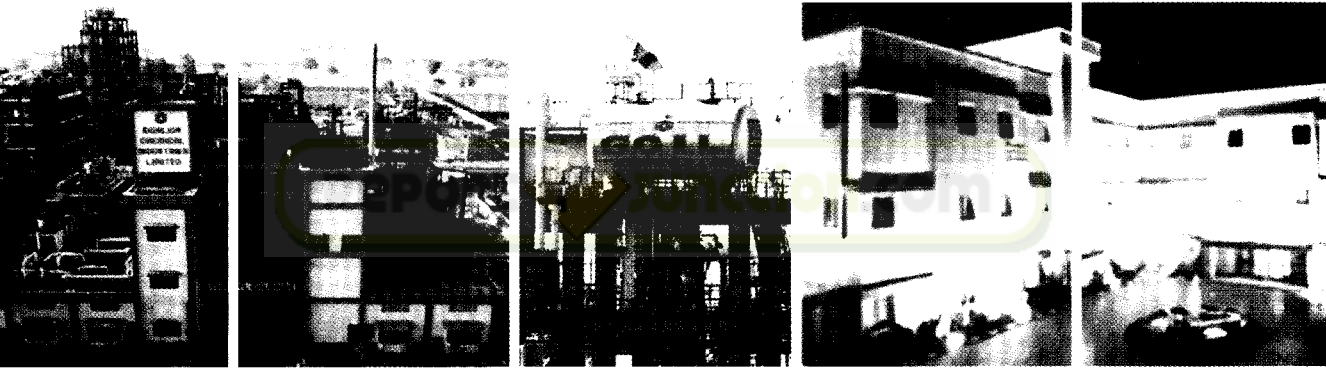




# GWALIOR CHEMICAL INDUSTRIES LIMITED



23rd Annual Report

2006-2007

## 23rd Annual Report 2006-2007

**Board of Directors**

Mr. Ashwin Kumar Kothari	<i>Chairman and Executive Director</i>
Mr. Harisingh Syamsukha	<i>Executive Director</i>
Mr. Vallabh Prasad Biyani	<i>Executive Director</i>
Mr. K. N. Luhariwala	<i>Executive Director</i>
Mr. Rakesh Khanna	<i>Independent Director</i>
Mr. B. P. Kejariwal	<i>Independent Director</i>
Mr. Milan Mehta	<i>Independent Director</i>
Mr. K.P.S. Dagur	<i>Nominee Director (IDBI)</i>
Mr. Rohit Kothari	<i>Non-Executive Director</i>
Mr. Pratap R. Merchant	<i>Independent Director</i>

**Company Secretary**

Mr. Sanjeev Pathak

**Chief Financial Officer**

Mr. Gaurav Shyamsukha

**Key Managerial Personnel**

Mr. S N Sharma - President Technical

Mr. V V Suresh - President Marketing

Mr. S K Jain - President Commercial

**Auditors**

Sarda &amp; Pareek

Chartered Accountants

**Bankers & Financial Institutions**

State Bank of India

Bank of Baroda

Industrial Development Bank of India

Housing Development Finance Corporation

**Registered Office**

1&amp;2, Western India House,

1<sup>st</sup> Floor, Sir P. M. Road, Fort,

Mumbai - 400 001.

Phone : 022-22873541

**Corporate Office**K. K. Chambers, 4<sup>th</sup> Floor,

Sir Purushottamdas Thakurdas Road,

Fort, Mumbai - 400 001.

Phone : 022-66388500

Fax : 022-66388620

**Works**

Birlagram, Nagda

Madhya Pradesh - 456331

Phone : 07366-245104, 245447

Fax : 07366-246283

GIDC, Industrial Estate

Ankleshwar, Gujarat

Phone : 02646-227175, 223280, 221776

Fax : 02646-224908

**Registrar and Share Transfer Agent**

Intime Spectrum Registry Ltd.

C-13, Pannalal Silk Mills Compound,

LBS Marg, Bhandup (West), Mumbai - 400078

Phone : 022-25963838

Fax : 022-25946969

<b>Contents</b>	<b>Page No.</b>
Notice to the Shareholders .....	2 to 6
Directors' Report .....	7 to 13
Management Discussion and Analysis Report .....	14 to 16
Corporate Governance Report .....	17 to 28
Certificates and Statements .....	29 to 31
Auditor's Report .....	32 to 35
Balance Sheet .....	36
Profit and Loss Account .....	37
Schedules and Notes on Accounts .....	38 to 57
Cash Flow Statement .....	58 to 59
Gwalior Chemicals bvba (Subsidiary Company) .....	60 to 70



## GWALIOR CHEMICAL INDUSTRIES LIMITED

### NOTICE

Notice is hereby given that the 23<sup>rd</sup> Annual General Meeting of the Members of the Company will be held on Tuesday the 31<sup>st</sup> day of July 2007 at 3.30 P.M. at The Mysore Association, 393 Bhaudaji Road, Near Maheshwari Udyan, Matunga, Mumbai - 400 019 to transact the following business: -

#### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2007 and the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2007 together with the Reports of the Board of Directors and Auditor's Report thereon.
2. To declare dividend for the year ended on 31<sup>st</sup> March, 2007 on the equity share capital of the company.
3. To appoint a director in place of Shri B. P. Kejariwal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Shri Milan Mehta who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and if thought fit, to pass with our without modification, the following resolution as an Ordinary Resolution:-

"RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956, M/s. Sarda & Pareek, Chartered Accountants be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided mutually between the Audit Committee in consultation with the Board of Directors and Auditors, plus reimbursement of out of pocket expenses, if any."

#### Special Business:

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT Shri Pratap R. Merchant who has been appointed as an Additional Director of the company by the Board of Directors with effect from 25<sup>th</sup> January, 2007 pursuant to the provisions of The Articles of Association and holds office up to date of this Annual General Meeting by reason of the provision of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing, proposing the candidature for the office of Director, in accordance with the provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company and that the period of office of the Director shall be liable to determination by retirement by rotation."

7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT in modification of the resolution passed at the Extra Ordinary General Meeting held on 4<sup>th</sup> February, 2005 and subject to the approval of the Central Government, if required, and subject to the provisions of sections 198, 269, 309, 310 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the remuneration payable to Mr. V. P. Biyani, the Whole Time Director is revised w.e.f. 1<sup>st</sup> April, 2007 as set out in the explanatory statement annexed to the notice conveying this meeting.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits the remuneration fixed by the Board shall be paid as Minimum Remuneration.

By Orders of the Board

Place: Mumbai  
Date : 23<sup>rd</sup> May, 2007.

**Sanjeev Pathak**  
Company Secretary

**Notes :**

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item 6 of the Special Business is annexed hereto.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 21st July, 2007 to 31st July, 2007 (both days inclusive).
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**  
The Proxy duly completed and signed must be deposited at the Corporate Office of the Company not less than 48 hours before the Meeting.
4. The members / proxies are requested to bring duly filled in Attendance Slips for attending the Meeting.
5. Members are requested to immediately notify change of address, if any, to the Company's Registrars and Share Transfer Agents, M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400078.
6. The dividend, if declared, will be paid within 30 days from the date of the Annual General Meeting of the Company to the members so entitled, whose names appear in the Register of Members as on 21st July, 2007 being the date of Book Closure.
7. All documents referred to in the accompanying notice are open for inspection at the Corporate Office of the Company on all working days, except Saturdays between 11.00 A.M. to 1.00 P.M.
8. Members desirous of obtaining any information concerning accounts and operations of the Company are requested to address their questions in writing to the Company at least 7 days before the date of the Meeting so that the information required may be made available at the Meeting.
9. As per the provisions of the Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B prescribed by the Government can be obtained from the Share Transfer Agent or may be down loaded from the website of the Department of Company Affairs.
10. Members/proxies are requested to bring a copy of the Annual Report along with them to the Meeting.
11. Members are requested to note that as prescribed by Securities and Exchange Board of India (SEBI), trading in securities of the Company are in dematerialized form only. Hence, Members who are yet to dematerialize their shares are advised to do so. The Company has entered into agreements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
12. Members (Beneficiaries) holding shares in dematerialized mode are requested to note that the bank details furnished by them to their respective Depository Participants will be printed on their Dividend Warrants, if not opted for Electronic Clearing Services (ECS). This is pursuant to the SEBI directive vide Circular No. D&CC/FITTC/CIR-4/2001 dated 13.11.2001.
13. As required under Clause No.49 of the Listing Agreement with Stock Exchanges, a brief resume of Directors seeking re-appointment / appointment are given below:



## GWALIOR CHEMICAL INDUSTRIES LIMITED

### STATEMENT REGARDING THE DIRECTORS PROPOSED FOR RE-APPOINTMENT

Name of the Appointee	<b>Mr. B. P. Kejariwal</b>
Designation	Independent Director
Age (in Years)	63
Qualification & Experience	Diploma Holder in Mechanical Engineering having experience of around 42 years in tools marketing. He was associated with M/s. Indian Tools Manufacturers (a division of Zenith Birla (India) Limited) for 35 years and retired as its Chief Marketing Executive in the year 2001. He was also Associated as marketing consultant with J. K. Files and Tools (a division of Raymond Limited) from 2001 – 2003. He is presently associated with M/s. Kejariwal Industries as partner.
Date of Appointment	Appointed as Additional Director by the Board of Directors in their Board Meeting held on 3 <sup>rd</sup> February, 2005 and further confirmed as Director by Shareholders in their General Meeting held on 4 <sup>th</sup> February, 2005.
Shareholding in the Company	Nil
Other Directorships	Nil
Committee Chairmanships	Nil.
Committee Memberships	Remuneration Committee of Gwalior Chemical Industries Ltd.

Name of the Appointee	<b>Mr. Milan Mehta</b>
Designation	Independent Director
Age (in Years)	43
Qualification & Experience	Electrical Engineer from Santa Clara University, USA having about 20 years board based techno commercial industrial experience in electrical industry and has brought exposure in technology, operations, accounts and finance, marketing and project management. Presently, he is vice chairman and managing director of Precision Wires India Limited, a public limited company listed on BSE and NSE.
Date of Appointment	Appointed as Additional Director by the Board of Directors in their Board Meeting held on 3 <sup>rd</sup> February, 2005 and further confirmed as Director by Shareholders in their General Meeting held on 4 <sup>th</sup> February, 2005.
Shareholding in the Company	Nil
Other Directorships	Precision Wires India Limited.
Committee Chairmanships	Nil
Committee Memberships	Nil

## 23rd Annual Report 2006-2007

Name of the Appointee	<b>Mr. Pratap R. Merchant</b>
Designation	Independent Director
Age (in Years)	72
Qualification & Experience	B Com, CAIIB-1, has long varied experience in the field of banking and financing spanning over 27 years having been with the Bank of Baroda as its Executive Director and Dena Bank as its General Manager.
Date of Appointment	Appointment as additional director w.e.f. 25 <sup>th</sup> January, 2007 and further to be reappointed as Independent Director at the ensuing Annual General Meeting on 31st July, 2007.
Shareholding in the Company	1000 Equity Shares
Other Directorships	1) Precision Wire (India) Limited. 2) Setco Automotive Limited. 3) KJMC Asset Management Co. Ltd. 4) N. S. Coal Pvt. Ltd.
Committee Chairmanships	1) Audit Committee – KJMC Asset Management Co. Ltd. 2) Remuneration Committee – Setco Automotive Limited. 3) Shareholders Grievance – Setco Automotive Limited.
Committee Memberships	1) Audit Committee – Gwalior Chemicals Industries Limited. 2) Remuneration Committee – Gwalior Chemical Industries Ltd 3) Audit Committee – Setco Automotive Limited. 4) Audit Committee – Precision Wire (India) Limited. 5) Remuneration Committee – Precision Wire (India) Ltd. 6) Remuneration Committee – KJMC Asset Management Co. Ltd.

By Orders of the Board

Place: Mumbai  
Date : 23<sup>rd</sup> May, 2007.

**Sanjeev Pathak**  
Company Secretary



## GWALIOR CHEMICAL INDUSTRIES LIMITED

### EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

#### ITEM NO.6:

Shri Pratap R. Merchant was appointed as an Additional Director by the Board of Directors on 25<sup>th</sup> January, 2007 in accordance with the provisions of Section 260 of the Companies Act, 1956. He holds the Office up to the date of Annual General Meeting. The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member of the Company proposing his candidature for the office of a Director.

Shri Pratap R. Merchant holds B Com and CAIIB-1 degree and has specialization in Banking and Finance. Your Directors consider that his continuation on the Board will be extremely beneficial to the Company.

None of the Directors are in anyway concerned or interested in the resolution.

#### ITEM NO.7:

Shri. V. P. Biyani was re-appointed as a Whole Time Director and designated as the "Resident Director" – CEO of the Company for a period of 3 (Three) years from 1<sup>st</sup> January, 2005 to 31<sup>st</sup> December, 2007. The appointment and remuneration of Shri. V. P. Biyani as Whole Time Director was approved by the Shareholders at the Extra Ordinary General Meeting held on 4<sup>th</sup> February, 2005.

The Remuneration Committee considered that the Company has grown up manifold and has increased the job and responsibility of the Whole Time Director and CEO of the Company. The Remuneration Committee and the Board felt that for his hard work and responsibility he should be suitably remunerated. The Remuneration Committee is therefore revising the remuneration of Shri V. P. Biyani, for the period from 1<sup>st</sup> April, 2007 to 31<sup>st</sup> December, 2007 as follows:-

#### A. Remuneration:

Basic Salary: Rs. 71,000/- per month.

#### B. Perquisites:

1. Leave Travel Allowance: Subject to a maximum of 10% of the Basic Salary (on yearly basis).
2. Medical Reimbursement: Subject to a maximum of 8.33% of the Basic Salary (on yearly basis).
3. Special Allowance: Rs 59,350/- per month.
4. Employer's Contribution to the PF: @ 12% of the Basic salary (on monthly basis).
5. Employer's Contribution to the Super Annuation Fund: 15% of the Basic Salary (on yearly basis).
6. Housing: Rent-free furnished residential accommodation.
7. Gratuity: 15 days of basic salary for each completed year of Service.
8. Car: The Company shall provide a Car without Chauffer.
9. Transport Allowance: Rs. 4000/- per month.
10. Leave Encashment: 30 days @50% of Basic Salary (on yearly basis).

Except Shri. V. P. Biyani, no other Director is interested in the Resolution at item No. 7

The above extract is a Notice under Section 302 of the Companies Act, 1956.

The Board recommends the resolution set out at No. 7 of the Notice for your approval.

By Orders of the Board

**Sanjeev Pathak**  
Company Secretary

Place: Mumbai

Date : 23<sup>rd</sup> May, 2007.

**DIRECTORS' REPORT TO THE MEMBERS OF THE COMPANY  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007**

Dear Shareholders,

Your Directors have great pleasure in presenting their Twenty Third Annual Report together with the Audited Accounts for the period ended 31<sup>st</sup> March 2007

**1. Financial Results**

		(Rs. in Lacs)
<b>Particulars</b>	<b>Current year</b>	<b>Previous year</b>
Sales	22427.81	18893.22
Other Income	162.54	92.86
Increase /Decrease in Stock	98.92	214.80
Total Income	<u>22689.27</u>	<u>19200.88</u>
Gross Profit before Interest & Depreciation	4019.57	3676.97
Less: Interest	562.79	669.30
Gross Profit before Depreciation	3456.78	3007.86
Less: Depreciation	707.67	618.80
Profit for the year before Taxation	2749.11	2388.87
Less: Provision for Current Tax	468.97	550.00
Less: Provision for Deferred Tax	397.26	265.10
Less: Provision for FBT	9.39	14.39
Net Profit	<u>1873.49</u>	<u>1559.39</u>
Add: Balance brought forward from previous year	1379.94	865.10
Amount available for appropriation	<u>3253.43</u>	<u>2424.49</u>
<b>APPROPRIATION</b>		
i) Transfer to General Reserve	1500.00	1000.00
ii) Final Dividend [proposed]	185.07	39.07
iii) Corporate Tax on Dividend	31.46	5.48
iv) Balance carried to Balance sheet	1536.90	1379.94
<b>Total</b>	<u>3253.43</u>	<u>2424.49</u>
EPS (Basic& Dilute per share of face value of Rs 10)	9.43	10.54

**2. Financial Performance**

(a) Results of Operations

During the year under review, your company has earned a total income of Rs. 22689.27 Lacs as compared to Rs. 19200.88 Lacs of the previous year.





## GWALIOR CHEMICAL INDUSTRIES LIMITED

Our net sales increased from Rs. 17062.76 Lacs to Rs. 20536.41 Lacs during the year, showing a growth of 20.36 % compared to the previous year.

### (b) Export

There has been a considerable growth of 55.59 % in the Export turnover of the Company, which is reported to be Rs.8192.94 Lacs as against Rs. 5265.80 Lacs during the previous year. Your company is exporting its products to various countries across the world.

Your Directors are confident to explore better overseas market in the years to come.

### 3. Management Discussions and Analysis Report

A Management Discussion and Analysis Report as required under the Clause 49 of the Listing Agreement is annexed to and forming part of the Directors' Report.

### 4. Dividend

Your Directors are pleased to recommend a dividend of Re. 0.75 per share (7.50 %) for the financial year ended 31<sup>st</sup> March 2007, against 2.64 % in the previous year. The total amount of dividend for the year ended 31<sup>st</sup> march, 2007 is Rs.185.07 Lacs. The tax on distributed profits, payable by the Company would amount to Rs. 31.45 Lacs.

### 5. Directors

In accordance with the Articles of Association of the Company, Shri B. P. Kejariwal and Shri Milan Mehta directors are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The information required to be furnished under clause 49 IV (G) of the Listing Agreement is given in the Notice of the Twenty Third Annual General Meeting.

During the year under review, Shri Mahendra Parikh has resigned from the directorship of the Company and Shri Pratap Merchant is appointed as director. The company appreciates the contributions made by Shri Mahendra Parikh during his tenure with the company.

There is no other change in the Composition of the Board of the Company.

### 6. Initial Public Issue

Your Directors have pleasure to inform you that the Company's initial public offer for a sum of Rs. 80.00 Crores through the 100% Book Building Process has successfully over subscribed by more than 7 times. The net proceeds from the public have been utilized as follows: -

#### IPO proceeds utilisation statement

NO.	PARTICULARS	Total Cost of Project (Rs. in Lacs)	Amount Spent/ utilised as on 23.05.07 (Rs. in Lacs)
<b>A EXPANSION, UPGRADATION OF EXISTING FACILITITES</b>			
1	Benzyl Chloride/Benzal Chloride	1660	295
2	Benzaldehyde	510	7
3	Benzyl Alcohol	345	63

## 23rd Annual Report 2006-2007

NO.	PARTICULARS	Total Cost of Project (Rs. in Lacs)	Amount Spent/ utilised as on 23.05.07 (Rs. in Lacs)
4	Thiony Chloride	660	126
5	Advances to Capex Suppliers'		397
6	Capex Inventory		54
	Sub Total (A)	3175	942
<b>B NEW PRODUCTS</b>			
1	Benzyl Esters and Acid Chlorides	1500	9
2	Viscose Dye Pigments	135	0
	Sub Total (B)	1635	9
C	Other Additional Expenditures	1600	35
D	Investments	0	2000
E	Working Capital Facilities / General Corporate purpose / Investments	2000	4490
F	Issue Expenses	600	524
	Total (A TO F)	9010	8000

**7. Expansion Plans and the year under review:**

Enthused by the robust and continuing demand of all the products of your company, the company has embarked upon substantial expansion plans. The capacities, which are under creation, are outlined herewith along with expected dates of completion. A delay of two months in completion of some expansions may happen due to late delivery of the capital goods ordered.

The capacities, which will be created, are outlined below:

Sr. No.	Name of product	Production upto 31 <sup>st</sup> March 07	Expected Annual Capacity	Expected date of Completion
1	Benzyl Chloride	15717 TPA	36,000 TPA	March 08
2	Benzal Chloride	11070 TPA	21,000 TPA	March 08
3	Benzaldehyde	6505 TPA	12,000 TPA	March 08
4	Benzyl Alcohol	8420 TPA	18,000 TPA	March 08
5	Thionyl Chloride	18745 TPA	43,000 TPA	December 07
6	Benzyl Esters	1285 TPA	6000 TPA	March 08
7	Pigments	2095 TPA	2450 TPA	March 08