



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 Directors 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 Provisions) 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 ;

- 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.

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-Ship held	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 Managing Director	Promoter-Executive	11	One	One
Mr. H. R. Garg Director	Promoter-non-executive	7	Two	None
Mr. P. D. Sharma Director	Non-executive	None	One	One
Mr. Ravinder Kumar 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 & 14.10.20002. 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 30.09.99	11.30 AM	Dunes Club, OPP. Rajinder College Mansa Road, Bathinda.
20th	01.04.99 to 31.03.200	Friday 29.09.2000	11.30 AM	Dunes Club, Opp. Rajinder College Mansa Road, Bathinda.
21st	01.04.2000 to 31.03.2001	Friday 17.08.2001	11.30 AM	Civil Lines Club, 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,
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.
- The Stock Exchange Mumbai.

13178

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
TOTAL	10732272	100.00	11509	100.00

(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
Total	100.00

(K) **MANUFACTURING UNITS :**

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

(I) **ADDRESS FOR CORRPODENCE :**

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

CERTIFICATE OF COMPLIANCE OF CORPORATE GOVERNANCE

The Members,

Munak Chemicals Limited,

We have examined the compliance of conditions of corporate governance by Munak Chemicals Limited for the period ended June 30, 2002 as prescribed in Clause 49 of the Listing Agreement of your Company with various stock exchanges.

Compliance with the conditions of corporate governance laid down is the responsibility of the management and our examination was limited to procedures adopted and their implementation by the company to ensure that the conditions of Corporate Governance have been complied with. Our examination was neither an audit nor is this certificate an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions on Corporate Governance as stipulated in the above Listing Agreements.

- We state that no investor grievances are pending for a period exceeding one month against the company as per records maintained by the shareholders/investors grievance committee. We further state that such compliance is neither an assurance regarding the future viability of the company nor of the efficiency or effectiveness with which the management has conducted the affairs of the company.

PLACE : CHANDIGARH

for an on behalf of

DATED : 14TH OCTOBER, 2002

S.C. DEWAN & COMPANY,
CHARTERED ACCOUNTANTS,

(S. C. DEWAN)
PARTNER.



MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW :-

The Fertilizer Industry has been adversely effected due to the adverse Policies of Govt. of India, as a result thereof, margins have been under pressure due to withdrawal of subsidy.

Business Segment

a) Industry structure and development.

The most of the Fertilizer Plants in India are lying closed or are on the verge of shut down of their operations. The development of the Industry wholly depends upon the policies of Govt. of India.

b) Opportunities and threats.

The opportunities are being explored to diversify in other areas as the SSP Fertilizer of India is facing threat low demand on one side and withdrawal of subsidy by Govt. on the other side. As such other business opportunities are being looked into.

c) Risks and concerns.

The Company has already closed the operation and there had been a Nil turnover of SSP, the mass product of the Company.

d) Outlook.

So far as SSP Industry is concerned the future is very bleak due to availability of Imported Fertilizer and other substitute at more economical prices and drastic reduction in demand due to drought conditions in the northern part of India.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has proper and adequate system of internal control in order to ensure that all transactions are authorised, recorded and reported correctly. Regular internal audit checks are carried out to ensure that adequate systems are in place. The management continuously reviews the internal control systems and procedures to ensure orderly and efficient conduct of business. The emphasis of internal control prevails across functions and processes covering the entire activities of the company.

COMPANY'S FINANCIAL PERFORMANCE AND ANALYSIS

Other matters such as operational and financial performance have been discussed under the respective heads in the Directors's Reports.

HUMAN RESOURCE DEVELOPMENT/INDUSTRIAL RELATIONS

Our employees continue to be the backbone of our organisation. Our efforts are towards instilling a level of competency in the work force. The human resource has to be more dynamic and result oriented in the present day business environment.

On behalf of Board of Directors

PLACE : CHANDIGARH

DATED : 14TH OCTOBER, 2002

(V.K. GARG)

MANAGING DIRECTOR

MUNAK CHEMICALS LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) OF COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 30th June, 2002.

A) CONSERVATION OF ENERGY

The Company has reviewed all the electric motors and replaced the motors with a lower H.P. wherever possible. The Company is also strictly following the procedure of switching off motors which are not affecting our production.

A) POWER AND FUEL CONSUMPTION

	Year ended 30th June, 2002	Year ended 31st March, 2001
1) ELECTRICITY		
a) Purchase (Units KWH)	Nil	7,54,793
Total Amount (Rs.)	Nil	32,13,136
Rate/Unit (Rs.)	Nil	4.257
b) Own Generation		
i) Through Diesel Generator	Nil	12,120 KWH
Unit per Ltr. of Diesel Oil	Nil	4.04 KWH
Cost per Unit		3.77
ii) Through Steam Turbine/ Generator Units	Nil	Nil
Units per Ltr. of Fuel		
Oil/Gas	Nil	Nil
Cost/Unit	Nil	Nil
2) COAL	N.A.	N.A.
3) FURNACE OIL/DIESEL		
F.O. Qty. (KL)	Nil	2.56
Total Amount (Rs.)	Nil	21,504
Average Rate (Per K.L.)	Nil	8,400.00
DSL Qty. (KL)	Nil	25.30
Total Amount (Rs.)	Nil	3,85,320
Average Rate (Per K.L.)	Nil	15,230



4) OTHER/INTERNAL GENERATION

Qty. (KL)	NIL	NIL
Total Amount (Rs.)	NIL	NIL
Average Rate (Per K.L.)	NIL	NIL

A) CONSUMPTION PER UNIT OF PRODUCTION

Unit (M.T.)	ASSP	ASSP
Electricity (KWH)	NIL	52
Furnace Oil (K.L.)	NIL	13.23
Coal	NIL	NIL
Other Diesel (K.L.)	NIL	16.59

B) TECHNOLOGY ABSORPTION

1) Research And Development

No Research & Development work has been carried out by the Company and therefore, there is no expenditure on this head or any other benefit accrued from it.

2) Technology Absorption

The Company has not imported any technology for its plant.

C) FOREIGN EXCHANGE EARNINGS AND OUT GO

The Company has not exported its products during the year under review, therefore, there is no foreign exchange earnings. There is no foreign exchange out going for importing raw materials and others as the same is being procured from private parties.

MUNAK CHEMICALS LIMITED

Auditors' Report

To,

The Shareholders,

Dear Sir,

We have, audited the attached Balance Sheet of M/s. Munak Chemicals Limited as at 30th June, 2002 and the Profit and Loss account for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit includes assessing the Accounting Principles used and significant estimates made by the management; as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

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 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 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. 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 30th June, 2002 from being appointed as a Director under Section 274(I) (g) of the Companies Act, 1956.
 6. In our opinion, and to the best of our information and accounting to the explanations given to us, the said Balance Sheet and the Profit & Loss Account subject to that the Interest free loan from Govt. of Punjab through Director of Industries is secured against the charge



on all immovable assets of the Co., however during the year under Audit the company has sold Plant & Mach. except to the extent of Rs. 3412862/- for which neither permission from the Punjab State Govt. nor vocation of charge from ROC has been shown to us, although Co. holds immovable assets in the shape of Factory Land & Building & Plant & Mach. to the Tune of Rs. 10654010/- against a secured loan of Rs. 5600000/-, Note No.1 (iii) regarding Non-Provision of Depreciation on Factory Building & Plant & Mach., Note No. 7A & 7B regarding change in accounting year, Note no. 9 regarding unconfirmed an unreconciled debit and credit balances of Customers and suppliers, Note No. 12 regarding non-provision of write off in respect of leasehold land, in Schedule 'P' 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 30th June, 2002 and
- ii) In so far it relates to the profits and loss account of the company for the year ended on the date.

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

Place : Panchkula

(S. C. Dewan)

Dated : 14th October 2002

Partner

MUNAK CHEMICALS LIMITED

ANNEXURE TO THE ADITOR'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. (a) 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. 10,16,640.00 as on 30th June 2002.
(b) During the year under audit, the Company disposed of its plant & mach. for Rs. 1,11,74,507/- and incurred a loss of Rs. 2,46,62,719/-. Out of the above mentioned loss, an amount of Rs. 1,17,78,558/- has been charged to Capital Revaluation Reserve, which was lying in the credit of Capital Revaluation Reserve Account in respect of the said plant & mach. as on 1.04.2001, and the balance amount of Rs. 1,28,84,161/- has been charged to Profit & Loss A/C. The shareholders of the Company in their meeting held on 11.09.2001 authorised the Managing Director of the Company to affect the sale.
3. There are no stocks of finished goods and spare parts. The stocks of raw materials has 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 registers 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 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 advance in the nature of loans to its employees and the principal amounts are being repaid as stipulated.
10. Since the company had already closed it's operation, the sales and the stock of raw material



lying at the close of the year are out of the opening stock of the raw material and hence the requirement of internal control procedure with regard to purchases of stores, raw materials including components, plant and machinery, equipment and other assets and sale of goods are not applicable.

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 registers 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. The provision for determination of unservisable or damaged stores and raw materials and finished goods are not applicable, in view of the fact that the company had already closed down its operation and as a result there was no production during the year.
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. As the company has closed its operation in the previous year, so, as, such in our opinion the provision of maintenance of cost records, as prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956, are not applicable.
17. According to the information and explanation 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 explanations 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 30.6.2002 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 Fund and Employee's State Insurance dues with the appropriate authorities. As on 30th June, 2002, Provident Fund amounting to Rs. 68,836/- and Employee's State Insurance amounting to Rs. 34,702/- 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 Sick Industrial Companies (Special Provisions) Act, 1985.

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

Place : Panchkula
Dated : 14th October, 2002

(S. C. Dewan)
Partner

MUNAK CHEMICALS LIMITED**BALANCE SHEET**

	SCHEDULE	AS AT 30th June 2002 Rs.	AS AT 31st Mar. 2001 Rs.
SOURCE OF FUNDS			
SHAREHOLDER'S FUNDS			
a) Share Capital	'A'	107221110	107221110
b) Reserves & Surplus	'B'	5356811	17135617
		<u>112577921</u>	<u>124356727</u>
LOAN FUNDS			
(a) Secured Loans	'C'	5652278	5775998
(b) Unsecured Loans		22486787	44499950
(c) Deferred Payments		665377	665377
		<u>28804442</u>	<u>50941325</u>
	TOTAL	<u>141382363</u>	<u>175298052</u>
APPLICATION OF FUNDS			
FIXES ASSETS			
(a) Gross Block	'D'	52617919	151150843
(b) Less : Depreciation		16211366	79540751
(c) Net Block		<u>36406553</u>	<u>71610092</u>
CURRENT ASSETS, LOAN & ADVANCES			
(A) CURRENT ASSETS			
(a) Inventories	'E'	389793	3010082
(b) Sundry Debtors		7300682	21237048
(c) Cash & Bank Balances		1301647	482396
(B) LOAN AND ADVANCES			
		1867941	5284550
		<u>10860063</u>	<u>30014076</u>
LESS CURRENT LIABILITIES & PROVISIONS			
	'F'	31699874	30062044
		<u>-20839811</u>	<u>-47968</u>
MISCELLANEOUS EXPENDITURE			
(To the extent not written off/adjusted)	'G'	125815621	103735928
	TOTAL	<u>141382363</u>	<u>175298052</u>
NOTES ON ACCOUNT			
	'P'		

Auditors Report as per our Separate
Report of even date annexed.

for S.C.DEWAN & CO.
Chartered Accountants

S.C.DEWAN
Partner

PLACE: CHANDIGARH
DATED: 14.10.2002

P. D. Sharma
Director

Lok Nath Aggarwal
Manager (F&T)

V.K.Garg
Managing Director



PROFIT & LOSS ACCOUNT

PARTICULARS		YEAR ENDED 30th June 2002	YEAR ENDED 31st Mar. 2001
INCOME			
Sales	'H'	1984764	23011785
Miscellaneous Income		778307	8844653
Profit on sale of Vehicle		0	65942
Credit Balance W/Back		8024732	0
Forfeited of Advance against Sales of Comm. Land & Buldg.		6500000	0
		<u>17287803</u>	<u>31922380</u>
EXPENDITURE			
Manufacturing & Other Expenses	'I'	0	23346771
Cost of Sales	'J'	1590303	0
Stock Written off	'K'	907416	0
Employees Cost	'L'	4681034	7061335
Excise Duty		0	823525
Administrative Expenses	'M'	3287322	5386995
Selling & Distribution Expenses	'N'	25520	1718628
Financial Expenses	'O'	138738	1282367
Bad Advances Written off		3330915	0
Bad Debts Written off		5781651	0
Prov. for Doubt ful Debts		7387701	0
Pre. & Capital Issue Exps. w/off		189334	151468
Loss on Sale of Assets		12884161	0
Depreciation		652510	540654
TOTAL		<u>40856605</u>	<u>40311743</u>
PROFIT / (LOSS) FOR THE YEAR		<u>-23568802</u>	<u>-8389363</u>
Previous years expenses		63039	4462500
Excess Prov. of Gratuity W/Back		1362813	0
Net Profit/(Loss) Transfd. to Balance Sheet		<u>-22269028</u>	<u>-12851863</u>

Auditors Report as per our Separate
Report of even date annexed.

for S.C.DEWAN & CO.
Chartered Accountants
S.C.DEWAN
Partner

Lok Nath Aggarwal
Manager (F&T)

PLACE: CHANDIGARH
DATED: 14.10.2002

P. D. Sharma
Director

V.K.Garg
Managing Director

MUNAK CHEMICALS LIMITED**SCHEDULE 'A'
SHARE CAPITAL**

	AS AT 30th June 2002 Rs.	AS AT 31st Mar. 2001 Rs.
AUTHORISED		
110,00,000 Equity Shares of Rs. 10/- each (previous year 1,10,00,000 Equity Shares of Rs. 10/- each)	<u>110000000</u>	<u>110000000</u>
ISSUED, SUBSCRIBED, CALLED & PAID UP		
107,32,272 Equity Shares of Rs. 10/- each (previous year 107,32,272 Equity Shares of Rs. 10/- each)	<u>107322720</u>	<u>107322720</u>
Less: Calls-in-arrear other than Directors	<u>101610</u>	<u>101610</u>
TOTAL	<u><u>107221110</u></u>	<u><u>107221110</u></u>

**SCHEDULE 'B'
RESERVES & SURPLUS**

	AS AT 30th June 2002 Rs.	AS AT 31st Mar. 2001 Rs.
CAPITAL RESERVES :		
Capital Revaluation Reserve	12795447	12795646
Less : Loss on Sale of Assets	11778558	0
Less: Depreciation for the year	249	199
GENERAL RESERVES :		
Central Investment Subsidy	1500000	1500000
Investment Allowance Utilized Reserve	2840171	2840170
TOTAL	<u><u>5356811</u></u>	<u><u>17135617</u></u>



SCHEDULE 'C'

LOAN FUNDS

	AS AT 30th June 2002 Rs.	AS AT 31st Mar. 2001 Rs.
SECURED LOANS		
- Car Loan from Citi Bank (Secured by Hypothication of Car)	52278	175998
- Interest Free Loan from Director (*) of Industries, Punjab (*) The Interest-Free Loan is secured by way of Second charge on all immovable assets, present and future both of the Company created and/or to be created in favour of the Governor of Punjab.	5600000	5600000
	<u>5652278</u>	<u>5775998</u>
UNSECURED LOANS		
- V.K. Garg	4864450	6238967
- Inter Corporate Deposits	17622337	37120619
- Loan from SBI thru Sh. V.K. Garg	0	1140364
	<u>22486787</u>	<u>44499950</u>
DEFERRED PAYMENTS		
- Punjab Small Industries & Export Corporation Limited	665377	665377
TOTAL	<u>28804442</u>	<u>50941325</u>

MUNAK CHEMICALS LIMITED**SCHEDULE 'D'
FIXED ASSETS**

PARTICULARS	GROSS BLOCK			
	As at 1.4.2001	Additions	Sales/ Adjustments	As at 30.6.2002
LAND (LEASE HOLD)	1056627	-	-	1056627
(Commercial)	15198049	1452405	-	16650454
Site Development	568270	-	-	568270
BUILDING				
Factory	10318032	-	-	10318032
Non Factory	321763	-	-	321763
Commercial	6649004	0	-	6649004
PLANT AND MACHINERY				
General	98103285	-	87713285	10390000
Electrical Installation	6162166	-	6162166	0
Water Pollution	5731497	-	5731497	0
Control System				
MISC. FIXED ASSETS				
Furniture & Fixtures	1197394	-	-	1197394
Office Equipment	1899817	-	-	1899817
Vehicles	3046699	-	0	3046699
Weighing Scale	325700	-	-	325700
Workshop Equipment	81957	-	81957	0
Laboratory Equipment	51931	-	51931	0
Construction Equipment	244493	-	244493	0
Computer	194159	-	-	194159
Total	151150843	1452405	99985329	52617919
Previous Year	129559292	21847053	255502	151150843



DEPRECIATION			NET BLOCK		
Upto 31.3.2001	Adjust- ment	For the Year	Upto 30.6.2002	As at 30.6.2002	As at 31.3.2001
0	-	-	0	1056627	1056627
0	-	-	0	16650454	15198049
0	-	-	0	568270	568270
4933150	-	0	4933150	5384882	5384882
83838	-	6556	90394	231369	237925
0	-	0	0	6649004	6649004
62993263	56016125	0	6977138	3412862	35110022
3649695	3649695	0	0	0	2512471
4013769	4013769	0	0	0	1717728
821081	-	94744	915825	281569	376313
1120726	-	150323	1271049	628768	779091
1258440	-	361795	1620235	1426464	1788259
262919	-	0	262919	62781	62781
62391	62391	0	0	0	19566
39534	39534	0	0	0	12397
200630	200630	0	0	0	43863
101315	-	39341	140656	53503	92844
79540751	63982144	652759	16211366	36406553	71610092
79222342	222444	540853	79540751	71610092	50336950

MUNAK CHEMICALS LIMITED

SCHEDULE 'E' CURRENT ASSETS, LOANS AND ADVANCES

	AS AT 30th June 2002 Rs.	AS AT 31st Mar. 2001 Rs.
(A) CURRENT ASSETS		
Inventories		
(As taken, valued at cost and certified by the Management)		
- Raw Material	389793	954072
- Finished Goods	0	838856
- Packing Material	0	206783
- Stores & Spares	0	1010371
	<u>389793</u>	<u>3010082</u>
SUNDRY DEBTORS		
(Unsecured but considered good)		
- Debtors for more than six months	20470034	17081474
- Others	0	4155574
	<u>20470034</u>	<u>21237048</u>
Less : Bad bad Debts W/off.	5781651	0
Less : Prov. for Doubt ful Debts	7387701	0
	<u>13169352</u>	<u>0</u>
	<u>7300682</u>	<u>21237048</u>
CASH & BANK BALANCES		
- Cash-in hand	997927	210303
- Balance with Banks		
- in current account	104720	189773
- Chq. in hand	199000	82320
	<u>1301647</u>	<u>482396</u>
(B) LOANS & ADVANCES		
(Unsecured but considered good)		
- Advances recoverable in cash or in kind or for value to be received		
- For Raw Material	0	56611
- For Others	162577	3255969
	<u>162577</u>	<u>3312580</u>
- Security Deposits	1619114	1325914
- Expenses Recoverable	65555	530817
- Pre-Paid Expenses	9795	26530
- Tax Deducted at Source	2104	11555
- Staff Imprest	8796	77154
TOTAL	<u>1867941</u>	<u>5284550</u>



SCHEDULE 'F'

CURRENT LIABILITIES & PROVISIONS

	AS AT 30th June 2002 Rs.	AS AT 31st Mar. 2001 Rs.
(A) CURRENT LIABILITIES		
Sundry Creditors :		
- For Raw Material	9394339	13374535
- For Others	310066	1898733
	9704405	15273268
Securities & Advances	155000	155000
Due to Customers	0	1948016
Other Liabilities	4030956	5173461
Bonus Payable	222109	654918
Gratuity Payable	878235	3705855
Statutory Liabilities	115239	290179
Cheque Issued but not presented	93930	2861347
Adv. agnst. Sale of Commercial Land & Bldg	1650000	0
TOTAL	31699874	30062044

SCHEDULE 'G'

MISCELLANEOUS EXPENDITURE

	AS AT 30th June 2002 Rs.	AS AT 31st Mar. 2001 Rs.
Capital Issue Expenses	37866	227201
PROFIT & LOSS ACCOUNT		
Loss of previous year b/f	103508727	90656864
(Profit)/Loss for the year	22269028	12851863
	125777755	103508727
TOTAL	125815621	103735928

MUNAK CHEMICALS LIMITED

SCHEDULE 'H'

SALES

	YEAR ENDED 30th June 2002	YEAR ENDED 31st Mar. 2001
Single Super Phosphate	0	7205645
Sulphuric Acid	791442	15806140
Oleum 20/65%	0	0
Sodium Silico Flouride	0	0
Store Spare & Consumable	1193322	0
TOTAL	<u>1984764</u>	<u>23011785</u>

SCHEDULE 'I'

MANUFACTURING & OTHER EXPENSES

	YEAR ENDED 30th June 2002	YEAR ENDED 31st Mar. 2001
Raw Material	0	13599517
Labour & Wages	0	3700319
Handling Charges	0	581172
Stores Spares & Consumables	0	571902
Power & Fuel	0	3643960
(Increase)/Decrease in stock of Finished Goods	0	1249901
TOTAL	<u>0</u>	<u>23346771</u>



SCHEDULE 'J'

COST OF SALES

	YEAR ENDED 30th June 2002	YEAR ENDED 31st Mar. 2001
Sulphuric Acid	637781	0
Store Spare & Consumable	952522	0
TOTAL	<u>1590303</u>	<u>0</u>

SCHEDULE 'K'

STOCK WRITTEN OFF

	YEAR ENDED 30th June 2002	YEAR ENDED 31st Mar. 2001
Raw Material		
Rock Phosphate	13535	0
Sulphur	544740	0
VACL Sul.	6004	0
	<u>564279</u>	<u>0</u>
Packing Material	97433	0
	<u>97433</u>	<u>0</u>
Stores Spares & consumable	44629	0
	<u>44629</u>	<u>0</u>
FINISHED GOODS		
ASSP	5530	0
PSSP	3425	0
GSSP	60720	0
Sulphuric Acid	131400	0
	<u>201075</u>	<u>0</u>
TOTAL	<u>907416</u>	<u>0</u>

MUNAK CHEMICALS LIMITED**SCHEDULE 'L'****EMPLOYEES COST**

	YEAR ENDED 30th June 2002	YEAR ENDED 31st Mar. 2001
Salaries & Allowances (Incl. Rs. 5.25 Lacs of M.D.)	4232224	6050107
Contribution towards ESI & PF (Incl. Rs. 0.45 Lac of M.D.)	384135	871109
Welfare Expenses (Incl. Rs. 0.05 Lac of M.D.)	64675	140119
TOTAL	4681034	7061335

* Including encashment of Earned Leave to Ex-employees of the Company.

SCHEDULE 'M'**ADMINISTRATIVE EXPENSES**

	YEAR ENDED 30th June 2002	YEAR ENDED 31st Mar. 2001
Travelling & Conveyance		
- Directors	90723	2368
- Others	246421	399522
Rent, Rates & Taxes	339414	246717
Printing & Stationery	86658	115330
Postage, Telephone & Telex	475902	621474
Vehicle Running & Maintenance Expns.	272017	331009
Security Services	111887	426554
Repair & Maintenance		
- Building	200	39736
- General	87666	24163
	87866	63899
Insurance Charges	29964	113529
Professional Charges	146022	128955
Auditors Remuneration	98438	78750
Fees, Subs., N. Paper, Periodicals	85045	186085
Electricity & Water Chages. Chd.	155674	112594
Office Upkeep Expenses	24616	27867
Advertisement & Publicity	42494	53270
Compensation to Employees (VRS)	832818	2279658
Business Promotion	10204	87939
General Charges	151159	111475
TOTAL	3287322	5386995



SCHEDULE 'N'

SELLING & DISTRIBUTION EXPENSES

	YEAR ENDED 30th June 2002	YEAR ENDED 31st Mar. 2001
Freight Outward	0	552926
Selling Expenses	25520	262107
Rebates & Discounts	0	903595
TOTAL	<u>25520</u>	<u>1718628</u>

SCHEDULE 'O'

FINANCIAL EXPENSES

	YEAR ENDED 30th June 2002	YEAR ENDED 31st Mar. 2001
INTEREST :		
Interest on Term Loan	101179	1188972
Bank Charges	14056	56456
Interest on Car Loan	23503	36939
TOTAL	<u>138738</u>	<u>1282367</u>

SCHEDULE 'P'

NOTE OF ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Accounting

The Company adopts accrual basis in the preparation of accounts.

ii) Recognition on Incomes/Expenses

Sales of Sulphuric Acid and Fertilizers are accounted for on their despatch to customers. Income from interest and subsidy received are accounted for on accrual basis. Insurance claims are accounted for on cash basis.

The Company provides for all known expenses except medical reimbursement and leave encashment. Which are accounted on actual payment basis.

iii) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition on construction is inclusive of all the related expenses. The Buildings and Plant & Machinery are stated at the value as determined in the Revaluation Report as at 30th September, 1992.

No Depreciation on Factory Building & Plant & Machinery has been charged as the same has not been put to use during the year under audit. Depreciation on Non Factory Building, Furniture & Fixture, Vehicle and other. Fixed Assets has been provided on the Straight Line Method, on-Single Shift Basis at the rates and in the manner specified in schedule XIV of the Companies Act, 1956 as amended up to date.

The Depreciation on the increased value of Non Factory Building due to revaluation done on 30th September, 1992 has been reduced from Revaluation Reserve.

iv) Inventories

Raw Material are valued at cost. There are no finished goods and the disclosure of method of Valuation does not arise.

v) Miscellaneous Expenditure

Capital issue Expenses are written off equally over a period of ten years.

2. There are no contingent liability, as the company has already closed down its operation.
3. The company has incurred a sum of Rs. 14,52,405/- on a/c of ground rent charges inclusive of previous years and conveyance deed charges and the same has been shown as addition to Commercial Land.
4. During the year the company entered into agreement with M/s Toubro Infotech & Industry Ltd. for the sale of Commercial Land & Building at a total consideration of Rs. 270 lacs and received a sum of Rs. 65 lacs as advance. However the buyer failed to get the property transferred and after the expiry of stipulated time all efforts were made to persuade the buyer for the transfer of the property but buyer failed to get the property transferred due to fall in prices of the real estate and as a result the Company decided to forfeit the advance



received and the same has been credit as income in the Profit & Loss A/c.

5. Managing Director's Remuneration

Salary	375000	220000
Housing Rent Allowance	150000	120000
Estimated Value of benefits in cash or in kind	63238	25501
	588238	445501

6. Professional charges include a sum of Rs. 98,438 paid to Auditors as per detail below :-

AUDITORS' REMUNERATION :-

Audit Fee	62,500	50,000
Certification Fee	15,000	12,500
Out of pocket expenses	16,250	12,500
Service Tax	4,688	3,750
	<u>98,438</u>	<u>78,750</u>

7. a) During the year the company has changed its accounting year from 31st March to 30th June, as such the Current A/c's have been prepared for a period of 15 months from 01.04.2001 to 30.06.2002.
- b) The previous year figures have been regrouped and rearranged to make them comparable with those of current year.
- c) The previous year figures are for a period of 12 months and those of current year are for a period of 15 months as such the previous year figures are not comparable to that extent.
8. In the opinion of the Board, the current assets, Loans & Advances are approximately of the value stated, if realized in the ordinary course of business, except otherwise stated. The provision for all the known liabilities is adequate and not in excess of amount considered reasonably necessary.
9. Debit and Credit balance in the account of suppliers, Customers and other are subject to confirmation and reconciliation. Any effect arising out of this will effect the losses of the Company to that extent.
10. No provision for income tax liability has been made in the absence of assessable income under the Income Tax Act. 1961.
11. The Sales Tax liability in respect of previous years have been provided for as per Sales Tax return filed with Sales Tax authorities and any extra liability, if any, arising on assessment shall be provided on actual basis as and when assessed.
12. No write off in respect of land taken from Punjab Small Industries & Export Corporation Limited, on 99 years leasehold basis, has been made; PSIEC has raised certain demands towards leasehold land and the same is under dispute. Accordingly, no provision has been made in the

MUNAK CHEMICALS LIMITED

books of accounts as the amount is unascertainable.

13. A sum of Rs. 1,51,692/- (Previous year Rs. 16,19,565/-) has been charged to profit & Loss Account on account of gratuity liability, as required by the Companies (Amendment) Act, 1988.
14. Provision for doubtful debts amounting to Rs. 73,87,701/- has been made in the books of accounts, most of these amount pertain either to suit filed cases or those amount from whom the chances of recovery are very bleak. In the opinion of management balance debtors are good and steps are being taken to realise the same. In case certain balance are not recovered they will have to be eventually written off, and according this will increase the losses of the company to that extent.
15. All figures have been rounded off to the nearest rupee.
16. Schedule 'A' to 'P' from an integral part of the Balance Sheet and profit & Loss account and have been duly authenticated.
17. During the previous year the Company had closed down its operation and certain long outstanding debit balance standing in the Account of Advances to Supplier and Sundry Debtors which had become irrecoverable as the Company has gone out of business and not in a position to take supplies from the supplier and similarly Sundry debtors has either shifted to the sale of the other products or to the sale of fertilizer of other Companies and eventually these amount has become irrecoverable and accordingly a sum of Rs. 57, 81, 651/- has been w/off as Bad Debts and a sum of Rs. 33,30,915/- as bad advances w/off.
18. During the year the Company has closed down its operations and certain long outstanding Credit Balance of suppliers & Customers been written back as income under the head of Misc. Income, as in the opinion of Management, the operation of the company are closed and the Customers & Suppliers who have not demanded payments for a considerable time should be credited as Income and in case any payment is required to be paid in future, the same shall be charged as an expenditure in the year of payments.
19. As per AS 22 regarding deferred Tax liabilities issued by ICAI, New Delhi, no Deferred Tax Liabilities has been determined in view of Accumulated past losses and loss in the current year as per Profit & Loss A/c. There is no tax Liability as per Computation of income for the year ending 31.03.2002 under the Income Tax Act.



**ADDITIONAL INFORMATION PURSUANT TO THE PROVISION ON PARAGRAPHS 3 & 4 OF
PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956, IS AS FOLLOWS**

	AS AT 30TH JUNE, 2002		AS AT 31ST MARCH, 2001	
	Qty.(MT)	Value(Rs.)	Qty.(MT)	Value(Rs.)
A) QUANTITATIVE DATA				
I) LICENCED CAPACITY				
- Single Superphosphate	1,32,000	-	1,32,000	-
- Sulphuric Acid	66,000	-	66,000	-
- Oleum 20/65%	2,500	-	2,500	-
- Sodium Silico Flouride	550	-	550	-
II) INSTALLED CAPACITY				
- Single Superphosphate	1,32,000	-	1,32,000	-
- Sulphuric Acid	56,100	-	56,100	-
- Oleum 20/65%	-	-	-	-
- Sodium Silico Flouride	-	-	-	-
III) PRODUCTION (*)				
- Single Superphosphate	-	-	1,799	-
- Sulphuric Acid	-	-	8,349	-
- Oleum 20/65%	-	-	-	-
- Sodium Silico Flouride	-	-	-	-
IV) CLOSING STOCK				
- Single Superphosphate	-	-	25	69,675
- Sulphuric Acid	-	-	615	7,69,181
- Oleum 20/65%	-	-	-	-
- Sodium Silico Flouride	-	-	-	-
				<u>8,38,856</u>
v) OPENING STOCK				
- Single Superphosphate	25	69,675	279	9,05,819
- Sulphuric Acid	615	7,69,181	473	11,82,938
- Oleum 20/65%	-	-	-	-
- Sodium Silico Flouride	-	-	-	-
		<u>8,38,856</u>		<u>20,88,757</u>

MUNAK CHEMICALS LIMITED

	AS AT 30TH JUNE, 2002		AS AT 31ST MARCH, 2001	
	Qty.(MT)	Value(Rs.)	Qty.(MT)	Value(Rs.)
vi) RAW MATERIAL CONSUMED				
- Sulphur (**)	-	-	2,927	1,09,68,506
- Sulphuric Acid	-	-	0.100	330
- Rockphosphate (**)	-	-	1,061	22,74,203
- Packing Material (Nos.)	-	-	37,583	3,56,478
				<u>1,35,99,517</u>
vii) SALES				
- Single Superphosphate	-	-	2,053	72,05,645
- Sulphuric Acid	510	7,91,442	7,560	1,58,06,140
- Oleum 20/65%	-	-	-	-
- Sodium Silico Flouride	-	-	-	-
- Stores & Spares	-	11,93,322	-	-
		<u>19,84,764</u>		<u>2,30,11,785</u>
B) EXPENDITURE ON EMPLOYEES				
Break-up expenditure incurred on employees in receipt of remuneration aggregating to Rs. 12,00,000/-per annum or Rs. 1,00,000/-per month, or more :				
i) Employed for full year				
- Number of employees	-	-	-	-
- Salaries & Allowances	-	-	-	-
ii) Employed for part of the year				
- Number of employees	-	-	-	-
- Salaries & Allowances	-	-	-	-
C) CIF VALUE OF IMPORTS				
- Raw Materials				
(acquired from/through canalised agencies)	-	-	-	1,09,68,506
- Capital Goods	-	-	-	-
				<u>1,09,68,506</u>



AS AT 30TH JUNE, 2002		AS AT 31ST MARCH, 2001		
	Qty.(MT)	Value(Rs.)	Qty.(MT)	Value(Rs.)
D) VALUE OF IMPORTED/INDIGENEOUS RAW MATERIALS, STORES AND COMPONENTS CONSUMED(***)				
a) Raw Material				
- Imported(Canalised)	-	-	80.65%	1,09,68,506
- Indigeneous	-	-	19.35%	26,30,906
	<u>-</u>	<u>-</u>	<u>100.00%</u>	<u>1,35,99,412</u>
b) Stores, Spares & Components :				
- Imported	-	-	-	-
- Indigeneous	-	-	100.00%	5,71,902
E) EXPENDITURE IN FOREIGN CURRENCY				
	-	-	-	-
F) EARNING IN FOREIGN EXCHANGE				
	-	-	-	-

NOTES:

* Certified by Management but could not be verified by the Auditors being a technical matter.

** Includes freight on imported as well as indigeneous raw materials.

Auditors Report as per our Separate Report of even date annexed.

for S.C.DEWAN & CO.
Chartered Accountants

S.C.DEWAN
Partner

Lok Nath Aggarwal
Manager (F&T)

PLACE: CHANDIGARH
DATED: 14.10.2002

P. D. Sharma
Director

V.K.Garg
Managing Director

MUNAK CHEMICALS LIMITED

CASH FLOW STATEMENT

	For the Year Ended 30.06.2002 (Rs. in Lacs)	For the Year Ended 31.03.2001 (Rs. in Lacs)
A. CASH FLOW OPERATING ACTIVITIES		
Net Profit before Tax	(235.69)	(83.89)
Adjustments for :		
Previous year adjustments	13.00	(44.63)
Preliminary & Capital issue expenses written off	1.89	1.51
Depreciation and write offs	6.53	5.41
Interest Paid	1.39	12.82
Operating Profit before Working Capital charges	(212.88)	(108.78)
Adjustments for :		
Trade and other receivables	173.53	108.19
Inventories	26.21	15.89
Trade payable	16.38	(73.87)
	3.24	(58.57)
Interest Paid	(1.39)	(12.82)
NET CASH FROM OPERATING ACTIVITIES	1.88	(71.39)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(14.52)	(218.47)
Sale of Fixed Assets	242.24	0.33
NET CASH USED IN INVESTING ACTIVITIES	227.72	(218.14)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds to issue of share capital	-	50.00
Proceeds loan Term borrowings	(221.37)	215.67
NET CASH USED IN FINANCING ACTIVITIES	(221.37)	265.67
NET INCREASE CASH AND CASH EQUIVALENTS (A+B+C)	8.29	(23.86)
Cash & Cash Equivalent as at 01.04.2001 (Opening Balance)	4.82	28.68
Cash & Cash Equivalent as at 31.06.2002 (Closing Balance)	13.02	4.82

Notes :

1. Above statements have prepared in indirect method.
2. Cash & Cash equivalent represent Cash and Bank balances only.
3. Proceeds from long term borrowings are shown net of repayments.

for and on behalf of the Board of Directors

Place : CHANDIGARH

Date : 14.10.2002

V K Garg

Managing Director

Auditors Certificates

We have verified the above statement with the books and records maintained by M/s MUNAK CHEMICALS LIMITED and certify that in our opinion and according to the information and explanations given, the above statement is in accordance therewith.

for S C DEWAN & Co.
Chartered Accountants

Date : 14.10.2002

Place : CHANDIGARH

(S C DEWAN)

Partner



**STATEMENT PURSUANT OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE.**

I REGISTRATION DETAILS

Registration No.	4147	State Code	
Balance Sheet Date	30.06.2002		16

II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities	141382	Total Assets	141382
Sources of Funds			
Paid-up Capital	107221	Reserves & Surplus	5357
Secured Loans	5652	Unsecured Loans	22487
Short Term Borrowing	0	Deferred Payments	665
Application of Funds			
Net Fixed Assets	36407	Investments	Nil
Net Current Assets	(20840)	Misc. Expenditure	38
Accumulated Losses	125777		

IV PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover	17288	Total Expenditure	40857
+ - Profit/Loss before Tax	-23569	+ - Profit/Loss after Tax	-23569

(Please Tick + for Profit - for Loss)

Earning per Share (Rs.)	Nil	Dividend Rate @%	Nil
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V GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)

Item Code No. (ITC Code)	2807
Product Description	Single Super Phosphate
Item Code No. (ITC Code)	
Product Description	Sulphuric Acid

MUNAK CHEMICALS LIMITED

MUNAK CHEMICALS LIMITED

Regd. Office : A-9 to A-15, Industrial Area
Focal Point, Dabwali Road, Bathinda - 151 001 (Punjab)

PROXY FORM

I/We _____
of _____
being a member(s) of MUNAK CHEMICALS LIMITED hereby appoint Mr./Mrs./Miss. _____
of _____ or failing him/her, Mr./Mrs./Miss _____
of _____ as my/our proxy to attend and to vote for me/us and on my/our behalf at the
TWENTY SECOND ANNUAL GENERAL MEETING of the Company to be held on 15th Nov. 2002
and at any adjournment thereof.

Signed this _____ 2002

Re. 1
Revenue
Stamp

Regd. Folio No. _____

Signature

NOTE :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy so appointed need not be member of the Company.
2. The Proxy form duly executed and properly stamped should reach the Company's Registered Office atleast 48 hours before the time of the meeting.

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting Hall)

Name of the Attending Member (In Block Letters) _____

Member Registered Folio Number _____

Name of Proxy (In Block Letters) _____

No. of Shares _____

I hereby record my presence at **TWENTY SECOND GENERAL MEETING** held at Civil Lines Club, Civil Line, Bathinda 151 001 (Punjab) 15th November 2002.

Member's/Proxy's Signature

- NOTE :
1. Shareholders/Representative/Proxies are requested to Sign this attendance slip at the time of handing it over at the gate.
 2. You are requested to bring your copy of the Annual Report to the Meeting Hall.
 3. No gifts or gift coupons shall be distributed. Members are required to co-operate and not to demand gifts.

BOOK POST



If undelivered please return to :

MUNAK CHEMICALS LIMITED

S.C.O. 1-2, 1st Floor, Sector 26, Madhya Marg,
Chandigarh - 160 019