

*3rd
Annual
Report
2002-2003*

GULSHAN



GULSHAN POLYOLS LIMITED

Gulshan Polyols Ltd.**BOARD OF DIRECTORS**

Mrs. Mridula Jain	-	Chairperson
Dr. Chandra Kumar Jain	-	Managing Director
Ms. Aditi Jain	-	Director
Mr. Shiv Kumar Uppal	-	Whole Time Director
Dr. Vinod Kumar Sharma	-	Director - Independent
Mr. Sumat Jain	-	Director - Independent

COMPANY SECRETARY

Mr. Mukesh Chandra Gupta

AUDITORS

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

BANKER

Bank of Baroda

REGISTERED OFFICE

Plot No. 762, Jhagadia Industrial Estate,
Bharuch - 393110 (Gujarat)

**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

Plot No. 762, Jhagadia Industrial Estate,
Bharuch - 393110 (Gujarat)

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Gulshan Polyols Ltd.**NOTICE**

Notice is hereby given that the 3rd Annual General Meeting of **GULSHAN POLYOLS LTD.** will be held on Saturday, 27th September, 2003 at 1:00 P.M. at its Registered Office at Plot no. 762, Jhagadia Industrial Estate, Distt. Bharuch-393110 (Gujarat) to transact the following business :

ORDINARY BUSINESS

- 1) To consider and adopt the Audited Balance Sheet as at 31st March 2003 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 declare a dividend.
- 3) To appoint a Director in place of Mrs. Mridula Jain, who retires by rotation and being eligible offers herself for reappointment.
- 4) To appoint a Director in place of Ms. Aditi Jain, who retires by rotation and being eligible offers herself for reappointment.
- 5) 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
for **GULSHAN POLYOLS LIMITED**

DELHI
27th June, 2003

M.C. GUPTA
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 are annexed hereto.
3. The register of Members and the Share Transfer Books of the Company shall remain closed from Tuesday, 16th September 2003 to Saturday, 20th September 2003 (both days inclusive).
4. Information u/s 205A read with the companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules, 1978, as amended is given below:
 - (i) Since, this is the third year of the Company, pursuant to section 205 of the Companies Act 1956, no unclaimed/unpaid dividends have become due to be transferred to the General Revenue Account of the Central Government.
 - (ii) Consequent upon the amendment of section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999 the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven

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years from the date of transfer to Unpaid Dividend Account of the company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.

5. Dividend on the Shares, if approved by the shareholders at the Meeting, will be paid to those Members/Beneficial owners whose names appear on the Company's Register of Members/Register of Beneficiaries as on Saturday, 20th September 2003.
6. In terms of prevailing Income Tax Laws, the dividend distributed by the company is tax-free in the hands of the shareholders and no TDS would be deducted from the amount of the dividend.
7. Members are requested to notify promptly any change in their address and to furnish dividend mandates, if any, so as to reach the Registrar of the Company i.e. M/s Alankit Assignments Ltd., 205-208, Anarkali Complex, Jhandewalan Extension, New Delhi-110055 (Phone Nos. 011-23610220 to 224, Fax No. 011-23552001 and Email address is 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, Email address of Company Secretary : mcgupta@gulshanindia.com latest by the Saturday, 20th September 2003.
8. The members can avail of the nomination facility by filling form 2-B with the company. Blank forms will be supplied on request.
9. 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 : Mrs. Mridula Jain
 Age : 50 years
 Qualifications : Master of Arts
 Experience : Vast experience in Managing Business Affairs.
 Other Directorships : She is also director in 9 other companies including Managing Director in Gulshan Chemfill Ltd., Chairperson in Gulshan Sugars & Chemicals Limited & Gulshan Mercantile Urban Co-operative Bank Ltd.
2. Name : Ms. Aditi Jain
 Age : 24 years
 Qualifications : MBA (Cardiff University, London)
 Experience : Marketing & Finance.
 Other Directorships : She is Director in 6 other Companies.

Gulshan Polyols Ltd.**DIRECTOR'S REPORT**

Dear Members,

The Board of Directors feel great pleasure in presenting the 3rd Annual Report along with Audited Accounts of your Company for the year ended 31st March 2003.

FINANCIAL HIGHLIGHTS

	(Rs. in Lacs)	
	CURRENT YEAR 31-3-2003	PREVIOUS YEAR 31-3-2002
- Turnover & Other Income	3980.55	3192.78
- Expenditure	3529.86	2778.69
- Gross Profit before Depreciation		
Finance Charges & Tax	450.69	414.09
- Depreciation	218.44	173.96
- Finance Charges	106.54	114.18
- Profit before Tax	125.71	125.95
- Provision for Tax – Current Tax	18.33	45.04
– Deferred Tax Credit	7.35	6.61
- Net Profit after Tax	114.73	87.52
- Dividend	24.85	27.95
- Gross Cash Accruals	308.32	233.53
- Equity Share Capital	310.62	310.62
- Par Value of Equity Share (Rs.)	5.00	5.00
- Earning per Share (Rs.)	1.85	1.41

DIVIDEND

The Board of Directors is pleased to recommend a Tax-free dividend of 8% (Rs. 0.40 per share on a Equity Share of Rs. 5/- each) on the equity share capital of the company for the year ended 31st March 2003. The Dividend, if approved by the members at the ensuing Annual General Meeting, will be paid within stipulated period prescribed under the Companies Act, 1956.

2002-03 IN RETROSPECT

The Sales and Other Income for the financial year under review, were Rs. 3980.55 lacs (Previous year Rs. 3192.78 lacs) showing a growth of over 24%. The Net Profits after tax were Rs. 114.73 lacs (Previous year Rs. 87.52 lacs) registering a growth of over 31%. The Depreciation charge was higher at Rs. 218.44 lacs, (previous year Rs. 173.96 lacs). The Cash accruals were Rs. 308.32 lacs (Previous year Rs. 233.53 lacs) showing a growth of more than 32%. The capacity utilization during the year was over 132% (Previous year 111%). The expansion project of the company has been completed, trial runs are successfully over and the commercial production is slated from early July 2003. The impact of the expanded capacity would result into higher production and increased sales volume. The financial impact would be reflected during the next year operations.

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

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mrs. Mridula Jain and Ms. Aditi Jain, Directors of the company retire at the ensuing Annual General Meeting by rotation and being eligible offer themselves for reappointment.

Gulshan Polyols Ltd.**SHARE CAPITAL**

During the financial year, Authorized Share Capital of the company has increased to Rs. 10 crores (Previous Year Rs. 3.5 crores) by adding 6,50,000 Zero % Redeemable Preference Shares of Rs. 100/- each. These are redeemable at 6th, 7th and 8th year @ 35%, 35% and 30% respectively from the date of issue. In terms of the stipulation of Bank of Baroda (BOB), an amount of Rs. 575 lacs consisting of 5,75,000 preference share of Rs. 100/- each have been subscribed and paid up. These have been allotted on April 26, 2003 to the subscribers.

BACKWARD INTEGRATION & CAPTIVE POWER PLANT

After the successful completion of expansion project, the company has targeted to optimize the cost of production of the product. Therefore, the company plans to take up the project to set up facilities for backward integration to produce the basic raw material i.e. starch for enlarged capacities. Considering the fluctuations in starch prices, the captive generation would considerably save the cost of production apart from additional contribution from by-products. Another major cost element of product is power for which a Captive Cogeneration Power Plant is considered essential. This would ensure uninterrupted power and steam at reduced cost to the entire operations. The company plans to approach Banks/Financial Institution for funding the same.

PUBLIC DEPOSITS

The Fixed Deposit Scheme of the company evoked good response from the investors. The Fixed Deposits mobilized and outstanding from the public and shareholders aggregated to Rs. 32.12 Lacs as on 31st March 2003 (Previous Year Rs. 11.02 lacs). There were two Fixed Deposits aggregating Rs. 25000/- which remained unclaimed deposits as on 31st March, 2003. However, these have since been paid to the deposit holders. There were no delay/defaults in the payment of any of the Deposit.

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

CONTRIBUTION TO EXCHEQUER

Your company has paid substantial amounts in excess of Rs. 5.53 crore to the 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.

DEMAT OF SHARES

Necessary arrangements are made for Dematerialisation of Shares with NSDL and CDSL. Over 81.7% 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.

AUDITORS REPORT

The Auditors report to the shareholders does not contain any audit qualification. The accounts of the 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.



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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, Managing Director of the Company is related to Mrs. Mridula Jain as her husband and Ms. Aditi Jain as her father.

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 judgement 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, 2003 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.

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.

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 are quite exciting in view of the products demand and expansion of the production capacity 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

DELHI
27th June, 2003

(MRIDULA JAIN)
Chairperson

Gulshan Polyols 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:** The company has realigned some of the existing power consuming sections to remove bottleneck. It has also changed the usage of input material from furnace oil to lignite to give cost savings.
- (ii) **Additional investment and proposal, if any, being implemented for reduction of energy consumption :** The company plans to set up Captive Cogeneration Power Plant along with backward integration. The power plant may cost appx Rs. 10 Crore.
- (iii) **Impact of measures (i) & (ii) above for reduction of energy consumption and consequent impact on cost of production of goods:** This would result in higher yield, reduction in power cost and self reliant on power production.
- (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	15,53,794	23,75,265
Total Amount (Rs.)	68,67,770	90,56,373
Average Rate (Rs.)/Unit	4.42	3.81
(b) Own Generation :		
(i) Through Diesel Generator:		
Units	59,530	83,890
Units per Ltr. of Diesel/Oil	3.18	3.04
Cost (Rs.)/unit	7.03	7.37
2. (a) Lignite (Used in Boiler)		
Qty. (Tones)	5,606	5,016
Total Cost (Rs.)	81,60,100	93,42,868
Average Rate (Rs.)	1,456	1,863
B. Consumption per Unit (MT) of production		
Product	Sorbitol - 70%	
Production (MT)	19828.49	16767.56
Electricity (Units/Per Ton)	81.36	146.66
Lignite (Kg/Ton)	283	299

Gulshan Polyols Ltd.**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 : Earnings - NIL (Previous Year - NIL). The utilization of Foreign Exchange during the year for imports was Rs. 54.53 Lacs (Previous year Rs. 32.51 Lacs).

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

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

(B) Board of Directors

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

During the year 6 Board Meetings were held on 17-04-2002, 28-06-2002, 30-07-2002, 30-10-2002, 01-01-2003 & 30-01-2003.

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

Name of Directors	Category of Directorship	No. of Board Meetings Attended	Attendance at last AGM	No. of other directorships	Committee Membership	
					Member	Chairman/ Person
Mrs. Mridula Jain	Chairperson	6	YES	8	-	1
Dr. C.K. Jain	Managing Director	6	YES	10	-	3
Ms. Aditi Jain	Director	4	YES	6	-	1
Mr. S. K. Uppal	Whole Time Director	4	YES	-	-	-
Dr. V. K. Sharma	Director-Independent	5	YES	2	5	4
Mr. Sumat Jain	Director-Independent	5	YES	20	7	-

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.

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 2 non-executive independent directors. The Auditors and Company Secretary are the permanent invitees. Mr. M.C. Gupta is Secretary of the committee. The committee met four times during the financial year 2002-03 and was attended by Dr. V.K. Sharma, Chairman and Mr. Sumat Jain, 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, Managing Director being Chairman and two other non-executive independent directors namely Dr. V.K. Sharma and Mr. Sumat Jain both 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 2002-2003

(i) Managing/Whole Time Directors

(Rs. in Lacs)

Name	Salary	Commission	Perks	Retirement Benefits	Total
Dr. C. K. Jain, MD	3.36	-	-	0.40	3.76
Mr S. K. Uppal, WTD	3.71	-	0.14	0.10	3.95
TOTAL	7.07	-	0.14	0.50	7.71

a) The Managing Director is entitled for commission based on the net profits subject to the ceilings laid down in the Companies Act. However, he has not claimed the Commission during the year. The Whole Time Director is not entitled to any commission.

b) 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.