

ALCHEMIST

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Sixteenth Annual Report 2004-2005

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Corporate information

Board of Directors	<p>Mr. Kanwar Deep Singh, Chairman & Managing Director Major Gurjeet Singh (Retd.), Director Mr. Ravinder Singh, Director Mr. R.P. Chhabra, Director Mr. Asoke K. Chatterjee Mr. Yog R. Bhardwaj Mr. Onkar Anand</p>
Auditors	<p>N. Kumar Chhabra & Co. Chartered Accountants, Chandigarh.</p>
Bankers	<p>Bank of Baroda Bank of India Canara Bank Citibank HDFC Bank Ltd. ICICI Bank Punjab National Bank Standard Chartered Bank</p>
Registered office	Village Dappar, Ambala-Chandigarh Highway, Dist. Patiala, Punjab (India)
Corporate office	<p>SCO 12-13, Sector 9-D, Madhya Marg, Chandigarh. Phone : 0172-2743480-81-82 Fax : 2740099 E-mail : info@alchemist.co.in</p>
Works	<p>Vill. : Dappar, Distt. : Patiala, Punjab (India). Phone : ++91-1762-248666-248668</p> <p>Vill. : Chanalon, Near Kurali, Distt. : Ropar, Punjab (India), Phone : +91-0160-5003184-85</p> <p>Vill. : Banmajra, Ropar-Kurali Road, Distt. Ropar, Punjab (India), Phone : ++91-0160-264555-56</p> <p>Vill. : Ranjitpura, Kurali Morinda Road, Distt. Ropar, Punjab Phone : 0160-2633827</p> <p>Vill. Boothgarh, Morinda-Ludhiana Road, Distt. Ropar, Punjab (India). Phone : 0160-2633890</p> <p>EPIP Plot, Near DVC Sub Station, Durgapur - 713212</p> <p>Vill. : Kanogata, Rajgarh, Distt. Sirmour (H.P.) SCO 149-50, Sector 9, Madhya Marg, Chandigarh Electronic Complex, Chambaghat, Solan, Himachal Pradesh</p>

Notice

Notice is hereby given that the Sixteenth Annual General Meeting of the members of Alchemist Limited will be held on Saturday, the 31st day of December, 2005 at 10.00 a.m. at the registered office of the Company situated at village Dappar, Ambala-Chandigarh Highway, District - Patiala (Punjab) to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 30th June 2005, the Profit & Loss Account for the year ended on that date together with the Report of the Auditors and Directors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri Ravinder Singh, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

RESOLVED THAT Shri Asoke Kumar Chatterjee who was appointed by the Board as an Additional Director with effect from 29th April, 2005 and who holds office up to the date of the forthcoming Annual General Meeting in terms of Section 260 of the Companies Act, 1956 read with article no. 137 of Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director of the Company, be and is hereby appointed as Director liable to retire by rotation.

6. To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

RESOLVED THAT Dr. Yog R. Bhardwaj who was appointed by the Board as an Additional Director with effect from 29th July, 2005 and who holds office up to the date of the forthcoming Annual General Meeting in terms of Section 260 of the Companies Act, 1956 read with article no. 137 of Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director of the Company, be and is hereby appointed as Director liable to retire by rotation.

7. To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

RESOLVED THAT Shri Onkar Anand who was appointed by the Board as an Additional Director with effect from 10th November, 2005 and who holds office up to the date of the forthcoming Annual General Meeting in terms of Section 260 of the Companies Act, 1956 read with article no. 137 of Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director of the Company, be and is hereby appointed as Director liable to retire by rotation.

8. To consider and if thought fit to pass with or without modification(s) the following resolution as a Special Resolution:

RESOLVED THAT in partial modification of special resolution passed by the shareholders of the Company at their Annual General Meeting held on 30th January, 2004 and subject to the provisions of Section 198, 269, 309, 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act as amended from time to time and subject to such permissions,

consents and approvals from such authorities as may be required and subject to such conditions, if any, that may be imposed by such authorities while granting their permissions, consent, approval and which the Board of Directors is hereby authorized to accept, the Company hereby accords its consent/approval for revision in remuneration payable to Shri Kanwar Deep Singh, Managing Director of the Company w. e. f. 1st October, 2005 during the remainder of his tenure as Managing Director i.e. up to 31st December, 2008 as per detail given below :

Basic Salary : Up to a maximum of Rs. 7,50,000/- per month with authority granted to the Board of Directors (hereinafter referred to as "the Board" which term shall include a Committee of Directors), to fix the salary within the said maximum amount from time to time. The annual increment will be effective from 1st April each year or such other date as the Board may decide and will be based on Company's performance.

Incentive Remuneration : Up to 200 % of salary to be paid at the discretion of the Board annually, based on performance criteria.

Commission : Such remuneration by way of commission, in addition to the salary, incentive remuneration, if any and perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board at the end of each financial year, subject to the overall ceilings stipulated in Section 198 and 309 of the Companies Act, 1956. The commission will be payable annually after the annual accounts have been approved by the Board of Directors and adopted by the members.

All other terms and conditions of appointment and remuneration payable to Sh. Kanwar Deep Singh, Managing Director will remain the same as approved by the shareholders in their Annual General Meeting held on 30th January, 2004.

RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of Shri Kanwar Deep Singh, as Managing Director, the Company has no profit or its profits are inadequate, the remuneration by way of salary, commission and perquisites as above shall be payable to him as the minimum remuneration as specified in schedule XIII of the Companies Act, 1956 as amended from time to time.

9. To consider and if though fit to pass with or without modification(s) the following resolution as a Special Resolution :

RESOLVED THAT the resolution passed by the shareholders through postal ballot dated 11th October, 2005, for altering the 'Registered Office Clause' of the Memorandum of Association of the Company by incorporating the words "NCT of Delhi" in place of the words "The State of Punjab", be and is hereby withdrawn.

By Order of the Board
for **ALCHEMIST LIMITED**

Harish Sharma
Company Secretary

Place : Chandigarh
Dated : 6th December, 2005

NOTES :

1. Explanatory Statement pursuant to the provisions of Section 173 (2) of the Companies Act, 1956 in respect of the special business is annexed herewith and forms part of the Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. (A blank proxy form is enclosed)

3. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 28th December, 2005 to Saturday, the 31st December, 2005 (both days inclusive) for the purpose of Annual General Meeting. The Dividend upon approval at this meeting will be paid to those shareholders whose name appear on the Register of Members as on 28th December, 2005. In case of equity shares held in electronic form, the dividend thereon, upon its declaration shall be paid to the beneficial owners as per details furnished by the depositories for this purpose.
4. Members are requested to furnish their permanent account number (PAN) , bank account details, change of address etc. to the Registrar and transfer agent in respect of shares held in physical form. Members holding shares in electronic form must furnish the above details to their respective depository participant and not to the Company. Members are requested to note that submission of permanent account number (PAN) is mandatory (except non-resident) and non compliance of the same attract the penal consequences under provisions of the Income Tax Act, 1961.
5. Members are requested to intimate to the Company, queries, if any, on the accounts at least 10 days before the meeting, to enable the management to keep the required information available at the meeting.
6. The Members/ proxies should bring copies of the Annual Report to the meeting since copies of the Annual Report will not be distributed at the meeting.
7. In case of Joint Shareholders, if more than one holder, desires to attend the meeting, he/she/they must obtain the additional attendance slip from the Company's Registered Office/ Corporate Office.
8. Pursuant to listing requirements, the Company declares that its equity shares are listed on 'The Stock Exchange, Mumbai' and 'The Calcutta Stock Exchange Association Limited, Kolkata' and has paid Annual Listing Fee for the year 2005-2006 .
9. Members who hold shares in dematerialized form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
10. To facilitate trading in equity shares in dematerialized form, the Company has entered into agreement with M/s National Security Depository Limited (NSDL) and M/s Central Depository Services Limited (CDSL). Members can open account with any of the depository participants registered with NSDL and CDSL.
11. The Equity shares of the Company have been subdivided from Rs. 10/- into 10 equity shares of Rs. 1/- each. Consequent upon subdivision, NSDL and CDSL has allotted new ISIN No. to the Company. The new ISIN No. is INE 964B01025.
12. Additional information, pursuant to clause no. 49 of the listing agreement in respect of Directors seeking reappointment/appointment at the Annual General Meeting is given as Annexure A to the notice.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 5, 6 & 7

In order to broad base the Board of Directors of the Company, your Board of Directors had appointed Shri Asoke Kumar Chatterjee, Dr. Yog R. Bhardwaj and Shri Onkar Anand as additional Directors of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article No. 137 of the Articles of Association of the Company with effect from 29th April, 2005, 29th July, 2005 and 10th November, 2005 respectively and they holds office of the Director up to the date of this Annual General Meeting.

The Company has received a notice along with requisite fee from members under section 257 of the Companies Act, 1956 proposing the candidature of Shri Asoke Kumar Chatterjee, Dr. Yog R. Bhardwaj and Shri Onkar Anand as Directors of the Company.

The Board of Directors considers that in view of their expertise and experience, it would be in the interest of the Company to appoint them as Directors of the Company and accordingly recommends the resolutions as set out at item no. 5, 6 & 7 of the notice for approval of the members.

Shri Asoke Kumar Chatterjee, Dr. Yog R. Bhardwaj and Shri Onkar Anand are interested or concerned in the proposed respective resolution(s) as set out in the notice. None of the other Directors are interested or concerned in the proposed resolutions.

IN RESPECT OF ITEM NO. 8

The members of the Company at their 14th Annual General Meeting held on 30th January, 2004, appointed Shri Kanwar Deep Singh as Managing Director for a period of 5 years effective from 1st January, 2004. Taking into consideration his present salary, the improved performance and growth of the Company under his dynamic leadership and management and based on the recommendation of the Remuneration Committee, the Board of Directors at its meeting held on 31st October, 2005, approved the revision in the remuneration payable to Shri Kanwar Deep Singh w.e.f 1st October, 2005, subject to the approval of the members. The Board of Directors is of the opinion that increase in remuneration is commensurate with the responsibilities shouldered by the Managing Director. The detail of the proposed revision / modification in remuneration payable to Shri Kanwar Deep Singh are described in detail in the proposed resolution as set out at item no. 8 of the notice. All other terms and conditions of appointment of Shri Kanwar Deep Singh as approved by the members in their Annual General Meeting held on 30th January, 2004 will remain unchanged.

Terms of revision in remuneration to be paid to Shri Kanwar Deep Singh are available for inspection on any working day at the registered office of the Company during working hours on any working day of the Company. The detail of the remuneration payable to Managing Director as mentioned in resolution no. 8 of the notice, may be considered as notice to the shareholders under section 302 of the Companies Act, 1956.

None of the Directors except Shri Kanwar Deep Singh himself, Shri Ravinder Singh and Major Gurjeet Singh (Retd) both brothers of Shri Kanwar Deep Singh are interested or concerned in the proposed resolution.

IN RESPECT OF ITEM NO. 9

The Company has sought the approval of the shareholders by special resolution passed through postal ballot for altering the registered office clause of the Memorandum of Association of the Company by substituting the words 'NCT of Delhi' in place of 'the State of Punjab' on 11th October, 2005, subject to the approval of the Central Government.

During the recent time, the Company has received lot of representations from the members, employees and business associates requesting for not shifting the registered office of the Company outside the State of Punjab, which has been considered by the Board of Directors and accordingly recommends the resolution as set out at item no. 9 of the notice for approval of the members as special resolution.

None of the Directors are interested or concerned in the proposed resolution.

By Order of the Board
for **ALCHEMIST LIMITED**

Harish Sharma
Company Secretary

Place : Chandigarh
Dated : 6th December, 2005

Annexure - A**DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING PURSUANT TO CLAUSE NO. 49 OF THE LISTING AGREEMENT :****Shri Ravinder Singh**

Shri Ravinder Singh, aged 42 years, is a graduate in Botanical Sciences. He is an industrialist by profession having 20 years of experience in the industry. He is widely traveled person and have traveled number of countries. He is director on the Board of the following companies namely - Toubro Finance Limited and Toubro Investment Ltd. He is member of the Audit Committee and remuneration committee of Alchemist Limited.

Shri Asoke Kumar Chatterjee

Shri Asoke Kumar Chatterjee, aged 76 years, is a Mechanical Engineer, Chartered Engineer, P.Eng (I). He is having more than 30 years of experience in management consultancy and valuation in India and abroad. He is holding membership of various professional societies like approved valuer and Surveyor of Hon'ble Kolkata High Court, Fellow member of the Institute of Engineers(India), Institute of Valuers & Indian Council of Arbitration, approved valuer & consultants of All India Financial Institutions. He has widely traveled abroad. At present, he is on the Board of various Companies namely MSL Industries Ltd, REI Agro Ltd, SPS Steels Rolling Mills Ltd & S. R. Batliboi Consultants Pvt. Ltd. He is a member of the Audit Committee & Shareholders Grievance Committee of MSL Industries Ltd, REI Agro Ltd & SPS Steels Rolling Mills Ltd.

Shri Yog R. Bhardwaj

Shri Yog R. Bhardwaj, aged 53 years, is having masters degrees in chemistry from Guru Nanak Dev University, Amritsar & Brock University, Ontario, Canada, Masters Degree in Engineering Management from Northwestern University, Evanston, Illinois, USA, Doctor of Business Administration, Honorarius City University, California. He is having more than 20 years of experience in running of petroleum business. He is not on the Board of any other Company nor holds any membership of the Committees on any other Board.

Shri Onkar Anand

Shri Onkar Anand, aged 48 years, is a science graduate, diploma in material management and marketing management. He is having more than 30 years of rich experience in the overall management of Company's affairs. He is widely traveled person. He is a director of Rahul Sales Limited and not a member of any committees of the Board.

Directors' report

To the Members of
ALCHEMIST LIMITED

The Directors have pleasure in presenting the Sixteenth Annual Report and the Audited Statement of Accounts of the Company for the year ended 30th June, 2005.

FINANCIAL RESULTS

(Rs. in lacs)

	2004-2005	2003-2004
Sales & Other Income	25169.04	13516.12
Operating Profit (PBITD)	1662.87	1307.24
Interest	83.75	28.12
Depreciation	167.41	158.77
Net Profit	1337.78	1013.38
Proposed Dividend	25%	20%

OPERATIONS

During the year under review, your Company has taken various measures through expansion and diversification to enhance its area of operations. The business increased to the level of Rs.251.69 crores from Rs. 135.16 crores showing a growth of 86% during the year, resulting in net profit of Rs.13.38 crores during the year against Rs.10.13 crores during the previous year. All these has been achieved due to prudent business policies adopted by the Management and continued focus on several measures including introduction of new products, aggressive marketing policies and cost cutting at every stage without compromising on quality.

DIVIDEND

Your Directors are pleased to recommend a dividend at 25% i.e. Re 0.25 per share for the year ended 30th June, 2005. The dividend, if approved, shall be paid to the registered shareholders whose name appear on the register of the members as on 28th December, 2005.

FIXED DEPOSITS

As on 30th June, 2005, the amount of deposits held by the Company was Rs.2228.26 lacs. The Company continues to accept/renew deposits within the prescribed limits.

SHARE CAPITAL

Sub Division of Equity Shares

The Equity Shares of your Company of the face value of Rs.10/- each has been sub-divided into 10 Equity Shares of Re.1/- each, for which necessary approval has been obtained from you in the Extra Ordinary General Meeting held on 8th October, 2005 and accordingly authorized and paid up equity share capital of the Company has been altered. This would enhance the liquidity of Company's Equity Shares at the Stock Exchanges and also facilitate easy accessibility of shares in the hands of small investors.

Conversion of Equity Warrants into Equity Shares

During the year under report, your Company had issued 2,76,000/- equity shares of Rs.10/- each at a premium of Rs. 81/- per equity share on conversion of share warrants into equity shares, for which necessary listing permission has been obtained from the "The Stock Exchange, Mumbai".

Further, your Company has issued 29,00,000 equity shares of Rs.1/- each on 3rd November, 2005 at a premium of Rs. 8.10/- per equity share on conversion of share warrants. The necessary application has been filed with the "The Stock Exchange, Mumbai" for the listing permission.

With the issue of shares upon conversion of warrants, the paid up capital of the Company as on 30th June, 2005 has increased to Rs. 5, 52,64,000 divided into 55,26,400 equity shares of Rs.10/- each.

DIRECTORS

Shri Ravinder Singh, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Shri Asoke Kumar Chatterjee, Shri Yog R. Bhardwaj and Shri Onkar Anand were appointed as Additional Directors by the Board and hold office up to the ensuing Annual General Meeting. However, the Company has received notices from members under section 257 of the Companies Act, 1956, expressing their intention of proposing their appointment as Directors of the Company.

Shri Sergio Coreno, Lt. Gen. Prem Nath Hoon (Retd.), Shri Lakhwinder Singh & Shri J. S. Barnala have resigned from the directorship of the Company during the year. The Board places on record its appreciation for the contribution made by them during their tenure.

AUDITORS AND AUDITORS REPORT

M/s N. Kumar Chhabra & Co., Chartered Accountants, Chandigarh, Statutory Auditors of the Company, hold office until the conclusion of ensuing Annual General Meeting and being eligible offer themselves for reappointment. They have submitted a certificate to the effect that their appointment, if made, will be within the limits specified under section 224(1-B) of the Companies Act, 1956. The Audit Committee and Board of Directors recommend the reappointment of M/s N. Kumar Chhabra & Co., Chartered Accountants, as Statutory Auditors for the year 2005-2006.

The Statutory Auditors of the Company have submitted Auditors Report on the accounts of the Company for the accounting year ended 30th June, 2005, which is self-explanatory and needs no comments.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that :-

- i. That in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- ii. That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th June, 2005 and of the profit or loss of the Company for the period ended 30th June, 2005.
- iii. That the Directors had 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;
- iv. That the Directors had prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

A statement containing necessary information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed and forms part of this report.

PARTICULARS OF EMPLOYEES

Information required pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) (Amendment) Rules, 2002 as amended to date and forming part of the Directors' Report for the year ended 30th June, 2005, is given as an Annexure to this Report.

CORPORATE GOVERNANCE

As required under Clause no. 49 of the Listing Agreement, a separate report on Corporate Governance along with a certificate from the Statutory Auditors regarding compliance of the conditions of Corporate Governance as stipulated under Clause no. 49 of the Listing Agreement is annexed and forms part of the Annual Report.