ARCHIES LIMITED
ANNUAL REPORT 2002-2003

ARCHIES™

The Most Special Way To Say You Care

Board of Directors

Anil Moolchandani
Chairman-cum-Managing Director

Jagdish Moolchandani
Executive Director

Pramod Arora
Executive Director

Vijayant Chhabra
Executive Director

Rohinton H. Kanga
Director

Sunil Behl
Director

Arun Singhal
Director

Ajit Ganpatlal Shah
Director

Company Secretary
Manish Kumar Jain

Auditors
M/s Uberoi Sood & Kapoor

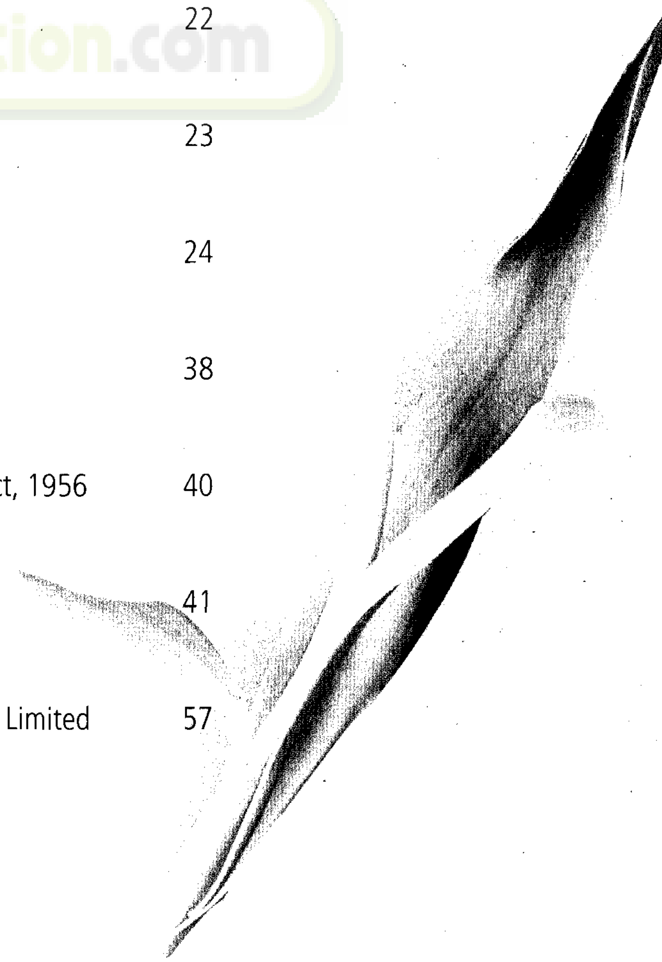
Bankers
Citibank N.A.

Registered Office
A-17, Naraina Industrial Area
Phase-II, New Delhi-110 028.

Corporate Office
A-37, Naraina Industrial Area
Phase-I, New Delhi-110 028.

CONTENTS

ARCHIES



DEAR FELLOW SHAREHOLDERS,

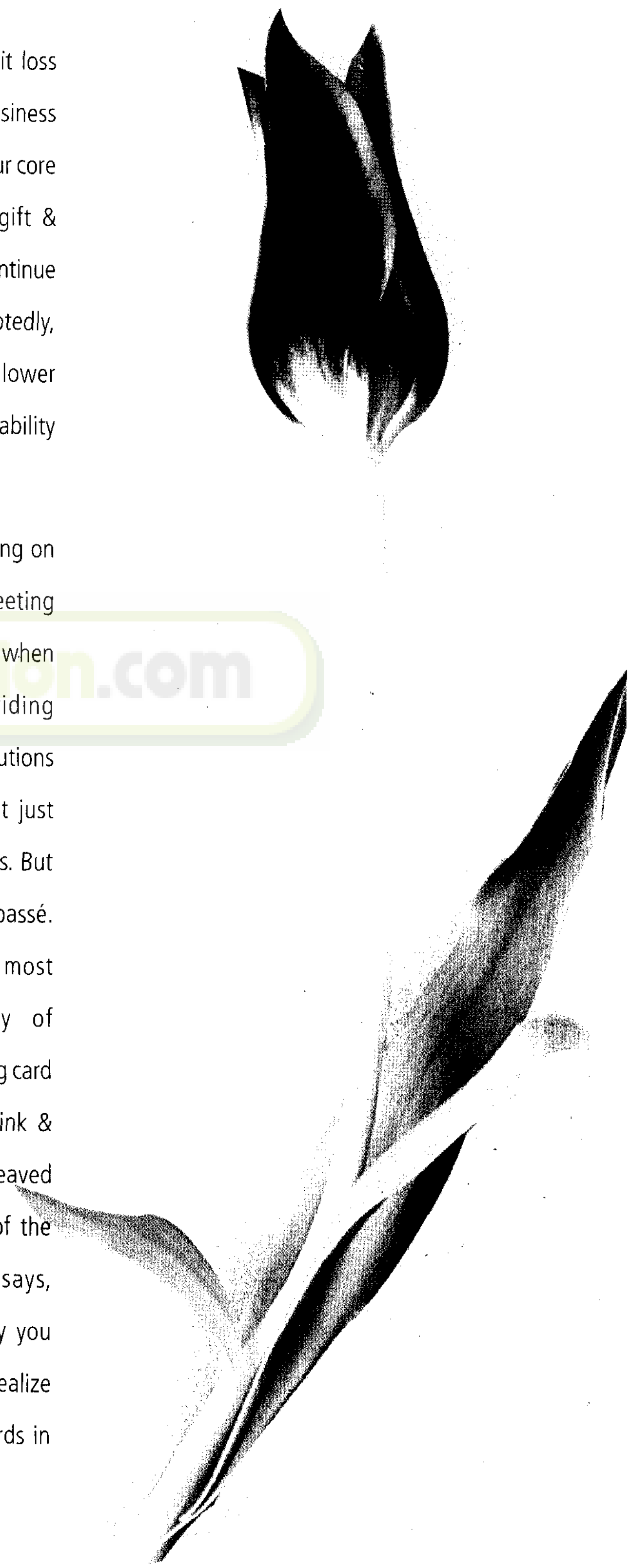
Another year has gone by. We have walked together through the difficult and the tedious paths the old year took us. And while you might still prefer to call it a difficult year, we call it the year that was, was of opportunities. Where you might see losses, we see lessons. And with this positive outlook, let me welcome you to a new year- the year of the change.

The first notable change we have enforced is in our name itself. Archies Greetings & Gifts Limited will henceforth be known as Archies Limited. Though limited only in name, Archies does have unlimited prospects. A new, short name indicates your company's resolve to be a lean and a fit company. And also fits in well with what people know us popularly by.

During the last fiscal, the company recorded a turnover of Rs. 7622 Lakhs as compared to Rs. 8047 Lakhs during the previous financial year, a decrease of 5 % . The net profit for the same period stands at Rs. 307 Lakhs as against Rs. 753 Lakhs. And as we truly believe in the adage, 'Every dark cloud has a silver lining', we have taken these results as lessons and stepping-stones to tread on our way to success.

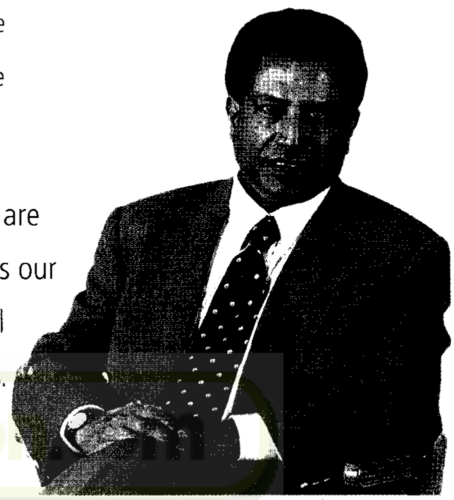
As a result, we decided to exit loss making as well as unrelated business activities and concentrate on our core business of greeting cards, gift & retail. We have decided to discontinue the perfume division. Undoubtedly, this decision will result in a lower turnover but the overall profitability of the company will improve.

This year, we are totally focusing on our single big advantage-greeting cards. Yes, even in these times when new technologies are providing convenient but short time solutions to communicating needs. Not just because, it is our core business. But because feelings will never be passé. And a greeting card is the most appropriate personal way of communicating them. A greeting card comprises of more than just ink & paper. There are emotions weaved into every word, every fiber of the card. And as our baseline says, 'The most special way to say you care', people will once again realize the importance of greeting cards in



their lives. And we will provide the reason to do so. With innovations in our product portfolio coupled with our renowned quality to maintain the pace at which todays world revolves, we are sure we will make it stop still and take notice.

And since, greeting cards and gifts go hand in hand. It has always been our endeavor to make available the latest range of gifts to our esteemed customers. In our constant effort to provide them quality products, we have entered into tie-ups with renowned companies like Cadbury, Divinity, Oyzterbay etc. This fits in well with our motto to provide our customer the best there is in each category. As always, our dream of making true the term, 'There's an Archies at every corner' takes a step towards reality. And as usual the way to realize this dream is through the power of retail. As per the available information, about 250 shopping malls will be operational in the next five years across the country. As a business policy, we will have presence in at least half of the upcoming shopping malls.



"A greeting card comprises of more than just ink & paper. There are emotions weaved into every word, every fiber of the card. And as our baseline says, 'The most special way to say you care', people will once again realize the importance of greeting cards in their lives. And we will provide the reason to do so."

During the year, Mr. Mahendra Chheda resigned from the directorship due to personal reasons. We record our deep appreciation for the valuable contributions made by him during his tenure and will surely miss him.

There are great challenges ahead like SMS, MMS, organized retailing and organized competition, not only for your company but for the industry as a whole. With the continued confidence of all our associates, we will aggressively meet those challenges with renewed faith in our company and the future that we all share.

So with this I present to you, your company's annual report. But as you turn the page, remember we are also doing the same thing. Turning the page for a better future, for all of us.

Yours sincerely,

ANIL MOOLCHANDANI
Chairman-cum-Managing Director

YEAR AT A GLANCE

(Rs. in Lakhs)

S. No.	Particulars	2002-2003	2001-2002	2000-2001
1.	Total Turnover	7622.47	8047.48	6815.26
2.	Other Income	82.95	54.31	64.69
3.	Total Expenditure	6985.26	6695.10	5275.15
4.	Profit before Depreciation, Interest and Tax (PBDIT)	720.16	1406.69	1604.80
5.	**PBDIT as a % of Total Turnover**	**9.45**	**17.48**	**23.55**
6.	Interest	66.49	78.90	81.92
7.	Depreciation	151.08	137.40	118.40
8.	Profit Before Tax (PBT)	502.59	1190.39	1404.48
9.	**PBT as a % of Total Turnover**	**6.59**	**14.79**	**20.61**
10.	Provision for Taxation	195.43	437.23	490.00
11.	Profit after Tax (PAT)	307.16	753.16	914.48
12.	**PAT as a % of Total Turnover**	**4.03**	**9.36**	**13.42**
13.	Paid up Equity Share Capital	650.62	650.62	650.62
14.	Reserves (excluding revaluation reserves)	4093.16	3893.47	3557.55
15.	Net Worth	4732.75	4529.27	4189.56
16.	Earning Per Share (in Rs.)	4.72	11.58	14.06
17.	Book Value Per Share (in Rs.)	72.74	69.62	64.39
18.	Dividend (%)	15	20.00	15.00
19.	Amount of Dividend	97.59	130.12	97.59
20.	**Return on Average Net Worth (%)**	**6.63**	**17.28**	**24.16**
21.	**Return on Average Capital Employed (%)**	**11.54**	**27.13**	**37.46**

To The Members,

Your Directors hereby present the Thirteenth Annual Report on the business and operations of the Company together with the audited statement of accounts for the year ended 31st March, 2003.

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED

(Rs. in Lakhs)

	31st March 2003	31st March 2002
Net Sales	**7622.47**	8047.48
Other Income	**82.95**	54.31
Total Expenditure	**6985.26**	6695.10
Operating Profit (PBDIT)	**720.16**	1406.69
Interest	**66.49**	78.90
Depreciation	**151.08**	137.40
Profit before Tax(PBT)	**502.59**	1190.39
Provision for taxation		
Current	**165.00**	381.00
Deferred	**30.43**	56.23
Net Profit (PAT)	**307.16**	753.16
APPROPRIATIONS		
Proposed Dividend	**97.59**	130.12
Transfer to General Reserve	**150.00**	500.00
Tax on Dividend	**12.50**	-
Profit carried to Balance Sheet	**47.07**	123.04

PERFORMANCE REVIEW

During the year under review your Company recorded a turnover of Rs. 7622 Lakhs as compared to Rs. 8047 Lakhs in the previous financial year, a decrease of 5.28 %. The Net Profit for the same period stands at Rs. 307 Lakhs as against Rs. 753 Lakhs, a decrease of 59.22 %.

The turnover of the company has decreased due to the following reasons:

1. Across the board, economic slowdown in the country.
2. Low contribution of perfumes to the total turnover.
3. Negligible dispatch of goods to some under performing distributors.
4. Low footfall in the retail market during Feb. & March due to world cup cricket.

The profitability of your Company has decreased due to the following reasons:

1. Perfume segment performed poorly.
2. Old and non-saleable stock was taken off the inventory.

After showing a downward trend for two consecutive years, Greeting cards business remain stable this year. The sales of greeting cards during the current year stands at Rs. 3676 Lakhs (in value) and 546 Lakhs Nos. (in volume) as against Rs. 3796 Lakhs and 547 Lakhs Nos. for the previous year.

During the year the Company also entered into an arrangement with International Cricket Council for exclusive merchandising rights in India for Greeting Cards, Posters, Mugs, Crayons, Soft Toys and various other Paper products, using the logo, mascot and all other marks associated with the World Cup Cricket Tournament, which was held in South Africa in 2003.

During the year, the Company also launched a value added service called 'EXPRESS WISHES' in association with Blazeflash Couriers Pvt. Ltd. to enable its customers to send greeting cards throughout India by courier at very attractive price.

In order to improve its profitability, the company has taken the following conscious decisions;

1. **To discontinue the operations of perfume segment**

   Based on the financial performance of this segment for the two consecutive financial years, the Board has decided to discontinue the perfume division and enter into an agreement with a third party on non-exclusive basis to grant a license to use "Archies Parfum" brand name on royalty basis. This initiative will result into a lower turnover but the overall profitability will go up as this segment was continuously incurring losses.

2. **Company owned/managed outlets**

   As you are aware that the company had started opening company owned/managed outlets two years ago very aggressively. Undoubtedly, these stores are contributing significantly to the turnover as well as profits collectively. After analyzing the performance of these stores on an individual basis, we have decided to close some of the stores, which were not viable financially and open new stores at better locations. The no. of company owned/ managed outlets presently stands at 35 (thirty five).

DIVIDEND

Your Directors recommend a dividend of Rs.1.50 per share for the year ended 31st March, 2003. The dividend will entail an outflow of Rs.97.59 Lakhs as against Rs.130.12 Lakhs for the previous year. The dividend, in the opinion of the Board, represents a prudent balance between the need for the Company to reward its shareholders as well as the need to plough back the profits for the Company's own requirements. Under the Indian Income Tax Act, 1961, the receipt of dividend is tax free in the hands of the shareholders.

SUBSIDIARY COMPANY

During the year, the Company acquired 2,00,000 equity shares of Archies Online. Com Ltd., its subsidiary company by way of allotment. Hence, as on 31st March, 2003, your Company holds 99.85% of equity capital of Archies Online. Com Ltd.

The Report and audited accounts of the subsidiary company referred to in Section 212 of the Companies Act, 1956 and the statement pursuant to Section 212(1) (e) of the Act form part of the Annual Report.

Change of Name of the Company to 'Archies Limited'

At its annual general meeting held on 27th Sept. 2002, the shareholders has approved the change of name of company to 'Archies Limited' subject to the approval of Central Government. The company got the approval of Central Government and later on a fresh certificate of incorporation was issued by the Registrar of Companies, NCT of Delhi & Haryana, New Delhi on Nov. 7,2002. Hence, the name of the company has changed to ARCHIES LIMITED w.e.f. Nov. 7, 2002.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The informations as required under section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure 'A' to the Directors' Report.

PARTICULARS OF EMPLOYEES

None of the employees fall under the purview of the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the company, Mr. Pramod Arora, Mr. Vijayant Chhabra and Mr. Arun Singhal retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Mahendra Chheda, Director resigned on 19th October, 2002 due to his pre-occupation . Your Directors record their deep appreciation for the valuable contributions made by him during his tenure.

AUDITORS

M/s Uberoi, Sood and Kapoor, Chartered Accountants, the statutory auditors of the company retire at the conclusion of the forthcoming annual general meeting of the company and have confirmed their eligibility and willingness to accept the office of the auditors, if reappointed.

AUDITORS' REPORT

The change in the accounting policy with regard to provision for leave encashment on actuarial valuation as referred to by the Auditors in their report and explained at Note 18 of Schedule 'O' and Point No. 6(i) of Schedule 'N' is self explanatory.

The omission of certain items, which were hithertofore stated as accounting policy of the company, which in the opinion of the management are not required to be so described as referred to by the Auditors in their report and explained at Note 19 of Schedule 'O' is also self explanatory.

PUBLIC DEPOSITS

During the year, your Company has not accepted any public deposits in terms of the provisions of Section 58 A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules, 1975.

INDUSTRIAL RELATIONS

The relations between the Company and its employees continued to be cordial and harmonious throughout the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors make the following statements in terms of section 217(2AA) of the Companies (Amendment) Act, 2000:

(i) That in the preparation of the annual accounts for the year ended 31st March, 2003, the applicable accounting standards have been followed, along with proper explanation relating to material departures, if any;

(ii) That such accounting policies as mentioned in the Notes to Accounts, have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the company as at 31st March, 2003 and of the profit or loss of the company for the year ended on that date.

(iii) That proper and sufficient care has been taken 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; and

(iv) That the annual accounts have been prepared on a going concern basis.

VOLUNTARY DELISTING

Presently the Equity Shares of the Company are listed at the following Eight Stock Exchanges in India:

(i) The Delhi Stock Exchange Association Ltd.

(ii) The Stock Exchange, Mumbai (BSE)

(iii) National Stock Exchange of India Ltd. (NSE)

(iv) Madras Stock Exchange Ltd.

(v) The Calcutta Stock Exchange Association Ltd.

(vi) The Stock Exchange, Ahmedabad

(vii) Jaipur Stock Exchange Ltd.

(viii) Pune Stock Exchange Ltd.

With the networking of centres of BSE & NSE the members of the company have access to online dealings in the Company's share across the country. The Bulk of the trading in the company's equity shares takes place on the BSE and the NSE and the depth and liquidity of trading in the Company's share on all other Stock Exchanges has been very rare and of very low volumes. Your company has been spending considerable amount of money on listing fees, in compliance of various statutory requirements and also on communications in the form of fax intimations, registered letters etc. with these Stock Exchanges. Shareholders/Investors do not get any benefit despite company spending these amounts. Therefore, it is proposed to delist the equity shares of the company from the stock exchanges at Delhi, Madras, Calcutta, Ahmedabad, Jaipur & Pune for which approval of shareholders is being sought at the ensuing Annual General Meeting.

The proposed delisting of the company's equity share on these Exchanges will not therefore adversely affect any investor including the members located in regions where the said Stock Exchanges are situated because the company's securities will continue to be listed on BSE and NSE.

The delisting will take effect after all approvals, permissions and sanctions are received.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance and Management Discussion and Analysis Report together with a certificate from the Company's Auditors confirming compliance is set out in the annexure forming part of this report.

As regards auditor's observation in its certificate on Corporate Governance, we would like to state that annual operating plans and budgets and any updates as well as capital budgets and any updates were discussed and reviewed from time to time by the management internally. During the current financial year 2003-2004, we will also place the same before the Board of Directors in addition to existing practice of discussing internally.

CONSOLIDATED FINANCIAL STATEMENTS

As stipulated by clause 32 of the Listing Agreement with the Stock Exchanges, the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, issued by the Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements for the year ended March 31,2003 form part of the Annual Report.

EVENTS AFTER THE BALANCE SHEET

As you are aware that ICRA had assigned "A1+" rating to our commercial paper programme of Rs. 7 Crore, which was valid till August 12, 2003. Now, ICRA has reaffirmed the rating of aforesaid instrument at "A1+".

As per the decision taken by the Board of Directors, the Company has discontinued Parfum division with effect from 15/05/2003.

ACKNOWLEDGEMENT

Your Directors would like to take this opportunity to express sincere thanks to its valued franchisees, distributors, C & F agents, collaborators, bankers and all other business associates for their continued co-operation and patronage.

The Directors would also like to express their deep sense of appreciation to all the employees who are committed to strong work ethics, excellence in performance and commendable teamwork and have thrived in a challenging environment. Finally, the Directors wish to express their gratitude to the valued shareholders for their unwavering trust and support.

Place : New Delhi

Date : 30th July, 2003

For and on behalf of the Board

sd/-

Anil Moolchandani

Chairman-cum-Managing Director