



**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

**BANKER**

Bank of Baroda

**REGISTERED OFFICE**

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

**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**

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

**VISIT US AT**

www.gulshanindia.com

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## **Gulshan Polyols Ltd.**

### **NOTICE**

Notice is hereby given that the 5th Annual General Meeting of **GULSHAN POLYOLS LTD.** will be held on Friday, 23rd September, 2005 at 10:00 A.M. at its Registered Office at Plot no. 762, Jhagadia Industrial Estate, Distt. Bharuch- 393110 (Gujarat) 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 declare a dividend on Equity Shares.
- 3) To consider not to appoint a Director in place of Mrs. Aditi Jain, Director who retires by rotation but does not seek re-appointment.
- 4) To appoint a Director in place of Mrs. Mridula 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.

Delhi  
19th July, 2005

By order of the Board  
for **GULSHAN POLYOLS LIMITED**

**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 reappointed are annexed hereto.
3. The register of Members and the Share Transfer Books of the Company shall remain closed from Tuesday, 13th September 2005 to Saturday, 17th September 2005 (both days inclusive).
4. In terms of provisions of section 205 A & 205 C of Companies (Amendment) Act, 1999, No amount of dividend which has remained unpaid or unclaimed for a period of seven years is due for transfer to the Investor Education and Protection Fund set up by the Government of India.
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, 17th September 2005.

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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, 2E/21, Alankit House, Jhandewalan Extension, New Delhi 110055 (Phone no 011-51540060 to 63, Fax No 011-51540064, email address [rta@alankit.com](mailto:rta@alankit.com)) or to Investor Cell of the Company at G-81, Preet Vihar, Delhi 110092 (email address of Company Secretary [mcgupta@gulshanindia.com](mailto:mcgupta@gulshanindia.com)) latest by the Saturday, 17th September 2005.
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 Director who are proposed to be reappointed are given below :

1. Name : Mrs. Mridula Jain
- Age : 52 years
- Qualifications : Master of Arts
- Experience : Vast experience in Managing Business Affairs.
- Other Directorships : She holds directorship in the following companies : Gulshan Sugars & Chemicals Ltd; Gulshan Chemfill Ltd; Gulshan Industries Ltd; Gulshan Agro Food Ltd; Gulshan Capital Ltd; Gulshan Holdings Pvt. Ltd; Gulshan Micro Minerals Pvt. Ltd; Gulshan Plasto Pack Pvt. Ltd; Gulshan Papier Pack Pvt. Ltd; Gulshan Mercantile Urban Cooperative Bank Ltd; Selfridge Automobile Leasing & Industries Ltd.

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**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. This also happens to be the 'Silver Jubilee Year' of the 'Group'.

**FINANCIAL HIGHLIGHTS**

	(Rs. in Lacs)	
	CURRENT YEAR 31-3-2005	PREVIOUS YEAR 31-3-2004
- Turnover & Other Income	5583.18	5459.38
- Expenditure	5062.04	4690.13
- Gross Profit before Depreciation Finance Charges & Tax	521.14	769.25
- Depreciation	191.39	352.35
- Finance Charges	121.11	144.96
- Profit before tax	208.64	271.94
- Provision for Taxation - Current Tax	48.12	41.90
- Deferred Tax Liability	11.14	42.81
- Net Profit after Tax	149.38	187.23
- Dividend & Dividend Tax	53.12	28.03
- Gross Cash Accruals	287.65	511.55
- Equity Share Capital	310.62	310.62
- Par Value of Equity Share (Rs.)	5.00	5.00
- Earning per Share - Basic & diluted (Rs.)	2.40	3.01

**DIVIDEND**

The Board of Directors is pleased to recommend a Tax-free dividend of 15% (including a Silver Jubilee Dividend of 7% on completion of 25th year of the group) (Rs. 0.75 per share on a Equity Share of Rs. 5/- each) on the Equity Share Capital of the company for the year ended 31st March 2005. 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.

**2004-05 IN RETROSPECT**

The Sales and Other Income for the financial year under review were Rs. 5583.18 lacs (Previous year Rs. 5459.38 lacs) showing a marginal growth of over 2%. The Net Profits after tax were Rs. 149.38 lacs (Previous year Rs. 187.23 lacs). The Depreciation for the year was Rs. 191.39 lacs (Previous year Rs. 352.35 lacs). The Cash accruals were Rs. 287.65 lacs (Previous year Rs. 511.55 lacs). The capacity utilization during the year was over 96% of the expanded capacity. The net profits were down due to lower realizations. However, the trend has shown an improvement in recent months. The benefits of backward integration and captive power plant are yet to be realized as the project is underway. An amount of Rs. 10 lacs has been transferred to General Reserve Account. There has 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.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mrs. Aditi Jain and Mridula Jain Directors of the company retire at the ensuing Annual General Meeting by rotation. Whereas Mrs. Aditi Jain has opted for not to seek for reappointment due to her pre-occupation Mrs. Mridula Jain being eligible offer herself for reappointment. The Board appreciated the contribution made by Mrs. Aditi Jain during her tenure as Director of the company.

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### SHARE CAPITAL

The Board of Directors allotted 2,00,000 Zero % Redeemable Preference Shares of Rs. 100/- each aggregating Rs. 200 lacs on March 15, 2005 for part financing the project of backward integration and captive power plant under implementation. These are redeemable at the end of 6th, 7th and 8th year from the date of allotment @ 35%, 35% and 30% respectively.

### BACKWARD INTEGRATION & CAPTIVE POWER PLANT

Last year the company had taken up the project for backward integration and captive power plant to produce the basic raw material i.e. Starch for enlarged capacities. The project was part financed by Bank of Baroda in the form of Foreign Currency Loan. There has been sharp inflation in the prices of Iron & Steel during the year. The company has been partially successful in containing the costs of project in spite of this increase. The project is expected to be delayed by couple of months owing to circumstances beyond control. The project once completed would have positive impact on the profitability of the company.

### PUBLIC DEPOSITS

The company invited Fixed Deposits from the shareholders & Public during the year. The Fixed Deposits mobilized and outstanding aggregated to Rs. 24.42 lacs as on 31st March 2005 (Previous year Rs. 29.28 lacs). There was no Fixed Deposit remained unclaimed as on 31st March, 2005. 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. 947 lacs 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.

### 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).

### DEMAT OF SHARES

Necessary arrangements are made for Dematerialization of Shares with NSDL and CDSL. Out of the total, 86.98% 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.



## Gulshan Polyols Ltd.

Pursuant to the clause 49 of the Listing Agreement, a report on Corporate Governance is given in Annexure-2.

A

### 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 Mrs. Aditi Jain as her father.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Director's responsibility statement, it is hereby confirmed :

- 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.

### 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.

### 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 product demand, capacity expansion and project for backward integration 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  
19th July, 2005

(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

## Conservation of energy

- (i) **Energy Conservation measures taken:** The company is implementing a project for setting captive power generation plant and has realigned the existing power consuming sections to remove bottleneck.
- (ii) **Additional investment and proposal, if any, being implemented for reduction of energy consumption:** The company is already in the process to implement the Captive Power generation 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
<b>A. Power &amp; Fuel Consumption :</b>		
<b>1. Electricity :</b>		
(a) <b>Purchased :</b>		
Units	20,71,917	17,34,276
Total Amount (Rs)	1,05,04,007	83,93,900
Average Rate(Rs)/Unit	5.07	4.84
(b) <b>Own Generation :</b>		
<b>Through Diesel Generator :</b>		
Units	2,54,778	4,82,930
Units per Ltr. of Diesel/Oil	3.09	3.07
Cost(Rs)/unit	8.29	8.17
<b>2. Lignite (Used in Boiler)</b>		
Qty. (Tones)	8,407	8,003
Total Cost (Rs)	2,50,51,881	2,22,48,804
Average Rate (Rs)	2,980	2,780
<b>B. Consumption per Unit (MT) of production of Sorbitol - 70%</b>		
Production (MT)	28888.70	27558.60
Electricity (Units/Per Ton)	80.54	80.45
Lignite (Kg/Ton)	291	290

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). During the year company has taken the balance disbursement of foreign currency Term Loan equivalent to Rs. 14,47,02,500/- (Previous year- Rs. 9,01,62,600/-) from Bank of Baroda. There were no imports of capital goods during the year (Previous year Rs. 19,32,897/-). The foreign currency utilized during the year on repayment of foreign currency loan installments and interest etc on loan taken was Rs. 1,90,25,890/- (Previous year Rs. 78,07,946/-). Expenditure on foreign travelling Rs. 11,10,000/- (Previous Year Rs. 9,20,000/-).



**Gulshan Polyols Ltd.****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 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. Since, Mrs. Aditi Jain, director belonging to Promoters group, has not opted for reappointment, the ratio of Independent directors would increase to 40% of the total Board strength.

During the year 7 Board Meetings were held on 2-04-2004, 22-06-2004, 29-07-2004, 29-10-2004, 29-01-2005, 15-03-2005 & 25-03-2005.

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	7	YES	11	-	1
Dr. C.K. Jain	Managing Director	7	YES	12	-	3
Ms. Aditi Jain	Director	3	YES	7	-	1
Mr. S. K. Uppal	Whole Time Director	4	YES	-	-	-
Dr. V. K. Sharma	Director-Independent	4	YES	2	5	4
Mr. Sumat Jain	Director-Independent	5	YES	2	7	-

Note: Directorship includes Private Limited Companies also.

**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 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 (4) times during the financial year 2004-05 and was attended by Dr. V.K. Sharma, Chairman and Mr. Sumat Jain, member.

**(C) 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 four (4) 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**

<b>(i) Managing/Whole Time Directors</b>					<b>(Rs. in Lacs)</b>
Name	Salaries	Commission	Perks	Retirement Benefits	Total
Dr. C. K. Jain, MD	4.08	—	—	0.49	4.57
Mr S. K. Uppal, WTD	3.95	—	0.14	0.09	4.18
<b>TOTAL</b>	<b>8.03</b>	<b>—</b>	<b>0.14</b>	<b>0.58</b>	<b>8.75</b>

- 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.
- 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 Managing Director is six months and 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.

**(D) 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