

**2nd
ANNUAL
REPORT
2001-2002**

GULSHAN



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GULSHAN CHEMFILL LIMITED

GULSHAN CHEMFILL LTD.

GULSHAN

**BOARD OF DIRECTORS**

| | | |
|------------------------|---|------------------------|
| Dr. Chandra Kumar Jain | - | Chairman |
| Mrs. Mridula Jain | - | Managing Director |
| Ms. Arushi Jain | - | Director |
| Shri Mohan Lal Bansal | - | Whole Time Director |
| Dr. Vinod Kumar Sharma | - | Director - Independent |
| Shri Sumat Jain | - | Director - Independent |

ASSTT. COMPANY SECRETARY

Shri Pramod Pd. Kothari

AUDITORS

M/s Shahid & Associates
Chartered Accountants
Muzaffarnagar, (UP) 251 001

BANKERS

Bank of Baroda

REGISTERED OFFICE

11th K.M., Begraipur Industrial Area,
Muzaffarnagar, (UP) 251 001

**CORPORATE OFFICE AND SHARE
DEPARTMENT & INVESTOR CELL**

G-81, Preet Vihar,
Delhi - 110 092

PLANT LOCATION

11th K.M., Begraipur Industrial Area,
Muzaffarnagar, (UP) 251 001

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2nd Annual Report 2001-2002

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**NOTICE**

NOTICE IS HEREBY GIVEN THAT THE 2ND ANNUAL GENERAL MEETING of **GULSHAN CHEMFILL LIMITED** will be held on Thursday, the 12th September, 2002 at 1.00 P.M. at Lala Gulshan Rai Jain Charitable Trust Dharamshala, 54, Gher Khatti, Muzaffarnagar-251 001 (UP) to transact the following business:

- 1) To consider and adopt the Audited Balance Sheet as at 31st March, 2002, the Profit & Loss Account for the year ended on that date together with the Reports of Board of Directors and Auditors thereon.
- 2) To appoint a Director in place of Dr. V.K. Sharma, who retires by rotation and being eligible offers himself for reappointment.
- 3) To appoint a Director in place of Shri Sumat Jain, who retires by rotation and being eligible offers himself for re-appointment.
- 4) To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
- 5) To consider, and if thought fit, to pass, with or without modification, the following resolution as Special Resolution :

"Resolved that in terms of the provisions of section 372A of the Companies Act, 1956, and in consideration of Industrial Development Bank of India (IDBI) having extended financial assistance of Rs. 989 lacs to M/s Gulshan Sugars & Chemicals Ltd., the shareholders do hereby approve the execution/ratification of Corporate Guarantee of Gulshan Chemfill Ltd in favour of the IDBI for the repayment of the said financial assistance, plus interest, costs, charges and all other moneys payable by Gulshan Sugars & Chemicals Ltd to IDBI.

By Order of the Board
for **GULSHAN CHEMFILL LIMITED**

Delhi
28th June, 2002

PRAMOD PD. KOTHARI
Asstt. Company Secretary

GULSHAN CHEMFILL LTD.**NOTES**

1. The information as required to be provided under the Listing Agreement entered into with Stock Exchanges, regarding the directors who are proposed to be appointed/reappointed and the related explanatory statement pursuant to section 173(2) in respect of the business under item no 5 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 A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE MEETING.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from Saturday, 7th September, 2002 to Thursday, 12th September, 2002 (both days inclusive).
4. Information u/s 205A read with the Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules, 1978 as amended is given below :
 - (i) Since, this is the second year of the company, pursuant to Section 205 of the Companies Act, 1956, no unclaimed/unpaid dividends have become due to be transferred to the General Revenue Account of the Central Government.
 - (ii) Consequent upon the amendment of section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.
5. Members are requested to notify promptly any change in their address, if any, so as to reach the Share Department & Investor Cell of the Company at G-81, Preet Vihar, Delhi 110 092 latest by the 12th September, 2002.
6. The members can avail of the nomination facility by filling form 2-B with the company. Blank forms will be supplied on request.
7. Members/Proxies are requested to bring copy of the Annual Report with them as copies of the Report will not be distributed at the Meeting.



GULSHAN CHEMFILL LTD.

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

As required under the listing agreement, the particulars of Directors who are proposed to be appointed/reappointed are given below :

1. Name : Dr. Vinod Kumar Sharma
 Age : 54 Years
 Qualifications : M.Sc., Ph.D.
 Experience : 33 Years experience Environmental Science.
 Other Directorships : He is director in 2 other Limited companies. He is also a member of Audit, Remuneration and Shareholder's Grievance Committees of this company in addition to 2 other companies.

2. Name : Shri Sumat Jain
 Age : 66 Years
 Qualifications : MBA
 Experience : Vast experience in Finance & Management
 Other Directorships : He is director in 2 other limited companies in addition to 15 Private Limited companies. He is also a member of Audit, Remuneration and Shareholder's Grievance Committees of this company in addition to 2 other companies.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

IDBI had extended financial assistance of Rs. 989 lacs to M/S Gulshan Sugars & Chemicals Limited. The above assistance is, inter-alia, to be secured by way of Corporate Guarantee of Gulshan Chemfill Ltd for due repayment of loan, interest etc. In terms of the provisions of section 372A of the Companies Act, the total loans/investments/guarantees provided by the Company exceeds the maximum permissible limit and are required to be approved by the shareholders. Hence, the approval of shareholders is required for the same.

Dr. C.K. Jain, Mrs. Mridula Jain, Dr. V.K. Sharma and Shri Sumat Jain, Directors of the company may be considered as interested in the resolution to the extent of their being directors in the above company. Your Directors, recommend the resolution for your approval.

Note : The above resolution under item no 5, is to be passed as Special Resolution through Postal Ballot in terms of the provision of section 192A of the Companies Act, as amended by the Companies (Amendment) Act, 2000. Accordingly, the result of Postal Ballot shall be declared and taken into consideration at the Annual General Meeting.

GULSHAN CHEMFILL LTD.**DIRECTOR'S REPORT**

Dear Members,

The Directors feel great pleasure in presenting the 2nd Annual Report alongwith Audited Accounts of your Company for the year ended 31st March, 2002.

FINANCIAL HIGHLIGHTS :

| | CURRENT YEAR 31-3-2002 | (Rs. in Lacs) PREVIOUS YEAR 31-3-2001 |
|--|---------------------------|---|
| - Turnover & Other Income | 596.43 | 655.60 |
| - Expenditure | 533.64 | 580.11 |
| - Gross Profit before Depreciation, Finance Charges & Tax | 62.79 | 75.49 |
| - Depreciation | 33.48 | 30.95 |
| - Finance Charges | 21.77 | 30.40 |
| - Profit before Tax | 7.54 | 14.14 |
| - Provision for Tax – Current Tax | 1.45 | 1.06 |
| – Deferred Tax Credit | 2.11 | 0.00 |
| - Net Profit after Tax | 8.20 | 13.08 |
| - Gross Cash Accruals | 41.68 | 44.03 |
| - Equity Share Capital | 124.25 | 124.25 |
| - Par Value of Equity Share (Rs) | 2.00 | 2.00 |
| - Earning per Share (Rs) | 0.13 | 0.21 |

DIVIDEND

The Board of Directors do not recommend any dividend for the year.

2001-02 IN RETROSPECT

The Sales and Other Income for the financial year under review were Rs. 596.43 lacs (Previous Year Rs. 655.60 lacs). The Gross Profits were Rs. 62.79 lacs (Previous Year Rs. 75.49 lacs). The Net profits after tax was Rs. 8.20 lacs (Previous Year Rs. 13.08 lacs).

Management's Discussion & Analysis about the company forms part of this report.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr. V.K. Sharma and Shri Sumat Jain, Directors of the Company retire at the ensuing Annual General Meeting by rotation and being eligible offer themselves for reappointment.

PUBLIC DEPOSITS:

During the year the company had invited Fixed Deposit u/s 58-A of the Companies Act, 1956. But no amount was received during the year and as such, no amount of principal or interest was outstanding as on 31st March, 2002. However, the company has complied with the provisions of Section 58-A of the Companies Act, 1956.

GULSHAN CHEMFILL LTD.**INSURANCE**

The Assets of the company including Buildings, Plant & Machinery, Stocks & Stores etc have been adequately insured.

DEMAT OF SHARES

Necessary arrangements have been made for Dematerialisation of Shares with NSDL and CDSL. Over 80% of the equity shares of the company are already in Demat form. The shareholders holding shares in physical form may avail this facility in their own interest.

LISTING OF SHARES

The equity shares of Rs. 2/- each have been listed on U.P. Stock Exchange, Kanpur (Regional Stock Exchange), Delhi Stock Exchange and Mumbai Stock Exchange. The Equity Shares were listed on 26th March 2002 at Mumbai Stock Exchange.

AUDITORS REPORT

The Auditors report to the shareholders do not contain any qualification.

DISCLOSURE OF PARTICULARS

The information pursuant to section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and as amended and to the extent applicable to the Company are given as per prescribed Forms in Annexure-1 forming part of this report. The company has not given any shares to any of the employees under Employees Stock Option Scheme.

Pursuant to the clause 49 of the Listing Agreement, a report on Corporate Governance is given in Annexure-2.

PERSONNEL

None of the employees during the year received the remuneration in excess of the limits set out under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended upto date. Mrs. Mridula Jain, Managing Director of the company is related to Dr. C.K. Jain as her husband and Ms. Arushi Jain as her daughter.

DIRECTOR'S RESPONSIBILITY STATEMENT

As per section 217(2AA) of the Companies (Amendment) Act, 2000, your company has complied with all the following requirement set out in the said provision :

- i) That in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii) That the selected accounting policies were applied consistently and the directors 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 March 31, 2002 and of the profit of the company for the year ended on that date;
- iii) 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;
- iv) That the annual accounts have been prepared on a going concern basis.

GULSHAN CHEMILL LTD.**S E T Y AND ENVIRONMENT**

The Company continued to maintain a good safety record. The manufacturing unit of the Company are environment friendly and maintain all safety standards and measures.

INDUSTRIAL RELATIONS

The Company continued to maintain good industrial relations with the work force in its unit and offices.

AUDITORS

M/s Shahid & Associates, Chartered Accountants, Muzaffarnagar, Auditors of the Company retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. They have confirmed to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. Accordingly, the said Auditors may be reappointed as Auditors of the Company at the forthcoming Annual General Meeting. The observations, if any, in the Auditors report are dealt with in the notes to the accounts at appropriate places and are self explanatory.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the contribution made by all the employees in ensuing high levels of performance and growth that your company has achieved during the year and the valued customers for extending their faith & confidence in the product quality and service. The Board of Directors also wish to place on record to the valuable co-operation and assistance extended by the Financial Institutions, Banks and Government Authorities for their continued support for the growth of the Company.

The future prospects of the Company are quite exciting in view of the products demand and it would be the Company's endeavour to merit the confidence of the esteemed Shareholders on every account.

For and on behalf of Board of Directors

28th June, 2002
DELHI

(DR. C.K. JAIN)
Chairman

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**GULSHAN CHEMFILL LTD.****ANNEXURE TO DIRECTOR'S REPORT****ANNEXURE- 1****FORM- A (See Rule - 2)**

Disclosure of particulars with respect to conservation of energy and Consumption per Unit of Production :

(A) Conservation of Energy

- (i) **Energy Conservation measures taken :** The Company has revamped and realigned the existing facilities to optimize power consumption in various power consuming facilities.
- (ii) **Additional investment and proposal, if any, being implemented for reduction of energy consumption :** The Company plans to install cogeneration power plant and turbine involving capital outlay of Rs. 1.5 crores in next 1-2 years.
- (iii) **Impact of measures (a) & (b) above for reduction of energy consumption and consequent impact on cost of production of goods :** This would result in reduction in power cost per unit and less dependence on purchased power.
- (iv) **Total energy consumption and energy consumption per unit of production as per Form 'A' :** Your Company is not covered under the industries, which are required to furnish the information 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.

FORM- B (See Rule - 2)

Disclosure of particulars with respect to Technology Absorption and Research & Development (R & D). NOT APPLICABLE

FORM C

Foreign Exchange Earnings & Outgo : NIL

ANNEXURE-2**REPORT ON CORPORATE GOVERNANCE****(A) Company's Philosophy**

The Company firmly believes in and has consistently practiced good Corporate Governance. The Company's essential character is shaped by the very values of transparency, professionalism and accountability. The Company will endeavour to improve on these aspects on ongoing basis.

(B) Board of Directors

The Board of Directors comprises a total of 6 Directors which include a Non-executive Chairperson, a Managing Director, a Whole Time Director, and 3 Non-executive Directors, including 2 independent directors. The ratio of Independent directors is 33% of the total Board strength. The Non-executive chairman belongs to the promoter's category and there is no other pecuniary relationship except his being director in other group companies.

During the year 8 Board Meetings were held on 1.4.2001, 20.4.2001, 7.5.2001, 29.6.2001, 30.7.2001, 20.9.2001, 30.10.2001 and 31.1.2002.

The composition of directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other directorships/membership of committees are as follows:

GULSHAN CHEMFILL LTD.

| Name of Directors | Category of Directorship | No. of Board Meetings Attended | Attendance at the last AGM | No. of other Directorships | Committee Membership | |
|-----------------------|--------------------------|--------------------------------|----------------------------|----------------------------|----------------------|----------|
| | | | | | Member | Chairman |
| Dr. C. K. Jain | Chairman | 8 | P | 10 | - | 3 |
| Mrs. Mridula Jain | Managing Director | 8 | P | 8 | - | - |
| Ms. Arushi Jain | Director | 7 | P | 3 | - | - |
| Shri Mohan Lal Bansal | Whole Time Director | 7 | P | - | - | - |
| Shri V. K. Sharma | Director-Independent | 5 | P | 2 | 3 | 2 |
| Shri Sumat Jain | Director-Independent | 5 | P | 17 | 3 | - |

Note : Directorship includes Private Limited Companies also.

(C) Audit Committee**(a) Terms of reference**

To oversight the Company's financial reporting process and disclosure of its financial information, to recommend the appointment of Statutory Auditors and fixation of the audit fee, to review and discuss with the Auditors about internal control systems, the scope of audit including the observations of the Auditors, adequacy of the internal audit function, major accounting policies, practices and entries, compliance with accounting standards and with the stock exchange and legal requirements concerning financial statements and related party transactions, if any, to review the Company's financial and risk management policies and discuss with the internal auditors any significant findings for follow-up thereon, to review the quarterly, half yearly and annual financial statements before submission to the Board of Directors.

The committee also meets the operating management and reviews the operations, new initiatives and performance of the business unit. The minutes of the Audit Committee are circulated to the Board, discussed and taken note of.

(b) Composition

The Audit Committee of the Board was formed on 7th May, 2001 and comprises of Dr. V.K. Sharma, Chairman and Shri Sumat Jain, Member. Both are non executive independent directors. The Auditors and & Asstt. Company Secretary Shri Pramod Pd. Kothari are the permanent invites and the Secretary of the committee. The committee met four times during the financial year 2001-02 and was attended by Chairman and member.

(D) Remuneration Committee**(a) Terms of reference**

To review, assess and recommend the appointment of executive and non-executive directors from time to time, to periodically review the remuneration package of the executive directors and recommend suitable revision to the Board, to recommend compensation to the non-executive directors in accordance with the Companies Act, to consider and recommend Employee Stock Option Schemes (if any) from time to time and to administer and superintend the same.

(b) Composition

The committee was formed on 7th May, 2001. The committee comprises Dr. C.K. Jain, Director being Chairman and two other non-executive independent directors namely Dr. V.K. Sharma and Shri Sumat Jain being Members. The committee met 4 times during the financial year 2001-02.