

# AksharChem

AksharChem (India) Ltd.

[Formerly Known as Audichem (India) Ltd.]



A N N U A L  
R E P O R T  
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## ANNUAL REPORT 2005-2006

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### BOARD OF DIRECTORS

Mrs. PARU M. JAYKRISHNA

*CHAIRPERSON & MANAGING DIRECTOR*

Prof. PRADEEP JHA

Mr. PRAFULCHANDRA V. PATEL

Mr. KIRAN J. MEHTA

Mr. GOKUL M. JAYKRISHNA

*EXECUTIVE DIRECTOR*

Mr. MUNJAL M. JAYKRISHNA

### COMPANY SECRETARY

Mr. Deepak Kumar Dash

### AUDITORS

M/s. TRUSHIT CHOKSHI & ASSOCIATES

### REGISTRAR & SHARE TRANSFER AGENTS

PINNACLE SHARES REGISTRY PVT. LTD

### BANKERS

STATE BANK OF INDIA

### REGISTERED OFFICE & WORKS

166/169, INDRAD VILLAGE  
KADI KALOL ROAD,  
DIST. MEHSANA  
GUJARAT — 382 727 (INDIA)

### CORPORATE OFFICE

30, AMBICA SOCIETY  
USMANPURA  
AHMEDABAD - 380013  
GUJARAT (INDIA)

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**NOTICE**

Notice is hereby given that the 17th Annual General Meeting of the Members of AKSHARCHEM (INDIA) LIMITED will be held on 26th September, 2006, Tuesday, at the Registered Office situated at 166/169, Indrad Village, Kadi - Kalol Road, Dist: Mehsana, Gujarat, at 11.00 A.M. to transact the following business.

**Ordinary business:**

- 01** To receive, consider, approve and adopt the Audited Profit & Loss Account for the year ended 31st March, 2006 and the Audited Balance Sheet as at that date and the Director's and Auditor's Report thereon.
- 02** To declare dividend for the year ending 31st March, 2006.
- 03** To appoint a Director in place of Mr Kiran J. Mehta who retires by rotation and is eligible for re-appointment.
- 04** To appoint a Director in place of Prof. Pradeep Jha who retires by rotation and is eligible for re-appointment.
- 05** To appoint M/s. Trushit Chokshi & Associates, Chartered Accountants, Ahmedabad as Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**Special business:**

- 06** To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT Pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956 and pursuant to Article 116 of the Articles of Association of the Company, Mrs. Paru M. Jaykrishna be and is hereby re-appointed as Managing Director of the Company, for a period of 5 years effective from 01.04.2006 on such terms and conditions set out in the draft agreement."

- 07** To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT Pursuant to the provisions of Section 198, 269, 309, 310, and other applicable provisions of the Companies Act, 1956 and pursuant to Article 116 of the Articles of Association of the Company, Mr. Gokul M. Jaykrishna be and is hereby re-appointed as Executive Director of the Company, for a period of 5 years effective from 01.04.2006 on such terms and conditions set out in the draft agreement."

By the Order of the Board of Directors

Sd/-

Place : Ahmedabad  
Date : 29-07-2006

**Gokul M Jaykrishna**  
**Executive Director**

**NOTES FOR MEMBERS ATTENTION**

- 01 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 NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED WITH THE COMPANY AT LEAST 48 HOURS PRIOR TO THE COMMENCEMENT OF THE MEETING.**
- 02** The relative explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of items of Special Business, if required, is annexed herewith.
- 03** The Register of Members and share Transfer Books of the Company will remain closed from **16th September, 2006 to 26th September, 2006 (both days inclusive).**

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- 04 Members are requested to inform the Company or to the Registrar and Transfer Agents or Depository Participants (in case of shares held in electronic mode) any change in their addresses immediately so as to enable the company to despatch any future communication at their correct addresses.
- 05 In case mailing address mentioned in this Annual Report is without the PINCODE, then Members are requested to kindly inform their PINCODE immediately.
- 06 Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
- 07 Members who are holding in identical order of names in more than one folio are requested to send to the company the details of such folios together with the share certificate for consolidating their shares in one folio. The share certificates will be returned to the members after making requisite change thereon.
- 08 As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the Meeting.
- 09 For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance Slip, which is annexed to the Proxy Form. Members are requested to append their signatures at the place provided on the Attendance Slip and hand it over at the entrance.
- 10 The members can also avail facility of nomination in terms of extant legal provisions in this regard. On request, the necessary form will be supplied by the Registrar and Share Transfer Agents.
- 11 Members are requested to send their queries if any, at least ten days in advance to the Registered Office, so that the information can be made available at the meeting.

**12 Depository System**

The Company, consequent to introduction of the Depository System (DS), entered into agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Members, therefore, now have the option of holding and dealing in the shares of the Company in electronic form through NSDL or CDSL. Effective 28th May, 2001 trading in shares of the Company is permitted only in dematerialised form. The Depository System envisages the elimination of several problems involved in the scrip-based system such as bad deliveries, fraudulent transfers, fake certificates, theft in postal transit, delay in transfers, mutilation of share certificates, etc. Simultaneously, DS offers several advantage like exemption from stamp duty, elimination of concept of market lot, elimination of bad deliveries, reduction in transaction costs, improved liquidity, etc.

**13 Share Transfer Agent**

Company has appointed **M/s. Pinnacle Shares Registry Pvt. Ltd., Naroda Road, Ahmedbad - 380 025** as Registrar and Share Transfer Agent of the Company.

**ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT  
PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**

**Item No. 5**

Mrs. Paru M. Jaykrishna was appointed as Managing Director of the Company for a period of 5 years with effect from 1st April, 2001. Her current term concludes on 31st March, 2006. The Board of Directors have approved subject to members' approval, re-appoint of Mrs. Paru M. Jaykrishna as Managing Director of the Company for a further period of 5 years with effect from 1st April, 2006. Approval of Members is sought for the reappointment and payment of the salary, commission and other perquisites as detailed below, which are within the limits laid down in Schedule XIII of the Companies Act, 1956.

- 1) Salary Rs. 100,000/- per month upto Rs. 200,000/- per month.
- 2) Commission at the rate of 2.5% of the net profits calculated in the manner laid down in Section 309(5) of the Companies Act, 1956.
- 3) Incentive Allowance - as may be fixed by the Board, limited to four month's salary.

**4) Perquisites:****1. Housing.**

- a) The Managing Director will be provided with the Company hired furnished accommodation.
- b) If the Company does not provide housing, the Managing Director will be given HRA @50% of her salary.

**2. Medical Reimbursement - Reimbursement of expenses incurred for self and family.****3. Leave Travel Concession - For self and family once a year in accordance with the rules of the Company.****4. Clubs Fees - Including Entrance Fee.****5. Reimbursement of expenses actually incurred for children's education.****6. Insurance Policy to cover personal effects, personal accident and medical expenses.****7. Reimbursement of all entertainment expenses incurred in course of Company's business.****8. Reimbursement of expenses incurred on travelling, boarding and lodging of spouse, personal valet, Ayah or Governess, if any, accompanying her and/or her family during her/their travel.****9. All expenses incurred for engaging servants/cook/maid/mali or gardener / sweeper / durwan and security personnel at her residence.****5) Other perquisites**

The following perquisites will also be allowed, which shall not be included in the computation of the ceiling of remuneration specified in item 4 above :

a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

c) Leave and leave encashment on full pay and allowances not exceeding 30 days for every year of service. Unavailed leave, if any, at the end of the tenure will be allowed to be encashed on the basis of last pay drawn.

d) Free use of Company's car for business & private purpose

e) Telephone at her residence

**6) Minimum Remuneration**

In the event of loss or inadequacy of profits in any financial year, Mrs. Paru M. Jaykrishna will not be eligible for commission as stated in item 2 above; but shall be paid remuneration by way of salary, allowances and perquisites which are specified above, subject to the maximum allowed under Schedule XIII of the Companies Act, 1956.

**7) Notwithstanding anything stated above the total remuneration shall not exceed the limit laid down in Schedule XIII of the Companies Act, 1956.**

Mrs. Paru M. Jaykrishna is interested in the resolution, as it deals with her Remuneration. Mr. Gokul M. Jaykrishna and Mr. Munjal M. Jaykrishna, Directors being related to Mrs. Paru M. Jaykrishna may be deemed to be concerned or interested in this resolution.

Copy of the draft agreement approved by the Board on 26th June, 2006 between the Company and Mrs. Paru M. Jaykrishna are open for inspection at the Registered Office of the Company during business hours of any working day.

**ITEM NO. 6**

Mr. Gokul M. Jaykrishna was appointed as Executive Director of the Company for a period of 5 years with effect from 1st April, 2001. His current term will conclude on 31st March, 2006. The Board of Directors have approved subject to members' approval, re-appoint Mr Gokul M. Jaykrishna as Executive Director of the

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Company for a further period of 5 years with effect from 1st April, 2006. Approval of Members is sought for the reappointment and payment of the salary, commission and other perquisites as detailed below, which are within the limits laid down in Schedule XIII of the Companies Act, 1956.

1. Salary Rs. 50,000/- per month upto Rs.100,000/- per month.
2. Commission at the rate of 1.5 % if the net profits calculated in the manner laid down in Section 309(5) of the Companies Act, 1956.
3. Incentive Allowance - as may be fixed by the Board, limited to four month's salary.
4. Perquisites:
  - a Housing.
    - The Executive Director will be provided with the Company hired furnished accommodation.
    - If the Company does not provide housing, the Executive Director will be given HRA @50% of his salary.
  - b Medical Reimbursement - Reimbursement of expenses incurred for self and family.
  - c Leave Travel Concession - For self and family once a year.
  - d Clubs Fees including entrance fees.
  - e Reimbursement of expenses actually incurred for children's education.
  - f Insurance Policy to cover personal effects, personal accident and medical expenses.
  - g Reimbursement of all entertainment expenses incurred in course of Company's business.
  - h Reimbursement of expenses incurred on travelling, boarding and lodging of spouse, personal valet, Ayah or Governess, if any, accompanying him and/or his family during his / their travel.
  - i All expenses incurred for engaging servants / cook / maid / mali or gardener / sweeper / durwan and security personnel at his residence.

### 5) Other perquisites

The following perquisites will also be allowed, which shall not be included in the computation of the ceiling of remuneration specified in item 4 above :

- a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- c) Leave and leave encashment on full pay and allowances not exceeding 30 days for every year or service. Unavailed leave, if any, at the end of the tenure will be allowed to be encashed on the basis of last pay drawn.
- d) Free use of Company's car.
- e) Telephone at his residence.

### 6) Minimum Remuneration

In the event of loss or inadequacy of profits in any financial year, Mr. Gokul M. Jaykrishna will not be eligible for commission as stated in item 2 above; but shall be paid remuneration by way of salary, allowances and perquisites which are specified above, subject to the maximum allowed under Schedule XIII of the Companies Act, 1956.

- 7) Notwithstanding anything stated above the total remuneration shall not exceed the limit laid down in Schedule XIII of the Companies Act, 1956.

Mr. Gokul M. Jaykrishna is interested in the resolution, as it deals with his remuneration. Mrs. Paru M. Jaykrishna and Mr. Munjal M. Jaykrishna, Directors being related to Mr. Gokul M. Jaykrishna may be deemed to be concerned or interested in this resolution.

**AksharChem (India) Ltd.**

Copy of the draft agreement between the Company and Mr. Gokul M. Jaykrishna, approved by the Board on 26th June 2006 are open for inspection at the Registered Office of the Company during business hours of any Working day.

**ANNEXURE****PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES, FOLLOWING INFORMATION IS FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE APPOINTED / RE-APPOINTED.**

Mr Kiran J. Mehta is on the Board of the company since 29.07.2003 as a Director. Mr Kiran J. Mehta is a Cost Accountant.

<b>Directorships including the Company</b>	<b>Committee Memberships</b>
Name of Company	Name of Committee
Aksharchem (India) Limited	Audit Committee and Shareholders' Committee

Prof. Pradeep Jha is on the Board of the company since 21-04-1992 as a Director. Prof. Pradeep Jha is a prominent Academician.

<b>Directorships including the Company</b>	<b>Committee Memberships</b>
Name of Company	Name of Committee
Aksharchem (India) Limited	Audit Committee and Shareholders' Committee

Mrs. Paru M Jaykrishna is a promoter director and a prominent Industrialist.

<b>Directorships including the Company</b>	<b>Committee Memberships</b>
Name of Company	Name of Committee
Aksharchem (India) Limited	Audit Committee and Shareholders' Committee
Asahi Songwon Colors Ltd.	Audit Committee and Shareholders' Committee

Mr. Gokul M Jaykrishna is a promoter director and a prominent Industrialist.

<b>Directorships including the Company</b>	<b>Committee Memberships</b>
Name of Company	Name of Committee
Aksharchem (India) Limited	Audit Committee and Shareholders' Committee
Asahi Songwon Colors Ltd.	Audit Committee and Shareholders' Committee

By the Order of the Board of Directors

Place : Ahmedabad  
Date : 29-07-2006

Sd/-  
**Gokul M Jaykrishna**  
Executive Director

**ANNUAL REPORT 2005-2006****DIRECTORS REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS**

Dear Members,

The Directors have pleasure to present **SEVENTEENTH Annual Report** and Audited Accounts for the financial year ended on 31st March, 2006.

**FINANCIAL RESULTS**

Your Company's performance during the Financial Year 2005-06 is summarised below:-

	For the year ended March 31, 2006	(Rs. in Millions) For the year ended March 31, 2005
Gross Income	<b>278.380</b>	336.328
Exports	<b>245.770</b>	135.381
Gross Profit	<b>5.831</b>	15.601
Depreciation	<b>4.950</b>	7.348
Provision for Taxation	<b>0.700</b>	2.700
Net Profit	<b>0.181</b>	5.553
Transfer to General Reserves	—	1.000
Dividend	<b>1.94</b>	3.880
Balance Carried to Balance Sheet	<b>47.006</b>	48.766

**DIVIDEND**

Your Directors recommend 5% dividend for the current financial year.

**OPERATIONAL PERFORMANCE**

The Sales Turnover for the year decreased by almost 12.84% from Rs. 336.33 million to Rs. 278.38 million due to intense competition. Despite this, the Company manages to earn a profit of Rs. 0.18 million (previous year Rs. 5.55 millions).

The Company's financials are very strong as the Company has no long term loans.

**MANAGEMENT DISCUSSION & ANALYSIS****INDUSTRY STRUCTURE AND DEVELOPMENT & OPPORTUNITIES:**

Akshar chem is an acknowledged leader in the area of Vinyl Sulphone and is in a position to manufacture large volumes of this important building block in a wide range of Dyes forms. Overall, the Dyes & Intermediates industry is characterised by a high degree of fragmentation and the excess capacity thus created has resulted in aggressive competition resulting in pressure on its gross margins.

With chemicals getting commoditised, the need for cost efficiency is driving businesses to look at India as a global source of supplies with renewed interest. Given a favourable cost position, there will be increased opportunity for manufacture of many items from the developed countries to move to India.

With the ambitious growth prospects Indian chemical industry is aspiring to multiply total revenue from present \$ 28 billion to \$ 100 billion by 2010. Similarly, the Indian dyestuff industry can realistically aim to realise about 10 percent share of the world market in next five years and look forward for realizing US\$ 2 billion revenue by the year 2010. In the wake of these developments plenty of opportunities exist for positioning the industry to cater to the demand of growing domestic markets by modernizing the plant to cater to environmental relations and setting up of development facilities to offer research oriented performing products.

Availability of large pool of efficient technical manpower with excellent management skills presents a promising global opportunity for Indian industries. India can emerge as major player in global opportunity for Indian industries. India can emerge as major player in global markets providing cost effective quality products and reposition itself to provide solution, develop global scale of operations and compete with other suppliers like China.

The inherent strength of Aksharchem driven by its core value to create customer focused organisation and its experience of working together as partners in progress with its customers for over 15 years provides opportunity to the Company to position itself as a strong player in growing markets by leveraging its well-developed research and development facilities, technical manpower, support and reputation of being a quality conscious supplier.

**THREATS, RISKS AND CONCERNS**

Indian exports are suffering due to high cost of inputs and utilities, increasing cost of finance, unfavourable import duty, inefficient logistics & infrastructure, uneconomical size of operations and low focus to research and development activities. Improvement in competitive strength requires high degree of customization and world class services.

Moreover today almost all the businesses face a tangible threat from lower cost alternatives imported from China. Chinese products are highly competitive both on account of a better raw material cost position and economies of scale.

Price instance in the local market accompanied by the continuous escalation of raw material prices and input costs has relentlessly squeezed margins in the Dyes & Intermediates. The volatility of Rupee and the inequitable indirect duty structure are an additional cause for concern.

**FUTURE OUTLOOK**

The outlook is positive despite a very competitive environment. While the quality of our products is world-class we are facing a considerable price resistance, particularly in the International markets. AksharChem is making all efforts to reduce its cost base to ensure that we do not lose our market share due to price resistance. Market trends indicate a change in usage pattern from moderate quality products to high performance ecologically safe pigments and intermediates. We will increasingly cater to segment that is more quality conscious this segment.

There is good opportunity for servicing large market domestic as well as abroad provided that the additional cost on account of higher crude oil prices and duties can be offset by the several internal cost saving measures that are being implemented.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has effective internal control systems commensurate with the size of the Company. This is further supplemented by an internal audit being carried out by an external firm of Cost Accountants. The internal auditors conduct audits of the performance of various departments, functions and locations and also statutory compliances based on an annual audit plan. They report their observations/recommendations to the Audit Committee of the Board of Directors which comprises three non-executive Directors. The Audit Committee reviews the audit observations and follows up on the implementation of the suggestions and remedial measures and also recommends increased scope of coverage, if necessary.

**CAUTIONARY STATEMENT**

Statements in this Report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied, because of various factors like Government policy, competition, exchange rate fluctuations etc.

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Foreign Exchange Earnings of the Company from direct exports amounted to Rs. 245.769 million (previous year - Rs. 135.380 million). The net foreign exchange earnings of the Company after deducting outflow on all accounts, amounted to Rs. 2.188 million against Rs. 1.522 million in the previous year.

The remaining turnover continues to be exports through other Export Houses.

**SAFETY AND ECOLOGY**

Your Company continues to exercise persistent and meticulous efforts towards greener earth and environment conservation. The Company perseveres in its efforts to teach safe and environmentally accountable behaviour in every employee, as well as its vendors. Company is committed towards safety, not only of its own men and plants, but also of the society at large.

Safety records showed considerable improvement and Zero accident target is almost achieved. This was made possible by strict adherence to laid down procedures and following of international guidelines.

Solid Waste, generated at Works, after the treatment of its liquid effluent is sold to reputed Cement manufacturers.

The Company continues to demonstrate its commitment to a clean and safe environment. The state of the art effluent treatment plant continues to run satisfactorily, so that the treated wastewater discharged, is well within the stipulated norms set by GPCB.

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The Company is committed for going in for ISO-14000 certification and efforts are on to implement the same at the earliest.

### ENGINEERING

In our continued quest for alternative sources of energy due to escalating costs of purchased/produced energies, the plan of using agro waste in place of furnace oil is being implemented. Another project with considerable progress is the re-circulation / conservation of water. At some of the processes, water re-circulation and reuse has been introduced this year.

Equipment downtime due to breakdowns has considerably reduced due to strict adherence of preventive maintenance schedules, which in turn increased operational efficiency and reduced costs.

### RESPONSIBILITY STATEMENT:

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

- (i) that in the preparation of the annual accounts for the year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanations in case of material departures;
- (ii) that such accounting policies as mentioned in Schedule 20 of the Annual Accounts have been applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2006 and of the profit of the Company for that period;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with 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 annual accounts for the year ended 31st March, 2006 has been prepared on a going concern basis.

### CORPORATE GOVERNANCE:

As a Listed Company, necessary measures are taken to comply with the Listing Agreements with the Stock Exchanges. A report on the Corporate Governance together with a certificate of compliance from the Auditors, forms part of this report.

### DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Kiran J. Mehta and Prof. Pradeep Jha are due to retire at the forthcoming annual general meeting, and being eligible, have offered themselves for re-appointment.

Details of the Directors seeking re-appointment as required under Clause 49 VI A of the Listing Agreements entered into with the Stock Exchanges are provided in the Corporate Governance Report forming part of this Report.

### AUDITORS:

Members are requested to appoint Auditors for the current year at a remuneration to be decided by the Board of Directors of the Company. M/s. Trushit Chokshi & Associates, the retiring Auditors, are eligible for re-appointment and have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

### PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Statements giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under the Companies (Disclosure of Particulars in the Board of Directors' Report) Rules, 1988 are annexed.

### FIXED DEPOSITS

The Company has not accepted any fixed deposit from the public during the period. No deposits are outstanding as on 31st March, 2006.

### COST AUDITORS

The Cost Auditors' Report for 2005-06 will be forwarded to the Central Government in pursuance of the provisions of the Companies Act, 1956.