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**ANIL CHEMICALS
AND INDUSTRIES LTD.
ANNUAL REPORT 2000**

ANIL CHEMICALS AND INDUSTRIES LTD.

21st Annual Report 2000

BOARD OF DIRECTORS :

ANIL MACHHAR	-	CHAIRMAN
ARVIND MACHHAR	-	MANAGING DIRECTOR
SANDEEP MACHHAR	-	WHOLE TIME DIRECTOR

AUDITORS : M/s. RATHI AND BANGAD
Chartered Accountants, Aurangabad.

BANKERS : UNION BANK OF INDIA.
PUNJAB NATIONAL BANK.

REGISTERED OFFICE : J-18 MIDC INDL. AREA
CHIKHALTHANA, AURANGABAD - 431 210

WORKS : **AMMONIUM NITRATE DIVISION**

- i) J-18 MIDC INDL. AREA
CHIKHALTHANA, AURANGABAD (M.S)
- ii) PLOT. NO. 614 GIDC AREA,
PANOLI, DIST. BHARUCH (GUJRAT)

EMULSIFIED ANFO/EMULSION MATRIX DIVISION

- i) PLOT NO 48/49 UDYOG DEEP INDL. AREA,
WAIDHAN, DIST. SIDHI (M.P.)
- ii) VILLAGE - NANDRABAD, TALUKA - KHULTABAD,
DIST. - AURANGABAD (M.S.)
- iii) PLOT NO. 2 / A-1, A-2 IDCO INDL. AREA
JHARSUGUDA, (ORRISA)

CO-EXTRUDED TUBE DIVISION

GUT NO. 72, VILLAGE - PHAROLA
TALUKA - PAITHAN, DIST - AURANGABAD. (M.S.)

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NOTICE

Notice is hereby given that the 21st Annual General Meeting of Anil Chemicals and Industries Ltd. will be held on **Saturday**, the 24th March, 2001 at 12.15 p.m. at the Registered Office of the Company at J-18 MIDC Area, Chikalthana, Aurangabad to transact the following business :

I. ORDINARY BUSINESS :

- 1) To receive, consider and adopt the Balance Sheet as at 31st December, 2000 and Profit & Loss Account for the year ended on that date together with report of Board of Directors and Auditors thereon.
- 2) To appoint a Director in place of Shri. Anil Machhar, who retires by rotation and being eligible offers himself for re-appointment.
- 3) To appoint auditors and fix their remuneration.

II. SPECIAL BUSINESS :

- 4) To consider and if thought fit to pass with or without modification the following resolutions as ordinary resolution

"RESOLVED that the Audited Accounts for the year ended 31st December, 2000 alongwith the report of Directors and Auditors thereon be and are hereby adopted and that the Company is a sick industrial company under the provision of SICA 1985 be noted. "

PLACE : Aurangabad
DATE : 22nd January, 2001

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

REGISTERED OFFICE
J-18 MIDC CHIKALTHANA
AURANGABAD 431 210 (MS)

ANIL MACHHAR
CHAIRMAN

NOTES

- 1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the company.
- 2) The Register of Members and Share Transfer Books will remain closed from 17th March to 24th March, 2001 (both days inclusive).
- 3) All the documents referred to in accompanying Notice are open for inspection at the Registered Office of the company on all working days except Sunday and Holidays between 11.00 a.m. to 5.00 p.m. upto the date of Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM NO. 4

In accordance with the audited accounts of the company for the year ended 31-12-1999 the company submitted its application to BIFR to declare it a sick company which was rejected. Thereupon the Company has preferred an appeal to the AAIFR which is yet to be disposed off. Further, the net loss of Rs. 2738.02 lacs as per Audited Accounts for the year ended 31st December, 2000 has resulted in erosion of more than 100% peak net worth of the Company during the immediately preceding four financial years. Therefore, the Company has become a sick industrial company in terms of the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985. Your Directors recommended the resolution for approval. None of the Directors is interested in this resolution.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

ANIL MACHHAR
CHAIRMAN

PLACE : Aurangabad
DATE : 22nd January, 2001

ANIL CHEMICALS AND INDUSTRIES LTD.

DIRECTORS REPORT

To The Members,

Your Directors present to you the 21st Annual Report on the business and operations of the Company and Financial Accounts for the year ended on 31st December, 2000

1. FINANCIAL RESULTS:

	Current Year (Rs.in lacs) (12 Months)	Previous Year (Rs.in lacs) (9 Months)
Profit before Interest, depreciation & Tax	50.31	(5.83)
Less : Interest	706.00	421.62
Profit / (Loss) before depreciation and Tax	(655.69)	(427.45)
Less: Depreciation	172.90	129.64
Profit/(Loss) before Tax	(828.59)	(557.09)
Profit/(Loss) after Tax	(828.59)	(557.09)
Add : Extra Ordinary items		
Deferred Revenue Exp. W / back	269.16	----
Provision for bad and doubtful debts W / back	145.58	----
Net Profit / (Loss) for the year	(413.84)	(557.09)
Add : Loss b / fd from Previous Year	(2324.18)	(1767.09)
Loss carried to Balance Sheet	(2738.02)	(2324.18)

2. OPERATIONS :

During the year under review your company has recorded sales of Rs.702.58 lacs as compared to the earlier year sales of Rs. 414.82 lacs registering a substantial increase. But for the general recession in the industry, your Company could have achieved much better turnover. The year under review for your company was a difficult one. Although the production improved, the economics of production was adversely effected.

Despite adverse conditions your company has taken several concerted measures to combat the situation. The production process at Co-ex Tube Division has undergone a substantial change and resulted in to enhanced customers satisfaction and improvement of productivity parameters. The Company has laid emphasis on cost cutting measures. As a result of these measures, the financial results for the current year will be significantly better. However, to ensure long term viability, the Company is in urgent need of restructuring of finances. Your Company has raised funds for setting up the Co-ex Tube Division at the then prevailing high rate of interest. It is difficult for your Company to service the interest burden as it stands today.

The Management is totally committed to revive the operations and has put in concerted efforts to sustain the current production level. The management is also confident that the financial health of the unit can be nurtured back to health in the shortest possible time. Towards this end your Company has approached to the Financial Institutions and bank for restructuring and rescheduling its dues.

The company has roped in the services of KJMC Global Markets (India) Ltd for exploring the various avenues of financial restructuring including joint venture.

a) AMMONIUM NITRATE DIVISION :

During the year under review, the production of this division located at Chikalthana continued to be suspended for want of funds for revamping and modernisation, however, the Panoli unit has performed satisfactorily during the year. The production at Panoli unit was 4863 MT as compared to 2716 MT in the previous year registering a significant increase.

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b) EMULSIFIED ANFO DIVISION

Your directors regret to inform you that for want of orders your company was forced to suspend the production at its Waidhan & Jharsuguda plants of this division during the year.

During the year 1997-98 and 1998-99 the company continued the supply to Northern Coal Fields Ltd (NCL) pending fixation of prices by Coal India Ltd based on the prices prevailing during the year 1994-95, however, the matter is still hanging under fire. As the prices had been fixed for the other suppliers, your company had no other option but to file a writ petition against NCL demanding the fixation of prices. The matter being still pending in court, the tender for the year 1999-00 submitted by the company is also not opened. The company has, however, submitted its tenders to NCL and Mahanadi Coal Fields Ltd for the year 2001-02 which are expected to be opened shortly. As a result thereof, your company expects to revive the operations of this division during the current year.

c) CO-EX TUBES DIVISION

The production of Co-extruded tubes division is increased to 195.05 lacs tubes during the year compared to 99.97 lac tubes in the previous year. In order to increase the range of product mix and product quality, tools of 25mm dia is indigenously developed. The company is also in the process of developing the tools of 22mm and 50mm dia which would not only substantially increase the range of product mix but also help in better utilisation of Plant capacity. Your Directors, therefore, are confident that during the current year not only the turnover will go up but the product profitability would also improve.

3. REFERENCE TO BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR)

In view of the negative net worth of the Company as on 31.3.99, the Company had approached to the Hon'ble BIFR with an application under section 15 (1) (O) of the SICA Act, 1985. The bench concluded that the Company had not approached the Hon'ble BIFR with clean hands and it was not the fit case to be considered under the Act. Further it was concluded that the company did not fulfilled the criteria of the sick industrial company within the meaning of section 3 (1) (O) of the Act and accordingly reference made by the company was dismissed as not maintainable. The company preferred an appeal to Hon'ble AAIFR and sought the relief.

In the meantime the company was planning to restructure its operations and accordingly had approached prospective parties for financial and managerial participation in the operations of the company. In November, 1999 it was decided to have joint venture participation of a foreign party in Co-ex tube division of the company. To arrive at the correct financial position of the company and to make way for such joint venture participation by foreign party, the Board of the company decided to change its accounting year from March ending to December ending. The company had finalised its accounts for the year ended on 31-12-1999 and accordingly decided to approach BIFR afresh for rehabilitation of the company.

Meanwhile, on 13th January, 2000 Hon'ble AAIFR decided company's appeal against the order of Hon'ble BIFR and expressed its inability to interfere with the order of the Hon'ble BIFR. The company's reference based upon negative net worth as on 31-12-1999 U/S 15 (1) of SICA Act, 1985 was also rejected as non-maintainable by Hon'ble BIFR. The company had appealed to Hon'ble AAIFR against the said Order of the Hon'ble BIFR. The appeal petition is pending for admission before Hon'ble AAIFR. Pending consideration of that your directors in their meeting held on 22.1.2001 have resolved to submit the application to Hon'ble BIFR based on the audited accounts of the company as of 31.12.2000 for seeking necessary rehabilitation package in the matter in view of the accumulated losses which are further increased to Rs.2738.02 lacs resulting in to further erosion of the net worth of the Company.

4. BORROWINGS :

Due to the cash losses sustained by the Company, it was unable to repay the installments of term loans and interest to the financial institutions and banks. The company has already made an application to the Financial Institutions/ banks for reschedulement of installments of loan and funding / remission of interest.

5. DE-LISTING OF SECURITIES AT AHMEDABAD & DELHI STOCK EXCHANGES

The Company's application made to Delhi and Ahmedabad Stock Exchanges for De-listing of securities is still pending for their consideration.

ANIL CHEMICALS AND INDUSTRIES LTD.

6. DEPOSITS :

The company has not accepted deposits during the year from the public under Section 58A of the Companies Act, 1956.

7. INSURANCE :

All the properties of the company including Plant and Machinery and stocks have been adequately insured.

8. DIRECTORS :

Shri Ravi Machhar, Executive Director, Shri Y.N. Mishra, Whole Time Director and Shri J.S. Bhatnagar, Director have resigned due to their pre-occupation. The Board of Directors put on record appreciation for the valuable contribution made by them during their association with the company. Shri. Anil Machhar, Director of the company, who retires by rotation on the conclusion of the forthcoming Annual General Meeting, being eligible offers himself for reappointment.

9. DIVIDEND :

In view of the losses, your Directors regret their inability to recommend any dividend for the year ended 31st December, 2000.

10. AUDITOR'S OBSERVATIONS :

a) In regard to the advances given by the Company to Videocon International Ltd and Videocon Appliances Ltd for purchase of shares, as the company was in need of cash resources, it was thought to be expedient in the interest of the company that the company augment its resources by canceling the deal without insisting for damages as otherwise litigation would have prolonged the much needed augmentation of resources at this juncture.

b) As the fixed assets register is misplaced, the company has compiled fresh data with effect from 1-4-1991 as per the opening balances abstracted from the Audited Balance sheet as of 31-3-1991. The company is in the process of compiling the relevant data in respect of the period prior to 1-4-1991 with the help of original bills, documents and other records which the management hopes to compile during the current year.

c) The other observations made by the auditors in their report have been adequately dealt with in the relevant notes forming part of the accounts, and as such do not require any further explanation.

11. AUDITORS :

M/s. Rathi & Bangad, Chartered Accountants, Auditors of the company, who retire on the conclusion of the forthcoming annual general meeting, being eligible, offer themselves for re-appointment. The certificate from the auditors has already been received to the effect that their appointment, if made, would be within the prescribed limit under Section 224 (1B) of the Companies Act, 1956.

12. PARTICULARS OF THE EMPLOYEES :

No employee is covered under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended.

13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:

a) Conservation of Energy : The manufacturing process of the company is not power intensive. However the company is continuing its efforts to conserve energy and saving the consumption of electricity.

b) Technology Absorption : Not applicable.

c) Foreign Exchange : Foreign Exchange earning of the company is Nil for the year under review, whereas the outgo is Rs.42.89 Lacs on account of import of raw materials and spares etc.

14. SUBSIDIARY COMPANY :

A statement pursuant to Section 212 of the Companies Act, 1956 in respect of the subsidiary company is appended to the Balance Sheet.

21st Annual Report 2000**15. PERSONNEL :**

Relations continued to be cordial at all levels throughout the year and your Directors wish to express their appreciation for the continuous support and contribution from employees.

16. APPRECIATION :

Your Directors acknowledge with sincere gratitude the co-operation and assistance provided by the financial institutions, the bankers, Union Bank of India and Punjab National Bank, Government of India and Government of Maharashtra. Your Directors also acknowledge the patronage by all the customers of the company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

ANIL MACHHAR
CHAIRMAN

PLACE : Aurangabad
DATE : 22nd January 2001

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO THE COMPANY'S INTEREST IN ITS SUBSIDIARY COMPANY, M/S. NAVNEET MACHINES MFG. CO. LTD.

1. Name of the Subsidiary Company	Navneet Machines Mfg. Co. Ltd.
2. Date from which it become subsidiary.	16th May, 1985
3. Financial year of the subsidiary company ended	31st March'2000.
4. (a) No of equity shares held by Anil Chemicals & Industries Ltd. and its Nominees in the subsidiary as at the end of the financial year of the subsidiary Company.	9980 Equity shares of Rs. 10/- each
(b) Capital and reserves of the subsidiary as at the end of the financial year of the subsidiary Company.	
i) Capital	Rs. 1,00,000/-
ii) Reserves and Surplus	Rs. 17,116/-
(c) Extent of interest of Anil Chemicals & Industries Ltd.	99.8% capital of subsidiary at the end of the financial year of the subsidiary company.
5. Net aggregate amount of profits of the subsidiary so far as they concern the members of the Anil Chemicals & Industries Limited.	
a) Profit for the subsidiary's financial year ended on 31.03.2000	Nil
b) Profits for the previous financial years of the subsidiary since it become the subsidiary of Anil Chemicals & Industries Limited.	Nil
6. Net aggregate amount of the subsidiary's profits not dealt within the Accounts of Anil Chemicals & Industries Ltd.	
a) For the subsidiary's financial year ended on 31.03.2000	Nil
b) For its previous financial year	Nil
7. Net aggregate amount of the subsidiary profits dealt within the the Accounts of Anil Chemicals & Industries Ltd	
a) For the subsidiary's financial year ended on 31.03.2000.	Nil
b) For its previous financial years	Nil

ANIL CHEMICALS AND INDUSTRIES LTD.

REPORT OF THE AUDITORS TO THE MEMBERS OF ANIL CHEMICALS AND INDUSTRIES LTD.

We have audited the attached Balance Sheet of ANIL CHEMICALS AND INDUSTRIES LIMITED as at 31st December, 2000 and the Profit and Loss Account for the year ended on that date annexed there to and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report), Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in Paragraph 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, in particular point No. 1, 9 and 15 we report that :-
 - a) Subject to what is stated at point No. i, j & k below we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) 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 these books;
 - c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
 - d) In our opinion, Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the Accounting Standards referred to in section 211 (3C) of the Companies Act, to the extent applicable, or as stated otherwise.
 - e) We are unable to express our opinion about the recoverability of Rs.145.51 lacs written back during the year in respect of price revision (price increase) expected to be received from Coal India Ltd., which was provided for as bad and doubtful debt in the Financial Year 1998-99 (Refer note No.16 of Schedule 12)
 - f) The Company has written back deferred revenue expenditure amounting to Rs.269.16 lacs during the year, which in our opinion is not in accordance with the accounting policies adopted by the company in the earlier years. (Refer Note No.15 in Schedule 12)
 - g) In absence of confirmation, no provision has been made for interest receivable (simple interest) of Rs.79.15 lacs (inclusive of Rs.55.52 lacs for earlier years) in respect of intercorporate deposit and other loans. (Refer Note No.4 in Schedule No.12)
 - h) The accumulated losses of the Company have exceeded the entire networth of Company. The account have however, been prepared by the management on going concern basis, as explained in Note No. 2 in Schedule 12.
 - i) We are unable to express an opinion about the business expediency of the cancellation deal of purchase of shares amounting to Rs. 125 lacs (Refer Note No. 5 in Schedule 12).
 - j) The accounts in respect of secured and unsecured loan taken, creditors, debtors, loans and advances given are subject to confirmations, reconciliations and consequent adjustment, if any. (Refer Note No. 8 in schedule 12).
 - k) The Company is in process of obtaining / compiling information regarding dues/overdues to supplies falling under the category of small scale and / or ancillary industrial undertaking. (Refer Note No.10 of Schedule 12).
 - l) We further report that without considering the items mentioned in 'i', 'j' and 'k' above the effect of which could not be determined, had the observations made by us in paragraph 'e', 'f' and 'g' above been considered, the loss for the year would have been Rs.749.44 lacs (as against reported figure Rs.413.84 lacs), accumulated losses would have been Rs.3073.62 lacs (as against reported figure of Rs.2738.02 lacs), Loans & Advances would have been Rs.272.50 lacs (as against reported figure Rs.193.35 lacs), and Misc. Expenditure would have been Rs.34.84 lacs (as against reported of Rs.304.00 lacs) and Sundry Debtors above six months would have been Rs.55.05 lacs (as against reported figure of Rs.200.64 lacs).

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- 3) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to what is stated at paragraph 'I'supra and read together with notes on accounts thereon and in particular Note No.17 in schedule 12 regarding suspended activities of various units (for detail refer note No.17 in schedule 12) give the information required by the Companies Act, 1956 in the manner so required and gives a true and fair view :

- (i) In the case of Balance Sheet of the State of affairs of the Company as at 31st December, 2000,
and
(ii) In the case of Profit and Loss Account, of the Loss for the year ended on that date.

**FOR RATHI AND BANGAD
CHARTERED ACCOUNTANTS**

**DILIP JAIN
PROPRIETOR
M.No. 44301**

Place : AURANGABAD

Date : 22/01/2001.

ANNEXURE TO THE AUDITORS' REPORT

Refer to in paragraph 1 of our Report of even date on the accounts for the year ended 31st December, 2000, of M/S ANIL CHEMICALS AND INDUSTRIES LTD.

1. As informed, the fixed assets register is misplaced, the company has compiled fresh data to show full particulars including their situation with effect from 1/4/1991 by taking the opening balances as per the audited accounts of the company except the quantitative details which are stated to be under compilation. As per information and explanation given to us, the company has verified most of the fixed assets during the year. Further it is explained that the discrepancies which would not be material, in the opinion of the management, as may be noticed on reconciliation after compilation of quantitative details, will be appropriately adjusted and accounted for. In this financial statements, therefore, no adjustments could be made either on capital account and/or revenue account.
2. None of the fixed assets have been revalued during the year.
3. As informed, the stock of finished goods, goods-in-process, stores, spare parts and raw materials at all the units of the Company have been physically verified by the Management at reasonable intervals excepts goods lying with third parties.
4. In our opinion and according to the information and explanations given to us, 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 physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of account.
6. In our opinion, on the basis of our examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles. During the year the company has change the method of valuation of closing stock to comply with the Accounting Standard issued by The Institute Of Chartered Accountants Of India. The consequential effect of change in method of valuation does not have material effect on results of the company (Refer Note No.18 & 19 in Schedule 12).
7. The Company has taken loans, secured or unsecured, from companies, firms, or other parties listed in the register maintained U/s 301 of the Companies Act, 1956 and/or from the Companies under the same management as defined under sub-section (1B) of S.370 (non-operative) of the Companies Act, 1956. The rate of interest, wherever applicable, and other terms and conditions of such loans are not prima-facie prejudicial to the interest of the Company.
8. During the year, the Company has not granted any loan to Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies, Act 1956.