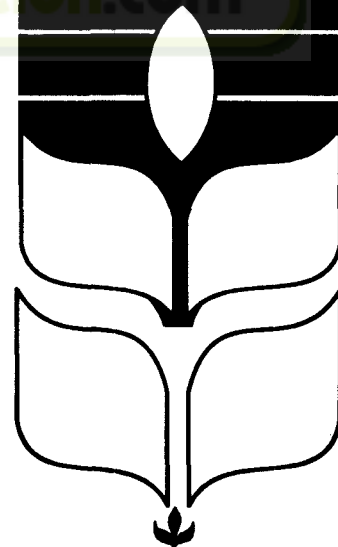


21st ANNUAL REPORT 2005-2006



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ASIAN
fertilizers ltd.



BOARD OF DIRECTORS

Shri G.N. GUPTA, Chairman
 Shri A.K. MATANHELIA, Managing Director
 Shri K.C. MADAN
 Shri O.P. YADAV (Nominee IFCI)
 Shri N.K. MATANHELIA
 Shri D.P. MATANHELIA
 Shri P.K. MATANHELIA
 Shri Anurag TULSYAN

AUDITORS

M/s KAPOOR TANDON & CO.

Chartered Accountants
 KANPUR

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BANKERS

PUNJAB NATIONAL BANK,
 GORAKHPUR

REGISTERED OFFICE

47/81, HATIA, KANPUR-208 001

ADMINISTRATIVE OFFICE

23, CIVIL LINES
 GORAKHPUR - 273 009

PLANT

SARDARNAGAR
 GORAKHPUR (U.P.)

**21st Annual General Meeting on
 Wednesday, the 27th Sept. 2006
 at
 Saurabh Hotel, The Mall,
 Kanpur at 2.00 p.m.**



NOTICE

NOTICE is hereby given that 21st Annual General Meeting of the Share holders of the Company will be held on Wednesday, the 27th Sept. 2006 at 2.00 p.m. at Hotel Saurabh, The Mall, Kanpur, U.P. to transact the following business.

ORDINARY BUSINESS

1. To receive consider and adopt the Audited profit & Loss Account for the year ended on 31st March '06 and the Balance Sheet as on that date, the Auditor's Report thereon and the Director's Report.
2. To appoint a Director in place of Shri K.C. Madan, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri N.K. Matanhelia who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Kapoor Tandon & Co. Chartered Accountants, the retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification the following resolution as an ordinary resolution :

"RESOLVED THAT having regard to the proposed appointee's Experience, Qualification, Past performance, past remuneration, expected devotion towards company, financial position of the company, to ensure objectivity in determining/approving the remuneration package and on the other hand striking a balance between the interest of the Company and of the shareholders, pursuant to Sections 198, 269, 309 and other applicable provisions of The Companies Act, 1956 read with Schedule XIII to the Companies Act, the appointment of Shri Ashok Kumar Matanhelia as managing director on the terms and conditions set out hereunder be and is hereby recommended, for a period of five years w.e.f. 24.10.06."

- a. The Managing Director shall subject to supervision and control of the Board of Directors be in over all incharge of the Company's activities and shall perform such other duties and services and exercise such further powers as shall from time to time entrusted to him by the Board of Directors.
- b. Remuneration at the rate of Rs. 30,000/- per month or at such higher rate as is permissible under the companies Act, 1956, as may be decided by the Board of Directors.
- c. Commission @2% of the Net Profit of the company arrived at in accordance with the provisions of sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956.
- d. Leave travel for 10 days in a year with family members at any place throughout the country at the cost of the company.
- e. Reimbursement of charges for Books and Periodicals, subject to the maximum of Rs. 1000/- per month.
- f. Reimbursement of entertainment, travelling, hotel, club fees and other expenses actually incurred by him in performance of the duties on behalf of the company.
- g. Any other benefits, facilities, allowances and expenses may be allowed under company rules / schemes and available to other employees.



h. No sitting fees will be paid for attending the meetings of the Board of Directors of the company or committees thereof.

"FURTHER RESOLVED THAT in no circumstances the remuneration paid shall not exceed the limits laid down in Schedule XIII.

6. Explanatory Statement pursuant to section 173 (2A) of the Companies Act 1956 to be given for Item 5 as under :-
Mr. A.K. Matanhelia was appointed as Managing Director of the Company w.e.f. 24.10.2001. His remuneration and terms of appointment was approved by the Board of Directors and Shreholders in accordance with the provisions of Schedule XIII of the Companies Act 1956. Mr. A.K. Matanhelia had been rendering very valuable services to the company. The company had made steady and commendatory progress under the stewardship of Mr. A.K. Mathanhelia. In view of long experience of Mr. A.K. Matanhelia and valuable services being rendered by him, the Board of Directors of the Company have considered it in the interest of the company that the Managing Director be re-appointed w.e.f. 24.10.06 for a period of 5 years and have unanimously passed a resolution approving the increased remuneration of Mr. A.K. Matanhelia as fixed by the Remuneration Committee in accordance with the provisions of Schedule XIII of the Companies Act 1956. The Board of Directors of the company recommends this resolution for your approval.

Except Mr. A.K. Matanhelia, P.K. Matanhelia and Mr. N.K. Matanhelia no other Director of the company is concerned and interested in the aforesaid resolution.

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and on poll to vote instead of himself. Such a proxy need not be a member of the company. Proxies in order to be effective must be received by the company not less than 48 hours before the meeting. A Proxy so appointed shall not have any right to speak at the meeting.
2. The register of members and transfer books of the company will remain closed from 21st Sept. 2006 both days inclusive.
3. Members are requested to send their queries in advance to the corporate office of the company to facilitate clarification during the meeting.
4. Members are requested to quote their folio number in all correspondence with the company and to notify immediately any change in their address.
5. Members / Proxy Holders are requested to bring their copy of Annual Report alongwith them at the meeting.
6. Members are requested to inform the company about their Permanent Account Number (PAN) / General Index Register (GIR No.) allotted to them by Income Tax Authorities.

Lucknow
Gorakhpur

(A. K. MATANHELIA)
Managing Director

(N. K. MATANHELIA)
Director



DIRECTOR 'S REPORT

To,
The Members,

Your Directors are glad to present the 21st Annual Report, Audited Balance Sheet and Audited Profit and Loss Account for the financial year ending 31st March' 06 of your company.

1. THE FINANCIAL RESULTS :

Profitability	2005-2006 Rs.	2004-2005 Rs.
Profit / (Loss) before Depreciation, Taxation and Extraordinary Items	29,47,408	69,33,120
Less :		
Provision for Tax (MAT) including FBT	10,50,000	-
Depreciation	20,86,639	20,80,318
Profit / (Loss) for the year before Extraordinary Items	(1,89,231)	48,52,802
Add :		
Interest relating to Earlier Year Written back	1,48,67,358	-
Net Profit / (Loss) after Extraordinary Items	1,46,78,127	48,52,802

2. THE DIVIDEND :

From the financial results for the year under review, it is evident that though your company has earned cash profit of Rs. 29.47 Lacs, yet in view of accumulated loss of Rs. 584.60 Lacs, your Directors regret that it would not be possible to declare any dividend.

3. PLANT OPERATIONS :

Pursuant to the purchase agreement entered in to with M/s Shriram Fertilizers & Chemicals (a division of DCM Shriram Consolidated Ltd.) on 22/10/02, your company has been able to achieve production of 57934 MT of SSP during the year 2005-06 against the targetted production of 70000 MT which is 83% of the production target agreed with M/s. Shriram Fertilizers and Chemicals and 88% of installed capacity of the plant. The resultant effect of the above achievement is that the company has been able to repay the dues of Punjab National Bank and the Financial Institutions to the extent of Rs.188.16 Lacs as against targetted repayment of 192.75 Lacs. The company could not achieve the targetted production of 70000 MT of SSP only due to non availability of basic raw material i.e. Rock Phosphate. However the company could achieve 88% of capacity utilization.

4. FINANCE :

Due to the financial crisis faced by the company in the past, the dues of Punjab National Bank and Financial Institutions could not be paid in accordance with the time schedule envisaged under earlier OTS proposal. Consequently the Financial Institutions revoked the OTS arrangements and approached DRT for recovery of the debt of Rs. 3137 Lacs. However consequent to entering into a purchase agreement with M/s. Shriram Fertilizers & Chemicals, the company approached the Bank and the IFCI Ltd. and other institutions for an amicable settlement of their dues. We wish to inform you that your company has cleared successfully the entire dues of ICICI & IDBI. However, incase of IFCI, Rs. 29.12 Lacs is outstanding against principal & interest and incase of Punjab National Bank, Rs. 52.05 Lacs against principal and interest thereon is to be paid by the company.

In spite of constraints in production as well as marketing conditions, the company is trying to fulfill its commitments agreed to in OTS with Punjab National Bank & IFCI Ltd. Over due as on 31/03/2006 is Rs. 44.59 Lacs only.


5. INDUSTRIAL RELATIONS :

The company has generally maintained cordial relations with the employees.

6. PUBLIC DEPOSITS :

Your company has not invited any deposits from the public in terms of provisions of Section 58-A of the Companies Act, 1956 read with the companies (Acceptance of Deposits) Rules, 1975.

7. REFERENCE TO SICK INDUSTRIAL COMPANIES (SPECIAL PROVISION) ACT, 1985 :

The company had brought forward losses of Rs. 968.69 Lacs as at 30/06/2002. The issued share capital of the company is Rs. 783.59 Lacs. In view of the accumulated losses, the company has approached BIFR for registration as Sick company but the application of the company has been rejected on some technical grounds of limitation

8. PARTICULARS OF EMPLOYEES :

There was no employee in the company whose particulars are required to be given pursuant to Section 217 (2A) of Companies Act, 1956.

9. TOTAL QUALITY MANAGEMENT :

The emphasis on quality management followed by your company has yielded harmonious relationship at all levels. The management philosophy to have a strong marketing focus with excellent customer's service in a wide ranging marketing area is apparent from the excellent achievement on this score in the past.

10. CONSERVATION OF ENERGY :

Your company has been making continuous efforts to reduce energy consumption and achieve high plant operating efficiencies. To minimize the power cost, a fresh turbine had been installed. The requisite information with regard to conservation, technology absorption and foreign exchange earning and outgo in terms of the companies Act, 1956 (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is set out in a separate statement attached here to (Annexure-1).

11. ENVIRONMENT :

The focus of your company is "Environment" friendly and quality production by adopting stringent controls for pollution free plant running coupled with regular monitoring arrangements for air, water and effluent zero level pollution.

12. DIRECTORS RESPONSIBILITY STATEMENTS :

As required under section 217 (2AA) of the Companies Act, 1956, your Directors state :

- a. That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departure ;
- b. That the accounting policies selected and applied are consistent and judgements and estimates made are 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 year and of the profit / loss of the company for that period;
- c. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. That the annual accounts have been prepared on a going concern basis.

13. CORPORATE GOVERNANCE :

The code of Corporate Governance has been implemented in the company.

I. The Company's Philosophy :

Your company strongly believes in good corporate governance. Strong corporate governance policy reflects healthy business growth besides being a significant weapon of investor protection. Good corporate governance provides an appropriate frame work to the Board & Management to carry out the objectives that are in the interest



of the company and share holders.

II. Board of Directors :

The present strength of Board is seven and comprises of one executive and six non-executive directors.

1. Board of Directors :

Directors	Executive / Non Executive / Independent Promotor	Other Committee Membership/ Chairmanship	Number of Outside Directorships
Mr. A.K. Matanhelia	Executive Director (Promoter)	-	-
Mr. G.N.Gupta	Independent Non Executive Director	6	6
Mr. K.C. Madan	Independent Non Executive Director	-	-
Mr. O.P. Yadav	Independent Non Executive Director	-	3
Mr. N.K. Matanhelia	Non Executive (Promoter)	-	3
Mr. P.K. Matanhelia	Non Executive (Promoter)	-	1
Mr. Anurag Tulsyan	Independent Non Executive Director	-	-

2. Number of Board Meetings during the year are Four held on : 25/06/05, 30/07/05, 26/10/05 and 30/01/06.

Following table gives the details of directors attendance at the Board Meetings during the year (April 2005 to March 2006) and at the last Annual General Meeting, number of membership held by directors in the Board / Committee.

S. No.	Name	Category	Attendance Board Meeting	Particulars Last A.G.M.	Other Committee Membership Chairmanship
1.	Mr. A.K. Matanhelia,	Managing Director	4	1	1
2.	Mr. G.N.Gupta,	Chairman	2	-	-
3.	Mr. K.C. Madan,	Director	2	-	2
4.	Mr. O.P. Yadav,	Director (IFCI Nominee)	2	-	1
5.	Mr. N.K. Matanhelia,	Director	3	1	1
6.	Mr. D.P. Matanhelia,	(Died on 22/12/05)	1	1	-
7.	Mr. P.K. Matanhelia,	Director	3	1	1
8.	Mr. Anurag Tulsyan,	Director	4	1	2

Brief resume of the directors who retire by rotation and being eligible offer themselves for re-appointment.

Mr. K.C. Madan is a retired Chairman & Managing Director of Hindustan Fertilizer Corporation and having vast experience in fertilizer industries.

Mr. N.K. Matanhelia is an Industrialist having vast experience in the Cement Industries and is associated with the company since very beginning and is also a promoted of the company.

III. Audit Committee :

The Audit committee constituted by your Board of Directors consists of four non-executive directors of which three are independent Directors as detailed below :-

Name	Designation	Status	Attendance
Mr. K.C. Madan	Chairman	Independent	4
Mr. Anurag Tulsyan	Member	Independent	4
Mr. P.K. Matanhelia	Member	Non-Executive	3
Mr. O.P. Yadav	Member	Nominee IFCI	2



Number of Audit Committee Meetings during the year are Four held on 25/06/05, 30/07/05, 26/10/05 and 30/01/06.

The terms of reference specified by the Board to the audit committee are as contained under clause 49 of the listing agreement and section 292-A of the Companies Act, 1956 and are as follows :

- a. Oversight of the financial reporting, disclosure of financial information.
- b. Fixation of Audit Fees
- c. Review of annual financial statements, change in accounting policies and practices, qualification in draft audit report, compliance with accounting standards, compliance with stock Exchanges and legal requirement and transactions of material nature including promoters and subsidiary concerns.
- d. Review of internal & external audit report and adequacy of internal control system.
- e. Review of internal investigation, incase of suspected fraud or irregularity, review of financial and risk management policies.
- f. Review of default in payment.

During the year, (April 2005 to March 2006) the meeting of audit committees was held four times. The meeting of the audit committee was also attended by Head of Accounts & Finance Deptt. and the cost Auditor of the company and the audit report covered the items as per the term of reference.

IV. Remuneration committee :

The non-executive directors are not paid any remuneration. The remuneration of Managing Director are as under :

- a. Remuneration at the rate of Rs. 12,000/- per month or at such higher rate as is permissible under the companies Act, 1956, as may be decided by the Board of Directors.
- b. Commission @2% of the Net Profit of the company arrived at in accordance with the provisions of sections 198, 269, 309, 349 and other applicable provisions of the Companies Act, 1956.
- c. Leave travel for 10 days in a year with family members at any place throughout the country at entire cost of the company.
- d. Reimbursement of charges for Books and Periodicals, subject to the maximum of Rs. 1000/- per month.

Payment made to Non-Executive Directors by way of sitting Fees is @ Rs. 250/- per meetings.

V. Shareholders / Investors Grievances Committee :

The details of the committee for Shareholders/Investors Grievances as under :-

Name	Designation
Mr. N.K. Matanhelia	Chairman
Mr. K.C. Madan	Chairman
Mr. A.K. Matanhelia	Member
Mr. Anurag Tulsyan	Member

No. of shareholders complaints received during the year - 4.

"The Committee is regularly reviewing the complaints received from the investors and compliance therrof. No investors complaint is pending with the company except that of Shri K.D. Chuttar which is being looked into."

Remuneration Committee :

The company has setup remuneration committee pursuant to the provision of Schedule XIII of the Companies Act, 1956 and clause 49 of listing agreement which consists of one independent director as a Chairman and three Non-Executive Directors as members viz. Mr. G.N. Gupta as Chairman and Mr. K.C. Madan, Mr. O.P. Yadav and Mr. Anurag Tulsyan as its members. The Committee has been constituted to approve remuneration of Executive Director of the Company.

VI. General Body Meeting :

The last three Annual General Meeting were held as under :-

Year	Location	Date	Time
2002-2003	Hotel Saurabh, Kanpur	29.11.2003	2 p.m.
2003-2004	Hotel Saurabh, Kanpur	25.09.2004	2 p.m.
2004-2005	Hotel Saurabh, Kanpur	26.09.2005	2 p.m.

VII. Disclosures :

- a. Disclosures on materially significant related party transactions i.e. transactions of the company of material nature with its promoters, the directors of the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large.

None of the transactions with any of the related parties were in conflict with the interests of the company.

- b. Details of non-compliance by the company, penalties, structures imposed on the company by Stock Exchange or SEBI or any statutory authority, or any matter related to capital markets, during the last three years.

There were no instances of non-compliance of any matter related to the capital markets during the last three years.

- c. Whistle Blower Policy :-

Every employee of the company has been given right to approach to Audit Committee if he observes an unethical or improve practice without necessarily informing their superior. Further personnel of the company have been denied access to Audit Committee.

VIII. Means of Communications :

The quarterly and half yearly unaudited financial results are being published in the local newspapers at Kanpur. The result for the last quarter ended on 31.12.05 was published in the Pioneer (English) and Swatantra Bharat (Hindi) at Kanpur on 31.01.06

IX. General Shareholders informations :

- a. Annual General Meeting Date Time : - 27th Sept. 2006 at 2 p.m., Venue Hotel Saurabh, Kanpur.

- b. Next financial year 2006-07 (tentative)

Board Meeting-Result for the year quarter	Last week
ending 30.06.06	Jul ' 2006
ending 30.09.06	Oct ' 2006
ending 31.12.06	Jan ' 2007
ending 31.03.07	Jun ' 2007

- c. Date of Book closure 21/09/06 to 27/09/06 (Both day inclusive).

- d. Listing of Equity shares on Stock Exchanges

- i. The U.P. Stock Exchange Association Ltd., Padam Towers, 14/113, Civil Lines, Kanpur.
- ii. The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001.
- iii. The Delhi Stock Exchange Association Ltd., DSE House, 1/3 Asaf Ali Road, New Delhi-110 002.
- iv. The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Calcutta.
- v. Stock Market Data is not available
- vi. Share Transfer System



The share transfer cases are processed manually at the company's administrative office, Gorakhpur. The shares are returned within 15 days from the date of receipt.

vii. Share holding pattern :

Category	No of Shares	% of shareholding
Shares held by Mutual Funds	114715	1.46
Shares held by NRIS	2000	0.03
Shares held by Body Corporate	3363487	42.92
Shares held by Directors	338830	4.32
Shares held by Others	4016868	51.27
Total :	<u>7835900</u>	

viii. Dematerialization of shares

The company's shares have not been dematerialized till 31.05.05

ix. Plant location :

Village : Deokahiya, Sardar Nagar, Gorakhpur

X. Address for investors correspondence

Share holders correspondence should be addressed to the company's administrative office, 23, Civil Lines, Gorakhpur

e. Details of Directors seeking Re-appointment in forthcoming A.G.M. pursuant to clause 49 (VI) (A) is as under :-

1. **Mr. K.C. Madan :**

- (a) Date of Birth - 19/11/1931
- (b) Date of Appointment - 01/01/1992
- (c) Qualifications - B.Sc. Engineering Hons. (Mech.)
- (d) Experience in specific functional area - Retd. Chairman & Managing Director of Hindustan Fertilizer Corpn., Ex-Advisor of FCI Ltd., Experience in design, maintenance, project management in fertilizer sector.
- (e) Directorships held in other companies - -
- (f) Committee position held in other companies - -

2. **Mr. N.K. Matanhelia :**

- (a) Date of Birth - 08/09/1956
- (b) Date of Appointment - 01/01/1989
- (c) Qualifications - B.Sc.
- (d) Experience in specific functional area - Industrialist, Having Vast Experience in Cement Industries.
- (e) Directorships held in other companies - Gorakhpur Resources Ltd., GRL Technology Ltd.
- (f) Committee position held in other companies - -

14. **DIRECTORS :**

Shri K.C. Madan and Shri N.K. Matanhelia retire by rotation in ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

15. **AUDITORS :**

M/s Kapoor Tandon & Co., Chartered Accountants, Kanpur retire at the conclusion of ensuing "ANNUAL GENERAL MEETING" and being eligible have offered themselves for re-appointment. The company has received a certificate from the auditors that the re-appointment, if made, will be in accordance with the provisions of section 224 (1B) of the companies Act, 1956.