

GULSHAN



GULSHAN CHEMFILL LIMITED

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5th Annual Report 2004-2005

GULSHAN CHEMFILL LTD.**BOARD OF DIRECTORS**

Dr. Chandra Kumar Jain	- Chairman
Mrs. Mridula Jain	- Managing Director
Mrs. Arushi Jain	- Director
Mr. Suresh Kumar Tiwari	- Whole Time Director (Appointed w.e.f. 01-04-2005)
Dr. Vinod Kumar Sharma	- Director - Independent
Mr. Sumat Jain	- Director - Independent

AUDITORS

M/s Shahid & Associates
Chartered Accountants

BANKER

Bank of Baroda

REGISTERED OFFICE

Village Rampur Majri, Dhaula Kuan,
District Sirmaur - 173001
(Himachal Pradesh)

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

G-81, Preet Vihar,
Delhi - 110 092

REGISTRAR & TRANSFER AGENT

M/s. Alankit Assignments Ltd.
2E/21, Alankit House
Jhandewalan Extension
New Delhi - 110055

PLANT LOCATION

Village Rampur Majri, Dhaula Kuan,
District Sirmaur - 173001
(Himachal Pradesh)

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GULSHAN CHEMFILL LTD.

NOTICE

Notice is hereby given that the 5th ANNUAL GENERAL MEETING of **GULSHAN CHEMFILL LTD.** will be held on Wednesday, 28th September, 2005 at 10.00 A.M at the Registered Office of the company at Village Rampur Majri, Dhaula Kuan, District Sirmaur - 173001 (Himachal Pradesh) to transact the following business:

- 1) To consider and adopt the Audited Balance Sheet as at 31st March 2005 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 Mr. Sumat Jain, 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.

By Order of the Board

Delhi
28th May, 2005

MRIDULA JAIN
Managing Director

NOTES :

1. **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.**
2. 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 set out above are annexed hereto.
3. The register of Members and the Share Transfer Books of the Company shall remain closed from Tuesday, 20th September 2005 to Saturday, 24th September 2005 (both days inclusive).
4. Since this is the fifth 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.
5. 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, 2E/21, Alankit House, Jhandewalan Extension, Delhi -110055, (Phone Nos. 011-51540060 to 63, Fax no. 011-51540064 and Email address : rta@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 the Monday, 19th September 2005.
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 :

Name	:	Mr. Sumat Jain
Age	:	69 years
Qualifications	:	MBA
Experience	:	Vast experience in Finance & Management.
Other Directorships	:	He holds directorship in the following companies : Gulshan Sugars & Chemicals Ltd., Gulshan Polyols Ltd. He is also a member of Audit, Remuneration and shareholder's Grievance Committees of this company in addition to 2 other companies.

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GULSHAN CHEMFILL LTD.

DIRECTOR'S REPORT

Dear Members,

The Board of Directors feel great pleasure in presenting the 5th Annual Report along with Audited Accounts of your Company for the year ended 31st March 2005.

FINANCIAL HIGHLIGHTS :

	CURRENT YEAR 31-03-2005	(Rs. in Lacs) PREVIOUS YEAR 31-03-2004
- Turnover & Other Income	26.92	567.17
- Expenditure	11.10	511.73
- Gross Profit before Depreciation Finance Charges & Tax	15.82	55.44
- Depreciation	0.00	26.20
- Finance Charges	2.55	28.17
- Profit before tax	13.27	1.07
- Provision for Tax- Current Tax	1.04	0.00
- Deferred Tax Credit/(Liability)	0.61	(0.44)
- Net Profit after Tax	12.84	0.63
- Gross Cash Accruals	12.84	26.83
- Equity Share Capital	281.47	124.25
- Par Value of Equity Share (Rs.)	2.00	2.00
- Earning Per Share (Rs.)	0.09	0.01

DIVIDEND

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

2004-05 IN RETROSPECT

The Sales and Other Income for the financial year under review were Rs. 26.92 lacs (Previous year Rs. 567.17 lacs). The new project of the company is under implementation and the trials runs are expected to begin in August 2005. During the year, the company discarded the scrapped material and realised the amount which resulted in the Net profit after tax amounting to Rs. 12.84 lacs (Previous year Rs. 0.63 lacs). The Depreciation charge was Rs. NIL (Previous year 26.20 lacs). The Cash accruals were Rs. 12.84 lacs (Previous year 26.83 lacs).

As deliberated in last AGM also, the operations at the old facilities were suspended since January 2004 due to uneconomic factors and the company had taken up a new project of calcium carbonate in the state of Himachal Pradesh. Bank of Baroda had part financed the project. The project is expected to be operational by August 2005. No amount has been transferred to General Reserve Account. There have been no material changes and commitments affecting the financial position of the Company occurred between the end of the financial year and the date of this report.

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

AMALGAMATION OF GULSHAN CHEMCARB LTD

During the year, Gulshan Chemcarb Limited having its Registered Office at Village Rampur Majri, Dhaula Kuan, District Sirmour (Himachal Pradesh) was amalgamated with Gulshan Chemfill Ltd. The scheme of amalgamation under the provisions of section 391 to 394 of the Companies Act, 1956 was duly approved by the shareholders of both the companies and finally by the Hon'ble High Court of Himachal Pradesh at Shimla vide its order dated 4th March, 2005. As per the approved scheme of amalgamation, the appointed date of the scheme is 1st April, 2004. Accordingly, all the assets and liabilities of Gulshan Chemcarb Limited have been merged in accordance to Accounting Standard 14 issued by ICAI with your company w.e.f. the above date and the financial year ended 31st March, 2005 comprises the data of the combined operations.

CHANGE IN THE LOCATION OF REGISTERED OFFICE

The Registered Office of the company was shifted w.e.f. 8th October, 2004 from 11th KM. Begrajpur Industrial Area, Muzaffarnagar- 251001 to Village Rampur Majri, Dhaula Kuan, District Sirmour (Himachal Pradesh) vide order of the Company Law Board, Northern Region Bench at New Delhi dated 8th October, 2004 after compliance of all statutory provisions and guidelines etc.



GULSHAN CHEMFILL LTD.

INCREASE IN AUTHORISED SHARE CAPITAL

The authorized share capital of the company was increased during the year from Rs. 4.50 crore to Rs. 6.50 crore consisting of 1,75,00,000 Equity Share of Rs. 2/- each aggregating to Rs. 3.50 crore to facilitate to issue the equity shares to the shareholders of Gulshan Chemcarb Ltd upon its merger and 3,00,000 Zero % Redeemable Preference Share of Rs. 100/- each aggregating to Rs. 3.00 crore for bringing in money for the project. The above was approved by the shareholders in Extra Ordinary General Meeting.

INCREASE IN PAID UP CAPITAL

In terms of the scheme of amalgamation approved by Hon'ble High Court, Shimla, Gulshan Chemfill Ltd allotted a total of 78,61,200 equity shares of Rs. 2/- each aggregating Rs. 1,57,22,400/- to the shareholders of Gulshan Chemcarb Ltd as per the approved ratio. These shares are issued for a consideration other than cash. These shares though allotted in April 2005 have taken effect with effect from April 1, 2004 for the financial year 2004-05. The company is in the process of making an application to Mumbai Stock Exchange for listing of these shares.

Further, the company allotted 60,000 Zero % Redeemable Preference Share of Rs. 100/- each aggregating to Rs. 60 lacs for meeting the part of the funds for the implementation of the project.

IMPAIRMENT OF ASSET

The shareholders of the company had approved the resolution under section 293(1)(a) in last Annual General Meeting empowering the company to discard/ dismantle/ dispose/ sell the discarded/ scrap material of plant & machinery and buildings etc of the old plant which was closed due to uneconomic factors. Accordingly, such facilities were identified and disposed off during the year. The profit/ loss on such has been accounted for in the Profit & Loss a/c.

DIRECTORS

The Board has appointed Mr. S. K. Tewari as Whole Time Director of the company w.e.f. 1st April, 2005. The necessary approval of the shareholders of the company has also been obtained in the Extra Ordinary General Meeting of the shareholders held on 12th April 2005.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Sumat Jain, 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 collected during the year and as such, no amount of principal or interest was outstanding as on 31st March, 2005. However, the company has complied with the provisions of section 58-A of the Companies Act, 1956 and rules made thereunder.

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. Of the total 62,12,300 listed equity shares of Rs. 2/- each, 86.77% 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. The 78,61,200 new equity shares of Rs. 2/- each allotted in terms of scheme of amalgamation are yet not listed and are issued in physical form at the request of shareholders.

DELISTING OF EQUITY SHARES FROM KANPUR & DELHI STOCK EXCHANGES

The Equity Shares of the company were earlier listed on 'The Uttar Pradesh Stock Exchange Association Ltd.' Kanpur (UPSE), 'The Delhi Stock Exchange Association Ltd' (DSE) and 'The Stock Exchange, Mumbai' (BSE). As the trading volumes were negligible at UPSE and DSE for past many years. The Shareholders in the last annual general meeting approved the resolution for delisting the equity shares from UPSE and DSE. This was in line with the provisions of SEBI (Delisting of Securities) Guidelines 2003. Accordingly, delisting of company's equity shares from UPSE and DSE was done after compliance of all statutory guidelines. However, the equity shares remain listed at The Stock Exchange, Mumbai (BSE).

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.



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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 Act, 1956, 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 March 31, 2005 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.

INDUSTRIAL RELATIONS

The Company continued to maintain good industrial relations with the work force in its unit and offices. All statutory dues wherever applicable have been paid.

AUDITORS

M/s. Shahid & Associates, Chartered Accountants, 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.

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 endeavor to merit the confidence of the esteemed Shareholders on every account.

For and on behalf of the Board of Directors

28th May 2005
Delhi

DR. C.K. JAIN
Chairman

GULSHAN CHEMFILL LTD.

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**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	NIL	5,32,602
Total Amount (Rs.)	NIL	26,78,592
Average Rate (Rs.)/Unit	NIL	5.03
(b) Own Generation :		
(i) Through Diesel Generator :		
Units	NIL	1,52,805
Units per Ltr. of Diesel/Oil	NIL	2.68
Cost (Rs.)/Unit	NIL	5.90
(ii) Through Steam Turbine/Generator :		
Units	NIL	9,36,974
Cost (Rs.)/Unit		
Cost per Ltr. Of Fuel, Oil/Gas		
	Turbine is operated by steam generated by boiler, all expenses of Fuel used for boiler were booked under the head of Fuels and not under Electricity as it could not be accurately bifurcated/ascertained.	
2. (a) Charcoal (used on Boiler)		
Qty. (MT)	NIL	701.60
Total Cost (Rs.)	NIL	24,04,383
Average Rate (Rs.)	NIL	3,427
(b) Charcoal (Used on Gas Producing Unit)		
Qty. (MT)	NIL	1358.20
Total Cost (Rs.)	NIL	46,54,551
Average Rate (Rs.)	NIL	3,427
3. Steam Coal (on Boiler) :		
Qty. (MT)	NIL	6037.30
Total Amount (Rs.)	NIL	89,54,000
Average Rate (Rs.)	NIL	1,483
4. Paddy Husk on Boiler :		
Qty. (MT)	NIL	181.50
Total Cost (Rs.)	NIL	2,24,617
Average Rate (Rs.)	NIL	1,238



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B. Consumption per Unit (MT) of production of Calcium Carbonate

Production (MT)	NIL	7939.70
Electricity (Units/Ton)	NIL	204.30
Coal (Kg./Ton) -- On Boiler	NIL	0.40
-- On Gas Producing Unit	NIL	0.172
Steam Coal-on Boiler	NIL	1.00
Paddy Husk (MT/Ton)	NIL	1.20

Note : The Electricity & fuel consumption was towards the implementation of the project and not for the commercial operations during the year. Similarly, there was no consumption of charcoal, steam coal and paddy husk etc for commercial operations. Hence, the data for the current year is NIL.

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

The Company has adopted the best practices of corporate governance for ensuring protection of the rights and interests of its stakeholders. The Company's broad policies of Corporate Governance viz. Transparency, Integrity, Equity, Openness, Fairness and Accountability are the guiding principles of the management of the company along with focus on investor protection. The company has taken pro-active measures to periodically review and revise the corporate governance practices incorporating appropriate checks and balances at various levels of management.

(A) Company's Philosophy

The company firmly believes in and has consistently practiced good Corporate Governance. The company is committed to ethical values and self discipline through standards of good governance based on transparency, integrity, fairness, purposefulness, trust, responsibility, efficiency, efficacy, full disclosure in its dealings, appropriate checks and balances directed at sustaining shareholder's interests, achieving financial propriety and overall organizational goals. The company will endeavor to improve on these aspects on ongoing basis.

(B) Board of Directors

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 nonexecutive chairman belongs to the promoter's category and there is no other pecuniary relationship except her being director in other group companies. A new director has been appointed as Whole Time Director w.e.f. April 1, 2005.

During the year 8 Board Meetings were held on 02.04.2004, 09-06-2004, 29-07-2004, 25-10-2004, 16-11-2004, 29-01-2005, 15.03.2005 and 25.03.2005.

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	8	Yes	12	--	3
Mrs. Mridula Jain	Managing Director	8	Yes	11	--	1
Mrs. Arushi Jain	Director	0	Yes	3	--	--
Dr. V. K. Sharma	Director-Independent	5	Yes	2	5	4
Mr. Sumat Jain	Director-Independent	8	Yes	2	7	--

Note : Directorship includes Private Limited Companies also.

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**(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 2004-05 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 2004-2005

(i) Managing Director				(Rs./lacs)	
Name	Salary	Commission	Perks	Retirement Benefits	Total
Mrs. Mridula Jain, MD	3.12	--	--	0.37	3.49
Total	3.12	--	--	0.37	3.49

- 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 salary of MD is as per salary structure including annual increments for a fix period approved by Shareholders. No Bonuses, Stock options, pension are payable.