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**17<sup>TH</sup>**  
**ANNUAL REPORT**  
**1996-97**

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**MUNAK CHEMICALS LIMITED**





## MUNAK CHEMICALS LIMITED

### BOARD OF DIRECTORS

#### Managing Director

V.K. Garg

#### Directors

V.P. Goyal

H.R. Garg

Ravinder Kumar

P.D. Sharma

D.K. Agarwal (BIFR's Nominee)

#### Company Secretary

Anil Jain

#### Auditors

#### Statutory Auditors

S.C. Dewan & Co.

#### Tax Auditors

Kalia Gupta & Associates

#### Bankers

State Bank of India

#### Registered Office and Works :

A-9 to A-15

Industrial Area, Focal Point

Dabwali Road

Bathinda 151 001 (Punjab)

#### Administrative Office:

SCO 1-2, (1st Floor)

Sector 26, Madhya Marg

Chandigarh 160 026

#### Regional Office

B-316 to B-319

Som Dutt Chambers-1

Bhikaji Cama Place

New Delhi- 110 066

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# MUNAK CHEMICALS LIMITED

## NOTICE

**NOTICE** is hereby given that the Seventeenth Annual General Meeting of the Shareholders of MUNAK CHEMICALS LIMITED will be held on Tuesday 30th September, 1997 at 11.30 A.M. at the Registered Office of the Company at A-9 to A-15, Industrial Area, Focal Point, Dabwali Road, Bathinda - 151 001 (Punjab) to transact the following business:-

### ORDINARY BUSINESS

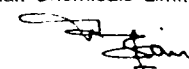
1. To receive, consider and adopt the audited Statements of Accounts for the year ended 31st March, 1997 and reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri V.P. Goyal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

4. To consider and, if thought fit to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Shri Prabhu Dutt Sharma be and is hereby appointed as Director of the Company".

By order of the Board  
for Munak Chemicals Limited



(ANIL JAIN)  
Company Secretary

Place : Chandigarh  
Dated : 1st September, 1997

## NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. The proxy in order to be effective must be received by the Company at its Registered Office not less than 48 hours before the meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
3. The Register of Members and Share transfer books of the Company will remain closed for seven days from 24th September, 1997 to 30th September, 1997 (Both days inclusive).
4. Members are requested to bring their copy of Annual Report at the meeting.
5. Members are requested to notify any change in their address.

## EXPLANATORY STATEMENT

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

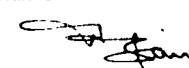
### Item No. 4

Shri Prabhu Dutt Sharma who was appointed as an Additional Director of the Company by the Board of Directors in their meeting held on 29th March 1997, holds office upto the date of this meeting. A notice in writing has been received from a member under section 257 of the Companies Act, 1956 signifying his intention to propose appointment of Shri Prabhu Dutt Sharma as a Director of the Company.

Shri Prabhu Dutt Sharma is having vast experience in the field of factory management and operations as he is in whole time employment of the Company as its General Manager. It is proposed that he be appointed as a Director of the Company. Directors commend that the proposed resolution be approved.

None of the Directors is interested in the resolution except Shri Prabhu Dutt Sharma himself to the extent of his appointment as Director of the Company.

By order of the Board  
for Munak Chemicals Limited



(ANIL JAIN)  
Company Secretary

Place : Chandigarh  
Dated : 1st September, 1997



## DIRECTORS' REPORT

Your Directors take pleasure in presenting to you the Seventeenth Annual Report and Audited Statements of Accounts for the year ended 31st March, 1997.

### FINANCIAL RESULTS

The gross turnover during the year under report was Rs. 1055 lacs as compared to Rs. 975 lacs, in the previous year. After providing for depreciation amounting to Rs. 48.57 lacs, the working results showed a deficit of Rs. 12.52 lacs.

### PRODUCTION

The production during the year under report was 16553 M.T. of Single Super Phosphate and 17925 M.T. of Sulphuric Acid as against 13739 M.T. and 16742 M.T. respectively in the previous year.

### SALES

During the year under report your company had sold 21474 M.T. of Single Super Phosphate and 13159 M.T. of Sulphuric Acid as against 24569 M.T. and 10857 M.T. respectively in the previous year.

### APPLICATION UNDER SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

As informed to you in the last Report, the Scheme which was submitted by Promoters for the rehabilitation of the Company had been broadly in agreement amongst institutions and Bank. After publication of the scheme for rehabilitation certain objections were raised by SBI before Board for Industrial and Financial Re-construction and as a result the BIFR vide its order dated 30.5.97 have finally decided the case against the Company. The Company has, however filed an appeal against the order dated 30.5.97 of the BIFR with the Appellate Authority of Industrial and Financial Reconstruction (AAIFR) to stay the execution of the orders of BIFR dated 30.5.97 and for directions to BIFR for reconsideration of the proposed scheme submitted by the Promoters. The matter is however, under consideration of the Authority.

### FUTURE PROSPECTS

Efforts are being made to rehabilitate the Company and as per scheme formulated and submitted to the BIFR, if accepted, is expected to improve working results of the Company in the coming years.

### FIXED DEPOSITS

The Company has not accepted any fixed deposits from the Public during the year.

### DIRECTORS

Shri B.K. Anand has relinquished the office of Director in your Company w.e.f. 30th June, 1997. The Directors wish to place on record their deep appreciation of the invaluable services rendered by Shri B.K. Anand during his long association with the Company.

During the period Shri Prabhu Dutt Sharma has been appointed as Additional Director of the Company and will hold office upto the date of Annual General Meeting. The company has received notice under section 257 of the Companies Act, 1956, from the members of the Company signifying their intention to propose the candidature of Sh. P.D. Sharma as Director of the Company.

Shri V.P. Goyal, Director of the Company retire by rotation under article 123 of Articles of Association of the Company and being eligible offers himself for re-appointment.

### AUDITORS

M/s S.C. Dewan & Co. Chartered Accountants, Auditors of the Company retires at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

## MUNAK CHEMICALS LIMITED

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### PARTICULARS OF EMPLOYEES

The particulars of employees pursuant to the provision of section 217 (2A) of the companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975, is not annexed since none of the employees is in receipt of remuneration higher than the limit fixed in the said Section.

### ENERGY CONSERVATION

The particulars with respect to conservation of energy etc. as required under section 217 (1) (e) of Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1988, are annexed and form part of this report.

### ACKNOWLEDGEMENT

Your Directors wish to convey thanks to all concerned departments of Central, State Governments, Financial Institutions led by IFCI and State Bank of India for their continued co-operation.

Your Directors also express their appreciation of the dedication shown by each employee of the Company during the year.

For and on behalf of the Board of Directors

Place : Chandigarh  
Date : 1st September, 1997

P.D. Sharma  
Director

V.K. Garg  
Managing Director

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## AUDITORS' REPORT

TO  
THE MEMBERS OF  
MUNAK CHEMICALS LIMITED  
CHANDIGARH

We have audited the attached Balance Sheet of Munak Chemicals Limited as at 31st March 1997 and the Profit & Loss account for the year ended on that date and report that :

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.

Further to our comments in the Annexure referred to above:-

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by Law have been kept by the Company, so far as it appears from our examination of the books.
3. The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet and the Profit & Loss Account subject to Note No. 9 regarding unconfirmed and unreconciled debit and credit balances of customers and suppliers, Note No. 13 regarding doubtful advances amounting to Rs. 21,27,941/- Note No. 14 regarding non-provision of write off in respect of lease, hold land, Note No. 16 regarding non-provision of doubtful debts, Note No. 20 regarding non-provision of interest on working capital facilities, Note No. 21 regarding non-provision of interest on term loans from Financial Institutions and Note No. 22 regarding non-provision of interest on loan obtained from Sh. V.K.Garg, Managing Director, raised from SBI in Schedule 'M' of Notes on Accounts and read together with the other notes and significant accounting policies forming part thereof give the information required by the Companies Act, 1956 in the manner of required and give a true and fair view:
  - i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 1997.
  - ii) in the case of the Profit & Loss Account of the Loss for the year ended on that date.

For S.C.Dewan & Co.  
Chartered Accountants

Place : Chandigarh  
Dated : 1st September, 1997

(S.C.DEWAN & CO.)  
Partner

## MUNAK CHEMICALS LIMITED

### ANNEXURE TO THE AUDITORS' REPORT

RE: M/S MUNAK CHEMICALS LIMITED, CHANDIGARH

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. As explained to us, pursuant to a phased programme designed to cover all the fixed assets of the Company at regular intervals, the management has, during the year, verified Plant & Machinery. No material discrepancies have been noticed on such verification.
2. The Building and Plant & Machinery of the Company situated at the factory premises at Bathinda, purchased/constructed upto 31st March, 1991 have been revalued as on 30th September, 1992 as per the revaluation report of the approved valuer. As a result of revaluation the gross block of fixed assets had increased by Rs. 1,98,68,203.- The depreciation on revalued assets has been directly charged to Revaluation Reserve. As a result of this, the Revaluation Reserve stand at Rs. 1,56,09,106/- as on 31.03.97.
3. The stocks of finished goods, spare parts and raw materials have been physically verified during the year by the management.
4. The procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. However, in our opinion it needs to be strengthened.
5. The discrepancies noticed on verification between the physical stocks and the books records were not material and have been properly dealt with, in the books of accounts.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper, and in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding years.
7. The Company has taken interest free loans during the year from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In our opinion, as no payment of interest is involved, so the terms are not prejudicial to the interest of the members of the Company.
8. The Company has not granted loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. The debit balances of these companies are in the nature of advances recoverable and according to the explanations received, they are not prejudicial to the interests of the Company.
9. The Company has given interest free loans and advances in the nature of loans to its employees and the principal amounts are being repaid wherever stipulated.
10. In our opinion and according to the information and explanations given to us, there are internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets and with regard to the sale of goods; but there is scope for further improvement.





11. According to information and explanations given to us, there were no transactions of purchase of goods and materials or sale of goods, materials, and services made in pursuance of contracts or agreements entered in the Register under Section 301 of the Companies Act, 1956, aggregating during the period to Rs. 50,000/- (Rupees Fifty Thousand Only) or more in respect of each party.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials or finished goods, and have been properly dealt with in the books of accounts.
13. The provisions of Section 58-A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company.
14. The Company has maintained reasonable records for the sale and disposal of scrap. The Company has no by-product.
15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
16. According to the records produced and information given to us, we have seen that the cost records and accounts as prescribed by the Central Government under section 209 (1)(d) of the Companies Act, 1956 have been maintained by the Company so far as appears to us from our examination of the said records.
17. According to the records of the Company and according to the explanations given to us, Provident Fund dues have generally been regularly deposited during the year with appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Custom Duty and Excise Duty were outstanding as at 31st March, 1997 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
20. The Company is Sick Industrial Company within the meaning of Section 3 (o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For S.C.Dewan & Co.  
Chartered Accountants

Place : Chandigarh  
Dated : 1st September, 1997

(S.C.DEWAN & CO.)  
Partner