise	16.73*	6.78
- Sales Tax	0.70	1.21
- Income Tax	31.91	32.61

*Amount deposited Rs. 16.73

The Company has been advised that its contentions in the matter of disputed demands are legally tenable and hence the possibility of these maturing is remote.

Notes to Consolidated Accounts

(Rs/Millions)

b) The Company has challenged the levy of licence fee by State of Uttar Pradesh on captive consumption of denatured spirit in the Gajraula factory. The order of State imposing the levy was quashed by the Hon'ble High Court of Allahabad in April, 2000. The decision of Hon'ble High Court was subsequently stayed by Hon'ble Supreme Court in September, 2000. The Company has been advised that the levy of licence fee on denatured spirit by State is not tenable. However, the Company has deposited Rs. 75.16 under protest out of the total licence fee claimed of Rs. 147.14.

c) The Company has challenged the levy of transport fee by State of Maharashtra on consumption of rectified and denatured spirit in the Nira factory. The order of State imposing the levy was quashed by the Hon'ble Mumbai High Court on 9th January, 2001. The Company has been advised that the levy of transport fee on rectified denatured spirit by State is not tenable. However the Company has deposited Rs. 6.20 under protest out of the total transport fee claimed of Rs. 28.49.

d) Pursuant to the now withdrawn Molasses Control Order, the Company received price differential claims amounting to Rs. 17.00 from few of its suppliers in Uttar Pradesh. These claims were confirmed by an arbitrator appointed by the Hon'ble High Court of Allahabad. The Company has been advised that appointment and award of arbitrator is void. Accordingly, the Company has challenged the appointment of arbitrator in Hon'ble Supreme Court as also the award of arbitrator in the Hon'ble High Court.

e) Outstanding guarantees furnished to Banks including in respect of Letters of Credits/Bonds is Rs. 421.36 (Previous Year Rs. 337.48).

f) Exports obligation undertaken by the Company under EPCG scheme to be completed over a period of five/eight years on account of import of Capital goods at concessional import duty amount to Rs. 551.22.

4. Sales include subsidy amounting to Rs. 80.94 (Previous Year Rs. 80.97), export incentives Rs. 135.96 (Previous year Rs. 97.41) and inter-divisional transfers made at market rates aggregating to Rs. 1832.13 (Previous year Rs. 2049.92). However, the said transfers at such method have no bearing on profitability of the Company.

5. (A) Loans and advances includes:
   (i) Loans to Bodies Corporate and Interest Accrued thereon Rs. 35.50 (Previous Year Rs. 52.57).
   (ii) Loans to employees includes Rs. Nil (Previous Year Rs. 0.09) given to Executive Director towards Housing Loan. Maximum amount due at any time during the year Rs. 0.09 (Previous Year Rs. 0.16).

   (B) Sundry Debtors as on 31st March, 2003 as shown in Schedule "G" is net after giving the effect of sale of receivables amounting to Rs. 197.32.

6. Assets aggregating Rs. 109.96 (Previous year - Rs. 113.65) have been acquired on financial lease during the earlier years. The obligation for future lease rentals in respect of such assets aggregate to Rs. 57.48 (Previous year - Rs. 85.19) payable over a period of 4 years. Lease rentals payable during the year 2003-04 is Rs. 24.52.

7. Capitalisation of Interest, Pre-operative and Trial Run expenses:
   In line with the applicable Accounting Standards, interest on funds utilised and preoperative expenses including trial run expenses (net) for projects (including R & D) and/or substantial expansions have been capitalised up to the date of commercial production/stabilisation of the project, amounting to Rs. 50.82 (Previous Year Rs. 36.80). All preoperative expenditure including interest of Rs. 18.67 (Previous Year Rs. 21.48) so capitalised and Trial Run Expenditures (net of trial run receipts) accumulated as capital work in progress has been allocated to respective fixed assets.

8. **SUNDRY CREDITORS INCLUDE:**
   i. Amount due to small scale industrial undertaking/ancillary industrial undertakings amounting to Rs. 5.22 (Previous Year Rs. 5.48)
   ii. The names of small scale/ancillary industrial undertaking to whom the above amount is due are, Kumar Containers, Niranjan Containers (P) Ltd., Phawa plastics, Melody Plastics Products (P) Ltd.
   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.

Notes to Consolidated Accounts

9. (A) DEFERRED ASSETS AND LIABILITIES ARE ATTRIBUTABLE TO THE FOLLOWING ITEMS: (Rs/Millions)

As at 31st March,	2003	2002
Deferred Tax Assets		
Provision for Technical Know-how fee written off	–	0.16
Provision for Leave Encashment and Gratuity	21.16	12.86
Unabsorbed Depreciation and Losses	65.05	187.78
Amount disallowed u/s 43 B	0.72	0.71
Others	–	20.05
	86.93	221.56
Deferred Tax Liabilities		
Accumulated depreciation	651.07	529.47
Deferred tax liabilities (Net)	**564.14**	**307.91**

Deferred tax assets on unabsorbed depreciation and losses has been recognised considering that the Company is a profit making entity and on the basis of profitability projection for the next 3 years.

(B) An amount of Rs. 145.75 has been withdrawn from reserves to offset the charge arising on reversal of deferred tax assets created and adjusted to General Reserve in earlier years.

10. During the year, the two subsidiaries, Vam Investment Ltd (VIL) (engaged to carry out business of an investment company) and Vam Leasing Ltd. (VLL) (engaged to carry on and undertake the business of leasing and financing of leasing operations) have been amalgamated with the Company with effect from 1st April, 2002 along with its fixed assets, current assets, current liabilities, rights and powers together with all present and future liabilities including contingent liabilities and obligations at their fair value, in terms of the Scheme of Amalgamation approved by the Hon'ble High Court of Judicature, Allahabad and Hon'ble High Court of Delhi vide its Order dated 13th March, 03 & 24th March, 03 respectively. Accordingly the undertaking and the entire business of both VIL & VLL have been transferred to and vested in the Company.

11. The amalgamation which has been accounted for under Purchase Method as provided in Accounting Standard No.14, issued by Institute of Chartered Accountants of India has resulted in the transfer of assets and liabilities at fair value as on April 1, 2002 and creation of the Amalgamation Reserve amounting to Rs. 2.67 as detailed below: (Rs/Millions)

	VIL	VLL	Total
Fixed Assets	237.13		237.13
Investments	70.00		70.00
Other Assets	3.30	1.61	4.91
Secured Loans	(69.30)		(69.30)
Unsecured Loans	(26.80)		(26.80)
Current Liabilities & Provision	(2.62)	(0.01)	(2.63)
Jubilant Organosys Ltd. Investment in VIL & VLL	(153.20)	(61.70)	(214.90)
Equity Share of Jubilant Organosys Ltd. held by VIL & VLL as Investments	2.38	1.88	4.26
Excess of Assets over Liabilities transferred to Amalgamation Reserve			2.67

Proposed Dividend of the previous year in respect of shares held by such erstwhile Companies, declared by the Company in respect of their holdings amounting to Rs. 3.19 have been reversed and reflected in Profit & Loss Account of current year since the said shareholding have been cancelled pursuant to the scheme.

Expenses incurred in respect of the above scheme amounts to Rs. 1.54 and included in the respective heads of account.

12. The Company has acquired Active Pharmaceutical Ingredients [API] business of Max India Ltd situated at Nanjangud, Mysore, Karnataka, with all its immovable & movable assets/licences & permissions/contracts/ intellectual properties and current liabilities free from all encumbrances on a going concern basis for a lump sum consideration of Rs. 631.10. The business has been transferred on 31st March, 2003 with the economic benefits accruing to the Company from 1st September, 2002 (as the said business was run by them in trust for the Company during the said period). Accordingly, the financials of the Company includes seven months results of API business. In compliance of Accounting Standards, the consideration paid for this acquisition together with the incidental expenditure (including payments to Consultants associated with such acquisition) totalling to Rs. 683.22 has been apportioned as detailed below to various assets on fair value basis as determined and reported by the expert valuers as detailed below:

	(Rs/Million)
1. Fixed Assets (including intangibles)	576.45
2. (a) Current Assets	270.98
(b) Less : Current Liabilities	(163.47)
(c) Net Current Assets	107.51
3. Vehicle Loan	(0.74)
4. Total	683.22

Notes to Consolidated Accounts

13. 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 :

a. Pharmaceuticals & Life Science Chemicals includes : Pharmaceuticals, Nutrition Products, Advanced Intermediates, Custom Research & Manufacturing Services.

b. Performance Chemicals includes: Latex, Coating & Solid Polymers, Industrial Adhesives, Textile Chemicals, Woodworking Solutions, Footwear Adhesives, Speciality Gases.

c. Organic Intermediates includes: Acetic Acid, Acetic Anhydride, Ethyl Acetate, Vinyl Acetate Monomer.

d. Agri Products includes : Crop Nutrition Products, Fertilisers (SSP), Organic Manure, Crop Protection Formulations.

ii) Inter Segment Transfer Pricing :
Inter Segment prices are based on market prices.

iii) The financial information about the primary business segment is presented in the table given below:

(Rs/Millions)

Particulars	Pharmaceuticals & Life Science Chemicals		Performance Chemicals		Organic Intermediates		Agri Products		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
1) Revenue	2,864.37	2,012.84	1,663.74	1,487.42	4,590.85	4,630.40	567.11	517.52	9,686.07	8,648.18
Less: Inter/Intra Segment Revenue	500.73	354.76	0.60	–	1,262.88	1,638.36	67.92	56.80	1,832.13	2,049.92
Less: Excise Duty	153.91	94.05	222.22	186.21	357.21	366.18	6.27	2.98	739.61	649.42
Net Sales	**2,209.73**	**1,564.03**	**1,440.92**	**1,301.21**	**2,970.76**	**2,625.86**	**492.92**	**457.74**	**7,114.33**	**5,948.84**
2) Segment results	562.53	384.24	78.69	88.56	503.73	263.72	58.50	43.68	1,203.45	780.20
Less : Interest (Net)									402.50	411.05
Other un-allocable expenditure (net of un-allocable income)									159.27	156.33
Total Profit Before Tax	**562.53**	**384.24**	**78.69**	**88.56**	**503.73**	**263.72**	**58.50**	**43.68**	**641.68**	**212.82**
3) Capital Employed (Segment Assets - Segment Liabilities)										
Segment Assets	2,711.89	1,353.67	764.33	683.84	3,040.38	3,117.15	279.67	247.55	6,796.27	5,402.21
Add: Common Assets									642.92	406.03
Total Assets	**2,711.89**	**1,353.67**	**764.33**	**683.84**	**3,040.38**	**3,117.15**	**279.67**	**247.55**	**7,439.19**	**5,808.24**
Segment Liabilities	329.41	140.71	135.06	156.82	521.29	447.77	44.02	91.01	1,029.78	836.31
Add: Common Liabilities									234.91	141.19
Total Liabilities	**329.41**	**140.71**	**135.06**	**156.82**	**521.29**	**447.77**	**44.02**	**91.01**	**1,264.69**	**977.50**
Segment Capital Employed	2,382.48	1,212.96	629.27	527.02	2,519.09	2,669.38	235.65	156.54	5,766.49	4,565.90
Add: Common Capital Employed									408.01	264.84
Total Capital Employed	**2,382.48**	**1,212.96**	**629.27**	**527.02**	**2,519.09**	**2,669.38**	**235.65**	**156.54**	**6,174.50**	**4,830.74**
4) Segment Capital Expenditure	935.19	64.17	61.05	17.09	146.92	180.86	1.14	4.63	1144.30	266.75
Add: Common Capital Expenditure									251.04	158.73
Total Capital Expenditure	**935.19**	**64.17**	**61.05**	**17.09**	**146.92**	**180.86**	**1.14**	**4.63**	**1395.34**	**425.48**
5) Depreciation (Net)	62.36	78.58	25.73	38.51	131.60	125.87	10.21	8.36	229.90	251.32
Add: Common Depreciation									7.62	4.48
Total Depreciation	**62.36**	**78.58**	**25.73**	**38.51**	**131.60**	**125.87**	**10.21**	**8.36**	**237.52**	**255.80**

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 organisation 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 : Geographical

(Rs/Millions)

Particulars	India		China		Rest Asia		Europe		Americas		Other Countries	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Revenues	7,712.77	7,465.62	311.20	156.50	732.30	368.90	693.70	523.30	128.60	65.21	107.50	68.65
Less: Inter/Intra Segment Revenue	1,832.13	2,049.92										
Less: Excise Duty	739.61	649.42										
Net Sales	**5,141.03**	**4,766.28**	**311.20**	**156.50**	**732.30**	**368.90**	**693.70**	**523.30**	**128.60**	**65.21**	**107.50**	**68.65**

Notes to Consolidated Accounts

14 A. RELATED PARTY TRANSACTIONS

The Company has entered into transactions with the related parties:

a) Related parties where control exists

Jubilant Organosys USA Inc, a wholly owned Subsidiary

b) Other related parties with whom transactions have taken place during the year

- Associates
  Jubilant Biosys (P) Ltd., Jubilant Enpro India Ltd.
- Others
  Vam Employees Provident Fund Trust

c) i. Key Management Personnel

Mr. S.S. Bhartia, Mr. H.S. Bhartia, Mr. S.N. Singh, Mr. Shyam Bang, Dr. J.M. Khanna

ii. Relatives of Key Management Personnel

Ms. Shobhana Bhartia, Ms. Sudha Singh, Ms. Shobha Bang

d) Transactions with related parties during the year (Rs/Millions)

Particulars	Subsidiary	Associates	Key Mgmt. Personnel & Relatives	Others
Expenses recharged to other Companies for facilities provided	– (3.48)	8.55 (12.85)		
Sale of Finished Goods	72.97 (63.99)			
Export Commission paid	9.65 (9.12)			
Company's Contribution to PF Trust				31.55 (28.97)
Advance against 10% Optionally Non-cumulative Redeemable Preference shares		77.80 (–)		
Inter-Corporate Deposits given	– (105.10)	– (103.20)		
Inter-Corporate Deposits received back	– (78.30)	16.00 (70.00)		
Interest accrued & received on Inter Corporate Deposit	– (2.28)	1.13 (5.66)		
Investments in equity share capital	1.09 (1.09)	70.00* (–)		
Remuneration and related expenses			30.15 (13.99)	
Fixed Deposits outstanding at the year end			7.60 (8.22)	
Interest accrued on Fixed deposits during the year			1.06 (1.15)	

Figures in ( ) indicates in respect of previous year.

* Amount given by VIL, erstwhile subsidiary company, amalgamated as per Scheme during the year. Shares have been allotted during the current year.

14 B. PROMOTER GROUP

Group companies

The Company is controlled by Mr S S Bhartia/Mr H S Bhartia group ("the promoter group"), being a group as defined in the Monopolies and Restrictive Trade Practices Act, 1969.

The persons constituting the promoter group include individuals and corporate bodies who/which jointly exercise, and are in a position to exercise, control over the Company. The names of these individuals and bodies corporate are Mr. S S Bhartia, Mr. H S Bhartia, Mrs. Shobhna Bhartia, Mrs. Kavita Bhartia, Mr. Priyavrat Bhartia, Mr. Shamit Bhartia, Ms. Aashti Bhartia, Master Arjun S Bhartia, Best Luck Vanijya P Ltd., Denon Dealers P Ltd., Enpro Exports P Ltd., Enpro Finance P Ltd., Enpro Investments P Ltd., Jaytee P Ltd., Jubilant Enpro Ltd., Jubilant Securities P Ltd., Jubilant Capital P Ltd., Kavita Commercial P Ltd., Klinton Agencies P Ltd., Marketex Mercantiles P Ltd., Marshall Mercantiles P Ltd., Shobhna Commercial P Ltd., Speedage Vinimay P Ltd., Rance Investment Holdings Ltd., Cumin Investments Ltd., Torino Overseas Ltd., Value Leasing Ltd., Vam Holdings Ltd., VOCL Investments Ltd., Volvo Holdings Ltd., Westcost Vyapaar P Ltd.

Notes to Consolidated Accounts

15. (A). CAPACITIES, STOCKS, PRODUCTION AND TURNOVER

S. No.	Class of Goods	Quantitative Denomi-nation	Capacity Installed*	Opening Stock Quantity	Opening Stock Rs/ Millions	Production QTY@@	Turnover Quantity	Turnover Rs/ Millions	Closing Stock Quantity	Closing Stock Rs/ Millions
1.	Alcohol	KBL	151800	10170		119310	207	4.81	5908	
		KBL	(141800)	(2502)		(112522)	(152)	(1.90)	(10170)	
2	Organic including Speciality	MT	## 366430	3857		308562	134283	5,449.51	3996	
	Chemicals & its Intermediates	MT	##(347060)	(6140)		(289755)	(119579)	(4,740.03)	(3895)	
3	Polymers including Co-polymers &	MT	30900	457		20463	20305	1,050.51	460	
	VP Latex/ SBR latex	MT	(28650)	(455)		(18183)	(18082)	(965.00)	(457)	
4	Single Superphosphate ***	MT	132000	7914		126135	124544	415.24	9505	
		MT	(132000)	(9953)		(114041)	(116081)	(386.30)	(7914)	
5	Sulphuric Acid **	MT	57750	421		59034	59211	46.69	244	
		MT	(57750)	(609)		(46599)	(46787)	(18.30)	(421)	
6	Dry & Aqueous Choline Chloride &	MT	22000	194		10451	6182	251.12	49	
	Ethyoxylates		(22000)	(416)		(9879)	(5968)	(235.00)	(239)	
7	Feed Premixes	MT	3500	97		1344	1362	43.38	80	
			(3500)	(70)		(983)	(956)	(31.00)	(97)	
8	Agri Chemicals	K.L		7		10	9	4.50	8	
				(30)		(6)	(29)	(6.64)	(7)	
9	Active Pharmaceuticals Ingredients (API)	MT	202	5@		126	126	471.53	5	

* 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 38136.286 MT (Previous year 36624.788 MT)

*** Sales include captive consumption of 16.850 MT (Previous year Nil).

Does not include Acetic Acid recovery from VAM plant.

@ Stocks acquired on acquisition of API business at Nanjangud, Mysore. (Refer Note 12 of Schedule N)

@@ Includes products manufactured by contract manufacturers on conversion basis wherever applicable

Notes:

1) Acetaldehyde is also produced which is mainly used for captive consumption.
2) Closing Stocks have 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.
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 / shortages for sample etc.
7) Production for API is for a 7 Month period (September 02 to March 03).

Notes to Consolidated Accounts

15. (B) PARTICULARS IN RESPECT OF TRADING GOODS

Particulars	2002-03		2001-02	
	Quantity	Rs./Millions	Quantity	Rs./Millions
i) Opening Stock				
Polymers, Adhesives & Chemicals (MT)	–		149.26	
Misc (Nos)	7323.00		7323.00	
Agrochemicals (Ltr.)	20060.00		16041.10	
Organic Manure(MT)	–		5.40	
Other Organic Chemicals (MT)	1371.99		–	
Others	2.98		5.33	
ii) Purchases				
Polymers, Adhesives & Chemicals (MT)	–	–	1007.68	56.96
Fertilisers (MT)	–	–	5012.00	12.60
Misc (Nos)	–	–	–	–
Agrochemicals (Ltrs.)	236240.00	17.01	159293.00	21.22
Organic Manure (MT)	2746.05	4.39	2518.45	4.40
Other Organic Chemicals (MT)	607.53	25.74	3074.38	100.81
Others	36.44	0.62	–	–
iii)Sales				
Polymers, Adhesives & Chemicals (MT)	–	–	1156.94	102.97
Fertilisers (MT)	–	–	5012.00	13.88
Misc (Nos)	–	–	–	–
Agrochemicals (Ltrs.)	231916.00	21.97	155274.10	28.83
Organic Manure (MT)	2746.05	10.80	2523.85	6.78
Other Organic Chemicals (MT)	1979.51	82.96	1702.39	61.53
Others	35.75	0.92	2.35	0.10
iv) Closing Stock				
Polymers, Adhesives & Chemicals (MT)				
Misc (Nos)	7323.00		7323.00 *	
Agrochemicals (Ltrs.)	24384.00		20060.00	
Organic Manure (MT)	–		–	
Other Organic Chemicals (MT)	–		1371.99	
Others	3.67		2.98	

* Includes Sales Return.

15 (C) RAW MATERIALS CONSUMED (EXCLUDING INTER-DIVISIONAL TRANSFERS & CONSUMPTIONS THEREOF)

Particulars	2002-03		2001-02	
	Quantity	Rs./Millions	Quantity	Rs./Millions
Molasses(MT)	552633	900.16	524675	823.22
Alcohol(KL)	56243	644.87	55414	612.58
Process Chemicals (MT)	25621	706.53	20063	472.06
Rock Phosphate (MT)	73000	173.04	65460	155.95
Sulphur etc(MT)	30921	89.31	22732	48.45
Chemicals for Feed Additive (Kgs)	3479364	126.48	3095088	112.17
Latex chemicals [MT]	1389	112.80	1406	103.20
API Chemicals [MT]	2935	195.70	–	–
Others [MT] (none of which individually account for more than 10% of total consumption)	–	63.45	–	44.07
		3,012.34		2,371.70

15 (D) VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS, STORES AND SPARE PARTS CONSUMED AND PERCENTAGE THEREOF FOR THE YEAR.

Particulars	2002-03		2001-02	
	Rs./Millions	%	Rs./Millions	%
Consumption of Raw Materials				
– Imported	819.45	27.20	400.40	16.88
– Indigenous	2,192.89	72.80	1971.30	83.12
	3,012.34	100.00	2371.70	100.00
Consumption of Stores, Spares, Chemicals, Catalyst & Packing material				
– Imported	97.97	15.24	179.95	33.61
– Indigenous	545.04	84.76	355.41	66.39
	643.01	100.00	535.36	100.00

Notes to Consolidated Accounts

(Rs/Millions)

	2002-03	2001-02
15 (E) EARNING PER SHARE		
a) Calculation of Weighted Average number of Equity Shares of Rs. 5 each (Previous Year Equity Shares of Rs. 10 each)		
Number of shares at the beginning of the year	7331782 *	5831782
Shares issued on 10th Dec. 2001 on conversion 400000 Nos Warrants		400000
Shares issued on 23rd March. 2002 on conversion 1100000 Nos Warrants		1100000
Total number of equity shares outstanding at the end of the year	14663564*	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	14663564	5981645
* on account of sub-division of shares and after giving the effect of cancellation of shares in pursuance of the Scheme (Refer - schedule A)		
b) Net profit after tax & Preference Dividend available for equity Shareholders (Rs./Millions)	481.10	228.18
c) Earnings (in Rupees) per share (Nominal value of Rs. 5 per share)		
- Basic Earning per Share	32.79	19.07
- Diluted Earning per Share	32.79	19.07
15 (F) EXPENDITURE IN FOREIGN CURRENCY		
- Technical Knowhow Fee	0.52	0.54
- Travel /Entertainment Expenses	8.60	6.29
- Commission on Export Sales	16.19	4.91
- Interest on ECB	1.26	4.03
- Overseas Office Expenses	5.81	3.40
- Others	32.54	3.10
15 (G) VALUE OF IMPORTS ON C.I.F. BASIS		
- Raw Materials	696.36	269.48
- Stores. Spares, Chemicals & Catalyst	92.36	130.05
- Capital Goods	9.62	–
- Trading Goods	12.89	73.52
15 (H) REMITTANCE IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND		
a) Amount of Dividend Remitted (Net of Tax)*	1.51	0.29
b) Number of Non-Resident Shareholders	1086	1115
c) Number of Equity Shares held by Non-Resident Shareholders	532012	235431
d) The Year to which Dividend related	2001-02	2000-01
* excluding for those shareholders for whom Dividend has been credited to their N.R.I. Account in India.		
15 (I) EARNINGS IN FOREIGN EXCHANGE		
- Commission	0.77	-
- Export Sales (FOB Value)	1,837.34	1,085.15

16 Previous year's figures have been regrouped/rearranged wherever found necessary to conform to this year's classification. In view of scheme of amalgamation of two subsidiary companies and on account of acquisition of API business, previous years figures are not strictly comparable.

Signatures to Schedule A to N 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 : 9th May, 2003

Ajay Krishna
Company Secretary

R Sankaraiah
Chief Financial Officer

H S Bhartia
Co-Chairman & Managing Director

Section 212

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

1 Name of the Company	Jubilant Organosys USA, Inc.
2. Financial year of the Subsidiary ended	31st March, 2003
3. a) No. of shares held in Subsidiary Company on the above date - Equity - Preference	25000 Equity Shares of US $ 1 each
b) Extent of holding	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	US $ 31,807
b) for previous financial years of the Subsidiary since it became Holding Company's Subsidiary aforesaid	US $ 65,652
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
b) for previous financial years of the Subsidiary since it became Holding Company's Subsidiary	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	Not applicable
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: i) Fixed Assets ii) Investments iii) Money lent by the Subsidiary iv) Money borrowed by the Subsidiary for any purpose other than that of meeting current liabilities	Not applicable

Independent Auditors' Report

The Board of Directors and Stockholder
Jubilant Organosys USA, Inc.

We have audited the accompanying balance sheets of Jubilant Organosys USA, Inc. as of March 31, 2002 and 2003, and the related statements of income, stockholder's equity, and cash flows for the years ended March 31, 2002 and 2003. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jubilant Organosys USA, Inc. as of March 31, 2002 and 2003, and the results of their operations and their cash flows for the years ended March 31, 2002 and 2003, in conformity with accounting principles generally accepted in the United States.

As explained in Note 5 to the financial statements, the Company changed its method of computing depreciation during the year ended March 31, 2003.

KPMG
New Delhi, India
April 20, 2003

Balance Sheet

As of March 31,	2003 US $	2002 US $
ASSETS		
Current assets:		
Cash and cash equivalents	52,009	98,246
Accounts receivable	233,226	336,958
Due from related party	93,200	74,428
Inventories	214,293	206,267
Other current assets	351	351
Total current assets	**593,079**	**716,250**
Equipment, net	2,937	574
Total assets	**596,016**	**716,824**
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Due to related party	453,861	608,128
Other accounts payable	13,538	4,770
Taxes payable	5,669	13,274
Total current liabilities	**473,068**	**626,172**
Deferred income taxes	489	–
Total liabilities	**473,557**	**626,172**
Stockholder's equity		
Equity shares, 15,000 and 25,000 shares authorised, issued and outstanding as of March 31, 2002 and 2003 respectively	25,000	15,000
Shares subscribed pending allotment	–	10,000
Retained earnings	97,459	65,652
Total stockholder's equity	**122,459**	**90,652**
Total liabilities, minority interest and stockholder's equity	**596,016**	**716,824**

See accompanying notes to the financial statements.

Statements of Income

Year ended March 31,	2003 US $	2002 US $
Sale of goods	1,611,617	1,228,184
Less: Cost of goods sold	(1,502,719)	(1,165,723)
Shipping and handling costs	(53,572)	(15,111)
	55,326	47,350
Commissions	201,898	248,975
Revenues	**257,224**	**296,325**
Sales and marketing expenses	196,753	181,389
General and administrative expenses	22,194	58,403
Income from operations	**38,277**	**56,533**
Other income, net	62	359
Income before income taxes and effect of change in accounting principle	**38,339**	**56,892**
Income tax expense	8,967	13,519
Income before effect of change in accounting principle	**29,372**	**43,373**
Cumulative effect of change in accounting principle (See Note 5 to the financial statements)	2,435	–
Net income	**31,807**	**43,373**

See accompanying notes to the financial statements.

Statements of Stockholder's Equity

	Equity shares Shares	Equity shares Amount US $	Shares pending allotment US $	Retained earnings US $	Total US $
Balances as of April 1, 2001	15,000	15,000	10,000	22,279	47,279
Net income				43,373	43,373
Balances as of March 31, 2002	15,000	15,000	10,000	65,652	90,652
Issuance of shares	10,000	10,000	(10,000)		–
Net income				31,807	31,807
Balance as of March 31, 2003	**25,000**	**25,000**	**–**	**97,459**	**122,459**

See accompanying notes to the financial statements.

Statements of Cash Flows

Year ended March 31,	2003 US $	2002 US $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	31,807	43,373
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,525	3,878
Deferred income taxes	(218)	–
Cumulative effect of change in accounting principle (See Note 5 to the financial statements)	(2,435)	–
Changes in assets and liabilities, net		
Accounts receivable	103,732	(329,263)
Due from related parties	(18,772)	(74,428)
Inventories	(8,025)	(206,267)
Due to related parties	(154,267)	426,338
Other accounts payable	8,768	(5,789)
Taxes payable	(7,605)	5,903
Net cash used in operating activities	**(45,490)**	**(136,255)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(747)	(3,496)
Net cash used in investing activities	**(747)**	**(3,496)**
Net decrease in cash and cash equivalents	**(46,237)**	**(139,751)**
CASH AND CASH EQUIVALENTS		
Beginning of the year	98,246	237,997
End of the year	52,009	98,246
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid during the year for income taxes	16,790	7,371

See accompanying notes to the financial statements.

Notes to the Financial Statements

1. Organisation and Nature of Operations

Incorporation and history

Jubilant Organosys USA, Inc. (the Company) was incorporated in United States of America in March 1999. The Company is a wholly-owned subsidiary of Jubilant Organosys Limited (the parent company), a company incorporated in India. The Company is primarily engaged in marketing and distribution of specialty chemicals produced by its parent company to customers based in the Americas and Europe.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States to reflect the financial position and results of operations of the Company.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Actual results could differ from these estimates.

(c) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer and when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- The price to the buyer is fixed and determinable; and
- Collectibility of the sales price is reasonably assured.

Revenue from commissions is recognised when it becomes due as per the terms of the arrangement.

Revenue from sale of goods is shown net of applicable discounts and allowances.

(d) Inventory

Inventory consists of goods that are held for sale in the normal course of business and are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method and comprises the purchase price and attributable direct costs, less trade discounts.

(e) Equipment

Equipment are stated at cost less accumulated depreciation. The Company depreciates equipment over the estimated useful life using the straight-line method. The estimated useful lives of all equipment is 4 years.

(f) Cash equivalents

Cash equivalents represent highly liquid investments with remaining maturities, at the date of purchase/investment, of three months or less.

(g) Income taxes

Income taxes are accounted for using the asset and liability method. The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance of any tax benefits of which future realisation is uncertain.

(h) Retirement benefits to employees

Contributions to defined contribution plans are charged to income in the period in which they accrue.

(i) Re-classifications

Certain re-classifications have been made in the financial statements of prior years to conform to classifications used in the current year. These re-classifications had no impact on reported net income.

3. Financial Instruments and Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and trade receivables. The cash resources of the Company are invested with money market funds and banks after an evaluation of the credit risk. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counter parties. In management's opinion, as of March 31, 2002 and 2003, there was no significant risk of loss in the event of non-performance of the counter parties to these financial instruments.

The customers of the Company are primarily enterprises based in the United States and accordingly, trade receivables are concentrated in the United States. Trade receivables are not collateralised. To reduce credit risk, the Company performs ongoing credit evaluation of customers. As of March 31, 2002 and 2003, two and four customers, excluding the parent company, individually accounted for more than 10% of the Company's receivables.

4. Cash and Cash Equivalents

The cost and fair values for cash and cash equivalents as of March 31, 2002 and 2003 are as follows:

	2003 US $	2002 US $
Balances with banks in checking accounts	46,589	92,887
Balances with banks in money market funds	5,420	5,359
Cash and cash equivalents	52,009	98,246

5. Equipment

As of March 31, 2002 and 2003, property and equipment comprise the following:

	2003 US $	2002 US $
Computers and office equipment	6,234	5,488
Accumulated depreciation	(3,297)	(4,914)
Equipment, net	2,937	

Depreciation expense was $3,878 and $1,525 for the years ended March 31, 2002 and 2003 respectively.

Depreciation has been provided on computers and office equipment in the year ended March 31, 2003 on the straight-line basis. Upto the year ended March 31, 2002, depreciation on these assets was provided using the accelerated method. Management is of the view that considering the nature of assets employed by the Company, providing depreciation on straight-line basis would more appropriately reflect the pattern of use of these assets. As a result, cumulative effect of change in the accounting principle aggregating $2,435 (net of deferred tax expense of $707) has been included in the Income statement for the year ended March 31, 2003.

Had the new method of depreciation been in effect in earlier years, the Pro forma income before the effect of change in accounting principle for the years ended March 31, 2002 and 2003 would be $45,584 and $29,372 respectively.

6. Leases

The Company leases office facilities under non-cancellable operating lease agreements that are renewable on a periodic basis by mutual consent of the lessor and the Company.

Rental expense under these leases is $4,325 and $4,425 for the years ended March 31, 2002 and 2003 respectively. Future minimum lease payments as of March 31, 2003 for such non-cancellable operating leases are as follows:

Year ending March 31,	US $
2004	2,000
Thereafter	–
Total minimum payments	2,000

7. Income Taxes

The Company files Federal and State tax returns as per the regulations applicable to the Chapter C corporations in United States.

Total income taxes for the years ended March 31, 2002 and 2003 were allocated as follows:

	2003 US $	2002 US $
Income from continuing operations	8,967	13,519
Effect of change in accounting principle	(707)	–
Total taxes	8,260	13,519

Income tax expense attributable to income from continuing operations consists of:

	2003 US $	2002 US $
Current	9,185	13,519
Deferred	(218)	–
Total taxes	8,967	13,519

The components of the deferred tax balances as of March 31, 2002 and 2003 are as follows:

	2003 US $	2002 US $
Deferred tax liabilities		
Equipment, net	489	–

The reconciliation between the provision for income tax of the Company and amounts computed by applying the US Federal and State income tax rate is as follows:

	2003 US $	2002 US $
Income before income taxes	31,807	43,373
and effect of accounting policy changes		
US Federal and State enacted tax rate	22.5%	22.5%
Expected tax expense	7,157	9,759
Disallowances for expenses	1,810	3,760
Total taxes	8,967	13,519

8. Pensions

The Company participates in a plan under Section 401 (k) of the Internal Revenue Code. This is a defined contribution plan where employees above the age of 21 years, having completed one year of service may choose to contribute up to 15% of their compensation or $10,500 whichever is lower. The Company makes a contribution up to a maximum of 5% of the employee's annual compensation. Total contributions made to the plan by the Company, for the years ended March 31, 2002 and 2003 are $4,500 and $5,700 respectively.

9. Related Party Transactions

The related party transactions can be categorised as follows:

Revenues

The Company provides marketing services to its parent company in the geographies of Americas and Europe. The Company is entitled to a commission at the rate of 3% of the free-on-board (FOB) value of orders received by the parent company through the marketing efforts of the Company. During the years ended March 31, 2002 and 2003, the Company earned commission income of $248,975 and $201,898 respectively.

Cost of goods sold

The Company purchases speciality chemicals from its parent company for resale to customers in Americas. The Company purchased chemicals of $1,371,990 and $1,509,445 during the years ended March 31, 2002 and 2003 respectively.

The balances receivable from and payable to related parties are summarised as follows:

As of March 31,	2003 US $	2002 US $
Due from		
Accounts receivable from parent company	93,200	74,428
Due to		
Accounts payable to parent company	453,861	608,128

Major customers

During the years ended March 31, 2002 and 2003, three and five customers, excluding the parent company, individually accounted for more than 10% of the Company's sale of goods.

10. Fair Value of Financial Instruments

The fair value of the Company's current assets and current liabilities approximate their carrying values because of their short-term maturity. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months

Abstract of US GAAP Financials

During the financial year ended 31 March 2003, the Company prepared financial statements for the years ended 31 March 2002 and 2003 in accordance with the Generally Accepted Accounting Principles in the United States of America (US GAAP). The Company engaged KPMG for the conduct of audit of the consolidated financial statements in accordance with the auditing standards generally accepted in the United States of America.

The complete set of the financial statements prepared in conformity with US GAAP are available on request. However, for a quick reference, an abstract of the consolidated financial statements derived from the audited consolidated financial statements comprising of the following are attached in this annual report:

- Consolidated balance sheets as of March 31, 2002 and 2003
- Consolidated statements of income for the years ended March 31, 2002 and 2003

In addition, a reconciliation between income as per the audited Indian GAAP financial statements and the audited US GAAP financial statements for the year ended March 31, 2002 and 2003, is also enclosed in this annual report.

Consolidated Balance Sheets
(in millions, except share data)

	As of March 31,		
	2003	2002	2003 Convenience translation into US $ (unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	Rs. 55.80	Rs. 58.64	US$ 1.17
Restricted cash	46.23	42.85	0.97
Accounts receivable, net of allowances	796.27	634.10	16.75
Due from related parties	–	36.53	–
Inventories	1,364.10	1,094.70	28.70
Deferred income taxes	–	23.23	–
Other current assets	674.20	408.22	14.19
Total current assets	**2,936.60**	**2,298.27**	**61.78**
Investment securities, available for sale	14.44	14.23	0.30
Property, plant and equipment, net	4,426.39	3,793.94	93.13
Intangible assets, net	169.43	140.27	3.57
Investment in affiliate	135.92	70.00	2.86
Other assets	177.83	135.13	3.74
Total assets	**Rs. 7,860.61**	**Rs. 6,451.84**	**US$ 165.38**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short term borrowings	Rs. 967.80	Rs. 990.28	US$ 20.36
Current portion of long-term debt	659.75	510.95	13.88
Current portion of capital lease obligations	17.39	18.21	0.37
Accounts payable	922.30	750.99	19.41
Due to related parties	7.60	8.22	0.16
Accrued employee costs	72.52	59.08	1.53
Taxes payable	51.52	2.20	1.08
Deferred income taxes	9.11	–	0.19
Other current liabilities	133.24	107.64	2.80
Total current liabilities	**2841.23**	**2447.57**	**59.78**
Long-term debt, excluding current portion	2,510.68	1,892.75	52.82
Long-term capital lease obligations	27.86	46.83	0.59
Deferred income taxes	727.59	535.99	15.31
Other liabilities	56.40	53.03	1.18
Total liabilities	**Rs. 6,163.76**	**Rs. 4,976.17**	**US$ 129.68**
Stockholders' equity			
Equity shares at Rs. 5 par value, 29,200,000 shares authorised; Issued and outstanding – 15,514,798 and 14,663,564 shares as of March 31, 2002 and 2003 respectively	73.31	77.57	1.54
Treasury stock, shares at cost – 851,234 and Nil shares as of March 31, 2002 and 2003 respectively	–	(59.67)	–
Additional paid in capital	195.97	251.39	4.12
Retained earnings	1,427.31	1,206.12	30.03
Accumulated other comprehensive income	0.26	0.26	0.01
Total stockholders' equity	**1,696.85**	**1,475.67**	**35.70**
Total liabilities and stockholders' equity	**Rs. 7,860.61**	**Rs. 6,451.84**	**US$ 165.38**

Consolidated Statements of Income

(in millions, except share data)

	Year ended March 31,		
	2003	2002	2003 Convenience translation into US $ (unaudited)
Revenues, net of allowances for sales return (includes excise duties of Rs. 723.52 and Rs. 638.76)	Rs. 7,182.47	Rs. 6,345.76	US$ 151.12
Cost of revenues	(5,634.46)	(5,061.60)	(118.55)
Selling, general and administration	(549.29)	(525.80)	(11.56)
Depreciation and amortization	(252.53)	(240.80)	(5.31)
Research and development	(52.24)	(32.10)	(1.10)
Other operating income	248.26	194.30	5.22
Income from operations	**942.21**	**679.76**	**19.82**
Other expense, net	(397.11)	(484.16)	(8.35)
Income before equity in loss of affiliate and income taxes	**545.10**	**195.60**	**11.47**
Equity in loss of affiliate	(11.88)	–	(0.25)
Income before income taxes	**533.22**	**195.60**	**11.22**
Income taxes			
Current tax	(50.14)	4.81	(1.06)
Deferred tax	(206.90)	(57.99)	(4.35)
Net income	**Rs. 276.18**	**Rs. 142.42**	**US$ 5.81**
Earnings per equity share			
Basic	18.83	11.87	0.40
Diluted	18.83	11.55	0.40
Weighted average number of equity shares used in computing earnings per equity share			
Basic	14,663,564	11,999,769	14,663,564
Diluted	14,663,564	12,326,881	14,663,564

USD figures for the year ended March 31, 2003 have been converted at 1US D = Rs. 47.53

Reconciliation of Consolidated Net Income

The Company's statutory financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("Indian GAAP"). A reconciliation of the significant differences between consolidated Indian GAAP and US GAAP as they impact the net income for the years ended March 31, 2002 and March 31, 2003 is set out below:

(Rupees in millions)

		Year ended March 31,	
	Notes	2003	2002
Consolidated net income as per Indian GAAP		**481.10**	**232.21**
Adjustments to recognize/ give effect to			
- income statement differences arising from the acquisition of pharmaceutical division of Max India Limited. These differences have arisen primarily due to the differences in the dates considered for consummating the MAX acquisition.	1	(120.39)	–
- exchange loss/ (gain) on forward covers and cross-currency swaps under US GAAP	2	21.76	(4.81)
- differences in accounting treatment of debt initiation costs under US GAAP	3	21.16	(1.78)
- accounting treatment differences with respect to fixed assets	4	(38.09)	18.08
- income statement differences in accounting for deferred income taxes	5	(96.46)	(72.58)
- differences in accounting for loss of affiliate in accordance with US GAAP	6	(11.88)	
- other adjustments (net)		18.98	(28.70)
Consolidated net income as per US GAAP		**276.18**	**142.42**

Notes to Reconciliation of Consolidated Net Income

(Rupees in millions)

1. Acquisitions

The Company has acquired the API business of Max India Limited for cash, with effect from September 1, 2002. **The consummation of the acquisition transaction occurred on March 31, 2003. Accordingly, the income for the intervening period has been considered as pre-acquisition income and excluded from the consolidated statements of income.** Management believes that this acquisition strengthens the Company's existing capabilities in API and Life Science Chemicals in the domestic and export markets. The total purchase price has been preliminarily allocated to the acquired assets and assumed liabilities as follows:

Purchase price	Rs. 655.20
Allocated to:	
Net current assets	196.44
Tangible assets	446.58
Patents	29.16
Deferred tax liabilities	(16.98)
	Rs. 655.20

The purchase consideration has been allocated on a preliminary basis to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and independent appraisals. However, certain independent appraisals reports are yet to be received by the Company. Finalization of the purchase price allocation, which is expected to be completed within one year from the date of acquisition, may result in certain adjustments to the above reflected allocations.

2. Derivative and hedge accounting

On April 1, 2001, the Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, when the standard became effective for companies with fiscal year ending March 31. The Company enters into forward foreign exchange contracts and cross currency swaps, where the counter-party is a bank. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS No. 133, as amended. Any derivative that is either not designated as a hedge, or is so designated but is ineffective as per SFAS No. 133, is marked to market and recognized in income immediately. No initial transition adjustments were required to adopt SFAS No. 133.

3. Debt initiation cost under US GAAP

During the year ended March 31, 2003, the Company incurred prepayment costs aggregating Rs. 18.30 in connection with redemption of a loan taken from a financial institution. Contemporaneously, the loan was replaced by a new loan taken from the same financial institution. The prepayment costs together with the unamortized loan origination costs are being amortized as an adjustment of interest expense over the remaining term of the new loan using the interest method in accordance with the guidance available in EITF Issue No. 96-19, Debtor's Accounting for a Modification or Exchange of Debt Instruments.

4. Property, plant and equipment

Property, plant and equipment including assets acquired under capital lease agreements are stated at cost, less accumulated depreciation. The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. Assets under capital leases are amortized over their estimated useful life or the lease term, as appropriate. The cost of software obtained for internal use is capitalized and amortized over the estimated useful life of the software. The estimated useful lives of assets are as follows:

Factory buildings	30 years
Other buildings	60 years
Machinery and equipment	20 years
Computer equipment and software	6 years
Furniture and fixtures	15-20 years
Vehicles	10 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed under capital work-in-progress. The interest cost incurred for funding an asset during its construction period is capitalized based on the actual investment in the asset and the average cost of funds. The capitalized interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

(Rupees in millions)

5. Income taxes

Income taxes are accounted for using the asset and liability method. The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to each entity. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance of any tax benefits of which future realisation is uncertain.

6. Investments in affiliates

The Company's equity in the profits/losses of affiliates is included in the consolidated statements of income, and the Company's share of net assets of affiliates is included in the consolidated balance sheets. A transaction of an affiliate of a capital nature, which affects the investor's share of stockholders' equity of the affiliate, is accounted for as if the affiliate were a consolidated subsidiary.

The Company acquired 49% interest in Jubilant Biosys in March 2002 for a consideration of Rs. 70.00. Jubilant Biosys is engaged in research and development in the field of bioinformatics and chemoinformatics, with a view to market research products and tools to biotechnology, pharmaceutical, drug discovery and other life sciences companies.

As of the date of acquisition, Jubilant Biosys was a company owned and controlled by the principal shareholders of the Company.

During the year ended March 31, 2003, the Company made further investments aggregating Rs. 77.80 in the preferred stock of Jubilant Biosys. The Company has accounted its 49% interest in Jubilant Biosys by the equity method. The activity in investment in this affiliate during the years ended March 31, 2002 and 2003 is given below:

	2003		2002	
	Investment in common stock	Investment in preferred stock	Investment in common stock	Investment in preferred stock
Balance at the beginning of the year	70.00	–	–	–
Investment made during the year	–	77.80	70.00	–
Equity in the loss of affiliate recognised in income statement	11.88	–	–	–
Balance at the end of the year	58.12	77.80	70.00	–

Jubilant Biosys is an emerging biotechnology company that has several products in various stages of testing and development. The investment is monitored on a continual basis to evaluate whether any changes in value become other than temporary. No impairment has been recognized till date.

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