

25th ANNUAL REPORT 2005



**ANIL CHEMICALS
AND INDUSTRIES LIMITED**

ANIL CHEMICALS AND INDUSTRIES LTD.

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BOARD OF DIRECTORS	: ARVIND MACHHAR	- CHAIRMAN CUM MANAGING DIRECTOR
	: SANDEEP MACHHAR	- WHOLE-TIME DIRECTOR
	: PREM KUMAR MITTAL	- SPECIAL DIRECTOR (BIFR NOMINEE)
	: GHEVERCHAND BOTHARA	- DIRECTOR
	: BALAPRAD TAPADIA	- DIRECTOR

COMPANY SECRETARY : MAHESH SINGHI

AUDITOR : M/S RATHI & BANGAD
Chartered Accountant, Aurangabad

BANKERS : PUNJAB NATIONAL BANK
UNION BANK OF INDIA

REGISTERED OFFICE : GUT NO. 72, VILLAGE PHAROLA,
POST – BEEDKIN,
TQ. – PAITHAN, DIST. – AURANGABAD – 431 105 (MS)

LOCATION OF PLANTS : **AMMONIUM NITRATE DIVISION**

- i) J-18, MIDC Area, Chikalthana, Aurangabad – 431 210 (MS)
- ii) Plot No. 614, GIDC Area, Panoli, Ankleshwar,
Dist. Bharuch (GJ) - 394116

EMULSIFIED ANFO/MATRIX DIVISION

- i) Plot No. 48/49, Udyog Deep Industrial Area, Waidhan
Dist. Sidhi (MP) - 486886
- ii) Village – Nandrabad, Taluka Khultabad, Dist.- Aurangabad (MS)
- iii) Plot No. 2/A-1, A-2 IDCO Industrial Area,
Jharsuguda (Orissa) - 768203

CO-EXTRUDED TUBES DIVISION

- iv) Gut No. 72, Village Pharola, Post Beedkin, Tq.-Paithan,
Dist.- Aurangabad – 431 105 (MS)

**SHARE REGISTRAR AND
TRANSFER AGENT** : M/S INTIME SPECTRUM REGISTRY LIMITED
C-13, PANNALAL SILK MILLS COMPOUND
L.B.S. MARG BHANDUP (W), MUMBAI – 400 078

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NOTICE

NOTICE is hereby given that the Twenty fifth Annual General Meeting of the members of M/s Anil Chemicals And Industries Limited will be held on Wednesday, the 21st day of September, 2005, at 11.00 AM at Registered office of the Company situated at Gut No. 72, Village Pharola, Post-Beedkin, Tq.-Paithan, Dist.-Aurangabad – 431 105 (MS) to transact the following business :

ORDINARY BUSINESS

1. To consider, approve and adopt the Balance Sheet of the Company as on 31st March, 2005, and the Profit and Loss Account for the year ended on that date and the report of the Statutory Auditors and the Directors thereon.
2. To appoint a director in place of Shri G.M. Bothara who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s Rathi & Bangad, Chartered Accountant, Aurangabad, the retiring Auditors of the Company, as Statutory Auditors, who shall hold office from the conclusion of this Annual General Meeting of the Company and to fix their remuneration.

Place : Aurangabad
Date : 07.08.2005

BY ORDER OF THE BOARD

Arvind Machhar
Chairman Cum Managing Director

NOTES:

- 1) **A MEMBER ENTITLED TO ATTEND AND VOTES IS ENTITLED TO APPOINT A PROXY TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY AND THE PROXY IN ORDER TO BE VALID MUST BE DEPOSITED WITH THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME FOR THE MEETING.**
- 2) The Register of Members and the Share Transfer Books of the company will remain closed from 15th September, 2005 to 20th September, 2005 (both days inclusive).
- 3) The members are requested to intimate to Share Transfer Agent of the Company changes, if any, in their Registered Address at an early date and bring the copy of the Annual Report and attendance slip with them to the Annual General Meeting.
- 4) In all correspondence with the Company/Registrars, members are requested to quote their registered folio numbers.
- 5) Section 109A of the companies Act, 1956, has introduced provisions for nominations by the holders of shares. The prescribed nomination forms can be obtained from the Company's Registrar and Share Transfer Agent, in case of shares. The Members may take advantage of this facility, if need.

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DIRECTORS' REPORT

To,
The Members of
M/s Anil Chemicals And Industries Limited

Dear Shareholders

The Directors are pleased to present their Twenty Fifth report on the performance of the company for the financial year ended on 31st March, 2005

1. FINANCIAL PERFORMANCE

Rs. in Lacs

PARTICULARS	YEAR ENDED ON 31.03.2005	YEAR ENDED ON 31.03.2004
Sales and other Income	1548.50	1213.35
Less : Operating Expenses	1220.43	1202.35
Profit before Interest and Depreciation	328.07	11.00
DEDUCTIONS		
Interest	1810.40	530.08
Depreciation	185.16	179.57
Deferred revenue expenses and written off expenses	7.46	7.53
Operational Profit after Tax	(1674.95)	(706.18)
Previous Year Income & Expenses	(1144.68)	(7.92)
NET PROFIT/(LOSS)	(2819.63)	(714.10)
Balance brought forward from previous year	(6043.95)	(5329.85)
APPROPRIATION		
Surplus Available for Appropriation	Nil	Nil
Balance carried to balance sheet	(8863.58)	(6043.95)

2. OPERATIONS :

During the year under review, your company has recorded sales and other Income of Rs.1548.48 lacs compared to the earlier year Rs. 1213.35 lacs registering increase of about 27.62 %. The company has entered successfully in the export market and export sales, during the year under review are Rs. 429.08 lacs as compared to the earlier year Rs. 161.70 lacs registering increase of 165.36 %. The division wise position of operations is as under:

a) AMMONIUM NITRATE DIVISION:

The Ammonium Nitrate Division at Panoli has under performed due to the closure of GNFC Ltd Ammonium Nitrate Plant which is the main source of raw material for this plant. The production at Panoli was 1230.71 M. Ton as compared to 11588.12 M. Ton in the previous period. The Ammonium Nitrate Plant at Chikalthana remained inoperative during the year.

b) EMULSIFIED ANFO DIVISION:

Pending decision of the petition filed by the company against Coal India Limited for price fixation the operations of the company's plant at Waidhan and Jharsuguda remained suspended.

c) CO-EX TUBES DIVISION :

During the year under review, the production of Co-Ex Tube division was 342.71 lacs tubes as compared to the previous period production of 265.84 lacs tubes. The Company has also thrust upon its exports market and response was very positive. Your Directors are confident that the turnover the profits of the division will further improved.

d) MERCHANT EXPORT:

During the year the company entered into new business activities of merchant export and achieved turnover of

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Rs. 112.75 lacs under this segments. The directors expects that this activity will increased in coming years.

3. RESTRUCTURING OF THE COMPANY DEBTS AND LIABILITIES.

The company has concluded One Time Settlement with ICICI Bank Ltd, MSFC, OSFC and Union Bank of India. The payments of OTS installments to the lenders are being made in time as per schedule of settlement. Further the company is in discussion with SICOM for restructuring of its debts. The matter of restructuring of Sales tax liabilities of Government of Madhya Pradesh is also in progress. The company has already forwarded Draft Rehabilitation Scheme to Punjab National Bank, the Operating Agency appointed by Hon'ble BIFR.

4. DIVIDEND:

In view of the current year losses, the Board express conveys its inability to recommend any dividend for the year ended 31st March, 2005

5. FIXED DEPOSIT:

Your Company has not accepted any deposits under section 58A of the Companies Act, 1956, from the public during the year.

6. INSURANCE

All the properties of the Company including Plant & Machinery, Stores and Stocks, wherever necessary and to the extent required have been adequately insured.

7. DIRECTORS:

Shri G.M. Bothara, director of the Company is retiring by rotation and being eligible offers himself for re-appointment. The Board recommends his re-appoint.

8. AUDITORS

M/s. Rathi & Bangad, Chartered Accountants, Aurangabad, the Statutory Auditors of the Company are retiring at the forthcoming annual general meeting and they are eligible for re-appointment. The Board recommends their re-appointment.

9. PARTICULARS OF EMPLOYEES

The provisions of Section 217(2A) of the Companies Act, 1956, read with the provisions of the Companies (Particulars of Employees) Rules, 1975, are not attracted in case of any employee of the Company.

10. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956, the Board confirms that:

- The financial statement is in full conformity with the requirements of the Companies Act, 1956, and applicable accounting standards have been followed along with proper explanation relating to material departure.
- The directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial period and o, the profit or loss of the Company for the period under review.
- The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for preventing and detecting fraud and other irregularities.
- The directors have prepared the Annual Accounts on a going concern basis.

11. AUDITORS' OBSERVATIONS

- Refer point no 2 of the Auditors Report:** The Company has sought relief and concessions in its Draft Rehabilitation Scheme submitted to the Operating Agency. Pending approval of the scheme from Financial Institutions/Bank, other lenders and BIFR. The Company has prepared the account on the "Going Concern Basis". Refer to note no. 4 of Schedule 13.
- Refer Point No. 4(a) and 4(j) of the Auditors Report :** In view of the rehabilitation scheme filed by the company, the accounts of secured creditors are expected to be reconciled and adjusted in the ensuing year. In respect of unsecured creditors/debtors, the company is following the system of perpetual confirmation and reconciliation. Accordingly, all the accounts are reconciled and adjusted as and when a note of discrepancy is received from the concerned party. Refer to note no.10 of schedule13.
- Refer Point No 4 (d) of the Auditors Report :** Management is of the opinion that the diminution in the value of investments is of temporary in nature and therefore, no provisioning is required at this stage. Refer to note no. 20 of schedule 13.
- Refer to point no 4(f) of the Auditors Report (Refer note No.14 of schedule 13)**

In view of the company's writ petition NO 389/2000 admitted H'ble Calcutta High Court against Coal India Ltd. for Rs 145.59 Lacs, which is still pending, the same is shown as good and recoverable and no provision as bad and doubtful debts is considered necessary by the management at this stage.

Further In view of the company's writ petition No. 4055/1999 admitted by H'ble Jabalpur High Court against

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Northern Coalfields Limited for Rs 41.63 Lacs, which is still pending, the same is shown as good and recoverable and no provision as bad and doubtful debts is considered necessary by the management at this stage. In the opinion of management the balance amount of Rs.1.24 lacs are also recoverable.

- e. **Refer to point no 4(g) & (i) of the Auditors Report:** In view of the legal suit for recovery of dues from Sachit Plastics Pvt. Ltd pending in the court of law, in the opinion of the management, it would be prudent not to provide for interest on such dues and accordingly no provision for interest is made in the accounts. Refer to note no. 6 of scheduled 13.
- f. **Refer to point no 4(h) of the Auditors Report:** The company is exploring the possibility of reviving the operation of the closed units. Consequently the inventory of stores and spares amounting to Rs 13.21 lacs pertaining to these units may be used in due course of time. Accordingly, no provision is required at this stage. Refer to note no. 18 of scheduled 13.
- g. **Refer to point no 5 of the Auditors Report:** In view of the terms and conditions of One Time Settlement with Banks & Financial Institutions the management had on prudent basis provided interest, penal interest and liquidated damages as per original contract including an amount of Rs. 1141.41 lacs pertaining to earlier periods. Refer to note no. 5 of scheduled 13.
12. **SUBSIDIARY COMPANY**
A statement pursuant to section 212 of the Companies Act, 1956, in respect of the subsidiary company is appended to the Balance Sheet.
13. **REPORT ON CORPORATE GOVERNANCE**
A report on Corporate governance as required under the Listing Agreement with the Stock Exchange, containing required details is enclosed and forming part of the report of the Board of Directors.
14. **CORPORATE SOCIAL RESPONSIBILITY:**
The Company is paying education allowance/expenses to its eligible workers and employees for one child.
15. **RELATION WITH EMPLOYEES**
The relation with the employees continued to be cordial during the year. The directors wish to place on record their sincere appreciation for the excellent team spirit with which they have worked for the progress of the Company.
16. **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO ETC.**
 - a) **Conservation of Energy :** The Company consistently pursues reduction in energy consumption in its manufacturing process on an ongoing basis.
 - b) **Technology Absorption :** No new technology was absorbed during the year.
 - c) **Foreign Exchange Earning and Outgo:** Foreign Exchange Earning of the Company is Rs. 410.00 lacs for the year under review, whereas the outgo is Rs. 230.01 lacs on account of raw material, Store & Spares import, foreign visits and exhibition expenses.
17. **COMPLIANCE CERTIFICATE**
A Compliance Certificate from the Statutory Auditors of the Company regarding compliance with the condition of Corporate Governance as stipulated in clause 49 of the listing agreement with the Stock Exchange is enclosed and forms part of this report.
18. **ACKNOWLEDGEMENT**
The Directors place on record their sincere gratitude to the employees of the Company for their hard work and to the Banks, Government Authorities, Financial Institutions and other Statutory Authorities for their continued support and the investors for their trust and confidence on the management of the Company.

For and on behalf of the Board
ANIL CHEMICALS AND INDUSTRIES LIMITED

PLACE : Aurangabad
DATE : 07.08.2005

Arvind Machhar
Chairman Cum Managing Director

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**STATEMENTS PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO THE COMPANY'S INTEREST IN ITS SUBSIDIARY COMPANY,
M/S NAVNEET MACHINES MANUFACTURING COMPANY PRIVATE LIMITED**

1. Name of the Subsidiary Company : Navneet Machines Mfg. Co. Pvt. Ltd.
2. Date from which it become subsidiary : 16th May, 1985
3. Financial year of the subsidiary company ended : 31st March, 2005
4. (a) No. of equity shares held by Anil Chemicals and Industries Ltd. and its Nominees in the subsidiary as at the end of the financial year of the subsidiary Company. : 9980 Equity shares of Rs. 10/- each
- (b) Capital and reserves of the subsidiary as at the end of the financial year of the subsidiary Company.
 - i) Capital : Rs. 1,00,000/-
 - ii) Reserves and Surplus : Rs. 17,116/-
- (c) Extent of interest of Anil Chemicals and Industries Ltd. : 99.80% capital of subsidiary at the end of the financial year of the subsidiary company.
5. Net aggregate amount of profits of the subsidiary so far as they concern the members of the Anil Chemicals and Industries Limited. :
 - a) Profit for the subsidiary's Financial year ended on 31.03.05 : Nil
 - b) Profits for the previous Financial years of the subsidiary since it become the subsidiary of Anil Chemicals And Industries Ltd. : Nil
6. Net aggregate amount of the subsidiary's profits not dealt within the Accounts of Anil Chemicals And Industries Limited.:
 - a) For the subsidiary's Financial year ended on 31.03.2005 : Nil
 - b) For its previous Financial year : Nil
6. Net aggregate amount of the subsidiary profits dealt within the Accounts of Anil Chemicals And Industries Limited. :
 - a) For the subsidiary's Financial year ended on 31.03.2005 : Nil
 - b) For its previous Financial year : Nil

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CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2005

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. COMPANY'S PHILOSOPHY

The Company believes that the code prescribes a minimum framework for governance of a business in corporate framework. The company has set, as its mission, the implementation of a Corporate Governance system to ensure transparency, control, accountability and responsibility in all areas of operation. Corporate Governance is considered as, to protect and achieve enhanced value for all its stakeholders i.e. shareholders, employees, customers and society in general.

2. BOARD OF DIRECTORS

The Board of Anil Chemicals and Industries Limited (ACIL) consists of two executive directors and three non-executive/independent directors, who are acknowledged as leading professionals in their respective fields.

The constitution of Board is as under:

Director	Executive/Non-Executive/Independent*	No. of other Directorship	Membership Committees/ Chairmanship
Shri Arvind Machhar Chairman Cum Managing Director	Executive	One	1/0
Shri Sandeep Machhar Whole-Time Director	Executive	Two	NIL.
Shri Prem Kumar Mittal Special Director (BIFR Nominee)	Non-executive Independent	Nil	2/0
Shri Gheverchand Bothara Director	Non-executive Independent	One	2/2
Shri Balaprasad Tapadia Director	Non-executive Independent	Nil	3/1

None of the Director hold Directorship in more than 15 companies. Membership in Committees of Board in more than 10 companies and Chairmanship of Committees of Board in more than 5 Committees.

* An Independent Directors are directors who apart from receiving director's remuneration i.e. sitting fees does not have any material pecuniary relationship or transaction with the Company, its promoters or its management or its subsidiaries, which in the judgment of the Board may affect their independency of judgment.

This includes directorship held in private limited Companies and Overseas Companies.

Attendance of Directors at Board Meeting and Annual General Meeting

The Board of Company met five times during the last financial year, on the following dates:

(1) 25th April, 2004 (2) 24th July, 2004 (3) 21st August, 2004 (4) 31st October, 2004 (5) 8th January, 2005.

The attendance at the Board Meetings and previous Annual General Meeting as under:

Name of Director	Attendance	
	Board Meeting	Annual General Meeting
Shri Arvind Machhar	4	—
Shri Sandeep Machhar	3	1
Shri P.K. Mittal	4	—
Shri G. M. Bothara	4	1
Shri B.H. Tapadia	5	1

* No. new appointment during the year.

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3. AUDIT COMMITTEE

The Audit Committee was re-constituted by the Board on 31.01.2004 as per requirement of Listing Agreement under the Chairmanship of Shri G. M. Bothara an independent director. During the financial year 2004-05, five meetings were held on the following dates:

(1) 25th April, 2004 (2) 24th July, 2004 (3) 21st August, 2004 (4) 31st October, 2004 (5) 8th January, 2005

The Constitution of the committee and the attendance of each member of the Committee is given below:

Name	Designation	Non-executive/ Independent	Professional	Committee Meetings Attended
Shri G. M. Bothara*	Chairman	Independent	Consultant	Four
Shri P.K. Mittal	Member	Independent	Consultant	Four
Shri B. H. Tapadia	Member	Independent	Consultant	Five

* Possesses expert knowledge in finance, accounts and taxation.

The Chairman of the Audit Committee attended the last Annual General Meeting of the Company held on 30th September, 2004.

The minutes of the Audit Committee were circulated to the Board, discussed and took note.

The terms of reference of the Audit Committee inter-alia include the following :

1. To hold periodic discussion with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the company, internal control system, scope of audit and observations of the Auditors/Internal Auditors;
2. To review compliances with internal control system;
3. To review quarterly, half yearly and annually financial results of the Company before submission to the Board;
4. To investigate into any matter in relation to item specified in section 292A of the Companies Act, 1956, or as may be referred to it by the Board and for this purpose to seek any relevant information contained in the records of the company and also seek external profession advice if necessary;
5. To make recommendations to the Board on any matter relating to the financial management of the Company including the Audit Report.

4. REMUNERATION COMMITTEE

Even though being a non-mandatory requirement, the Board formed the Remuneration Committee and the remuneration committee consist of the following directors :

Name	Designation	Executive/Non-Executive/Independent
Shri G.M. Bothara	Chairman	Non-executive Independent
Shri P.K. Mittal	Member	Non-executive Independent
Shri B.H. Tapadia	Member	Non-executive Independent

No meeting of the Remuneration committee held during the year.

Details of remuneration paid/payable to directors for the year ended March 31, 2005 are as follows:

Director	Relation-ship with other directors	Business relationship with ACIL	Loans and advances from ACIL	Sitting fees* Rs	Salary and Perquisites Rs.	Commis-sion Rs.	Total Rs.
Shri Arvind Machhar	Related to Shri Sandeep Machhar	Promoter	NIL	Nil	463093	Nil	463093
Shri Sandeep Machhar	Related to Shri Arvind Machhar	Promoter	Nil	Nil	574781	Nil	574781
Shri P.K. Mittal	None	None	Nil	8000	Nil	Nil	8000
Shri G.M. Bothara	None	None	Nil	8000	Nil	Nil	8000
Shri B.H. Tapadia	None	None	Nil	12000	Nil	Nil	12000

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1. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Board has constituted an Investors Grievances Committee which looks into shareholders and investors grievances. The following are the members of the committee :

Name	Designation	Executive/Non-Executive/Independent
Shri B. H. Tapadia	Chairman	Non-Executive Independent
Shri Arvind Machhar	Member	Executive

The minutes of the Shareholders'/Investors' Grievance Committee Meeting were circulated to the Board, discussed and taken note of. The Company Secretary acted as Secretary to the Committee and he is also the looking after day to day working related to transfer of shares, correspondence with the shareholders, SEBI, etc.

The said committee administered the following activities:

- To look into and supervise the redress of shareholders/investors complaints like Transfer of shares, Transmission of shares, Issue of duplicate Share Certificates, Change of Address, Change of Status, Change of Name Transposition of shares, etc.
- To consider and approve transfer of shares, dematerialization of shares deletion of name, splitting and consolidation of shares etc.
- To delegate any of its responsibilities to any officer of the company or to the Registrars and transfer Agents and to supervise the proper exercise of delegated powers.

During the financial year 2004-05, Two meetings were held on the following dates:

- (1) 21st August, 2004 (2) 8th January, 2005.

All request for dematerialization of shares as on that date were confirmed to the CDSL. The Company received 11 complaints, queries and request. All these were duly attended up-to 31.03.2005. During the year four complaints disposed off from the SEBI, Mumbai at present the status of complaints on SEBI, Mumbai is NIL.

6. GENERAL BODY MEETING

The locations and time of the Annual General Meeting held during the last 3 years are as follows:

Annual General Meeting	Date	Time	Venue	No. of Special Resolutions passed
Twenty Second	24.09.2002	3.00PM	J-18, MIDC, Chikalthana, Aurangabad (MS)	Two
Twenty Third	22.12.2003	12.00 Noon	J-18, MIDC, Chikalthana, Aurangabad (MS)	Three
Twenty fourth	30.09.2004	11.00 AM	Gut No.72, Village Pharola, Post Beedkin, Aurangabad 431 105 (MS)	Two

- No Resolution passed through postal ballot till date.
- Presently, the company does not have any transaction/proposal for postal ballot.

7. DISCLOSURES

- No Transaction of material nature has been entered into by the Company with Directors or Management and their relatives, etc. that may have a potential conflict with the interest of the Company. The Register of Contracts containing transaction, in which directors are interested, is placed before the Board regularly.
- There are the related parties transactions i.e. transactions of the Company with its Promoters, Directors and Management not conflicting with Company's interest, the details of which have been shown in Schedule 13 in Point No. II in Note No. 2 forming part of the Accounts for the year ended 31st March, 2005.
- There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence, the question of penalties or strictures being imposed by SEBI or the Stock Exchange does not arise.