



22nd ANNUAL REPORT 2001-2002



**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

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**MUNAK CHEMICALS LIMITED****NOTICE**

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Shareholders of **MUNAK CHEMICALS LIMITED** will be held on Friday, 15th November, 2002 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 30th June, 2002 and reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri P. D. Sharma 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 a Special Resolution.

RESOLVED THAT, in view of the losses exceeding share capital and free reserves of the company thereby eroding the Net Worth of the company, it is hereby noted that the Company has become a sick industrial company under the provisions of section 3(1) (O) of the Sick Industrial Companies (special Provisions) Act, 1985, and the reference to be made by the Board of Director under Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985, to the Board for Industrial & Financial Reconstruction (BIFR), be and is hereby approved.

By order of the Board

PLACE: CHANDIGARH

DATED: 14.10.2002

(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 remain closed for Eight days from 23rd September, 2002 to 30th September, 2002 (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. The Company's Shares are listed on the Stock Exchanges at Ludhiana, New Delhi and Bombay. The listing fee for the financial year 2001-2002 due to all the stock exchanges has not been paid due to paucity of funds.

**EXPLANATORY STATEMENT**

Munak Chemicals Limited was promoted with the object to manufacture the Single Super Phosphate & Sulphuric Acid which was in great demand at the time. In the initial years, the Company earned profits. But at the later stage, due to the adverse policies of Government of India towards fertilizer Industry, the Company started incurring huge losses.

During the financial year 1999-2000, 2000-2001 and 2001-2002, the sales recorded a steep fall and the Company ran into financial crisis. As per the audited balance sheet as on 30.06.2002, the accumulated losses are Rs. 1257.77 lacs. As such, the net worth of the Company stands eroded which was Rs. 1115.61 lacs and the Board of Director have formed an opinion based on the financial results as on 30.06.2002, that the Company has become a sick Industrial Company in terms of the provisions of Section 3(1)(O) of the Sick Industrial Companies (Special Provision) Act, 1985 (SICA).

In compliance of Section 15 of SICA, 1985, the Board of Directors have formed an opinion to make an appropriate reference to the Board for Industrial and Financial Reconstruction (BIFR) regarding the aforesaid fact of the erosion of the net worth of the Company.

The approval of the shareholders is, therefore, being sought by way of the proposed resolution.

None of the Directors is interested in this proposed resolution.



## DIRECTORS' REPORT

Your Directors take pleasure in presenting to you the Twenty Second Annual Report and Audited Statements of Accounts for the year ended 30th June, 2002.

## FINANCIAL RESULTS AND OPERATIONS

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 run during the year. Plants in the state of Punjab and other parts of the country have either been closed down or incurring huge losses.

Your company has made gross turnover of Rs. 19.85 lacs as compared to Rs. 230.12 lacs in the previous year. After providing for depreciation amounting to Rs. 6.53 lacs, the working results showed net loss of Rs. 235.89 lacs as against a Net loss of Rs. 83.89 lacs in the previous year.

During the year, the Company has sold Plant & Machinery and incurred a loss of Rs. 128.84 lacs.

The net worth of the Company as on 30.06.2002 is Rs. 1115.61 lacs. The Company has accumulated losses of Rs. 1257.77 lacs which has eroded the net worth of the Company. Your Director have formed an opinion that the Company has become a sick Company under Sick Industrial Companies (Special Provisions) Act, 1985 and would be making an appropriate reference to the Board for Industrial and Financial Reconstruction for determination of the measures which shall be adopted with respect to the company.

## PRODUCTION

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

## SALES

During the year under report, your Company has sold only 510 MT of sulphuric Acid as against 7560 MT in the previous year.

## FIXED DEPOSITS

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

## DIRECTORS

Sh. P. D. Sharma, 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.

## 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 30th June, 2002, the applicable accounting standards had been followed along with proper explanation relating to material departures ;

## **MUNAK CHEMICALS LIMITED**

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- 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 30th June, 2002 on a 'going concern' basis.

### **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.

EXPLANATION TO OBSERVATIONS OF THE AUDITORS ARE AS FOLLOWS :

#### **PARA 2 (vi)**

The management was forced to take this hard decision to clear the full & final settlement dues of workers who were pressing very hard for release of their payments. However, the Company has sufficient Immovable Assets to secure the loan taken from Punjab State Government.

#### **NOTE NO. 1 (iii)**

As the Plant remain closed during 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. 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.

**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.

**CORPORATE GOVERNANCE**

As required by provisions of the Listing Agreement with the Stock Exchanges, the Report on Management Discussion and Analysis, Corporate Governance as well as the Auditor's Certificate regarding compliance of Conditions of Corporate Governance are annexed to 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.

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for and on behalf of the Board of Directors

(P. D. SHARMA)  
DIRECTOR

(VIJAY KUMAR GARG)  
MANAGING DIRECTOR

PLACE : CHANDIGARH

DATED : 14th October, 2002

**MUNAK CHEMICALS LIMITED****CORPORATE GOVERNANCE REPORT**

Company's policies on the Corporate Governance and due compliance report on specific areas wherever applicable for the period ended 30th June, 2002 are given hereunder :-

**I. COMPANY'S PHILOSOPHY**

Yours Company believes in absolute professionalism of management and transparency in operations. It encourages wide participation from all stakeholders.

**II. BOARD OF DIRECTORS****(a) Composition of Board**

The Board of Directors comprises of four members. The Board members possess the experience and expertise to guide and manage the Company and the composition is as under :-

| Name of Director                    | Category of Director   | No. of other Director-Shipheld | No. of other Board Committee (s) in which he is a member | No. of other Board Committee(s) of which he is Chairman |
|-------------------------------------|------------------------|--------------------------------|--|---|
| Mr. V. K. Garg<br>Managing Director | Promoter-Executive     | 11                             | One  | One   |
| Mr. H. R. Garg<br>Director          | Promoter-non-executive | 7                              | Two  | None  |
| Mr. P. D. Sharma<br>Director        | Non-executive          | None                           | One  | One   |
| Mr. Ravinder Kumar<br>Director      | Non-executive          | None                           | One  | None  |

**(b) Number of Board Meetings**

(i) Seven Meetings of the Board of Directors were held during the period 1st April, 2001 to 30 June, 2002. These were held on :-

- |               |               |
|---------------|---------------|
| 1) 30.06.2001 | 5) 30.10.2001 |
| 2) 31.07.2001 | 6) 30.01.2002 |
| 3) 17.08.2001 | 7) 16.04.2002 |
| 4) 11.09.2001 |               |

(ii) The attendance record of each of the Directors at the Board Meeting during the period ended on 30th June, 2002 and at the last Annual General Meeting is as under.

| Name of Director     | No. of Board Meeting attended | Attendance at last A.G.M. |
|----------------------|-------------------------------|---------------------------|
| Mr. Vijay Kumar Garg | 7                             | No                        |
| Mr. H. R. Garg       | 7                             | Yes                       |
| Mr. P. D. Sharma     | 2                             | No                        |
| Mr. Ravinder Kumar   | Nil                           | No                        |



### III. Audit Committee

(a) The Audit Committee Comprises of three non-executive Director viz.

- 1) Mr. H. R. Garg
- 2) Mr. P. D. Sharma
- 3) Mr. Ravinder Kumar

Mr. P. D. Sharma is the Chariman of the Committee.

(b) The Audit Committee meetings were held on 30.06.2001, 28.07.2001, 27.10.2001, 28.01.2002 & 14.10.2002. The attendance of each committee member is as under :-

| Name of Director   | No. of Meetings attended |
|--------------------|--------------------------|
| Sh. H. R. Garg     | 5                        |
| Sh. P. D. Sharma   | 5                        |
| Sh. Ravinder Kumar | 2                        |

(c) The role and terms of reference of the Audit Committee covers the matters specified for Audit Committee, under Clause 49 of Listing Agreement as well as Section 292A of the Companies Act, 1956.

### IV. REMUNERATION COMMITTEE

The Company has only one Managing Director on the Board, whose appointment and remuneration has been fixed by the Board and in terms of resolution passed by the members. In view of this, no Remuneration Committee was constituted.

### V. SHARE HOLDERS COMMITTEE

The Company has constituted the Shareholders/Investors grievance committee comprising of Sh. V. K. Garg and Sh. H. R. Garg.

The committee has authorised Sh. V. K. Garg and Sh. Lock Nath Aggarwal Severally to endorse the share transfers.

The total number of complaints received and replied to the satisfaction of the Shareholders during the year under review was 12. Out standing complaints as on 30th June, 2002 were 3 which were attended and replied to on or before 6th July, 2002.

### VI. BOARD PROCEDURE

The members of the Board have been provided with the requisite information mentioned in the listing agreement well before the Board Meeting and the same were dealt with appopriately.

All the Directors, who are on various committees, are within the permissible limits stipulated in the listing agreement. The Directors have intimated from time to time about their membership in the various committees in other companies.

### VII. COMPLIANCE CERTIFICATE

Compliance Certificate for Corporate Governance from auditors of the company is annexed herewith.

### VIII. GENERAL BODY MEETINGS

(a) The Details of the previous three Annual General Meetings held are as under :-



**MUNAK CHEMICALS LIMITED**

| A.G.M. | Financial years          | Day/Date             | Time     | Venue   |
|--------|--------------------------|----------------------|----------|---|
| 19th   | 01.04. 98 to 31.03.99    | Thursday<br>30.09.99 | 11.30 AM | Dunes Club,<br>OPP. Rajinder College<br>Mansa Road, Bathinda. |
| 20th   | 01.04.99 to 31.03.200    | Friday<br>29.09.2000 | 11.30 AM | Dunes Club,<br>Opp. Rajinder College<br>Mansa Road, Bathinda. |
| 21st   | 01.04.2000 to 31.03.2001 | Friday<br>17.08.2001 | 11.30 AM | Civil Lines Club,<br>Civil Lines, Bathinda.                   |

- (b) Whether special resolutions were put through Postal ballot last years ? No.  
(c) Are special resolutions proposed to be put through Postal ballot this years ? No.

**IX. DISCLOSURES**

- (i) There are no materially significant transactions with related parties viz. Promoters, Directors or the Management, their Subsidiaries or relatives conflicting with the Company's interest.  
(ii) No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

**X. MEANS OF COMMUNICATION**

- (i) Quarterly and Half yearly results are communicated to Stock Exchanges, where the Company's shares are listed, immediately after the same are taken on record/approved by the Board.  
(ii) Management discussion and analysis forms part of this Report.

**XI. GENERAL SHAREHOLDER INFORMATION**

- (a) Annual General Meeting to be held :

|       |   |
|-------|---|
| Day   | Friday                                      |
| Date  | 15th November, 2002                         |
| Time  | 11.30 AM                                    |
| Venue | Civil Lines Club,<br>Civil Lines, Bathinda. |

- (b) Financial Calendar 2002-2003 : Since, the financial year of the company closes on 30.06.2002, the first quarter will be started from 01.07.2002 to 30.09.2002.  
First Quarterly Results : Before the end of Oct' 2002  
Second Quarterly Results : Before the end of Jan' 2003  
Audited Yearly Results for the period ended 31st March, 2003 : Before the end of June' 2003

- (c) Dates of Book Closure : Monday 23rd September, 2002 to Monday 30th September, 2002 (both days inclusive).  
Dividend Payment Date :  
The Company has not declared any dividend for the current financial year.

(d) **Lising on Stock Exchanges :**

The Equity Shares of the Company are presently listed at the following stocks Exchanges:

- The Ludhiana Stock Exchange Association Ltd., Feroze Gandhi Market, Ludhiana - 141001.
- The Delhi stock Exchange Association Ltd., DSE House, 3/1, Asaf Ali Road, New Delhi - 110 002.
- The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400.001.

(e) **Company/Stock Code :**

Equity Shares

- The Ludhiana Stock Exchange Association Ltd.
- The Delhi Stock Exchange Association Ltd. 13178
- The Stock Exchange Mumbai. 6906

(f) **The Shares of the Company have not been traded on the floor of any of the Stock Exchange during the financial year 2001-2002.**(g) **Registrar and Transfer Agents :**

The Company has in house arrangement for transfer of shares.

(h) **Share Transfer System :**

Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are complete in all respects.

(i) **Distribution of share holding :**

The Distribution of Shareholding of equity shares as on 30th June, 2002 is given below :

| Category         | No. of shares   | % age         | No. of Shareholders | % age         |
|------------------|-----------------|---------------|---------------------|---------------|
| UPTO 500         | 2454875         | 22.85         | 10625               | 92.32         |
| 501-1000         | 523900          | 4.90          | 750                 | 6.52          |
| 1001-2000        | 92800           | 0.85          | 62                  | 0.55          |
| 2001-3000        | 58300           | 0.55          | 25                  | 0.21          |
| 3001-4000        | 42950           | 0.40          | 13                  | 0.11          |
| 4001-5000        | 25900           | 0.25          | 6                   | 0.05          |
| 5001-10000       | 85100           | 0.80          | 13                  | 0.11          |
| 100001 and above | 7448447         | 69.40         | 15                  | 0.13          |
| <b>TOTAL</b>     | <b>10732272</b> | <b>100.00</b> | <b>11509</b>        | <b>100.00</b> |

(j) **Shareholding pattern as on 30th June, 2002.**

|                                 | % holding     |
|---------------------------------|---------------|
| Promoters & Group Companies     | 61.15         |
| Collaborators                   | -             |
| NRI's/OCB's/FIIs.               | 0.47          |
| Fin.Inst./Ins.Co's/Mutual Funds | 7.65          |
| General Public                  | 30.73         |
| <b>Total</b>                    | <b>100.00</b> |

(K) **MANUFACTURING UNITS :**

- A-9 TO A-15, INDUSTRIAL FOCAL POINT, DABWALI ROAD, BATHINDA.

(L) **ADDRESS FOR CORRONDENCE :**

- S.C.O. 2, SECTOR 26, MADHYA MARG, CHANDIGARH.