



Amal Ltd

Annual Report 2011-12

The logo portrays a diya whose constituents are an earthen pot, ghee, a wick and a flame. Our actions (symbolized by the ghee) will remain within the boundary of ethics (symbolized by the earthen pot) and we will through hard work (symbolized by the wick) achieve our purpose (symbolized by the flame).

Contents

01	2011-12 in Retrospect	08	Report on Corporate Governance
02	Purpose and Values	20	Notice
04	Overview by the Managing Director	22	Ten Year Review
05	Directors’ Report	23	Financial Statements
07	Management Discussion & Analysis		

Forward Looking Statements

In this Annual Report, we have shared information and made forward looking statements to enable investors to know our product portfolio, business logic and direction and thereby comprehend our prospects. Such and other statements - written and oral - that we may periodically make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘intend’, ‘plan’, ‘project’ and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised although we believe we have been prudent in our assumptions. The achievement of results is subject to uncertainties, risks and even inaccurate assumptions. If uncertainties or known or unknown risks materialise or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, estimated, intended, planned or projected. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.



2011-12 in Retrospect

Initiatives taken to improve performance

- ∅ Increased volume of Sulphur Trioxide, a value added product
- ∅ Enhanced customer base for Sulphur Dioxide
- ∅ Improved price realisation for steam supplied

Initiatives underway to improve performance

- ∅ Increase volume of Sulphur Trioxide
- ∅ Self-sufficiency in electricity
- ∅ Extraction of additional waste heat

Energised by Purpose

We are a company committed to significantly enhancing value for all our Stakeholders by:

- fostering a spirit of continuous learning and innovation,
- using science and technology in a responsible way,
- providing high quality products and services, and becoming the most preferred partner,
- having people who practice Values and high standards of behaviour,
- seeking sustained, dynamic growth and securing long-term success,
- taking responsible care of the surrounding environment and improving the quality of life of the communities we operate in.

Propelled by Values



In an environment where change is a way of life, continuity of Values is fundamental to us. We have therefore formalised key Values and are committed to institutionalise them.

We will seek to create an environment wherein these Values are consistently practised and nurtured and ensure that they are not compromised to realise short-term gains.

Integrity

The foundation of every relationship is trust, and trust is based on Integrity. Integrity means working with honesty, following the highest standards of professionalism. Integrity is when our decisions and actions remain consistent with our thoughts and words, written or spoken.

Understanding

How well one works with others depends on his (her) ways to connect, and this in turn is based on his (her) level of Understanding of human relationships. Understanding does not mean accepting poor performance, but it means doing it the right way. Understanding is not only an external manifestation, but also an internal realisation.

Unity

Living in a state of oneness brings Unity. Unity means working together and taking advantage of synergy while harnessing unique abilities of each individual to achieve a larger goal. Unity is the realisation that though we may work in different areas, we are finally interconnected and that interdependence is a higher order of living than independence; though we may be many, we share a common destiny.

Responsibility

Responsibility implies doing whatever it takes to deliver value and taking ownership of our actions. Responsibility must also give rise to the realisation that what is good for the business must be in the overall good; in other words, working in the spirit of trusteeship not only for the shareholders, but also for other stakeholders such that ultimately what comes from the society goes back to it many times over.

Excellence

Excellence is a drive that is more from inside than outside; it is about one seeking to continuously improve and better performance. Excellence means endeavouring to achieve the highest possible standards in our day to day work; it means to develop an inspiring vision and realise it. In many ways, Excellence is also a journey, not simply a destination in itself.

Overview by the Managing Director

Dear Shareholders,

In our letter last year, we had informed you on the initiatives taken to improve the performance, such as supplying excess steam to a neighbouring plant in Ankleshwar, raising the overall capacity of the Sulphuric Acid plant and increasing the volume of Sulphur Trioxide, a value added product. However, we are yet to realise the envisaged benefits which may have significantly improved our performance. We are continuing to pursue these initiatives which will improve our manufacturing efficiency and competitiveness in the ensuing years.

During the year, the price of the key raw material, Sulphur, continued to be at a high, with negligible increase in market prices of end products such as Sulphuric Acid 98%, Oleum 65%, Oleum 25%, Sulphur Trioxide and Sulphur Dioxide. As a result, contribution margins of these products have been the lowest, thus impacting the overall performance of our Company.

We have also made marginal investments during the year, such as procuring additional tonners of Sulphur Dioxide to cater a larger customer base and installation of a plate heat exchanger for waste heat recovery; the benefit of which will accrue in the financial year 2012-13.

As we progress into the current year, the situation on Sulphur price continues to be unfavourable, resulting in severe pressure on the contribution margins of our end products. However, implementation of key initiatives, within our control, such as full deployment of steam (a by-product) and better capacity utilisation will help us to improve our performance. Besides, we are also evaluating new products which will help our Company to turnaround in these trying times.

We wish to take this opportunity to thank the independent Directors for their significant involvement and guidance. On behalf of all our colleagues on the Board, we wish to thank the customers for their support and employees for their commitment and dedication.

With best wishes,

Sincerely,

Vasudev Koppaka
Managing Director

Directors' Report



Dear Members,

The Board of Directors of Amal Ltd present the Annual Report of the Company together with the audited statement of accounts for the year ended March 31, 2012.

Financial Results

(₹ thousands)

	2011-12	2010-11
Net Sales	135,380.00	131,882.00
Other income	172.00	108.00
Total income	135,552.00	131,990.00
Profit (Loss) from operations before tax	(34,021.00)	(37,377.00)
Add: Write back of balances and prior period provisions not required	1962.00	3,483.00
Less: Write off of balances and short provisions of prior period	87.00	3,256.00
Add (Less) tax expenses	-	-
Add: Write back on settlement with unsecured creditors	-	-
Profit (Loss) after tax	(32,146.00)	(37,150.00)
Balance in Profit and Loss Account brought forward	(425,574.35)	(388,424.35)
Balance in Profit and Loss carried forward	(457,720.35)	(425,574.35)
Adjustments		
Less: Waiver from secured loan	-	-
Less: Restructure of reserves and surplus	-	-
Accumulated loss after adjustment of general reserve	(457,720.35)	(425,574.35)

Dividend

The Company incurred loss from operations of ₹ 340.21 lacs. The Board regrets its inability to recommend any dividend considering the loss from operations for the year and also the accumulated loss of ₹ 4,577.20 lacs as on March 31, 2012.

Finance

The Company is operating without any borrowing from the bank(s) or financial institution(s). It will obtain loans from bank(s) | financial institution(s) for working capital and for executing new projects after obtaining the requisite approvals.

Safety, Health and Environment (SH&E)

The Company accords high priority to SH&E. The Company has its own effluent treatment plant at Ankleshwar designed to fully comply with the norms stipulated by the Gujarat Pollution Control Board. The treated water is discharged into common effluent discharge pipeline of Narmada Clean Tech Ltd.

BIFR Status

The BIFR vide its order dated July 16, 2009 had sanctioned a revival scheme for the Company, and the same was modified vide order dated June 18, 2010. As per the sanctioned scheme, the following steps were taken:

- Settled majority of unsecured creditors at 30% of the Principal dues
- Issued Redeemable Preference Shares of ₹ 10 crores to Atul Ltd
- Enhanced capacity of Sulphuric Acid plant to 140 MT per day

Subsequently, the Appellate Authority of Industrial and Financial Reconstruction (AAIFR) vide its order dated March 22, 2011 allowed an Appeal filed with it and remanded the case back to the BIFR for considering a revival scheme through an Operating Agency.

Honourable BIFR appointed IDBI Bank as operating agency vide order dated October 11, 2011. IDBI Bank has reviewed

the new Draft Rehabilitation Scheme (DRS) and subsequently submitted the same to BIFR on February 16, 2012 for its review and approval.

Insurance

The Company has taken adequate insurance to cover the risks to its people, plant & machineries, buildings and other assets and third parties.

Directors

The status of the Board of Directors since the last Annual Report till the date of this Report is as under:

Appointment of Mr Shah and Mr Jadeja as Director was approved by the Members in the last Annual General Meeting (AGM) held on August 9, 2011.

According to Article 134 of the Articles of Association of the Company, Mr S S Lalbhai retires by rotation and being eligible offers himself for reappointment at the forthcoming AGM scheduled on July 24, 2012.

Management Committee

The day-to-day management of the Company is vested with the Management Committee which is headed by Mr Vasudev Koppaka as the Managing Director with functional heads as its Members.

Corporate Governance

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

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

During the year, there were no employees drawing remuneration exceeding the limits been prescribed under Section 217(2A). Information required under Section 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 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 Company Secretary for a copy.

Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that to the best of their knowledge and belief

- (i) In the preparation of the annual accounts, the applicable Accounting Standards were followed.
- (ii) Such accounting policies were selected and applied consistently and such judgements and estimates were made that were reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on March 31, 2012 and of the loss of the Company for the year ended on that date.
- (iii) Proper and sufficient care was 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.
- (iv) The Company has restarted its manufacturing operations at Ankleshwar site and intends to expand and diversify its operations as per the proposal submitted to the BIFR. As such, it is considered as a going concern and the attached annual accounts for the year ended March 31, 2012 were prepared on a going concern basis.

Auditors

Haribhakti & Co, the Statutory Auditors will retire at the conclusion of the ensuing AGM. They have given their consent to continue to act as the Statutory Auditors for 2012-13, if appointed.

Acknowledgements

The Board of Directors expresses its sincere thanks to all the customers, employees, investors, suppliers and Stock Exchanges for their continuing support.

For and on behalf of the Board of Directors

Mumbai
May 05, 2012

Sunil Lalbhai
Chairman



Management Discussion & Analysis

The Company manufactures Sulphuric Acid, Oleum 65%, Oleum 25%, Sulphur Trioxide and Sulphur Dioxide at its manufacturing site at Ankleshwar. These are bulk chemicals which find their use in several industries like Dyes, Fertilizer, Personal Care, Petrochemical, Pharmaceutical, Textile, etc. These chemicals are generally sold locally and that too within a radius of 150 km from the manufacturing site.

Sales for the year 2011-12 grew from ₹ 1,319 lacs to ₹ 1,354 lacs. The current global demand for Sulphuric Acid is reported to be 130 million mt per annum, assuming demand equals production and at an average growth of 6-7% per annum, the global demand for Sulphuric Acid is projected to be around 145 million mt per annum valued at US\$ 11.28 bn by 2013* with Fertilizer industry contributing to 65% of the consumption. There are about 45 manufacturers of Sulphuric Acid in India accounting for 7.90 million mt per annum of production. The western region accounts for 44%, followed by eastern region at 30%, southern region at 22% and northern region at 4%.

The manufacturing plant of the Company at Ankleshwar has an installed capacity of 120 mt per day and effective steps have been taken to debottleneck the capacity to 140 mt per day, the benefits of which will fully materialise in 2012-13. It will also be able to generate more steam which would be supplied to a neighbouring plant. In addition, it will also explore new value added products which will utilize Sulphur Trioxide and Sulphur Dioxide. Besides, the Company is also re-considering manufacture of a chemical intermediate used in the pharmaceutical industry.

As the manufacture of the Sulphuric Acid and its downstream products are based on Sulphur, their prices and consequently

their contribution margins are influenced by the international price of Sulphur and the rate of foreign exchange. The Company needs to ensure a high degree of efficiency, competitiveness and speed in its operations to achieve a good performance.

** Source: ICIS*

Internal Control Systems

The Company has appointed an external agency, Ernst & Young, an international consultancy firm, to ensure adequate internal controls for safeguarding the assets, ensuring transactions are in accordance with its policies and are duly authorized, recorded and reported, and preventing significant frauds or other irregularities.

The Company is working to further strengthen the systems for internal audit, risk assessment and mitigation. During the year, it has taken further steps to improve in these areas and has specifically taken the following new initiatives:

- 1) Internal Control Systems & procedures were audited by Ernst & Young and quarterly transactions audit was done by another Chartered Accountant firm that is Vimal D. Desai & Associates
- 2) Suggestions given by both the firms have been implemented

A high priority was assigned towards compliance to safety and environmental norms specified by GPCB.

Human Resources

Production and sales activities of the Company have been streamlined at Ankleshwar and requisite manpower has been recruited to support the activities.

Report on Corporate Governance

The human voice can never reach the distance that is covered by the still small voice of conscience.

- Mahatma Gandhi

1. Philosophy

Transparency and accountability are the two basic tenets of Corporate Governance. Amal is proud to belong to a Group whose founder lived his life with eternal Values and built the business enterprises on the foundation of good governance.

The Company is committed to conducting business the right way which means taking decisions and acting in a way that is ethical and in compliance with the applicable legal requirements. It will endeavour to continuously improve its Corporate Governance performance with a view to earn trust and respect of all its Stakeholders.

The Board of Directors is responsible for and is committed to good Corporate Governance and plays a critical role in overseeing how the Management serves the short and long-term interests of the Shareholders and other Stakeholders.

2. Board of Directors

2.1 Board Business

The normal business of the Board comprises:

- 2.1.01 Approving capital expenditure and operating budgets
- 2.1.02 Approving joint ventures, collaborations, mergers and acquisitions
- 2.1.03 Approving loans and investments
- 2.1.04 Approving sale of investments and assets
- 2.1.05 Approving borrowings in nature of short, medium or long-term
- 2.1.06 Approving creation of charge on assets in favour of lenders
- 2.1.07 Approving commission payable to the Directors within the limit set by Shareholders
- 2.1.08 Approving contracts in which Director(s) are deemed to be interested
- 2.1.09 Approving appointment of the Cost Auditors
- 2.1.10 Approving cost audit reports
- 2.1.11 Approving declaration of interim dividend
- 2.1.12 Approving unaudited quarterly financial results and audited annual accounts, both consolidated and on a standalone basis including segment-wise revenues, results and capital employed
- 2.1.13 Approving matters requiring statutory | Board consent
- 2.1.14 Reviewing foreign exchange exposure and exchange rate movement, if material
- 2.1.15 Reviewing fatal or serious accidents, dangerous occurrences and material environmental matters
- 2.1.16 Reviewing default in payment of statutory dues
- 2.1.17 Reviewing materially important show cause, demand, prosecution and penalty notices
- 2.1.18 Reviewing status on compliance of regulatory | statutory and listing requirements
- 2.1.19 Recommending appointment of the Statutory Auditors
- 2.1.20 Recommending declaration of final dividend
- 2.1.21 Noting minutes of the meetings of the Board, Audit, Shareholders' and Investors' Grievance Committees or any other Committee meetings and also the resolution(s) passed by circulation
- 2.1.22 Noting general notices of interest of the Directors