



**2005-2006
Annual Report**

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AMAL LIMITED

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



A MEMBER OF LALBHAI GROUP



AMAL LIMITED

BOARD OF DIRECTORS

Dr Rana Vishnoi - Chairman

Mr Mriganka S Dutta

Mr Ghanshyam R Parekh

Mr C P Ravindranath
(Nominee of EXIM Bank)

CHIEF OPERATING OFFICER

Dr Naresh K Chourishi

COMPANY SECRETARY

Mr Dharmesh N Thaker

BANKERS

Union Bank of India
State Bank of India

AUDITORS

V R Parekh & 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

HEAD OFFICE

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) Atul 396 020,
Dist. Valsad, Gujarat
Phone No.: (91-2632) 233227, 233663
Telefax: (91-2632) 233402

NOTICE

NOTICE is hereby given that the Thirty-Second 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 Tuesday, September 26, 2006 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, 2006 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 Mriganka S Dutta, who retires by rotation and being eligible offers himself for reappointment.
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 to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting of the Company, on a remuneration of Rs20,000/- (Rupees Twenty Thousand Only) plus applicable service tax and the reimbursement of expenses incurred by them for attending the audit work of the Company."

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 387 and other applicable provisions, if any of the Companies Act, 1956

read with Schedule XIII, approval of the Company be and is hereby given to the appointment of Dr Naresh K Chourishi as a Manager of the Company for a period of 3 years from September 01, 2006 on the terms and conditions contained in an agreement and that the Board of Directors be authorised to alter and vary any or all of the terms and conditions of the said appointment in such manner in conformity with any relevant provisions of the Companies Act, 1956, and/or the rules and regulations made thereunder and/or the guidelines as may be announced by the Central Government from time to time".

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

June 29, 2006

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, 2006 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 Thursday, September 21, 2006 to Tuesday, September 26, 2006 (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, Mr Mriganka S Dutta 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:

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 Limited, Anubhav Market Research and Development Private Limited and Osia Realty Limited. He is not holding any equity shares of the Company.

EXPLANATORY STATEMENT

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

Item 4

The shareholders of the Company, at their 29th Annual General Meeting held on August 25, 2003, have appointed Dr Naresh K Chourishi as a Manager of the Company for a period of three years w.e.f. September 01, 2003, pursuant to the provisions of Section 198, 269, 387 and other applicable provisions, if any of the Companies Act, 1956 read with Schedule XIII.

The Directors at their meeting held on June 29, 2006, have re-appointed Dr Naresh K Chourishi as a Manager of the Company for a further period of 3 years with effect from September 01, 2006 subject to approval

of the Shareholders and such other sanctions as may be necessary. The appointment of Dr Naresh K Chourishi will be in accordance with the conditions specified in Section 269 read with Schedule XIII as amended from time to time and hence the approval of the Central Government is not required.

The material terms of the draft agreement are as under:

1. Dr. Naresh K Chourishi is hereby appointed as a Manager of the Company. As Manager he shall work closely with the Board of Directors and will be responsible to manage the business and affairs of the Company and to exercise all the powers vested in him by the Directors except those, which are specifically required under Companies Act, 1956 or by the Articles of Association to be exercised only by the Board. He will be responsible for overall policy making, corporate governance and review of business performance and implementation of the decisions taken by the Board of Directors.
2. Period of Office of the Manager is three years with effect from September 01, 2006.
3. The Manager may resign by giving three calendar months' notice in writing to the Company.

MEMORANDUM OF INTEREST:

The nature of the concern or interest of Dr Naresh K Chourishi, Manager of the Company is that the above resolution pertains to his agreement with the Company, if approved. None of the Directors of the Company are interested in the resolution.

The above statement may be treated as an abstract of the terms and memorandum of interest under Section 302 of the Companies Act, 1956.

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

June 29, 2006

AMAL LIMITED**DIRECTORS' REPORT**

Your Directors present the Thirty Second Annual Report and Audited accounts for the year ended March 31, 2006.

(Rs in thousands)

1. Financial Results

	2005-06	2004-05
Profit /(Loss)		
before taxation	(36923.34)	(333471.88)
Add/(Less) Deferred		
tax/Provision for tax	(355.94)	(11143.46)
Profit / (Loss) after		
taxation	(37279.28)	(344615.34)
Interest Waiver		
Received	30609.72	—
Loss after Tax	(6669.56)	(344615.34)
Brought forward	(522560.60)	(164866.00)
Adjustment of		
Impairment	—	(13079.26)
Disposable surplus	(529230.16)	(522560.60)
Appropriation		
Balance carried		
forward	(529230.16)	(522560.60)
	<u>(529230.16)</u>	<u>(522560.60)</u>

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**

Manufacturing Plants of Ankleshwar and Atul Sites are not operated since February 2004 except Sulphuric Acid/Oleum plant, for which your Company has undertaken job work activity. Plants are not operated due to economic unviability on account of irrational competition from domestic and international market, high operating cost, labour problems and revised pollution control norms by Gujarat Pollution Control Board (GPCB).

3.2 Sales/Income

Since the operations of both the plants are stopped, total income of Rs17400.69 thousands (previous year Rs63981.09 thousands) consists of Sales of Traded products and other income.

3.3 Profitability

The Company has incurred total losses of Rs 6669.56 thousands (previous year Rs344615.34 thousands).

3.4 Waiver from Bankers/Financial Institutions through One-Time Settlement Scheme

The Company has caused to be settled the outstanding dues of Bankers and Financial Institutions (except one) through the One Time Settlement (OTS) route. Consequent to the payment of OTS amount, the Company has got the waiver of interest and other charges of Rs306.10 lacs from the full & final payment. The said interest waiver has been booked as income in the Profit & Loss Account. Regarding the waiver of principal amount of Rs641.78 lacs, the said amount has been transferred to Capital Reserve account.

4. Finance

Due to huge losses suffered by the Company, your Company has caused to be settled the entire dues of all Bankers and Financial Institutions (except one) through One Time Settlement Scheme.

5. Status regarding BIFR

The Company has filed the reference under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 before the Board



of Industrial and Financial Reconstruction (BIFR), New Delhi. The said reference was registered by BIFR w.e.f. September 9, 2005. It is likely that the Company will be declared Sick by BIFR soon.

6. Directors

During the year under review, Mr C P Ravindranath, Nominee of EXIM Bank was appointed as a Nominee Director on the Board of the Company. Consequent upon the payment of dues of the EXIM Bank, his name was withdrawn as a nominee from the Board of Directors of the Company w.e.f. June 29, 2006.

The Board takes a note of the valuable guidance and suggestions given by Mr C P Ravindranath, for resolving pending legal and other issues of the Company, even in the short period of his association with the Company. The Board places on record its appreciation for the same.

Mr Mriganka S Dutta, Director of the Company is retiring by rotation at the ensuing Annual General Meeting. Mr Mriganka S Dutta, being eligible, offers himself for reappointment.

The tenure of Dr Naresh K Chourishi as a Manager of the Company is expiring on August 31, 2006. The Board has re-appointed him as a Manager for further period of three years w.e.f. September 1, 2006 subject to the approval of the shareholders in the ensuing Annual General Meeting.

7. 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.

8. Insurance

The Company's assets as well as its liability to employees are adequately covered by proper insurance based on risk assessment. The Company has taken public liability insurance policy and has also contributed to the environmental relief fund as per the statutory requirement.

9. Employees

All the workmen and management staff at Ankleshwar and Atul plants were relieved. Company is having few officers at its Head Office for day-to-day operations of the Company. There are no employees of the Company falling under the provisions of Section 217(2A) of the Companies Act, 1956

10. 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.

11. 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

AMAL LIMITED

Registered Office of the Company or write to the Company Secretary for a copy.

12. Auditor and Auditor's Report

M/s V R Parekh & 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 for the current year, if appointed. The members are requested to re-appoint them and fix their remuneration.

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.

13. 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, 2006 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) Since the Company has suspended its operations for quite a long time, it has also relieved all its employees of Ankleshwar and Atul Plants. In such a circumstances, it could not be considered as a going concern. However, all potential losses and expenses have been booked during the year.

14. 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

Atul
June 29, 2006

Rana Vishnoi
Chairman



Management Discussion and Analysis

Business at a Glance

Manufacturing Plants of Ankleshwar and Atul Sites are not operated since February 2004 except Sulphuric Acid/Oleum plant, for which your Company has undertaken job work activity. Plants are not operated due to economic unviability on account of irrational competition from domestic and international market, high operating cost, labour problems and revised pollution control norms by Gujarat Pollution Control Board (GPCB).

Since the operations of both the plants are stopped, total income of Rs17400.69 thousands (previous year Rs63981.09 thousands) consists of sale of traded products and other income.

The Company has incurred a loss of Rs6669.56 thousands (previous year Rs344615.34 thousands). In view of the complete erosion of the net worth, reference to the Board of Industrial and Financial Reconstruction (BIFR), New Delhi, has already been made which was registered by BIFR w.e.f. September 9, 2005. It is likely that the Company will be declared Sick by BIFR soon.

All the workmen and management staff at Ankleshwar and Atul plants were relieved. Company is having few officers at its Head Office for day-to-day operations of the Company.

The Company has caused to be settled the outstanding dues of Bankers and Financial Institutions (except one) through the One Time Settlement (OTS) route. Consequent to the payment of OTS amount, the Company has got the waiver of interest and other charges of Rs306.10 lacs from the full & final payment. The said interest waiver has been booked as income in the Profit & Loss Account. Regarding the waiver of principal amount of Rs641.78 lacs, the said amount

has been transferred to Capital Reserve account.

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 were no manufacturing operations throughout the year. Plant is not operated due to economic unviability on account of irrational competition from domestic and international market, high operating cost, labour problems and revised pollution control norms by Gujarat Pollution Control Board (GPCB).

b. Financial Performance

There were no manufacturing operations during the year, hence no income was generated from sales of manufactured products. Impairment of all the plant assets was booked in the previous year.

c. Opportunity and Threats & Outlook

The Chinese producers controls around 70% of world's demand (45000 TPA) of H-acid. The Indian producers fulfill rest of the demand. In the event of possible slow down of Chinese economy and with increasing WTO pressure on environment protection, 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 irrational competition should 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 was 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 and 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

There were no manufacturing operations during the year, hence no income was generated from sales of manufactured products. Impairment of all the plant assets was booked in the previous year.

c. Opportunity, Threats and Outlook

Due to continuous unviable condition, the Company's Ankleshwar site remained closed during the year.

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 materials namely; Sulphur, has pushed up the cost of manufacturing, which is the major concern.

b. Financial Performance

There were no manufacturing operations during the year by the Company, hence no income was generated from sales of manufactured products. All the plant assets were impaired in the previous year. The Company has entered into a job-work agreement for use of equipments of Sulphuric/Oleum plant.

c. Opportunity, 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. The Company is doing job-work activity only. Copper and Zinc metal producers who get Sulphuric acid as a bye-product are major threat for the business.

4. Internal Control System 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 of any other irregularity. The internal auditor, as a part of their audit program, reviews and assesses 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

All the workmen and management staff at Ankleshwar and Atul plants were relieved. Company is having few officers at its Head Office for day-to-day operations of the Company.



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 shares 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	:	0
Executive	:	0
Non-executive	:	3
Nominees	:	1

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

Sr. No.	Name of Director	Board Meeting 2005-06		Annual General Meeting on Dt. 30.09.2005
		Total	Attended	
1.	Dr. Rana Vishnoi	7	5	Present
2.	Mr. Mriganka S Dutta	7	7	Present
3.	Mr. Ghanshyam R Parekh	7	7	Present
4.	Mr. C P Ravindranath #	5	4	Present

Appointed as Nominee Director w.e.f. July 30, 2005

Resigned as Nominee Director w.e.f. June 29, 2006

(ii) **Number of other Board of Directors or Board Committees he 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.	Dr. Rana Vishnoi	I.N.E.D	3	1/0
2.	Mr. Mriganka S Dutta	I.N.E.D	3	—
3.	Mr. Ghanshyam R Parekh	I.N.E.D	1	—
4.	Mr. C P Ravindranath	I.N.E.D	1	—

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

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

(iii) **Number of Board of Directors meetings held, dates on which held:**

Seven Board of Directors meetings held on

(1) 02.05.2005	(5) 29.10.2005
(2) 16.07.2005	(6) 14.11.2005
(3) 30.07.2005	(7) 27.01.2006
(4) 26.09.2005	