

7th
Annual Report
2006-2007

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GULSHAN CHEMFILL LIMITED



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. Nitin Jain

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 7th ANNUAL GENERAL MEETING of GULSHAN CHEMFILL LTD. will be held on Tuesday, 25th September, 2007 at 11.00 A.M. at the Registered Office of the company at 9th K.M, Jansath Road, Muzaffarnagar, Uttar Pradesh -251001 to transact the following business:

- 1) To consider and adopt the Audited Balance Sheet as at 31st March 2007 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 Ajay Jain, who retires by rotation and being eligible, offers himself for reappointment.
- 3) To appoint a Director in place of Mr. Deepak Kumar, who retires by rotation and being eligible, offers himself for reappointment.
- 4) 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
30th June 2007

Nitin Jain
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 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, 21st August 2007 to Friday, 24th August 2007 (both days inclusive).
4. Since, the company has never declared any dividend since its incorporation. No amount is, therefore, has fallen due for transfer to Investor Education & Protection Fund.
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. 011-42541234, 23541234 and Fax no. 011-41540064 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, 32508619 and Fax no. 22157338 and Email address: nitin@gulshanindia.com latest by the, 20th September 2007.
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.

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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: 57 Years
 Qualifications: Bachelor of Commerce
 Experience: Vast experience in managing business affairs.
 Other Directorships: He holds directorship in the following companies:
 M.S.D. Papers Ltd., Apex Cement Private Ltd., Shri Bankey Bihari Steels Pvt.Ltd, Parena Leasing & Finance Co. Pvt. Ltd. and Shri. Jaibalaji Ispat Private Limited.
 He is also a member of Audit Committee, Chairman of Remuneration Committee and Shareholder's Grievance Committee.

2. Name: Mr. Ajay Jain
 Age: 47 years
 Qualifications: FCA and FCS
 Experience: Vast experience in Finance and Management
 Other Directorships: He holds directorship in the 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 Committee of Board of Other Companies and holds chairmanship of one committee out of these.

GULSHAN CHEMFILL LIMITED

DIRECTOR'S REPORT

Dear Members,

The Board of Directors feel great pleasure in presenting the 7th Annual Report along with Audited Accounts of your Company for the year ended 31st March 2007.

FINANCIAL HIGHLIGHTS

PARTICULARS	(Rs. In Lacs)	
	CURRENT YEAR (31.03.2007)	PREVIOUS YEAR (31.03.2006)
Turnover & Other Income	669.77	236.07
Expenditure	602.40	169.65
Gross Profit before Depreciation Finance Charges & Tax	67.37	66.42
Depreciation	36.35	25.47
Finance Charges	95.63	39.21
Profit before tax	(64.61)	1.74
Provision for Tax - Current Tax	0.43	0.71
- Deferred Tax Credit/(Liability)		—
Net Profit after Tax	(65.04)	1.03
Equity Share Capital	281.47	281.47
Par Value of Equity Share (Rs.)	2.00	2.00
Earning Per Share (Rs.)	(0.46)	0.007

DIVIDEND

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

2006-07 IN RETROSPECT

The Sales and Other Income for the financial year under review were Rs. 669.77 lacs (Previous year Rs. 236.07 lacs). The Depreciation charges were Rs. 36.35 lacs (Previous year 25.47 lacs). In spite of the Overall Improvement in the Economy of the Country the Company is not able to procure the requisite demand for its product. Although that is the temporary Phase and the Company is hopeful to have the Potential Demand in near future as the Company is continuously studying the existing and upcoming market conditions.

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

SUSPENSION OF THE COMMERCIAL OPERATIONS OF THE PLANT

The Company could not utilize the capacity to its full extent, which has resulted into uneconomic operations of the unit. The financial cost at the current level of operations is found too costly and accordingly management had decided to temporarily suspend the manufacturing activities effective from last week of February 2007. Moreover considering the Demand & Supply factor of the Product presently there is a lack of Demand of product manufactured by the Company. However as discussion with some of the Paper manufacturers (ITC Group, JK Group etc) are in progress for supply of PCC as filler in Papermaking. And it is expected that these developments would materialize in near future thereafter the company is able to take judicious decision in this regard. In view of the losses suffered by the company, 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.

PREPAYMENT OF TERM LOAN

In Order to reduce the financial cost burden on the Profitability of the Company. The company has decided to repay the Term loan consequently promoters of the company brought the funds into the company with the result company has successfully Paid its term loan amount to Rs.43,20,000/-Only.

GULSHAN CHEMFILL LIMITED

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Deepak Kumar & Mr. Ajay 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 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, 2007. 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. 62,12,300 equity shares of the company of Rs. 2/- each are listed at Bombay Stock Exchange. Out of the above, 90.74% of the equity shares 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 equity shares of Rs. 2/- each allotted in terms of scheme of amalgamation are not yet listed and were issued in physical form at the request of shareholders.

AUDITOR'S REPORT

The Auditor's 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. Dr.C.K.Jain, Chairman of the Company is related to Mrs. Mridula Jain as her husband.

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, 2007 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.



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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. 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 revival of the Commercial Production 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

30th June, 2007
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, 2007	Previous Year March 31, 2006
A. Power & Fuel Consumption :		
1. Electricity :		
(a) Purchased:		
Units	1473854	928769
Total Amount (Rs.)	6740270	53,94,415
Average Rate(Rs.)/Unit	4.57	5.81
(b) Own Generation:		
(i) Through Diesel Generator:		
Units	NIL	49770
Units per Ltr. Of Diesel/Oil	NIL	3.10
Cost(Rs.)/unit	NIL	6.78
(ii) Through Steam Turbine/Generator:		
Units	NIL	9,36,974
Cost(Rs.)/Unit		
Cost per Ltr. Of Fuel, Oil/Gas		
	Turbine was 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)	2337.412	2370.086
Total Cost(Rs.)	12331335	10027173
Average Rate(Rs.)	5275.64	4230.72
B. Consumption per Unit (MT) of production		
Product	Calcium Carbonate	
Production (MT)	6723.050	5193.150
Electricity (Units/Ton)	219.22	188.43
Charcoal(Kg/Ton)	347.67	456.39

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

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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 Chairman, a Promoter Director, an Executive Director and 2 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 his being director in other group companies.

During the year 4 board Meetings were held on 29.05.2006, 31.07.2006, 31.10.2006, 30.01.2007.

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	4	YES	9	3	—
Mrs. Mridula Jain	Director	4	YES	7	2	—
Mr. S.K Tewari	Director	4	YES	Nil	—	—
Mr. Ajay Jain	Director-Independent	4	YES	1	2	1
Mr. Deepak Kumar	Director-Independent	4	YES	5	—	—

Note - Directorship includes Private Limited Companies also.

(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.

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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 Mr. Ajay Jain Chairman, Dr. C.K Jain and Mr. Deepak Kumar, Member, all are non-Executive directors. The Auditors and Company Secretary are permanent invites. The Committee met 4 times during the financial Year 2006-07 and was attended by Mr. Ajay Jain, Chairman, and also by other members.

(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 Mr. Deepak Kumar, Director being Chairman and two other non-executive independent directors namely Mr. Ajay Jain and Dr. C.K. Jain being Members. The committee met 2 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 2006-2007

(i) Managing/Whole Time Directors

(Rs./lacs)

Name	Salary	Commission	Perks	Retirement Benefits	Total
Mr. S.K. TEWARI, ED	3.60	—	—	—	3.60
Total	3.60	—	—	—	3.60

- 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 Whole Time Director is one month, 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 split/consolidation etc. as also requests for transmission of shares, referred by the Share Transfer Committee.