

ARONI CHEMICAL INDUSTRIES LIMITED

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21ST ANNUAL REPORT
2005 - 2006

BOARD OF DIRECTORS

Shri Ashwin Kumar Kothari
 Shri Rohit Kothari
 Shri Vasantlal Bhavsar
 Shri Umaidmal Kala (Appointed as an Additional Director w.e.f. 17/12/2005)

BANKERS

HDFC Bank
 State Bank of India
 UCO Bank

AUDITORS

M/s Lalit Mehta Associates
 Chartered Accountants,
 Bharat House, 2nd Floor,
 Mumbai Samachar Marg,
 Mumbai - 400 023.

REGISTERED OFFICE

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

NAGDA OFFICE

Birlagram, Nagda - 456 331
 Madhya Pradesh.

REGISTRAR & SHARE TRANSFER AGENT**INTIME SPECTRUM REGISTRY LIMITED**

C - 13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (West),
 Mumbai - 400 078.

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NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the Members of Aroni Chemical Industries Limited will be held at 29, Bank Street, 1st Floor, Fort, Mumbai- 400 023 on Saturday, the 30th day of September, 2006 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, 2006 and the 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 Vasantlal Bhavsar, 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 Shri Umaidmal Kala who was appointed as an Additional Director of the Company on 17th December, 2005 pursuant to the provisions of Section 260 of the Companies Act, 1956 read with the Articles of Association of the Company and who vacates 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 Shri Umaidmal Kala 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."

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Registrar of Companies, Maharashtra, Mumbai and such other authorities, as may be necessary in this regard, consent of the Company be and is hereby accorded to the change of name of the Company from **"ARONI CHEMICAL INDUSTRIES LIMITED"** to **"ARONI COMMERCIALS LIMITED"** and that wherever the name "Aroni Chemical Industries Limited" appears in the Memorandum and Articles of Association of the Company, the same be substituted by the name "Aroni Commercial Limited."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take necessary steps and to do all such acts, deeds and things as may be required from time to time to obtain the consent of the Registrar of Companies, Maharashtra and Fresh Certificate of Incorporation consequent on Change of Name of the Company."

For and on behalf of the Board of Directors

PLACE : Mumbai
DATE : 14th August, 2006

ASHWIN KUMAR KOTHARI
CHAIRMAN

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

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. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. 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.
3. The Register of Members and Share Transfer Books will remain closed from Saturday, 23rd September 2006 to Saturday, 30th September, 2006 (both days inclusive).
4. 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 Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai- 400078 in respect of their physical share folios.
5. Members are requested to bring their copy of Annual Report to the Meeting.
6. Members are requested to bring the Attendance Slip sent herewith duly filled for attending the Meeting.
7. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item Nos. 4 & 5 is appended hereto.

BRIEF RESUME OF PERSONS PROPOSED TO BE REAPPOINTED AS DIRECTORS OF THE COMPANY AT THE ANNUAL GENERAL MEETING:

Name	Shri Vasantlal Bhavsar	Shri Umaidmal Kala
Age	63 Years	65 Years
Qualification	S.S.C.	B.Com.
Nature of Expertise	Business	Service
Experience	Experience of over 30 Years in the field of Trading and Investments.	Experience of over 25 Years of Handling Commercial and Management aspects of Organisation.
Name of Companies in which also holds Directorship	—	1) Paritej Molecules Private Limited 2) Meenul Metallizing Private Limited
Name of the Companies in Committees of which holds membership / chairmanship	—	—
Shareholding in Aroni Chemical Industries Limited	Nil	Nil

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

Shri Umaidmal Kala was appointed as an Additional Director of the Company w.e.f. 17th December 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 Umaidmal Kala as a Director of the Company.

Considering the varied experience of Shri Umaidmal Kala in the field of handling Commercial and Management aspects of Organisation it will be in the interest of the Company to appoint him as a Director. Your Director recommends the appointment of Shri Umaidmal Kala as a Director.

None of the Directors except Shri Umaidmal Kala are interested or concerned in the aforesaid resolution.

Item No. 5

The name of the Company is proposed to be changed from “**ARONI CHEMICAL INDUSTRIES LIMITED**” to “**ARONI COMMERCIALS LIMITED**” as present name of the Company does not reflect the current business activities of the Company.

Accordingly, the Company had made an application to the Registrar of Companies, Maharashtra, Mumbai for availability of the said name “**ARONI COMMERCIALS LIMITED**” and the said authority vide its letter bearing SRN No. A00697128 dated 22nd May 2006 has signified the availability of the said name.

The proposed change of name would however, require approval of the members of the Company by way of a Special Resolution and further approval of the Registrar of Companies, Maharashtra, Mumbai.

The Directors recommend the said resolution for the approval of the Shareholders.

The above mentioned name availability letter dated 22nd May 2006 is available for inspection of the members of the Company at the Registered Office of the Company on all working days during business hours.

None of the Directors of the Company shall be deemed to be concerned or interested in the aforesaid resolution.

For and on behalf of the Board of Directors

Place: Mumbai
Dated: 14th August, 2006

ASHWIN KUMAR KOTHARI
CHAIRMAN

DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the 21st Annual Report on the operations of the Company together with the Audited Accounts for the year ended 31st March, 2006.

Financial Highlights :

(Rs. in Lacs)

Particulars	Year ended 31.03.2006	Year ended 31.03.2005
Interest Received and other Income	649.92	1637.95
Profit before Interest, Depreciation, Extraordinary items and Tax	611.17	1570.20
Less: Interest	0.03	0.70
Less: Depreciation	0.04	0.09
Profit before Tax	611.10	1569.41
Add/(Less): Provision for Taxation		
a) Current	(105.10)	(126.00)
b) Deferred Tax Expenses	0.01	(0.13)
c) Fringe Benefit tax	(0.04)	0
Net Profit after Taxation	505.97	1443.28
Balance brought forward from Previous Year	1548.59	105.31
Profit available for appropriation	2054.55	1548.59
Balance Carried Forward	2054.56	1548.59

Dividend :

Your Directors do not recommend any dividend for the year ended 31st March 2006 with a view to conserve resources for future.

Operations & Performance :

During the year ended 31st March, 2006, your Company achieved a total income aggregating to Rs. 649.92 Lacs. After providing for Depreciation & Finance Charges, the Company has registered a Profit before tax of Rs. 611.10 Lacs. After making provision for tax in respect of current year amounting to Rs. 105.13 Lacs, the Profit after tax of Rs. 505.97 Lacs has been carried to the Balance Sheet

Although the Company maintains adequate internal control systems covering all its operation areas, the Company's Audit Committee reviews 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 improved working during the years to come.

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

Directors :

Shri G. N. Maheshwari resigned as a Director w.e.f 30th July, 2005 and Shri Jaysukhlal N. Shah resigned as a Director w.e.f. 14th August, 2006. The Board places on record their deep appreciation for the services rendered by Shri G.N Maheshwari and Shri Jaysukhlal N. Shah during their respective tenure on the Board.

Shri Vasantlal Bhavsar, Director of the Company, retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

Shri Umaidmal Kala was appointed as an Additional Director of the Company w.e.f. 17th December 2005 pursuant to Section 260 of the Companies Act, 1956 read with the Articles of Association of the Company. He will hold his office as such till the ensuing Annual General Meeting. The Company has received a Notice under Section 257 of the said act from a Shareholder proposing the candidature of the said Additional Director for the office of Director of the Company.

A brief profile of Directors proposed to be appointed/ re-appointed 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:

- that 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, 2006 and of the profit of the Company for the year ended on that date;
- 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 31st March, 2006 have been prepared on a going concern basis.

Proposed Change of Name of the Company :

The Board of Directors have at their meeting held on 29th April, 2006 approved the proposal for change of the name of the Company from "Aroni Chemical Industries Limited" to "Aroni Commercials Limited" as they are of the opinion that the present name of the Company does not reflect the current business activities. The Company made an application to the Registrar of Companies, Maharashtra, Mumbai (ROC) for confirming the availability of the proposed name. The ROC has vide its letter bearing SRN No. A00697128 dated 22nd May 2006 confirmed the availability of the proposed name "Aroni Commercials Limited."

The members approval for the change in the name of the Company to "Aroni Commercials Limited" is required pursuant to Section 21 of the Companies Act, 1956. The necessary special resolution for approval of the members is proposed in the Notice for the ensuing Annual General Meeting.

Change in the Registrar & Transfer Agent :

Your Directors are to report about the take over of Registry Business of MCS Limited, the existing Registrar and Share Transfer Agent of the Company by Intime Spectrum Registry Limited (ISRL).

The Company has in view of the above takeover, appointed **Intime Spectrum Registry Limited** having its office at C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai-400078, as its Registrar & Share Transfer Agents w.e.f. 17th August 2006. Accordingly all documents, transfers, demat requests and other communications in relation thereto should be hereinafter addressed to the Registrar directly at the aforementioned address.

Corporate Governance :

A Report on Corporate Governance along with a certificate from M/s. Rathi & Associates, Company Secretaries in practice, regarding compliance of the requirements of Corporate Governance, pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges are annexed hereto.

*21st Annual Report 2005-2006***Auditors :**

During the year under the review, M/s Lalit Mehta Associates, Chartered Accountants, were appointed as Statutory Auditors of the Company to fill the casual vacancy caused due to the resignation of M/s. D. L. Mehta & Co., Chartered Accountants, in accordance with the resolution passed by the Shareholders at the Extra-Ordinary General Meeting held on 11th February 2006.

M/s Lalit Mehta Associates, Chartered Accountants, 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, 2006 are self explanatory and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956.

Open Offer pursuant to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 :

During the year, Winro Commercial (India) Limited alongwith Saraswati Commercial (India) Limited, Four Dimensions Securities (India) Limited and Jacqart Chemical Industries Limited made an 'Open Offer' in terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997 to acquire 4,52,915 fully paid-up equity shares of face value of Rs. 10/- each at a price including accrued interest of Rs. 66.70/- per share, representing 10.98% of the equity voting capital of the Company. The said Offer closed on 28th December, 2005. Pursuant to the said Offer, Winro Commercial (India) Limited has acquired 3,350 Equity Shares of the Company.

Public Deposits :

The Company has not accepted any deposits from public.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo :**A] Conservation of Energy and Technology Absorption:**

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.

B] Foreign Exchange Earnings & Outgo:**(Rs. in Lacs)**

PARTICULARS	2005-2006	2004-2005
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Outgo	0.09	5.95

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

Place: Mumbai
Dated : 14th August, 2006

ASHWIN KUMAR KOTHARI
CHAIRMAN

CORPORATE GOVERNANCE REPORT

(A) Company's Philosophy on Code of Corporate Governance

Aroni Chemical Industries Limited (ACIL) is fully committed to and continues to practice good Corporate Governance. The Company believes that proper Corporate Governance generates goodwill among business partners, customers and investors, facilitates effective management and control of business and generates competitive returns for the investors. In addition to the basic governance issues, the Company lays significant emphasis on the principles of trusteeship, transparency, empowerment, accountability and integrity.

(B) Board of Directors

(i) Board Composition

The Composition of the Board is in accordance with the requirements of the Corporate Governance code of Listing Agreement with the Stock Exchanges. The Board of Directors of the Company consist of optimal combination of Non- executive and Independent directors. As on 31st March, 2006 the Board comprised of Four (4) Non - Executive Directors of which Two (2) are Independent. The Chairman of the Board is a Non-Executive Director.

As on the date of this report, the constitution of the Board as given below :

Director	Executive/Non-Executive / Independent	Number of other		
		Director-ships*	Committee Memberships#	Committee Chairmanships#
Shri Ashwin Kumar Kothari	Chairman, Non-Executive, Promoter	12	2	—
Shri Rohit A. Kothari	Non-Executive, Promoter	4	—	—
Shri Jaysukhlal N. Shah (resigned w.e.f. 14/08/2006)	Non-Executive	2	—	—
Shri G. N. Maheshwari (resigned w.e.f. 30/07/2005)	Non-Executive, Independent	—	—	—
Shri Vasantlal J. Bhavsar (Appointed as an Additional Director w.e.f. 28/04/2005)	Non-Executive, Independent	—	—	—
Shri Umaidmal Kala (Appointed as an Additional Director w.e.f. 17/12/2005)	Non-Executive, Independent	—	—	—

* Other Directorships exclude Directorships held in Private Limited Companies.

Committee of Directors includes Audit Committee, Shareholders / Investors Grievance Committee and Remuneration Committee of Directors only. Committee Memberships do not include Membership/ Chairmanship in committees of Directors of Aroni Chemical Industries Limited.

(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 Sixteen Board Meetings during the year ended 31st March, 2006 i.e. on 5th April 2005, 27th April 2005, 28th April 2005, 20th May 2005, 21st May 2005, 13th June 2005, 18th June 2005, 30th July 2005, 10th August 2005, 18th August 2005, 29th October 2005, 31st October 2005, 17th December 2005, 7th January 2006, 14th January 2006 and 30th January 2006. The table hereunder gives the attendance record of the Directors at the Board Meetings held during 2005-06 and the last AGM :

Name of the Directors	Number of Board Meetings held	Number of Board Meetings attended	Whether attended last AGM
Shri Ashwin Kumar Kothari	16	16	No
Shri Rohit A. Kothari	16	15	Yes
Shri Jaysukhlal N. Shah (resigned w.e.f. 14/08/2006)	16	14	Yes
Shri G. N. Maheshwari (resigned w.e.f. 30/07/2005)	8	5	NA
Shri Vasantlal J. Bhavsar (Appointed as an Additional Director w.e.f. 28/04/2005)	14	13	Yes
Shri Umaidmal Kala (Appointed as an Additional Director w.e.f. 17/12/2005)	4	4	NA

(iii) 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.

Shares held by Non-Executive Directors :-

Name of the Non-Executive Director	Equity Shares held (No.)
Shri Ashwin Kumar Kothari	2,82,640
Shri Rohit A. Kothari	3,10,005
Shri Jaysukhlal N. Shah (Resigned w.e.f. 14/08/2006)	99
Shri G.N. Maheshwari (Resigned w.e.f. 30/07/2005)	NIL
Shri Vasantlal J. Bhavsar (Appointed w.e.f. 28/04/2005)	NIL
Shri Umaidmal Kala (Appointed w.e.f. 17/12/2005)	NIL

(C) Board Committees

To enable better and more focussed attention on the affairs of the corporation, the Board delegates particular matters to committee of the Board set up for the purpose. The Committees prepare the ground work for decision making and report at the subsequent Board Meeting. Currently, the Board