



**2003-2004
Annual Report**

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AMAL LIMITED

Atul - 396020, Gujarat, India
www.amal.co.in



A MEMBER OF LALBHAI GROUP



AMAL LIMITED

(Formerly known as Amal Products Limited)

BOARD OF DIRECTORS

Mr Sunil S Lalbhai

(Chairman)

Mr Jagdish L Shah

(Vice Chairman)

Dr Rana Vishnoi

Mr Sumant J Patel

Dr Lalit S Kanodia

Mr Naresh C Singhal

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COMPANY EXECUTIVES

Dr Naresh K Chourishi

Mr Vishnuprasad R Pandya

Mr Ajit S Arya

REGISTERED OFFICE

Contractor Building

Ramjibhai Kamani Marg, Ballard Estate

Mumbai 400 001, Maharashtra

Phone No.: (91-22) 56340570

Telefax: (91-22) 56340576

Website: www.amal.co.in

Email: amalreg@atul.co.in

BANKERS

Union Bank of India

State Bank of India

HEAD OFFICE

Village Atul 396 020, Dist. Valsad, Gujarat

Phone No.: (91-2632) 233663, 234330

Telefax: (91-2632) 233402, 233619

AUDITORS

C C Chokshi & Co.

Chartered Accountants

WORKS

(i) 136/137, GIDC Industrial Area

Ankleshwar 393002, Gujarat

Phone No.: (91-2646) 251121, 251066

Telefax: (91-2646) 251982

(ii) Village Atul 396 020, Dist. Valsad, Gujarat

Phone No.: (91-2632) 233227

Telefax: (91-2632) 233429

COST AUDITOR

H R Kapadia

Cost Accountant

AMAL LIMITED**NOTICE**

NOTICE is hereby given that the Thirtieth Annual General Meeting of the Members of Amal Limited will be held at M.C. Ghia Hall, 2nd Floor, Bhogilal Hargovindas Building, 18/20, K. Dubhash Marg, Mumbai 400 001, on Monday, August 9, 2004 at 2:00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2004 and Profit and Loss Account for the year ended on that date and report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Sunil S Lalbhai, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr Rana Vishnoi, who retires by rotation and, being eligible, offers himself for reappointment.
4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s C C Chokshi & Company, Chartered Accountants, Mumbai be and are hereby appointed as auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting of the Company, on a remuneration of Rs1,00,000/- (Rupees One lac only) plus applicable service tax and the reimbursement of expenses incurred by them for attending to the audit work of the Company”.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of members and share transfer books of the Company will remain closed from July 5, 2004 to July 7, 2004 (both days inclusive).
4. Members desirous of any information about the accounts and operations of the Company are requested to write to the Company at least 10 days before the date of the meeting so that the required information can be made available at the meeting.
5. Members/Proxies are requested to bring the enclosed attendance slip with them duly filled-in for attending the meeting.

By Order of the Board
For Amal Limited

Naresh K Chourishi
Chief Operating Officer

Registered Office:
Contractor Building
Ramjibhai Kamani Marg
Ballard Estate
Mumbai 400 001

Notes:

1. Printed copies of Balance Sheet, Profit and Loss Account, the Directors' Report, the Auditors' Report and every other document required by law to be annexed or attached to the Balance Sheet for the financial year ended March 31, 2004 are enclosed herewith.

May 21, 2004



DIRECTORS' REPORT

Your Directors present the Thirtieth Annual Report and audited accounts for the year ended March 31, 2004.

(Rs in thousands)

1. Financial Results

	2003-04	2002-03
Profit /(Loss)		
before taxation	(131352.33)	1520.56
Add/(Less) Deferred tax/Provision for tax	8480.53	(3697.57)
Profit / (Loss) after taxation	(122871.80)	(2177.01)
Brought forward	(41993.05)	(39816.04)
Tax adjustment of earlier year (Wealth tax)	1.15	—
Disposable surplus	(164866.00)	(41993.05)
Appropriation		
Proposed dividend	—	—
Tax on dividend	—	—
Balance carried forward	(164866.00)	(41993.05)
	(164866.00)	(41993.05)

2. Dividend

As the Company has made a net loss after tax for the year, your directors regret their inability to recommend any dividend.

3. Operations

3.1 Production

The production of dye intermediates at Ankleshwar site and Atul site for the year was 495 MT (535 MT) and 2015 MT (2264 MT) respectively and that of sulphuric acid/oleum was 31158 MT (32092MT). Since January 2004, the operations at the Company's manufacturing facilities located at Village Atul, Dist. Valsad have been halted by the management for modifying the plants and processes to adhere to the effluent treatment norms. Ankleshwar site dye intermediates facilities have been slowed down due to high fixed cost particularly manpower and cyclical demand of products.

3.2 Sales

Sales for the year was Rs451916.19 thousands (Rs479216.49 thousands) comprising of Rs388601.09 thousands (Rs424681.98 thousands) in dye intermediates and Rs63315.10 thousands (Rs54534.51 thousands) in sulphuric acid/oleum. In dye intermediates, domestic sales were Rs102473.89 thousands (Rs149122.12 thousands) and export sales were Rs286127.20 thousands (Rs275559.86 thousands).

3.3 Profitability

The Company completed the year with a net loss of Rs122872.95 thousands (previous year's net loss of Rs2177.01 thousands). The operating loss of the Company during the year under review increased to Rs68564.04 thousands (previous year's operating profit of Rs55176.01 thousands).

During the year, the raw materials prices remained stable at higher levels. Increased raw

AMAL LIMITED

material prices have not been passed on to H-acid customers due to price pressure in international market.

4. Finance

The Company's working capital limits are continued with Union Bank of India, Industrial Finance Branch, Mumbai and State Bank of India, Industrial Finance Branch, Mumbai. Company's Foreign Currency Loan is continued with Union Bank of India, Industrial Finance Branch, Mumbai. Due to losses suffered by the Company, there is a financial stress on working capital and considerable increase in finance cost. Interest cost during the year includes Rs4661.95 thousands towards DBS project loan of H-acid.

5. Directors

Mr Arunkumar R Gandhi, Director of the Company has resigned from the Board during the year. The Company expresses sincere thanks for his support during his tenure.

Mr Sunil S Lalbhai and Dr Rana Vishnoi, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting. Mr Sunil S Lalbhai and Dr Rana Vishnoi, being eligible, offer themselves for reappointment.

6. Ecology & Safety

The Company is taking necessary steps for safe disposal of effluent generated in both plants. To improve further on environmental issue, the Company is envisaging to install incinerator at Atul site of the Company with a capital expenditure program.

7. Insurance

The Company's assets as well as its liability to employees are adequately covered by proper insurance based on risk study. The Company has

taken public liability insurance policy and has also contributed to the environmental relief fund as per the statutory requirement.

8. Industrial Relations

Pursuant to the decision to dispose off the Ankleshwar site, the Company has already offered Voluntary Retirement Scheme to workers. Workers at the Ankleshwar site of the Company have submitted a writ petition in the Gujarat High Court to challenge the Industrial Tribunal judgment favouring unconditional disposal of Ankleshwar site.

9. A report on Corporate Governance along with a Report from the Auditors of the Company regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is annexed.

10. Conservation of Energy, Research & Development, Technology Absorption and Foreign Exchange Earnings and Outgo.

Information required under 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv), the report and accounts are being sent to all the shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo. Any shareholder interested in obtaining such information/particulars may inspect the same at the Registered Office of the Company or write to the Chief Operating Officer for a copy.



11. Responsibility Statement

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

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- (ii) Such accounting policies have been selected and applied consistently and such judgments and estimates have been made as are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2004 and of the loss of the Company for the year ended on that date.
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- (iv) The attached annual accounts for the year ended March 31, 2004 have been prepared on a going concern basis.

12. Auditor and Auditor's Report

M/s C C Chokshi & Co., the Auditors of the Company, will retire at the conclusion of the ensuing Annual General Meeting. They have given their consent to continue to act as Auditors of the Company of the Current Year, if appointed.

Members are requested to reappoint them and fix their remuneration. The Notes to Balance Sheet and Profit and Loss Account explains the justifications for recognizing advance licence benefits in respect of the observations made by the auditors in their report. The Company recognized advance licence export incentives of Rs11230.68 thousands during 2002-03, which has already been utilized by the Company.

13. Acknowledgement

The Directors acknowledge the co-operation and support given by the shareholders, the Company's bankers, financial institutions and various government authorities during the year. The Directors sincerely appreciate the contribution made by the employees at all levels.

14. Cautionary Note

Certain statements in the Management Discussion and Analysis Section may be forward looking and are stated as required by the applicable laws and regulations. The future results of the Company may be affected by many factors, which could be different from what the Directors envisage in terms of future opportunities, outlook and performance.

For and on behalf of the Board of Directors

Mumbai
May 21, 2004

Sunil S Lalbhai
Chairman

AMAL LIMITED**Management Discussion and Analysis****Business At a Glance**

The Company has posted a net loss of Rs131352.33 thousands compared to net profit of Rs1520.56 thousands during the previous year. Overall performance was on declining trend due to higher raw material prices without proportionate increase in the finished products prices. The Company has posted a total income of Rs491060.71 thousands compared to Rs584399.45 thousands in previous year, and the low margins have resulted into losses. The business of the Company falls in 2 distinct segments, which lies in dye intermediates and bulk chemicals. We have prepared a management discussion and analysis for different product groups under each segment as follows.

1. H-acid:**a. Industry Structure and Developments-**

During the year under review there has been a rise in the prices of key raw materials namely; Naphthalene, iron powder and caustic soda flakes. The increase in raw material prices has not shown a consequent increase in H-acid prices, which has resulted into huge losses. Since January 2004, the operations at the H-acid manufacturing facilities have been halted by the Management for modifying the plant and process to adhere to the effluent treatment norms.

b. Financial Performance-

The total income of H-acid was at Rs308590.59 thousands, and recorded a reduction of 16% over previous year. The volume of H-acid has decreased due to the frequent plant shutdown and the profit margin has drastically reduced on account of increase in raw material prices and no commensurate increase in the selling prices of H-acid. The domestic and export sales were at Rs113169.60 thousands and Rs173245.73 thousands, respectively.

c. Opportunities and Threats-

Strength of H acid plant is it's unique solvent process, which very few manufacturers in the world have. The yield is not the best in industry, which is the weakness. The increase in raw material prices without consequent increase in selling prices will be required to be critically reviewed and can be a major threat in absence of competitive procurement. The H-acid plant of the Company is having potential for improvements in yield, energy savings and efficient procurement of inputs, which may reduce the variable cost of the H-acid in order to compete with the best H acid manufacturers in the world.

d. Outlook -

The cost control measures envisaged through DBS Project has not been fully exploited because of slowdown in production. However, the Company has achieved reduction in energy cost and lesser consumption of raw materials. The same has to be consistently proved. The H-acid plant has been actively making further efforts to improve the yield and reduce the cost of production and also by substituting cheaper raw materials without affecting the quality of H-acid.

2. Dye Intermediates at Ankleshwar Plant:**a. Industry Structure and Developments-**

The present capacity of the dye intermediates plant of the Company is 1000 MT per annum. The Company is manufacturing a wide range of dye intermediates at its Ankleshwar Plant, which mainly consists of N P J acid, C acid, Sulfo J acid, Sulfo C acid, Epsilon & Violet acid. The products at Ankleshwar are of high contribution



products in general but the volumes are small and unpredictable. We have stopped the production of dye intermediates due to high fixed cost, particularly the manpower cost.

b. Financial Performance-

The total income of Ankleshwar dye intermediates was at Rs140568.49 thousands, which is lower reduced by 34% over the previous year. Export of Rs112881.48 thousands recorded 55% of total sales of Ankleshwar site.

c. Opportunities, Threats and Outlook-

The Company's Ankleshwar site performance is on a downslide. Hence, the Company's management is in the process of disposal of the site, as it seems to be unviable. The Company has already taken the permission from shareholders through postal ballot for sale off or otherwise disposal of the site. The Company is negotiating with the bidders for getting maximum value of the site.

3. Bulk Chemicals:

a. Industry Structure and Developments -

The sulphuric/oleum capacities are higher than the demand existing in the market and hence the price realization will be under pressure. The continuous increase in prices of raw material namely; Sulphur, has pushed up the cost of manufacturing, which is the major concern.

b. Financial Performance -

The sales and other income were at Rs63315.10 thousands, which was higher by Rs8780.59 thousands as compared to the previous year. This was mainly on account of significant increase in sulphuric/oleum

prices as compared to the previous year. The products have registered an increase of 39% in turnover over previous year. The capacity utilization for the plant was 100% and was quite satisfactory. The Company had also taken a shutdown during the year under review and that has resulted into better maintenance and improved operations.

c. Opportunities, Threats and Outlook -

The sulphuric/oleum plant is situated at Ankleshwar site. The yield and efficiency of the plant is one of the best in the industry, which has resulted into higher contribution. The Company has already taken necessary permission to dispose off this site and the procedure for the same is on anvil.

4. Internal Control Systems and their adequacy:

The Company has developed over the years and put in place a reasonable internal control system for safeguarding the assets of the Company to prevent and detect fraud or any other irregularity. The internal auditor, as a part of their audit program, reviews the adequacy of the internal control system periodically as well as checks for compliance with the laid down policy and procedures.

5. Human Resources / Industrial Relations:

Pursuant to the decision to dispose off the Ankleshwar site, the Company has already offered Voluntary Retirement Scheme to workers. Workers at the Ankleshwar site of the Company have submitted a writ petition in the Gujarat High Court to challenge the Industrial Tribunal judgment favouring unconditional disposal of Ankleshwar site.

ANAL LIMITED**REPORT ON CORPORATE GOVERNANCE****1) A brief statement on Company's philosophy on code of governance:**

The Company's policy on code of governance is the maximization of wealth of its shareholders and a fair deal to lenders, creditors and customers and of course its employees. The Company believes that the corporate governance is all about establishing a discipline in management of Company to make a full disclosure of material facts and total transparency subject to the adverse impact on the Company of the transparency.

2) Board of Directors:

Composition and category of Directors at the end of the year-

Promoters	:	1
Executive	:	0
Non-executive	:	5
Nominees	:	0

The Board of Directors comprise of six members, consisting of five Non-executive Directors and one Promoter Director. Non-executive Directors account for 83 % of the Board's strength as against minimum requirement of 50% as per listing agreement

(i) Attendance of each director at the Board of Directors Meetings and the last Annual General Meeting:

Sr. No.	Name of Director & Designation	Board Meeting held during 2003-04		Annual General Meeting on Dt. 25.08.2003
		Total	Attended	
1.	Mr Sunil S Lalbhai - (Chairman)	7	7	Present
2.	Mr Jagdish L Shah - (Vice Chairman)	7	6	Absent
3.	Dr Rana Vishnoi - (Director)	7	6	Absent
4.	Dr Lalit S Kanodia - (Director)	7	5	Absent
5.	Mr Sumant J Patel - (Director)	7	6	Present
6.	Mr Naresh C Singhal - (Director)	7	7	Present
7.	Mr Arunkumar R Gandhi (a) - (Director)	3	0	Absent

(a) Resigned with effect from 09.09.2003

(ii) Number of other Board of Directors or Board Committees he/she is a member or Chairperson of:

Sr. No.	Name of the Directors	Category	Number of other Directorships held *	Number of other membership /Chairmanship on the Committees of the Board
1.	Mr Sunil S Lalbhai	Promoter Director	4	3/0
2.	Mr Jagdish L Shah	N.E.D	2	0/0
3.	Dr Rana Vishnoi	I.N.E.D	3	2/0
4.	Dr Lalit S Kanodia	I.N.E.D	33	1/3
5.	Mr Sumant J Patel	I.N.E.D	5	0/0
6.	Mr Naresh C Singhal	I.N.E.D	12	5/5

N.E.D – Non Executive Director

I.N.E.D – Independent Non Executive Director

* This includes directorships in both public limited as well as private limited companies.



(iii) Number of BoD meetings held, dates on which held:

Seven meetings of the Board of Directors were held on following dates :

- (1) 26.05.2003
- (2) 28.07.2003
- (3) 25.08.2003
- (4) 29.10.2003
- (5) 27.01.2004
- (6) 16.02.2004 and
- (7) 26.03.2004

3) Audit Committee:

(A) Following are the powers of the Audit Committee.

- (i) to investigate any activity within its terms of reference.
- (ii) to seek information from any employee.
- (iii) to obtain outside legal or other professional advice.
- (iv) To secure attendance of outsiders with relevant expertise, if it considers necessary.

(B) Following are the roles of the Audit Committee.

- (i) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- (ii) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- (iii) Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on;
 - a) Any changes in accounting policies and practices
 - b) Major accounting entries based on exercise of judgement by management.
 - c) Qualifications in draft audit report.
 - d) Significant adjustments arising out of audit.
 - e) The going concern assumption.
 - f) Compliance with accounting standards.
 - g) Compliance with stock exchange and legal requirements concerning financial statements.
 - h) Any related party transactions i.e., transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large
- (iv) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- (v) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (vi) Discussions with internal auditors on any significant findings and follow up thereon.
- (vii) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.