

# **ARONI CHEMICAL INDUSTRIES LIMITED**

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**20th ANNUAL REPORT**  
**2004 - 2005**

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**ARONI CHEMICAL INDUSTRIES LIMITED****BOARD OF DIRECTORS**

Shri Ashwin Kumar Kothari  
 Shri Jaysukhlal N. Shah  
 Shri Rohit Kothari  
 Shri G. N. Maheshwari  
 Shri Vasantlal Jamnadas Bhavsar (w.e.f. 28-4-2005)

**BANKERS**

HDFC Bank  
 State Bank Of India  
 UCO Bank

**AUDITORS**

M/s D L Mehta & Co.  
 Chartered Accountants  
 Mumbai - 400 002.

**REGISTERED OFFICE**

K. K. Chambers 4th Floor,  
 Sir Purshothomdas Thakurdas Marg,  
 Fort, Mumbai - 400 001.

**NAGDA OFFICE**

Birlagram, Nagda - 456 331.  
 Madhya Pradesh

**REGISTRAR & SHARE**

Transfer Agent  
 MCS LIMITED  
 Sri Venkatesh Bhavan  
 Plot No. 27 Road No. 11  
 MIDC Area, Andheri (East)  
 Mumbai - 400 093.

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**NOTICE**

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of Aroni Chemical Industries Limited will be held at 29, Bank Street, 1st Floor, Mumbai - 400 023 on Saturday, the 20th day of August, 2005 at 4.00 p.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2005 and Profit and Loss Account and annexures thereto for the year ended on that date together with Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Rohit Kothari, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

**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. Mr. Vasantlal J. Bhavsar who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 read with the Articles of Association of the Company and who would vacate his office at the ensuing Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 along with necessary deposit from a shareholder proposing the candidature of Mr. Vasantlal J. Bhavsar as a Director of the Company, be and is hereby appointed as a Director of the Company whose office shall be liable to retirement by rotation."

By order of the Board of Directors

Place : Mumbai

Date : 18th June, 2005

**ASHWIN KUMAR KOTHARI**  
CHAIRMAN

**REGISTERED OFFICE:**

K.K. Chambers,  
4th Floor,  
Sir Purshottamdas Thakurdas Marg,  
Fort, Mumbai- 400 001.

**ARONI CHEMICAL INDUSTRIES LIMITED****NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER.
2. Proxies, in order to be effective, must be received at the Company's Registered Office not later than 48 (fortyeight) hours before the time fixed for holding the meeting.
3. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their queries to the Chairman, so as to reach the registered office of the Company at least seven days before the date of the meeting, to enable the Company to make available the required information at the meeting, to the extent possible.
4. The Register of Members and Share Transfer Books will remain closed from Tuesday, 16th August 2005 to Saturday, 20th August 2005 (both days inclusive).
5. Members are requested to notify immediately any change in their address / bank mandate to their respective Depository Participant (DP) in respect of their electronic share accounts and to the Company's Registrar & Share Transfer Agent at MCS Limited, Shri Venkatesh Bhavan, Plot No. 27, road No. 11, MIDC Area, Andheri (East), Mumbai - 400 093 in respect of their physical share folios.
6. Members are requested to bring their copy of Annual Report to the Meeting.
7. Members are requested to bring the Attendance Slip sent herewith duly filled for attending the Meeting.
8. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item No. 4 is appended hereto.

**BRIEF RESUME OF PERSONS PROPOSED TO BE RE-APPOINTED AS DIRECTOR OF THE COMPANY AT THE ANNUAL GENERAL MEETING:**

Name	Shri Rohit Kothari	Shri Vasantlal J. Bhavsar
Age	30 years	62 years
Qualification	Chartered Accountant, M.B.A. from Babson College, USA	S.S.C.
Nature of Expertise	Business	Financial Advisor
Experience	Experience in Trading, Investment, Finance Management and Stock Broking.	Experience in Trading and Investment since 20 Years.
Name of Companies in which also holds Directorship	Innovista Ventures Pvt. Ltd. Mansoon Trading Company Ltd. Sushree Trading Ltd. Alpine Trading & Finance Ltd. Rangoli Holdings Ltd.	---
Name of the Companies in Committees of which holds membership / chairmanship	---	---

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:****Item No. 4**

Shri Vasantlal J. Bhavsar was appointed as an additional director of the company w.e.f. 28th April 2005 and will hold office upto the date of the ensuing Annual General Meeting of the Company.

The Company has received a notice under section 257 of the Companies Act, 1956 from a member signifying his intention for appointment of Shri Vasantlal J. Bhavsar as a Director of the Company.

Considering his varied experience in trading and investment it will be in the interest of the company to appoint him as a director.

Your Director recommends the appointment of Shri Vasantlal J. Bhavsar as a director.

None of the Directors except Mr. Vasantlal J. Bhavsar are interested or concerned in the aforesaid resolution.

By order of the Board of Directors

Place : Mumbai  
Date : 18th June, 2005

**ASHWIN KUMAR KOTHARI**  
CHAIRMAN

**DIRECTORS' REPORT**

The Members,

Your Directors have pleasure in presenting the 20th Annual Report on the operations of the Company together with the Audited Accounts for the year ended 31st March, 2005.

**FINANCIAL HIGHLIGHTS:**

(Amount in Lacs)

Particulars	Year ended 31.03.2005	Year ended 31.03.2004
Interest Received and other Income	1637.95	178.73
Profit before Interest, Depreciation, Extraordinary items and Tax	1570.20	73.89
Less: Interest	0.70	0
Less: Depreciation	0.09	0.53
Profit before Extraordinary items and Tax	1569.41	73.36
Add/(Less) : Extraordinary item	0	(27.37)
Profit before Tax	1569.41	45.99
Less: Provision for Taxation	126.00	30.00
Add/(Less): Deferred Tax Expenses	(0.13)	0.02
Net Profit after Taxation	1443.28	16.01
Balance brought forward from Previous Year	105.31	89.30
Profit available for appropriation	1548.59	105.31
Balance Carried Forward	1548.59	105.31

**DIVIDEND:**

Your Directors are not recommending any dividend for the year ended on 31st March 2005 to conserve the resources for future.

**OPERATIONS & PERFORMANCE:**

The Directors are to report that the performance of your Company has been satisfactorily during the year under review. The steps are being taken by the Company to improve its performance in all avenues of its operations. Now with the new economic measures and activities in the finance and finance sectors, your Directors hope to improve the performance of the Company.

The Company has during the year sold its long term investments in Atofina Catalyst (India) Ltd. to ATOFINA S.A. of France and the Company has also settled outstanding matters with regard to this investment.

With regard to the above, the Company has also received an aggregate amount of Rs. 1663 Lacs.

Although the company maintains adequate internal control systems covering all its operation areas, the Company's Audit committee is reviewing these internal control systems in detail for their effectiveness and their adequacy in the present scenario. The Directors are putting in their efforts and are hopeful of improving the performance during the years to come.

Barring unforeseen circumstances, your Directors are confident of achieving better results in the ensuing year.

**DIRECTORS:**

Shri Rohit Kothari, Director of the Company retire by rotation and being eligible, offer himself for re-appointment at the ensuing Annual General Meeting.

Shri Vasantlal J. Bhavsar was appointed as an Additional Director of the Company on 28th April 2005, pursuant to Section 260 of the Companies Act, 1956. He will hold his office as such till the ensuing

**ARONI CHEMICAL INDUSTRIES LIMITED**

general meeting. The Company has received notice from shareholder under Section 257 of the Companies Act 1956, signifying his intention to propose the name of Shri Vasantlal J. Bhavsar for the appointment as director at this meeting.

Brief profile of these Directors is given in the notes to the Notice of the ensuing Annual General Meeting.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, your Directors confirm the following:

- in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2005 and of the profit of the Company for that period;
- that the Directors have taken proper and sufficient care 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;
- that the annual accounts for the year ended March 31, 2005 have been prepared on a going concern basis.

**CORPORATE GOVERNANCE:**

A Report on Corporate Governance along with a certificate from the Auditors of the Company regarding compliance of the requirements of Corporate Governance, as also a Management Discussion & Analysis Report pursuant to Clause 49 of the Listing Agreement with the Stock Exchange are annexed hereto.

**AUDITORS:**

M/s. D. L. Mehta & Associates, Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Members are requested to appoint Auditors for the current year and to authorize the Board to fix their remuneration.

**AUDITORS' REPORT:**

The observations made by the Auditors in their Report read with the relevant notes as given in the Notes on Accounts for the year ended 31st March, 2005 are self explanatory and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956.

**PUBLIC DEPOSITS:**

The company has not accepted any deposits from public.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

During the year, the Company has not engaged in any manufacturing activity and had no foreign collaboration and also has not imported or exported any goods and services. Hence no report is given on the above matters. During the year the Company incurred expenses in foreign currency amounting to Rs. 5.95 Lacs.

**PARTICULARS OF EMPLOYEES:**

The Company does not have any employee in receipt of remuneration equal to or exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended.

**ACKNOWLEDGEMENTS:**

Your Directors take this opportunity to express their gratitude for the support and co-operation from the investors, Banks and Statutory Authorities. Your Directors express their deep appreciation to the Company's employees at all levels for their unstinted efforts and valuable contributions during the year.

For and on behalf of the Board of the Directors

Place : Mumbai  
Date : 18th June, 2005

**ASHWIN KUMAR KOTHARI**  
CHAIRMAN

## CORPORATE GOVERNANCE REPORT

### (A) COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Aroni Chemical Industries Limited (ACIL) continues to follow procedures and practices in conformity with the Code of Corporate Governance enshrined in the Listing Agreement. The Company's primary objective is to create and adhere to a corporate culture of conscience, integrity, transparency and accountability for efficient and ethical conduct of business for meeting its obligations towards shareholders. The Company respects the inalienable rights of its shareholders to information on the performance of the Company and considers itself a trustee of its shareholders. The objective of the Company is to achieve business excellence and dedicate it to increasing the value of long-term interest of all the shareholders.

### (B) BOARD OF DIRECTORS

#### (I) Board Composition

As on the date of this report, all the members of the Board of Directors are Non-Executive having rich and varied experience. The Board comprises of Five (5) Non - Executive Directors of which Three (3) are Independent. The Chairman of the Board is a Non-Executive Director. The size and composition of the Board meets with the requirements of the Corporate Governance Code of the Listing Agreement with the Stock Exchanges.

The constitution of the Board is as given below:

Director	Executive/Non-Executive/Independent	Number of other		
		Directorships*	Committee Memberships#	Committee Chairmanships#
Mr. Ashwin Kumar Kothari	Chairman, Non-Executive, Promoter	14	5	—
Mr. Rohit A. Kothari	Non-Executive, Promoter	4	0	0
Mr. Jaysukhlal N. Shah	Non-Executive, Independent	2	0	0
Mr. G. N. Maheshwari	Non-Executive, Independent	0	0	0
Mr. Vasantlal J. Bhavsar (Appointed as Additional Director w.e.f. 28/04/05)	Non-Executive, Independent	0	0	0

\* Other Directorships exclude Directorships held in Private Limited Companies.

# Committee of Directors include Audit Committee, Shareholders / Investors Grievance Committee and Remuneration Committee of Directors only.

#### (II) Board Meetings and Attendance of Directors

The Board meets at least once in a quarter to consider, amongst other business, the performance of the Company and quarterly financial results. When necessary, additional meetings are held. The Board meetings are generally held at the Registered office of the Company at Mumbai. Agenda for each meeting along with explanatory notes are drafted and distributed well in advance to the Directors. Every Board Member is free to suggest the inclusion of items on the agenda.

There were nine Board Meetings during the year ended 31st March, 2005 i.e. on 20th May 2004, 29th June 2004, 29th July 2004, 13th September 2004, 29th October 2004, 1st December 2004, 25th January 2005, 21st February 2005 and 11th March 2005. Table hereunder gives the attendance record of the Directors at the Board Meetings held during 2004-05 and the last AGM:



**ARONI CHEMICAL INDUSTRIES LIMITED**

Name of the Directors	Number of Board Meetings	Number of Board Meetings attended	Whether attended last AGM
Mr. Ashwin Kumar Kothari	9	8	No
Mr. Rohit A. Kothari	9	8	Yes
Mr. Jaysukhlal N. Shah	9	7	Yes
Mr. G. N. Maheshwari	9	4	No
Mr. Vasantlal J. Bhavsar (Appointed as Additional Director w.e.f. 28/04/05)	NA	NA	NA

**(C) BOARD COMMITTEES**

Currently, the Board has two Committees - the Audit Committee and the Shareholders/Investors Grievance Committee. As on date, the Audit Committee comprises of three members of which two Members are Non-Executive Independent Directors and one member is a Non-Executive Director. The Shareholders/Investor Grievance Committee comprises of two Members. The Chairman of the said Committee is Non-Executive Director.

The Board is responsible for the constitution, co-opting and fixing the terms of reference for Committee members of the said Committees.

**(I) Audit Committee****Terms of reference****(a) Primary objectives of the Audit Committee**

The Audit Committee of the Company inter-alia, provides assurance to the Board on the adequacy of the Internal Control Systems and financial disclosures. The primary objective of the Audit Committee (the "Committee") is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting.

The Committee oversees the work carried out in the financial reporting process - by the management, including the independent auditor - and notes the process and safeguards employed by each.

**(b) Scope of the Audit Committee**

1. Provide an open avenue of communication between the independent Auditor and the Board of Directors ("BoD")
2. Recommending the appointment and removal of Statutory Auditors, fixation of audit fees and also to approve the payment for other services
3. Meet thrice a year or more frequently as circumstances require. The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.
4. Confirm and assure the independence of the external auditor.
5. Review with Independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and the effective use of all audit resources.
6. Consider and review with the independent auditor the adequacy of internal controls including the computerised information system controls and security;
7. Reviewing with the management the Annual Financial statements before submission to the Board, focusing primarily on:
  - (a) Any changes in the accounting policies and practices
  - (b) The going concern assumption
  - (c) Compliance with Accounting Standards
  - (d) Compliance with Stock Exchange and legal requirements concerning financial statements
  - (e) Significant adjustment arising out of audit



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8. Consider and review with the management and the independent auditor:
  - (a) Significant findings during the year, including the status of previous audit recommendations,
  - (b) Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information.

**Composition of the Audit Committee as on 31st March, 2005**

The Audit Committee comprises of three Non-Executive Directors of which two are Independent Directors. Mr. Jaysukhlal N. Shah, a Non-Executive Independent Director acts as the Chairman of the Committee. The Audit Committee is constituted in accordance with the Corporate Governance Code of the Listing Agreement and the provisions of the Companies Act, 1956. The statutory auditors are invited to the Audit Committee Meetings whenever required. The quorum for the Audit Committee Meeting is two members.

The composition of the Audit Committee is as follows:

1. Mr. Jaysukhlal N. Shah, Chairman
2. Mr. G. N. Maheshwari
3. Mr. Ashwin Kumar Kothari

**Audit Committee Meetings and Attendance during the financial year ended 31st March 2005**

During the financial year ended 31st March, 2005, four Audit Committee Meetings were held on 29th June 2004, 29th July 2004, 29th October 2004 and 25th January, 2005. The table hereunder gives the attendance record of the Audit Committee members.

Name of the Audit Committee Members	No. of meetings held	No. of meetings attended
Mr. Jaysukhlal N. Shah	4	4
Mr. G. N. Maheshwari	4	4
Mr. Ashwin Kumar Kothari	4	4

Management is responsible for the Company's internal controls and the financial reporting process. The independent Auditors are responsible for performing an independent audit of the Company's financial statements in accordance with the applicable Accounting Standards and for issuing a report thereon. The Committee's responsibility is to monitor these processes. The Committee is also responsible to oversee the processes related to the financial reporting and information dissemination, in order to ensure that the financial statements are true, correct, sufficient and credible.

The Committee has recommended to the Board the appointment of M/s. D. L. Mehta & Co., Chartered Accountants, as the Statutory and Independent Auditors of the Company for the Financial Year ending March 31, 2006 and that necessary resolution for appointing them as auditors be placed before the shareholders.

**(ii) Remuneration Committee:**

The Company has not constituted Remuneration Committee, being a non-mandatory requirement of the Code of Corporate Governance as enshrined in the Listing Agreement.

**Remuneration Policy:**

None of the Directors is paid any remuneration or sitting fees. Presently, the Company does not have any stock option plan or performance linked incentives for its Directors.

**(iii) Shareholders/Investors Grievance Committee:****Composition:**

The Shareholders/Investors Grievance Committee is headed by Non-Executive Director, and consists of the following members:

Mr. Ashwin Kumar Kothari, Chairman  
Mr. Jaysukhlal N. Shah,

Mr. Ritesh Zaveri, Secretarial Officer acts as the Compliance Officer.

**ARONI CHEMICAL INDUSTRIES LIMITED****Scope of the Shareholders/Investors Grievance Committee:**

The said Committee inter-alia, deals with various matters relating to transfer/transmission of shares, investors' grievances and redressal mechanism and to recommend measures to improve the level of investor services.

**Meetings and Attendance:**

Twenty three Shareholders/Investors Grievance Committee meetings were held during the year ended March 31, 2005. Both the member of the Committee were present in all the Meetings held during the year.

The Committee expresses satisfaction with the Company's performance in dealing with investors grievance and its share transfer system.

**Details of Shareholders' complaints received, not solved and pending during the Financial Year ended 31st March, 2005:**

The total number of complaints received, and replied to the satisfaction of the shareholders during the year ended March 31, 2005 were 7 (Seven). There were no pending / unattended complaints as on March 31, 2005.

**(D) GENERAL BODY MEETINGS:**

Details of last three Annual General Meetings are given hereunder

Year	Date	Venue	Time
2002	30/09/2002	29, Bank Street, Fort, Mumbai - 400 023	10:00 a.m.
2003	30/09/2003	29, Bank Street, Fort, Mumbai - 400 023	2:30 p.m.
2004	28/09/2004	K. K. Chambers, Fourth Floor, Sir Purushottamdas Thakurdas Marg, Fort, Mumbai - 400 001	10:00 a.m.

**Special Resolution:**

No Special Resolution was required to be passed in the last three Annual General Meetings.

**Postal ballots**

No Special Resolution requiring postal ballot was placed before the last Annual General Meeting. No special resolution is being proposed for the ensuing general meeting for being passed through postal ballot.

**(E) DISCLOSURES:****(i) Related Party Transactions:**

There are no transactions of material nature with Directors/Promoters or any related entity, which will have any potential conflict with the interests of the Company at large.

**(ii) Compliances by the Company:**

There is no penalties, strictures imposed by the Stock Exchange, SEBI or any other statutory authority on any matter related to capital markets, during the last three years/period.

**(F) MEANS OF COMMUNICATION:**

(i) The Quarterly results of the Company are published in two newspapers in compliance with the provisions of Clause 41 of the listing agreement. Generally, the same are published in The Free Press Journal (English language) and Nav Shakti (Marathi language) in Mumbai and The Financial Express (English language) and Lipi (Bengali language) in Kolkata. As the results of the Company are published in the newspapers, Half-yearly reports are not sent to each shareholders. The quarterly results as well as the proceedings of the Annual General Meeting are submitted to the Stock Exchange, Mumbai and immediately after the conclusion of the respective meeting.

(ii) No presentations were made to the institutional investors or to analysts during the year under review.

(iii) Pursuant to clause 51 of the Listing Agreement, all data related to quarterly financial results, shareholding pattern, etc. are hosted on the Electronic Data Information Filing and Retrieval (EDIFAR) website at [www.sebidifar.nic.in](http://www.sebidifar.nic.in) within the time frame prescribed in this regard.

(iv) The Management Discussion and Analysis Report forms a part of this Annual Report.