

**6th
Annual Report
2005-2006**



GULSHAN CHEMFILL LIMIT





Gulshan Chemfill Limited

BOARD OF DIRECTORS

Dr. Chandra Kumar Jain	:	Chairman
Mrs. Mridula Jain	:	Director
Mr. S. K. Tewari	:	Executive Director
Mr. Ajay Jain	:	Non Executive - Independent Director (w.e.f. 5-10-05)
Mr. Deepak Kumar	:	Non Executive - Independent Director (w.e.f. 5-10-05)

COMPANY SECRETARY

Mr. Saurabh Mittal

AUDITORS

M/s Shahid & Associates
Chartered Accountants
Muzaffarnagar (UP).

BANKERS

Bank of Baroda

REGISTERED OFFICE

9th K.M. Jansath Road,
Muzaffarnagar, Uttar Pradesh - 251001

CORPORATE OFFICE & 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,
Dist. Sirmaur, Himachal Pradesh-173001

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Gulshan Chemfill Limited

NOTICE

Notice is hereby given that the 6th ANNUAL GENERAL MEETING of GULSHAN CHEMFILL LTD. will be held on Friday, 22nd September, 2006 at 1.00 P.M at the Registered Office of the company at 9th K.M. Jansath Road, Muzaffarnagar, Uttar Pradesh-251001 to transact the following business:

ORDINARY BUSINESS

- 1) To consider and adopt the Audited Balance Sheet as at 31st March 2006 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. C.K. 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.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Deepak Kumar, who was co-opted as an Additional Director of the Company with effect from 5th October, 2005 under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received notice from a member under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Deepak Kumar for the office of Director be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT Mr. Ajay Jain, who was co-opted as an Additional Director of the Company with effect from 5th October, 2005 under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received notice from a member under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Ajay Jain for the office of Director be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT Mrs. Mridula Jain, who was co-opted as an Additional Director of the Company with effect from 24th December, 2005 under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received notice from a member under Section 257 of the Companies Act, 1956 proposing the candidature of Mrs. Mridula Jain for the office of Director be and is hereby appointed as a Director of the Company."

By Order of the Board

Delhi
28th June, 2006

Saurabh Mittal
Company Secretary

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 Exchange 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, 12th September 2006 to Saturday, 16th September 2006 (both days inclusive).

Gulshan Chemfill Limited

4. Since this is the sixth 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, New Delhi 110055 (Phone no 011-42541234, 23541234 and Fax No 011-41540064, and email address: rita@alankit.com) or to Share Department & Investor Cell of the Company at G-81, Preet Vihar, Delhi 110092 (Phone no 011-22514751, 22515802 and Fax no. 011-22529848) and email address: saurabh@gulshanindia.com) latest by Monday, 11th September 2006.
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.

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: Mr. Deepak Kumar
 Age: 56 years
 Qualifications: Bachelor of Commerce
 Experience: Vast experience in managing business affairs.
 Other Directorships: He holds directorship in the following companies:
 Apex Cement Pvt. Ltd., Shri Bankey Behari Steels Pvt. Ltd and Shri Jaibalaji Ispat Pvt. Ltd.
 He is also a member of Audit Committee, Chairman of Remuneration Committee and shareholder's Grievance Committee.
2. Name: Mr. Ajay Jain
 Age: 42 years
 Qualifications: FCA and FCS
 Experience: Vast experience in Finance and Management.
 Other Directorships: He holds directorship in following companies:
 Gulshan Polyols Limited.
 He is also a member of Remuneration Committee, shareholder's Grievance Committee and Chairman of Audit Committee.
 He also holds membership of three committees of Board of other companies and holds chairmanship of one committee out of three.
3. Name: Mrs. Mridula Jain
 Age: 53 years
 Qualifications: Master of Arts
 Experience: Vast experience in Managing Business Affairs.
 Other Directorships: She holds directorship in following companies:
 Gulshan Polyols Ltd., Gulshan Sugars & Chemicals Ltd., Gulshan Industries Ltd., Gulshan Agro Food Ltd., Gulshan Capital Ltd., Gulshan Micro Minerals Pvt. Ltd., Gulshan Holdings Pvt. Ltd. and Gulshan Mercantile Urban Cooperative Bank Ltd.
 She also holds membership of two committees of Board of other companies.

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

ITEM NO. 4

Mr. Deepak Kumar was appointed as Additional Director on 5th October, 2005 with a view to Board base the Board by including Independent Director. He is a Bachelor of Commerce having vast experience in managing business affairs. He will hold office of Director up to the date of ensuing Annual General Meeting. The Company has received a notice from a member proposing the candidature of Mr. Deepak Kumar for the office of the Director under the provisions of Section 257 of the Companies Act.

ITEM NO. 5

Mr. Ajay Jain was appointed as Additional Director on 5th October, 2005 with a view to Board base the Board by inducting Independent Director. He is a FCS and FCA and having vast and versatile experience in Finance. He will hold office of Director up to the date of ensuing Annual General Meeting. The Company has received a notice from a member proposing the candidature of Mr. Ajay Jain for the office of the Director under the provisions of Section 257 of the Companies Act.

ITEM NO. 6

Mrs. Mridula Jain was appointed as Additional Director on 24th December, 2005 with a view to Board base the Board as she was associated with the Company earlier also. She is Master of Arts and having more than 25 years of experience in managing business affairs. She will hold office of Director upto the date of ensuing Annual General Meeting. The Company has received a notice from a member proposing the candidature of Mrs. Mridula Jain for the office of the Director under the provisions of Section 257 of the Companies Act.

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Gulshan Chemfill Limited

DIRECTORS' REPORT

Dear Members,

The Board of Directors feel great pleasure in presenting the 6th Annual Report along with Audited Accounts of your Company for the year ended 31st March 2006.

FINANCIAL HIGHLIGHTS

	(Rs. in lacs)	
	CURRENT YEAR 31-03-2006	PREVIOUS YEAR 31-03-2005
- Turnover & Other Income	236.07	26.92
- Expenditure	169.65	11.10
- Gross Profit before Depreciation Finance Charges & Tax	66.42	15.82
- Depreciation	25.47	0.00
- Finance Charges	39.21	2.55
- Profit before tax	1.74	13.27
- Provision for Tax - Current Tax	0.71	1.04
- Deferred Tax Credit/(Liability)	-	0.61
- Net Profit after Tax	1.03	12.84
- Gross Cash Accruals	26.49	12.84
- Equity Share Capital	281.47	281.47
- Par Value of Equity Share (Rs.)	2.00	2.00
- Earning Per Share (Rs.)	0.007	0.09

DIVIDEND

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

2005-06 IN RETROSPECT

The Sales and Other Income for the financial year under review were Rs. 236.07 lacs (Previous year Rs. 26.92 lacs). The new project of the company became operational and commercial production commenced w.e.f. October, 2005. During the year, the company was able to earn Net profit after tax amounting to Rs. 1.03 lacs (Previous year Rs. 12.84 lacs). The Depreciation charge was Rs. 25.47 lacs (Previous year Nil). The Cash accruals were Rs. 26.49 lacs (Previous year Rs. 12.84 lacs).

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.

CHANGE IN THE LOCATION OF REGISTERED OFFICE

The Registered Office of the company was shifted w.e.f. 22nd May, 2006 from Village Rampur Majri, Dhaula Kuan, District Sirmaur - 173001 (Himachal Pradesh) to 9th K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh - 251001. The change in registered office was approved vide order of the Company Law Board, Northern Region Bench at New Delhi dated 22nd May, 2006 from the state of Himachal Pradesh to the State of Uttar Pradesh. The company thereafter complied other statutory provisions and guidelines for effecting the above change.

INCREASE IN PAID UP CAPITAL

During the year, the company had allotted 40,000 Zero % Redeemable Preference Share of Rs. 100/- each aggregating to Rs. 40 lacs for meeting the part of the funds for the implementation of the project.

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DIRECTORS

Dr. Vinod Kumar Sharma and Mr. Sumat Jain had resigned as Directors of the Company with effect from 5th October 2005. Mrs Arushi Jain had also resigned with effect from 29th October, 2005. Mrs. Mridula Jain had also resigned from the directorship of the Company w.e.f 5th October 2005, however she had re-joined the Board as Non Executive Director w.e.f. 24th December 2005. The directors record their appreciation for the valuable services rendered to the Company by them.

With a view to broad-base the Board, to induct Independent Director, and in compliance with the Code of Corporate Governance, at the Board Meeting held on 5th October, 2005, Mr. Deepak Kumar and Mr. Ajay Jain were co-opted as Additional Directors of the Company who hold the office upto the ensuing Annual General Meeting. A requisite notice under the provisions of Section 257 of the Companies Act, have been received from a member of the Company signifying his interest to propose the candidature of Mr. Deepak Kumar and Mr. Ajay Jain as Directors of the Company.

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, 2006. However, the company has complied with the provisions of section 58-A of the Companies Act, 1956 and rules made thereunder.

COMPLIANCE OF CLAUSE 49 OF STOCK EXCHANGE

The company's equity shares are currently listed at Stock Exchange, Mumbai. The company complied all the requirement of clause 49 of the listing agreement and other applicable guidelines as per prevailing directives of SEBI and Stock Exchange.

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, 89.38% 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 other 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. The company is pursuing for the listing of said shares with Bombay Stock Exchange.

AUDITORS REPORT

The Auditors report to the shareholders does not contain any audit qualification. The audit of branches of the company are 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. Dr. C.K. Jain, Chairman of the Company is related to Mrs. Mridula Jain as her husband and Mrs. Arushi Jain as her father.



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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, 2006 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, 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. 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 June, 2006
DELHI

DR. C. K. JAIN
Chairman

Gulshan Chemfill Limited**ANNEXURE TO DIRECTORS' 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:** 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 March 31, 2006	Previous Year March 31, 2005
A. Power & Fuel Consumption :		
1. Electricity :		
(a) Purchased:		
Units	928769	NIL
Total Amount (Rs.)	5394415	NIL
Average Rate(Rs.)/Unit	5.81	NIL
(b) Own Generation:		
Through Diesel Generator:		
Units	49770	NIL
Units per Ltr. of Diesel/Oil	3.10	NIL
Cost(Rs.)/unit	6.78	NIL
2. Charcoal		
Qty. (MT)	2370.086	NIL
Total Cost(Rs.)	10027173	NIL
Average Rate(Rs.)	4230.72	NIL

B. Consumption per Unit (MT) of production

Product	Calcium Carbonate	
Production (MT)	5193.150	NIL
Electricity (Units/Ton)	188.43	NIL
Charcoal (Kg./Ton)	456.39	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



Gulshan Chemfill Limited

ANNEXURE-2

REPORT ON CORPORATE GOVERNANCE

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, 2 other Non-executive Directors and 2 independent directors. The ratio of Independent directors is 40% of the total Board's 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 7 Board Meetings were held on 18-04-2005, 28-05-2005, 29-07-2005, 05-10-2005, 29-10-2005, 24.12.2005 and 30.01.2006.

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	7	YES	10	3	-
Mrs. Mridula Jain	Director	6	YES	8	2	-
Mr. S.K. Tewari	Executive Director	7	YES	-	-	-
Mr. Ajay Jain	Director-Independent	4	Not Applicable	1	3	1
Mr. Deepak Kumar	Director-Independent	4	Not Applicable	3	-	-
Dr. V. K. Sharma	Director-Independent	Nil	YES	-	-	-
Mr. Sumat Jain	Director-Independent	4	YES	-	-	-
Mrs. Arushi Jain	Director	Nil	No	2	-	-

Note -

1. Dr. Vinod Kumar Sharma and Mr. Sumat Jain had resigned from the Directorship of the Company w.e.f. 5th October 2005 and Mrs Arushi Jain had resigned from the Directorship of the company w.e.f. 29th October, 2005. Mr. Deepak Kumar and Mr. Ajay Jain were co-opted as directors on the Board w.e.f. 5th October 2005.
2. Directorship includes Private Limited Companies also.