

9TH ANNUAL REPORT 1998-99



MUNAK CHEMICALS LIMITED



MUNAK CHEMICALS LIMITED

BOARD OF DIRECTORS

Managing Director

V.K. Garg

Directors

H. R. Garg

Ravinder Kumar

Whole-Time Director

P.D. Sharma

Company Secretary

Anil Jain

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

1004, Bhika Ji

Cama Bhawan

New Delhi - 110 066

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MUNAK CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Shareholders of MUNAK CHEMICALS LIMITED will be held on Thursday, 30th September, 1999 at 11.30 A.M. at Dunes Club, Opp. Rajendra College, Mansa 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, 1999 and reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri H. R. Garg, who retires by rotation and being eligible, offers himself for reappointment.
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 a SPECIAL RESOLUTION :

"RESOLVED THAT the Authorised Share Capital of the Company be increased from Rs. 9,00,00,000/- (Rupees Nine Crores) divided into 90,00,000/- (Ninety lacs) equity shares of Rs. 10/- each to Rs. 11,00,00,000/- (Rupees eleven crores) divided into 1,10,00,000 (one Crore ten lacs) Equity shares of Rs. 10/- each ranking parri-passu with the existing equity shares."

5. To consider and if thought fit to pass with or without modification, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT the Memorandum of Association of the Company be and is hereby altered by deleting existing clause V and substituting in place thereof, the following clause V.

V The Authorised Share capital of the Company is Rs. 11,00,00,000/- (Rupees eleven crores) divided into 1,10,00,000 (one crore ten lacs) equity shares of Rs. 10/- each.

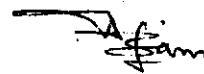
6. To consider and if thought fit to pass with or without modification the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT the Articles of Association of the Company be altered pursuant to section 31 of the Companies Act, 1956 in the following manner :-

The existing article (4) be deleted and the following article (4) be substituted in place thereof :

- (4) The Authorised Share Capital of the Company is Rs. 11,00,00,000/- (Rupees eleven crores) divided into 1,10,00,000 (one Crore ten lacs) Equity shares of Rs. 10/- each.

By order of the Board
For MUNAK CHEMICALS LIMITED


(ANIL JAIN)

PLACE : CHANDIGARH

DATED : 31ST AUGUST, 1999

COMPANY SECRETARY

**NOTES**

1. Explanatory Statement as required under section 173 of the Companies Act, 1956, in respect of item No. 4 to 7 is annexed hereto.
2. A member entitled to attend and vote at 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 as its Registered Office not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed for three days from 28th September, 1999 to 30th September, 1999 (Both days inclusive).
4. Members are requested to notify any change in their address to the Company.
5. Members are requested to bring their copy of Annual Report at the meeting hall.

EXPLANATORY STATEMENT

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

Item No. 4

The Shareholders are kindly aware that the scheme of rehabilitation was approved by the Appellate Authority for Industrial and Financial Reconstruction, New Delhi. As per the scheme the promoters of the Company Shri Vijay Kumar Garg and his associate companies has inducted interest free funds in order to make payment to the financial institutions and bank and balance amount would be brought in by them. The Board of Directors of the Company, as desired by the promoters, decided that equity shares of Rs. 10/- each at par upto an amount of Rs. 620 lacs be issued and allotted to the promoters including his associate companies. The present authorised share capital of the Company is Rs. 9.00 Crores only. Therefore, it is necessary to increase the authorised share capital to Rs. 11.00 Crores divided into 1,10,00,000 equity shares of Rs. 10/- each.

Shri Vijay Kumar Garg and Shri H.R. Garg may be deemed to be concerned or interested in the proposed resolution to the extent of being Director, if any, of the Companies to whom shares may be allotted as Associate Companies of the promoters.

Item No. 5 and 6

Consequent upon the increase in Authorised Share Capital of the Company, it is consequential to amend clause V of the Memorandum of Association and article 4 of the Articles of Association of the Company and your approval is sought for the proposed resolution. The Board recommended the adoption of the resolution.

None of the Directors is interested in the resolution.

By Order of the Board
for MUNAK CHEMICALS LIMITED

PLACE : CHANDIGARH
DATED : 31ST AUGUST, 1999


COMPANY SECRETARY

MUNAK CHEMICALS LIMITED

DIRECTOR'S REPORT

Your Directors take pleasure in presenting to you the Nineteenth Annual Report and Audited Statements of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

The gross turnover of the Company during the year under report was Rs. 1363 lacs as compared to Rs. 1384 lacs in the previous year. After providing for depreciation amounting to Rs. 48.82 lacs, the working results showed a profit of Rs. 52.16 lacs as compared to Rs. 2.56 lacs in the previous year.

PRODUCTION

Production during the year under report was 27308 M.T. of Single Superphosphate and 21165 M.T. of sulphuric acid as against 39963 M.T. and 26208 M.T. respectively in the previous year.

SALES

During the year under report your Company had sold 32912 M.T. of Single Superphosphate and 11858 M.T. of sulphuric Acid as against 34995 M.T. and 11841 M.T. respectively in the previous year.

REHABILITATION SCHEME

As intimated to you in the last report, the rehabilitation scheme for the revival of the Company was approved by the Appellate Authority for Industrial and Financial Reconstruction vide its order dated 29th July, 1998.

As per scheme the Company has received funds from the promoters and his associate companies by issue and allotment of Rs. 20.00 lacs equity shares of Rs. 10/- each at par ranking parri-passu with the existing equity shares of the Company. As per scheme the Company has made payments to the State Bank of India, Financial Institutions and also allotted 2,48,600 equity shares of Rs. 10/- each at par to the Financial Institutions to partly settle their dues. With the issue of Shares, the paid up share capital of the Company stands increased to Rs. 872.21 lacs as on the date of this report.

FUTURE PROSPECTS

During the year under report the Company has shown improved results. Although the sales turnover of the Company has declined marginally, however the Company has made profits owing to various steps taken to improve its efficiency and reducing the cost of production by taking appropriate actions. It is expected that company would show better performance in the current financial year.

FIXED DEPOSITS

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

DIRECTORS

Shri V. P. Goyal has relinquished the office of Director in your company w.e.f 31st July, 1999. The Directors



wish to place on record their deep appreciation of the invaluable services rendered by Shri V.P. Goyal during his long association with the Company.

Shri H. R. Garg, Director of the Company retire by rotation under article 123 of the Articles of Association of the Company and being eligible offers himself for reappointment.

AUDITORS

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

PARTICULARS OF EMPLOYEES

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 was in receipt of remuneration higher than the limit fixed in the said section.

ENERGY CONSERVATION

Particulars with respect to conservation of energy etc. as required under section 217(1)(e) of the 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.

ACKNOWLEDGMENTS

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 the employees of the Company during the year.

For and on behalf of the Board of Directors

PLACE : CHANDIGARH

(P. D. SHARMA)

(V. K. GARG)

DATE : 31ST, AUGUST, 1999

WHOLETIME DIRECTOR

MANAGING DIRECTOR

MUNAK CHEMICALS LIMITED**AUDITORS' REPORT**

TO

THE MEMBERS OF

MUNAK CHEMICALS LIMITED

CHANDIGARH,

We have audited the attached Balance Sheet of M/s MUNAK CHEMICALS LIMITED as at 31st March, 1999 and the Profit and Loss account for the year ended on that date and report that :

1. As required by the Manufacturing & 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 Annexure a statement on the matters specified in paragraph 4&5 of the said order.
2. Further to our comments in the Annexure referred to above, we state that :
 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 and Loss Account dealt with by this report are in agreement with the books of accounts.
 4. In our opinion, the Balance Sheet and the Profit & Loss Account comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
 5. 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. 8 regarding unconfirmed and unreconciled debit and credit balances of customers and suppliers, Note No. 12 regarding non-provision of write off in respect of leasehold land, Note No. 14 regarding non-provision of doubtful debts, Note no. 17 regarding non- provision of interest on loan obtained from Sh. V. K. Garg, Managing Director, raised from SBI and Note no. 19 regarding claims on account of sales included in direct sales in Scheme 'M' of Notes on Accounts and read together with the other Notes on Accounts and Significant Accounting Policies forming part thereof give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-
 - i. In so far as it relates to the Balance Sheet of the state of affairs of the company as at 31st March 1999, and
 - ii In so far it relates to the profits and Loss account of the profit of the company for the year ended on that date.

For S. C. Dewan & Co.,
Chartered Accountants

Place : PANCHKULA

(S.C. Dewan)

Dated : 31st AUGUST, 1999

Partner



ANNEXURE TO THE AUDITOR'S REPORT

Referred to in Paragraph 1 of our report of even date :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its business. No material discrepancies have been noticed in such verification.
2. None of the fixed assets have been revalued during the year. However, the depreciation on the revalued assets, which were revalued as on 30th September, 1992, has been directly charged to Revaluation Reserve. As a result of this, the Revaluation Reserve stands at Rs. 1,37,33,466.00 as on 31st March, 1999.
3. The stocks of finished goods, spare parts and raw materials have been physically verified by the management during the year.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
5. The discrepancies noticed on verification between physical stocks and the book records by the management were not material and have been properly dealt with in the book of accounts.
6. On the basis of our examination of the stock records, we are of the opinion, that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is the same basis as in preceding year.
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 and from the companies under the same management. In our opinion, as no payment of interest is involved, so the terms are not prejudicial to the interests of the members of the Company.
8. According to information and explanations given to us, no loans have been granted to the companies, firms or other parties listed in the register maintained under section 301 and from companies under the same management. The debit balances of these Companies are in the nature of Advances

MUNAK CHEMICALS LIMITED

Recoverable and according to the explanations received, they are not, prima facie, prejudicial to the interest 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 as stipulated.
10. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company & nature of its business for purchases of stores, raw materials including components, plant and machinery, equipments and other assets and with regard to sale of goods, but the same needs to be strengthened.
11. In our opinion and according to the information and explanation given to us, transactions for purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 and aggregating during the year to Rs. 50000/- or more in respect of each party are at reasonable prices keeping in view the market rate.
12. As explained to us, the Company has a regular procedure for determination of unservisable or damaged stores and raw materials and finished goods and they have been properly dealt with in the books of accounts.
13. The provisions of Section 58-A of 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 realisable scrap. However, there are no by-products.
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 the 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 it appears to us from our examination of the said records.