



30th Annual Report
2005-06



We Build Hopes
We Nurture The Nation
We Grow Through Innovation
We Are



BHATINDA CHEMICALS LIMITED



CONTENTS

Notice	2
Directors' Report.....	4
Corporate Governance.....	8
Auditors' Report.....	13
Balance Sheet.....	17
Profit & Loss Account.....	18
Schedule to Accounts.....	19
Cash Flow Statement.....	30



Bhatinda Chemicals Limited

BOARD OF DIRECTORS

Shri Rajinder Mittal

Chairman & Managing Director,

Shri S. N. Goyal

Whole-time Director

Shri Baldev Raj Gupta

Director

Shri V. K. Nayyar

Director

COMPANY SECRETARY

Shri Anil Kumar Malhan

AUDITORS

M/s. P. Mittal & Co.,
Chartered Accountants,
Mittal Street, Amrik Singh Road,
Bathinda-151 005.

INTERNAL AUDITORS

M/s. N. K. Nevatia & Co.,
Chartered Accountants,
710, Shakti Nagar,
Amrik Singh Road,
Bathinda-151 005.

MAIN BANKERS

Punjab National Bank,
Bank Street,
Bathinda-151 001

REGISTERED OFFICE & WORKS

Hazi Rattan Link Road,
Post Box No. 71,
Bathinda-151 005

Bhatinda Chemicals Limited**NOTICE**

Notice is hereby given that the 30th Annual General Meeting of the members of Bhatinda Chemicals Limited, will be held on Saturday, the 30th day of September, 2006 at 3.00 P.M. at the Regd. Office of the Company at Hazi Rattan Link Road, Bathinda (Punjab) to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit & Loss Account for the year ended on that date and reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Baldev Raj Gupta, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Statutory Auditors and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 a sum not exceeding 1% per annum of the net profit of the Company calculated in accordance with the provisions of Sections 198, 349 & 350 of the Act, be paid to and distributed amongst the non - Whole - time Directors of the Company or some or any of them in such amounts of proportions and in such manner and in all respects as may be decided and directed by the Board of Directors and such

payments shall be made in respect of the profits of the Company for each year".

By order of the Board.

Place : Bathinda,

(Rajinder Mittal)

Date : 2nd Aug., 2006 Chairman & Mg. Director

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. The Register of members and share transfer books of the Company will remain closed from 28th September, 2006 to 30th September 2006 (both days inclusive).
3. Members desiring any information as regards to the accounts are requested to write to the Company at least 10 days before the date of the meeting so as to enable the management to provide the information during the Annual General Meeting.
4. The relative Explanatory Statement as required under section 173(2) of the Companies Act, 1956 in respect of the business under item No. 4 set out above and details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment / re-appointment at the Annual General Meeting are annexed hereto.
5. Members are requested to quote the ledger folio or Client ID and DP ID numbers in all communications with the Company or Registrar & Share Transfer Agent and also to notify any change in their addresses to them.



Bhatinda Chemicals Limited

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 4.

Taking into consideration the increased role of Directors in the emerging competitive environment, especially the added responsibilities of non Whole-time Directors, required by the new Corporate Governance related resolutions at various Board and Committee Meetings, it is appropriate that non-Whole-time Directors be compensated appropriately and, therefore, it is proposed that, in terms of section 309 of the Companies Act, 1956, the non- Whole time Directors be paid a remuneration not exceeding 1% of the Net Profit of the Company computed in accordance with the provisions of the Act. The Commission will be distributed amongst all or some of the said directors in accordance with the directives given by the Board.

Your directors seek your approval by way of Special Resolution as set out in Item No. 4 of the accompanying notice.

Mr. Baldev Raj Gupta and Mr. V. K. Nayyar Directors are concerned or interested in this resolution.

By order of the Board

Place : Bathinda,
Date : 2nd Aug., 2006

(Rajinder Mittal)
Chairman & Mg. Director

Details of Director seeking re-appointment in ensuing Annual General Meeting

Name of Director	Mr. Baldev Raj Gupta
Date of Birth	14/10/1951
Date of Appointment	1st November, 2004
Expertise in specific functional area	He is having wide and rich experience of around 30 Years in Oil & Vanaspati Industry.
List of outside Directorships held Memberships /	Nil
Chairmanships of Committees across public companies	Nil
Shareholding	Nil

Bhatinda Chemicals Limited



DIRECTORS' REPORT

To
The Members of Bhatinda Chemicals Limited

Your Directors have pleasure in presenting the 30th Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2006.

FINANCIAL RESULTS

The financial highlights are as follows :-

	(Rupees In Lacs)	
	2005-06	2004-05
Profit before Interest, Depreciation and Tax	264.71	372.82
Less :		
Interest	28.05	0.36
Depreciation	<u>171.23</u>	<u>204.94</u>
	65.43	167.52
Less : Provision for Taxation	<u>33.50</u>	<u>35.00</u>
Profit after Tax	31.93	132.52
Add : Balance brought forward from previous year	<u>134.98</u>	<u>131.72</u>
	166.91	264.24
Add/Less : Previous year Adjustment including taxes	(19.14)	(25.79)
Deferred Tax	31.13	21.53
Available for appropriation	<u>178.90</u>	<u>259.98</u>
APPROPRIATIONS		
Transferred to General Reserve	130.00	125.00
Balance carried to Balance Sheet	<u>48.90</u>	<u>134.98</u>
	<u>178.90</u>	<u>259.98</u>

PERFORMANCE REVIEW

During the year under review your company has faced various adversities like sharp increase in the input costs, excessive import of vanaspati in India under Free Trade Agreement at Zero rate of duty from the countries like Nepal, Sri Lanka, Bhutan etc., as a result of which domestic

industry is unable to compete. The market environment continues to be very competitive due to increase in power tariff, fuel, excessive exchange rate fluctuations and recessionary trends in the industry etc. Despite these pressure your Company adjusted to this situation and achieved a turnover of Rs. 211.51 Crores.

DIVIDEND

Considering Cash Constraints and need to conserve the resources of the Company for the future requirements, your Directors have decided not to recommend dividend on the equity shares.

DIRECTORS

Mr. Baldev Raj Gupta, Director, liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance Report and Certificate by the Managing Director and Manager (Finance) confirming compliance by all the Board Members with Company's Code of Conduct and Auditor's Certificate regarding compliance of condition of Corporate Governance are made a part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, it is hereby confirmed that :

- In the preparation of the annual accounts the applicable accounting standards have been followed;
- The Directors have selected such accounting policies and applied them consistently and made judgments 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 year and of the profit of the Company for the year under review;



Bhatinda Chemicals Limited

- (iii) 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 deducting fraud and other irregularities;
- (iv) The Directors have prepared the accounts for the financial year ended 31st March, 2006 on a 'going concern' basis;

LISTING OF EQUITY SHARES

The Company's equity shares are presently listed at Ludhiana (Regional), Delhi, Mumbai Stock Exchanges and listing fee for the year 2005-2006 have been paid to each of the said Stock Exchanges. Application for delisting of Equity Shares made to The Calcutta Stock Exchange Association Limited is still under process.

DEMATERIALISATION OF SHARES

As the members are aware, your company's shares are traded in electronic form under ISIN No. INE412G01016. Shareholders who have not yet dematerialised their shares are requested to dematerialize their physical holding in view of various advantages of holding the shares in dematerialized form.

HUMAN RESOURCES

The Company regards its employees as the most valuable assets and continuously reviews and evolves policies and procedures to attract and retain its pool of technical and managerial personnel through a conducive work environment.

PARTICULARS OF EMPLOYEES

The provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable as, there was no employee in the company during the year under review, drawing remuneration more than the amount specified

in terms of section 217 (2A) of the Companies Act, 1956.

AUDITORS

M/s. P. Mittal & Co., Chartered Accountants, the Statutory Auditors of the Company, will hold office until the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

The observations of the Auditors and notes on accounts are self explanatory and as such need no further explanation

COST AUDIT

The Board of Directors have re-appointed M/s Khushwinder Kumar & Co., Cost Accountants, Jalandhar as the Cost Auditors of the Company under section 233B of the Companies Act, 1956 subject to the approval of the Central Government for the year 2006-2007. The Cost Auditor's report will be forwarded to the Central Government as required under law.

PUBLIC DEPOSITS

During the year under review, the Company has not accepted fixed deposits from the public under section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Information as required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 with respect to energy conservation, technology absorption and foreign exchange earnings & outgo are forming part of the Directors Report and are annexed hereto and form part of the Director's Report.

Bhatinda Chemicals Limited**APPRECIATION**

The Board of Directors place on record their appreciation to all the employees of the Company for their contribution to the operations of the Company during the year under review. Your Directors also place on record their sincere appreciation of the support extended by the Government and other Statutory Authorities, Company's Bankers, Business Associates, Auditors and all the stakeholders of the Company.

for and on behalf of the Board

Place : Bathinda, (Rajinder Mittal)
Date : 2nd Aug., 2006 Chairman & Mg. Director

ANNEXURE TO THE DIRECTORS' REPORT

Particulars as required under Companies (Disclosure of Particulars in the report of Board of Directors) Rules 1988.

A) CONSERVATION OF ENERGY

The Company continues to place specific emphasis on energy conservation. No additional investment is made.

FORM 'A'

Form for disclosure of particulars of conservation of energy :-

1) POWER AND FUEL CONSUMPTION

i) ELECTRICITY :	2006	2005
a) Purchased		
Units	9164792	11289012
Total Amount (In Rs.)	38451913	42044225
Rate/Unit	4.19	3.72
b) Own Generation through Diesel /R.F.O. Generator		
Units	1790960	1855200
Total Amount (In Rs.)	8023496	7529162
Rate/Unit	4.48	4.06

ii) COAL (Used in Boiler) :

Quantity (In M.Ts.)	---	---
Total Cost	---	---
Average Rate PMT	---	---

iii) FURNACE OIL :

Quantity (In Litres)	40000	---
Total Cost	686474	---
Average Rate Per Litre	17 16	---

iv) OTHERS :

Rice Husk/R.F.O / L.D.O.		
Total Cost (In Rs.)	18259934	26685400

2) CONSUMPTION PER UNIT OF PRODUCTION

	(Per Qtl.)	(Per Qtl.)
Electricity (Units)	7.71	9.27
Coal (Qtls)	---	---
Furnace Oil (In Litres)	0.03	---

B) TECHNOLOGY ABSORPTION**FORM 'B'**

Form for disclosure of particulars of technology absorption :-

Although no separate R & D Department has been set up yet the Company has taken care to train chemists & engineers in various disciplines. The Company is having a well equipped laboratory which meets the requirement of quality control.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings : Rs. Nil
Outgo : Rs. 1848.28 Lacs

for and on behalf of the Board

Place : Bathinda, (Rajinder Mittal)
Date : 2nd Aug., 2006 Chairman & Mg. Director



Bhatinda Chemicals Limited

MANAGEMENT DISCUSSION & OUTLOOK

The Management believes that the performance of the industry can be improved by providing best quality product at the most competitive prices in the market. Management believe that the rising cost of electricity and fuel for generation of steam is major component in the processing cost and looking to it Management took the step to conduct internal energy audit to optimize the power cost and fuel cost. Management took the following steps to conserve the energy :-

1. Energy saving by achieving unity Power factor.
2. Optimizing the lighting load.
3. Optimizing the process load by engineering changes.
4. Installation of variable speed drives on motors to save energy.
5. Optimizing the Boiler efficiency by partial automation of Boiler
6. Management has upgraded its Thermic fluid heater by incorporating latest technology of Thermosyphoning.

in the adverse market condition and rising crude oil prices all above measures taken by the management will improve the performance of the company.

RISK & CONCERNS

Risk is inherent aspect of business. Risk taking is essential ingredient for growth. Your management is continuously evaluating the risks in all the segments of business and taking proactive steps to contain/minimize its impact on the business.

INDUSTRIAL RELATIONS & HUMAN RESOURCES MANAGEMENT

Industrial relations at all the works of the Company remained cordial and harmonious during the year under review. Your Company considers human resources very valuable assets for the development of the Organisation. To enhance the competencies of the employees at all levels, your Company organizes a series of in house training programme.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has adequate internal control

system commensurate with the nature of its business and the size of its operations. Internal control system is well established to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorised, recorded and reported correctly. The internal control system is designed to ensure that financial and other records are reliable for preparing the financial statements and other data and for maintaining the accountability of assets. The internal audit is carried out by the Internal Auditors of the Company and covers all the departments and key business areas of the Company. The audit process is undertaken under the supervision and guidance of the Audit Committee. All significant audit observations and actions taken thereof are reported to the Audit Committee.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE.

Your Company has achieved a turnover of Rs. 211.51 Crores, despite adverse market circumstances due to excessive imports of Vanaspati in India under Free Trade Agreement at zero rate of duty and increase in power tariff, fuel and heavy exchange rate fluctuations etc, as compared to the previous year of Rs. 299.10 Crores. The Company has earned a profit of Rs. 65.43 Lacs before taxation by managing efficiently and effectively with the resources at its disposal inspite of the fact that the Company has faced most competitive market and recessionary trend of industry.

CAUTIONARY STATEMENT

The above Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied Important factors that could make a difference to the Company's operations include external economic conditions affecting demand/supply influencing price conditions in the markets in which the Company operates, changes in Government regulations, statutes, tax laws and other incidental factors.

Bhatinda Chemicals Limited



CORPORATE GOVERNANCE

In line with the requirement for providing a "Report on Corporate Governance" as per clause 49 of the revised Listing Agreement of the Stock Exchanges as applicable, given below is a report on the Company's Corporate Governance norms.

CORPORATE GOVERNANCE PHILOSOPHY

Good Corporate Governance is an integral part of the Company's Management and Business Philosophy.

The importance of Corporate Governance lies in its contribution both to business prosperity and to accountability. Corporate Governance envisages commitment of the Company towards the attainment of high levels of transparency, accountability and business prosperity with the ultimate objective of realizing long term shareholder value, whilst taking into account the interest of all other stakeholders for wealth creation.

BOARD OF DIRECTORS

The Board of Directors of the Company consists of persons with considerable expertise in business, industry, finance and management etc. The Board of Directors, as at 31st March, 2006 comprises of four members out of whom, one is the Chairman & Managing Director, one is Whole Time Director and two are Non-Executive Independent Directors. The business of the Company is carried on by the Managing Director under the overall supervision and control of the Board of Directors

The company has complied with all the provisions of clause 49 of the Listing Agreement and there exists no discrepancy in either appointment or re-appointment of the Board of Directors. Further, the Company did not have any pecuniary relationship or transaction with the non-executive directors.

The names of the Directors and the category to which they belong to, their attendance at Board Meetings during the year and the last AGM, and the number of directorship and committee memberships held by them in other Companies is given below. Other directorships do not include directorships of Private Limited Companies and Foreign Companies.

Name	Category	Number of Board Meeting attended	Attendance at last AGM	Number of directorship in other Public Limited Companies	Committee Position held in other Public Limited Companies	
					Chairman	Member
Shri Rajinder Mittal	Executive	13	Yes	6	Nil	2
Shri S. N. Goyal	Executive	13	Yes	Nil	Nil	Nil
Shri V. K. Nayyar	Non Executive	7	Yes	Nil	Nil	Nil
Shri Baldev Raj Gupta	Non Executive	8	Yes	Nil	Nil	Nil