



21st ANNUAL REPORT 2000-2001

Report  junction.com

MUNAK CHEMICALS LIMITED



MUNAK CHEMICALS LIMITED

BOARD OF DIRECTORS

Managing Director
V. K. Garg

Directors
H. R. Garg
Ravinder Kumar
P. D. Sharma

Auditors
S.C. Dewan & Co.

Bankers
Allahabad Bank

Registered Office and Works
A-9 to A-15
Industrial Area, focal Point
Dabwali Road
Bathinda 151001 (Punjab)

Administrative Office :
SCO 1-2, (1st Floor)
Sector 26, Madhya Marg
Chandigarh - 160 026

Regional Office
1004, Bhika Ji
Cama Bhawan
New Delhi - 160 066

CONTENTS

Notice	2
Director's Report	3
Auditor's Report	6
Balance Sheet	10
Profit & Loss Account	11
Schedules & Notes on Accounts	12

MUNAK CHEMICALS LIMITED**NOTICE**

NOTICE is hereby given that the Twenty first Annual General Meeting of the Shareholders of **MUNAK CHEMICALS LIMITED** will be held on Friday, 17th August, 2001 at 11.30 AM. at Civil Lines Club, Civil Line, Bhatinda-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, 2001 and reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Hans Raj 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 modifications, the following resolution as an **Ordinary Resolution**.
RESOLVED THAT, pursuant to Section 293(1)(a) of the Companies Act, 1956, the Board of Directors be is hereby authorised to deal, negotiate and dispose of the Land & Building situated at SCO 38-39, Sector 9, Chandigarh and for that purpose to sign, deal and deliver such instrument, assignments, contracts, deeds, conveyances or any other instruments that may be considered necessary usual or proper for the sale, lease or otherwise disposing of the Land and Building which according to the Directors may be considered beneficial and convenient for the company.

By order of the Board

PLACE: CHANDIGARH
DATED: 30.06.2001

(VIJAY KUMAR GARG)
MANAGING DIRECTOR

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. The Register of Members and Share Transfer Books of the Company will remain closed for three days from 13th August, 2001 to 16th August, 2001 (Both days inclusive).
3. Members are requested to bring their copy of Annual Report at the meeting.
4. Members are requested to notify any change in their address to the Company immediately.
5. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No. 4 set out above is annexed hereto.
6. The Company's Shares are listed on the Stock Exchanges at Ludhiana, New Delhi and Bombay. The listing fee for the financial year 2000-2001 due to all the stock exchanges has been paid.

EXPLANATORY STATEMENT

The Explanatory Statement under section 173(2) of the Companies Act, 1956 for the item No. 4 of the accompanying Notice is as under :

Section 293(1)(a) of the Companies Act, 1956 provides, inter-alia, that the Board of Director of a Public Company shall not, without the consent of such Public company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

Since, the Company is interested to dispose of the Land & Building situated at S.C.O. 38-39, Sector 9, Chandigarh, it is necessary for the members to pass a resolution under section 293(1)(a) of the Companies Act, 1956 before disposing of the said Land & Building.

The Directors commend the resolution for acceptance by members. None of the Director is concerned or interested in the resolution.



DIRECTORS' REPORT

Your Directors take pleasure in presenting to you the Twenty first Annual Report and Audited Statements of Accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS

The company has shown dismal performance during the year under report due to unfavourable policies of the Government of India towards fertilizer industry in general and Single Super Phosphate Industry in particular coupled with glut situation created in DAP fertilizer in the market. This has adversely affected the market of Single Super Phosphate Industry and your company is one of the victims. As a result of this the Plant could not be run for most part of the year. Plants in the state of Punjab and other parts of the country have either been closed down or incurring huge losses. Despite all odds, your Company is making efforts to achieve the better performance in the coming year.

Your company has made gross turnover of Rs. 230.12 lacs as compared to Rs. 936.20 lacs in the previous year. After providing for depreciation amounting to Rs. 5.41 lacs, the working results showed net loss of Rs. 83.89 lacs as against a profit of Rs. 1.34 lacs in the previous year.

PRODUCTION

Production during the year under report was 1799 MT of Single Superphosphate and 8349 MT of sulphuric acid as against 17261 MT and 18901 MT respectively in the previous year.

SALES

During the year under report, your Company has sold 2053 MT of Single Superphosphate and 7560 MT of sulphuric Acid as against 18022 MT and 13837 MT respectively in the previous year.

REHABILITATION SCHEME

As per Rehabilitation Scheme, the company has received funds from the promoters and their associate companies and allotted them 5 lacs equity shares of Rs.10/- each at par amounting to Rs.50 lacs during the year under report. The Company has cleared all dues of the Financial Institutions and Bank as per the Rehabilitation Scheme approved. The Hon'able BIFR has passed an order dated 26.04.2001 vide which the Company has been discharged from the purview of SICA and as such the Company is no more Sick company.

FIXED DEPOSITS

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

DIRECTORS

Sh. Hans Raj 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 re-appointment.

Mr. P.D Sharma tendered his resignation effective from 30.11.2000 from the post of Whole Time Directorship. The Board accepted with regret his resignation and placed on record its appreciation of the contributions made by him during his tenure. He has agreed to continue to be the Director on the Board of the Company.

MUNAK CHEMICALS LIMITED

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- i. that in the preparation of the annual accounts for the financial year ended 31st March, 2001, the applicable accounting standards had been followed along with proper explanation relating to material departures ;
- ii. that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for the year under review ;
- iii. that the Directors had taken proper and sufficient care 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 Directors had prepared the accounts for the financial year ended 31st March, 2001 on a 'going concern' basis.

CONSTITUTION OF AUDIT COMMITTEE

As required by the Provision of Section 292A of the Companies Act, 1956, the Board of director has constituted Audit Committee comprising of three Directors i.e. Sh. H.R. Garg, Sh. P.D. Sharma and Sh. Ravinder Kumar.

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.

AUDITORS REPORT

EXPLANATION TO OBSERVATIONS OF THE AUDITORS ARE AS FOLLOWS :

NOTE NO. 1 (III)

As the Plant remain closed most part of the year and the Board of Directors has decided not to Charge Depreciation on Factory Building and Plant & Machinery in order to reflect the correct value of Building and Plant & Machinery in the Balance Sheet.

NOTE NO. 3

In the earlier years a Commercial Land was purchased from Chandigarh Administration at a Value of Rs. 151.98 lacs. Due to paucity of funds, your Directors took the permission from Chandigarh Administration to transfer the same at cost price to an another Company. The purchaser constructed Commercial Building thereon and incurred an expenditure of Rs. 66.49 lacs. Subsequently, the Chandigarh Administration withdrew its permission granted earlier for transfer of Land. However, the appeal was filed in the Punjab & Haryana High court, Chandigarh against this withdrawal of permission. Now in order to meet with the urgent requirement of funds for the repayment of Loan of Banks and other Statutory Liabilities, the Company has decided to dispose of the said Commercial Land &



Building. For making the sale of this Commercial Land & Building, the Company had to withdraw its appeal filed before the Hon'able High Court of Punjab & Haryana, Chandigarh, accordingly reflected the cost of Land amounting to Rs. 151.98 lacs and cost of Building amounting to Rs. 66.49 lacs in the books of accounts under the head Fixed Assets.

NOTE NO. 9

Efforts are being made to reconcile the Debit/Credit balances. Confirmation from some of the customers and suppliers is awaited.

NOTE NO. 12

The land was allotted to the Company on 99 years lease hold basis by PSIEC. The dispute was in regard to the total price of the land allotted by PSIEC and as such write-off in respect of land will be provided after dispute is resolved.

NOTE NO. 14

No provision for doubtful debt has been made as efforts are being made to recover the debts. In the opinion of Management all debts appears to be good.

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) Rule, 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

The 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) Rule, 1988 are annexed and form part of this report.

ACKNOWLEDGEMENTS

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

P. D. SHARMA
DIRECTOR

(VIJAY KUMAR GARG)
MANAGING DIRECTOR

PLACE : CHANDIGARH

DATED : 30th June, 2001

MUNAK CHEMICALS LIMITED**AUDITOR'S REPORT**

To

The Shareholders,

Dear Sir,

We have audited the attached Balance Sheet of M/s MUNAK CHEMICALS LIMITED as at 31st March, 2001 and the Profit and Loss account for the year ended on that date and report that :

1. As required by the Manufacturing & other Companies (Auditors 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 explanation 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 appears from our examination of the books.
 3. The Balance Sheet and 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 and loss account comply with the mandatory accounting standards referred to in section 211 (3C) of the companies Act, 1956.
 5. On the basis of the written representations from the Directors, taken on record by the Board of Directors, none of the Directors, is disqualified as on 31st March, 2001 from being appointed as a Director under section 274(1)(g) of the Companies Act, 1956.
 6. 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 and loss account subject to Note No. 1(iii) regarding Non- Provision of depreciation on Factory building and Plant and Machinery, Note No. 3 regarding accounting of commercial land and building amounting to Rs. 218.47 lacs., Note No. 9, 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 for doubtful debts in schedule '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, 2001 and
 - ii) In so far it relates to the Profit and Loss account of the Loss of the company for the year ended on that date.

FOR S.C. Dewan & Co.
CHARTERED ACCOUNTANTS

PLACE : PANCHKULA
DATE : 30th June, 2001

(S.C. Dewan)
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 nature of its business. No material discrepancy 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. 1,27,95,447.00 as on 31st March, 2001.
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 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.
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 principals 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 balance of these companies are in the nature of advances recoverable and according to the explanations received, they are not, prima facie, prejudicial to the interest of the company.

MUNAK CHEMICALS LIMITED

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 procedures commensurate with the size of the company and the nature of its business for purchase of stores, raw materials including Components, Plant & Machinery, Equipment 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, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts of agreements entered in the register maintained U/s 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- 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 unserviceable or damaged stores and raw material 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 sale and disposal of realisable scraps. However there are no by-products.
15. In our opinion the company has an internal audit system, commensurate with the size of the company and nature of its business.
16. According to the records produced under the information given to us, we have seen that the cost records and accounts as prescribed by the central government under section 209 (I)(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.
17. 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.
18. According to the information and explanation given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs duty and excise duty, were outstanding as at 31.3.2001 for a period of more than six months from the date they became payable.



19. The Company has not been regular in depositing the provident and employee's State Insurance dues with the appropriate authorities. As on 31st March 2001, provident fund amounting to Rs. 118739.00 and Employees State Insurance amounting to Rs. 16496.00 are in arrears.
20. The Company is not a sick industrial Company within the meaning of Clause (O) of Sub-Section (1) of Section 3 of the sick Industrial Companies (Special Provisions) Act, 1985.

FOR S.C. Dewan & Co.
CHARTERED ACCOUNTANTS

PLACE : PANCHKULA
DATE : 30th June, 2001

(S.C. Dewan)
PARTNER

Report  junction.com