

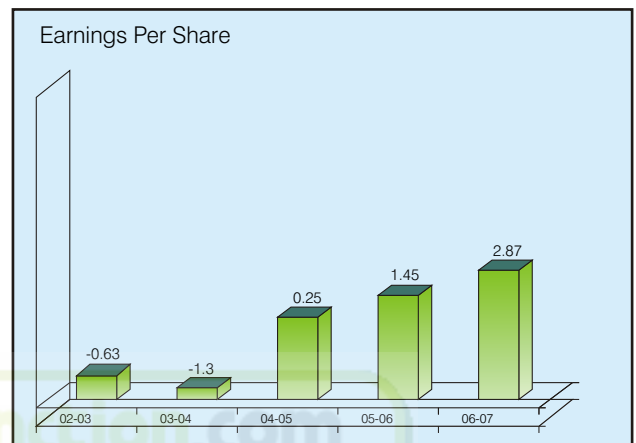
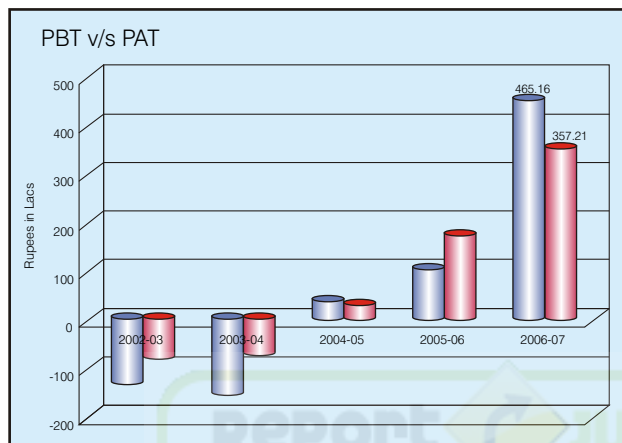
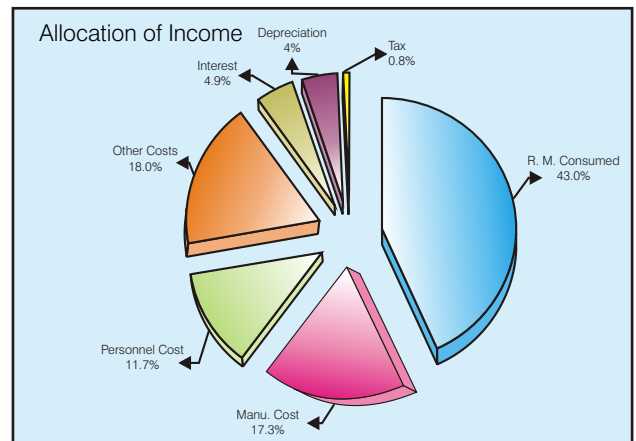
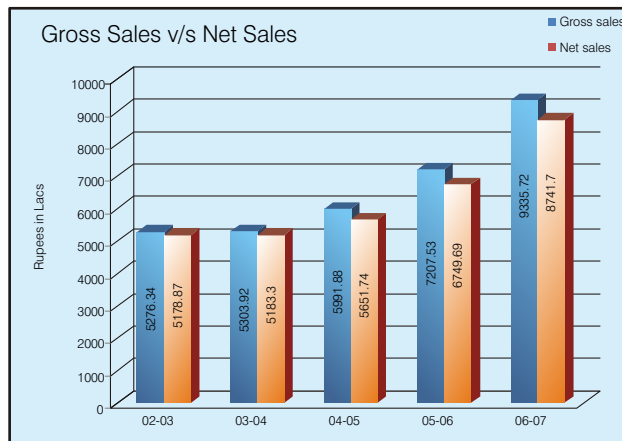
**20<sup>th</sup>** Annual Report  
**2006-07**

reportfunction.com

**20 MICRONS**

solutions to empower your bottom-line  
www.reportfunction.com

## ■ PERFORMANCE IN BRIEF



## ■ CONTENTS

Chairman Statement	02
From the Joint Managing Director's Desk	04
Directors' Report	05
Management Discussions & Analysis	11
Corporate Governance	13
Auditors' Report	22
Balance Sheet	26
Profit & Loss Account	27
Schedules A to S	28
Cash Flow Statement	41
Statment pursuant to section 212	42

**BOARD OF DIRECTORS :**

Mr. Chandresh S. Parikh	Chairman & Managing Director
Mr. Rajesh C. Parikh	Joint Managing Director
Mr. Sudhir R. Parikh	Director [Finance]
Mr. Vishnu Varshney	Nominee Director GVFL
Mr. Bharat Kanani	Nominee Director GVFL
Mr. D. D. Bhattacharjee	Nominee Director IDBI
Mr. V. D. Talati	
Mr. P. M. Shah	

**COMPANY SECRETARY :**

Mr. V. D. Talati

**BANKERS :**

State Bank of India

Small Industries Development Bank of India

**STATUTORY AUDITORS :**

M/s. Manubhai & Co.,  
Chartered Accountants  
AHMEDABAD.

**REGISTERED OFFICE & WORKS :**

9/10, GIDC Industrial Estate,  
WAGHODIA. Dist. : Vadodara - 391760.  
GUJARAT STATE. INDIA.

**CORPORATE OFFICE :**

134-135, Hindustan Kohinoor Industrial Estate,  
L.B.S. Marg, Vikhroli (W), Mumbai, India.  
Tele : +91 22 32401006 / 25771325  
Fax : +91 22 25771333  
E-Mail : corporate@20microns.com  
Visit Us : www.20microns.com

## Chairman's Statement

### Dear Shareholders,

It gives me great pleasure to extend a warm welcome to all of you at this twentieth Annual General Meeting.

India stands in the midst of an epochal transformation. Today, we are the fourth largest economy in the world in terms of purchasing power parity, the third largest in Asia, and the second largest amongst the emerging nations. Growing at a clip of over 9% annually, India is one of the few markets that has enormous potential for growth and earnings in practically all sectors. There is no let up from the Government on the reform process which has spurred the economy. These developments at the macro level will have a positive impact on your Company.

Your Company delivered robust growth during 2006-2007, through revenue expansion across diverse segments of our clients. A strong focus on improving the operating efficiencies and resource utilization, efficient management of cost structure also showed significant results. Our business visibility remained strong and we remained confident in our ability to expand existing relationship, moving to development of new products in all applications - vertically and geographically and adding new cliental, domestic and international.

We are confident and we are sure, you will share our confidence that we can continue to drive growth and achieve our strategic and corporate objectives in 2007-2008 and beyond. Thus our leadership in mineral industry will continue in the years to come. We may add for your information that, all manufacturing divisions other than Bhuj have utilized their optimum capacity and steps are being taken to improve optimization of capacity at Bhuj.

As a direct consequence, your Company's continuing operations grow strongly by over 25% and this estimation is likely to be reflected in the year 2007-2008 and our turnover would be in the vicinity of Rs. 123 Crores.

Your Company's Research & Development Center has started making significant contribution to business development. In the course of last several years, your Company has developed and introduced a number of high end products through the R&D effort. R&D Center also supports your Company's foray into new products. 20 Microns continues to invest in R & D activities

towards development of new products and applications for the improvement in operating efficiencies and reduction in manufacturing cost. Over the last few years the Company has made substantial investment in technology, processes and systems, innovation and brand building towards acquiring competitiveness in terms of cost and quality in each of its operations. Your Company gives more emphasis to quality improvement measures and quality management systems at all its locations. During the year 2006-2007, the Company has spent a substantial amount of Rs. 64 Lacs in R&D activities and this trend of investment would continue in future.

20 Microns is managed by the Board of Directors with three executive and five non-executive Directors assisted by the talented & experienced Executives. I am happy to report that Mr. Rajesh C. Parikh, who was elevated to the position of Joint Managing Director effective 31st March, 2006, did extremely well during the whole of the year. He was not only helping me in the discharge of my duties as a Managing Director but he was looking after all technical matters, marketing operations - domestic & international and administration as was done by him hitherto.

The Company has constituted statutory committees like Audit Committee, Nomination and Compensation Committee and Remuneration Committee and members thereof are drawn from Venture Capital, Finance, Accountancy and Legal fields. The Company has benefited from well thought out suggestions from the Chairman and members of the Audit Committee of Directors by their progressive outlook and innovative ideas.

Your Company continues to maintain its management team to work efficiently, effectively and economically and to strengthen the decision making process. The Management team consists of CEOs, Vice- presidents, General Managers, so on and so forth.

The Company has talented, experienced, committed and dedicated staff and the employee strength at the close of the year 2006-2007 stood at 559. Your Company's ability to deliver value also depends on its ability to attract, train, motivate, empower and retain the best professional talents. These abilities have to be delivered across Company's rapidly expanding operations. There is a significant competition from emerging sectors, which possesses inherent risks

associated with the ability to hire and retain skilled and experienced professionals. Your Company continuously benchmarks HR policies and practices with the best in the industry and carries out necessary improvements to attract and retain best talent and build intellectual capital. Keeping all these in view, your Company has formulated ESOS for the benefit and well being of its work force.

In the year 2006-07, we recorded about 30% growth. While this is not a small achievement by any standards, the industry average touched 13% growth. The challenge for us going forward is to make sure we can drive growth further and meet top tier benchmarks, while sustaining and expanding our recent gains in delivery efficiency and stronger financial management. We must integrate the elements that enable our key competitors to grow much faster.

I will be failing in my duty if I do not place on record my grateful thanks to the Venture Fund for their positive and growth oriented approach in the overall development and interest of the Company and the patience and forbearance they have shown for the return on the investments in the Company. In the foreseeable future we will be meeting with their expectations. I am also thankful to all other shareholders and lenders of term loans and working capital funds for the support and confidence they have reposed in us.

In the end, I would like to assure that we would work with renewed vigor & we shall try to be worthy of the trust & confidence reposed by all of you in us.

**Chandresh S. Parikh**



## ■ From the Joint Managing Director's Desk

Over the past few years, we have shared with you a new strategic context for 20 Microns Limited. It has been embraced by our employees, who have begun to transform that context into results. Embodied in that strategy is a focus on balanced financial results and shareholder value.

In spite of significant economic challenges, I am pleased to report that, in 2006-07, we were able to deliver on those commitments while creating the financial and strategic base to position the company for the future.

In 2006-07, we:

- Delivered earnings growth
- Generated more than Rs 2000 lacs in sales from new technologies;
- Delivered a EPS of 2.87 rupees.

From an operations perspective, Strong technological positions coupled with our intense focus on productivity improvements supported earnings growth in most of our markets.

Here are just a few highlights of our performance.

- Enhanced our new additives portfolio and increased volumes significantly as extrusion processors,
- Helped them enrich throughputs and deal with dispersion issues in their processes.

In Appearance and Performance Technologies, we:

- Grew sales of kaolin-based technologies for non-paper applications as we continued to enrich our business mix; and
- Enhanced our speciality chemicals portfolio to strengthen our position in coating's market.

Our accomplishments in 2006-07 underscore two of 20 Microns' greatest strengths our technology leadership and our Research and development position.

Against the backdrop of the most difficult economic conditions in years, we have been transforming our enterprise. We have been building a stronger, more vibrant company based on a different idea of what 20 Microns' truly is and, even more important, all it can be.

Three years back we started a strategic context like a

mosaic. That characterization highlights the fact that these elements do not stand alone. They interconnect like the pieces of a mosaic to create the picture that is the 20 Microns' of today.

The 20 Microns' mosaic starts with recognizing that we are a surface and mineral science company.

Strategically, we look at expanding our served market base as well as leveraging technology and the commonality of our competencies and assets against broad market needs.

The bridge between technology and the marketplace is ingenuity. Every time a new person joins our organization, a new set of eyes enhances our combined ingenuity. It's like adding a new colour to an artist's palette.

Likewise, every new technology we develop can enrich the entire palette of products and markets. Ingenuity also fuels our passion for productivity. We view productivity as a tool for growth. Productivity is the speed and frequency with which we develop and commercialize new technical advances as well as the minimization of the cost of these initiatives. It is how we generate the margins that fund growth, and it is what keeps our operations viable in a global competitive marketplace.

The final element of the 20 Microns' mosaic enables us to maximize the value we create from the other elements managing the company as a seamlessly integrated, decentralized enterprise rather than as a federation of businesses.

Three years after its introduction, commitment to our strategic context has never been stronger. It continues to unlock value long embedded in 20 Microns' but never realized. It is enabling our employees to see opportunities that would have otherwise remained invisible. It is enabling us to deliver greater value to our customers, and that is ultimately how we deliver wealth to our shareholders.

**Rajesh C. Parikh**

# Directors' Report



Your Company, which was incorporated on 29<sup>th</sup> June, 1987, is now on the verge of completing 20 years of its existence and co-incidentally this report is also the 20<sup>th</sup> Annual Report.

20 Microns Limited is at a very exciting stage of its growth journey. During the year, the Company has scaled new heights and has set several new benchmarks in its financial performance in terms of sales, profits, net worth and assets and is heading for Rs. 1 billion Turnover mark in the year 2007-08, despite severe competition from the Global and domestic players in mineral industry.

Your Directors are now delighted to present the 20<sup>th</sup> Annual Report together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2007.

## PERFORMANCE OF THE COMPANY :

### Results :

The Company's performance during the year 2006-07 is summarized below.

(Rs. in lacs)

	2006-2007	2005-06
Sales and Other Income (gross)	9335.72	7207.53
Profit before Depreciation, interest and Tax	1236.48	819.87
Interest for the year	415.86	371.47
Depreciation for the year	355.46	340.36
Profit/(loss) for the year	465.16	108.04
Tax liability :		
Current Year	50.00	11.00
Earlier Years	-	5.29
FBT	15.00	19.00
Deferred Tax Liability/[Asset]	42.95	(107.36)
Net Profit/(loss) for the year	357.21	180.11

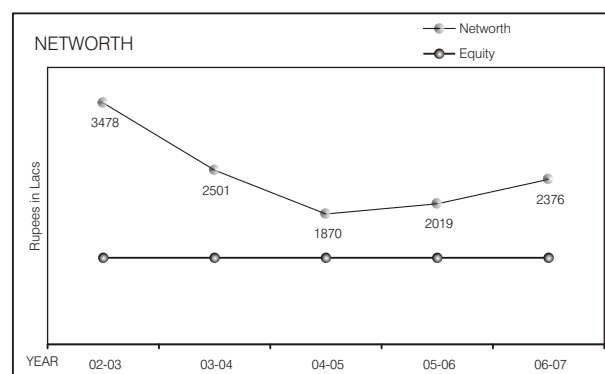
Your Directors consider the working results excellent and are indicative of a very bright future.

## OPERATING RESULTS :

The Indian economy continued on its strong growth path during 2006-2007. The current optimism and perception of brighter future is being reflected in all the major indicators of the economy. All core sectors have performed well. Like all other Companies, your Company has also benefited from the buoyant economic growth in the Country.

Your Company has posted impressive performance by achieving a net profit of Rs. 357 lacs (up 98% from Rs. 180 Lacs in 2005-2006). During the year under review, your Company registered gross revenue of Rs. 9336 lacs (up 29% from Rs. 7207 Lacs in 2005-2006).

The key factors to sustain this robust performance were entirely due to thrust on operational efficiencies through de-bottlenecking of the plant, upgradation of technology, adoption of modernized methods & processes and implementation of innovative ideas.



**DIVIDEND :**

In order to nurse the need for strategic investment for a secured future, your Directors do not recommend payment of any dividend to the shareholders for the year under review.

**INTERNAL CONTROLS :**

20 Microns Limited has well defined organization structure, documented policy guidelines, predefined authority levels and an extensive system of internal controls ensure optimal utilization and protection of resources, IT security, accurate reporting of financial transactions and compliance with applicable laws and regulations.

The Company has adequate systems of internal control in place. This is to ensure that assets are safeguarded against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly. It also has an exhaustive budgetary control system. Actual performance is reviewed with reference to the budget by the management on an ongoing basis.

The internal audit function is empowered to examine the adequacy, relevance and effectiveness of control systems, compliance with policies, plans and statutory requirements.

The top management and the Audit Committee of the Board regularly reviews and implements the findings and recommendations of the internal audit panel.

**RESPONSIBILITY STATEMENT :**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make following statements in terms of Section 217(2AA) of the Companies Act, 1956:

- (i) The applicable accounting standards have been followed in the preparation of the Annual Accounts along with proper explanations relating to material departures;
- (ii) Accounting policies are selected and applied consistently and judgments and estimates are made which are reasonable and prudent so as to give a true and fair view of the state of the affairs as at the end of financial year and of the profit of the Company for the year under review;
- (iii) The Directors have 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) The Directors have prepared the accounts on a "going concern" basis.

**MANAGEMENT DISCUSSIONS AND ANALYSIS & REPORT ON CORPORATE GOVERNANCE :**

The Company is an unlisted Company and as such the provisions of Clause 49 of the Listing Agreement are inapplicable to the Company. Despite this, the Company has prepared reports on "MANAGEMENT DISCUSSIONS AND ANALYSIS & CORPORATE GOVERNANCE" which are annexed hereto, continuing its principle of transparency and sharing objective oriented information to its investors and supporters.

The Company strives to comply with the Provisions of Clause 49 to the extent possible.

Some of the statements made in these reports may be forward looking and are made as required by applicable laws and regulations. Many factors may affect the actual results which could be different from what the Directors envisage in terms of the future performance and outlook.

**FUTURE OUTLOOK**

The Company has achieved a double digit growth rate of 30% during the year which was much higher than the Indian Mineral Industry average growth rate of 13%. This is a significant indicator of future growth and development. This growth rate is expected to continue and inspire the Company and its dedicated staff to focus more attention

on all its applications. The Current year 2007-2008 and all-coming years would walk on the foot prints of earlier year with the continued support of effective sales force, improvement in production facilities and implementation of innovative ideas.

The Speciality Chemicals division launched only two years back has fared dramatically well and the Company would continue to concentrate more effectively and efficiently to achieve higher growth.

During the year, the Company vigorously followed steps to improve plant efficiency, customers' satisfaction and exploitation of new applications. The Company is still continuing to consolidate, relocate and outsource manufacturing by constantly reviewing market scenario. Product development is an ongoing process carried out in a well equipped R & D Centre. This will enable the Company to review the range of products offered to the Customers.

The Company is always looking on enhancing the interest of all the stake holders by better utilization of all its resources.

## **FINANCE**

### **STATE BANK OF INDIA**

At the request of the Company, the State Bank of India, the Bankers of the Company, were good enough to enhance the fund based credit facilities from Rs. 8 Crore to Rs. 12.5 Crore, and non fund based limit from Rs. 1.75 to Rs. 3.5 Crores during the year, making the total limits available to the Company to Rs. 16 Crore.

The continued Co-operation of the Bankers would enable the Company to always revitalize and rejuvenate the operations of the Company. Your Directors are appreciative of the good gesture of the Bankers.

### **FIXED DEPOSITS**

As on 31.03.2007, Fixed Deposits from Public and Shareholders stood at the total of Rs. 662.90 Lacs. 84 deposits totaling to Rs.12.18 Lacs due for repayment on or before 31.03.2007 were not claimed by the depositors on that day. Out of these, deposits of Rs. 6.77 Lacs have since been repaid or renewed at the option of 46 depositors. No instructions have been received so far for the balance of Rs 5.41 Lacs from 38 depositors. These deposits, if not claimed in future, shall be deposited in the 'Investors Education and Protection Fund' in due course, as per the provisions of the Companies Act, 1956.

It is gratifying to note that despite of reduction in the rates of interest during the year, there had been increase in the total Deposits as at the end of the year compared to the previous year.

## **HUMAN RESOURCE DEVELOPMENT**

The Company recognizes the crucial role of human resource in realizing corporate objectives.

To encourage outstanding performers and for retention of talented employees, a careers progression policy has been evolved. Organization structure has also been reviewed, giving a better scope for talented employees to move up in the hierarchy and make greater contribution.

Your Company continued its efforts in developing human resources in to a rebounding workforce to successfully meet challenges and achieve corporate excellence in the emerging competitive market driven economy. This has helped your Company to meet various challenges in its course of business.

As a step ahead in this direction, your Directors have introduced Employees Stock Option Scheme 2007.

### **DISCLOSURE REGARDING EMPLOYEES STOCK OPTION SCHEME**

Pursuant to the resolution passed by the Shareholders in their General Meeting held on 28th March, 2007, your Directors have been authorized to formulate Employees Stock Option Scheme 2007 for the benefit and well being of permanent employees of the Company including the Directors, whether Whole time or not.

Accordingly, the Directors are in the process of introducing the scheme which will serve to align the interests of employees with those of the shareholders by creating a common sense of purpose towards enhancing shareholder value and also serve to attract and retain talent that is absolutely essential for the survival and growth of the Company in an environment that increasingly demands global competitiveness.

## INDUSTRIAL RELATIONS

Industrial relations scenario in your Company for the year was peaceful, cordial and healthy, as in the past. Your Company's emphasis on dispute resolution through consultative approach and mutual discussion has ensured peaceful industrial atmosphere and mutual trust between the Management and the employees.

## DIRECTORATE

MR. P. M. Shah joined the Board of Director as a Non Executive Director with effect from 5th Aug'06. He holds his office as such Director only upto the date of ensuing Annual General Meeting of the Company. He, being eligible, offers himself for appointment. Notice under Section 257 of the Companies Act, 1956 has been received from some of the members along with a deposit of Rs.500/- proposing his candidature for the office of the Director. Necessary resolution in this behalf is included in this notice for your approval.

Smt. Darshana Mankad resigned as the Director of the Company with effect from 1st Feb'07. She was young Chartered Accountant & her contribution to the growth & development of the Company was exemplary. The Directors have placed on record their appreciation for the services rendered by her during the period while she was on the Board.

Two of the directors of the Company viz., Mr. Rajesh C. Parikh & Mr. Sudhir .R. Parikh retire by rotation & being eligible, offer themselves for reappointment.

## AUDITORS

M/s. Manubhai & Co., Statutory Auditors, retires at the ensuing Annual General Meeting and have made themselves available for re-appointment. The Company has received a letter from Statutory Auditors to the effect that, in case their appointment is made, it would be within the specified limit under Section 224(1B) of the Companies Act, 1956. You are requested to re-appoint them and to fix their remuneration.

## AUDITORS' REPORT

The miss match of Short term and long term resources and its deployment is of temporary nature and shall be made good-off in the due course.

## THANK YOU

Your Directors would like to express their grateful appreciation to:

- 1) The Government Authorities, Gujarat Venture Finance Ltd. (GVFL) - 1995 the Investor, Banks and Financial Institutions, and
- 2) Customers, Vendors, Investors, Depositors and all others.

## APPRECIATION

Your Directors wish to place on record their appreciation to employees at all levels of their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry.

Place: Vadodara  
Date: 29th May, 2007

For and on behalf of the Board of Directors  
C.S. Parikh  
Chairman and Managing Director