

26th ANNUAL REPORT 2006



**ANIL CHEMICALS
AND INDUSTRIES LTD.**

BOARD OF DIRECTORS

ARVIND MACHHAR
CHAIRMAN CUM
MANAGING DIRECTOR

SANDEEP MACHHAR
WHOLE-TIME DIRECTOR

PREM KUMAR MITTAL
SPECIAL DIRECTOR (BIFR NOMINEE)

GHEVERCHAND BOTHARA
DIRECTOR

BALAPRAD TAPDIYA
DIRECTOR

AUDITORS

M/S RATHI & BANGAD
Chartered Accountant, Aurangabad

BANKERS

PUNJAB NATIONAL BANK
UNION BANK OF INDIA

REGISTERED OFFICE

GUT NO. 72, VILLAGE PHAROLA,
POST - BEEDKIN, TQ. - PAITHAN,
DIST - AURANGABAD - 431 105 (MS)

LOCATION OF PLANTS**AMMONIUM NITRATE DIVISION**

- i) J-18, MIDC Area, Chikalthana,
Aurangabad - 431 210 (MS)
- ii) Plot No. 614, GIDC Area, Panoli,
Ankleshwar, Dist. Bharuch (GJ)-394116

EMULSIFIED ANFO/MATRIX DIVISION

- i) Plot No. 48/49, Udyog Deep Industrial Area,
Waidhan Dist. Sidhi (MP) - 486886
- ii) Village - Nandrabad, Taluka Khultabad,
Dist. - Aurangabad (MS)
- iii) Plot No. 2/A-1, A-2 IDCO Industrial Area,
Jharsuguda (Orissa) - 768203

CO-EXTRUDED TUBES DIVISION

- i) Gut No. 72, Village Pharola, Post Beedkin,
Tq.-Paithan, Dist. Aurangabad - 431 105 (MS)

SHARE REGISTRAR AND

M/S INTIME SPECTRUM REGISTRY LIMITED

TRANSFER AGENT

C-13, PANNALAL SILK MILLS COMPOUND
L.B.S. MARG BHANDUP (W), MUMBAI - 400 078



NOTICE

NOTICE is hereby given that the Twenty sixth Annual General Meeting of the members of the M/s Anil Chemicals And Industries Limited will be held on Saturday the 30th day of September, 2006, at 11.00 AM at Registered office of the Company situated at Gut No. 72, Village Pharola, Post-Beedkin, Tq. Paithan, Dist. - Aurangabad - 431105 (MS) to transact the following business:

I) ORDINARY BUSINESS

1. To consider, approve and adopt the Balance Sheet of the Company as on 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the report of the Statutory Auditors and the Directors thereon.
2. To appoint a director in place of Shri B. H. Tapdiya who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s Rathi & Bangad, Chartered Accountant, Aurangabad, the retiring Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting of the Company and to fix their remuneration.

II) SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification, the following resolution as special resolution.
"RESOLVED THAT subject to approval of the appropriate Authority pursuant to applicable provisions of the Companies Act, 1956, the paid up & face value of equity shares amounting to Rs. 10 per equity shares be and is hereby reduced to Rs. 5 per shares for entire equity issued and paid up shares of the Company
"RESOLVED FURTHER THAT pursuant to the provision of section 17 and other applicable provisions of the Companies Act, 1956, clause V of the Memorandum of Association be and is hereby altered by replacing the following new clause V
"The Authorized share capital of the Company is Rs. 10,00,00,000 (Rupees Ten Crores) divided into 2,00,00,000 (Two Crores) equity shares of Rs.5 (Five Only) each with right and privileges and conditions attached thereto as are provided by the Articles of Association for the time being, with power to increase and reduce the capital of the Company to divided the shares in capital of or the time being into several classes or to attach thereto respectively such Preferential Deferred Qualified or Special Right, Privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such right, privileges or condition in such manner as may be permitted by the Companies Act, or provided by the Articles of Association of the company for the time being.
"RESOLVED FURTHER THAT Mr. Arvind Machhar, Chairman cum Managing Director be and is hereby authorized to do all such acts, deeds and things to give effect to above resolutions including signing and filing the requisite form with the Registrar of Companies.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as special resolution.
"RESOLVED THAT subject to approval of the appropriate Authority pursuant to scheme of demerger as laid before the meeting and applicable provisions of the Companies Act, 1956, the Anil Chemicals and Industries Limited be demerged into a new resultant company by separating the division situated outside territory of Aurangabad i.e. Ammonium Nitrate Division situated at Panoli (Gujarat), Emulsified Anfo/Matrix Division situated at Waidhan (MP) & Jharsuguda (Orissa) and keeping remaining divisions such as Ammonium Nitrate Division situated at Chikalthana (MH) & Emulsified Anfo/Matrix Division situated at Nandrabad (MH) and Co-extruded Tube Division situated at Pharola (MS).
6. To consider and, if thought fit, to pass with or without modification, the following resolution as ordinary resolution.
"RESOLVED THAT pursuant to provision of clause 49 (1) (B) of Listing Agreement with Bombay Stock Exchange, Mumbai professional fees upto an amount of Rs. 50,000 per annum be paid to M/s Khandelwal Jain & Co, Chartered Accountants for their professional services rendered to the Company with a power to the board of directors to give increment at its discretion from time to time.
7. To consider and, if thought fit, to pass with or without modification, the following resolution as Special Resolution.
RESOLVED THAT subject to the provisions of section 198, 269, 309 and other applicable provisions of the Companies Act, 1956 and subject to approval of the Central Government, if any the approval of the Company be and is hereby accorded to the re-appointment of Mr. Arvind Machhar as Managing Director of the Company for a period of three years effective from 28th June 2007 on the terms and conditions, including remuneration, as set out in the agreement, with liberty to the Board of Directors to alter and vary such terms and conditions, including remuneration subject to the eligibility for appointment within the maximum limit prescribed under Part I and Part II paragraph of Schedule XIII of the Companies Act, 1956 as amended from time to time
RESOLVED FURTHER THAT the above remuneration will be paid to Mr. Arvind Machhar as a minimum remuneration even if the Company's profits are inadequate or it has no profits in any financial year."
8. To consider and, if thought fit, to pass with or without modification, the following resolution as Special Resolution.
RESOLVED THAT subject to the provisions of section 198, 269, 309 and other applicable provisions of the Companies Act, 1956 and subject to approval of the Central Government, if any the approval of the Company be and is hereby accorded to the re-appointment of Mr. Sandeep Machhar as Whole Time Director of the Company for a period of three years effective from 13th July 2007 on the terms and conditions, including remuneration, as set out in the agreement, with liberty to the Board of Directors to alter and vary such terms and conditions, including remuneration subject to the eligibility for appointment within the maximum limit prescribed under Part I and Part II paragraph of Schedule XIII of the Companies Act, 1956 as amended from time to time

RESOLVED FURTHER THAT the above remuneration will be paid to Mr. Sandeep Machhar as a minimum remuneration even if the Company's profits are inadequate or it has no profits in any financial year."

BY ORDER OF THE BOARD

PLACE: AURANGABAD
DATE : 18TH AUGUST 2006

ARVIND MACHHAR
CHAIRMAN CUM MANAGING DIRECTOR

NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTES IS ENTITLED TO APPOINT A PROXY TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY AND THE PROXY IN ORDER TO BE VALID MUST BE DEPOSITED WITH THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME FOR THE MEETING.
- 2) The Register of Members and the Share Transfer Books of the company will remain closed from 25th September, 2006 to 30th September, 2006 (both days inclusive).
- 3) The members are requested to intimate to Share Transfer Agent of the Company changes, if any, in their Registered Address at an early date and bring the copy of the Annual Report and attendance slip at the Annual General Meeting.
- 4) In all correspondence with the Company/Registrars, members are requested to quote their registered folio numbers.
- 5) 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.
- 6) Section 109A of the Companies Act, 1956, has introduced provisions for nominations by the holders of shares. The prescribed nomination forms can be obtained from the Company's Registrar and Share Transfer Agent, in case of shares. The Members may take advantage of this facility if need.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM No 4.**

The company has submitted the Draft Rehabilitation Scheme (DRS) with the Hon ble Board for Industrial & Financial Reconstruction (BIFR), New Delhi in which one of the proposals is reduction of equity share capital to the extent of 50% of face value i.e. Rs 5 per equity share. The proposal is based on recommendation given by an expert consultant looking into the future business prospect of the company. Further, the company has compromised and made arrangement with the secured creditors of the company, it is felt that shareholders should also contribute by way of waiving at least 50% of their interest for revival of the company looking into accumulated losses. The members are requested to pass the resolution as special resolution. You are requested to pass the resolution as special resolution.

None of the directors is interested in this resolution.

ITEM NO 5

The company has submitted the Draft Rehabilitation Scheme (DRS) with the Hon ble Board for Industrial & Financial Reconstruction (BIFR), New Delhi in which one of the proposals is demerger of company. The Board of Directors is of the opinion that after considering various pros and cons and keeping in view of the long terms viability the company's businesses be hived off into a separate company. All Divisions of Aurangabad territory i.e. Pharola Division, Chikalthana Division and Nandrabad Division will remain with the exiting company and all other Divisions i.e. Panoli Division, Waidhan Division, Jharsuguda Division will remain with the resultant company. The members are requested to pass the resolution as special resolution.

The scheme of the demerger is kept at the registered office of the company for inspection.

None of the directors is interested in this resolution.

ITEM NO 6

Mr G. M. Bothra, an independent non-executive director of the company is a partner of M/s Khandelwal Jain & Co, Chartered Accountants. Mr. Bothra keeps on rendering various valuable services to the company. The Board of Directors in their meeting held on 18th August 2006 has accorded their approval for giving the remuneration to M/s Khandelwal Jain & Co, Chartered Accountants. In term of provisions of clause 49 (1)(B) of the Listing Agreement with the Bombay Stock Exchange, Mumbai the prior approval of the member of the Company is required. The members are requested to pass the resolution as ordinary resolution.

None of the directors, except Mr. G. M. Bothra, is interested in this resolution.

ITEM NO 7

Mr Arvind Machhar was appointed as Managing Director of the company in the 24th Annual General Meeting dated 30th September 2004 w.e.f. 28th June 2004 for the period of three years therefore his tenure come to an end on 28th June 2007. Mr. Arvind Machhar is proposed to be re-appointment as Managing Director of the company for a period of three year from 28th June 2007 on the terms and conditions including remuneration as set out in the agreement entered into between the company and Mr. Arvind Machhar. In recognition of his exposure and experience, the Board of Director of the Company has re-appointed him as Managing Director subject to the approval of the members and Central Government, if any under Part II of Scheduled XIII to the Companies Act, 1956 the Board of Directors is of the opinion that this re-appointment as a Managing Director of the Company would be in the best interest of the company.

REMUNERATION

1. Salary : Rs. 70,000-6,000-82,000
2. Perquisites as follows:
 - a. House Rent Allowances @ 20% of the salary per month
 - b. Reimbursement of Medical Expenses incurred for self & family subject to ceiling of one month salary every year
 - c. Leave Travel Assistance for self & family once in a year subject to ceiling of one moth salary every year
 - d. Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund in accordance with the rules of company
 - e. Bonus as per the rules of company subject to the maximum of Rs.10,000 per year
 - f. Gratuity at the rate of half months salary for each completed year of services.
 - g. Encashment of un-availed leave at the end of the tenure as per rules of the Company
 - h. Provision of telephone at residence, however personal long distance calls shall be paid by him

Your directors recommend the resolution to pass as ordinary resolution. Mr. Arvind Machhar & Mr. Sandeep Machhar are interested in this resolution.

ITEM NO 7

Mr Sandeep Machhar was appointed as Whole Time Director of the company in the 24th Annual General Meeting dated 30th September 2004 w.e.f. 13th July 2004 for the period of three years therefore his tenure come to an end on 13th July 2007. Mr. Sandeep Machhar is proposed to be re-appointment as Whole Time Director of the company for a period of three year from 13th July 2007 on the terms and conditions including remuneration as set out in the agreement entered into between the company and Mr. Sandeep Machhar. In recognition of his exposure and experience, the Board of Director of the Company has re-appointed him as Whole Time Managing Director subject to the approval of the members and Central Government, if any under Part II of Scheduled XIII to the Companies Act, 1956 the Board of Directors is of the opinion that this re-appointment as a Whole Time Director of the Company would be in the best interest of the company.

REMUNERATION

- b. Salary : Rs. 50,000-4,000-58,000
- c. Perquisites as follows:
 - i. House Rent Allowances @ 20% of the salary per month
 - ii. Reimbursement of Medical Expenses incurred for self & family subject to ceiling of one month salary every year
 - iii. Leave Travel Assistance for self & family once in a year subject to ceiling of one moth salary every year
 - iv. Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund in accordance with the rules of company
 - v. Bonus as per the rules of company subject to the maximum of Rs.10,000 per year
 - vi. Gratuity at the rate of half months salary for each completed year of services.
 - vii. Encashment of un-availed leave at the end of the tenure as per rules of the Company
 - viii. Provision of telephone at residence, however, personal long distance calls shall be paid by him

Your directors recommend the resolution to pass as ordinary resolution. Mr. Arvind Machhar & Mr. Sandeep Machhar are interested in this resolution.

PLACE: AURANGABAD

BY ORDER OF THE BOARD

DATE : 18TH AUGUST 2006

ARVIND MACHHAR
CHAIRMAN & MANAGING DIRECTOR

DIRECTORS' REPORT

To,
The Members of
M/s Anil Chemicals and Industries Limited

Dear Shareholders

The Directors are pleased to present their Twenty Sixth Annual Report on the performance of the company for the financial year ended on 31st March 2006.

1. FINANCIAL PERFORMANCE

PARTICULARS	Rs. in Lacs	
	YEAR ENDED ON 31/03/2006	YEAR ENDED ON 31/03/2005
Sales and other Income	1,518.61	1,568.10
Less: Operating Expenses	1,113.68	1,222.60
Profit before Interest and Depreciation	404.93	345.49
DEDUCTIONS		
Interest	583.89	1,810.40
Depreciation	189.00	185.16
Misc. Expenses written off	-	7.46
Operational Profit after Tax	(367.96)	(1,711.37)
Previous Year Income & Expenses	(8.17)	(1,144.68)
NET PROFIT/(LOSS)	(376.13)	(2,856.05)
EXTRA ORDINARY ITEMS		
Income Tax (FBT & Earlier Year's)	(16.16)	--
NET PROFIT/(LOSS)	5,116.68	2,19.63
Balance brought forward from previous year	(8,863.58)	(6,043.95)
APPROPRIATION		
Surplus Available for Appropriation	Nil	Nil
Balance carried to balance sheet	(3,746.90)	(8,863.58)

2. OPERATIONS

During the year under review, your company has recorded sales and other Income from the manufacturing operations amount to Rs.1387.88 lacs as compared to the earlier year of Rs.1354.57 lacs thereby registering a growth of 2%. In addition the Merchant Export is Rs.59.89 lacs as compared to the previous year of Rs.112.75 lacs, total sales and other income therefore is Rs.1447.77 lacs as compared to the earlier year of Rs.1467.32 lacs. The company's efforts in concentrating on higher value addition product have resulted in higher PBDIT during the year under review.

a) AMMONIUM NITRATE DIVISION:

The Ammonium Nitrate Division at Panoli has re-started commercial production from 14-10-2005 as the main supplier of Raw Materials GNFC Ltd, started its Ammonium Nitrate Plant. The production at Panoli was 762.17 M.Ton as compared to 1230.71 M.Ton in the previous period. The Ammonium Nitrate Plant at Chikalthana remained inoperative during the year.

b) EMULSIFIED ANFO DIVISION:

Pending decision of the petition filed by the company against Coal India Limited the sole buyer of the Company's product, for price fixation the operations of the company's plant at Waidhan and Jharsuguda remained suspended. The plants operations were also suspended due to dispute with the Excise Authorities and subsequent litigation with them regarding the applicability of the Excise duty on the finished products of the units. The directors are pleased to inform that the Customs, Excise & Service Tax Appellate Tribunal Mumbai has decided the matter in favour of the Company.

c) CO-EX TUBES DIVISION:

During the year under review, the production of Co-ex Tube division was 344.26 lacs tubes as compared to the previous period production of 342.71 lacs tubes. The Company has also thrust upon its exports market for which the response was very positive. During the year the in the division Company has invested Rs.109.19 Lacs in Plant & Machinery for keeping the plant up dated and for removing the bottlenecks in production. The Company is putting more emphasis on production of tubes of higher diameters as part of medium term planning for creating the optimum product mix in the best interest. Your Directors are confident that the turn over and the profits of the division will further improve.

3. RESTRUCTURING OF THE COMPANY DEBTS AND LIABILITIES

In accordance with the one time settlement derived upon with various financial institutions and banks, the company is regularly paying their dues as per the schedule of arrangement thereby the total settlement of OTS to OSFC and MSFC have been fully paid.

Further the company is in the final stage of negotiation with SICOM for restructuring of these debts by OTS. The matter of restructuring of sales tax liabilities of Government of Madhya Pradesh is also in progress. The company has already forwarded the revised DRS to the Punjab National Bank, Operating Agency appointed by the Hon'ble BIFR.

4. EXPANSION PLANT AT UTTARANCHAL

As part of the overall rehabilitation strategy of the company and due to various other considerations the company is planning to expand its capacity by putting up a new manufacturing base in Uttaranchal.

5. CAPITAL REDUCTION:

In accordance with the Draft Rehabilitation Scheme submitted by the company to the Hon'ble Board for Industrial and Financial Reconstruction (BIFR), your Directors are proposing to reduce the face value of the share by 50% from the current face value of Rs.10/- per share to Rs.5/- per share. Thus the share capital would be reduced from Rs.690.87 Lacs to Rs.345.47 Lacs. This reduction in capital would help in reducing the accumulated losses to that extent, besides the face value of the share will represent its true value and would be in the larger interest of the shareholders in long run.

Although the reduction of capital would also be a part of the modified DRS, necessary process is also being initiated under the provisions of Company's act 1956 to effectuate the said reduction. An appropriate resolution in this regard is being proposed in the ensuing Annual General Meeting for consideration of members.

6. DEMERGER OF CHEMICAL BUSINESS:

As the members are aware, the Company's business activity comprises of co-extruded plastic tubes business and chemicals and explosive business (collectively referred to as the chemicals business), which are synergically different businesses. After considering the necessity of focused business approach for growth of each business activity independent debt-restructuring and servicing and other related aspects for long term viability of each business of the Company your directors have decided to hive off and de-merge the chemicals business comprising the factories / facilities at Waidhan, Jharsuguda and Panoli, into a separate company. This will be in the overall interest of company and its shareholders and creditors. The demerger scheme will be a part of the Draft Rehabilitation Scheme (DRS) submitted to the hon'ble BIFR.

7. DIVIDEND:

In view of the current year losses, the Board express conveys its inability to recommend any dividend for the year ended 31st March, 2006

8. FIXED DEPOSIT:

Your Company has not accepted any deposits under section 58A of the Companies Act, 1956, from the public during the year.

9. INSURANCE:

All the properties of the Company including Plant & Machinery, Stores and Stocks, wherever necessary and to the extent required have been adequately insured.

10. DIRECTORS:

Shri B H Tapdiya, Director of the Company is retiring by rotation and being eligible offers himself for re-appointment. The Board recommends his re-appoint

11. REAPPOINTMENT OF EXECUTIVE DIRECTORS:

In view of recognition of their exposure and experience of both executive directors of the Company namely Mr Arvind Machhar, Managing Director and Mr. Sandeep Machhar, Whole Time Director, the Board of Directors of the Company is of the opinion that they should be reappointed for a further period of three years. These re-appointment as a Managing Director and Whole Time Director of the Company would be in the best interest of the company

12. AUDITORS:

M/s. Rathi & Bangad, Chartered Accountants, Aurangabad, the Statutory Auditors of the Company are retiring at the forthcoming annual general meeting and they are eligible for re-appointment. The Board recommends their re-appointment.

13. PARTICULARS OF EMPLOYEES:

The provisions of Section 217(2A) of the Companies Act, 1956, read with the provisions of the Companies (Particulars of Employees) Rules, 1975, are not attracted in case of any employee of the Company

14. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956, the Board confirms that:

- The financial statement is in full conformity with the requirements of the Companies Act, 1956, and applicable accounting standards have been followed along with proper explanation relating to material departure.
- The directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit or loss of the Company for the period under review.
- The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for preventing and detecting fraud and other irregularities.
- The directors have prepared the Annual Accounts on a going concern basis.

15. AUDITORS' OBSERVATIONS:

- Refer point no 2 of the Auditors Report:** The Company has sought relief and concessions in its Draft Rehabilitation Scheme submitted to the Operating Agency Pending approval of the scheme from Financial Institutions/Bank, other lenders and BIFR. The Company has prepared the account on the "Going Concern Basis". Refer to note no. 5 of Schedule 13.
- Refer Note No. 3 of the Auditors Report:** The Company has fully adhered to the schedule of repayment of all OTS. The Board of Directors is confident enough that the remaining installments will be paid as per schedule in view of the present and projected performance of the Company. Further refer note No 6 of Schedule 13.
- Refer Point No. 4(a) and 4(i) of the Auditors Report:** In respect of unsecured creditors/debtors, the company is following the system of perpetual confirmation and reconciliation. Accordingly, all the accounts are reconciled and adjusted as and when a note of discrepancy is received from the concerned party. Refer to note no. 10 of schedule 13.
- Refer Point No 4(d) of the Auditors Report:** Management is of the opinion that the diminution in the value of investments is of temporary in nature and therefore, no provisioning is required at this stage. Refer to note no. 16 of schedule 13.
- Refer to point no 4(f) of the Auditors Report (Refer note No.13 of schedule 13):**
In view of the company's writ petition NO 389/2000 admitted Hon'ble Calcutta High Court against Coal India Ltd for Rs 145.59 Lacs, which is still pending, the same is shown as good and recoverable and no provision as bad and doubtful debts is considered necessary by the management at this stage.
Further In view of the company's writ petition No. 4055/1999 admitted by Hon'ble Jabalpur High Court against Northern Coalfields Limited for Rs 41.63 Lacs, which is still pending, the same is shown as good and recoverable and no provision as bad and doubtful debts is considered necessary by the management at this stage. In the opinion of management the balance amount of Rs.27.46 lacs are also recoverable.
- Refer to point no 4 (g) & (h) of the Auditors Report:** In view of the legal suit for recovery of dues from Sachit Plastics Pvt. Ltd pending in the court of law In the opinion of the management, the same is recoverable and it would be prudent not to provide for interest on such dues and accordingly no provision for interest is made in the accounts. Refer to note no. 7 of scheduled

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16. 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.

17. REPORT ON CORPORATE GOVERNANCE

A report on Corporate governance as required under the Listing Agreement with the Stock Exchange, containing required details is enclosed and forming part of the report of the Board of Directors.

18. COMPLIANCE CERTIFICATE

A Compliance Certificate from the Statutory Auditors of the Company regarding compliance with the condition of Corporate Governance as stipulated in clause 49 of the listing agreement with the Stock Exchange is enclosed and forms part of this report.

19. CORPORATE SOCIAL RESPONSIBILITY

The Company is paying education allowance/expenses to its eligible workers and employees for one child.

20. RELATION WITH EMPLOYEES

The relation with the employees continued to be cordial during the year. The directors wish to place on record their sincere appreciation for the excellent team spirit with which they have worked for the progress of the Company.

21. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND

FOREIGN EXCHANGE EARNINGS AND OUTGO ETC.

- a) **Conservation of Energy:** The Company consistently pursues reduction in energy consumption in its manufacturing process on an ongoing basis.
- b) **Technology Absorption:** The Company has installed new Plant & Machinery with new technology during the year.
- c) **Foreign Exchange Earning and Outgo:** Foreign Exchange earning of the Company is Rs.398.10 lacs for the year under review, whereas the outgo is Rs.243.34 lacs.

22. ACKNOWLEDGEMENT

The Director place on record their sincere gratitude to the employees of the Company for their hard work and to the Banks, Government Authorities, Financial Institutions and other Statutory Authorities for their continued support and the investors for their trust and confidence on the management of the Company.

BY ORDER OF THE BOARD

PLACE: AURANGABAD

DATE : 18TH AUGUST 2006

ARVIND MACHHAR

CHAIRMAN CUM MANAGING DIRECTOR

**STATEMENTS PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO THE
COMPANY'S INTEREST IN ITS SUBSIDIARY COMPANY,
M/s NAVNEET MACHINES MANUFACTURING COMPANY PRIVATE LIMITED**

1. Name of the Subsidiary Company : Navneet Machines Mfg. Co. Pvt. Ltd.
2. Date from which it become subsidiary : 16th May 1985
3. Financial year of the subsidiary company ended : 31st March, 2006
4. (a) No. of equity shares held by Anil Chemicals and 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 and Industries Ltd. :99.80% 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 and Industries Limited. :
 - a) Profit for the subsidiary's Financial year ended on 31/03/2006 : Nil
 - b) Profits for the previous Financial years of the subsidiary since it become the subsidiary of Anil Chemicals and Industries Ltd. : Nil
6. Net aggregate amount of the subsidiary's profits not dealt within the Accounts of Anil Chemicals and Industries Limited. :
 - a) For the subsidiary's Financial year ended on 31/03/2006 : Nil
 - b) For its previous Financial year : Nil
7. Net aggregate amount of the subsidiary profits dealt within the Accounts of Anil Chemicals and Industries Limited. :
 - a) For the subsidiary's Financial year ended on 31/03/2006 : Nil
 - b) For its previous Financial year : Nil

CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. COMPANY'S PHILOSOPHY

The Company believes that the code prescribes a minimum framework for governance of a business in corporate framework. The company has set, as its mission, the implementation of a Corporate Governance system to ensure transparency, control, accountability and responsibility in all areas of operation. Corporate Governance is considered as, to protect and achieve enhanced value for all its stakeholders i.e. shareholders, employees, customers and society in general.

2. BOARD OF DIRECTORS

The Board of Anil Chemicals and Industries Limited (ACIL) consists of two executive directors and three non-executive/independent directors, who are acknowledged as leading professionals in their respective fields. The constitution of Board is as under:

Director	Executive/Non-Executive/ Independent*	No. of other Directorship#	Membership Committees/ Chairmanship
Shri Arvind Machhar Chairman Cum Managing Director	Executive	Nil	1/0
Shri Sandeep Machhar Whole-Time Director	Executive	Three	NIL.
Shri Prem Kumar Mittal Special Director (BIFR Nominee)	Non-executive Independent	Nil	2/0
Shri Gheverchand Bothara Director	Non-executive Independent	One	2/1
Shri Balaprasad Tapdiya Director	Non-executive Independent	Nil	3/1

None of the Director holds Directorship in more than 15 companies, Membership in Committees of Board in more than 10 Companies and Chairmanship of Committees of Board in more than 5 Committees.

An Independent Directors are directors who apart from receiving director's remuneration i.e. sitting fees does not have any material pecuniary relationship or transaction with the Company, its promoters or its management or its subsidiaries, which in the judgment of the Board may affect their independency of judgment.

This includes directorship held in private limited Companies.

Attendance of Directors at Board Meeting and Annual General Meeting

The Board of Company met five times during the last financial year, on the following dates:

(1) 18th April, 2005 (2) 14th July, 2005 (3) 7th August, 2005 (4) 27th October, 2005 (5) 29th January, 2006.

The attendance at the Board Meetings and previous Annual General Meeting as under:

Name of Director	Attendance	
	Board Meeting	Annual General Meeting
Shri Arvind Machhar	5	1
Shri Sandeep Machhar	3	1
Shri P.K. Mittal	4	-
Shri G.M. Bothara	5	1
Shri B.H. Tapdiya	4	1

There is no new appointment of any director during the year.

3. AUDIT COMMITTEE

During the financial year 2005-06, five meetings were held on the following dates:

(1) 18th April, 2005 (2) 14th July, 2005 (3) 7th August, 2005 (4) 27th October, 2005 (5) 29th January, 2006.

The Constitution of the committee and the attendance of each member of the Committee are given below:

Name	Designation	Non-executive/ Independent	Professional	Committee Meetings Attended
Shri G. M. Bothara*	Chairman	Independent	Consultant	Five
Shri P.K. Mittal	Member	Independent	Consultant	Four
Shri B.H. Tapdiya*	Member	Independent	Consultant	Four

Company Secretary of company is the secretary of the committee.

* Possesses expert knowledge in finance, accounts and taxation.

The Chairman of the Audit Committee attended the last Annual General Meeting of the Company held on 21st September 2005.

The minutes of the Audit Committee were circulated to the Board, discussed and took note.

The terms of reference of the Audit Committee inter-alia include the following:

- To hold periodic discussion with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the company, internal control system, scope of audit and observations of the Auditors/Internal Auditors;

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2. To review compliances with internal control system;
3. To review quarterly half yearly and annually financial results of the Company before submission to the Board;
4. To investigate into any matter in relation to item specified in section 292A of the Companies Act, 1956, or as may be referred to it by the Board and for this purpose to seek any relevant information contained in the records of the company and also seek external profession advice if necessary;
5. To make recommendations to the Board in relation to appointment and terms of Statutory Auditors and Internal Auditors
6. To make recommendations to the Board on any matter relating to the financial management of the Company including the Audit Report.

4. REMUNERATION COMMITTEE

The Board of Directors formed the Remuneration Committee, which consists of the following directors:

Name	Designation	Executive / Non-Executive/ Independent
Shri G. M. Bothra	Chairman	Non-executive Independent
Shri P.K. Mittal	Member	Non-executive Independent
Shri B. H. Tapdiya	Member	Non-executive Independent

Company Secretary of company is the secretary of the committee.

No meeting of the Remuneration committee was held during the year.

Details of remuneration paid/payable to directors for the year ended March 31, 2006 are as follows:

Director	Relation-ship with other directors	Business relation-ship with ACIL	Loans and advances from ACIL	Sitting fees* Rs.	Salary and Perquisites Rs.	Commis-sion Rs.	Total
Shri Arvind Machhar	Related to Shri Sandeep Machhar	Promoter	NIL	Nil	524545	Nil	524545
Shri Sandeep Machhar	Related to Shri Arvind Machhar	Promoter	Nil	Nil	688447	Nil	688447
Shri P.K. Mittal	None	BIFR Nominee	Nil	8000	Nil	Nil	8000
Shri G.M. Bothra	None	Professional	Nil	10000	Nil	Nil	10000
Shri B.H.Tapdiya	None	Professional	Nil	8000	Nil	Nil	8000

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Board has constituted an Investors' Grievances Committee which looks into shareholders and investors grievances. The following are the members of the committee:

Name	Designation	Executive / Non-Executive/ Independent
Shri B. H. Tapdiya	Chairman	Non-Executive Independent
Shri Arvind Machhar	Member	Executive

Company Secretary of company is the secretary of the committee.

The minutes of the Shareholders'/Investors' Grievance Committee Meeting were circulated to the Board, discussed and taken note of. Secretary to the Committee is also the looking after day to day working related to transfer of shares, correspondence with the shareholders, SEBI, etc.

The said committee administered the following activities:

- a) To look into and supervise the redress of shareholders/investors complaints like Transfer of shares, Transmission of shares, Issue of Duplicate Share Certificates, Change of Address, Change of Status, Change of Name Transposition of shares, etc.
- b) To consider and approve transfer of shares, dematerialization of shares deletion of name, splitting and consolidation of shares etc.
- c) To delegate any of its responsibilities to any officer of the company or to the Registrars and transfer Agents and to supervise the proper exercise of delegated powers.

During the financial year 2005-06, one meeting was held.

All request for dematerialization of shares as on that date were confirmed to the CDSL. The Company received 4 complaints, queries and request. All these were duly attended up-to 31/03/2006. During the year four complaints disposed off from the SEBI, Mumbai at present the status of complaints on SEBI, Mumbai is NIL.

7. GENERAL BODY MEETING

The locations and time of the Annual General Meeting held during the last 3 years are as follows:

Annual General Meeting	Date	Time	Venue	No. of Special Resolutions passed
Twenty Third	22/12/2003	12.00 Noon	J-18, MIDC, Chikalthana, Aurangabad (MS)-431210	Four
Twenty fourth	30/09/2004	11.00 AM	Gut No.72, Village Pharola, Post Beedkin, Aurangabad – 431105 (MS)	Two
Twenty fifth	21/09/2005	11.00 AM	Gut No.72, Village Pharola, Post Beedkin, Aurangabad – 431105 (MS)	None

No Resolution passed through postal ballot till date.

Presently the company does not have any transaction/proposal for postal ballot.

7. DISCLOSURES

No Transaction of material nature has been entered into by the Company with Directors or Management and their relatives, etc. that may have a potential conflict with the interest of the Company. The Register of Contracts containing transaction, in which directors are interested, is placed before the Board regularly.

There are the related parties transactions i.e. transactions of the Company with its Promoters, Directors and Management not conflicting with Company's interest, the details of which have been shown in Note No 2 of Schedule 13 forming part of the Accounts for the year ended 31st March, 2006.

There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence, the question of penalties or strictures being imposed by SEBI or the Stock Exchange does not arise.

8. NOTE ON DIRECTORS APPOINTMENT/RE-APPOINTMENT

Shri B H Tapdiya is liable to retire by rotation and being eligible offered himself for re-appointment. He is Commerce Graduate having vast knowledge about Income Tax, Excise, Sales Tax and allied matters.

9. MEANS OF COMMUNICATION

The Company had submitted its quarterly, half yearly and financial results to the stock exchange soon after its approval by the Board and published the same in leading national newspapers (i.e. Lokmat in English and Gavkari in Marathi). The Company did not display the financial results on its website.

10. GENERAL SHAREHOLDER INFORMATION

- b) **Annual General Meeting**
 * **Date, Day and Time** : 30th September, 2006, Saturday at 11.00 AM
 * **Venue** : Gut No. 72, Village Pharola, Post Beedkin, Tq. Paithan, Paithan Rd., Aurangabad – 431105

b) FINANCIAL CALENDER

The financial year of the company is April, 2005 to March, 2006.

Financial reporting for

- Quarter ending June 30, 2006 : Last week of July, 2006
- Half year ending September 30, 2006 : Last week of October, 2006
- Quarter ending December 31, 2006 : Last week of January 2007
- Year ending March 31, 2007 : Last week of April, 2007

ANNUAL GENERAL MEETING

For the year ending March 31, 2006

- c) **Date of book closure** : 30th September, 2006
 : 25th September, 2006 to 30th September, 2006 (both days inclusive)
- d) **Dividend Payment Date** : No dividend is declared for the year

e) Listing of Equity Shares on Stock Exchange:

- The Stock Exchange, Mumbai,
1st Floor, Rotunda Building, B.S. Marg, Fort Mumbai – 400001
- Annual Listing fees have been paid to the Stock Exchange for the financial year 2006-2007

- b) **Script Code:** The scrip code of the Company is 506979 and ISIN No. of the Company is INE 046E01017

c) Market Price Data:

The trading of the securities on Stock Exchange, Mumbai is suspended from 17th May 1999, on the alleged short notice of book closure. The company has given suitable representations against allegation with full proof; Notice of book closure was submitted with Stock Exchange within time limit, during the year. The company expects revocation of suspension of trading in securities in near future.

d) Registrar and Transfer Agents:

- Ms/ Intime Spectrum Registry Limited
C-13, Pannanlal Silk Mills Compound,
L.B.S. Marg, Bhandup (W), MUMBAI – 400 078

e) Share Transfer System:

The Company has retained M/s Intime Spectrum Registry Limited, Mumbai to carry out the transfer related activities. All valid transfer affected within stipulated days and taken on record by the Board of Director of the Company. Share Certificates and Transfer deeds are received at Registered Office and Share Transfer Agent for doing the needful. Trading in Securities of the Company can be done only in Dematerialized form and Company has signed agreement with Central Depository Services Limited.