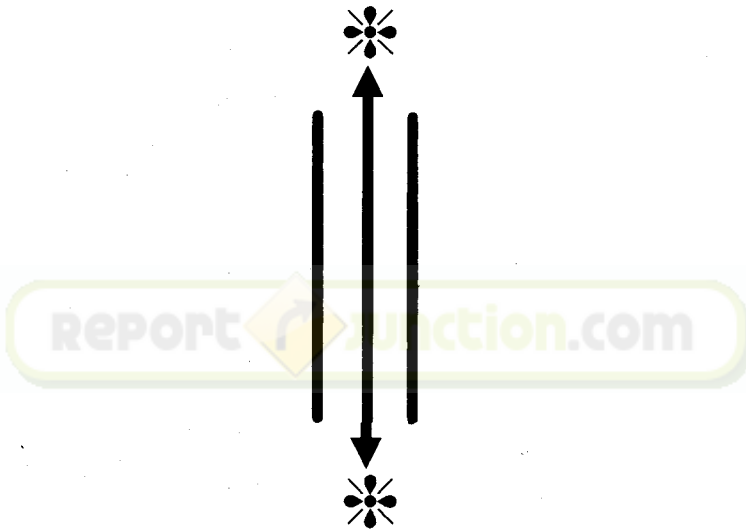


4th
Annual Report
2003-2004



GULSHAN



Gulshan Chemfill Limited

**GULSHAN CHEMFILL LTD.****BOARD OF DIRECTORS**

Dr. Chandra Kumar Jain	-	Chairman
Mrs. Mridula Jain	-	Managing Director
Mrs. Arushi Jain	-	Director
Mr. Mohan Lal Bansal	-	Whole Time Director (ceased w.e.f. 01.04.2004)
Dr. Vinod Kumar Sharma	-	Director - Independent
Mr. Sumat Jain	-	Director - Independent

AUDITORS

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

BANKER

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

REGISTRAR & TRANSFER AGENT

M/s. Alankit Assignments Ltd.
205-208, Anarkali Complex
Jhandewalan Extension
New Delhi - 110055

PLANT LOCATION

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

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GULSHAN CHEMFILL LTD.

NOTICE

Notice is hereby given that the 4th ANNUAL GENERAL MEETING of **GULSHAN CHEMFILL LTD.** will be held on Monday, 26th July 2004 at 1.00 P.M at the Registered Office of the company at 11th KM. Begraipur Industrial Area, Muzaffarnagar - 251001 (UP) to transact the following business:

- 1) To consider and adopt the Audited Balance Sheet as at 31st March 2004 and the Profit & Loss Account of the company for the year ended on that date together with the Reports of Board of Directors and the 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 Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.
- 4) To consider and if thought fit, to pass, with or without modification, the following resolution as Special Resolution:

"RESOLVED that pursuant to the provisions of the Companies Act, 1956 including any modifications or re-enactment thereof for the time being in force, Security Contract Regulation Act, 1956 and the Rules framed there under, Listing Agreements, Securities & Exchange Board of India (De-listing of securities) Guidelines, 2003 and all other applicable laws, rules, regulations and guidelines and subject to such approvals and permissions and conditions and modifications as may be prescribed or imposed by any authority while granting necessary approvals, permissions and sanctions, the company do seek voluntary de-listing of its 62,12,300 Equity Shares of Rs. 2/- each from the Uttar Pradesh Stock Exchange Association Limited at Kanpur (The Kanpur Stock Exchange) and The Delhi Stock Exchange Association Limited (Delhi Stock Exchange) at Delhi and for the purpose, the Board of Directors of the company (herein after referred to as the Board which term shall be deemed to include any committee thereof for the time being exercising the powers delegated by the Board) be and is hereby authorised to take action for getting voluntary de-listing of the company's Equity Shares from the stock exchanges at Uttar Pradesh Stock Exchange Association Limited at Kanpur and The Delhi Stock Exchange Association Limited at Delhi where the equity shares are presently listed, and to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, desirable, appropriate and to settle any question, difficulty or doubt that may arise in respect of de-listing of the equity shares and to execute all such applications, deeds, documents and write ups etc. as may be necessary, desirable or expedient and to delegate the authority and the duty vested in it by virtue hereof to any person or persons as the Board may, in absolute discretion, deem fit for this purpose.

RESOLVED FURTHER that the company's entire Equity Shares Capital consisting of 62,12,300 Equity Shares of Rs. 2/- each shall remain listed at The Stock Exchange, Mumbai."

- 5) To consider and if thought fit, to pass, with or without modification, the following resolution as Special Resolution:

"RESOLVED that, subject to the provisions of Section 17 of the Companies Act, 1956 and other relevant provisions of the Act and Rules and Regulations framed thereunder and confirmation of the Company Law Board, the Registered Office of the company be shifted from the State of Uttar Pradesh to the State of Himachal Pradesh and the Memorandum of Association of the company be altered by incorporating the words 'State of Himachal Pradesh' in substitution of and while deleting the words 'State of Uttar Pradesh' in Clause II.

"RESOLVED FURTHER that on obtaining the confirmation from the Company Law Board, the Registered Office of the company be shifted from the State of Uttar Pradesh to Village Rampur Majri, Dhaura Kuan, District Sirmour - 173001 in the State of Himachal Pradesh."

- 6) To consider and if thought fit, to pass, with or without modification, the following resolution as Special Resolution:

"RESOLVED THAT subject to the consents, approvals and permissions from appropriate authorities to the extent applicable or necessary, consent of the Company be and is hereby given pursuant to Section

GULSHAN CHEMFILL LTD.

GULSHAN



293 (1) (a) of the Companies Act, 1956 to sell, transfer, dismantle, or otherwise dispose off the undertaking of the company from such date as the Board of the Company may in its discretion think fit and that the Board of Directors of the Company (which shall include a committee of the Board constituted for this purpose) be and is hereby authorised to complete the process of sell, transfer, dismantle, or otherwise dispose off the said undertaking with such modifications as may be required by any of the concerned authorities or which it may deem fit to be in the best interest of the Company and to do all such acts, deeds, matters and things as may be necessary or expedient in the interest of the Company."

By Order of the Board

Delhi
9th June, 2004

MRIDULA JAIN
Managing Director

NOTES :

- A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies and such proxy need not be a member of the company. The instrument appointing proxy should be deposited at the Registered office of the company, not less than 48 hours before the commencement of the meeting.**
- 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 nos. 5 & 6 set out above are annexed hereto.
- The register of Members and the Share Transfer Books of the Company shall remain closed from Tuesday, 20th July 2004 to Saturday, 24th July 2004 (both days inclusive).
- Since this is the fourth year of the company, pursuant to Section 205A of the Companies Act, 1956 read with the Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules, 1978 no unclaimed/unpaid dividend have become due to be transferred to the General Revenue Account of the Central Government. However, the company has not declared any dividend so far since its incorporation.
- Members are requested to notify promptly any change in their address, if any, so as to reach the Registrar of the Company i.e. M/s Alankit Assignments Ltd, 205-208, Anarkali Complex, Jhandewalan Extension, Delhi-110055, (Phone nos 011-51540060 to 63, Fax no. 011-51540064 and Email address : alankit@alankit.com) or to Share Department & Investor Cell of the Company at G-81, Preet Vihar, Delhi 110092 (Phone nos 011- 22514751, 22515802 and Fax no. 22529848 and Email address: rkathuria@gulshanindia.com) latest by Monday, 19th July 2004.
- The members can avail of the nomination facility by filling form 2-B with the company. Blank forms will be supplied on request.
- 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.

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. V. K. Sharma |
| Age : | 56 years |
| Qualifications : | M.Sc., Ph.D. |
| Experience : | 35 years experience in Environmental Science. |
| Other Directorships : | He is also director in 2 other Limited companies. He is also member of Audit, Remuneration and Shareholders Grievance committee in Various companies. |



GULSHAN CHEMFILL LTD.

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

ITEM NO 4

The Equity Shares of the company are presently listed at -

1. The Uttar Pradesh Stock Exchange Association Limited at Kanpur
2. The Delhi Stock Exchange Association Limited at Delhi, and
3. The Stock Exchange, Mumbai (BSE) at Mumbai

It has been observed that the shares of the company are not being traded in a material way regularly at 'The Uttar Pradesh Stock Exchange Association Limited' and 'The Delhi Stock Exchange Association Limited'. In fact, the trading volume at these two stock exchanges are nil during the last 3 Financial Years i.e. 2001-02, 2002-03 and 2003-04. However, the equity shares have been regularly traded at BSE.

The Company's Equity Shares are specified by the SEBI for settlement only in dematerialized form by all the investors. With the extensive networking of BSE Terminals in all major cities all over the country, the investors have easy access to the stock market and can deal in the company's securities across the country. The directors, therefore, felt that the continued listing with the above two stock exchanges namely 'The Uttar Pradesh Stock Exchange Association Limited' and 'The Delhi Stock Exchange Association Limited' do not provide any significant tangible advantage to the members of the company. The statutory period of listing of the equity for not less than 3 years at these stock exchanges have been complied with. The listing fees have also been paid including for the current year.

In terms of clause 5, 6, 7.1, 7.2 and 11 and other relevant clauses of the SEBI (Delisting of Securities) Guidelines, 2003 the de listing of Equity Shares of the company require the approval of the shareholders by way of Special Resolution.

None of the directors, directly or indirectly are concerned or interested in the resolution.

The directors recommend the resolution for your approval.

ITEMS NO 5 & 6

Presently the company's manufacturing facilities are located at its Registered Office at 11th KM. Begraipur Industrial Estate, Muzaffarnagar- 251001 (UP) which is based on old technology and was set up way back in the year 1991. Due to obsolete technology and other factors such as high power/fuel cost in absence of captive power plant etc, the operations have become uneconomical. Further, the industrial policy of Govt. of India to extend certain fiscal benefits such as 100% exemption of Excise duty, Concessional trade tax and income tax exemption etc in nearby state i.e. Himachal Pradesh and Uttaranchal, and due to the technological upgradation, the market price differential of the product has widened leading to no scope for future expansion of capacities at the current location in UP.

The current circumstances have led to relocate/ setup new expanded production facilities in the state of Himachal Pradesh (HP) where not only fiscal benefits are available but the cheaper raw material (lime stone) due to proximity of its source and cheaper and quality power is assured. The Board of Directors approved the proposal to shut down the operations at present location permanently and to set up a new unit at Dhaula Kuan in Distt. Sirmour in the State of Himachal Pradesh. Necessary land has been acquired through the company 'Gulshan Chemcarb Ltd. The existing plant & machineries and other equipments have lost its economic and technical substance and therefore be discarded/ dispose off or sold either by dismantling or otherwise at opportune time. Since the new operations would be carried out at new location, it is desirable that the registered office of the company be shifted to the place of operations i.e. to the state of Himachal Pradesh from its present location.

The provisions of Section 17 and 293 (1)(a) of the Companies Act, 1956 requires the approval of the shareholders through postal ballots for effecting the above proposals. The Board of Directors have already approved the above. This will enable to expand the manufacturing capacity and strengthen the capital base of the company and would help the company to expand the business.

None of the directors, directly or indirectly, are concerned or interested in the resolution.

The directors recommend the resolution for your approval.

Note : The above resolutions under Item no. 5 & 6, are to be passed as Special Resolutions through Postal Ballots in terms of the provisions of Section 192A of the Companies Act, 1956 and as amended by the Companies (Amendment) Act, 2000. Accordingly the results of the postal ballot shall be declared and taken into consideration at ensuing Annual General Meeting.



GULSHAN CHEMFILL LTD.

DIRECTOR'S REPORT

Dear Members,

The Board of Directors feel great pleasure in presenting the 4th Annual Report along with Audited Accounts of your Company for the year ended 31st March 2004.

FINANCIAL HIGHLIGHTS :

	CURRENT YEAR 31-03-2004	(Rs. in Lacs) PREVIOUS YEAR 31-03-2003
-- Turnover & Other Income	567.17	690.87
-- Expenditure	511.73	602.39
-- Gross Profit before Depreciation		
Finance Charges & Tax	55.44	88.48
-- Depreciation	26.20	43.96
-- Finance Charges	28.17	35.27
-- Profit before tax	1.07	9.25
-- Provision for Tax- Current Tax	0.00	3.40
-- Deferred Tax Credit/(Liab)	(0.44)	1.63
-- Net Profit after Tax	0.63	7.48
-- Gross Cash Accruals	26.83	51.44
-- Equity Share Capital	124.25	124.25
-- Par Value of Equity Share (Rs.)	2.00	2.00
-- Earning Per Share (Rs.)	0.01	0.12

DIVIDEND

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

2003-04 IN RETROSPECT

The Sales and Other Income for the financial year under review, were Rs. 567.17 lacs (Previous year Rs. 690.87 lacs) showing a decline of about 18%. The operations of the company were suspended effective from January 1, 2004 in view of uneconomic and adverse conditions. The Net Profits after tax were Rs. 0.63 lacs (Previous year Rs. 7.48 lacs). The Depreciation charge was Rs. 26.20 lacs (Previous year Rs. 43.96 lacs). The Cash accruals were Rs. 26.83 lacs (Previous year Rs. 51.44 lacs).

Presently the company's manufacturing facilities are located at its Registered Office at 11th KM. Begrajpur Industrial Estate, Muzaffarnagar- 251001 (UP) which are based on old technology and was set up way back in the year 1991. Due to obsolete technology and other factors such as high power/fuel cost in absence of captive power plant etc, the operations have become uneconomical. Further, the industrial policy of Govt. of India to extend certain fiscal benefits such as 100% exemption of Excise duty, Concessional trade tax and Income tax exemption etc in nearby state i.e. Himachal Pradesh and Uttaranchal, and due to technological upgradation, the market price differential of the product has widened leading to no scope for future expansion of capacities at the current location in UP.

The current circumstances have led to relocate/ setup new expanded production facilities in the state of Himachal Pradesh (HP) where not only fiscal benefits are available but the cheaper raw material (lime stone) due to proximity of its source and cheaper and quality power is assured. The Board of Directors approved the proposal to shut down the operations at present location permanently and to set up a new unit at Dhaura Kuar in Distt. Sirmour in the state of Himachal Pradesh. Necessary land has been acquired through the company 'Gulshan Chemcarb Ltd.' Gulshan Chemcarb Ltd needs to be amalgamated/ merged with your company after the approval of shareholders and compliance of statutory requirements in due course after shifting the registered office to Himachal Pradesh i.e. same state for the jurisdiction of single High Court. The existing plant & machineries and other equipments have lost its economic and technical substance and therefore be discarded/ dispose off or sold either by dismantling or otherwise at opportune time. The company proposes to fund the cost of the new facilities by way of borrowing from Banks/ Financial Institution apart from other long term sources. Since the new operations would be carried out at new location, it is desirable that the registered office of the company be shifted to the place of operations i.e. to the state of Himachal Pradesh from its present location.

The banking working capital limits from Bank of Baroda (BOB) were surrendered consequent upon discontinuance of operations at its present location. However, BOB has shown its interest to fund the future funds requirement at opportune time.

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

PROPOSED CHANGE IN LOCATION OF REGISTERED OFFICE

For the reasons narrated above, it is proposed, subject to statutory compliance and necessary approvals, to change the registered office of the company from the State of Uttar Pradesh to the State of Himachal Pradesh i.e. the venue of new project of the company.

DIRECTORS

Mr. M. L. Bansal, Whole Time Director of the company has resigned from the Directorship w.e.f. 31.03.2004. The Board has taken into consideration the contribution made by him during his tenure.



GULSHAN CHEMFILL LTD.

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

PUBLIC DEPOSITS

During the year, the company had invited Fixed Deposits 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, 2004. However, the company has complied with the provisions of section 58-A of the Companies Act, 1956 and rules made thereunder.

INCREASE IN AUTHORISED SHARE CAPITAL

The authorized share capital of the company was increased during the year from Rs. 1.50 crore to Rs. 4.50 crore consisting of 75,00,000 Equity Share of Rs. 2/- each aggregating to Rs. 1.50 crore (Previous year Rs. 1.50 crore) and 3,00,000 Zero% Redeemable Preference Share of Rs. 100/- each aggregating to Rs. 3.00 crore (Previous Year Rs. Nil). The shareholders had approved the same at last AGM held on September 29, 2003.

CONTRIBUTION TO EXCHEQUER

Your company has paid an amount in excess of Rs. 85.83 lacs to the National Exchequer during the year in the form of Excise Duty, Custom Duty, Direct & Indirect taxes, levies, cess etc.

INSURANCE

The Assets of the company including Buildings, Plant & Machinery, Stocks & Stores etc. have been adequately insured. There was no claim during the year in respect of above.

DEMAT OF SHARES

Necessary arrangements are made for Dematerialisation of Shares with NSDL and CDSL. Over 84.26% of the equity shares of the company are already in Demat form. Since the shares of the company are traded on stock exchange in compulsory demat form, the shareholders holding shares in physical form may avail this facility in their own interest.

DELISTING OF EQUITY SHARES

The equity shares of Rs. 2/- each are presently listed on UP Stock Exchange, Kanpur, Delhi Stock Exchange and Mumbai Stock Exchange. However, in view of nil trading during last 3 years at 'The UP Stock Exchange, Kanpur' and 'The Delhi Stock Exchange, Delhi' the directors have approved a proposal to delist the equity shares of the company from these stock exchanges and placed a resolution for shareholders consideration. The necessary applications for de-listing shall be moved to these stock exchanges after obtaining the shareholders approval. The equity shares shall remain listed at 'The Stock Exchange, Mumbai' where these are regularly traded.

AUDITORS REPORT

The Auditors report to the shareholders does not contain any audit qualification. The audit of branches of the company is also audited by the Statutory Auditors.

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 up to date. Mrs. Mridula Jain, Managing Director of the Company is related to Dr. C. K. Jain as her husband and Mrs. Arushi Jain as her daughter.

DIRECTORS' RESPONSIBILITY STATEMENT

As per section 217(2AA) of the Companies (Amendment) Act, 2000, your company has complied with the entire 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 judgment 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 31st March, 2004 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.

SAFETY AND ENVIRONMENT

The company continued to maintain a good safety record. The manufacturing unit of the company is environment friendly and maintains all safety standards and measures.

GULSHAN CHEMFILL LTD.**INDUSTRIAL RELATIONS**

The Company continued to maintain good industrial relations with the work force in its unit and offices. Due to closure of unit, the workmen and the employees have left the employment and their all statutory dues have been paid.

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 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. Though, the Auditors Report to the shareholders does not contain any audit qualification.

SECRETARIAL COMPLIANCE CERTIFICATE

In terms of provisions of Section 383A of the Companies (Amendment) Act, 2000 the Secretarial Compliance Certificate issued by a practicing Company Secretary forms part of this report as **Annexure -3**.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation to the contribution made by all the employees in ensuring 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 after the proposed new unit are quite encouraging and it would be the Company's endeavour to merit the confidence of the esteemed Shareholders on every account.

For and on behalf of the Board of Directors

9th June, 2004
Delhi

DR. C.K. JAIN
Chairman

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

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

(A) Conservation of energy

- (i) **Energy Conservation measures taken:** No new measures are taken.
- (ii) **Additional investment and proposal, if any, being implemented for reduction of energy consumption:** No proposal for additional investment is under implementation.
- (iii) **Impact of measures (a) & (b) above for reduction of energy consumption and consequent impact on cost of production of goods:** None.
- (iv) **Total energy consumption and energy consumption per unit of production as per Form 'A':**
The details are as under:

Disclosure of Particulars with respect to conservation of energy:

	Current Year	Previous Year
A. Power & Fuel Consumption :		
1. Electricity :		
(a) Purchased :		
Units	5,32,602	7,77,515
Total Amount (Rs.)	26,78,592	36,77,644
Average Rate (Rs.)/Unit	5.03	4.73
(b) Own Generation :		
(i) Through Diesel Generator :		
Units	1,52,805	1,56,394
Units per Ltr. of Diesel/Oil	2.68	2.66
Cost (Rs.)/Unit	5.90	5.40
(ii) Through Steam Turbine/Generator :		
Units	9,36,974	10,87,488
Cost (Rs.)/Unit	Turbine is operated by steam generated by boiler, all expenses of Fuel used for boiler are booked under the head of Fuels and not under Electricity as it cannot be accurately bifurcated/ascertained.	
Cost per Ltr. Of Fuel, Oil/Gas		
2. (a) Charcoal (used on Boiler)		
Qty. (tonnes)	701.600	660.300
Total Cost (Rs.)	24,04,383	23,78,938
Average Rate (Rs.)	3,427	3,603



GULSHAN CHEMFILL LTD.

(b) Charcoal (Used on Gas Producing Unit)			
Qty. (MT)	1358.200		1592.200
Total Cost (Rs.)	46,54,551		57,36,401
Average Rate (Rs.)	3,427		3,603
3. Steam Coal (on Boiler) :			
Qty. (MT)	6037.300		585.450
Total Amount (Rs.)	89,54,000		9,32,135
Average Rate (Rs.)	1,483		1,592
4. Paddy Husk (Tones) on Boiler :			
Qty. (MT)	181.500		9250.875
Total Cost (Rs.)	2,24,617		96,82,487
Average Rate (Rs.)	1,238		1,047
B. Consumption per Unit (MT) of production			
Product		Calcium Carbonate	
Production (MT)	7939.700		9945.250
Electricity (Units/Ton)	204.30		203.25
Coal (Kg./Ton) - On Boiler	0.40		0.40
- On Gas Producing Unit	0.172		0.160
Steam Coal-on Boiler	1.000		1.000
Paddy Husk (MT/Ton)	1.200		1.200

FORM- B (See Rule - 2)

Disclosure of particulars with respect to Technology Absorption and Research & Development (R&D):
The company has not imported any technology for the process of operations. The company has made own efforts over the years for development, refinement and improvement in the technology.

FORM- C

Foreign Exchange Earnings & Outgo : NIL

REPORT ON CORPORATE GOVERNANCE

ANNEXURE-2

(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

Composition of the Board

The Board of Directors comprises a total of 5 Directors, which include a Non-executive Chairperson, a Managing Director and 3 Non-executive Directors, including 2 independent directors. The ratio of independent directors is more than 33% of the total Board's strength. The non executive chairman belongs to the promoter's category and there is no other pecuniary relationship except her being director in other group companies.

Board Meetings and Directors Attendance etc.

During the year 6 Board Meetings were held on 27-06-2003, 30-07-2003, 31-10-2003, 09-01-2004, 29-01-2004 and 31.03.2004.

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

Name of Directors	Category of Directorship	No. of Board Meeting Attended	Attendance at last AGM	No. of other directorships	Committee/ Membership	
					Member	Chairman
Dr. C. K. Jain	Chairman	6	Yes	12	--	3
Mrs. Mridula Jain	Managing Director	6	Yes	11	--	1
Mrs. Arushi Jain	Director	2	Yes	3	--	--
Mr. M. L. Bansal*	Whole Time Director	5	Yes	--	--	--
Dr. V. K. Sharma	Director-Independent	4	Yes	2	5	4
Mr. Sumat Jain	Director-Independent	5	Yes	20	7	--

* Ceased to be a director w.e.f. April 1, 2004.

Note : Directorship includes Private Limited Companies also.



GULSHAN CHEMFILL LTD.

(C) Audit Committee

(a) Terms of reference

To oversee 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 transaction, 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 comprises of Dr. V. K. Sharma, Chairman and Mr. Sumat Jain, Member, both are non executive independent directors. The Auditors are the permanent invitee. The committee met 4 times during the financial year 2003-04 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 comprises of Dr. C.K. Jain, Director being Chairman and two other non-executive independent directors namely Dr. V.K. Sharma and Mr. Sumat Jain being Members. The committee met 3 times during the financial year under review.

(c) Remuneration Policy

Remuneration of employees largely consists of base remuneration, perquisites and performance incentives. The Components of the total remuneration vary for different cadres and are governed by industry pattern, qualifications and experience of the employee, responsibilities handled by him, individual performance etc. The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution, and retain talent in the organization and reward merit.

(d) Details of remuneration for the year 2003-2004

(i) Managing/Whole Time Directors

(Rs./lacs)

Name	Salary	Commission	Perks	Retirement Benefits	Total
Mrs. Mridula Jain, MD	2.88	--	--	0.35	3.23
Mr. M. L. Bansal, WTD	1.38	--	0.14	0.10	1.62
Total	4.26	--	0.14	0.45	4.85

- The Managing Director is entitled for commission based on the net profits subject to the ceilings laid down in the Companies Act. However, she has not claimed the Commission during the year. The Whole Time Director is not entitled to any commission.
- The salaries of MD/WTDs are as per salary structure including annual increments for a fix period approved by Shareholders. No Bonuses, Stock options, pension are payable.
- Notice period for termination of appointment of both Managing Director and Whole Time Director is six months, on either side. No severance pay is payable on termination of appointment.

(ii) **Non-Executive Directors:** No remuneration was paid to Non-executive Directors during the year.

(E) Shareholder's Grievance Committee

(a) Terms of reference

To look into the shareholder complaints, if any, and to redress the same expeditiously, the committee approves requests for issue of duplicate share certificates and issue of certificates after