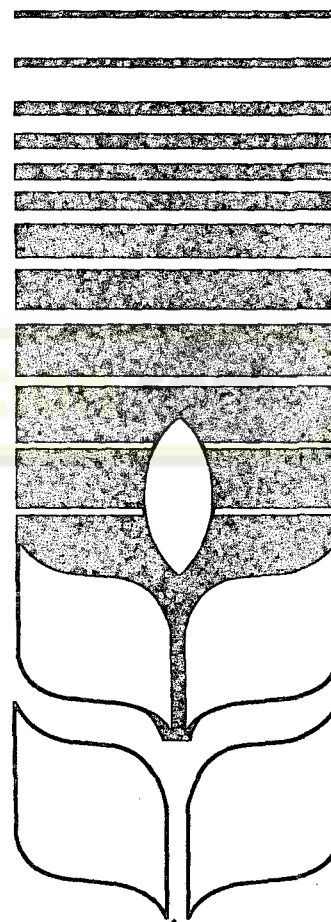


# 22nd ANNUAL REPORT 2006-2007



ASIAN  
*fertilizers ltd.*



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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 P.K. MATANHELIA  
 Shri Anurag TULSYAN

## AUDITORS

**M/s KAPOOR TANDON & CO.**

Chartered Accountants  
 KANPUR

## BANKERS

PUNJAB NATIONAL BANK,  
 GORAKHPUR

## REGISTERED OFFICE

47/81, HATIA, KANPUR-208 001

## ADMINISTRATIVE OFFICE

20A, 33, KASIA ROAD  
 NEAR CANTT. POLICE STATION  
 GORAKHPUR - 273 009

## PLANT

SARDARNAGAR  
 GORAKHPUR (U.P.)

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**22nd Annual General Meeting on  
 Friday, the 28th Sept. 2007  
 at  
 Saurabh Hotel, The Mall,  
 Kanpur at 2.00 p.m.**



## NOTICE

NOTICE is hereby given that 22nd Annual General Meeting of the Share holders of the Company will be held on Friday, the 28th Sept. 2007 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 2007, 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 G.N. Gupta, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri P.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 authorize the Board of Directors of the company 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 subject to the provisions of Section 257 and other applicable provisions of the Companies Act, 1956, if any, Shri Somil Matanhelia, who was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on June 29, 2007 and whose term expires at this Annual General Meeting and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956 along with a Deposit of Rs. 500/- from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director liable to retire by rotation."

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

"RESOLVED THAT pursuant to Sections 198, 269, 309, 311 and Schedule XIII and applicable provisions of the Companies Act, 1956, if any, Shri Somil Matanhelia, be and is hereby appointed as Whole Time Director designated as "Executive Director" of the Company to hold office for a period of three years with effect from July 01, 2007 on the terms and conditions set out hereunder :

- a. The Executive Director shall subject to supervision and control of the Board of Directors be in over all incharge of the matters relating to administration and marketing 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 @ Rs. 20,000/- 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. Leave travel for 10 days in a year with family members at any place throughout the country at the cost of the company.
- d. Reimbursement of charges for books and periodicals, subject to the maximum of Rs. 1000/- per month.



- e. Reimbursement of entertainment, travelling, hotel, club fees and other expenses actually incurred by him in performance of the duties on behalf of the company.
- f. Any other benefits, facilities, allowances and expenses may be allowed under company rules / schemes and available to other employees.
- g. No sitting fees will be paid for attending the meetings of the Board of Directors of the company or the committees thereof.

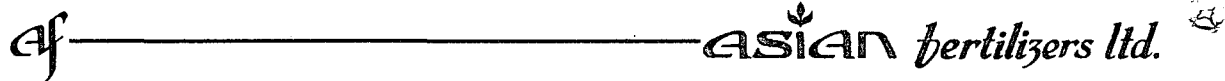
### NOTES :

1. The relative Explanatory Statement pursuant to Section 173 (2A) of the Companies Act, 1956, in respect of the business under item Nos. 5 & 6 set out above are annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the company.
3. 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.
4. The register of members and transfer books of the company will remain closed from 22nd September, 2007 to 28th September, 2007 both days inclusive.
5. Members are requested to send their queries in advance to the corporate office of the company to facilitate clarification during the meeting.
6. Members are requested to quote their folio number in all correspondence with the company and to notify immediately any change in their address.
7. Members / Proxy Holders are requested to bring their copy of Annual Report alongwith them at the meeting.
8. 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

(A. K. MATANHELIA)  
Managing Director

(P. K. MATANHELIA)  
Director



## ANNEXURE TO THE NOTICE

**Explanatory Statement as required by Section 173 (2A) of the Companies Act, 1956**

### **Item Nos. 5 & 6**

At the meeting of the Board of Directors of the Company held on June 29, 2007, Shri Somil Matanhelia was appointed as Additional Director of the Company.

#### **Profile of Shri Somil Matanhelia :**

Full Name	:	Shri Somil Matanhelia
Date of Birth	:	12/12/1981
Date of Appointment as Director	:	29/06/07
Qualification	:	MBA
Specialized Expertise	:	Marketing & Finance

Shri Somil Matanhelia holds office of Director upto the date of the this Annual General Meeting in terms of Section 260 of the Companies Act, 1956. Pursuant to Section 257 of the Act, the Company has received a notice, together with requisite deposit, from a member signifying his intention to propose Shri Somil Matanhelia as a candidate for the office of Director of the Company.

At the meeting of the Board of Directors of the Company held on June 29, 2007, it was further decided that Shri Somil Matanhelia be appointed as Whole Time Director designated as "Executive Director" of the Company on the terms and conditions specified in the resolution.

For the sake of brevity the particulars of the proposed remuneration, perquisites and benefits of Shri Somil Matanhelia are not being set out in the explanatory statement and the members are requested to refer to the same as set out in the body of the resolution.

Shri Somil Matanhelia does not hold any shares in the company.

These particulars are also constitute the abstract of the terms of the contract proposed to be entered into with Shri Somil Matanhelia which is required to be sent to every member pursuant to section 302 of the Companies Act, 1956.

Shri Somil Matanhelia, Shri A.K. Matanhelia, Shri P.K. Matanhelia and Shri N.K. Matanhelia may be deemed to be interested in this resolution.

None of the other Directors are in any way concerned or interested in the said Resolution.

The Directors commend the resolutions for approval of the members.



## DIRECTOR 'S REPORT AND MANAGEMENT DISCUSSION ANALYSIS

To,  
The Members,

Your Directors are glad to present the 22nd Annual Report, Audited Balance Sheet and Audited Profit and Loss Account for the financial year ending 31st March 2007 of your company.

### 1. THE FINANCIAL RESULTS :

Profitability	2006-2007 Rs.	2005-2006 Rs.
Profit / (Loss) before Depreciation, Taxation and Extraordinary Items	46,25,956	29,47,408
Less :		
Provision for Tax (MAT) including FBT	7,00,000	10,50,000
Depreciation	20,82,808	20,86,639
Profit / (Loss) for the year before Extraordinary Items	18,43,148	(1,89,231)
Add :		
Interest relating to Earlier Year Written back	28,33,325	1,48,67,358
Less :		
Income Tax relating to earlier year	1,39,297	-
Net Profit / (Loss) after Extraordinary Items	45,37,176	1,46,78,127

### 2. DIVIDEND :

From the financial results for the year under review, it is evident that your company has earned cash profit of Rs. 46.25 Lacs. However in view of accumulated losses of Rs. 539.23 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 38864 MT of SSP during the year 2006-07 against the targetted production of 50000 MT which is 78% of the production target agreed with M/s. Shriram Fertilizers and Chemicals and 59% of installed capacity of the plant. The company could not achieve the targeted production of 50000 MT of SSP only due to non availability of basic raw material i.e. Rock Phosphate due to constraint of funds. The company has been able to repay the dues of Punjab National Bank and the Financial Institutions to the extent of Rs.142.51 Lacs.

### 4. FINANCE :

Due to the financial crisis faced by the company in the past, the Institutional dues could not be paid regularly. We are glad to inform that as of date your company has paid off all debts owing to Financial Institutions.

### 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. INDUSTRIAL STRUCTURE :**

Nitrogen, Phosphorus, Potassium are three major constituents of fertilizers. India has good reserves of phosphate rocks, which can be processed to give water soluble phosphatic fertilizers. Single Super Phosphate is a cheap fertilizer and also known as common farmer's fertilizer.

**10. DEVELOPMENT IN GOVERNMENT POLICY :**

Investment required for setting up a SSP unit is modest compared to Nitrogenous fertilizers. The setup with indigenous technology does not depend in any imported material because of availability of good quality of rock phosphate with Rajasthan State Mines & Minerals Limited, a State Govt. Undertaking. The demand of fertilizers is likely to increase with the emphasis by the Govt. on augmenting agriculture produce.

**11. OPPORTUNITIES :**

Since agriculture sector has its own importance in Indian economy, it is bound to grow and our product SSP has also its own importance in Agriculture sector. The sector has good prospects. SSP is in good demand particularly in the Northern Region.

**12. RISK AND CONCERN :**
**(a) Government Policy :**

The MRP of our product is being decided by the State Govt. from time to time whereas the subsidy is being decided by the Central Govt. The sale of our product is dependant on Government Policies.

**(b) Availability of Raw Material :**

Rajasthan State Mines & Mineral Ltd., a Govt. undertaking is the sole supplier of our basic raw material i.e. Rock Phosphate. Though it can be imported, it is not viable.

**(c) Subsidy on SSP :**

The subsidy on SSP provided by the Govt. of India, plays a vital role in smooth selling and future prospects of this industries. The Govt. Policies have great impact in this sector.

**13. INTERNAL CONTROL SYSTEM :**

The company has proper and adequate system of internal control to ensure that all assets are safe guarded; transactions are authorized, recorded and reported correctly. The controls also ensure compliance with polices statutes.

**14. RISK MANAGEMENT :**

The management of your company controls business processes through operational systems, procedures and financials limits of authority. Your company is in process to make manuals for systems and procedures and delegation of powers and duties.

**15. 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 services in a wide-ranging marketing area is apparent from the excellent achievement on this score in the past.





ASIAN fertilizers ltd.

#### 16. CAUTIONARY STATEMENT :

The report may contain certain statements that the company believes are, or may be considered to be "forward looking statements" that describe our objectives, plans or goals. All these forward looking statements are subject to certain risks and uncertainties, including but not limited to, Government action, economic development, risks inherent in the company's growth strategy and other factors that could cause the actual results to differ materially from those contemplated by the relevant forward looking statements.

#### 17. CONSERVATION OF ENERGY :

Your company has been making continuous efforts to reduce energy consumption and achieve high plant operating efficiencies. 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-I).

#### 18. 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.

#### 19. 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.

#### 20. 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 two executive and five non executive directors.




**ASIAN fertilizers ltd.**
**1. Board of Directors :**

Directors	Executive / Non Executive / Independent Promoter	Other Committee Membership/ Chairmanship	Number of Outside Directorships
Mr. A.K. Matanhelia	Executive Director (Promoter)	1	–
Mr. Somil Matanhelia	Executive Director (Appointed as Additional Director on June 29, 2007)	–	–
Mr. G.N.Gupta	Independent Non Executive Director	1	5
Mr. K.C. Madan	Independent Non Executive Director	3	–
Mr. N.K. Matanhelia	Non Executive (Promoter)	1	3
Mr. P.K. Matanhelia	Non Executive (Promoter)	1	2
Mr. Anurag Tulsyan	Independent Non Executive Director	3	–

**2. Number of Board Meetings during the year are Five held on : 28/04/06, 30/06/06, 31/07/06, 30/10/06 and 29/01/07.**

Following table gives the details of directors attendance at the Board Meetings during the year (April 2006 to March 2007) 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. G.N.Gupta, Chairman		4	–	1
2.	Mr. A.K. Matanhelia, Managing Director		5	1	1
3.	Mr. K.C. Madan, Director		5	–	2
4.	Mr. O.P. Yadav, Director (IFCI Nominee)		1	–	1
5.	Mr. N.K. Matanhelia, Director		5	1	1
6.	Mr. Somil Matanhelia, (Director, appointed on 29/06/07)		–	–	–
7.	Mr. P.K. Matanhelia, Director		5	1	1
8.	Mr. Anurag Tulsyan, Director		5	1	2

**Details of the directors seeking appointment/re-appointment in forth coming A.G.M. pursuant clause 49 (VI) (A) is as under :**
**i) Mr. G.N. Gupta**

- |   |  |
|---|--|
| a) Date of Birth                              | 23/07/1931   |
| b) Date of Appointment                        | 01/01/1992   |
| c) Qualifications                             | M.Sc., LL.M.   |
| d) Experience in specific functional area     | Chairman, CBDT (Retd.)   |
| e) Directorship held in other companies       | Hiren Yamai Investment Pvt. Ltd., Manoj Housing Finance Co. Ltd., Micro Venture Holdings Pvt. Ltd., Flex Food Ltd. and Yash Papers Ltd.  |
| f) Committee position held in other companies | Chairman of Remuneration Committee in Manoj Housing Finance Co. Ltd., Flex Food Ltd. and Yash Papers Ltd., Chairman of Audit Committee in Yash Papers Ltd, Member of Audit Committee in Flex Food Ltd. |



ASIAN fertilizers ltd.

ii) **Mr. P.K. Matanhelia**

- |   |  |
|---|--|
| a) Date of Birth                              | 01/06/1957   |
| b) Date of Appointment                        | 06/01/1986   |
| c) Qualifications                             | Graduate   |
| d) Experience in specific functional area     | Having vast experience in business & administration        |
| e) Directorship held in other companies       | Pashupati Agro Fin. Pvt. Ltd. and Sumya Contract Pvt. Ltd. |
| f) Committee position held in other companies |  |

iii) **Mr. Somil Matanhelia**

- |   |                     |
|---|---------------------|
| a) Date of Birth                              | 12/12/1981          |
| b) Date of Appointment                        | 29/06/2007          |
| c) Qualifications                             | M.B.A.              |
| d) Experience in specific functional area     | Marketing & Finance |
| e) Directorship held in other companies       | Nil                 |
| f) Committee position held in other companies | Nil                 |

**II. Board Agenda :**

The Board meetings are scheduled well in time. The Board members are provided with well structured and comprehensive agenda papers. All major agenda items are backed by in-depth back ground information and analysis, wherever possible, to enable the board members to take in formed decisions. Agenda papers are generally circulated a week prior to the meeting of the Board.

**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	5
Mr. Anurag Tulsyan	Member	Independent	5
Mr. P.K. Matanhelia	Member	Non-Executive	5
Mr. O.P. Yadav	Member	Nominee IFCI	1

resigned w.e.f 27/11/06

Number of Audit Committee Meetings during the year are five held on 28/04/06, 30/06/06, 31/07/06, 30/10/06 and 29/01/07.

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 :

- Oversight of the financial reporting, disclosure of financial information.
- Fixation of Audit Fees
- 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.
- Review of internal & external audit report and adequacy of internal control system.
- Review of internal investigation, incase of suspected fraud or irregularity, review of financial and risk management policies.
- Review of default in payment.

During the year, (April 2006 to March 2007) the meeting of Audit Committees was held five times. The meeting of the Audit Committee was also attended by Head of Accounts & Finance Deptt. and the Cost Auditor of the company. The audit report covered the items as per the term of reference.