



**2004-2005
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 Ltd)

BOARD OF DIRECTORS

Dr Rana Vishnoi - Chairman

Mr Mrtganka S Dutta

Mr Ghanshyam R Parekh

CHIEF OPERATING OFFICER

Dr Naresh K Chourishi

COMPANY SECRETARY

Mr Dharmesh N Thaker

BANKERS

Union Bank of India
State Bank of India

AUDITORS

C C Chokshi & Co.
Chartered Accountants

COST AUDITOR

H R Kapadia
Cost Accountant

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REGISTERED OFFICE

Contractor Building,
Ramjibhai Kamani Marg, Ballard Estate,
Mumbai 400 001, Maharashtra
Phone No.: (91-22) 22619599, 39876042
Telefax: (91-22) 39876061, 39876065
Website: www.amal.co.in
Email: amalreg@amal.co.in

HEAD OFFICE

Village: Atul 396 020, Dist. Valsad, Gujarat
Phone No.: (91-2632) 233663, 234330
Telefax: (91-2632) 233402

WORKS

- (i) 136/137, GIDC Industrial Area
Ankleshwar 393002, Gujarat
Phone No.: (91-2646) 251066
Telefax: (91-2646) 251982
- (ii) Village: Atul 396 020,
Dist. Valsad, Gujarat
Phone No.: (91-2632) 233227
Telefax: (91-2632) 233429

NOTICE

NOTICE is hereby given that the Thirty-First Annual General Meeting of the Members of Amal Limited will be held at Kilachand Conference Room, 2nd Floor, LNM - IMC Building, IMC Marg, Opp. Churchgate Railway Station, Churchgate, Mumbai 400 020, on Friday, September 30, 2005 at 4:00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2005 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 Dr Rana Vishnoi, who retires by rotation and being eligible offers himself for reappointment.

SPECIAL BUSINESS:

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

"RESOLVED THAT M/s V R Parekh & Co., Chartered Accountants, Valsad be and are hereby appointed as Statutory Auditors of the Company under the provisions of Section 224(6) of the Companies Act, 1956, in place of casual vacancy caused by the resignation of M/s C C Chokshi & Company, Chartered Accountants, Mumbai, to hold office as such until the conclusion of the next Annual General Meeting at a remuneration as may be determined by the Board of Directors of the Company."

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

"RESOLVED THAT Mr Mriganka S Dutta retiring at this Annual General Meeting, having been appointed as an Additional Director, being eligible offering himself for appointment and in respect of whom the Company has received a notice in

writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature be and is hereby appointed as a Director of the Company liable to retire by rotation"

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

"RESOLVED THAT Mr Ghanshyam R Parekh retiring at this Annual General Meeting, having been appointed as an Additional Director, being eligible offering himself for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature be and is hereby appointed as a Director of the Company liable to retire by rotation"

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

"RESOLVED THAT subject to the provisions of the Companies Act, 1956 (including any amendments or re-enactments thereof for the time being in force), The Securities Contracts (Regulation) Act, 1956 and the Rules framed there under, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed and imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by the Resolution), the consent of the Company be and is hereby accorded to the Board to de-list the Equity Shares of the Company from The Stock Exchanges at Ahmedabad."



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

"RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956, and further subject to the confirmation by Company Law Board and other authorities, if required, the Registered Office of the Company be shifted from 'Contractor Building, Ramjibhai Kamani Marg, Ballard Estate, Mumbai 400 001, in the State of Maharashtra, to Village: Atul 396 020, Dist. Valsad, in the State of Gujarat."

"RESOLVED FURTHER THAT Clause II of the Memorandum of Association of the Company be altered by substituting the word 'Maharashtra' by the word 'Gujarat'."

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

"RESOLVED THAT the ordinary Directors be paid sitting fees not exceeding Rs5,000/- per meeting as may be decided by the Board of Directors from time to time for attending the meetings of the Board or any Committee thereof and out of pocket expenses."

By Order of the Board
For Amal Limited

Dharmesh N Thaker
Company Secretary

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

July 16, 2005

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, 2005 are enclosed herewith.
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. An Explanatory Statement as required by Section 173 of the Companies Act, 1956, is annexed to this notice.
4. The Register of members and share transfer books of the Company will remain closed from Monday, September 26, 2005 to Friday, September 30, 2005 (both days inclusive).
5. 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.
6. Members/Proxies are requested to bring the enclosed attendance slip with them duly filled in for attending the meeting.
7. Reappointment of Director: At the ensuing Annual General Meeting, Dr Rana Vishnoi retires by rotation and being eligible offer himself for reappointment. The information or details to be provided for the aforesaid Director under the Code of Corporate Governance are as under:

Dr Rana Vishnoi is a B.E. (Chemical) from IIT and Ph.D. He specializes in Chemical spectrum. He has been associated with the Company from the beginning. Presently he is on the Board of Indian Polyfins Limited and Par Investments Limited. He is also a member of the Audit Committee and Shareholders/Investors Grievance Committee of Indian Polyfins Limited.

EXPLANATORY STATEMENT:

(Pursuant to Section 173 (2) of the Companies Act 1956)

Item 3

The Company's statutory auditors M/s C C Chokshi & Co., Chartered Accountants, Mumbai who were re-appointed at the 30th Annual General Meeting held on 9th August, 2004, have expressed their un-willingness to serve the Company as such and tendered their resignation with effect from the conclusion of this Annual General Meeting. For the purpose of filling the casual vacancy, the Company has received a letter from M/s V R Parekh & Co., Chartered Accountants, Valsad, expressing their willingness to act as Auditors along with a certificate under sub-section (1-B) of Section 224 of the Companies Act, 1956, to the effect that their appointment, if made, will be within the limits specified there under. Under the provisions of sub-section (6) of Section 224 of the Act, such casual vacancy caused by the resignation of the Auditors can only be filled by the Company in general meeting. M/s V R Parekh & Co., will hold office as such until the conclusion of the next Annual General Meeting. Your Directors recommend the resolution for your approval.

None of the Directors of the Company is interested or concerned in the said resolution.

Item 4

Mr Mriganka S Dutta was appointed as an Additional Director on October 7, 2004. Mr Dutta is a B.Sc., MIE India. He is also a Chartered Engineer. He was a Scientific Officer in Atomic Energy (BARC), Bombay. He carries with him wide technical knowledge and about 45 years of experience in the technical field. He is on the Board of Agrimore Limied, Anubhav Market Research Development Private Limited and Osia Realty Private Limited.

He being an Additional Director holds office up to the date of forthcoming Annual General Meeting and is eligible for reappointment. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 proposing the candidature of Mr Mriganka S Dutta to the Office of the Director at the

Annual General Meeting. The Board considers that the Company would benefit with his continued association. Your Directors recommend the resolution for your approval.

None of the Directors except Mr Mriganka S Dutta is interested in this resolution.

Item 5

Mr Ghanshyam R Parekh was appointed as an Additional Director on December 6, 2004. Mr Parekh is an Associate member of the Institute of Chartered Accountants of India and also an Associate member of the Institute of Company Secretaries of India. He carries with him wide knowledge and about 28 years of experience in the field of Finance, Internal Audit, Secretarial and general management. He is on the Board of Atul Infotech Private Limited.

He being an Additional Director holds office up to the date of forthcoming Annual General Meeting and is eligible for reappointment. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 proposing the candidature of Mr Ghanshyam R Parekh to the Office of the Director at the Annual General Meeting. The Board considers that the Company will substantially benefit from the vast experience and knowledge of Mr Parekh. Your Directors recommend the resolution for your approval.

None of the Directors except Mr Ghanshyam R Parekh is interested in this resolution.

Item 6

The Equity Shares of the Company are presently listed at Ahmedabad and Mumbai Stock Exchanges. It is observed that the Equity Shares of the Company are not being traded in the Stock Exchange at Ahmedabad. The trading volumes of the Company's Equity Shares at Ahmedabad Stock Exchange is negligible during the last two financial years ended on 31st March, 2003 and 31st March, 2004. The Company's Equity Shares are specified by the Securities and Exchange Board of India ("SEBI") for settlement only in dematerialized form by all investors. With the extensive networking of BSE terminals to other cities, the investors have access to trade and



therefore can deal in the Company's Equity Shares across the country.

It is, therefore, felt that continued listing with the Ahmedabad Stock Exchange does not provide significant tangible advantage to the Members of the Company. The Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003 (Guidelines) issued by SEBI now allow the companies to seek delisting of its securities from any of the Stock Exchanges including regional Stock Exchange, without giving exit opportunity to the shareholders in the region of the exchange from which the delisting is sought, provided the securities continue to be listed on a Stock Exchange having nation-wide trading terminals, i.e. Mumbai Stock Exchange.

In view of aforesaid Guidelines and the fact that the Company's Equity Shares are not traded at Ahmedabad Stock Exchange since very long, it is proposed to de-list the Equity Shares from the Ahmedabad Stock Exchange. However, as required under the Guidelines, the Equity Shares will continue to be listed at Mumbai. The Guidelines inter-alia provides for obtaining the prior approval of shareholders by a Special Resolution. Your Directors recommend the resolution for your approval.

None of the Directors of the Company is concerned or interested in the said resolution.

Item 7

The Company has two manufacturing Sites namely: Atul Site and Ankleshwar Site. At Atul Site, the facility is for the production of our flag-ship product H-acid, a naphthalene based dye intermediate. At Ankleshwar Site, the facility is for the production of sulphuric acid/oleum/sulphur dioxide/sulphur trioxide as well as various dye intermediates mainly based on naphthalene. Plants of both the sites are not operated since February 2004 except Sulphuric Acid/Oleum plant which is a continuous plant, located at Ankleshwar site. Plants are not operated due to labour unrest and change in pollution control norms by Gujarat Pollution Control Board (GPCB). Since both the manufacturing sites of the Company are in the state of Gujarat, all the business operations are monitored and controlled by the Company's Head Office at

Village: Atul, Dist. Valsad in the state of Gujarat. To ensure administrative convenience of the Company's operations at Village: Atul, Dist. Valsad, Gujarat, it is proposed to shift the Registered Office of the Company from Mumbai to Village Atul.

Under the provisions of the Companies Act, 1956, the consent of members by way of Special Resolution and the confirmation of the Company Law Board are necessary. The other part of the resolution relates to consequential amendment to Clause II of the Memorandum of Association of the Company. The Company shall subsequently make a petition to the Company Law Board for its confirmation. Your Directors recommend the resolution for your approval.

None of the Directors of the Company is concerned or interested in the resolution.

Item 8

Pursuant to the directions of the SEBI, the Stock Exchanges amended the Listing Agreement with the Company. The amendments include new Clause 49(I)(B) which requires that all the fees/compensation to the ordinary Directors require previous approval of the shareholders in the General Meeting. The Company is paying sitting fees and out of pocket expenses to the ordinary Directors. For payment of sitting fees and out of pocket expenses, the approval of members is being sought. Though, the amendments have been deferred till December 31, 2005, advance approval from the members is being sought.

All the Directors of the Company may be deemed to be interested in the Ordinary Resolution.

By Order of the Board
For Amal Limited

Dharmesh N Thaker
Company Secretary

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

July 16, 2005

DIRECTORS' REPORT

Your Directors present the Thirty First Annual Report and Audited accounts for the year ended March 31, 2005.

(Rs in thousands)

1. Financial Results	2004-05	2003-04
Profit/(Loss)		
before taxation	(333471.88)	(131352.33)
Add/(Less) Deferred		
tax/Provision for tax	(11143.46)	8479.38
Profit/(Loss)		
after taxation	(344615.34)	(122872.95)
Brought forward	(164866.00)	(41993.05)
Adjustment of		
Impairment	(13079.26)	—
Disposable surplus	(522560.60)	(164866.00)
Appropriation		
Balance carried		
forward	(522560.60)	(164866.00)
	(522560.60)	(164866.00)

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 13 MT (495 MT) and 63 MT (2015 MT) respectively and that of sulphuric acid/oleum was 4467 MT (31158 MT) at Ankleshwar Site. Plants of both the Sites are not operated since February, 2004 except Sulphuric Acid/Oleum plant which is a continuous plant, located at Ankleshwar Site. Plants are not operated due to Labour problems and change in pollution control norms by Gujarat Pollution Control Board (GPCB):

3.2 Sales

Sales for the year were Rs63945.55 thousands (Rs451916.19 thousands) comprising of Rs40790.22 thousands (Rs388601.09 thousands) in dye intermediates and Rs23155.33 thousands (Rs63315.10 thousands) in sulphuric acid/oleum. In dye intermediates, Domestic sales and Export Sales were Rs25662.10 thousands (Rs102473.89 thousands) and Rs15128.12 thousands (Rs286127.20 thousands) respectively.

3.3 Profitability

The Company completed the year with a net loss of Rs344615.34 thousands (previous year's net loss of Rs122872.95 thousands). The operating loss during the year under review increased by Rs35829.87 thousands from previous year's operating loss of Rs122872.95 thousands.

The negative factors responsible for this poor performance are : Labour Unrest, Pollution Problems, Huge Capital expenditure required for improvement in performance and Ultimately stoppage of production in all the manufacturing plants except Bulk Chemical Plant (Sulphuric / Oleum) in which production was not stopped. Bulk Chemical plant is a continuous plant.

4. Finance

The Company's working capital limits were continued with Union Bank of India, Industrial Finance Branch, Mumbai and State Bank of India, Industrial Finance Branch, Mumbai till September 30, 2004. Due to huge losses suffered by the Company, the Bankers have classified our accounts in NPA category. Negotiations are going on with the Bankers for settlements of their dues through "One Time Settlement (OTS)" route.



5. Directors

During the year under review, Mr Mrighanka S Dutta and Mr Ghanshyam R Parekh have been appointed as Additional Directors on the Board of the Company and holds the offices upto the ensuing annual General Meeting. During the year, Dr Rana Vishnoi has been appointed as the Chairman of the Company.

Dr Rana Vishnoi, Director of the Company is retiring by rotation at the ensuing Annual General Meeting. Dr Rana Vishnoi, being eligible, offer himself for reappointment.

6. Ecology & Safety

The Company is taking necessary steps for safe disposal of effluent generated from the Bulk Chemical Plant which is running at present. Although Dye Intermediates Plants are not functioning, steps are taken, to protect any water contamination problems during monsoon.

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 filed a writ petition in Gujarat High Court to challenge the Industrial Tribunal, Baroda judgment of unconditionally approving Company's action of disposal of Ankleshwar Site. An amicable solution emerged in January 2005 and all the workmen at Ankleshwar Site signed Settlement

Agreement and accepted VRS. On closure of the Atul Site, all the workmen have been relieved by paying them all the legal dues which they have accepted. However, they have challenged the legality of the Closure of Atul Site in the Labour Court at Valsad.

9. Corporate Governance

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. 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. Your Company has received a letter from the Auditors that they do not seek re-appointment at the ensuing Annual General Meeting. The Company expresses sincere thanks for their valuable services during their tenure.

Your Company has received a letter from M/s. V R Parekh & Company, Chartered Accountants, Valsad expressing their willingness to act as Auditors along with a certificate under sub-section (1-B) of Section 224 of the Companies Act, 1956, to the effect that their appointment, if made, will be within the limits specified there under. Necessary resolution seeking your consent is sent in the Notice for the meeting.

The relevant notes forming part of the accounts are self explanatory and give full information and explanation in respect of the observations made by the Auditors in their report.

12. 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, 2005 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) In view of discontinuation of operations at all its manufacturing plants, huge negative net worth and Company's plan for disposal

of all its fixed assets, Company is unable to state, whether it would be in a position to realize its assets and discharge its liabilities in full in normal course of business. A reasonable estimate has been made and provision for impairment of assets is made if the Company is not in a position to continue as a Going Concern.

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.

For and on behalf of the Board of Directors

G R Parekh
Director

M S Dutta
Director

Atul
July 16, 2005



Management Discussion and Analysis

Business at a Glance.

The Company has posted a net loss of Rs Rs344615.34 thousands compared to net loss of Rs Rs122872.95 thousands during the previous year. The negative factors responsible for this poor performance are : Labour Unrest, Pollution Problems, Lack of justification for Capital expenditure to improve performance and Ultimately stoppage of production in all the manufacturing plants except bulk chemical plant in which production was not stopped. Bulk Chemical plant is a continuous plant.

All the workmen and managers (except a few) were relieved through VRS/retraining route.

The Company has posted a total income of Rs63981.09 thousands compared to Rs491060.71 thousands during the previous year. The business of the Company falls in two distinct segments, which lies in Dye Intermediates and Bulk Chemicals. We have prepared a management discussion and analysis for different product group under each segment as follows:

1. H-acid

a. Industry Structure and Developments.

During the year under review there has been a significant rise (almost doubled) in the prices of key raw materials namely; iron powder and caustic soda flakes. For another key raw material namely; naphthalene, prices almost remained unchanged as compared to previous year. H-acid prices showed fluctuating fortunes trend. H-acid prices ruled higher and firm (Avg. Rs188/kg) during the period July to December 2004, but went down significantly during the period January to June 2005 (Rs160/kg) despite input cost remaining almost unchanged. Although the Company has prepared restructuring plan which involves capital

expenditure of around Rs8 Cr., to improve effluent treatment facility and product yield, it is kept "on-hold" due to lack of justification which arises from significant downward price trend of H-acid and increase in input cost.

b. Financial Performance.

The total income of H-acid was at Rs30194.13 thousands and recorded a reduction of around 90% over previous year. The reason being the Atul Plant was not operated through out the year 2004-05.

c. Opportunity and Threats & Outlook.

The Chinese producers control around 70% of world's demand (45000 TPA) of H-acid. Rest of the demand is fulfilled by the Indian producers. As the Chinese economy is expected to slow-down and also "WTO" pressures on environmental protection are likely to increase, we expect that downward trend in H-acid prices will be arrested in the near future.

H-acid was born before 100 years and is still going very strong as there is no substitute to make black, blue, red, green reactive and direct dyes which are used to dye cotton, leather and paper substrates. Acid dyes which are used to colour leather substrates are also made from H-acid. The end of unfair competition will put H-acid on a "viable-mode".

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