



Amal Ltd

Annual Report 2013-14

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In the confrontation between the stream and the rock, the stream always wins; not through strength, but through persistence.
~ Unknown

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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', 'believe', 'estimate', 'intend', 'plan', 'project' or 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 actual results may be affected because of 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, believed, 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.

Corporate Profile



Lotus is the national flower of India and is a symbol of purity, inner beauty and awakening.

Amal Ltd is engaged in manufacturing and marketing bulk chemicals such as Sulphuric Acid and Oleum and their downstream products such as Sulphur Dioxide and Sulphur Trioxide. The plant is located in Ankleshwar, Gujarat, India.

Promoted by Piramal Group in 1974-75, the controlling interest was sold to Atul Ltd of Lalbhai Group in 1985-86.

Directors' Report

Dear Members,

The Board of Directors (Board) presents the Annual Report of Amal Ltd, together with the audited statement of accounts for the year ended March 31, 2014.

Financial Results

(₹ '000)

	2013-14	2012-13
Revenue from operations	162,437	171,610
Other income	2,104	1,492
Total revenue	164,541	173,102
Profit (Loss) from operations before tax and exceptional items	4,284	(6,047)
Exceptional items - (expense) income	24,884	6,178
Profit for the year after exceptional items	29,168	131
Tax adjustments	-	-
Profit after tax	29,168	131
Balance brought forward	(457,589)	(457,720)
Balance carried forward	(428,421)	(457,589)

Performance

Net sales decreased by 7% from ₹ 1,523 lacs to ₹ 1,414 lacs; volumes decreased by 8% and prices increased by 1%. Sales income from steam, a by-product, increased by 11% from ₹ 176 lacs to ₹ 195 lacs; because of better price realisation. Revenue from operations decreased by 5% from ₹ 1,716 lacs to ₹ 1,624 lacs. Profit before tax (PBT) from operations improved from loss of ₹ 61 lacs to profit of ₹ 43 lacs. There was a non-recurring income of ₹ 62 lacs (write-back of provisions) in 2012-13 and ₹ 242 lacs (sale of scrap of a closed plant) in 2013-14. The total PBT therefore increased from ₹ 1 lac to ₹ 292 lacs.

Dividend

The Board regrets its inability to recommend dividend due to carried forward losses.

Management Discussion and Analysis

Management Discussion and Analysis covering performance is given at page no 4.

Corporate Governance

A Report on Corporate Governance along with the certificate from the Statutory Auditors regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is given at page no 5 to 18.

Status of Draft Rehabilitation Scheme (DRS) at the Board for Industrial and Financial Reconstruction (BIFR)

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 ₹ 1,000 lacs to Atul Ltd
- Enhanced capacity of Sulphuric Acid plant to 140 MT per day

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

The BIFR appointed IDBI Bank Ltd (IDBI) as the OA vide order dated October 11, 2011. IDBI has reviewed the new Draft Rehabilitation Scheme (DRS) and subsequently submitted the same to the BIFR on February 16, 2012 for its review and approval. An Asset Sale Committee was constituted vide BIFR order dated December 06, 2012 and sale of obsolete plant at Atul site was confirmed to the highest bidder at ₹ 242 lacs which was completed during the year and funds realised were utilised for working capital. DRS submitted by the Company (with March 31, 2013 as cut-off date) was sanctioned as Modified Sanctioned Scheme (MS - 13) on July 01, 2013. The Company has initiated actions as per MS - 13.



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

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, forms a 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 Members excluding the information relating to conservation of energy, technology absorption. Any Member interested in obtaining such particulars may write to the Company Secretary for a copy. During the year, there were no foreign exchange earnings and outgo.

The Company is not required to disclose information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time as there were no employees during the year drawing remuneration exceeding the limit specified there under.

Insurance

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

Fixed Deposits

The Company has not invited or accepted Fixed Deposits under Section 58A of the Companies Act, 1956, from public during the period under review.

Safety, Health and Environment (SH&E)

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

Directors' 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, 2014 and of the profit of the Company for the year ended on that date

- (iii) Proper and sufficient care was taken to maintain 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 attached annual accounts for the year ended March 31, 2014 were prepared on a going concern basis.

Directors

According to Article 134 of the Articles of Association of the Company, Mr Sunil Lalbhai retires by rotation and being eligible offers himself for reappointment at the forthcoming Annual General Meeting (AGM) scheduled on August 01, 2014. As per the provisions of the Companies Act, 2013, Independent Directors, Mr Naresh Singhal, Mr Sujal Shah and Mr Abhay Jadeja are proposed to be reappointed for a term of five years till March 31, 2019.

Auditors

Haribhakti & Co, the Statutory Auditors of the Company, will retire at the conclusion of the ensuing AGM. They have given their consent to continue to act as the Auditors for 2014-15, if reappointed.

The relevant notes forming a 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.

The Board appointed R. Nanabhoy & Co as the Cost Auditors for 2014-15 on April 25, 2014.

Acknowledgements

The Board expresses its sincere thanks to all the employees, customers, suppliers, investors, lenders, regulatory and Government authorities and the Stock Exchanges for their continuing support.

For and on behalf of
the Board of Directors

Mumbai
April 25, 2014

(Sunil Lalbhai)
Chairman

Management Discussion and Analysis

The Company manufactures Sulphuric Acid, Oleum 25%, Sulphur Trioxide and Sulphur Dioxide in its manufacturing site at Ankleshwar, Gujarat, India. These products are bulk chemicals which are used by customers mainly belonging to Dyes, Fertiliser, Personal Care, Petrochemical, Pharmaceutical and Textile industries and are generally sold locally within a radius of 150 km from the manufacturing site.

During 2013-14, sales decreased by 5% from ₹ 1,699 lacs to ₹ 1,610 lacs.

The current demand of Sulphuric Acid in India is estimated at 8 mn mt per annum and at an average growth of 7% per annum, the demand for Sulphuric Acid is projected to be about 8.6 mn mt per annum valued at ₹ 38 bn by 2015* with Fertiliser industry contributing to 65% of the consumption. There are about 45 manufacturers of Sulphuric Acid in India accounting for 7.90 mn 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 has an installed capacity of 140 mt per day. It will also be able to generate more steam which will be supplied to a neighbouring plant. In addition, it will also explore new value added products which will utilise Sulphur Trioxide and Sulphur Dioxide.

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.

Internal Control Systems

The Internal Control Systems of the Company are commensurate with the nature of its business and size and complexity of its operations. These are routinely tested, certified and upgraded wherever required by Statutory as well as Internal Auditors covering all key areas of business. Significant audit observations and follow up actions and

recommendations thereon are reported to the higher Management and Audit Committee for their review.

The Company is working with reputed firms specialising in internal audit function. The combined efforts are helping it to introduce best practices required to manage its business.

Human Resources

The Company continued with its drive to institutionalise and upgrade its HR processes. In particular, it focused on improving its processes relating to Performance Management (Training and Development, Key Initiatives: identification and review, Competencies, 360 degree feedback and fixed and variable pay).

The training need is identified based on self assessment and L+1 assessment; in addition, there are certain standard courses which everyone is expected to go through, depending upon his (her) grade. The identification and review process of Key Initiatives has become more robust and is continuously upgraded.

Statements made in the Management Discussion and Analysis report relating to projections, estimates, expectations or predictions are based on certain assumptions. The Company cannot guarantee that these assumptions are accurate or will be realised. The actual results, performance or achievements of the Company may thus differ materially from those estimated or projected.



1. **Philosophy**

Transparency and accountability are the two basic tenets of Corporate Governance.

Amal 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 (Board) 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**

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 the 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 unaudited quarterly financial results and audited annual accounts, both consolidated and on a standalone basis including segment-wise revenues, results and capital employed
- 2.1.12 Approving matters requiring statutory Board consent
- 2.1.13 Reviewing foreign exchange exposure and exchange rate movement, if material
- 2.1.14 Reviewing fatal or serious accidents, dangerous occurrences and material environmental matters
- 2.1.15 Reviewing default in payment of statutory dues
- 2.1.16 Reviewing materially important show cause, demand, prosecution and penalty notices
- 2.1.17 Reviewing status on compliance of regulatory | statutory and listing requirements
- 2.1.18 Recommending appointment of the Statutory Auditors
- 2.1.19 Recommending declaration of dividend
- 2.1.20 Noting minutes of the meetings of the Board, Audit, Shareholders' | Investors' Grievance Committees or any other Committee meetings and also the resolution(s) passed by circulation
- 2.1.21 Noting general notices of interest of the Directors

2.2 Appointment and tenure

2 | 3rd of the Non Independent Directors are rotational Directors. 1 | 3rd of rotational Directors retire in every Annual General Meeting (AGM) and, if eligible, offer themselves for reappointment. The Managing Director is appointed by the Members for a period of five years.

2.3 Composition, name, other directorships | committee memberships

The Board comprises experts drawn from diverse fields | professions. At this time, it consists of six Members, comprising three Independent Directors, two Non-executive Directors and one Managing Director. The Independent Directors account for 50% of the strength of the Board, thereby complying with the Listing Agreements. The Independent Directors are eminent professionals, drawn from amongst persons with skill, experience and knowledge in one or more fields of finance, law, management, corporate governance or any other discipline related to the business of the Company.

Number	Name	Directorship(s) in other company (ies) ¹	Membership(s) of the Committee(s) of the Board(s) ²	Chairmanship(s) of the Committee(s) of the Board(s) ²
Chairman				
1	Mr Sunil Lalbhai * **	5	3	-
Managing Director				
2	Mr Vasudev Koppaka *	-	-	-
Non-executive Director				
3	Mr Gopi Kannan Thirukonda *	6	3	-
Independent Directors				
4	Mr Naresh Singhal	10	4	4
5	Mr Sujal Shah	8	2	4
6	Mr Abhay Jadeja	-	1	-

* Promoter

** Non-Executive Director

¹ excludes Alternate Directorships and Directorships in foreign companies and private limited companies

² in compliance with Clause 49, Memberships | Chairmanships of only the Audit Committees and Shareholders' | Investors' Grievance Committees of all public limited companies including the Company were considered

2.4 Board meetings

The Board meeting dates were normally determined well in advance. During 2013-14, the Board met four times:

Number	Day	Date	Venue
1	Friday	April 26, 2013	Mumbai
2	Thursday	July 18, 2013	Mumbai
3	Saturday	October 12, 2013	Mumbai
4	Friday	January 10, 2014	Mumbai



2.5 Attendance at the Board meetings and at the AGM

Number	Name	Board meetings		AGM on August 02, 2013
		Total	Attended	
1	Mr Sunil Lalbhai	4	4	-
2	Mr Vasudev Koppaka	4	4	Present
3	Mr Gopi Kannan Thirukonda	4	3	Present
4	Mr Naresh Singhal	4	4	Present
5	Mr Sujal Shah	4	3	Present
6	Mr Abhay Jadeja	4	3	Present

2.6 Appointment | Cessation

- Appointed: Nil
- Resigned: Nil
- Ceased: Nil

2.7 Remuneration

Number	Name	Remuneration during the year			
		Sitting fees	Salary and perquisites	Commission	Total
		₹	₹	₹	₹
	Chairman				
1	Mr Sunil Lalbhai	-	-	-	-
	Managing Director				
2	Mr Vasudev Koppaka	-	8,80,000	-	8,80,000*
	Non-executive Director				
3	Mr Gopi Kannan Thirukonda	-	-	-	-
	Independent Directors				
4	Mr Naresh Singhal	1,20,000	-	-	1,20,000
5	Mr Sujal Shah	60,000	-	-	60,000
6	Mr Abhay Jadeja	60,000	-	-	60,000

Sitting fees constitute fees paid to the Independent Directors for attending the Board and Committee meetings of up to ₹ 10,000 per meeting.

* Represents lower of 10% of the remuneration paid by Atul Ltd to the Managing Director (being an employee of Atul Ltd) or an amount allowable under Section I or Section II of Part II of the Schedule XIII of the Companies Act, 1956. Accordingly, an amount of ₹ 8,80,000 was paid to Atul Ltd for the year 2013-14.

3. Committees of the Board

The Board has constituted the following Committees:

- Audit Committee
- Remuneration Committee
- Share Transfer and Shareholders' | Investors' Grievances Committee

3.1 Audit Committee

3.1.01 Role

- i) Approving the appointment of Chief Financial Officer
- ii) Reviewing | Overseeing the financial reporting process and the disclosure of financial information to ensure that the Financial Statements are correct, sufficient and credible
- iii) Reviewing matters under the Directors' Responsibility Statement to be included in the Directors' Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956
- iv) Reviewing the following information mandatorily
 - Management Discussion and Analysis of financial condition and results of operations
 - Statement of significant related party transactions (as defined by the Audit Committee), submitted by the Management
 - Internal audit reports relating to weaknesses in Internal Control Systems
 - Appointment, removal and terms of remuneration of the Chief Internal Auditor
- v) Reviewing quarterly | annual Financial Statements with the Management before submission to the Board, focusing primarily on
 - Any changes in Accounting Policies and practices
 - Major accounting entries based on exercise of judgement by the Management
 - Qualifications in the draft audit report
 - Significant adjustments arising out of audit
 - Going concern assumption
 - Compliance with Accounting Standards
 - Compliance with the Stock Exchanges and legal requirements concerning Financial Statements
 - Any related party transactions, that is, transactions of the Company of material nature, with Promoters or the Management, their subsidiary companies and relatives, among others, that may have potential conflict with the interest of the Company at large
- vi) Reviewing with the Management, External and Internal Auditors, the adequacy of Internal Control Systems
- vii) Reviewing adequacy of Internal Audit function, including the structure of Internal Audit Department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of Internal Audit
- viii) Reviewing 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 material nature and reporting such matters to the Board
- ix) Reviewing financial and risk management policies
- x) Reviewing reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, Members (in case of non-payment of declared dividend) and creditors